



Enriching Lives

KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

SEC/ F:24

January 21, 2025

BSE Limited

Corporate Relationship Department,
2nd Floor, New Trading Ring,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.

National Stock Exchange of India Ltd.

5th Floor, Exchange Plaza,
Bandra (East),
Mumbai - 400 051.

(BSE Scrip Code – 500241)

(NSE Symbol - KIRLOSBROS)

Dear Sir/Madam,

Sub.: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”), and in continuation of our disclosure dated July 4, 2018, we hereby inform you that the Company had filed a Spl. Civil Suit No. 40 of 2018 before the Hon'ble Pune District Court assailing the communication(s) received from Kirloskar Proprietary Limited, challenging its ability to terminate the Trade Mark License/User Agreements and for other reliefs. During the pendency of the above suit, Kirloskar Proprietary Limited sought to withdraw the said communications and claimed to have reinstated the trade-mark license/user rights granted in favour of Kirloskar Brothers Limited from the date of such withdrawal. The suit however continued since the withdrawal was not unconditional and the issues raised by us for consideration by the court continued to subsist. In July 2024, Kirloskar Proprietary Limited once again communicated its intent to terminate the Trade Mark License/User Agreement vide its communication dated 11 July 2024, which termination would take effect after 180 days from the date of the communication. Being aggrieved by the same, Kirloskar Brothers Limited had filed an Interim Application in the aforesaid Suit No. 40 of 2018 inter alia challenging such communication.

After a detailed hearing in the said Interim Application, the Hon'ble Pune District Court, vide its Order dated 09 January 2025, was pleased to allow Kirloskar Brother Limited's Interim Application and stayed the effect and operation of the communication dated 11 July 2024. The Hon'ble Court further restrained Kirloskar Proprietary Limited from taking any steps to terminate the Trade Mark License/User Agreements, pending the hearing and final disposal of the above Suit. Expected financial implication of the aforesaid litigation cannot be ascertained at this juncture. We shall keep the exchange informed of any further material developments in the matter.

A copy of the Order dated 09 January 2025 has been made available to the Company on 20 January 2025 and is annexed hereto as **Annexure – A**.



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KIRLOSKAR BROTHERS LIMITED

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The above is also available on website of the Company at www.kirloskarpumps.com.

This is for your information and records.

Thanking you,

Yours faithfully,

For **KIRLOSKAR BROTHERS LIMITED**

Devang Trivedi
Company Secretary

Encl.: As above.



SPL. CIVIL SUIT No.40/2018
MHPU010090632018
Kirloskar Brothers Limited
Through Its Sandeep Anil Phadnis
Vs. Kirloskar Proprietary Limited

ORDER BELOW EXH. 128

The application is by the plaintiff under the provision of Order 39 Rules 1 and 2 read with section 151 of the Code of Civil Procedure, 1908 (CPC). By this application, the plaintiff has prayed temporary injunction by various prayer clauses as per the application. The plaintiff as per its case was constrained to file this application on the two grounds. The first ground is that the plaintiff has come with the case that the subject matter licenses mentioned below were in the nature of indeterminable. In the alternatively, if those are held to be determinable, those licenses being earlier owned by the plaintiff should be restored to the plaintiff. Secondly, the plaintiff has also come with the case that the breaches alleged by the defendant are very trivial and not very material. Some of the breaches are caused only due to the inaction on the part of the defendant. Some breaches can be rectified and some breaches can be ignored as there has been substantial compliance. The subject matter agreements are as below which are mentioned in the paragraph no.42.N of the amended plaint. The relevant extract of the said paragraph is extracted and reproduced as below :-

42.N. trademark user agreement dated a] 1 August 1977 as supplemented by supplemental user agreement dated 20th 1984, Supplemental User Agreement IV dated September 5, 1989. Supplemental User agreement V dated June 1, 1993, and November 23, 2006, and subsequent amendment vide letters dated March 6 2010; August 30, 2010; November 22 2011, July 20 2012 and January 21, 2013; b] trademark user agreement dated September 7, 1983 (as supplemented by supplemental user agreement dated February 20 1984, supplemental user agreement IV dated September 5 1989, supplemental user agreement V dated June 1, 1993, November 23, 2006 and subsequent amendment vide letters dated March 6, 2010; August 30, 2010; November 22, 2011; July 20 2012, and January 21, 2013; c] trademark user agreement dated August 1, 2001 (As supplemented by supplemental user agreement dated November 23, 2006 and subsequent amendment vide letters dated March 6, 2010, August 30, 2010; November 22, 2011; July 20, 2012 and January 21, 2013) d] trademark user agreement dated February 16, 2005, as supplemented by supplemental user agreement dated November 23, 2006 and subsequent amendment vide letters dated March 6, 2010; August 30, 2010: November 22, 2011; July 20, 2012 and January 21, 2013; e]

trademark user agreement dated January 31, 2008 (as amended vide letters dated March 6, 2010; August 30 2010, November 22, 2011 and July 20, 2012); and f] trademark user agreement dated April 21, 2017.

