

MANU/DE/2513/2008

Equivalent Citation: 2009(39)PTC121(Del)

IN THE HIGH COURT OF DELHI

I.A. Nos. 11654/2007 and 1684/2008 in C.S. (OS) Nos. 2012/2007, I.A. Nos. 11660/2007 and 5245 and 5964/2008 in C.S. (OS) No. 2013/2007 and I.A. No. 11768/2007 in C.S. (OS) No. 2024 of 2007

Decided On: 11.12.2008

Appellants: **Ajanta India Ltd.**

Vs.

Respondent: **Ajanta Ltd., Ajanta Manufacturing Ltd. and Ors. and Ajanta Transistor and Clock Manufacturing Co.**

Hon'ble Judges/Coram:

Sanjiv Khanna, J.

Counsels:

For Appellant/Petitioner/plaintiff: Arun Jaitley and Sandip Sethi, Sr. Advs., Pratibha M. Singh and Archana Sachdeva, Advs.

For Respondents/Defendant: Abhishekh Manu Singhvi, Sr. Adv., Rajiv Kapur, Sanjay Kapur, Preteesh Kapur, Arti Singh, Gaurav and Saurabh Banerjee, Advs.

Subject: Intellectual Property Rights

Acts/Rules/Orders:

Trade Marks Act, 1999 - Section 2; Companies Act, 1956 - Section 20(2)

Cases Referred:

Atlas Cycles Ltd. v. Atlas Product Pvt. Ltd. (2007) 4 RCJ 515

Citing Reference:

Discussed ■ 1

Disposition:

Appeal allowed

Case Note:

Intellectual Property Rights - Trade Marks - Use of Trademark and Design - Plaintiff/Ajanta India Limited sought injunction against Defendants from using word Ajanta as part of their corporate name or using words AJANTA QUARTZ or "A product from Ajanta Quartz" on packaging of their products except wall clocks and time pieces and challenged change of name of Ellora Time Pvt. Ltd. to Ajanta Ltd. - Hence, this Application - Held, Plaintiff had established that trademark and design Ajanta in all categories except time pieces and wall clocks was assigned by Defendants as Group to them - However, Defendants had established that they were entitled to continue using corporate names and trademark - There was no bar or embargo in agreement on Defendants not to use word Ajanta as part of their corporate name - Thus, there was no reason to amend corporate name - There was no restriction in agreement that Defendant could not manufactured or do business in products other than wall clocks and time pieces - Concurrent use of word Ajanta in corporate name by both parties was accepted - Use of words "Ajanta Quartz" by Defendants or "from house of Ajanta Quartz" for products other than clocks/time pieces was not justified and correct - Irreparable injury might be caused to Plaintiff in case there was confusion in minds of general public about source of goods manufactured by Defendants and persons behind the public issue - Applications disposed of

Ratio Decidendi:

"No person shall use Trademark or Design availed by another person."

JUDGMENT

Sanjiv Khanna, J.

1. This common order will dispose of interim injunction applications and applications for vacation of EX

manupatra PARTE injunction in the three Suits filed by Ajanta India Limited being CS(OS) Nos. 2012, 2013 and 2024/2007. The defendants in these Suits are different companies/concerns but controlled by the same group of persons. Common arguments were addressed by the parties and Suit No. 2012/2007 was taken as the lead case.

2. In 1971, Mr. Odhavji Bhai R. Patel established a partnership firm Ajanta Transistor Clock Manufacturing Co. The firm adopted the mark AJANTA, which with passage of time became distinctive of the origin/source of the products which primarily consisted of wall clocks, time pieces and wrist watches. In 1989 Ellora Time Pvt. Ltd. and Ajanta Watch Ltd. were incorporated. Another company Ajanta Electronics Pvt. Ltd. was incorporated in 1994.

