

(2006) 12 DEL CK 0047

In the Delhi High Court

Case No : I.A. No. 6546 of 2005 in CS (OS) No. 432 of 2005

Alankar Global Pvt. Ltd. and Others

APPELLANT

Vs

Mr. Dinesh Kumar Mathur and Others

RESPONDENT

Date of Decision : 06-12-2006

Acts Referred:

Arbitration Act, 1940 — Section 24

Arbitration and Conciliation Act, 1996 — Section 5, 8, 8(1), 8(2)

Citation : (2007) 1 ARBLR 141 : (2007) 137 DLT 164 : (2009) 93 DRJ 684

Hon'ble Judges : Gita Mittal, J

Bench : Single Bench

Advocate : Sandeep Sharma, for the Appellant; R.K. Jain and Amjad Hussain, for the Respondent

Final Decision : Dismissed

Judgement

Gita Mittal, J.—By this judgment, I propose to decide this application filed by the defendants u/s 8 of the Arbitration & Conciliation Act, 1996 seeking a direction that the disputes which are the subject matter of the present suit, be referred to arbitration.

2. The applicant places reliance on Clause 23 of an agreement dated 30th March, 2001 which was entered into between Dinesh Kumar Mathur, Subhash Rohilla, Meera Mathur and Usha Rani Rohilla. Based thereon, the defendants/applicants have contended that the present suit cannot be proceeded with in the light of Section 8 of the Arbitration & Conciliation Act, 1996 and the disputes have to be referred to arbitration.

3. For the purposes of adjudication of the present application, a distinction has to be borne in mind with regard to the suit claim and the subject matter of the arbitration agreement. In order to appreciate this distinction, it would be necessary to examine a few essential facts. It appears that M/s Alankar Ware Corporation, a partnership firm was established in the year 1973 between Shri Suraj Bhan Rohilla, son of Shri Saran, and Shri Subhash Rohilla son of Shri Suraj

Bhan Rohilla. It appears that the following other businesses using the word "Alankar" were established in 1973 were also commenced by the said Shri Suraj Bhan Rohilla and Shri Subhash Rohilla:

(i) Alankar Ware Corporation, a partnership firm which was established in 1973 by Shri Suraj Bhan Rohilla son of Shri Saran Rohilla and Shri Subhash Rohilla, son of Shri Suraj Bhan Rohilla.

As on date, this firm is stated to be run by Shri Subhash Rohilla.

(ii) M/s Alankar International was established as a partnership firm between Shri Suraj Bhan Rohilla and Smt. Usha Rani in the year 1979.

This firm is being run by Shri Subhash Rohilla as on date. M/s Alankar International through Smt. Usha Rani, wife of Shri Subhash Rohilla entered into a commission agreement on 29th of July, 1982 with M/s Atlantis Exports through Smt. Meera Mathur, wife of Shri Dinesh Mathur.

(iii) Pursuant to the above commission agreement, Shri Subhash Rohilla and Shri Dinesh Kumar Mathur commenced the same work in a partnership dated 18th June, 1983 in premises belonging to Shri Subhash Rohilla under the name and style of "Alankar Exports".

(iv) M/s. Alankar Export Ltd. was established in 1983 with Shri Suraj Bhan Rohilla, Shri Subhash Rohilla, Shri Dinesh Kumar Mathur & Smt. Meera Mathur as its directors.

Upon a settlement dated 2nd February, 2000 between the parties, this company was transferred to the control of Shri Dinesh Mathur with the stipulation that it would get its name changed w.e.f. March, 2000. As on date and in terms of Clause 13(1)(c) of the agreement between the parties, the name of this company stands changed with the Registrar of Companies w.e.f. 28th March, 2000 to M/s Akriti Creations Pvt. Ltd.

(v) In 1991, Alankar Fashion Pvt. Ltd. was established with Shri Subhash Rohilla and Shri Dinesh Mathur as its directors. As per the agreement dated 30th March, 2001, this company was transferred to Shri Subhash Rohilla who is the holder of registered trade mark "Alankar". Therefore, it was agreed that Shri Subhash Rohilla and Smt. Usha Rani Rohilla can continue the business in the same name. The name of this company was changed to Alankar Global Pvt. Ltd. in the year 2001.

(vi).The position with regard to M/s Alankar Polymers established in 1991 with Shri Subhash Rohilla and Shri Dinesh Kumar Mathur as its directors is the same. Since this company fell to the control of Shri Subhash Rohilla, the registered proprietor of the trade mark "Alankar" it continues to so exist.

4. The parties had continued under the afore-noticed name and style in partnership firm and companies incorporated under the Indian Companies Act for a considerable period. However, as disputes arose between them, they had

entered into an agreement dated 2nd February, 2000 whereby an attempt was made to resolve their disputes amicably. Learned Counsel for the defendants has placed reliance on Clauses 12 & 15 of this agreement which read thus:

12. Proper notice for discontinuation of business will be given to various agencies as Income tax, Sales tax, customs, RBI, AEPC, FERA, Labour Laws, ROC as stipulated under various laws.