02. Before appreciating the controversy between the parties, it is apt to know some undisputed facts. The plaintiff is a stock listed company and incorporated as per the provisions of the Indian Companies Act, 1956. The plaintiff is engaged in manufacturing of the various products which are in the nature of submersible pumps, oil pumps and valves pumps etc. The plaintiff was the first company established and which is now a company from the Kirloskar Groups. The plaintiff was registered in the year 1926 as the Kirloskar Brothers Limited (KBL). Thereafter, many other companies were established and became part of the very same Kirloskar Group. The parties are not at issue that thereafter the defendant company was established as Kirloskar Proprietary Limited (KPL). The defendant company is not engaged in any manufacturing, marketing, packaging or trading business, of any commodity. The sole purpose for which the defendant company was incorporated was that it was to take care of the trademarks and other intellectual property rights of the then companies of the Kirloskar Group. Even the defendant has admitted that it was incorporated to carry on the business to acquire and hold central intellectual property. Before the incorporation of the defendant

company, then the group companies were having several trademarks as their proprietary rights. The parties are not at issue and even a categorical statement by the defendant in para-11 of the written statement is to the effect, that the defendant company was created to avoid dilution of the “Kirloskar” trademarks due to the multiple rights having been created at the relevant time. The parties are also not at issue that the plaintiff was the earlier proprietor of the trademarks which are forming part of the subject matter as above. In view of the creation of the defendant, earlier the plaintiff assigned eight trademarks as pleaded by the plaintiff in para no.4 of the plaint. Those trademarks were acquired by the plaintiff prior to the incorporation of the defendant. By the first assignment agreement dated 04.09.1968 the above trademarks were assigned to the defendant by executing an assignment deed. Thereafter, the very same trademarks were used by the plaintiff in view of the permitted user licenses. The first permitted user license was executed on 16.08.1969. The parties are not at issue that thereafter there was a series of assignment agreements and reciprocal permitted user licenses. Many a times the permitted user licenses were renewed so as to comply the prevailing statutory provisions. The last permitted user agreement was executed in the year 2017.

The Controversy between the parties :-

03. The plaintiff has come with the case that the first assignment deed and then subsequent assignment deeds were

executed due to some sort of family arrangement. The relation between the plaintiff and the defendant and the defendant at one hand with other group companies was in the nature of a family arrangement or quasa partnership relation or in the nature of a fiduciary relation. The assignments were executed only to protect the trademarks of the plaintiff as well as the other group companies. Prior to the incorporation of the defendant company, the group companies faced some problems while protecting their respective trademarks from being diluted by the third parties. Hence, for the very same purpose, the defendant was incorporated. Otherwise there was no reason for the incorporation of the defendant company. The plaintiff being the first company from the group was having its well established business and goodwill. It is the flagship of the Kirloskar Group. Only because of the relation akin to the family arrangement and due to mutual trust the plaintiff executed the assignment agreements. Otherwise the plaintiff was not required to execute the same.

04. The plaintiff has further come with the case that the consideration for the assignments was only in the nature of some covenants. The primary covenant being that the defendant was to execute the permitted user agreements and make the plaintiff registered permitted users. That consideration is continuing one. As soon as that consideration fails, as per the case of the plaintiff the respective assignment becomes a void agreement for want of a

valid consideration. Thus, the plaintiff has come with two fold defences to protect its status as perpetual user. Firstly, it has come with the case that the permitted user license is indeterminable. Secondly, it has come with the case that if it is held to be determinable, as soon as there is failure of consideration as above, all the trademarks which were and have been assigned to the defendant shall revert back to the plaintiff and in that eventuality the assignment shall become void.

05. The plaintiff has further come with the case that in view of the family arrangement, the business carried out by the group companies was always complimentary to each others and not competitive, Any two companies from the group did not manufacture a single product. This arrangement worked well till recently before filing of the suit. One company as Kirloskar Oil Pumps Limited (KOPL) started manufacturing the very same products which are manufactured by the plaintiff. In view of the family arrangement, many group companies assigned their trademarks to the defendant. The defendant also completed his reciprocal promise by executing the permitted user agreements and by making this group companies as the permitted registered users of the respective trademarks. In view of the family arrangement as noted above, as per the case of the plaintiff, the group companies were not supposed to and specifically agreed not to run any competitive business. But when one company started

running a competitive business, the plaintiff objected the same to the defendant and requested to take an action. Though as per assignment agreements the plaintiff as well as other group companies became the members of the defendant, recently, the plaintiff was reduced to minority in the defendant company. It was a part of design by the defendant at the instance of other competitive companies. Hence, the request by the plaintiff to take an action against that culprit which has been defying the family arrangement did not yield any positive result. On the contrary, the plaintiff was issued the termination notices in the year 2018. Hence, the suit was filed. During the pendency of the present suit, the said termination notices were withdrawn but only to issue fresh termination notices dated 11th July, 2024.

06. The defendant has come with the case that though it was incorporated to protect the trademarks but as per its memorandum of association, the defendant company is engaged in the business of holding and promoting the trademarks. The assignment agreements were executed by the plaintiff and other group members only to assign the trademarks to the defendant. Those transactions were not the sham transactions. Since the assignment, the defendant alone became the sole proprietor of the trademarks. The plaintiff and other group members can enjoy only the status as permitted users. As soon as there was the assignment the trademarks became the absolute property of the defendant.

