

MANU/DE/1032/2008

Equivalent Citation: 154(2008)DLT167, MIPR2008(3)7, 2008(38)PTC83(Del)

IN THE HIGH COURT OF DELHI

FAO(OS) No. 265 of 2008

Decided On: 04.07.2008

Appellants: **Ajanta Manufacturing Ltd. and Ors.**
Vs.
 Respondent: **Ajanta India Ltd.**

Hon'ble Judges/Coram:

Manmohan Sarin and Manmohan, JJ.

Counsel:

For Appellant/Petitioner/plaintiff: A.M. Sanghvi, Sr. Adv., Sanjay Kapur, Rajiv Kapur, Arti Singh, Preetesh Kapur and Amit Bhandari, Adv

For Respondents/Defendant: Arun Jaitley, Sr. Adv. and Pratibha M. Singh, Adv.

Subject: Intellectual Property Rights

Acts/Rules/Orders:

Trade Marks Act, 1999 - Section 2, Trade Marks Act, 1999 - Section 12, Trade Marks Act, 1999 - Section 29(5), Trade Marks Act, 1999 - Section 30(2), Trade Marks Act, 1999 - Section 33; Code of Civil Procedure (CPC) - Order 39 Rule 4

Cases Referred:

QRG Enterprises and Anr. v. Surendra Electricals and Ors. 2007 (35) PTC 742 (Del.); Atlas Cycles (Haryana) Ltd. v. Atlas Products Pvt. Ltd. MANU/DE/1366/2002 : 2002 (25) PTC 563

Citing Reference:

Discussed	■	1
Mentioned	■	1

Case Note:

Intellectual Property Rights - Assignment of trade mark - Objection to use of assigned trade mark as corporate Name - Section 29(5) of Trade Marks Act,1999 - Appellant-Assignor assigned impugned trade mark "Ajanta" to Respondent-Assignee in various classes except for clocks and time pieces - Another Deed of Agreement between parties in respect of goods - Thereafter, Respondent filed suit against Appellant to restrain Appellant from using impugned trade mark with regard to products other than clocks and time pieces - Trial Court granted injunction in favour of Respondents - Hence, the present appeal — Respondents objected on the ground that by virtue of Section 29 (5) of Trade Marks Act, use of a registered trade mark as part of the trade name or business name constitutes infringement - Held, Courts can grant permission to use a trade mark as trade/corporate name provided the trade name is not used with the objective of causing confusion vis-à-vis the connected trade mark - When documents are read harmoniously together, it is apparent that both the family fractions were entitled to use the mark AJANTA as their corporate name - But could not sell the new products manufactured by it under the mark "Ajanta" - Undertaking given in this respect - Appeal disposed of

Ratio Decidendi:

"Courts can grant permission to use a trade mark as trade/corporate name provided the trade name is not used with the objective of causing confusion vis-à-vis the connected trade mark."

JUDGMENT

Manmohan, J.

1. The present case is a reflection of the times that we live in. It is a case of bitter fight between brothers who are willing to go to any length to ensure that the other family faction is not able to sustain itself economically. Needless to say that in this fight, neither has left any holds barred.

manupat 2. Briefly stated the material facts are that the Appellants have filed the present appeal for setting aside orders dated 8th October, 2007, 19th February, 2008, 2nd May, 2008 and 16th May, 2008 passed by learned Single Judges of this Court in CS (OS) No. 2013/2007.

3. In 1971 M/s. Ajanta Transistor Clock Manufacturing Company, a partnership firm, was established by Mr. Odhavjibhai Patel. The firm was owned by Mr. Odhavjibhai, his brothers and their children. This firm got the mark AJANTA registered. This firm has been selling its products in India and abroad.

4. The Appellant company, M/s. Ajanta Manufacturing Ltd., was established in the year 1992 in the name of M/s. Ajanta Electronics Incorporated and it was later on converted into a private limited company on 9th November, 1994. On its incorporation as a company, the name of the company was changed to M/s. Ajanta Electronics Pvt. Ltd. Since some of the family members wanted to move away from the family business, the constitution of partnership firm and the shareholders of the incorporated company kept on changing from time to time.

