

**NATIONAL COMPANY LAW APPELLATE TRIBUNAL PRINCIPAL BENCH,**  
**NEW DELHI**

**Comp. App (AT) (Ins) No. 1343 of 2019**

**&**

**I.A. No. 3823, 3824, 3825 & 3826 of 2019 & 470 of 2020 & 3655 of**  
**2023**

**IN THE MATTER OF:**

**Gloster Cables Ltd.**

**...Appellant**

**Versus**

**Fort Gloster Industries Ltd. &Ors.**

**...Respondents**

**Present:**

**For Appellant :**                      **Mr. Abhinav Vashisht & Mr. Chandar Lal, Sr. Advocates along with Ms. Varsha Banerjee, Ms. Nancy Roy, Ms. Mahima Ahuja, Ms. Prakriti Varshney, Ms. Yashi Agrawal & Mr. Abhinav Bhalla.**

**For Respondents :**                      **Mr. Shaunak Mitra, Mr. PK Jhunjhunwalla, Mr. Anil Agarwalla & Ms. Neha Sharma, for R-1. Mr. Anand Varma & Mr. Ayush Gupta, for RP. Mr. Nishit Agrawal, Ms. Kanishka Mittal & Ms. Vanya Agrawal, for Intervenors.**

**JUDGMENT**

**Per: Justice Rakesh Kumar Jain:**

This appeal is preferred by Gloster Cables Limited. The brief history of the Appellant is that Crest Cables Private Limited, a Private Limited Company, limited by shares, was incorporated in the year 1995 under the provisions of the Companies Act 1956. It was incorporated by the Modi family (50% equity) and the Rathie family (50%equity). It was incorporated to take over the assets of Sputnik Cables Private Limited, which was a sick company at that time and had plant located about 35 KMs' from Secunderabad. It was incorporated to manufacture cables and commenced

its business operations since 1995. However, with the induction of Bangur Group as an investor with equity participation Crest Cables Pvt. Ltd. was changed to Gloster Cables Limited in the year 2004. The shareholding pattern now was S K Bangur Group 35.91%, Modi Family 35.91% Rathi Family 28.18%.

2. Fort Gloster Industries Limited (Corporate Debtor) is Respondent No.

1. It was incorporated in the year 1890 as a public limited company and was in the business of manufacturing of power cables. Respondent No. 1 is the owner of the trademark viz "GLOSTER" bearing Trademark Registration No' 690772 in class 9 (hereinafter referred as the 'Trademark')

3 Gloster Limited (Respondent No. 2) was incorporated on 02.01.1923 and is in the business of Jute Products. Bijay Murmuria, is the Resolution Professional (Respondent No. 3) of Respondent No. 1.

4. Briefly put, a former employee (Jayant Panja), of the Corporate Debtor, filed an application bearing CP (IB) 61/KB/2018 under Section 9 of the Insolvency and Bankruptcy Code, 2016 (in short 'Code') which was admitted on 09.08.2018. Initially, Manish Jain was appointed as the Interim Resolution Professional (In short 'IRP') but lateron he was replaced by the present IRP (Respondent No. 3) on 04.12.2018.

5. Respondent No. 3 (RP) filed an application under Section 30(6) of the Code seeking approval of the resolution plan of the Corporate Debtor submitted by Respondent No. 2, duly approved by the CoC by vote share of 73.21% of the members of the CoC.

6. While this application was pending, the Appellant filed an application CA (IB) 713/KB/2019 before the Adjudicating Authority (National Company Law Tribunal, Kolkata Bench, Kolkata in which the following prayers have been made:-

“a) To pass an order thereby allowing the present Applicant to intervene in the present proceeding;

b) To pass an order thereby directing that any Resolution Plan if approved by this Hon'ble Adjudicating Authority shall exclude the rights in the Trade Mark “Gloster” from the assets of the corporate Debtor, including, exclusion of the Trade Mark “Gloster” from the Corporate name of the Corporate Debtor since the said Trade Mark ‘Gloster’ is not a property/asset of the Corporate Debtor;

c) To pass an order clarifying that, in approving the CIRP, no presumption may be drawn as to any authorization or right emerging from the aforesaid approval that gives the right to the Corporate Debtor, or the successful H1, to continue to use the Trade Mark ‘Gloster’ or the term “GLOSTER” as part of the Corporate Debtor’s corporate name.

d) To pass an ex-parte interim order in terms of prayer (a), (b) and (c);

e) Any other relief or reliefs may be granted as this Hon’ble Tribunal deem fits.”

7. The aforesaid application was dismissed by the Adjudicating Authority vide its order dated 27.09.2019. The Adjudicating Authority has noticed three objections raised by the RP, CoC and Resolution Applicant. Firstly, they had submitted that the Corporate Debtor was referred to BIFR in the year 2001 and vide Order dated 10-09-2001, the BIFR admitted the reference, directed the Corporate Debtor not to dispose of any- fixed or current assets of the Corporate Debtor without the consent of its co-creditors and the BIFR, therefore, the deeds executed prior to the execution of the

assignment deed dated 20.09.2017 has no legal effect. Secondly, claim made by the Appellant on the basis of the assignment deed dated 20.09.2017 is in violation of Section 43 and 46 of the Code and thirdly, the registration of trade mark in the name of the Appellant is invalid in view of Section 14 of the Code because the CIRP was initiated on 09.08.2018 and the registration certificate was issued on 27.09.2018. All three objections have been maintained by the Adjudicating Authority holding that all deeds executed between Respondent No. 1 and the Appellant were void and illegal, the transaction relied upon by the Appellant is undervalued transaction and is hit by Section 45(2)(b) of the Code and that the registration having been done after the imposition of moratorium is hit by Section 14 of the Code. Aggrieved by the impugned order dated 27.09.2019, the present Appeal has been filed under Section 61 of the Code by the Appellant.

8. While narrating the facts of the case, Counsel for the Appellant has submitted that a technical collaboration agreement was entered into between the Appellant and the Corporate Debtor on 02.05.1995 by which the Appellant was granted the right to use the trade mark for marketing its products for a period of 8 years and the Appellant agreed to pay a royalty of 2% of ex-works prices of the products sold or leased.