3. Persons behind and in control of the plaintiff and the defendants are sons of Mr. Odhavji Bhai R. Patel. Mr. Ashok Bhai Patel is in control of the plaintiff-company, Ajanta India Ltd., earlier known as Ajanta Watch Ltd. Mr. Pravin Bhai Patel and Mr. Jai Sukhbhai Patel have controlling interest in the defendant companies/concerns, Ajanta Transistor Clock Manufacturing Co., Ajanta Electronics Pvt. Ltd. now known as Ajanta Manufacturing Ltd. and Ellora Time Pvt. Ltd. now known as Ajanta Ltd. This division/separation was mutually agreed and was by way of two Agreements executed in 2002. The dispute revolves on interpretation and rights of the parties under the two Agreements.

4. The first Agreement dated 19th November, 2002, captioned "Deed of Assignment", was executed between "Ajanta Transistor Clock Manufacturing Company" as the assignor and "Ajanta India Limited" as the assignee. The Deed records that the assignors were registered proprietors or users of the mark AJANTA and registered proprietors of design and copyright in artistic work Ajanta as mentioned in Schedules "A" to "D" to the Agreement. The mark AJANTA and the copyright in the artistic work Ajanta were assigned and transferred by "Ajanta Transistor Clock Manufacturing Company" to "Ajanta India Ltd." in all classes including wrist watches, except clocks and time pieces in Class 14, for a token consideration of Rs. 34 lacs. Relevant recital Clause from the Deed of Assignment dated 19th September, 2002 reads:

...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 therefrom.

Now this indenture witnesseth as under:

That in pursuance of this deed of assignment and consideration of Rs. 34,00,000/- (Rupees Thirty Four lacs 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.

5. This Agreement dated 19th September, 2002 was followed by another Agreement on a stamp paper purchased on 19th September, 2002 but executed on 20th September, 2002. This agreement is in Gujrati language, the native language and mother tongue of the parties. Parties have filed an English translation of the said Deed which is undisputed, except for some minor differences which are not relevant. This Deed is amongst Ajanta Transistor Clock Manufacturing Co., Ajanta Electronics Pvt. Ltd. and Ellora Time Ltd. as a party and Ajanta India Ltd. as the second party. The Agreement records that the first party, namely, the Ajanta Transistor Clock Manufacturing Company, Ajanta Electronics Pvt. Ltd and Ellora Time Ltd were the registered owners of trademark, patent and design in the name AJANTA which was registered in India and other countries in relation to wrist watches, wall clocks and time pieces and the rights in the said trademark, design etc. other than right to use mark AJANTA in respect of wall clocks and time pieces, stands transferred to the second party, i.e. Ajanta India Ltd. by a separate Deed. The agreement records that to avoid any disputes in future the understanding amongst the parties was being recorded in writing and was to be read as part and parcel of the "Deed of Assignment". The recital Clauses read as under:

1. At present the first party is manufacturing items like Wall Clock, Time Pieces, Table Pieces, Calculator, Telephone and all types of electric items of domestic use such as toys, water purifier, hair dryer, hand blender, iron, mixer grinder, juicer, sandwich toaster, pop-up toaster, room heater, water dispenser, mug, torch, "energy saving lamp", coil, washing machine, microwave oven, etc. and/or are planning to manufacture the same in the near future. The second party hereby assures and undertakes that no such items is to be manufactured or sold by themselves or through anybody in any other name in the entire country of India.

2. In the same way, second party, is at present manufacturing wrist watch and are also manufacturing health care products, electrical switch and accessories. And are also manufacturing cosmetic item, pharmaceutical item and its related spare parts and other items

related to the above item and/or are also desirous of manufacturing the same in the near future. The first party hereby assures and undertakes that no such items is to be manufactured or sold by themselves or through anybody in any other name in the entire country of India.

3. In that way, the owners of both the parties are real brother and are doing their own separate businesses. So that in future, in order to avoid any difference of opinion, dispute or misunderstanding with regard to their businesses this agreement has been executed which is binding to both the parties, for which understanding has been given to both the parties.

