

4th January, 2022

ARBITRABILITY OF TRADEMARK DISPUTES - A CASE STUDY OF M/S. GOLDEN TABIE PRIVATE LIMITED V. M/S. GOLDEN TOBACCO LIMITED

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1. **Introduction**
 - 1.1 Arbitrability of disputes relating to intellectual property rights has always been a contentious issue in Indian jurisprudence.
 - 1.2 For instance, Section 62 of the Copyright Act, 1957 provides that a matter regarding infringement can be instituted before a District Court and no Court lower than that, whereas the judicial view is that Section 62 does not bar IPR disputes from being arbitrated because IPR is a branch of property law and cannot be treated in a different manner, thus making them arbitrable [*Eros International Media Limited. v. Telex India Private limited, 2016 SCC OnLine Bom 2179*].
 - 1.3 A similar issue arose before the Delhi High Court in the matter of *M/S. Golden Tobie Private Limited v. M/S. Golden Tobacco Limited* [2021 SCC Online Del 3029], where the arbitrability of trademark disputes was questioned.
 2. **Facts**
 - 2.1 On 16.08.2019, the parties entered into a Master Long Term Supply Agreement, whereby the defendant supplied their exclusive brands to the plaintiff, which they consequently sold or distributed.
 - 2.2 On 12.02.2020, the parties entered into a Trademark License Agreement, whereby the plaintiff was given exclusive, non-assignable and non-transferrable rights to manufacture the defendant's products and distribute the same in the domestic and international market.
 - 2.3 On 14.08.2020, the Trademark License Agreement was terminated by the defendant in spite of the fact that the plaintiff had invested huge capital into the marketing of the products to increase their distribution.
 - 2.4 On 29.08.2020, the parties entered into an amendment agreement and the termination communication was withdrawn.
 - 2.5 On 13.02.2021, another termination notice was sent by the defendant stating that both the licensing agreement dated 12.02.2020 and the amendment agreement dated 29.08.2020 were terminated with immediate effect.
 - 2.6 Thus, the plaintiff filed the instant suit.
 - 2.7 Defendant, on the other hand, prayed for the dispute to be referred to arbitration as per Clauses of the Trademark License Agreement dated 12.02.2020 and the amended agreement dated 29.08.2020, under Section 8 of the Arbitration and Conciliation Act, 1996.
3. **Issues**
 - 3.1 Whether disputes related to trademark are arbitrable or not?
 4. **Decision of the Court**
 - 4.1 The Court referred the dispute to arbitration as per the conditions of the arbitration agreement.
 - 4.2 It was held that the dispute in the instant case was arbitrable as it arose from the trademark license agreement and the subsequent amendment agreement entered into by the parties and the issue was whether it was justified for the defendant to terminate the agreement and revoke the rights of assignment.
 - 4.3 The Court considered the question as to whether the dispute arose out of breach of contractual rights or statutory rights, and held that the latter was correct.

- 4.4 The Court observed that the judgement in *Vidya Drolia v. Durga Trading Corporation* [2021 (2) SCC 1] which propounds a four-point test to check whether a dispute is arbitrable or not would not be applicable.
- 4.5 The following were rejected from the domain of arbitration:-
- 4.5.1 The subject matter of dispute or cause of action gives rise to a right in rem.
- 4.5.2 Third party rights are affected or result in erga omnes obligations, that is, obligations owed towards all.
- 4.5.3 Sovereign functions of the State get affected.
- 4.5.4 The subject matter is expressly or impliedly declared to be non-arbitrable by a statute.
- 4.5.5 The Hon'ble Court therefore held that, specifically for disputes relating to issue of patents or registration of trademarks, that these disputes are not arbitrable as these are sovereign functions of the State and have erga omnes implications.
- 4.6 However, the decision of *Hero Electric Vehicles Pvt. Ltd. & Anr. v. Lectro E-Mobility Pvt. Ltd & Anr.*, [2021 SCC Online Del 1058] was held to hold the ground in the instant case as it dealt with an issue which arose from contractual terms as agreed upon by the parties and was indirectly related to trademark, thus making it a matter in personam.