9. During the subsistence of the agreement dated 02.05.1995, the Corporate Debtor fell Sick and was referred under Sick Industrial Companies Act, 1985 (SICA) whereinafter Board of Industrial and Financial Reconstruction (BIFR) directed the Corporate Debtor, vide its order dated 10.09.2001, not to dispose off any fixed or current assets of the Corporate

Debtor without the consent of the secured creditors and the BIFR. Since, the technical collaboration agreement dated 02.05.1995 was for 8 years and had expired by efflux of time, therefore, another technical collaboration agreement dated 02.05.2003 was entered into between the parties by which Corporate Debtor granted the Appellant the right to use the trade mark for a further period of five years against the payment of 1% royalty. It is alleged that the Corporate Debtor suspended its business since 09.12.2003 and thus there was no sale/turnover since 2003-04. It is further alleged that the Corporate Debtor held a shareholding of 16.7% in the Appellant Company but exited the Appellant Company in March, 2004 and on 20.07.2004 the name of the Appellant was changed from Crest Cables Pvt. Ltd. to Gloster Cables Limited. It is further alleged that the Appellant entered into a trademark agreement on 29.07.2004 with the Corporate Debtor for a long-term exclusive license to use the trademark for a consolidated fee of Rs. 3 Crores with an annual royalty of Rs. 2 Lakh. This agreement was executed for a period of 33 years which was to be renewed automatically. It is further submitted that the Appellant granted a loan of Rs. 10 Crores to the Corporate Debtor vide loan agreement dated 10.11.2006 by way of hypothecation of trade mark. The loan was repayable within five years i.e on or before 30.12.2011 and it was also stipulated therein that if the payment is delayed then the same shall be payable together with interest @ 15% per annum. It is alleged that a sum of Rs. 5,68,05,114/- was disbursed to the Corporate Debtor by the Appellant under the loan agreement dated 10.11.2006 from November, 2006 to October, 2009. It is also submitted that the Corporate Debtor executed a deed of hypothecation on 31.01.2008 and

hypothecated the trademark in favour of the Appellant by way of first and exclusive charge. The Corporate Debtor entered into a supplemental trademark agreement dated 15.07.2008 with the Appellant whereby it assigned the trade mark in favour of the Appellant against the consideration of Rs. 10 lakh and it was provided therein that the assignment shall automatically become effective without any further act or deed upon vacation/discharge of the BIFR order dated 10.09.2001. It is also alleged that during the period 2008 to 2010 the parties before the BIFR, including all financial institutions and bank, were fully aware about the status of transfer of the exclusive rights and exclusive usage of the trade mark in favour of the Appellant which is treated to have been disclosed by Allahabad Bank (now being Pegasus Asset Reconstruction Company) about the fact that the Corporate Debtor had made over all its rights to use trade mark in favour of the Appellant in terms of the agreements dated 29.07.2004 and 15.07.2008 and a sum of Rs. 3 Crores was additionally paid as an upfront to the Corporate Debtor. It is further alleged that vide 8<sup>th</sup> schedule of the Code, SICA stood repealed on 01.12.2016 and all reference made before the BIFR under the SICA stood abated unless the company under reference made a reference under clause (b) of Section 4 of the Sick Industrial Companies (Special Provisions) Repeal Act, 2003 to the NCLT under the Code within 180 days from 01.12.2016 but none of the creditors of the Corporate Debtor applied for initiation of proceedings against the Corporate Debtor within the period of 180 days which expired on 29.05.2017. It is further submitted that supplemental trademark dated 15.07.2008 executed between the Corporate Debtor and the Appellant, pursuant to the repeal of SICA w.e.f. 01.12.2016,

the trademark would automatically get assigned to the Appellant without any further act to be performed but still the Appellant entered into a deed of hypothecation on 20.09.2017 with the Corporate Debtor for the purpose of recording assignment of trademark. It was categorically mentioned in the said agreement that 'the assignor to execute the present Deed in order to enable the recordal of the assignment with goodwill of the Trademark 'GLOSTER' before the Trade Mark Registry, which request has been accepted by the Assignor'. It is further submitted that on 09.08.2018 CIRP was initiated, IRP was appointed and moratorium was imposed. The Appellant made an application to the Registrar of Trademark on 25.08.2018 for recording the assignment of the registered trademark in its favour and on 17.09.2018 the Registrar of Trademark registered the Appellant company as the subsequent proprietor of trademark which was valid up to 15.12.2022 and subsequently renewed till 14.12.2031. It is also submitted that the CoC apprised in its 5<sup>th</sup> meeting that the forensic audit report found no preferential, undervalued, fraudulent or wrongful trading transactions in terms of Section 43, 45, 49, 50 and 66 of the Code and in the forensic audit report no related party preferential or fraudulent transaction whatsoever was found. It is further submitted that the resolution plan submitted by Respondent No. 2 was approved on 24.04.2019 in the 7<sup>th</sup> CoC meeting. It is alleged that although the resolution plan recorded all the above facts and the agreements between the Appellant and the Corporate Debtor but the resolution applicant claimed the trademark and recorded that 'RA therefore believes that the trademark Gloster has been assigned and/or transferred to GCL is bad in law. RA understands that the said trademark is the lawful

property of the CD'. It is alleged that in the aforesaid facts and circumstances, the Appellant filed CA No. 713/2019 under Section 60(5) on 30.05.2019 seeking clarification that the trademark should not be included as an asset of the Corporate Debtor which was contested by all three parties and the Adjudicating Authority has dismissed the application holding that the trademark is an asset of the Corporate Debtor and hence, the present appeal.

10. After narrating the aforesaid facts, Counsel for the Appellant has challenged the impugned order, inter alia, on the ground that the Adjudicating Authority had no jurisdiction to adjudicate upon the title of the property/asset (trademark) in view of Section 134(1)(b) of the Trademark Act, 1999 (in short 'Act, 1999') as a suit would only lie before the District Court.