4. Trademark, Patent and Design of "Ajanta" has been assigned i.e. transferred by the first party to the second party and writings in that regard has been given. With regard to the understanding arrived at between both the parties at the relevant time, this separate Agreement is being executed. In order to avoid any complication with regard to the writing of assignment of the trade mark of "Ajanta Quartz", this separate writing is being prepared, but the same is to be treated as part and parcel of the writing and agreement of Assignment of Trademark.

(emphasis supplied)

6. Based upon these two Agreements the plaintiff, M/s. Ajanta India Limited, has objected to and seeks restraint against the defendants from using the word Ajanta as part of their corporate name or using the words AJANTA QUARTZ or "A product from Ajanta Quartz" on the packaging of their products, except wall clocks and time pieces. plaintiff has challenged change of name of Ellora Time Pvt. Ltd. to Ajanta Ltd. in 2006. Objections have been raised against the defendants from claiming and calling themselves as Ajanta Group in the red herring prospectus inviting initial public offer.

7. At this stage, the interim injunction applications and application for vacation of stay have to be decided by applying the three principles of: prima facie case, balance of convenience and irreparable harm and loss.

8. The defendants are today manufacturing ceramic tiles, CFL bulbs, electric cycles etc. in addition to wall clocks and time pieces. The plaintiff, on the other hand, as a group is manufacturing CFL bulbs, wrist watches and fast moving consumer goods (FMCG) products. The plaintiff is also manufacturing ceramic tiles but their turnover from sale of tiles is substantially lower than the defendants' turnover from sale of ceramic tiles.

9. The products manufactured by the defendants except for clocks and time pieces are being marketed under the mark Oreva/Orpat. The said marks are prominent. However, the packaging/cartons also mention "A product of AJANTA QUARTZ" and the name of the manufacturing company with the word AJANTA. The principal plea of the plaintiff is that in view of the Assignment Deed dated 19th September, 2002, the defendants cannot use the word Ajanta as a part of their corporate name, words "Ajanta Group", "Ajanta Quartz" or "A product of Ajanta Quartz" on the packaging or otherwise for products other than wall clocks and time pieces. It is highlighted that by the Deed of Assignment dated 19th September, 2002, the defendants have assigned and transferred the copyright and the trademark rights in the mark and design Ajanta to the plaintiff, except for time pieces and wall clocks.

10. The Deed of Assignment dated 19th September, 2002 has to be read along with second Deed dated 20th September, 2002 and is not to be read in isolation. The second Deed recognizes the transfer or assignment of the trademark and copyright in favour of the plaintiff in the mark and design Ajanta for all Classes, except time pieces and wall clocks. The Deed further delineates and divides the area of activity of business or proposed area of business of the two groups. Both the groups had decided not to interfere and compete with each other in their areas of activities/business and businesses/activities they were likely to enter into in near future.

11. The plaintiff was aware that the defendants are carrying on business under the name Ajanta, as M/s. Ajanta transistor Clock Manufacturing Company and M/S. Ajanta Electronics Pvt. Ltd.. Thus, though the mark and design Ajanta was assigned to the plaintiff, yet there was no agreement or understanding that the defendants would change their corporate name and delete the word Ajanta therefrom. There was no embargo or bar to use of the word Ajanta as a part of their corporate name by the defendants. Parties did not feel this was required. Concurrent user in the corporate name by both parties was accepted. The defendants thereafter have continued to use the word Ajanta as their corporate name from 2002 onwards. The defendants still continue to hold trademark and design rights in the word Ajanta for time pieces and wall clocks. To that extent, there was no assignment.

12. Reading of the second Deed dated 20th September, 2002 reveals that the parties were also aware that each group may venture or had already ventured into different businesses, other than wall clocks, wrist watches or time pieces. Line of activities and different businesses of the two Groups were recognized and accepted by the second Deed with the understanding that the two groups should not compete with each other in the same goods/products. The second Agreement did not stipulate that the manufacturing activities by the defendants for products other than time pieces and wall clocks would be undertaken by a company/concern with the corporate name without the word or mark Ajanta. On the other hand, it was recognized by the second agreement that M/s. Ajanta Transistor Clock Manufacturing Company, M/s. Ajanta Electronics Pvt. Ltd. or

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Ellora Time Ltd. had the right to manufacture various products mentioned in Clause 1 of the recitals. Distinction was drawn between use of the mark Ajanta on products and as a corporate name.