5. Conclusion

- 5.1 The judgement in *Vidya Drolia* Case had kept some questions open ended regarding the arbitrability of trademark disputes.
- 5.2 It was subsequently added onto by the *Hero Electric* Case, and finally with the verdict in the instant case, the stand of the Supreme Court stands clarified.
- 5.3 There appears to be no blanket formula which bars trademark disputes to be arbitrated upon. It has to be judged on the basis of whether the cause of action is directly related to the rights conferred by the statute, such as the grant or registration of trademarks, in which case it is non-arbitrable, because it is a sovereign function and a matter in rem.
- 5.4 However, if the cause of action is, on the other hand, indirectly related to the trademark issue, such as licensing or assignment of the mark which is done through a contractual instrument, then it can be arbitrated because it is a matter in personam and has no erga omnes effect.

A copy of the judgment is annexed hereto at **page 3 to 11**.

2021 SCC OnLine Del 3029

In the High Court of Delhi at New Delhi
(BEFORE JAYANT NATH, J.)

Golden Tobie Private Limited (Formerly Known as Golden Tobie Limited) ... Plaintiff;
Versus

Golden Tobacco Limited ... Defendant.

CS(COMM) 178/2021

Decided on June 4, 2021, [Reserved on : 21.05.2021]

Advocates who appeared in this case :

Mr. Kailash Vasdev, Sr. Adv. with Ms. Priyadarshi Manish and Ms. Anjali J. Manish, Advs.

Mr. Sumeet Verma, Mr. Vijay Kumar Wadhwa and Mr. Maninder Pratap Singh, Advocates.

The Judgment of the Court was delivered by

JAYANT NATH, J.

IA No. 6080/2021

1. This is an application filed by the defendant under Section 8 of the Arbitration and Conciliation Act, 1996 for referring the disputes between the plaintiff and the defendant to arbitration.

2. The plaintiff has filed the present suit seeking the following reliefs:

- “(a) Decree for permanent injunction restraining the Defendant, their partners, directors, shareholders or proprietor as the case may be, its assigns in business, franchisees, affiliates, subsidiaries, licensees and agents from selling, offering for sale, advertising, directly or indirectly the exclusive brands as mentioned in Schedule-3 of the Trademark Licence Agreement dated 12.02.2020 and amendment to Trademark Licence Agreement dated 29.08.2020;
- (b) Decree for permanent injunction restraining the Defendant, their partners, directors, shareholders or proprietor as the case may be, its assigns in business, franchisees, affiliates, subsidiaries, licensees and agents from selling, offering for sale, advertising, directly or indirectly dealing in any product, or reproducing or using in any manner whatsoever, the infringing exclusive brands as mentioned in Schedule-3 of the Trademark Licence Agreement dated 12.02.2020 and amendment to Trademark Licence Agreement dated 29.08.2020, which is identical to and/or deceptively similar;
- (c) Decree for permanent injunction restraining the Defendant, their partners, directors, shareholders or proprietor as the case may be, its assigns in business, franchisees, affiliates, subsidiaries, licensees and agents from selling, offering for sale, advertising, directly or indirectly dealing in any product, or reproducing or using in any manner whatsoever, the infringing exclusive brands as mentioned in Schedule-3 of the trademark licence agreement dated 12.02.2020 and amendment to trademark licence agreement dated 29.08.2020, amounting to passing off of the goods/services and/or business of the Defendant for those of the Plaintiff, dilution of goodwill and unfair competition;
- (d) A decree for delivery up of all products and material including stationery, visiting cards, billboards, brochures, promotional material, letter-heads, cash memos, sign boards, sign posts, leaflets, cartons or any other items of

whatsoever, bearing the infringing logo mark and the infringing trade dress, and/or any other mark, logo, device or trade dress which may be identical and/or deceptively similar to the Plaintiffs well-known logomark and trade dress;