11. It is submitted that determination of the title/ownership of the trademark is not within the jurisdiction of the Adjudicating Authority under the Code. In this regard, reliance has been placed upon the judgments of the Hon'ble Supreme Court rendered in the case of Gujarat Urja Vikas Nigam Limited Vs. Amit Gupta & Ors., 2021 SCC Online SC 194, Embassy Property Developments Pvt. Ltd. Vs. State of Karnataka & Ors, 2019 SCC Online SC 1542, Tata Consultancy Service Limited Vs. Vishal Ghisulal Jain, RP, SK Wheels Pvt. Ltd., 2021 SCC Online SC 1113 and Sicom Ltd. & Anr. Vs. Kitply Industries Ltd. & Ors. CA (AT) (Ins) No. 849 of 2021 decided on 10.04.2023. It is submitted that though the application has been filed by the Appellant itself under Section 60(5) of the Code but keeping in view of the fact that the jurisdiction vests with the District Court to decide the question

regarding title of the trademark under the Act, 1999, therefore, the Adjudicating Authority has committed an error in declaring that the trademark is the property of the Corporate Debtor. It is further submitted that the Appellant became the owner of the trademark with the supplemental trademark agreement dated 15.07.2008 when it was assigned to it by the owner (assignor). At that time, the order of prohibition issued by the BIFR was in operation, therefore, it was made clear that "the assignment shall become effective without any further act or deed until after the order dated 10.09.2001 passed by the BIFR, is vacated and/or discharged or in the event FGIL/Corporate Debtor is wound up". It is submitted that the order dated 10.09.2001 became non-operative with the coming into force of SICA Special Provision Repeal Act, 2016 w.e.f. 01.12.2016 but the Adjudicating Authority while relying upon the observation made by the Hon'ble Supreme Court in the case of AIR 2013 Supreme Court 2235 in Jehal Tanti & Ors Vs. Nageshwar Singh (D) thr. LRs. held that the interim orders passed are within the jurisdiction when passed and effective till the Court decide that it has no jurisdiction to entertain the suit. On the basis of this proposition, the Adjudicating Authority has decided against the Appellant that the transaction of the assignment of deed during the currency of the order passed by the BIFR on 10.09.2001 is illegal. In this regard, Counsel for the Appellant has relied upon a decision of the Hon'ble Supreme Court in the case of Thomson Press (India) Limited Vs. Nanak Builders & Investors Pvt. Ltd. & Ors., (2013) 5 SCC 397 to contend that a transfer pendente lite is neither illegal nor void ab initio but remains subservient to rights eventually determined by Court in pending litigation. It is next argued

that the Appellant has become the owner of the trademark on the date when the trademark was assigned vide supplemental trademark agreement dated 15.07.2008 and in this regard, he has referred to Section 37 and 38 of the Act, 1999 as per which the person registered as proprietor of a trademark has the power to assign the trademark and further contended that as per Section 38 of the Act, 1999 a registered trademark is assignable and transmissible whether with or without the goodwill of the business concerned. In support of his contention that the right title and interest in the registered trademark, assigned to the Appellant on 12.07.2008 was created, reference has been made to the decisions rendered in the case of Sun Pharmaceuticals Industries Ltd. Vs. Cipla Ltd., MANU/DE/1527/2008, Skol Breweries Ltd. Vs. Som Distilleries and Breweries ltd. & Ors. MANU/MH/1194/2009 and Cinni Foundations Vs. Rajkumar Shah & Sons & Anr. ILR (2010) 1 Delhi 754. It is further submitted that the Adjudicating Authority has committed an error in dismissing the application on the ground that the registration of the trademark in the name of the Appellant was invalid as it was in violation of Section 14 of the Code. It is observed that the CIRP was initiated on 09.08.2018 and the moratorium was imposed whereas the application for registration was submitted on 15.09.2018 on the basis of the deed of assignment dated 20.09.2017. In this regard, it is submitted by Counsel for the Appellant that the assignment of the trademark took place on 15.07.2008 with the supplemental trademark agreement as it is permissible under Section 37 and 38 of the Act, 1999 whereas the registration of the trademark was a procedural formality in view of Section 45 of the Act, 1999. It is further submitted that though it has

been noticed by the Adjudicating Authority that the RP did not form any opinion that the Corporate Debtor has given any preference transaction during the relevant period to invoke Section 43 of the Code and that there has been no examination/determination by the RP that the transaction in question was undervalued during the relevant period to invoke Section 45 of the Code. Admittedly, no application was filed by the RP under Section 43, 44, 45 and 46 but it has been held by the Adjudicating Authority that the procedural compliance is directory and the Adjudicating Authority has the jurisdiction to pass suo motu order in respect of the aforesaid provisions of the Act. It is further submitted that the Adjudicating Authority has further held that the Appellant has sought the declaration about the trademark on the strength of the deed which were found executed within the period of two years preceding commencement of CIRP. It has referred to the deed of assignment dated 20.09.2017 because it is within the period of two years reckoned backward from 09.08.2018 when the CIRP was initiated. Counsel for the Appellant has relied upon a decision of the Hon'ble Supreme Court in the case of Anuj Jain Interim Resolution Professional for Jaypee Infratech limited Vs. Axis Bank Limited, 2020 SCC Online SC 237.