13. Clause 4 of the Second Agreement is rather ambiguous and the last sentence in the said Clause is confusing. Prima facie, it appears that the defendants were allowed to use the words Ajanta Quartz, quartz being associated with time pieces and clocks with the quartz movement. It was not intended that the defendants could use the words "Ajanta Quartz" with products other than time pieces and wall clocks. This would have defeated the very purpose of exclusive assignment of the mark Ajanta in favour of the plaintiff for products, other than wall clocks and time pieces, division of business and the non compete clauses.

14. Section 2(m) of the Trade Marks Act, 1999 defines the term "Mark". It includes corporate names. Purpose of a trademark is to establish connection between the goods and the source or origin thereof, which suggests and is indicative of the quality of the goods. Normally each distinctive mark should have only one source or a proprietor. If one mark is used by two sources or proprietors, there can be confusion and deception, in cases of same, similar or cognate goods or when a mark is well established. This should be avoided. A party can suffer dilution or damage to reputation and goodwill if their mark is used by a third person, by acts, omission or deeds of the said third party. Trademark is vital and important part of goodwill and should be protected. However, in cases of division or separation when the mark or design is also divided or concurrent use is accepted, each party agrees to let the other side use the same mark or design. Agreement and the terms should prevail and should be acted upon. Parties have agreed to take risks associated with concurrent use of marks by two or more persons.

15. Learned Counsel for the plaintiff has laid considerable emphasis with reference to page 87 of the prospectus. It was submitted that the defendants themselves have stated and have admitted that the second Agreement did not deal with the assignment of trademark but division of business fields or activities. Page 87 is not to be read in isolation but has to be read with other averments made in the prospectus. Moreover, the prospectus was issued on 10th April, 2008, whereas the defendants had filed written statement in CS(OS) No. 2013/2007 nearly four months before the prospectus was issued. In the written statement the defendants had submitted that in terms of the second Agreement they were entitled to use the word AJANTA for their business activities.

16. Learned Counsel for the defendants had relied upon Section 20(2) of the Companies Act, 1956 read with proviso thereto. The argument that the Registrar alone has exclusive jurisdiction when a question of infringement in relation to a corporate name arises has to be rejected in view of the judgment of the Delhi High Court in Atlas Cycles Ltd. v. Atlas Product Pvt. Ltd. reported in (2007) 4 RCJ 515 (Del)(see para 20). In the said decision it has been held that the Companies Act is an independent remedy and does not in any manner curtail jurisdiction of civil courts to decide the question of infringement by adopting a corporate name.

17. From the above, it is apparent that the plaintiff has been able to establish a prima facie case that the trademark and design Ajanta in all categories, except time pieces and wall clocks was assigned by the defendants as a Group to them. However, the defendants have been able to prima facie establish that they are entitled to continue using the corporate names M/s. Ajanta Transistor Clock Manufacturing Company and M/s. Ajanta Electronics Pvt. Ltd. and the trademark Ajanta in respect of the wall clocks and time pieces continued to vest with them. Change of name of Ajanta Electronics Pvt. Ltd. to Ajanta Manufacturing Ltd. is inconsequential as the name Ajanta continues. Prima facie there is no bar or embargo on the defendants not to use the word Ajanta as part of their corporate name. For the same reason I do not think any interim direction should be issued to the defendants to amend the corporate name Ajanta Ltd. adopted in 2006 by re-naming Ellora Time Ltd. It has also been prima facie established that the defendants could manufacture other products and do business/trade in electronic, electrical items, etc in addition to wall clocks and time pieces. There was no restriction that M/s. Ajanta Transistor Clock Manufacturing Company or M/s. Ajanta Electronics Pvt. Ltd. could not manufacture or do business in products other than wall clocks and time pieces. Concurrent use of the word Ajanta in corporate name by both parties was accepted. Regarding use of the trademark Ajanta Quartz by the defendants, it prima facie appears that there is merit in the contention of the plaintiff that the mark Ajanta Quartz could be used by the defendants for wall clocks and time pieces and not in respect of other products. Quartz being a type of movement used in the clocks/time pieces. Use of words "Ajanta Quartz" by the defendants or "from the house of Ajanta Quartz" for products other than clocks/time pieces is not justified and correct. Defendants having transferred and assigned their rights in the mark and design in Ajanta to the plaintiff, except for wall clocks and time pieces cannot be permitted to call themselves as "Ajanta Group". The plaintiff has equal, if not a better right to call themselves as "Ajanta Group". The plaintiff is rightly concerned as it loses right and claim to call themselves as "Ajanta Group", in spite of the Assignment Deed.