- (e) A decree of damages amounting to Rs. 16,70,30,721.84 (Rupees Sixteen Crores Seventy Lakhs Thirty Thousand Seven Hundred Twenty-One and Eighty-Four Paise Only) or any such amount as found due in favour of the Plaintiff. The Plaintiff submit that the valuation of damages is an approximate figure only, and the Plaintiff undertakes to pay further Court fee as may be determined by this Hon'ble Court upon the damages that the Plaintiff is able to prove in the course of trial;
- (f) An order for rendition of accounts of profits in favour of the Plaintiff and against the Defendant to ascertain the profits made by Defendant through sale of its products or any other products which bear the infringing logo mark and the infringing trade dress. The Court fees as and when the accounts of profit are determined precisely and accurately in the course of trial, and upon disclosure of profits made by the Defendants;"

3. It is the case of the plaintiff that the parties entered into a Master Long Term Supply Agreement dated 16.08.2019 by which the defendant on an exclusive basis had supplied to the plaintiff the exclusive brands of the defendant "Golden's Gold Flake, Golden Classic, Taj Chhap, Panama and Chancellor". The plaintiff was selling, supplying, and distributing exclusively the said brands in domestic and international market. Subsequently, the plaintiff entered into a trademark license agreement dated 12.02.2020 and amendment agreement dated 29.08.2020. It is stated that the plaintiff has been granted exclusive non-assignable, non-transferable license to manufacture the defendant's product to be manufactured exclusively at the plaintiff's factory at Noida and were to be marketed and distributed accordingly. It is pleaded by the plaintiff that despite huge capital and operational expenditure made by the plaintiff including on advertisements and promotional schemes to increase the availability of the defendant's product, the defendant arbitrarily cancelled the trademark license agreement. On 14.08.2020 the defendant ignoring the prevailing Pandemic chose to issue the termination notice stating that as per the trademark license agreement dated 12.02.2020 the licensor had granted an exclusive nontransferable and non-assignable license to use the exclusive brands and blend formulations during the term of the agreement. Since commercial production had not yet started the agreement was terminated with immediate effect. It is the case of the plaintiff that the termination communication dated 14.08.2020 was withdrawn and an amendment agreement dated 29.08.2020 was entered into between the parties.

4. Subsequently on 13.02.2021 by another termination notice the defendant company stated that timely payment had not been made in terms of the agreement. The defendant terminated the agreement dated 12.02.2020 and amendment agreement dated 29.08.2020 with immediate effect and the plaintiff was to have no right to manufacture and sell the exclusive brands of the defendant in the market from that point onwards. Hence the present suit was filed.

5. In the present application the case of the defendant is that by the present suit the plaintiff seeks to specifically enforce the trademark license agreement dated 12.02.2020 and amendment agreement dated 29.08.2020. It is stated that admittedly both these agreements are determinable and could be legally terminated under Clause 8 of the agreement dated 12.02.2020 and Clause 5 of the amended agreement dated 29.08.2020. It is claimed that hence the same was legally/validly terminated by the defendant vide notice dated 13.02.2021.

6. It is further stated that under Clause 12 of the trademark license agreement dated 12.02.2020, there exists an arbitration clause between the parties. This said

Clause 12 reads as follow:

12. ARBITRATION

12.1 If any dispute, claims or differences arise between any of the Parties hereto or inter se the Parties, during the subsistence or thereafter, in connection with the validity, interpretation implementation or alleged material breach of any provision of this Agreement or regarding any question, including the question as to whether the termination of this Agreement by one Party hereto has been legitimate, the disputing Parties hereto shall endeavour to settle such dispute amicably. The attempt to bring about an amicable settlement is considered to have failed as soon as one of the Parties hereto after reasonable attempts which attempt shall continue for not more than 60 (sixty) days, gives 30 (thirty) days' notice thereof to the other Party in writing.

12.2 In case of such failure, the dispute shall be referred to a sole arbitrator to be appointed by mutual agreement of the Parties. The arbitration shall be conducted in accordance with the Arbitration and Conciliation Act, 1996. The arbitration proceedings shall be held in New Delhi and the language of arbitration shall be English.

12.3 The arbitrator's award shall be binding on the Parties subject to Law, and the award shall be enforceable in any competent court of law. The arbitrator's award shall be substantiated in writing.

12.4 When any dispute is referred to arbitration, except for the matter under dispute, the Parties shall be entitled to exercise their remaining respective rights and shall perform their remaining respective obligations under this Agreement."