12. On the other hand, Counsel appearing on behalf of Respondent No. 3 (RP) has submitted that in the books of accounts of the Corporate Debtor, in particular the annual report and balance sheet for the year 2017-18, the trademark was recorded as the Corporate Debtor's asset (albeit without recognizing any value thereof) with a note that it was hypothecated to the Appellant towards an interest free term loan. The balance sheet also

recorded that the Corporate Debtor was receiving royalty and licence fee from the Appellant and the Appellant was mentioned as a related party of the Corporate Debtor but there was no assignment agreement during the financial year 2017-18. It is submitted that the intangible asset belonged to the Corporate Debtor and there was no indication that any third party rights have been created. He has further submitted that he had received the record of the proceedings happened before the BIFR much less the order dated 10.09.2001 as per which the prohibition was imposed regarding the transfer of any fixed or current assets of the Company without the consent of the secured creditor and BIFR and as such the supplemental trademark agreement dated 15.07.2008, which is the basis of the case set up by the Appellant that the registered trademark was assigned to it, has been executed during the period of prohibition order passed by the BIFR and cannot be looked into. It is further submitted that in so far as the issue of jurisdiction raised by the Appellant is concerned, the Appellant itself subjected it to the jurisdiction of the Adjudicating Authority by filing the application under Section 60(5) of the Code and the Adjudicating Authority has the jurisdiction to decide the issue regarding asset which are central to the success of the CIRP. It further submitted by him that even if for the sake of argument, the trademark was assigned on 15.07.2008, it was required to be registered which is a mandatory requirement under Section 45(1) of the Act, 1999 and since the registration of the assigned trademark has been done only in September, 2018 without the information of the RP and in violation of Section 14 of the code, therefore, the registration was obtained fraudulently.

13. Counsel appearing on behalf of Respondent No. 2 has also reiterated the stand taken by the RP. It is further submitted that Section 18(f)(iv) of the Code clearly provides that the IRP shall take control and custody of any asset over which the CD has ownership rights as recorded in the balance sheet of the Corporate Debtor or any other registry, including intangible assets such as intellectual property rights. It is argued that on the commencement of the CIRP date, in the Corporate Debtor's balance sheet the trademark is shown as the asset of the Corporate Debtor and the Appellant had paid the license fee for using the same, meaning thereby, the Appellant was merely a licensee and not the owner. It is further submitted that even the trademark registry reflected that the Corporate Debtor is the owner of the said trademark as on CIRP commencement date. He has also referred to the order of the BIFR dated 10.09.2001 and contended that the prohibition to sell the assets of the Corporate Debtor was in force upto December, 2016 when the Code came into force, therefore, any transaction in between was patently illegal. It is next argued that the supplemental trademark agreement dated 15.07.2008 was insufficiently stamped with Rs. 100 stamp paper whereas the valid assignment of the trademark duties are more than Rs. 8000 which is required to be paid, therefore, the said document cannot be read. It is also argued that the document dated 15.07.2008 is undervalued as it purports to assign the valuable trademark for Rs. 10 lakh only whereas in 2006 the said trademark was admittedly hypothecated by the Corporate Debtor in favour of the Appellant for Rs. 10 Crores. As regards, the argument of jurisdiction raised by the Appellant to adjudicate upon the issue as to whether the trademark belongs to the

Corporate Debtor or not. It is submitted that it is within the domain of the Adjudicating Authority under Section 60(5)(b)(c) of the Code which provides for decision any claim by or against the Corporate Debtor or any question or fact arising out of the CIRP. It is further submitted that Section 18(f)(iv) of the Code clearly covers intellectual property and in fact mandates that an IRP/RP should take custody of all such assets reflected in the Corporate Debtor's balance sheet or with any other registry. It is also submitted that the deed of assignment dated 20.09.2017 is not a valid document and no assignment trademark could have happened thereunder. It is submitted that the stamp duty of Rs. 8000 only paid on 24.08.2018, the application for change of name was filed on 25.08.2018 and change of registration was on 17.09.2018, all after the date of CIRP on 09.08.2018 which is in violation of Section 14 of the Code which provides a complete shield for all assets of the Corporate Debtor. It is also argued that there is some element of fraud in this case also because the attorney depenning & depenning had acted for both the corporate debtor and the Appellant and issued no objection for the alleged assignment on behalf of the Corporate Debtor to the trademark registry.

14. Counsel appearing on behalf of the Corporate Debtor (Respondent No. 1) has taken the same standas argued by the RP and RA.

15. In rebuttal, Counsel for the Appellant has argued that his whole case is based upon the supplemental trademark agreement dated 15.07.2008, the validity of which has not been challenged by Respondents before the Adjudicating Authority and no finding has been recorded in this regard

except that the agreement was executed during the subsistence of the order of stay of the BIFR. It is further submitted that even if the agreement was stated to be insufficiently stamped yet it is a curable defect and the proper stamped duty has been paid. It is also reiterated that in the 5<sup>th</sup> CoC meeting, the CoC was apprised that the forensic audit report found no preferential, undervalued, fraudulent or wrongful trading transactions. In the forensic audit report, no related party preferential or fraudulent transaction whatsoever was found, therefore, the RP had rightly not filed the application under Section 43, 45, 49, 50 and 66 of the Code but the Adjudicating Authority has committed an error in suo motu passing the order and declaring the transaction between the parties being hit by Section 43 and 44 of the Code.

16. We have heard Counsel for the parties and perused the record with their able assistance.

17. In so far as the first issue raised by the Appellant is concerned, it is argued that the dispute is in regard to the title over the registered trademark for which the jurisdiction vests with the District Court in terms of Section 134 of the Act, 1999 and the Adjudicating Authority cannot take a decision under Section 60(5) of the Code. In this regard, it would be relevant to refer to Section 134 of the Act, 1999 and Section 60 of the Code which are reproduced as under:-

**Section 134. Suit for infringement, etc., to be instituted before District Court.**

(1) No suit--

(a) for the infringement of a registered trade mark; or

- (b) relating to any right in a registered trade mark; or
- (c) for passing off arising out of the use by the defendant of any trade mark which is identical with or deceptively similar to the plaintiff's trade mark, whether registered or unregistered,

shall be instituted in any court inferior to a District Court having jurisdiction to try the suit.

(2) For the purpose of clauses (a) and (b) of sub-section (1), a "District Court having jurisdiction" shall, notwithstanding anything contained in the Code of Civil Procedure, 1908 (5 of 1908) or any other law for the time being in force, include a District Court within the local limits of whose jurisdiction, at the time of the institution of the suit or other proceeding, the person instituting the suit or proceeding, or, where there are more than one such persons any of them, actually and voluntarily resides or carries on business or personally works for gain.

*Explanation.*--For the purposes of sub-section (2), "person" includes the registered proprietor and the registered user.

