
(2017) 11 DEL CK 0219

In the Delhi High Court

Case No : Original Miscellaneous Petition (I) (COMM.) No. 189 Of 2017

Danieli Corus Bv

APPELLANT

Vs

Steel Authority Of India

RESPONDENT

Date of Decision : 24-11-2017

Acts Referred:

Arbitration And Conciliation Act, 1996 — Section 9

Citation : (2017) 11 DEL CK 0219

Hon'ble Judges : Navin Chawla, J

Bench : Single Bench

Advocate : Suhail Dutt, A.Singh, Moonmoon Nanda, Anushree Sahai, Kushagra Sah, Azhar, Sudhir Chandra, Wasim Ashraf

Final Decision : Allowed

Judgement

Navin Chawla, J

1. This is a petition under Section 9 of the Arbitration & Conciliation Act, 1996 (hereinafter referred to as the "Act") by the petitioner Danieli

Corus BV inter-alia praying for the following reliefs:

i) Grant ad-interim orders and/or directions under Section 9 of the Arbitration & Conciliation Act, 1996 restraining the Respondent, its servants, agents

and employees from any further disclosure or misuse or dissemination of Proprietary and Confidential Information of the Petitioner to any third party

in any manner whatsoever;

ii) Grant ad-interim order and/or directions under Section 9 of the Arbitration and Conciliation Act, 1996 calling upon the Respondent to immediately

delete and remove all Proprietary and Confidential Information of the Petitioner which has been uploaded online on website

<https://auction.buyjunction.in>, <https://sailtenders.co.in> and/or any other public forum in breach of Clause 16 of the Contract and in breach of confidentiality;

2. The petitioner, the respondent and Tata Project Limited had entered into a contract dated 02.10.2008 for setting up Blast Furnace No. 5 at Rourkela

Steel Plant of the respondent. Some of the terms of the said contract relevant for the purpose of the present petition are reproduced herein below:

â??D. CONFIDENTIAL INFORMATION

15. Copyright

â??15.1 The copyright in all drawings documents and other materials containing data and information furnished by the Contractor to the

Employer herein, shall remain vested in the Contractor; however, the Employer shall have the right to use all such drawings, documents and

other material, data and information for execution of the contract and operation & maintenance of the Facilities being subject of the

Contract.

16. Confidential information

16.1 The Employer and the Contractor shall keep confidential and shall not, without the written consent of the other party hereto, divulge to

any third party any document data or other information furnished directly or indirectly by the other party hereto in connection with the

Contract, whether such information has been furnished prior to, during or following termination of the Contract. Notwithstanding the

above, the Contractor may furnish to its Sub-Contractor(s) such documents, data & other information it receives from the Employer to the

extent required for Sub-Contractor(s) to perform its work under the Contract, in which event the Contractor shall obtain from such Sub-

Contractor(s) an undertaking of confidentiality similar to that imposed onâ?¢ the Contractor under this clause.

16.2 The Employer shall not use such documents, data and other information received from the Contractor for any purpose other than the

operation and maintenance of the Facilities. Similarly, the Contractor shall not use such documents, data and other information received

from the Employer for any purpose other than the design, procurement of Plant and Equipment, construction or such other work and

services as are required for the performance of the Contract.

16.3 The obligation of a party under Sub-Clauses 16.1 and 16.2 hereof, however, shall not apply to that information which

a) now or hereafter enters the public domain through no fault of that party.

b) can be proven to have been possessed by that party at the time of disclosure and which was not previously obtained, directly or

indirectly, from the other party hereto.

c) otherwise lawfully becomes available to that party from a third party that has no obligation of confidentiality.

16.4 The above provisions of this clause (Clause 16 hereof) shall not in any way modify any undertaking of confidentiality given by either

of the parties hereto prior to the date of the Contract 10 respect of the Facilities or any part thereof.

16.5 The provisions of this clause (Clause 16 hereof) shall survive termination, for whatever reason, of the Contract.â??