7. Hence, the present application prays that the disputes between the plaintiff and the defendant raised in the present suit be referred to a sole Arbitrator to be appointed in terms of the afore-noted Clause 12 of the trademark license agreement dated 12.02.2020 and its amendment dated 29.08.2020.

8. I have learned counsel for the applicant/defendant and learned senior counsel for the plaintiff. Learned counsel for the applicant/defendant has relied upon the judgment of the Supreme Court in the case of *Vidya Drolia v. Durga Trading Corporation*, (2021) 2 SCC 1 and judgment of a coordinate Bench of this court in *Hero Electric Vehicles Pvt. Ltd. v. Lectro E-Mobility Pvt. Ltd.*, 2021 SCC OnLine Del 1058 to plead that the dispute in question raised by the plaintiff in the present suit is an arbitrable dispute and is liable to be referred to arbitration in view of the arbitration agreement between the parties.

9. Learned senior counsel for the plaintiff has also relied upon judgments of the Supreme Court in the case of *Vidya Drolia v. Durga Trading Corporation* (supra) to claim and contend that in terms of the agreement dated 12.02.2020 between the parties the defendant has assigned the trademarks in question in perpetuity to the plaintiff. It is claimed that the agreement cannot be terminated. Merely because there is alleged default in payment of royalty the same cannot be a ground to terminate the present agreement. It is pointed out that pursuant to the said agreement dated 12.02.2020 due information was sent to SEBI and to the Trademark Registry. It is also claimed that based on the Agreement that the plaintiff has set up a factory in question and hence the agreement could not have been terminated. It has been stressed that as the trademarks have been transferred in perpetuity to the plaintiff the dispute is a dispute in *rem* and cannot be referred to arbitration.

10. I may first see the legal position in this regard. Reference may be had to Section 8 of the Arbitration and Conciliation Act which reads as follows:

"8. Power to refer parties to arbitration where there is an arbitration agreement.-

(1) A judicial authority, before which an action is brought in a matter which is

the subject of an arbitration agreement shall, if a party to the arbitration agreement or any person claiming through or under him, so applies not later than the date of submitting his first statement on the substance of the dispute, then, notwithstanding any judgment, decree or order of the Supreme Court or any court, refer the parties to arbitration unless it finds that prima facie no valid arbitration agreement exists.

(2) The application referred to in sub-section (1) shall not be entertained unless it is accompanied by the original arbitration agreement or a duly certified copy thereof.

Provided that where the original arbitration agreement or a certified copy thereof is not available with the party applying for reference to arbitration under sub-section (1), and the said agreement or certified copy is retained by the other party to that agreement, then, the party so applying shall file such application along with a copy of the arbitration agreement and a petition praying the court to call upon the other party to produce the original arbitration agreement or its duly certified copy before that court."

(3) Notwithstanding that an application has been made under sub-section (1) and that the issue is pending before the judicial authority, an arbitration may be commenced or continued and an arbitral award made."

11. Reference may be had to the judgment of the Supreme Court in the case of *Vidya Drolia v. Durga Trading Corporation* (supra) relevant paras of which read as follows:

"76. In view of the above discussion, we would like to propound a fourfold test for determining when the subject-matter of a dispute in an arbitration agreement is not arbitrable:

76.1. (1) When cause of action and subject-matter of the dispute relates to actions in rem, that do not pertain to subordinate rights in personam that arise from rights in rem.

76.2. (2) When cause of action and subject-matter of the dispute affects third-party rights; have *erga omnes* effect; require centralised adjudication, and mutual adjudication would not be appropriate and enforceable.

76.3. (3) When cause of action and subject-matter of the dispute relates to inalienable sovereign and public interest functions of the State and hence mutual adjudication would be unenforceable.

76.4. (4) When the subject-matter of the dispute is expressly or by necessary implication non-arbitrable as per mandatory statute(s).

76.5. These tests are not watertight compartments; they dovetail and overlap, albeit when applied holistically and pragmatically will help and assist in determining and ascertaining with great degree of certainty when as per law in India, a dispute or subject-matter is non-arbitrable. Only when the answer is affirmative that the subject-matter of the dispute would be non-arbitrable.