## **Section 60. Adjudicating Authority for corporate persons.**

(1) The Adjudicating Authority, in relation to insolvency resolution and liquidation for corporate persons including corporate debtors and personal guarantors thereof shall be the National Company Law Tribunal having territorial jurisdiction over the place where the registered office of the corporate person is located.

(2) Without prejudice to sub-section (1) and notwithstanding anything to the contrary contained in this Code, where a corporate insolvency resolution process or liquidation proceeding of a corporate debtor is pending before a National Company Law Tribunal, an application relating to the insolvency resolution or <sup>1</sup> [liquidation or bankruptcy of a corporate guarantor or personal guarantor, as the case may be, of such corporate debtor] shall be filed before such National Company Law Tribunal.

(3) An insolvency resolution process or <sup>2</sup> [liquidation or bankruptcy proceeding of a corporate guarantor or personal guarantor, as the case may be, of the corporate debtor] pending in any court or tribunal shall stand transferred to the Adjudicating Authority dealing with insolvency resolution process or liquidation proceeding of such corporate debtor.

(4) The National Company Law Tribunal shall be vested with all the powers of the Debt Recovery Tribunal as contemplated under Part III of this Code for the purpose of sub-section (2).

(5) Notwithstanding anything to the contrary contained in any other law for the time being in force, the National Company Law Tribunal shall have jurisdiction to entertain or dispose of—

(a) any application or proceeding by or against the corporate debtor or corporate person;

(b) any claim made by or against the corporate debtor or corporate person, including claims by or against any of its subsidiaries situated in India; and

(c) any question of priorities or any question of law or facts, arising out of or in relation to the insolvency resolution or liquidation proceedings of the corporate debtor or corporate person under this Code.

(6) Notwithstanding anything contained in the Limitation Act, 1963 (36 of 1963) or in any other law for the time being in force, in computing the period of limitation specified for any suit or application by or against a corporate debtor for which an order of moratorium has been made under this Part, the period during which such moratorium is in place shall be excluded.

18. Section 60(5) of the Code provides the power to the Adjudicating Authority which can be invoked to entertain or dispose of any claim made by or against the corporate debtor or corporate person, including claims by or against any of its subsidiaries situated in India; and also any question of priorities or any question of law or facts, arising out of or in relation to the insolvency resolution or liquidation proceedings of the corporate debtor or corporate person under this Code. Section 238 of the Code creates an overriding effect which provides that the provisions of this Code shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law. In the present case, the provisions of Section 60(5)(c) of the Code would apply for the purpose of jurisdiction of the Adjudicating Authority to entertain or dispose of any question of law or facts, arising out of or in relation to the insolvency resolution or liquidation proceedings of the corporate debtor or corporate person because in the present case, the

insolvency resolution is in question, as the resolution plan, approved by the CoC has been filed by the RP and in these proceedings a question has been raised about one of the assets of the Corporate Debtor i.e. the registered trademark which is an intangible asset. In this regard, observation made by the Hon'ble Supreme Court in the case of Gujarat Urja (Supra) is required to be referred to which reads as under:-

“71. The institutional framework under the IBC contemplated the establishment of a single forum to deal with matters of insolvency, which were distributed earlier across multiple fora. In the absence of a court exercising exclusive jurisdiction over matters relating to insolvency, the corporate debtor would have to file and/or defend multiple proceedings in different fora. These proceedings may cause undue delay in the insolvency resolution process due to multiple proceedings in trial courts and courts of appeal. A delay in completion of the insolvency proceedings would diminish the value of the debtor's assets and hamper the prospects of a successful reorganization or liquidation. For the success of an insolvency regime, it is necessary that insolvency proceedings are dealt with in a timely, effective and efficient manner. Pursuing this theme in *Innoventive* (supra) this court observed that —one of the important objectives of the Code is to bring the insolvency law in India under a single unified umbrella with the object of speeding up of the insolvency process. The principle was reiterated in *Arcelor Mittal* (supra) where this court held that —the non-obstante Clause in Section 60(5) is designed for a different purpose: to ensure that the NCLT alone has jurisdiction when it comes to applications and proceedings by or against a corporate debtor covered by the Code, making it clear that no other forum has jurisdiction to entertain or dispose of such applications or proceedings. Therefore, considering the text of Section 60(5)(c) and the interpretation of similar provisions in other insolvency related statutes, NCLT has jurisdiction to adjudicate disputes, which arise solely from or which relate to the insolvency of the Corporate Debtor. However, in doing so, we issue a note of caution to the NCLT and NCLAT to ensure that they do not usurp the legitimate jurisdiction of other courts, tribunals and fora when the dispute is one which does not arise solely from or relate to the insolvency of the Corporate Debtor. The nexus with the insolvency of the Corporate Debtor must exist.”

19. It has been held that the non-obstante clause in Section 60(5) is designed for a different purpose to ensure that the NCLT alone has the jurisdiction when it comes to applications and proceedings by or against a corporate debtor covered by the Code, making it clear that no other forum has jurisdiction to entertain or dispose of such applications or proceedings. It was held by the Hon'ble Supreme Court that the NCLT has the jurisdiction to adjudicate disputes, which arise solely from or which relate to the insolvency of the corporate debtor but it has also been held that while doing so, the Tribunal may not usurp the legitimate jurisdiction of other courts, tribunals and fora when the dispute is one which does not arise solely from or relate to the insolvency of the corporate debtor and nexus with the insolvency of the corporate debtor must exist. It is pertinent to mention that the facts of the case of Gujarat Urja (Supra) are altogether different from the facts of the present case because in that case PPA was terminated solely on the ground of insolvency since the event of default contemplated under Article 9.2.1(e) was the commencement of insolvency proceedings against the corporate debtor. In the absence of the insolvency of the corporate debtor, there would be no ground to terminate the PPA. The termination is not on a ground independent of the insolvency, therefore, the dispute in that case solely arising out of and relates to the insolvency of the corporate debtor and it was thus held that the RP can approach the NCLT for adjudication of the dispute that were related to the insolvency resolution. Similarly, in the present case also, the issue is in regard to the title of the property of the Corporate Debtor which is in CIRP and as per Section 60(5)(c) of the Code the question of fact as to whether the asset of the Corporate Debtor is the