Only consideration for the assignment was execution of a user agreement. The terms of the user agreements were mutually agreed by the parties. As per the terms of the user agreements those were at “will”. Those were not indeterminable. The defendant was having an option to terminate those user agreements if the plaintiff commits any breach. That apart, either of the parties is having an option to terminate the user agreements by giving a notice for a period as stipulated in the respective user agreements. The said period vary from 90 days to 180 days. The defendant has also come with the case that due to passage of time and be in tune with the prevailing statutory provisions the subsequent user agreements are in more crystallized forms. Many more terms protect to or to termination of the user agreements are incorporated. As per the user agreements as soon as those are terminated, the status of the plaintiff as permitted user comes to an end. The plaintiff thereafter is not allowed to use the trademarks. If it still continue to use so, it will be guilty of the trademark infringements.

07. The defendant has denied categorically that the assignments and the incorporation of the defendant was due to the family arrangement. The defendant has come with the case that when the defendant company was incorporated only one subscriber was from the Kirloskar Family. Many subscribers were the outsiders. Even the Kirloskar Group Companies were in

minority. The assignments were in the nature of out and out assignment. The defendant has come with the case that the assignment and the user agreements being exhaustive and complete documents about the transactions between the parties, there is no room for any extrinsic construction. For almost 50 years the parties were governed by the terms of the user agreements. In short, the defendant has come with the case that as soon as there was the assignment the defendant became the absolute owner of the trademarks. The terms and conditions of the user agreements are not capable of any other construction rather than the agreements being executed by a proprietor of the trademarks and for the permitted user. The agreements are determinable.

08. About temporary injunction, the defendant has come with the case that the plaintiff is guilty of suppression of material facts. It is also guilty of estoppel. The plaintiff cannot be allowed to abrogate and reprobate. While initiating the suit against the Kirloskar Electric Limited the plaintiff supported the defendant and contended that such user agreements are determinable. Even the plaintiff sought indulgence of the defendant to take an action against one group company subjecting that the user agreement in favour of that Group Company, Kirloskar Oil Pump Limited (KOPL) is determinable. The user agreement being determinable, even at "will" there cannot be specific performance and for the

very same reason there cannot be any injunction in the nature of such a specific performance. Thus, the defendant has prayed for rejection of the application. It has also come with the case that many prayers made by the plaintiff are afterthought and beyond the plaint pleadings.

09. I have heard Mr. Hiren Kamod with Mr. R. Bhardawaj, the learned counsel for the plaintiff and Mr. P. Narayan, the learned counsel for the defendant at length in support of the respective submissions / contentions which are dealt specifically in detail as and when required as below.

10. On the basis of the rival pleadings, submissions and the papers placed on record, the following points for determination arise, to which I have given findings for the reasons thereto.

Sr. No.	Points	Findings
1]	Whether the plaintiff has prima facie proved that the subject matter user agreements are indeterminable ?	... In negative.
2]	Whether the plaintiff has proved that if the subject matter agreements are indeterminable, if those agreements are terminated, the trademarks shall revert back to the plaintiff ?	... In affirmative.

- 3] Whether the plaintiff has proved that the defendant is not entitled to terminate the user agreements for the breaches subjected by the defendant ? ... In affirmative.
- 4] Whether the plaintiff is entitled for the injunction as prayed ? ... In affirmative.
- 5] What Order? ... As per final order.

REASONS

11. In support of his submissions, Mr. Hiren Kamod has relied on the following judgments filed along with list Exh.135.

(a) **Gujarat Bottling Co. Ltd. and others Vs. Coca Cola Co. and others** reported in **(1995) 5 SCC 545,**

(b) **Kale and others Vs. Deputy Director of Consolidation and others** reported in **(1976) 3 SCC 119,**

(c) **Vijay r. Kirloskar and another Vs. Kirloskar Proprietary Ltd. and others** in **CP No.88/03,**

(d) **Kirloskar Proprietary Ltd. and others Vs. Vijay R. Kirloskar and another, order dated 12.08.2005 by Hon'ble High Court, Bombay in Company Petition No.88/2003.**

12. In support of his contentions, Mr. P. Narayan has relied on the following judgments filed along with list Exh.137.

(a) **Chitali Bottling Ltd., Pune Vs. Brihan Karan Sugar Syndicate Pvt. Ltd., Mumbai and others** reported in **2022 SCC Online Bom.**

1135,

(b) Spice Digital Ltd. Vs. Vistaas Digital Media Pvt. Ltd. reported in 2012 SCC OnLine Bom 1536,

(c) Sorrel Hospitality Pvt. Ltd. Vs. Nakodar Hotels Pvt. Ltd. reported in MANU/DE/1011/2018,

(d) Indian Oil Corporation Ltd. Vs. Amritsar Gas Service and others reported in (1991) 1 SCC 533.

As to Point no.1 :- Whether the user agreements are determinable?

13. The parties are at issue as to whether the user agreements are determinable or not ? At this juncture Mr. Kamod has invited my attention to his rejoinder (Exh.132). He has contended that the defendant cannot reprobate now. There are pleadings in paragraph no.12 of the rejoinder. For better appreciation the said paragraph is reproduced below.

'12. In fact, the Defendant has also, through its chief executive officer Mr. M. S. Datey [now deceased), in a proceeding before the Hon'ble City Civil Court, Bengaluru in Suit No. 971 of 1993, admitted on oath that "there are several other companies in the Kirloskar Group of Companies which have been and continue to be the permanent users and/or registered holder of the several trade marks and/or copyrights held possessed and owned by Plaintiff No. 1 (Defendant herein)". The Plaintiff

craves leave to refer to and/or rely upon copies of such proceedings, when produced. It is submitted that there is no occasion whatsoever for the Defendant to issue the termination notice under challenge threatening the Plaintiff with termination of the User Agreements, since it does not have the right to terminate the same, given the pre-arranged scheme, understanding, intent of the parties and also the underlying purpose and substratum of the various Deeds of Assignment under which the Defendant came to hold the Kirloskar Trademarks.'