Any liability on behalf of the Govt. agency till 31-03-2000 will be borne by the common funds. In case any further funds are required, all parties will be equally from their own account. All pending cases of above department would be completed by party handling so far. Costs of settling will be taken from the common fund.

xxx xxx xxx 15. During settlement period up to 31-03-2000, all the parties can float new firms/companies. But there should be a binding to all parties that they cannot do simultaneously sampling/shipping, getting orders in their respective new companies/firms and cannot transfer E-mails, Faxes, post and orders or any other way of communication from the existing customers.

5. This agreement was executed and signed by Shri Dinesh Mathur, Shri Subhash Rohilla, Smt. Meera Mathur and Smt. Usha Rani Rohilla.

6. As all matters could not be resolved thereby the parties afore-noticed, executed another agreement dated 30th March, 2001 in continuation of the memorandum of understanding dated 2nd February, 2000. The material change which is relied upon by learned Counsel for the defendants, is to be found in Clause 6 and Clause 23 of this agreement which read thus:

6. CUSTOMERS-

It has been agreed by the all Parties (Including family members directly or indirectly) to look after the existing customers as under and no party will interfere with each other customer for at least two years:

1) First Party: - Mr. Dinesh Kumar Mathur will take over 1. All Customers of Switzerland - Manor AG, Spengler, Charles Vogle (All Countries) Charles Vellon, Goslow, Logo Fashions, Mag, Otto AG, ABM, Migros, EPA 2. Existing Customers of Sweden-Ahlens 2) Second Party: - Mr. Subhash Rohilla will take over 1. All Customers of Germany - Line One, Maica, Kastard, Quinee, Fritz, AWG, Liberty, Address etc. 2. Existing customers of UK - Tabs Clothing The Customer - "Line One" of Germany approached Mr. Dinesh Kumar Mathur, Proprietor of Alankar Creation, accepted the order and executed the order under name and style of Alankar Creation for "Line One".

For the above reasons, now the parties agreed to delete the Clause 6 of MOU and now both the parties are free to work anywhere, any country, any customer, all over the world.

xxx xxx xxx 23. That any dispute arising between the parties relating to any

clause, (whether contained in this Agreement or not) shall be settled according to the provisions of Arbitration & Conciliation Act, 1958 & 1996. The arbitrators in this regard shall be Mr. H.D. Kashyap and Mr. Popat Bhai who have been appointed by both the parties under mutual agreement.

7. The defendants have filed the present application on the plea that since the only prayer in the present suit relates to prohibition against the defendants for the use of trade mark and trade name "Alankar" by the defendants, the same falls under Clause 23 of the agreement dated 30th March, 2001 and has to be consequently referred to arbitration. The defendants also place reliance largely on Clause 6 to contend that by this clause, the defendants were given permission to use the trade mark and trade name "Alankar" anywhere in the world.

8. So far as the present application is concerned, the existence of the right to use the trade mark and trade name "Alankar" has not to be adjudicated. At this stage, the court is required to examine only as to whether there is an arbitration agreement which binds all the parties to the suit and whether the issues raised in the suit would be in the nature of disputes which were the subject matter of the arbitration agreement.

9. The suit has been filed by M/s Alankar Global Pvt. Ltd., Mr. Subhash Rohilla & M/s Alankar International. The suit claim is made against Mr. Dinesh Kumar Mathur, Ms. Meera Mathur & M/s Alankar Creation. The plaintiff No. 1 and plaintiff No. 3 are not parties to the agreements dated 2nd February, 2000 and 30th March, 2001. Similarly, the firm M/s Alankar Creation Pvt. Ltd., arrayed as defendant No. 3, is also not a party to these agreements.

10. Thus, it certainly cannot be held that there is an arbitration agreement between all the parties to the present suit or an arbitration agreement which binds all of them. The plaintiff No. 1 is a separate legal entity entitled to bring and maintain the suit in its own name.

11. I further find that Shri Subhash Rohilla, plaintiff No. 2 has claimed that he is the registered proprietor of the trade mark "Alankar". He has claimed intellectual property rights in the trade mark and trade name "Alankar" and based thereon, sought prohibition against the defendants for using such trade mark and trade name. While the parties had agreed to arrange the affairs of several companies and firms in the memorandum of understanding dated 2nd February, 2000 and the agreement dated 30th March, 2001, certainly, there was no agreement in respect of this trade mark or the trade name. The suit has been filed by the plaintiff seeking enforcement of his proprietary property rights over such trade mark and trade name based whereon the following prayers have been sought:

a) For an order for perpetual injunction restraining the defendants, their servants, agents, directors, retailers, dealers, stockiest, representative as the case may be from manufacturing, selling, offering for sale, stockiest, exporting, advertising directly or indirectly dealing in garments and home furnishing products and other allied and cognate goods under the infringing trade mark

Alankar/Alankar Creation and/or any other trade mark/name which is either identical with or deceptively similar with the trade mark of the plaintiff No. 2 registered in his favor.

b) For an order for perpetual injunction restraining the defendants, their servants, agents, partners, directors, retailers, dealers, stockists, representatives as the case may be from manufacturing, selling, offering for sale, stockiest, exporting, advertising, directly or indirectly from passing off their goods as the goods of the plaintiff and also from using the firm name Alankar Creation amounting to passing off their business as the business of the plaintiffs.

c) For an order for rendition of accounts of profits illegally earned by the defendants by manufacturing, sale and export of garments and home furnishing goods under the name/mark Alankar/Alankar Creation and a decree for the amount so ascertained in favor of the plaintiffs and against the defendants be passed.

d) For an order for delivery up on affidavit by the defendants to the plaintiffs if all the infringing labels, dyes, blocks, wrappers, packing material, advertising material etc. for purposes of destruction and/or erasure as the case may be.

e) A decree for a sum of Rs. 5 lakhs may be passed as damages suffered by the plaintiffs.

f) An order for costs of the suit.