property of the Appellant on account of the agreement dated 15.07.2008 or is the property of the Corporate Debtor in CIRP is a question relating to the insolvency resolution. In so far as the decision rendered in the case of Embassy Property Developments Pvt. Ltd. (Supra) is concerned, it was a case where the corporate debtor was holding a mining lease granted by the Government of Karnataka which was to expire on 25.05.2018. A notice for premature termination of the lease was issued on 09.08.2017, on the allegation of violation of statutory rules and the terms and conditions of the lease deed, no order of termination had been passed till the date of initiation of the CIRP. The IRP therein addressed a letter dated 14.03.2018 to the Chairman of the monitoring committee as well as the director of mines and geology informing them of the commencement of CIRP. He also wrote a letter dated 21.04.2018 to the director for seeking the benefit of deemed extension of the lease beyond 25.05.2018 upto 31.03.2020 in terms of Section 8-A (6) of the mines and minerals (development and regulation) Act, 1957. Since, no response was found, therefore, RP filed a writ petition seeking a declaration that the mining lease should be deemed to be valid upto 31.03.2020 but during the pendency of the writ petition, Government of Karnataka passed an order dated 26.09.2018, rejecting the proposal for deemed extension. The RP moved an application before the NCLT for setting aside the order of the Government of Karnataka and seeking a declaration that the lease should be deemed to be valid upto 31.03.2020 which was allowed by the NCLT and ultimately the Adjudicating Authority directed the Government of Karnataka to execute the supplement lease deed. In the background of these facts, the Hon'ble Supreme Court has held that "therefore, in the light of the statutory

scheme as culled out from various provisions of the IBC, 2016 it is clear that wherever the corporate debtor has to exercise a right that falls outside the purview of the IBC, 2016 especially in the realm of the public law, they cannot through the RP, take a bypass and go before NCLT for the enforcement of such a right” However, facts of the present case are altogether different from the aforesaid case. In so far as the decision in the case of Tata Consultancy Service Limited (Supra) is concerned, the Hon’ble Supreme Court has reiterated that the RP can approach the NCLT for adjudication of disputes which relate to the insolvency resolution process, but when the dispute arises dehors the insolvency of the corporate debtor, the RP must approach the relevant competent authority. Similar view has been expressed by this Court in the case of Sicom Ltd. (Supra).

20. Thus, in view of the aforesaid discussion, we are of the considered opinion that the Adjudicating Authority had the jurisdiction which was though not challenged before it by the Appellant when it itself had filed the application for seeking a declaration/clarification as to whether the trademark is the property of the Corporate Debtor or the Appellant but still in view of Section 60(5)(c), we are of the opinion that if a question of law or fact arising out or in relation to the insolvency resolution then the Adjudicating Authority shall have the jurisdiction. Thus, the contention raised by the Appellant that the Adjudicating Authority had no jurisdiction to decide the lis between the parties in so far as the application is concerned, is rejected.

21. As regards the validity of the supplemental trademark agreement dated 15.07.2008 is concerned, the Adjudicating Authority has held that it was executed between the Corporate Debtor and the Appellant when the order of prohibition dated 10.09.2001 passed by the BIFR was in operation in which it directed that 'the company/promoters were directed under Section 22A of the Act not to dispose of any fixed or current assets of the company without any consent of the secured creditor and BIFR'. The Adjudicating Authority has held that even if the proceedings of the BIFR were abated with the coming into force of the Code in 01.12.2016, the interim orders passed shall remain effective and relied upon a decision of the Hon'ble Supreme Court in the case of Jehal Tanti &Ors. (Supra), however, in the case of Thomson Press (India) Limited (Supra) the Hon'ble Supreme Court has held that "there is, therefore, little room for any doubt that the transfer of the suit property pendente lite is not void ab initio and that the purchaser of any such property takes the bargain subject to the rights of the plaintiff in the pending suit. Although the above decisions do not deal with a fact situation where the sale deed is executed in breach of an injunction issued by a competent Court, we do not see any reason why the breach of any such injunction should render the transfer whether by way of an absolute sale or otherwise ineffective. The party committing the breach may doubtless incur the liability to be punished for the breach committed by it but the sale by itself may remain valid as between the parties to the transaction subject only to any directions which the competent Court may issue in the suit against the vendor." In the present case, it was specifically mentioned in the deed of 15.07.2008 that 'the assignment shall become

effective without any further act or deed until after the order dated 10.09.2001 passed by the BIFR, is vacated and/or discharged or in the event FGIL/Corporate Debtor is wound up'. It is needless to mention that the assignment was contingent upon the vacation of the order dated 10.09.2001 and with the repeal of SICA, 2016 w.e.f. 01.12.2016, the condition was lifted and the Appellant became assignee of the trademark w.e.f. the date when the supplemental trademark agreement dated 15.07.2008 was executed, therefore, the finding recorded by the Adjudicating Authority in this regard that because there was a stay by the BIFR and agreement was executed during that period is null and void is not in accordance with law.

22. The next submission of the Appellant that the Appellant became the owner of the trademark with its assignment to it by the registered assignor of the Corporate Debtor by executing the supplemental trademark agreement dated 15.07.2008 is concerned, reliance has been placed by the Appellant upon the Sections 37 and 38 of the Act, 1999, which are reproduced as under:-

**“37. Power of registered proprietor to assign and give receipts**

The person for the time being entered in the register as proprietor of a trade mark shall, subject to the provisions of this 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.

**38. Assignability and transmissibility of registered trade marks**

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 with or without the goodwill of the business concerned and in respect

either of all the goods or services in respect of which the trade mark is registered or of some only of those goods or services.”