3. The petitioner claims that under this contract, it has provided various drawings to the respondent, which are either directly covered under clause

16.1 as confidential information or are having a disclaimer in the following words:-

â??All Rights Reserved. This is a commercial drawing and is supplied for use for an authorised job. This drawing or any information

therefrom shall not be disclosed, used or reproduced either wholly or in part, except in conjunction with such use and with the prior written

consent of Daniel Corus. This drawing may not be used for construction or fabrication until signed as checked and approved.â??

4. The petitioner claiming that these drawings had been disclosed to third parties by the respondent in its â??Online Competitive Bidding Eventâ?? for

SB-TUYERE & INSERT ASSY, RFQ CAT. Code-20314601000514 to be held on 03.06.2016 (hereinafter referred to as ""Tender no. 1"") and also

online Tender bearing RFQ No. 243/1402001801/01/00 (hereinafter referred to as ""Tender no. 2"") dated 09.03.2015 for issuance of Lance Assembly

for BF-5 Pulverised Coal Injection and also in the online tender bearing No.005/595/1672000235/01/00/500004605 (hereinafter referred to as ""Tender

no. 3"") dated 21.04.2017 floated by the Respondent for issuance of Lining Set for BF-5 Tuyere Stock and Blow Pipe, filed the present petition praying

for the above relief.

5. It was further submitted that even before filing of the present petition, Tender No.1 had already been granted to a third party.

6. This Court vide its order dated 26th May, 2017 directed the counsel for the respondent to seek instructions with respect to the drawings that form

part of the above tenders, complaining of disclosure of which, the petition had been filed. Counsel for the respondent on 30th May, 2017, on behalf of

the respondent, undertook to remove the said drawings from public domain.

7. The petitioner thereafter has filed an additional affidavit dated 3rd July, 2017 complaining therein that the respondent has floated a fresh tender

bearing no.005/595/1672000235/01/00/500004605 for issuance Tuyere with Insert for BF-5 (hereinafter referred to as ""Tender No.4"") dated

26.05.2017, wherein drawing of operational spares namely Tuyere with Insert for BF-5 has been copied from the petitioner's drawing bearing no.

2B0987GI - M358 - G0202.

8. The respondent in its reply has stated that in terms of the tender, apart from confidential drawings, various General Arrangements Drawings had

also been given by the petitioner to which the petitioner can claim no confidentiality. In this regard, reliance was placed on clause 7.4.3.4 of the

contract, which makes reference to "suppliers and manufacturing drawings" (except for proprietary items). It is, therefore, submitted that

merely by insertion of the disclaimer clause, as has been reproduced above, the petitioner cannot claim that such drawings have become confidential in

nature or cannot be disclosed to the third party; it is only drawings of proprietary items that are protected from disclosure. It is further submitted that

there are approximately 17000 such drawings that were supplied by the petitioner to the respondent in performance of its work under the contract,

many of which are in public domain and in any case, cannot be termed as confidential in nature or having any copyright protection. It is further

submitted that for operation and maintenance services, the petitioner, under clause 7.4.3.3 and 7.4.3.4, was obliged to supply various details regarding

the spares including complete ordering specification, the list of spares and manufacturing drawings, etc. These drawings and specifications had been

taken so that in case, the petitioner at any point of time is unable to provide the spares or demand exorbitant price for such spares, which is not

acceptable to the respondent, the same can be procured from third party. This, in submission of the learned senior counsel for the respondent, would

itself entail and authorize the respondent to disclose the drawings, which are not of proprietary items, to the third parties from whom such spares have

to be procured.

