

**IN THE HIGH COURT OF SINDH AT KARACHI**

BEFORE:  
**Mr. Justice Muhammad Shafi Siddiqui**

Miscellaneous Appeal No. 317 of 2003

Shezan Services Limited

Versus

Shezan Bakers & Confectioners (Pvt.) Limited & another

Date of Hearing: 25.04.2008 and 04.05.2018

Appellant: Through M/s Sultan Ahmed Shaikh and Salman Ahmed Shaikh Advocates.

Respondent No.1: Through Ms. Amna Salman Advocate.

Respondent No.2: Nemo

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

**Muhammad Shafi Siddiqui, J.**- This Misc. Appeal under section 76 of Trademark Act, 1940 impugns an order of the Registrar of Trademark passed in dealing with Opposition No.218/2001 while considering the application of the respondent, registered as No.100857/29. The order on the opposition releases the application from such opposition and proceeded it for registration subject to the conditions that the word “Shezan” shall always be used in collaboration with either Lahore Continental, Lahore Oriental or Lahore Bakery and will always be used within the territory of Lahore Division.

2. It is the case of the appellant that they entered into the agreement with one Shezan Lahore, which was a partnership firm at the relevant time having its partners as Ch. Riazuddin and Rao Muhammad Usman, which then, with the passage of time, has taken shape of Shezan Backers & Confectioners (Pvt.) Limited, respondent No.1 herein. Thus, Shezan Lahore in fact is a predecessor in right of the respondent Shezan Backers & Confectioners (Pvt.) Limited.

3. It is the case of the appellant that the agreement dated 19.02.1975 with their predecessor and the predecessor of respondent No.1 was in respect of two restaurants i.e. Shezan Continental at 46-Dingah Singh Building, and Shezan Oriental, 7-Dayal Sindh Mansions, both at Shahrah-e- Qaid-e-Azam Lahore and a bakery to serve the above two restaurants for sale of their products. Appellant have attempted to argue that in terms of aforesaid agreement they have agreed to sell and the respondent No.1 has agreed to buy the goodwill of Shezan Continental, Shezan Oriental and Shezan Bakery, which does not include the sale of word “Shezan” as trademark, either with or without logo.

4. Learned counsel for the appellant argued that the respondent cannot take shelter of subsection 2 of Section 10 of Trademarks Act, 1940 as they were not concurrent user of the trademark in its actual perspective; it was only a permissive use hence they cannot come within the frame of a concurrent users as they were not independently using the trademark, the subject matter of this appeal.

5. Learned counsel for the appellant further relied upon Chapter 5 i.e. assignment and transmission of the Trademark Act, 1940 and relied upon Section 29, which deals with the assignment and transmission of trademark, whether in connection with the goodwill of the business or not, and went on to argue that these two are different and distinct entities, as understood from the language of Section 29, and since word ‘Shezan’ as trademark was never specifically assigned or transmitted, it could only be presumed that goodwill of the business of two restaurants and bakery, including the rights of trademark, was assigned under the aforesaid agreement. He relied upon the definition of goodwill, as provided in Seventh Edition of Black’s Law Dictionary as under:-

*“goodwill. A business’s reputation, patronage, and other intangible assets that are considered when appraising the*

*business, esp. for purchase; the liability to earn income in excess of the income that would be expected from the business viewed as a mere collection of assets --”*

6. He has further relied upon the judgment of Additional CIT v. Kwality Frozen Foods from Indian jurisdiction of Mumbai Bench in IT Appeal No.5023 (Mum.) of 2001, which is an unreported matter, Noor Muhammad v. Civil Aviation Authority reported in 1987 CLC 393, Seven Up Company v. Deputy Registrar Trademark reported in 1987 MLD 91.

7. On the other hand learned counsel appearing for respondent No.1 has relied upon provisions of Section 10(2) of Trademark Act, 1940 and submitted that it is the honest concurrent use since 1975 that enabled the respondent No.1 to file application, referred above, before the Registrar Trademark which was subjected to the opposition of the appellant and was disposed of in terms of the impugned order.

8. She further submitted that irrespective of it being a permissive use the entitlement of the respondent would fall under subsection 2 of Section 10 and permission under the agreement would not take away, rather would add to claim benefit under subsection 2 of Section 10 of Trademarks Act, 1940. She has attempted to argue that before 1975 the predecessor of the appellant and respondent were partners but without making an attempt to establish such relationship she relied upon the terms of the agreement dated 19.02.1975, which, per learned counsel, is sufficient to claim their concurrent use and entitlement for its registration under the law.

9. In support of her contention, she has relied upon the case of Cluett, Peobody & Co. v. Assistant Registrar Trademark 1991 SCMR 921, which defines the concurrent use of trademark and the case of Tabaq Restaurant v. Tabaq Restaurant 1987 SCMR 1090. She further relied upon

the judgment in the case of Levi & Volika of the Chancellery Division 1879 and the case of Crembux Limited of Chancellery Division 1928.

10. I have heard the learned counsel and perused the material available on record.

11. The impugned decision concludes in paragraph 14 and 15 that the respondent is using the trademark Shezan as a result of agreement of 1975 and there appears to be no moral, ethical and legal justification for the opposition of the appellant. It was further observed that the opponent/appellant had himself given the right to use the mark “for consideration” and the opposition to register the said mark is not tenable on account of continuous use since 1975 without any action on their part hence respondent No.1 stood qualified for the registration under section 10(2). The Registrar however restricted its use while dismissing the opposition and releasing the application of the respondent for its process of registration to two restaurants i.e. Continental and Oriental and Bakery, all of them situated within the territory of Lahore division.