5. What is relevant for us is that on 19th September, 2002 a Deed of Assignment was executed between some of the Appellants referred to as the Assignor in the Deed and M/s. Ajanta India Ltd., the respondent referred to as the Assignee in the said Deed. By virtue of this Assignment the Appellant transferred, sold and assigned the trade mark Ajanta to the Respondent in various classes registered in the schedule annexed thereto except for clocks and time pieces, for a consideration of Rs. 34,00,000/- (Rupees Thirty Four Lakhs only). The relevant portion of the Deed of Assignment is reproduced herein below for ready reference :

WHEREAS the ASSIGNORS have voluntarily agreed to assign, SELL, AND TRANSFER the Trade Marks-AJANTA, in various classes listed in the schedules annexed hereto (PARTICULARLY FOR WRISTWATCHES EXCEPT CLOCK & TIME PIECE IN CLASS 14) to the ASSIGNEE for a token consideration of Rs. 34,00,000/- (Rupees Thirty four lakhs only)....

Out of abundant caution, it is clarified that THIS DEED of ASSIGNMENT purports to assign & convey unto THE ASSIGNEES the trademark "AJANTA" in respect of all classes listed in the schedules annexed hereto with specific & unambiguous assignment of WRISTWATCHES in class 14 but excluding clock & time piece there from.

NOW THIS INDENTURE WITNESSETH AS UNDER:

THAT in pursuance of this DEED of ASSIGNMENT and consideration of Rs. 34,00,000/-, (Rupees Thirty four lakhs Only) paid by the ASSIGNEE to the ASSIGNORS, the receipt whereof, the said ASSIGNORS hereby admits, acknowledges and confirms AND the ASSIGNORS, HEREBY GRANT, ASSIGN, TRANSFER, upon the terms herein, the EXCLUSIVE USE, WHOLE RIGHTS, TITLE & INTEREST, PROPERTY AND ALL BENEFITS in the Trade Marks AJANTA in various classes as listed in the schedules annexed hereto (PARTICULARLY FOR WRISTWATCHES EXCEPT CLOCK & TIME PIECE IN CLASS 14), ALONG WITH the GOODWILL of the ENTIRE BUSINESS CONCERNED UPON the ASSIGNEE HEREIN....

6. On 20th September, 2002 a Deed of Agreement was executed between predecessor in-interest of the Appellant on one hand and referred to as First Party in the said agreement, and M/s. Ajanta India Ltd., the respondent on the other hand. This agreement was in the nature of non-compete agreement clearly specifying which products each of the parties could manufacture. The intent of this agreement was to ensure that there was no overlapping in the business activities of the two family factions. Some of the relevant clauses of the said Deed of Agreement are reproduced hereinbelow for ready reference:

FIRST PARTY

We, the undersigned, the firms running in the names of M/s. Ajanta Transistor Clock Mfg. Co., M/s. Ajanta Electronics Pvt. Ltd., and Ellora Time Ltd. of Morbi and

SECOND PARTY:

Ajanta India Limited of Morbi through Ashokbhai Odhavjibhai Patel residing at Morbi....

The First Party is the registered owner of the Class No. 14th item trade mark, patent and design names "Ajanta" it is registered not only in India but in other countries outside India in respect of Trade Mark etc. and holds all its rights. Those rights are for wrist watches, wall clocks and time pieces, out of which the rights of trade mark, patent and design for wrist watches except for the wall clocks and time pieces are assigned or transferred to the Second Party as per writing on stamp paper No. 34807 dtd. 16.09.2002 worth Rs. 1,01,000/- only.

At the time of such assignment or transfer and as per agreement made between us at the name time we both the parties manufacture different items. In order to avert any mental disturbance or

(1) The First Party at present manufactures and / or intends to manufacture in the near future the items such as wall clocks, time pieces, table pieces, calculators, telephones of all kinds electric items such as Education toys, water purifiers, hair dryers, hand blenders Irons, mixture grinders, juicers, sandwich toasters, pop-up toasters, room heaters, water dispensers, kettles, torches, energy saving lamps, scales, washing machines, microwave ovens and items for household use. The second party hereby gives an undertaking that they will never manufacture or sell any such above mentioned item for themselves or in the names of others in the whole of India.