76.6. However, the aforesaid principles have to be applied with care and caution as observed in *Olympus Superstructures (P) Ltd. Olympus Superstructures (P) Ltd. v. Meena Vijay Khetan*, [(1999) 5 SCC 651] : (SCC p. 669, para 35)

"35. ... Reference is made there to certain disputes like criminal offences of a public nature, disputes arising out of illegal agreements and disputes relating to status, such as divorce, which cannot be referred to arbitration. It has, however, been held that if in respect of facts relating to a criminal matter, say, physical injury, if there is a right to damages for personal injury, then such a dispute can be referred to arbitration (*Keir v. Leeman*[115 ER 1315]). Similarly, it has been held that a husband and a wife may refer to arbitration the terms on which they

shall separate, because they can make a valid agreement between themselves on that matter (*Soilleux v. Herbst* [126 ER 1376], *Wilson v. Wilson* [(1848) 1 HL Cas 538] and *Cahill v. Cahill* [[L.R.] 8 A.C. 420 (HL)].”

77. Applying the above principles to determine non-arbitrability, it is apparent that insolvency or intracompany disputes have to be addressed by a centralised forum, be the court or a special forum, which would be more efficient and has complete jurisdiction to efficaciously and fully dispose of the entire matter. They are also actions in rem. Similarly, grant and issue of patents and registration of trade marks are exclusive matters falling within the sovereign or government functions and have *erga omnes* effect. Such grants confer monopoly rights. They are non-arbitrable. Criminal cases again are not arbitrable as they relate to sovereign functions of the State. Further, violations of criminal law are offences against the State and not just against the victim. Matrimonial disputes relating to the dissolution of marriage, restitution of conjugal rights, etc. are not arbitrable as they fall within the ambit of sovereign functions and do not have any commercial and economic value. The decisions have *erga omnes* effect. Matters relating to probate, testamentary matter, etc. are actions in rem and are a declaration to the world at large and hence are non-arbitrable.”

12. What follows from the above judgment is that actions *in rem* including grant and issue of patents and registration of trademarks are exclusive matters falling within the sovereign and government functions and have *erga omnes effect*. Such grants confer monopolistic rights, and they are non-arbitrable, as noted above.

13. Learned senior counsel for the plaintiff has vehemently urged that the issue involved in the present case pertains to termination of the assignment of trademarks in favour of the plaintiff. It is urged that termination of the assignment by the defendant is a dispute *in rem* and touches upon the issue of registration of trademarks and is hence part of the sovereign and government functions. Hence, it is pleaded that the application be dismissed.

14. A co-ordinate Bench of this court under similar facts and circumstances has already negated and rejected a plea somewhat similar to the plea raised by learned senior counsel for the plaintiff. Reference may be had to the judgment of the co-ordinate Bench of this court in the case of *Hero Electric Vehicles Pvt. Ltd. v. Lectro E-Mobility Pvt. Ltd.*, 2021 SCC OnLine Del 1058. That case also pertained to a suit filed by the plaintiff seeking a decree of permanent injunction restraining the defendants from dealing in any manner in electric bikes having a throttle using “Hero” or any other mark deceptively similar thereto as a trademark, brand name, trade name or in any other manner. The defendants therein filed an application under section 8 of the Arbitration & Conciliation Act seeking reference of disputes forming subject matter of the suit to arbitration. The court held as follows:—

“41. The following clear principles emerge, from *Vidya Drolia*, insofar as Section 8 is concerned:

- (i) The ambit of the jurisdiction of the High Court, under Sections 8 and 11 of the 1996 Act, is identical.
- (ii) The parties can be relegated to arbitration, in respect of a dispute regarding which the suit is pending, only if the entire subject matter of the suit is arbitrable under the arbitration agreement between the parties, who are bound by the said arbitration agreement. The cause of action in the suit cannot be bifurcated and referred, in part, to arbitration.
- (iii) Section 8 jurisdiction cannot be exercised to compel third parties, who are not privy to, or bound by, the arbitration agreement, to submit themselves to arbitral proceedings. This violates the principle of party autonomy and the consensual nature of arbitral proceedings.