14. Mr. Kamod has submitted that in that suit the plaintiff itself came with the case that all its permitted users are the permanent users. In support of the above pleadings Mr. Kamod has also relied on the relevant documents about the said suit. The parties are not at issue about the factum of the said suit. Hence, I do not want to refer and discuss that document. It can be inferred that the suit was filed by one Mr. Datey being the then Chief Executive Officer of the defendant against a third person and in that suit the above pleadings were made. Thus, Mr. Kamod has submitted that the permitted user licenses of the plaintiff are permanent in nature.

15. In rebuttal, Mr. P. Narayan has also invited my attention to the various documents filed by the defendant along

with list Exh.134. I do not want to refer those documents in detail. It can be inferred that Mr. Sanjay Kirloskar who is the Managing Director of the plaintiff took a stand that permitted user license issued in favour of KOEL is in the nature of a determinable agreement. Again Mr. P. Narayan has invited my attention to the documents filed along with list Exh.136. In essence as per those documents again the plaintiff took a stand that the permitted user license issued in favour of Kirloskar Electric Company Limited (KEC) was in the nature of determinable. It also becomes apparent that by terminating such agreement in favour of KEC one suit was preferred by the defendant along with the plaintiff and other group companies complaining infringements of the trademarks. In substance, the complaint in the suit was that KEC was found using the trademarks despite the fact of the termination of the user agreements. In that suit the plaintiff supported the defendant. Then KEC filed a proceedings before the Company Law Board alleging company mismanagement. The Company Law Board passed an order to the effect that the user agreements are in the nature of some sort of family arrangement. Even there was a direction to delete a clause pertaining to termination. Ultimately the matter was carried to the Hon'ble High Court and the said order was stayed. By inviting my attention to the documents along with list Exh.136 Mr. P. Narayan has contended that the plaintiff not only supported the defendant in that suit but also supported upto the Hon'ble High Court. The order of the Hon'ble High Court

staying the order of Company Law Board was passed on 12.08.2005. The plaintiff supported the defendant almost till the year 2017 by taking the stand that such agreements are determinable. Thus, Mr. P. Narayan has contended that in fact, the plaintiff itself has now reprobating which cannot be allowed. Now the plaintiff is estopped from taking the stand that such agreements are not determinable.

16. I find that, in all the above pleadings, there was no contest between the plaintiff and the defendant. So, there is no place for estoppel. The Doctrine of estoppel comes in picture if a party believing representation made by the other party changes its position to its detriment. That is not the case. Neither the plaintiff nor the defendant on the basis of representation made by the other side changed its stand to its detriment. However, I can notice that the parties have took the inconsistent pleas vis-a-vis the present plea. Earlier the defendant took the plea in a Karnataka suit that such agreements are permanent in nature. The very defendant then changed its plea in the proceeding against KEC that such agreements are determinable. But now the defendant is concurrent with its recent stand. On the contrary, the plaintiff earlier echoed with the defendant and now it is taking stand that such agreements are indeterminable. So, I shall have to ignore the earlier inconsistent stands by the parties. So, I shall have to decide the controversy in view of the present pleadings

and in view of the material placed on record apart from the earlier proceedings referred above.

17. In the pleadings as noted above, the parties have disputed the claim about the nature of the user agreements. The best document shall be the user agreements and the assignment agreements to appreciate the said controversy. Let me first deal with the user agreements. The first user agreement was executed on 04.09.1968. The plaintiff has come with the case that it was executed on 20.07.1967. Mr. P. Narayan has fairly accepted that the assignment agreement relied by the plaintiff and relied by him are not the different documents. The plaintiff might have put incorrect date. The terms and conditions of the both the documents are same. The assignment agreement dated 04.09.1968 is quite readable document hence I am considering the same. Undisputedly, as per the said agreement, the defendant was incorporated and registered not for any manufacturing or trade purpose. It was registered to acquire or hold the properties including intellectual properties. The provision of Article-3 from the Article of Association of the defendant was extracted. As per the said article, the defendant company cannot enter into any user agreement with any non-member. Such user agreement with the member also shall have to be executed by complying all the formalities of the law for the time being in force. There is specific condition in the above said Articles of Association. As per the said

provision, the defendant cannot agree in such user agreement to grant a license trademark after any specified period of time by accepting any payment. Meaning thereby even the assignment agreement which extracted Article-3 of the Association of the defendant controls the period of user agreement impliedly and thereafter if such period is completed bars the defendant and in that way even bars the plaintiff to enjoy any trademark. For better appreciation the relevant extract of Article-3 is reproduced below.