23. The Appellant has relied upon a decision in the case of Sun Pharmaceuticals (Supra) in which the Hon'ble Delhi High Court has held as under:-

“11. I also find that under Section 2(1)(w) a registered trade mark is a trade mark which is on the Register and is in force. Registered trade mark is thus different from registered proprietor. Assignment under Section 2(b) is an assignment in writing by act of parties concerned. Assignment does not require registration. The Register of Trade Mark under Section 6 is to contain trade marks with the name etc of proprietor. Section 37 empowers the person entered in the Register as proprietor of trade make to assign the same. Section 38 makes the trade mark a tradeable property/commodity subject to restrictions in Sections 40 to 44. Thus registered trade mark is different from proprietor thereof. Thereafter, Section 45(1) provides "where a person becomes entitled by assignment ....to a registered trade mark, he shall apply in the prescribed manner to the Registrar to Register his title....." meaning thereby that assignment of title in registered trade mark is complete on assignment within the meaning of Section 2(b), i.e., on writing between the assignor and the assignee. For assignment to be complete, the Registrar is not involved. It is further borne out from language supra of Section 45(1) that the assignee acquires title to registered trade mark on assignment and not by registration. Registration is of title acquired by assignment. The inquiry which a Registrar is to make before such registration of title acquired by assignment is of satisfaction of proof of title and as to disputes if any as to assignment. This inquiry is limited to this extent only in contradistinction to inquiry which the Registrar is to make before registering a trade mark. A dispute as to assignment can be raised by the assignor or by some person claiming prior assignment and not by strangers or by persons claiming adversely to the assignor.

12. It follows that the assignee immediately on assignment i.e., by writing acquires title to the registered trade mark. Registration under Section 45(1) is "on proof of title". Thus title exists in assignee even before registration under Section 45(1).

13. The next question which arises is, if title in registered trade mark vests in assignee, after assignment and before registration, who is entitled to exercise rights under Section 28 as registered proprietor. If the interpretation canvassed by defendant herein is to be adopted it will amount to allowing a person who is divested

by assignment of title to registered trade mark to nevertheless continue exercising such rights; it would play havoc with assignability and trading in trade marks, expressly permitted under the Act. If the person in whom title has vested by assignment, is held to be not entitled to exercise such rights owing to non registration, the same result will follow, besides giving a premium to third parties. In that situation, in the interregnum there will be none to enforce rights in the registered trade mark. "Registered proprietor" in Section 28, rather than adopting a pedantic interpretation has to be interpreted as including a person having title as registered proprietor by way of assignment or transmission.

14. It is also worth noting that what appears to have prevailed with the Madras High Court was the inaction of the plaintiff therein to have applied to the Registrar. In the present case, however, the plaintiff had applied for registration as far back as in the year 2000. There is nothing to show that the plaintiff is in any way to blame for the Registrar having not decided either way on the application of the plaintiff. In the circumstances the maxim *actus curae neminem gravabit* - an act of court shall prejudice no man and *lex non cogit ad impossibilia* - the law does not compel a man to do that which he cannot possibly perform, would also become applicable. The plaintiff cannot be made to suffer for the actions of the Registrar. It has been held in *A.P. Electricity Regulatory Commission v R.V. K. Energy Pvt Ltd* JT 2008 (7) SC 138:Manu/SC 2615/2008 that these principles apply to quasi judicial bodies as well. It is also significant that the registration, if affected shall date back to the date of the application."

24. In the case of *Skol Breweries limited* (Supra) the Hon'ble Bombay High Court has held that 'the registration granted by the Registrar under Section 45 is proof of title to the trademark of the assignee or the person who acquires the same by transmission. Thus, a person who has acquired title to a trademark by assignment or transmission cannot be non-suited for want of title per se on the ground that the assignment or transmission is not entered on the register'.

25. In the case of *Cinni Foundations* (Supra) has held that 'to put it differently, acquisition of title to the trademark is not dependent upon the

assignment being registered, as the purpose of the registration is only to place on record the fact that title has been created and registration by itself does not create title which already stands created on the execution of the assignment deed’.

26. In view of the aforesaid decisions, it is well-nigh proved that the title in the trademark vested with the Appellant with the execution of the supplemental trademark agreement dated 15.07.2008 by which the registered trade mark was assigned by the Corporate Debtor to the Appellant as an assignee subject of course to the condition that it will become effective until after the order dated 10.09.2001 passed by the BIFR is vacated or discharged.

27. The next submission of the Appellant is that the Adjudicating Authority has committed an error in holding that the transaction relied upon by the Appellant is undervalued transaction and is hit by Section 45(2)(b) and that it is also against the provisions of Section 43(2)(a) being a preferential transaction as it has been done within a period of two years preceding of commencement of CIRP and has referred to Section 43, 45 and 46 of the Code which are reproduced as under:-

**“Section 43: Preferential transactions and relevant time.**

**\*43.** (1) Where the liquidator or the resolution professional, as the case may be, is of the opinion that the corporate debtor has at a relevant time given a preference in such transactions and in such manner as laid down in sub-section (2) to any persons as referred to in sub-section (4), he shall apply to the Adjudicating Authority for avoidance of preferential transactions and for, one or more of the orders referred to in section 44.

(2) A corporate debtor shall be deemed to have given a preference, if—

(a) there is a transfer of property or an interest thereof of the corporate debtor for the benefit of a creditor or a surety or a guarantor for or on account of an antecedent financial debt or operational debt or other liabilities owed by the corporate debtor; and

(b) the transfer under clause (a) has the effect of putting such creditor or a surety or a guarantor in a beneficial position than it would have been in the event of a distribution of assets being made in accordance with section 53.

(3) For the purposes of sub-section (2), a preference shall not include the following transfer —

(a) transfer made in the ordinary course of the business or financial affairs of the corporate debtor or the transferee;

(b) any transfer creating a security interest in property acquired by the corporate debtor to the extent that—

(i) such security interest secures new value and was given at the time of or after the signing of a security agreement that contains a description of such property as security interest and was used by corporate debtor to acquire such property; and

(ii) such transfer was registered with an information utility on or before thirty days after the corporate debtor receives possession of such property:

Provided that any transfer made in pursuance of the order of a court shall not, preclude such transfer to be deemed as giving of preference by the corporate debtor.