- (iv) The arbitrability of the dispute forming subject matter of the suit, and the arbitrability of the claim, are different. A claim may be non-arbitrable because of the scope of the arbitration agreement, not because the subject matter of the claim is essentially not amenable to arbitration. On the other hand, the subject matter of the suit is normally non-arbitrable only if it is not amenable to resolution by arbitration, in law.
- (v) Non-arbitrability may be said to exist
- (a) where the cause of action, and the subject matter of the dispute, related to actions *in rem*, which do not pertain to subordinate rights *in personam* arising from rights *in rem*,
 - (b) where the cause of action and subject matter of the dispute affects third party rights, or has *erga omnes* effect, i.e. affects rights owed to all,
 - (c) where the cause of action and subject matter of the dispute require centralised adjudication, and for which mutual adjudication would not be appropriate or enforceable,
 - (d) where the cause of action and subject matter of the dispute relate to inalienable sovereign and public interest functions of the State, not amenable to adjudication by the arbitral process, or
 - (e) where the subject matter of the dispute is non-arbitrable by mandatory statutory fiat.
- These principles are, however, not watertight, and have to be applied with care and caution.
- (vi) Specific instances of non-arbitrable disputes are
- (a) insolvency disputes,
 - (b) internal company disputes which have to be addressed by a centralised forum, which would be more efficient and have complete jurisdiction to dispose of the entire matter, being actions *in rem*,
 - (c) grant and issue of patents and registration of trademarks being exclusive matters falling within the sovereign or government function, having *erga omnes* effect, conferring monopoly rights,
 - (d) criminal cases, as they relate to sovereign functions of the State,
 - (e) violations of criminal law, as they are offences against the State and not just against the victim,
 - (f) matrimonial disputes relating to dissolution of marriage, restitution of conjugal rights, etc., which have no commercial or economic value and have *erga omnes* effect, and
 - (g) matters relating to probate or testamentary disposition, which are actions *in rem*, resulting in a declaration to the world at large.
- (vii) Landlord-tenant disputes to be decided as per the Transfer of Property Act, 1882, are arbitrable, as they
- (a) pertain to subordinate rights *in personam* arising from rights *in rem*,
 - (b) do not normally affects third party rights, or have *erga omnes* effect, requiring centralised adjudication,
 - (c) do not relate to inalienable sovereign functions of the State,
 - (d) are not excepted from resolution by arbitration, by the provisions of the Transfer of Property Act, and
 - (e) result in a resolution which can be executed and enforced like a decree of a civil court.
- (viii) The scope of examination by the Court exercising jurisdiction under Section 8 or under Section 11, *is prima facie* in nature. The Court is not to enter into

the merits of the case between the parties. It is only to examine whether the dispute is *prima facie* arbitrable under a valid arbitration agreement. *This prima facie* examination is intended to weed out manifestly and *ex facie* non-existent or invalid arbitration agreements or nonarbitrable disputes, thereby cutting the deadwood and trimming off the side branches, in cases where the litigation cannot be permitted to proceed. The proceedings are preliminary and summary in nature and should not result in a mini-trial. *Unless there is a clear case of non-existence of a valid arbitration agreement, or of the dispute being ex facie non-arbitrable, tested on the above parameters, the court should leave these aspects to be decided by a competently constituted arbitral tribunal.* Relegation to arbitration should be regarded as a rule, and resolution by the civil court, where a valid arbitration agreement exists and is sought to be invoked by one of the parties, as an exception. The expression “chalk and cheese situation”, as used by this Court has, in this background, been approved by the Supreme Court. “When in doubt” says Ramana, J., in his concurring opinion, “refer”. (Having said that, the “doubt”, in my view, has to be real and substantial, and not merely an escape route to avoid examining the issue in perspective.)