18. The balance of convenience requires that each party should abide by the terms of the agreements. At the same time public or the customers should not be confused about the source and the manufacture. Balance of convenience also requires that neither party should be affected by any act or omission of the other side. Public interest demands that the two Groups should be identified as distinct and separate as they have presently nothing to share except history and a common father. Managements are different. The two Groups should be distinguished as separate in view of the red herring prospectus for initial public offer by Ajanta Manufacturing Limited in which they have described themselves as "Ajanta Group". General public may not

manupatra understand the difference in the two groups and read small lines of the prospectus. Irreparable injury may be caused to the plaintiff in case there is confusion in the minds of the general public about the source of the goods manufactured by the defendants and the persons behind the public issue. In case of defective products or default, failure of the defendants is likely to misled and cause loss of goodwill and reputation of the plaintiff and vice versa. Harm and loss of reputation and goodwill to either side can be visualized.

19. Balancing out all these factors and keeping in view that at this stage only an interim order is being passed, the following directions are issued:

(i) The defendants will not use the words "Ajanta Quartz" or "from the house of Ajanta Quartz" on any of their packaging, advertisements, web sites except in respect of packaging or advertisements for time pieces and wall clocks.

(ii) The defendants will not describe themselves as Ajanta Group. They are at liberty to call themselves "Oreva/Orpat Group" or "J.O. Patel Group".

(iii) The defendants can continue with the corporate name Ajanta Manufacturing Ltd., Ajanta Transistor Clock Manufacturing Company and Ajanta Ltd. and use the corporate name on their packaging, labels, etc., if required and mandated by any statutory provision. Size and font will be the minimum, if any, prescribed by the statute. But whenever corporate or source name with the word Ajanta is used by the defendants it will be followed in equally prominent disclaimer "J.O. Patel Group" or "Orpat/Oreva Group". Further in all such cases, the mark Orpat/Oreva/Reva shall be prominently displayed and should be the main mark/design.

(iv) The defendants will not set up or incorporate the new concern/company with the mark/name Ajanta till decision of the suits.

(v) Ajanta Manufacturing Limited can go ahead with the public issue but with the following amendments/clarifications in the prospectus:

(a) that the right of the said company to use the word or mark ajanta is subject matter of challenge before the High Court.

(b) It shall be stated that the plaintiff Company is owner of the trademark/label Ajanta in terms of Deed of Assignment dated 19th September, 2002, except time pieces and wall clocks. The defendant company has no connection with M/s. Ajanta India Limited, who has copyright and trademark rights on the mark Ajanta in respect of all products, except for time pieces and wall clocks.

(c) Defendants will not describe themselves either in the prospectus or otherwise as 'Ajanta Group'. They are at liberty to call themselves 'Oreva/Orpat Group' or 'J.O. Patel Group'.

(e) The last paragraph on page 87 stating that the defendants are entitled to use the phrase 'A product from Ajanta Quartz' shall be deleted. Other parts of the prospectus will be suitably amended or modified with the directions given in paragraph 19 and the prima facie findings.

Applications are accordingly disposed of. No order as to costs.

Opinion expressed in this Order is prima facie and tentative and will not influence final judgment/decision.