----- *'the company shall not agree any such agreement as aforesaid that the licensed member shall have right to acquire the licensed trademark by any payment to the company after any specified period of time. Even in the subsequent clauses the eventualities are provided when the user agreement may come to an end like insolvency or widening up. It provides that in those eventualities the user agreement would stood ipso-facto terminated. So, I find that as per the assignment agreement also the parties agreed that the user agreement may be terminated.'*

18. Even otherwise also assuming the case of the plaintiff that the assignment was in the nature of the family arrangement still it cannot be accepted that the user agreement can be indeterminable. The simple logic will be there. A family arrangement can also be terminated. There may be many eventualities in the present case also. The defendant company

may suffer winding up or insolvency also. Even it may suffer other consequences of alike nature. Even the defendant company may choose not to discharge its functions as agreed. In that case, the plaintiff may be without any remedy. In that case even there must be an option to the plaintiff to terminate his dealing with the defendant. Even as per the assignment agreement any user agreement can be permanent or perpetual as long as it is not terminated. So, a user agreement can be said to be permanent, only in the sense, that too as per the construction of the assignment agreement only that, it doesn't require renovation. But a bold statement cannot be made that in any eventuality a user agreement cannot be terminated. Even that will be against the interest of the plaintiff also. Take a case that the plaintiff is boxed by other members and there is no protection by the defendant to protect the trademarks of the plaintiff. Then the plaintiff cannot have any other option except to put the user agreement to an end. The consequence of such termination may be different. Those may be as subjected by the plaintiff or otherwise also. But having construction of the assignment agreements themselves even at this prima facie stage it cannot be safely concluded that any user agreement is indeterminable.

19. Now let me appreciate the user agreement. The parties are not at issue that in all the user agreements there are the clauses about termination. The parties are also not at issue in the

subsequent user agreements the termination clauses were in more crystallized form. In the subsequent agreements the contingencies like insolvency, winding up and other foreclosures were also taken into consideration. The first user agreement executed on 16.08.1969 is with clause no.16 which is about termination. For better appreciation the said clause is reproduced below.

“This Agreement shall remain in force without limitation as to the time until its termination by either party on giving to the other party 180 days' notice in writing, and this Agreement shall stand terminated on the expiration of 180 day's from the date of receipts of such notice or any later date mentioned therein. PROVIDED ALWAYS that the Proprietor shall be entitled by notice in writing to User to forthwith terminate this Agreement if the User shall commit any breach of shy of the provisions of this Agreement. Upon termination of this agreement, the user agrees to deliver to the proprietor free of charge all blocks, dies, labels, plates, tickets and literature in their possession on which the Trade Marks appear other than labels appearing on the containers or literature packed in containers.”

20. The contention of Mr. P. Narayan that the construction of above clause is to the effect that upon termination only the defendant remains the proprietor. There is no scope for restoration

of the trademarks to the plaintiff. However, the said contention is dealt while appreciating the point no.2. At the same time, the submission by Mr. Kamod that the user agreements were executed only to be compliant with the prevailing statutory provisions is also dealt in that point. At this juncture, I can conclude that, user agreement is in the nature of determinable. Accordingly, point no.1 is answered in the negative.

As to Point no.2 :- Whether there can be restoration of the trademarks upon the termination of the user agreements to the plaintiff ?

21. The plaintiff has come with the case that the trademarks were always the intellectual properties of the plaintiff. Those were assigned to the defendant in view of the workable scheme. The defendant was only to act as a custodian and service provider to provide and promote the trademark. Mr. Kamod by relying on various clauses in the assignment agreement has submitted that how the assignment agreements will become void if there is no user agreement in favour of the plaintiff, for want of consideration. The parties are not at issue that except the covenants in the assignment agreements there was no other consideration in favour of the plaintiff. The consideration in favour of the defendant was always the assignment of the trademark. By relying on the judgment in the matter of Kale and others (supra) Mr. Kamod has submitted that a family

arrangement must receive a different treatment than any other arrangement. Further Mr. Kamod has submitted that in fact, the parties have arrived at a family arrangement in the year 2009. But he has submitted that the parties always were governed by some sort of family arrangement and only to have protection to the trademarks owned by different companies forming part of the then Kirloskar Group, the defendant company was incorporated and established. Only the business of the defendant company is to acquire the trademark and promote them.

22. Per contra, Mr. P. Narayan has contended that, there is not a whisper in any of the assignment agreements and user agreement about such family arrangement. Mr. P. Narayan has contended that such family arrangement and having to that effect will be hit by the provisions of sections 91 and 92 of the Indian Evidence Act, 1872. Such evidence will be in the nature of extrinsic evidence about the terms contained in a written document. For this, Mr. P. Narayan has relied on the judgment in the matter of Chitali Bottling (supra).

23. Now let me appreciate the pleadings. The plaintiff all the times has come with the case that the assignment agreements were only to advance the family arrangement and thus as soon as there is failure of the consideration for want of valid consideration the trademarks shall revert back to the plaintiff. As noted above

the defendant has concurred with the plaintiff by its pleadings in para no.11 that the defendant company was created to avoid dilution of the Kirloskar trademark due to multiple rights have been created at the relevant time. It does mean that at that point of time the parties tried to work out a solution to avoid dilution of the Kirloskar trademarks. I can also be inferred that as stated by the plaintiff the other group companies were also using the very same trademarks. Thus, the rights in those favours were also created. I find that this exercise was in the nature of close to a family arrangement though not strictly as per the principles of the Hindu Law. Hence, as rightly submitted by Mr. Kamod by relying on the judgment in the matter of Kale and others (supra) a different treatment is required to be given. Moving further in para no.22 of the written statement, similar pleadings are there. Again the pleadings of the defendant in its reply (Exh.130) paragraph nos.11.1 and 11.2 gives more clarity. For better appreciation and ready reference the said paragraphs are reproduced below.