9. It is further submitted that any order of injunction would cause grave irreparable injury to the respondent inasmuch as in the absence of supply of

spares, the entire work may come to standstill. Drawing reference to the prayer (i) of the petition, it is submitted that the prayer is in omnibus terms

and in view of the judgment of this Court in National Highway Authority of India v. Sudip Hariyal, 142 (2007) DLT 566 such an omnibus injunction

order cannot be granted. It has been contended by learned senior counsel for the respondent that though the petition was filed on 12.05.2017, till date

the arbitration proceedings have not commenced. In fact, the petitioner has not even filed its statement of claim before International Chamber of

Commerce (in short ICC).

10. I have considered the submission of learned senior counsels for the parties. It is not disputed by the respondent that, in terms and under the

contract, it has received various drawings from the petitioner which are of proprietary items and/or have a disclaimer of confidentiality as has been

reproduced herein above. The contract does not contain any clause or term which would authorize the respondent to use such drawings or disclose the

same to a third party post termination of the contract or in the event that the petitioner, at any stage whatsoever, is unable to supply the spares or the

respondent is not willing to place an order for such spares on the petitioner.

11. Submission of learned senior counsel for the respondent that many of the drawings would not have any protection under Copyright Law and/or

would be available in public domain and therefore cannot be granted protection by way of an interim order against the disclosure to a third party

cannot be accepted. Where the parties to the contract have treated certain drawings to be confidential in nature, they are bound by the same,

irrespective of the fact whether, in law, the other party can claim confidentiality over such drawings or not. In John Richard Brady and Ors. v.

Chemical Process Equipments P. Ltd and Anr., MANU/DE/0586/1987, this Court, invoking of general rule of equity and breach of confidence, had

held that injunction can follow when use of such drawings amounts to the unauthorized use of the labour of the person who has prepared them and

thus provides a "spring-board" by which an infringer may obtain an unfair advantage over competitors. This Court had placed reliance on the

judgment in *Saltman Engineering Coy. Ltd. v. Ferotec Ltd. and Monarch Engineering Coy. (MITCHAM) Ltd. v. Campbell Engineering Coy. Ltd.* (1948) 65

RPC 203 and had extracted from the book of Patrick Hearn the following passage:

Secrecy

The maintenance of secrecy which plays such an important part in securing to the owner of an invention the-uninterrupted proprietorship of

marketable know-how, which thus remains at least a form of property, is enforceable at law. That statement may now be examined in the

light of established, rules making up the law of trade secrets. These rules may, according to the circumstances in any given case, either rest

on the principles of equity, that is to say the application by the Court of the need for conscientiousness in the course of conduct, or by the

common-law action for breach of: confidence which is in effect a breach of contract.

In considering these alternatives there are three sets of circumstances out of which proceedings, may arise:

(a) where an employee comes into possession of secret and confidential information in the normal course of his work, and either carelessly

or deliberately passes that information to an unauthorised person;

(b) where an unauthorised person (such as a new employer) incites such an employee to provide him with such information as has been

mentioned above; and

(c) where, under a license for the use of know-how, a licensee is in breach of a condition, either expressed in an agreement or implied from

conduct, to maintain secrecy in respect of such know-how and fails to do so.

All these hypotheses fall within the general rules of equity and breach of confidence propounded in the leading *Saltman's* case, *Saltman*

Engineering Co. v. Campbell Engineering Co. (1948) RPC 203. The facts, as far as they matter here, were that *Saltman Engineering* owned

confidential drawings concerning the design and construction of certain specialist tools. Through an agent they purported to contract with

Campbell Engineering for the manufacture of some of these tools, and to that end they handed over the drawings. Campbell Engineering

used these drawings for their own purposes. There was contention as to whether or not there had been a viable contract, and if not whether

a breach of confidence could in law have occurred. In the Court of Chancery the Judge held that there was in fact no binding contract and

thus no breach of confidence.