(2) The second party at present manufacture and / or intends to manufacture in the near future wrist watches, health care products, electrical switches and their accessories cosmetic items, pharmaceutical items, together with spare parts for the same and other items incidental to the above item. The first party hereby gives an undertaking that they will never manufacture or sell in their own name or in the name of others any such above mentioned item in the whole of India.

(3) In this way the owner of both the parties are real brothers and carry on the respective business. Each party hereby gives an understanding to the other party that this agreement is made in order that in the future there may not arise any mental disturbance, dispute, misunderstanding between both the parties in the matter of their respective business and it is binding to both the parties.

(4) The first party has assigned or transfer the trade mark, patent and design named "Ajanta" to the second party and has executed a writing in this behalf. In furtherance of the understanding between both the parties made at that time this separate agreement is made. This separate writing is made also in order that there may not be any complication in the writing of assignment of trade mark of "Ajanta Quartz" but it is to be considered as a part of the contract of assignment of trade mark and its writing.

7. In the year 2004 M/s. Ajanta Electronics Pvt. Ltd. was renamed as M/s. Ajanta Manufacturing Ltd. From the documents on record it seems that in the fiscal year 2003-04, Appellant No. 1 set up a huge manufacturing plant in Kutch. During 2005-06 the Appellant company not only commenced manufacturing CFLs but it also began installation of a vitrified tiles plant. In the year 2007-08 the Appellant also started manufacturing E-bikes. Though the Appellants were selling its CFLs, tiles and E-bikes under the mark of OREVA, it was however mentioning on the packing of its products that it was "a product from Ajanta Manufacturing Ltd.". This led the Respondent/plaintiff to file civil suit being CS (OS) No. 2013/2007. A single Judge of this Court vide order dated 8th October, 2007 passed an ex-parte injunction order restraining the Appellants from using the trade mark / trade name AJANTA except to the extent of use for clocks and time pieces. The relevant portion of the order dated 8th October, 2007 is reproduced hereinbelow for ready reference :

...The grievance made by the plaintiff is that the defendant is using the trademark AJANTA for CFLs and vitrified tiles contrary to the Deed of Assignment.

In view of the pleadings and documents and the submissions made aforesaid, it is directed that the defendant shall not use the trademark/trade name AJANTA assigned exclusively to the plaintiff except to the extent of use for clock and time piece in Clause 14....

8. Subsequently, on 2nd May, 2008 when the said suit came up for hearing, another learned Single Judge of this Court enjoined the Appellants from proceeding with their public issue. The relevant portion of the order dated 2nd May, 2008 is reproduced hereinbelow for ready reference :

...It is directed that in the meanwhile, the defendant shall not proceed with the public issue pertaining to the draft red herring prospectus filed by the defendant with SEBI on 10.04.2008.

9. The Appellants immediately thereafter filed three applications including one for vacation of injunction under Order 39 Rule 4 CPC. The learned Single Judge on 16th May, 2008 issued notice on these new applications and adjourned them to 18th August, 2008. This led to filing of the present Appeal.

10. Dr. Singhvi, learned Senior Counsel appearing for Appellants submitted that on a bare reading of Agreement dated 20th September, 2002 it would be clear that the Appellants retained the right to use mark AJANTA as their corporate name. He further submitted that since this Agreement had been suppressed by the Respondent/plaintiff at the ex-parte stage, the injunction deserves to be vacated on this ground alone.

manupatra 11. Mr. Arun Jaitley, learned Senior Counsel appearing for Respondent/plaintiff relied on the Assignment Deed dated 19th September, 2002 to contend that Appellants could manufacture only two products under the mark AJANTA. He submitted that the said Assignment Deed had been violated by Appellant No. 1 by expanding its production to other items. Mr. Jaitley, learned Senior Counsel also submitted that despite the injunction order being unequivocal, the Appellants had not only gone ahead with its public issue but had further not disclosed the injunction granted by this Court in their red herring prospectus. Mr. Arun Jaitley relied on Section 2(m) of The Trade Marks Act, 1999 which defines the word 'mark' to contend that it includes a corporate name. Mr. Arun Jaitley further submitted that in view of the clear stipulation in Section 29(5) that use of a registered trade mark as part of the trade name or business name constitutes infringement, the Appellant No. 1 could not bring about a public issue in the name of AJANTA as said company was manufacturing products other than the two items mentioned in the Deed of Assignment.