'11.1. From 1920 to 1964, the trade mark "Kirloskar" was being used by multiple Kirloskar companies in respect of various diverse businesses carried on by these Kirloskar companies. While the Plaintiff was the first company to start using the "Kirloskar" mark due to its prior incorporation, on account of the growth of the businesses, there were several other Kirloskar entities incorporated from time to time, which were concurrently using the

"Kirloskar" mark in respect of their diverse businesses concurrently alongside the Plaintiff. However, due to such concurrent use, it was becoming difficult to initiate legal actions against infringement as well as to prevent dilution of the marks. Further, it was deemed necessary to ensure that the ownership of the trademark "Kirloskar" along with the goodwill associated thereto shall not go to entities and/or individuals other than those forming a part of the Kirloskar companies, in the event of any change in control of any of these companies (since some of these companies were listed entities and the promoter shareholding in these companies was a minority percentage at that time), or due to winding up or liquidation of any of the companies.

11.2. Therefore, in or about 1964, based on extensive legal advise and discussions between management of various companies, a need was felt that the rights in the brand "Kirloskar" should be uniformly used, enhanced, monitored and protected by a single entity and it is ensured that the Kirloskar trademark is protected against infringement as well as takeovers, change in control, liquidation or winding up of any of the companies. It was also felt that certain uniform quality control measures and standards needed to be established and implemented by a single entity in order to maintain the goodwill

associated with the brand "Kirloskar" and to avoid dilution of the same.'

24. From the above paragraphs it becomes apparent that the defendant was also established with a aim that the trademark 'Kirloskar' should not be used by any other company or individual other than those forming a part of the Kirloskar company, in that event of any change in control of any of these companies. It does mean that the parties also envisaged a possibility that there can be change in control of any of the group companies and then also they thought it fit that such change in control cannot be allowed to use that changed, the company or individual in control, to use the trademarks. Thus, it can be inferred that the parties always wanted that the trademarks should be used by the group companies and those companies must not be controlled other than those are forming part of the Kirloskar Companies. This was nothing but an attempt to arrive at a relation which was close to a family arrangement or fiduciary or quasa partnership. So based on the pleadings, I can infer that the assignment deeds were in the nature of a family arrangement. This inference can be drawn only on the appreciation of the pleadings and no evidence is required.

25. Now let me appreciate whether the assignment deeds can be construed in the manner so as to draw an inference of a family arrangement. The parties are not at issue that all the trademarks in the present case were owned by the plaintiff. Those

were assigned to the defendant. Even almost all the trademarks now acquired by the defendant were owned by the other Kirloskar Group Companies. There may be only few cases wherein the defendant would have acquired independently any trademark. The parties are also not at issue that the defendant is not engaged in any manufacturing or marketing or packaging or trade of any commodity.

26. Mr. Kamod has invited my attention to section 42 of the Trademarks Act, 1999 to urge that the very existence of the defendant is due to its members. If the plaintiff is not allowed to use the trademark which is actually engaged in manufacturing the products, the registration of the defendant shall have to be called off. The reason is a registered proprietor cannot continue as a registered proprietor if doesn't use such trademark for a period of six months. I find that Mr. Kamod is right in his submissions that the defendant's existence cannot be independent.

27. Now let me appreciate the assignment agreements. Article-3 which is extracted in the assignment agreement bars the user agreement to a non-member. It means the defendant cannot grant license to any person of its choice. As per Articles of Association, it can be inferred that only Kirloskar Group Companies can become the members of the defendant. As per the pleadings appreciated above even the change in control is also

tried to be controlled for use of the trademarks. Hence, though not in specific words but assignment agreements can be inferred as some sort of arrangement which is close to a family arrangement. The contention of Mr. P. Narayan that such extrinsic evidence cannot be adduced must fail. There are three reasons. Firstly, undisputedly the pleadings of the parties paved a way for an inference of some sort of arrangement which is close to a family arrangement. Secondly, the assignment agreements also impliedly subject an inference of such agreement. Thirdly as per provisions 91 and 92 of the Evidence Act extrinsic evidence can be adduced to prove the nature of transaction, as otherwise than contained in any document. Even in the matter of Chitali (supra) relied by Mr. P. Narayan the said proposition was discussed. In the said judgment in the matter of Tamil Nadu Electricity Board Vs. N. Raju Reddiar was relied ((1996) 4 SCC 551). As per the said judgment if a written instrument does not contain the whole terms of the contract then parties can adduce oral evidence for the terms which are not there. In the present matter two things must be answered. What will happen if the defendant doesn't execute any user agreement. As rightly submitted by Mr. Kamod the only consideration for the assignments of the trademarks in favour of the defendant was the covenants in the nature of the user agreements to be executed by the defendant in favour of the plaintiff. If that user agreement is not executed the assignment will be without any consideration and thus shall render void. At

this juncture, Mr. P. Narayan has contended that as soon as there is execution of first user agreement, the assignment agreements becomes a valid contract and then it is not obligatory on the defendant to execute further user agreement. However, I regret my inability to accept the said contention. For this, let me appreciate the user agreement.