The Court of Appeal found that;

(a) there was such a contract as had been claimed, and that the documents provided by Saltman Engineering were confidential and known

to be such by Campbell Engineering,

(b) apart from contract, there was an obligation of confidence resting on Campbell Engineering by the delivery of the drawings, which they

knew to be the property of Saltman Engineering, and which had been provided to them for a limited purpose, that is to say the manufacture

of certain specific tools;

(c) a document may be confidential if it is the result of work done by its maker, even if the matter contained therein is public knowledge;

(d) this being so, Campbell Engineering had broken confidence by using documents for purposes other than those for which they had been

delivered, and there was no agreement releasing them from the obligation of confidence; and (e) Saltman Engineering was entitled to have

the documents returned to them and to receive damages for the breach.

These bald findings are more specifically explained in the judgment of Lord Greene, then Master of the Rolls, which contains four important

statements:

1. If two parties make a contract under, which one of them obtains for the purpose of the contract, or in connection with it, some

confidential matter then, even though the contract is silent on the matter of confidence, the law will imply an obligation to treat such

confidential matter in a confidential way as one of the implied terms of the contract, but the obligation to respect confidence is not limited to

cases where the parties are in confidential relationship.

2. If a defendant is proved to have used confidential information, obtained

directly or indirectly, from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an infringement of the plaintiffs rights.

3. It seems to me that it would not matter the least bit whether there was a contract; but contract or no contract, the defendants got those

drawings into their hands knowing, or knowing shortly afterwards, that they belonged to Saltmans that they were obviously confidential

matter, and they knew that they had got them into their hands for a strictly limited purpose.

4. Information to be confidential must 11 apprehend, apart from contract, have the necessary quality of confidence about it, namely, it must

not be something which is public property and public knowledge.

It is important to note that the word, 'information' used in the last statement of the learned Master of the Rolls refers to know-how imparted

by word of mouth, by letter or by demonstration. It does not refer to drawings or other such technical documents which are by their nature

confidential whether or not a matter of public knowledge. This is on the established principle that the use of such drawings amounts to the

unauthorized use of the labour of the person who has prepared them, and thus provides a 'spring-board' by which an infringer may obtain

an unfair advantage over competitors.

12. In Zee Telefilms Ltd. & Anr. vs. Sundial Communications Pvt. Ltd. & Ors. 2003 (27) PTC 457 (Bom) (DB), Bombay High Court held that in

appropriate cases an interlocutory injunction may be issued restraining breach of confidentiality. It was further held that if the confidential information

was allowed to be used against the plaintiff in competition with them by the defendants, it is not merely a matter of compensation in Pound, Shilling or

Pence and, therefore, plaintiff would certainly be entitled to have injunction for breaching confidentiality. The above judgment was followed by the

Bombay High Court in Urmi Juvekar Chiang vs. Global Broadcast News Ltd. & Anr. 2007 SCC Online Bom 471 wherein again it was reiterated that

if confidential information is going to be used in competition with the plaintiff, it is not merely a matter of compensation in terms of money. This Court

also in Daljeet Titus vs. Alfred A.Adebare & Ors. 2006 SCC Online Del 551 reiterated that a Court must step in to restrain a breach of confidence

independent of any right under law; such an obligation need not be express but be implied and the breach of such confidence is independent of any other right.

13. From the above authorities, law is well settled that a party to a contract having obtained certain information on the basis of contractual terms cannot turn around and question the confidentiality of such information. These drawings, in my prima facie opinion, could be used by the respondent only in working of the contract itself and not be disclosed to a third party. A party to the contract cannot challenge such confidentiality at a later stage having taken the benefit of the same under the contract. It is estopped from challenging confidentiality of such drawings on the basis of same not having copyright protection.