12. In order to conclude as to whether along with goodwill the trademark “Shezan” was also passed on to respondent, the perusal of the terms of the agreement would be very material. In the first recital of the agreement, the company i.e. appellant stated to be carrying on business of hotel, restaurant and bakery in various towns of Pakistan including Lahore and then these three subject premises were described. In the second recital these three premises were claimed to be on rental and the respondent No.1 was given the obligation to deal with the issue of renewal of such leases. In the fifth recital of second page of the agreement, it is stated that on account of negotiations, the company i.e. appellant’s predecessor has agreed to sell and the firm i.e.

respondent's predecessor has agreed to buy the "goodwill" of Shezan Continental, Shezan Oriental and Shezan Bakery at a price which was acknowledged by the appellant/their predecessor. In term of first recital of the third page it is stated that through a separate negotiation the firm/respondent had purchased from the company/appellant against consideration the machinery and air-conditioning etc.

13. The covenants of the agreement also provide right to continue the business of these two restaurants and bakery and at such other places where the firm/respondent may deem fit within the territorial limits of Lahore division only under the subject name and style i.e. Shezan. However, it restricts its use in any other manner whatsoever except provided above. It further restricts respondent from opening restaurant or hotel or motel or bakery or catering concern etc. by using word "Shezan" as prefix and suffix outside and into Pakistan except Lahore division.

14. It is also pertinent that throughout its use since 1975 there was no opposition on behalf of the appellant against this independent and consistent use by the respondent. There was no opposition of the appellant with regard to the opening of either additional restaurants, or bakery etc. within the territory of Lahore division.

15. The case of Additional CIT v. Kwality Frozen Foods (Supra), as relied upon by the appellant's counsel itself defines the word "goodwill". Paragraphs 28, 29 and 30 of the judgment are relevant for the purposes of defining the word "goodwill". These paragraphs are reproduced as under:-

*"28. We considered the rival contentions in detail. Goodwill and Trademark, both related to the intrinsic worth of a business. Goodwill is the sum total of the reputation of a business concern. Reputation is built on so many factors such as quality of the product/ service, pricing, dependability of delivery, post sales services,*

*adoptability, customer relations, discharge of social obligation etc. It is built over the hard work of years and years. The term is comprehensive enough to include any virtuous aspects of a business concern. Goodwill is an intangible asset.*

*29. But trademark is more specific. Trademark also possesses mark of the attributes of goodwill. Goodwill and Trademark may both belong to the same genealogical specie. But still, trademark is a narrower expression than goodwill. Trademark is specifically motivated to customer acceptance. It is a legal right registrable under the Trademark Act. It has a graphic, pictorial or any other similar expression. It can be seen. That, it is represented by an identifiable, visible, distinguishable, graphic/pictorial impression. It has a shape. It has a commercial personality.*

*30. Therefore, even though goodwill and trademark can be treated as blood relatives, they are not one and the same. If goodwill can be treated as a family, trademark is one of the important members of the family.”*

16. The word “goodwill” and “trademark” were attempted to be treated as blood relatives. The trademark was a narrower expression than goodwill. Thus the goodwill encompasses all narrower dimensions of business within its own. The Bench in the aforesaid case went on to consider that if goodwill can be treated as family, trademark is one of the important members of the family.

17. I would go on to penetrate further that in the subject case goodwill of a premises or of a place or of a business would worth nothing in case the subject and the essence of that business is extracted. If for instance a restaurant is being run successfully, it is not only premises or the infrastructure or ambiance that carries the reputation; it is the name and brand that carries the reputation too which is non-extractable part of goodwill and that may contribute towards building of a reputation. If one excludes the name of any good restaurant then it will be left with no other asset except an immovable property. In the instant case out of the three premises two were on rent; it is inconceivable that respondent would go on to acquire possession of an immovable property only, which is only on rent.

18. In the subject judgment if a goodwill was treated as a family, then for all intent and purposes entire family was disposed of in terms of the agreement and trademark, which was considered as one of the important member of the family, cannot be deemed to be excluded; it would make no sense if one takes out the essence of the goodwill and make an attempt to dispose it off without it. Trademark, in the aforesaid circumstances is an essential ingredient of goodwill and in fact its essence or soul in the body.

19. The interpretation of subsection 2 of Section 10 of Trademark Act, 1940, in view of the above, cannot be restricted to a simple concurrent use irrespective of any agreement. Use of trademark under the agreement is not only permissive use but conclusive rights were being delegated and hence the use is concurrent to the use of the inventor. The subject use thus would come within honest concurrent use under the circumstances described in the agreement. It is inconceivable that the appellant would enjoy the consideration of a rental premises if the right of trademark is excluded. Certainly the consideration was for a particular territory i.e. Lahore division which was taken care of by the Registrar.

20. Had it been a case of permissive use only the appellant would have claimed a royalty for continuous use of the word/trademark, which is not the case here. It only advances the case of the respondent that the sale of goodwill includes the sale of trademark subject to its use within the territory defined therein.

21. Upshot of the above discussion is that the appellant has failed to make out a case calling to interfere in the impugned order as passed by the Registrar of Trademark hence the appeal is dismissed.

Dated: 14.05.2018

**Judge**