28. In the first user agreement two modes of termination are provided. First is by will that giving a notice by either of the parties. Secondly, due to the breaches committed. For the second contingency, the defendant can be right that due to the breaches, it cannot be made to suffer. But what will happen in case of the first contingency. Assume a case where after execution of a user agreement, the defendant issues a notice of termination by treating the agreement at will. If contention of Mr. P. Narayan is accepted that as soon as user agreement is executed, the assignment agreement becomes valid agreement appears to be very absurd. Such approach will be against the very spirit of the assignment agreement and very nature of the arrangement between the parties. Such approach will be very unconscionable. But when the user agreement provides such eventualities then consequences must follow. If the plaintiff is kept out of its trademark by issuing a termination notice on the second day of the execution of the user agreement, then it will face tremendous loss. I do not see any reason that the parties would

have anticipated such a contingency. Again take a case that the defendant becomes bankrupt or it is dissolved then what will happen to the trademarks which are assigned to the defendant. Then in my considered opinion in the absence of any user agreement the earlier assignment agreement shall become a void agreement. Thus, I can conclude that the consideration for assignment cannot be a single user agreement. The consideration for assignment shall always be a continuing user agreement. It is in the nature of a continuing consideration. As soon as that continuing consideration is put to an end, the very assignment agreement becomes void and the plaintiff must be restored to its original status. The reason is very simple. The benefits received by the parties from a void agreement are in the nature of an unjust enrichment and thus those must be restored back to the party from whom those were derived. Hence, I can conclude that at the costs of repetition not only the pleadings can be inferred that the parties worked out an arrangement close to a family arrangement and secondly due to very fact of the consideration being continuing consideration for assignment on failure of the said consideration the plaintiff must be restored with its original trademarks.

29. Now let me deal with the following two aspects. I make it clear that those aspects are ancillary aspects, as I have given the finding that upon termination of the user agreements,

the trademarks shall restore back to the plaintiff. Mr. Kamod has submitted that the user agreements were executed only to be compliant with the statutory provisions prevailing at the relevant times. Per contra, Mr. P. Narayan has contended that the user agreements cannot be treated as sham documents. The parties are not at issue that there are the terms in the user agreements about termination, about registration, royalty charges and other aspects provided in the agreements. The plaintiff can only dispute about the clauses pertaining to termination. However, I have concluded that too having construction of the assignment agreements that such arrangement was always determinable. Hence, the termination clauses in the user agreements cannot be termed as just formalities so as ensure the statutory compliances. For the very same reason as rightly contended by Mr. P. Narayan the user agreements cannot be termed as sham agreements. However, they shall be one exception. Upon termination the trademark shall revert back to the plaintiff. The user agreements provided that upon termination the trademark shall be treated as the property of the defendant. But if construction is accepted, at least prima facie the original assignment agreement as discussed above becomes a void agreement. The controversy can be appreciated by a different approach also. The consideration for user agreement can not be just payment of royalty. The payment of royalty was for the services to be rendered by the defendant i.e. “to protect and promote the trademarks”. But for execution of the user

agreements there is no consideration. Hence, even if we ignores the assignment agreements totally, the user agreements also become void agreement for want of consideration. Hence, if we appreciate both the documents only one one prima facie irresistible inference can be drawn. That inference is for assignment agreement, there was only one consideration that is in the nature of execution of user agreement. I have already concluded that the execution of user agreement must be a continuing act. At the moment it fails the assignment agreement becomes void. Upon termination the consequence at least prima facie shall be the plaintiff will be without protection of the defendant. On the other hand, the defendant may stop rendering services to the plaintiff. Hence, to summarize I conclude that for the assignment agreements there was consideration of continuing the user agreements. If assignment agreements are ignored, the user agreements also become void for want of consideration. Thus, upon termination of the user agreements, the benefits received by the defendant in the nature of the assignment agreements become benefits received from a void agreement and thus unjust enrichment. Consequently, the trademarks which are the benefits of the void agreements upon termination must go back to the original proprietor. Thus, point no.2 is answered in the affirmative.

As to Point no.3 :-

30. Now let me deal with the breaches. The defendant by

a termination notice dated 11.07.2024 alleged four breaches against the plaintiff. The first breach is about non-payment of the royalty charges. For this, Mr. Kamod has invited my attention to various emails exchanged between the parties. The parties do not dispute about the emails. Without discussing in detail I can conclude that the plaintiff always tried to pay the royalty. It was the defendant who did not accept those payments. The reason subjected by the defendant was that it had terminated the user agreement in the year 2018. Now the defendant has come with the case that the said termination was only in the nature of transitory notices. It means the defendant only wanted to substitute more crystallized the user agreements in place of the older user agreements. But it was the plaintiff who treated the said transitory notices as the termination notices and hence the defendant was harassed. I find that the said treatment to the termination notices of the year 2018 as rightly contended by Mr. Kamod is a supplanted explanation. In the written statement the defendant treated those notices as the termination notices. Even the defendant moved an application to the trademark registry to take off the status of the plaintiff as a registered trademark user. Thus, it was the defendant who was guilty about the non-payment of the royalty. On this count the defendant cannot terminate the user agreements.

31. The second reason subjected is that the plaintiff did

not furnish the information about annual turnover so as to workout the royalty charges. The plaintiff has disputed the said accusation of the defendant. The plaintiff has submitted that not only it has furnished the said information but the plaintiff being a listed company such information is available in public domain. I find the complaint by the defendant on this count is devoid of merit.