12. Dr. Singhvi, learned Senior Counsel in rebuttal, once again emphasized that by virtue of the Agreement dated 20th September, 2002 the Appellant Company was entitled to manufacture a number of products, including CFLs, tiles and E-bikes. He submitted that the Appellant Company was not using the mark AJANTA as a trade mark for products other than clocks and time pieces as would be apparent from the fact that the Appellants were selling those products under the mark OREVA. He further undertook that the Appellant Company would ensure that none of the new products manufactured by it contained the mark "Ajanta Manufacturing Ltd.", except where a statute casts a duty on the company to mention the name of the manufacturing company. Dr. Singhvi, learned Senior Counsel also stated that the prospectus referred to by Mr. Jaitley, learned Senior Counsel was a draft and Appellants were willing to mention the injunction order dated 8th October, 2007 in their red herring prospectus. Dr. Singhvi submitted that rights under Section 29(5) of the said Act were subject to Sections 12, 33 & 30(2)(c)(1).

13. After hearing the parties, we are of the view that the Assignment Deed dated 19th September, 2002 has to be read in conjunction with the Agreement dated 20th September, 2002. When these two documents are read harmoniously together, it is apparent that both the family factions were entitled to use the mark AJANTA as their corporate name. Even Mr. Jaitley, learned Senior Counsel did not dispute this. But his objection was that the Appellant No. 1 could not manufacture more than two products namely wall clocks and time pieces. In our view, this submission is prima facie misplaced. Under the Deed of Agreement, the Appellant Company was entitled to manufacture various items including CFLs, tiles and E-bikes. But these products could not be sold under the mark AJANTA. In view of Dr. Singhvi's undertaking that the Appellant Company would not use the mark AJANTA in any of its new products, we think this grievance no longer survives. Further, a Division Bench of this Court, while dealing with the similar argument on Section 29(5) in case of **QRG Enterprises and Anr. v. Surendra Electricals and Ors.** reported in MANU/DE/2489/2007 : 2007 (35) PTC 742 (Del.) has observed as; under :

*...While granting permission pertaining to trade/corporate name Courts can circumscribe user in a manner which ensures that the trade name is not used with the objective of causing confusion viz-a-viz the connected trade mark. This was ensured by the learned Single Judge who had decided **Atlas Cycles (Haryana) Ltd. v. Atlas Products Pvt. Ltd.** MANU/DE/1366/2002 : 2002 (25) PTC 563, and indeed was accepted by the Defendant/Respondent....*

14. In our view, concurrent user and acquiescence can constitute a legitimate defense to Section 29(5) of the said Act. However, we refrain from saying any further at this stage, as we are of the view that all issues would be dealt with by the learned Single Judge when he finally disposes the various applications filed by the parties to the suit. We have only confined ourselves to the pressing issue of restraint of public issue granted by learned Single Judge.

15. Consequently we dispose of this appeal by allowing the Appellant to go ahead with its public issue subject to the following conditions:

- i) Firstly, it discloses the injunction order dated 8th October, 2007 in its red herring prospectus;
- ii) Secondly, it ensures that all products manufactured by it (except wall clocks and time pieces) do not contain the mark AJANTA. Only where a statute casts an obligation/duty to disclose the name of a manufacturing company, the Appellant No. 1 shall mention its name on the packaging of the product in compliance thereof. Further Appellant No. 1 shall ensure that its trade mark OREVA is displayed prominently in contradistinction to the corporate name so that the public at large knows that it trades under the mark OVERA; and
- iii) Appellant No. 1 should also give a disclaimer in all its literature and advertisements issued either in print or electronic media in connection with its IPO that it is not connected with M/s. Ajanta India Ltd. who are the owners of trade mark AJANTA for all goods and services except clocks and time pieces.

manupatra 16. With the above observations and directions, the present appeal is disposed of without any order as to costs. Needless to say that the observations made are on a prima facie view of matter and would not prejudice any of the parties either at the time of hearing and disposal of various applications or the present suit by the learned Single Judge.

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