*Explanation.*—For the purpose of sub-section (3) of this section, “new value” means money or its worth in goods, services, or new credit, or release by the transferee of property previously transferred to such transferee in a transaction that is neither void nor voidable by the liquidator or the resolution professional under this Code, including proceeds of such property, but does not include a financial debt or operational debt substituted for existing financial debt or operational debt.

(4) A preference shall be deemed to be given at a relevant time, if—

(a) it is given to a related party (other than by reason only of being an employee), during the period of two years preceding the insolvency commencement date; or

(b) a preference is given to a person other than a related party during the period of one year preceding the insolvency commencement date.

#### **Section 45: Avoidance of undervalued transactions.**

**\*45.** (1) If the liquidator or the resolution professional, as the case may be, on an examination of the transactions of the corporate debtor referred to in sub-section (2) <sup>1</sup>[\*\*] determines that certain transactions were made during the relevant period under section 46, which were undervalued, he shall make an application to the Adjudicating Authority to declare such transactions as void and reverse the effect of such transaction in accordance with this Chapter.

(2) A transaction shall be considered undervalued where the corporate debtor—

(a) makes a gift to a person; or

(b) enters into a transaction with a person which involves the transfer of one or more assets by the corporate debtor for a consideration the value of which is significantly less than the value of the consideration provided by the corporate debtor,

and such transaction has not taken place in the ordinary course of business of the corporate debtor.

#### **Section 46. Relevant period for avoidable transactions.**

(1) In an application for avoiding a transaction at undervalue, the liquidator or the resolution professional, as the case may be, shall demonstrate that—

(i) such transaction was made with any person within the period of one year preceding the insolvency commencement date; or

(ii) such transaction was made with a related party within the period of two years preceding the insolvency commencement date.

(2) The Adjudicating Authority may require an independent expert to assess evidence relating to the value of the transactions mentioned in this section”

28. It is submitted that it is an admitted case that no application has been filed by the RP for obtaining an order of the Adjudicating Authority under Section 43 and 45 and the order has been passed by the Adjudicating Authority suo motu. It is submitted that as per Section 43(1) the liquidator or the resolution professional, as the case may be, has to form an opinion that the corporate debtor has at a relevant time given a preference in such transactions and in such manner as laid down in sub-section (2) to any persons as referred to in sub-section (4) and then he shall apply to the

Adjudicating Authority for avoidance of preferential transactions and for, one or more of the orders referred to in section 44. Similarly, it is submitted that for the purpose of avoidance of undervalued transaction, it is for the liquidator or the RP to examine the transaction of the corporate debtor and determine that the transactions made during the relevant period under Section 46 were undervalued and then he shall make an application to the Adjudicating Authority to declare such transaction as void. In this regard, Counsel for the Appellant has placed reliance upon the judgment in the case of Anuj Jain (Supra) and referred to para 140 which is reproduced as under:-

“140. However, we are impelled to make one comment as regards the application made by IRP. It is noticed that in the present case, the IRP moved one composite application purportedly under Sections 43, 45 and 66 of the Code while alleging that the transactions in question were preferential as also undervalued and fraudulent. In our view, in the scheme of the Code, the parameters and the requisite enquiries as also the consequences in relation to these aspects are different and such difference is explicit in the related provisions. As noticed, the question of intent is not involved in Section 43 and by virtue of legal fiction, upon existence of the given ingredients, a transaction is deemed to be of giving preference at a relevant time. However, whether a transaction is undervalued requires a different enquiry as per Sections 45 and 46 of the Code and significantly, such application can also be made by the creditor under Section 47 of the Code. The consequences of undervaluation are contained in Sections 48 and 49. Per Section 49, if the undervalued transaction is referable to sub-section (2) of Section 45, the Adjudicating Authority may look at the intent to examine if such undervaluation was to defraud the creditors. On the other hand, the provisions of Section 66 related to fraudulent trading and wrongful trading entail the liabilities on the persons responsible therefor. We are not elaborating on all these aspects for being not necessary as the transactions in question are already held preferential and hence, the order for their avoidance is required to be approved; but it appears expedient to observe that the arena and scope of the requisite enquiries, to find if the

transaction is undervalued or is intended to defraud the creditors or had been of wrongful/fraudulent trading are entirely different. Specific material facts are required to be pleaded if a transaction is sought to be brought under the mischief sought to be remedied by Sections 45/46/47 or Section 66 of the Code. As noticed, the scope of enquiry in relation to the questions as to whether a transaction is of giving preference at a relevant time, is entirely different. Hence, it would be expected of any resolution professional to keep such requirements in view while making a motion to the Adjudicating Authority.

29. We have found that the legislature has used the different language in Section 43 and 45 of the Code because in Section 43, the RP or the liquidator has to form an opinion whereas in Section 45 the RP or the liquidator has to examine and then determine that the transaction in question were undervalued during the relevant period. In the case of Anuj Jain (Supra) the Hon'ble Supreme Court has also held that specific material facts are required to be pleaded if a transaction is sought to be brought under the mischief sought to be remedied by Sections 45/46/47 or Section 66 of the Code. It further said that it is expected of any resolution professional to keep such requirements in view while making a motion to the Adjudicating Authority but in any case the action could not have been taken under Section 43 and 45 without there being an application moved by the RP. In the present case, the CoC was apprised in its 5<sup>th</sup> meeting that the forensic audit report found no preferential, undervalued, fraudulent or wrongful trading transactions nor it has found any related party preferential or fraudulent transaction whatsoever, therefore, only on the basis that the trademark was hypothecated for a bigger amount and has been assigned for lesser amount would not be a criteria for the purpose of declaring it to be undervalued transaction without there being sufficient material before the

Adjudicating Authority to pass such an order, therefore, in our considered opinion, the finding recorded in this regard is not in accordance with law and thus reversed.

30. In view of the aforesaid discussions, the present appeal is hereby allowed and the impugned order is set aside. No costs.

**[Justice Rakesh Kumar Jain]**  
**Member (Judicial)**

**[Mr. Naresh Salecha]**  
**Member (Technical)**

**New Delhi**  
**25<sup>th</sup> January, 2024**

Sheetal