42. Criterion (viii) is, in my view, of pre-eminent significance. While examining the aspect of arbitrability of the dispute, or the existence of a valid arbitration agreement binding the parties, in exercise of its jurisdiction under Section 8, the Court has always to remain alive to the fact that it is exercising the very same jurisdiction which the Arbitral Tribunal is empowered to exercise. Court should not, therefore, exercise jurisdiction, under Section 8 or Section 11, qua these aspects, in such a manner, as would completely erode or efface the authority of Arbitral Tribunal to rule thereon. It is only, therefore, where the Court finds the case to be “chalk and cheese”, and where referring the matter to the arbitral process would be opposed to public interest or public policy, and a futility *ex facie*, that the Court should nip the request for referring the dispute to arbitration in the bud. Else, the authority of the Arbitral Tribunal to adjudicate on these aspects is required to be respected, given the *raison d’etre*, and fundamental philosophy, of the 1996 Act.

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45. I am unable to agree with Mr. Sudhir Chandra. As has been correctly pointed out by Mr. Sibal, the dispute, as raised by Mr. Sudhir Chandra’s clients, is almost entirely centred around the FSA and TMNA. Though the prayer clause, in the suit, superficially read, seeks remedies against alleged infringement by the defendants, the infringement is alleged, not on the ground that the defendants are using deceptively similar trademarks, but on the ground that the right to use the trademarks, on electric cycles was conferred, by the FSA and TMNA, not on the F-4 group, but on the F-1 group. The reliance, by Mr. Sibal, on paras 19 to 25 of the plaint, is also well taken. The precise case set up by the plaintiff, in the said paras, is that the right to use the trademark “Hero” and its variants, which, prior to the execution of the FSA and the TMNA, vested in Hero Cycles, was transferred, by the FSA and the TMNA, to the F-1 group, insofar as electric cycles were concerned. In using the “Hero” trademark, on electric cycles and e-cycles, therefore, it was alleged that the F-4 group was infracting the covenants of the FSA and TMNA. Even if, in the process, the plaintiffs were to rely on any of the provisions of the Trade Marks Act, the essential infraction, as alleged to have been committed by the defendants, was not of the provisions of the Trade Marks Act, but of the provisions of the FSA and TMNA. As against this, the defendants rely on Articles 17.1 and 17.2 of the FSA and Article 3.7 of the TMNA, to dispute the claim of the plaintiffs. I am in agreement with Mr. Sibal that the dispute, as thus emerged between the plaintiffs and the defendants, required a holistic appreciation of the FSA and the TMNA, their

various covenants, and the interplay thereof, in order to adjudicate on the rights conferred on the various family groups. Any effective adjudication of the disputes, without reference to the FSA and the TMNA would, in my view, be impossible.

46. All disputes arising “out of or “in connection with” the FSA being amenable to arbitration under Clause 19.5 thereof, and all disputes arising “out of or “in connection with” the TMNA being amenable to arbitration under Clause 5.6 thereof, the disputes between the parties before me *are, prima facie*, covered by these covenants. They are, therefore, *ex facie* arbitrable in nature, seen in the light of the provisions of the FSA and TMNA.

47. Mr. Sudhir Chandra seeks to contend, however, that, being in the nature of a determination of intellectual property rights, which would operate *in rem*, an arbitrator, acting in accordance with the provisions of the 1996 Act, could not decide the dispute. He submits, in this context, that rights relating to trademarks and patents are among those which had specifically been held, by the Supreme Court, to be incapable of resolution by arbitration by their very nature, and has invited my attention to the observations, in that regard, as contained in *Booz Allen and Ayyasamy*.

48. *Booz Allen and Ayyasamy* have both been considered, comprehensively, in *Vidya Drolia*, which includes, among the categories of disputes which cannot be arbitrated upon, “*grant and issue of patents and registration of trade marks*”, as “*they are exclusive matters falling within the sovereign or government functions*”, having “*erga omnes effect*”, resulting in conferment of “*monopoly rights*”. The controversy, in the present case, does not relate to grant, or registration, of trademarks. The trademarks already stood granted, and registered, prior to the FSA and TMNA. *The dispute is regarding the Family Group to which the rights to use the said trademarks, in connection with electric cycles and e-cycles has been assigned, by the FSA and TMNA*. This assignment is by contractual, not statutory, fiat. It does not involve any exercise of sovereign functions (unless, of course, the patriarchs of the four Family Groups are, in a limited sense, to be regarded as “*sovereigns*”). In any event, no inalienable exercise of sovereign governmental functions can be said to be involved, in the assignment, to the various Family Groups, of their individual rights to use the existing trademarks, in respect of one, or the other, categories of goods. The dispute does not, therefore, fall under any of the categories of disputes excepted, by the Supreme Court, from the arbitral umbrella.