12. Having regard to the spirit, intentment and purpose of the Arbitration & Conciliation Act, 1996, it is evident that the legislation was enacted so as to give primacy to arbitration if the parties to a litigation had entered into a valid and binding arbitration agreement with regard to the subject matter thereof. Two statutory provisions which are relevant in this behalf, reads thus:

5. Extent of judicial intervention - Not with standing anything contained in any other law for the time being in force, in matters governed by this Part, no judicial authority shall intervene except where so provided in this Part.

xxx xxx xxx xxx 8. Power to refer parties to arbitration where there is an arbitration agreement - (1) A judicial authority before which an action is being in a matter which is the subject of an arbitration agreement shall, if a party so applies not later than when submitting his first statement on the substance of the dispute, refer the parties to arbitration.

(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.

(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.

13. The Apex Court had occasion to examine the scope of these proceedings as also the parameters within which an application u/s 8 would deserve to be considered and adjudicated up-on. The Apex Court was of the view that the matter would be referred to arbitration if all the parties to the suit were parties to the arbitration agreement and also the entire subject matter of the suit was covered within the subject matter of the arbitration agreement. In this behalf, the observations of the Apex Court in its judgments reported at Sukanya Holdings Pvt. Ltd. Vs. Jayesh H. Pandya and Another, in paras 12, 13 & 14 deserve to be considered in extenso and read thus:

12. For interpretation of Section 8, Section 5 would have no bearing because it only contemplates that in the matters governed by Part 1 of the Act, the judicial authority shall not intervene except where so provided in the Act. Except Section 8, there is no other provision in the Act that in a pending suit, the dispute is required to be referred to the arbitrator. Further, the matter is not required to be referred to the Arbitral Tribunal, if : (1) the parties to the arbitration agreement have not filed any such application for referring the dispute to the arbitrator; (2) in a pending suit, such application is not filed before submitting first statement on the substance of the dispute; or (3) such application is not accompanied by the original arbitration agreement or duly certified copy thereof. This would, Therefore, mean that the Arbitration Act does not oust the jurisdiction of the civil court to decide the dispute in a case where parties to the arbitration agreement do not take appropriate steps as contemplated under Sub-sections (1) and (2) of Section 8 of the Act.

13. Secondly, there is no provision in the Act that when the subject matter of the suit includes subject-matter of the arbitration agreement as well as other disputes, the matter is required to be referred to arbitration. There is also no provision for splitting the cause or parties and referring the subject-matter of the suit to the arbitrators.

14. Thirdly, there is no provision as to what is required to be done in a case where some parties to the suit are not parties to the arbitration agreement. As against this, u/s 24 of the Arbitration Act, 1940, some of the parties to a suit could apply that the matters in difference between them be referred to arbitration and the court may refer the same to arbitration provided that the same can be separated from the rest of the subject matter of the suit. The section also provided that the suit would continue so far as it related to parties who have not joined in such application.

14. The plaintiffs have asserted that the defendants admitted and accepted their rights in such trade mark and trade name in the memorandum of understanding and agreements afore-noticed by the fact that names of companies and the firm were agreed to be changed. It has been urged on behalf of the plaintiff that the parties who were not possessed of the registered trade mark, had not only readily agreed to but had actually effectuated change of the name of the company and stopped using the trade mark "Alankar". The plaintiff No. 2 Shri

Subhash Rohilla has vehemently urged that he never abandoned or assigned or gave permission to any other person to use the trade mark or trade name "Alankar" in which he had exclusive propriety rights based on its registration of the trade mark.

15. Perusal of the two agreements which have been placed before this Court dated 2nd February, 2000 and 30th March, 2001, shows that the trade mark and trade name "Alankar" was not the subject matter of the agreement between the parties.

16. I, Therefore, find two reasons why this application cannot be granted. Firstly, all the parties to the suit are not parties to the agreements. Secondly, the subject matter of the present suit has not been strictly covered under the terms of the memorandum of understanding dated 2nd February, 2000 and the agreement dated 30th March, 2001. It requires to be made clear that this is only a prima facie view and is without expressing any opinion on the merits of this claim at this stage, the impact whereof will be considered at the time of consideration of the plaintiff's application. However, this submission is being noticed in order to appreciate the scope of the present application.

17. The claim in the suit, Therefore, cannot be referred to arbitration u/s 8 of the Arbitration & Conciliation Act. Consequently, I find no merit in this application which is hereby rejected.