

BOMBAY HIGH COURT

Commissioner of Income Tax

Vs

Century Spinning Weaving

(Stone, C.J.)

02.09.1946

JUDGEMENT

Stone, C.J.

(1.) THIS is a reference under Section 66 (1) of the Income-tax Act, and the problem which we have to consider arises for the assessment year 1943-44 in respect of the account year of the assessee company, which is the calendar year 1942. The questions referred to us concern an expenditure of Rs. 16,707 in fees consequential upon the assessee company, who carry on the business of textile mills, making an application for registration of their trade marks which had been continuously in use since before the 25th of February, 1937. The questions submitted to us by the Tribunal are these : (1) Whether in the circumstances of the case the expense of Rs. 16,707 incurred by the assessee company in the material year of account in respect of application fees for the initial registration of its old" trade marks, i.e., trade marks which had been continuously in use since before the 25th day of February, 1937, was rightly held to be expenditure attributable to revenue (2) If it was revenue expenditure, whether it was incurred wholly and exclusively for the purposes of the assessee companys business

(2.) IN this case we are glad to note that there is an agreed statement of facts from which it appears that :- The assessee company carries on a business of manufacture and sale of textile goods which are branded or stamped with its distinctive trade marks. The company had registered these trade marks with the Millowners Association, Bombay. They are its old trade marks, in the sense that the company had been continuously using them since before the 25th February, 1937, which date is important having regard to one of the material sections of the Trade Marks Act, V of 1940. And then a little further on :- In the account year 1942 which is material to the assessments in question, the company made one or more applications for the first registrations of their trade marks and incurred an expense of Rs. 16,707 on account of the prescribed application fees. It debited the amount to its revenue account and, in its assessment for 1943-44, claimed allowance in respect of it in the computation of it business profits, under Section 10 (2) (xii) of the Indian Income-tax Act. The first question, we have to consider, depends primarily on an appreciation of the nature and effect of the Trade Marks Act, 1940. As its preamble shows, it was enacted because it was expedient to provide for the registration and more effective protection of trade marks. The definition section is Section 2 and by sub-clause (i)

registered (with its grammatical variation) means registered under this Act; (j) registered trade mark means a trade mark which is actually on the register and (l) trade mark means a mark used or proposed to be used in relation to goods for the purpose of indicating or so as to indicate a connection in the course of trade between the goods and some person having the right, either as proprietor or as registered user, to use the mark whether with or without any indication of the identity of that person. The procedure which has to be adopted in order to effectuate registration is contained in Chapter III and in section 18 provision is made for the duration and renewal of registration. By sub-section (1) of that section, registration of a trade mark shall be for a period of seven years, and it may be renewed from time to time in accordance with the provisions of the section. Then sub-section (2) provides for the renewal of registration after the initial seven years for periods of fifteen years, and sub-section (3) provides that at the prescribed time before the expiration of the last registration of the trade mark the Registrar shall send notice in the prescribed manner to the registered proprietor of the date of expiration and the conditions as to payment of fees and otherwise. Under a schedule which is referential to prescribed rules made under the Act the quantum of fees which have to be paid is provided for. Chapter IV is headed, Effect of Registration, and commences with Section 20. Sub-section (1) of that section provides that no person shall be entitled to institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered trade mark unless such trade mark has been continuously in use since before the 25th of February, 1937, by such person or by a predecessor in title of his and unless an application for its registration, made within five years from the commencement of the Act, has been refused; and the registrar shall, on application in the prescribed manner, grant a certificate that such application has been refused. Sub-section (2) saves rights with regard to passing off actions. Section 21 sets out the rights conferred by registration and it is in these terms :- Subject to the provisions of Sections 22, 25 and 26, the registration of a person in the register as proprietor of a trade mark in respect of any goods shall, if valid, give to that person the exclusive right to the use of the trade mark in relation to those goods and, without prejudice to the generality of the foregoing provision, that right shall be deemed to be infringed by any person who, not being the proprietor of the trade mark or a registered user thereof using by way of the permitted use, uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion, in the course of trade, in relation to any goods in respect of which it is registered....

(3.) MR. Setalvad on behalf of the Commissioner submits with reference to these two sections that they show that a trade mark is a capital asset, and that this expenditure for registration is to preserve that capital asset and to make it more effective, whilst Section 21 gives to the registered proprietor a proprietary right to the trade mark, which he had not got before. Section 23 makes registration prima facie evidence of validity, and by Section 24 registration after seven years is to be conclusive as to validity. Section 28 which stands at the head of Chapter V, which chapter is entitled Assignment and Transmission, provides that the person for the time being entered in the register as the proprietor of a trade mark shall, subject to the provisions of the Act and to any rights appearing from the register to be vested in any other person, have power to assign the trade mark, and to give effectual receipts for any consideration for such assignment. Section 29 provides :- Notwithstanding anything in any other law to the contrary, a registered trade mark shall, subject to the provisions of this Chapter, be assignable and transmissible whether in connection with the goodwill of a business or not, and in respect either of all the goods in respect

of which it is registered or of some only of those goods. ;