49. Nor am I able to accept Mr. Sudhir Chandra's arguments that the dispute is in the nature of an action *in rem*. Mr. Sibal has, in this context, sought to distinguish between actions *in rem* and rights *in rem*. Though this distinction does, to an extent, manifest the fallacy in the submission of Mr. Sudhir Chandra, I do not deem it necessary to enter, for the purpose, into that intricate jurisprudential thicket. (Avoidance of the temptation to enter into such thickets is, indeed, one of the cautions that *Vidya Drolia* administers.) The right that the plaintiffs seek to assert, in the plaint, is clearly against the F-4 group, and the F-4 group alone, and not against the whole world. More precisely put, the plaintiffs are not seeking a declaration, of their right to use a particular trademark, against any potential infringer, anywhere in the world, as is the case with “*normal*” infringement suits. The dispute is clearly inter-se amongst two Family Groups, pillowed on the rights emanating from the FSA and the TMNA, and essentially alleges infraction of the terms of the FSA and TMNA, not of the provisions of the Trade Marks Act. The precise case of the plaintiff is that the defendants have, in using the “*Hero*” trademark in respect of electric cycles and e-cycles, infringed the covenants of the FSA and TMNA. The infraction, consequently, of the provisions of the Trade Marks Act, even if asserted, is only incidental, arising from the fact that the right to use a

particular trademark is statutorily conferred by the said Act. Equally, therefore, even if it were to be assumed that the declaration, by the adjudicator, of the Family Group which would be entitled to use the "Hero" or "Hero Electric" trademark on electric cycles, or e-cycles, would result in that Family Group being the repository of the said trademark, qua the said goods, against the whole world, that by itself would not convert the dispute, as raised in the plaint, as one *in rem*, or lend it *erga omnes* effect. To reiterate, in this context, the right asserted by the plaintiffs is not a right that emanates from the Trade Marks Act, but a right that emanates from the FSA and the TMNA, and *is not asserted vis-à-vis* the whole world, but *is asserted specifically vis-à-vis* the F-4 Family Group. The argument that the dispute is *in rem* and is, therefore, not amenable to the arbitral process, therefore, fails to impress."

15. It is clear that the aforementioned judgment of the co-ordinate Bench of this court applies on all fours to the facts of the present case. The court held that the dispute did not pertain to infringement of a trademark on the ground that the defendants are using a deceptively similar trademark. The ground was that the right to use the trademark was conferred by a particular agreement on a particular group of the family. Even if the plaintiff in that case were to rely on any provisions of the Trademark Act the essential infraction as allegedly committed by the defendant was not the provisions of the Trademark Act but the provisions of the agreements in question. The dispute which emanates out of the agreement between the parties was held to be arbitrable. The court also clarified that the controversy in the said case did not relate to grant or registration of trademarks. The said trademarks stood granted and registered. It was also held that assignment of a trademark is by a contract and is not a statutory fiat. It does not involve any exercise of sovereign functions.

16. It is manifest from the facts of this case as narrated above that the dispute in question primarily relates to interpretation of the terms of the Agreement dated 12.02.2020 and the amendment agreement dated 29.08.2020 executed between the parties and as to whether the termination of the said agreements by the defendant and cancellation of the assignment of the trademark in favour of the plaintiffs is legal and valid. The right that is asserted by the plaintiff is not a right that emanates from the Trademark Act but a right that emanates from the Agreement dated 12.02.2020 and the amendment agreement dated 29.08.2020. The assignment of trademark is by a contract and not by a statutory act. It does not involve any exercise of sovereign functions of the State. It cannot be said that the disputes are not arbitrable. The pleas of learned senior counsel for the plaintiff are clearly without merit. The reasons spelt out by the plaintiff for not referring the matter to arbitration are misplaced and without merits.

17. The application is accordingly allowed as above. The parties are referred to Arbitration as per the Arbitration Agreement.

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18. The present suit is accordingly disposed of as above. All pending applications, if any, also stand disposed of.

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