32. The third reason is that the plaintiff did not furnish the information in the prescribed format. It is the case of the plaintiff that as earlier it furnished the information in the format which were in place before the suit. Even by the rejoinder the plaintiff has come with the case that it will furnish the information in the format as asked by the defendant. Mr. Kamod has invited my attention to the two formats. I find that in essence and in substance there is no much difference. That apart, now the plaintiff has agreed to furnish the said information. Hence, this objection is also insignificant. The last objection is about the quality control audit. No doubt in order to safeguard the interest of the other group companies the defendant must carry out the quality control audits. The parties are not at issue that earlier such audits used to be conducted. It is the case of the plaintiff that the defendant included a member from the competing company in the audit team and hence the plaintiff only asked the defendant either to remove that person or execute a confidential clause. Mr. Kamod

has submitted that KOEL has entered into a competing business with the plaintiff. The defendant is supporting the KOEL and the persons from KOEL is made a member of the audit team. He has also invited my attention to the advertisement for the products which KOEL has offered for sale. His submission that KOEL is engaged in manufacturing of the very same products find substantial support. Per contra, Mr. P. Narayan has contended that earlier also one Paranjpe used to be head of the audit team and now also he is heading the team. However, it seems that the objection of Mr. Kamod was not against Mr. Paranjpe, it is against a member of the said team. I find that the complaint by Mr. Kamod is quite justified. There cannot be any problem for the defendant to remove that person from the team. Hence, this ground also must fail.

33. The other grounds are raised that the plaintiff intentionally and with malice filed several proceedings against the defendant and has challenged its status. However, the plaintiff cannot be restrained from exercise his legal rights. Mere filing of the proceedings cannot be taken as a ground to terminate the user agreements. Thus, I find that the termination notices at least prima facie must fail as having not on substantial grounds. The defendant has not come with the case that it has terminated the user agreements by adherence the mode of "at will". Hence, I conclude that the defendant cannot terminate the agreements.

Thus, point no.3 is answered in the affirmative.

As to Point no.4 :- About injunction :-

34. Mr. Narayan has contended that when the user agreements are determinable, the plaintiff cannot ask for specific performance. Consequently, the plaintiff cannot ask for temporary injunction. In support of his contentions, Mr. P. Narayan has relied on the judgment in the matter of Chitali Bottling (supra) and Spice Digital (supra), so also Sorrel Hospitality (supra). The main thrust of the contentions of Mr. P. Narayan is that when the user agreements are determinable, only remedy available to the plaintiff is to seek damages. I have already concluded that the agreements are determinable. Even I have already concluded that in case the agreements are determined, the trademarks shall revert back to the plaintiff. Then the question crops up why the plaintiff should be granted the interim relief as prayed.

35. In all the matters (supra) the facts were that there was a user agreement by a proprietor to a permitted user unlike the present matter. In the present matter the trademarks were initially the properties of the plaintiff. Under an arrangement those were assigned to the defendant. So, at any event the plaintiff cannot be prohibited from using those trademarks. At least at this juncture the defendant has only alleged the breaches at the instance of the plaintiff. Already I have concluded that those breaches are not

material breaches so as to enable the defendant to terminate the user agreements. All the breaches can be rectified. Even it is the case of the defendant that it will execute the user agreements in favour of the defendant if it rectifies the breaches. So, it can be inferred that the parties do not want to put an end to the arrangement. Even the plaintiff is also interested to continue the arrangement. Only one breach for which the defendant can be forced i.e. about quality control audit. But I do not think it will affect the very interest of the defendant. It is the case of the defendant itself that it was created only to protect and promote the trademarks. There is one more reason. A trademark dispute is not dispute between the parties. It has got serious repercussions. An injunction is always granted in case of infringement of a trademark in favour of a registered proprietor. The reason is that even the public at large may suffer. Here in the present case not only the plaintiff may suffer but if this arrangement is put to an end the public as well as other Kirloskar Group Companies may also suffer. As I have already concluded that the plaintiff cannot be stopped the using the trademarks. Thus, it is better that it should be allowed to use those trademarks becoming and continuing part of the pre-existing arrangement.

36. Mr. P. Narayan has contended that the plaintiff is guilty of material suppression and his conduct is blameworthy. I find in view of the above discussion, those contentions are very

insignificant. Assuming they are correct. As laid down in the matter of Coca Cola (supra) the plaintiff has satisfied prima facie case. Even balance of convenience lies in favour of the plaintiff as the defendant may not suffer any loss if the injunction is granted. On the contrary, the plaintiff may suffer an irreparable loss if the injunction is not granted. The defendant may take an action for infringement against it, that may force the plaintiff to stop using the trademarks. That may cause drastic repurcation not only to the plaintiff but also the public at large. Hence, the plaintiff is entitled for injunction. I make it clear that if the breaches are not rectified within the reasonable period, the defendant is armed with the provisions of Order 39 Rule 4 of CPC. Thus, point no.4 is also answered in the affirmative.

37. In view of the above discussion, I am inclined to allow the application and proceed to pass the following order.

ORDER

Application Exh.128 is hereby allowed in terms of the prayer clauses (b) to (f).

Date : 09.01.2025

(A. L. Tikle)
District Judge-2, Pune.

C E R T I F I C A T E

I affirm that the contents of this P.D.F file judgment are same word for word as per original Judgment.

Name of steno : S. Y. Shaikh,
(Stenographer Grade-I)

Name of the Court : Shri. A. L. Tikle,
District Judge-2, Pune

Date of Order : 09.01.2025

Order signed by P.O. on : 18.01.2025

Order uploaded on : 18.01.2025