14. Clause 16.3 of the contract provides that the confidentiality clause shall not apply to such information which, after entering the contract enters into public domain through no fault of that party or can be proven to have been possessed by that party at the time of disclosure and which was not previously obtained, directly or indirectly from other party or it otherwise lawfully becomes available to that party from a third party that has no application of confidentiality. Therefore, exception to confidentiality envisaged under Clause 16.3 is where the drawings are in public domain or have been obtained by the respondent not in terms of the contract in question but from some other source. This is not the case pleaded by the respondent before me. On the other hand, Clause 16.4 again retreats that any of these provisions would not modify any undertaking of confidentiality given by either of the parties, meaning thereby that where the drawing has been obtained by the respondent which bears the disclaimer as quoted above, confidentiality shall have to be maintained whether it is proprietary items or other items irrespective of copyright protection. Equal protection is granted to the Respondent under Clause 16.1 quoted above.

15. Submission of the learned senior counsel for the Respondent that no injunction be granted in the present case as damages can act as an adequate relief in case the Petitioner ultimately succeeds, cannot be accepted. The issue at hand is of confidential drawings and once they come in public domain, Petitioner would suffer irreparable damage which cannot be compensated in terms of money.

16. In my view therefore, the Petitioner has made out a good prima facie case for grant of an injunction and shall suffer a grave irreparable injury in case interim injunction is not granted in its favour.

17. As far as omnibus nature of prayer (i) made by the petitioner is concerned, I am in agreement with learned senior counsel for the respondent. The order of injunction as prayed for in prayer (i) cannot be granted in general terms. In my opinion, the injunction has to be restricted to only those drawings and information that was relating to the proprietary items of the petitioner and/or those which bears the disclaimer as has been quoted above.

18. Learned senior counsel for the respondent further contends that the respondent can procure these spares from a third party and for this purpose certain information would necessarily have to be disclosed to a third party, otherwise the entire operation of blast furnace would come to a halt. In my opinion, however, this cannot be a ground for infringing the confidential information obtained from the petitioner under the contract. This, in any case, can be safeguarded by clarifying that the respondent may use all the drawings that are otherwise available in public domain and/or can be made through its own efforts. It is true that the petitioner in its additional affidavit has submitted that certain drawings had been copied by the respondent from its confidential drawings with small modification, however, in my opinion, this will be a matter to be adjudicated by the Arbitrator and cannot be commented upon at this stage. This issue is to be taken before Arbitral Tribunal, in accordance with the arbitration agreement that has been executed between the parties. This would adequately balance the equity between the parties for this purpose.

19. Learned senior counsel for the respondent submits that this petition was filed in May 2017, however, in spite of six months having been passed, no steps has been taken by the petitioner to have the Arbitration Tribunal constituted for adjudication of the disputes between the parties. Learned Senior counsel for the petitioner, on the other hand, submits that it has already requested the ICC for appointment of Arbitral Tribunal for adjudication of the disputes and is in the process of filing its statement of claim. In my opinion, the petitioner cannot endlessly wait for Arbitral Tribunal to be properly constituted. I would therefore restrict the operation of my order with the condition that the petitioner must file its statement of claim with ICC within a

period of 30 days from today, failing which this order would automatically cease to operate. In case the statement of claim is filed within 30 days from

today and there is no other default on part of the petitioner for having Arbitral Tribunal constituted with expedition, this order would continue to

operate till it is modified or vacated by the Arbitral Tribunal in accordance with the ICC rules.

20. In view of the above, I pass an ad-interim order restraining the respondent or its agents in any manner disclosing to a third party the proprietary

drawings/information and/or drawings/information which bears disclaimer:-

“All Rights Reserved. This is a commercial drawing and is supplied for use for an authorised job. This drawing or any information

therefrom shall not be disclosed, used or reproduced either wholly or in part, except in conjunction with such use and with the prior written

consent of Daniel Corus. This drawing may not be used for construction or fabrication until signed as checked and approved.”

21. The petition is allowed in the above terms.

22. I may, however, hasten to add that my above observations are prima facie in nature and in no manner bind the Arbitral Tribunal who shall

adjudicate the disputes between the parties on their own merits. Either party would be free to raise any further claims, submissions, defence or pray

for interim relief from the Arbitral Tribunal which would be constituted in terms of the Arbitration Agreement.