
(2016) 04 BOM CK 0146

In the Bombay High Court

Case No : Notice of Motion No. 886 of 2013 in Suit No. 331 of 2013

Eros International Media Limited

APPELLANT

Vs

Telexmax Links India Pvt. Ltd.

RESPONDENT

Date of Decision : 12-04-2016

Acts Referred:

Arbitration and Conciliation Act, 1996 — Section 8

Citation : (2016) 6 ArbILR 121 : (2016) 6 BCR 321 : (2017) 3 RAJ 607

Hon'ble Judges : G.S. Patel, J.

Bench : Single Bench

Advocate : Mr. V.R. Dhond, Senior Advocate, with Mr. Riyaz Chagla, Mr. Akshay Patil, Mr. Avesh Kayser, & Ms. Tanuja Liiman, i/b Mr. Avesh Kayser, Advocates, for the Appellant; Dr. Veerendra Tulzapurkar, Senior Advocate, with Mr. Amit Jamsandekar, Mrs. Mahua Roy Chow

Final Decision : Disposed Off

Judgement

G.S. Patel, J. (Oral) - This is the 1st Defendant's application under Section 8 of the Arbitration and Conciliation Act, 1996. The prayer made is that all the disputes between the Plaintiff and Defendant No. 1 be referred to arbitration in terms of the Arbitration Agreement contained in a Term Sheet dated 13th June 2012. That Term Sheet was between the Plaintiff and the 1st Defendant. I must note that Defendants Nos. 2 to 8 all claim to have used the copyright-protected material in question under a sub-licence from Defendant No. 1. None of the Defendants are using any of that material now. Defendants Nos. 2, 7 and 8 are separately represented. Defendants Nos. 2 to 6 have all filed Affidavits supporting the 1st Defendant and inter alia agreeing to have that disputes referred to arbitration. Defendants Nos. 7 and 8 have confirmed this as well.

2. The Suit itself was first mounted as a copyright action. Some facts are necessary. The Plaintiff produces, distributes and exhibits feature films through various media and in various modes. It owns copyright in several feature films. For others, it has assignments or exclusive licenses.(1) These Plaintiff exploits its

copyright through various media, including mobiles phones, tablets, desktops and portable storage devices.

(1) Particulars are set out in Exhibit "A" to the plaint

3. In March 2012, Defendant No. 1 ("Telemax") approached the Plaintiff ("Eros") saying that it had sufficient expertise in the business of content distribution to manufacturers of devices by which content could be "pre-embedded" or "pre-burned". Telemax offered a sum of Rs. 1.5 Crores as a non-refundable minimum guarantee amount for the grant of content marketing and distribution rights in respect of films. A Term Sheet dated 13th June 2012 was executed between the parties.(2) Preceding this Term Sheet there was some correspondence in which the Eros alleged that there was copyright infringement by Telemax, but for the present purpose this matters little given the frame of the present Notice of Motion.

(2) Plaint, Exhibit "L", p. 81.

4. The Term Sheet itself requires consideration. It contemplates an exclusive licensing contract for various audio-visual materials. It also contemplate the execution of what is called a "Long Form Agreement". This was to be executed within ten days of execution of the Term Sheet. When so executed that Long Form Agreement was to supersede and override the terms and conditions of the Term Sheet. The Long Form Agreement would be the final and binding agreement between the parties.

5. What is of consequence, however, is the Arbitration Agreement, contained in a distinct clause on the last page of the Term Sheet. It is necessary to set this out in full:

Arbitration In case of any dispute or difference arising out of or in connection with this Term Sheet the same shall initially be referred to and resolved by mutual consultation between the parties hereto failing which the same shall be referred to the arbitration of a Sole Arbitrator appointed mutually by Eros and Telemax failing which the Sole Arbitrator will be appointed vide application to the Bombay High Court under Section 11 of the Arbitration and Conciliation Ac, 1996. The Arbitration proceedings shall be in English and held in Mumbai and the Court in Mumbai alone shall have jurisdiction.

6. On the face of it, this Arbitration clause refers to disputes and differences arising out of or in connection with the Term Sheet. In other words it is not limited to disputes and differences arising or stemming from the Long Form Agreement that was yet to be executed. The Arbitration Agreement is in the widest possible terms. It is this Arbitration Agreement that the Telemax seeks to enforce, and it is under this Arbitration Agreement that Telemax seeks that the disputes in this Plaint be referred to arbitration.

7. Eros says that the Term Sheet is not binding. In any case, the condition required by that Term Sheet, i.e., the execution of the Long Form Agreement was

never fulfilled. The Arbitration Agreement, therefore, according to Eros is inapplicable and does not govern the parties. In paragraphs 4 and 13 of the Complaint, Eros sets out its case in relation to this Term Sheet. It says that there was no agreement on various issues and that it had been agreed that till that Long Form Agreement was executed Telexmax would not exploit or deal with the copyright-protected content. Telexmax infringed Eros's copyright and was therefore liable to suffer an injunction. Specifically in relation to the Term Sheet, Eros says this in paragraph 13 of the complaint:

"13. Although the Term Sheet dated 13th June 2012 provides for Arbitration to resolve the disputes and differences arising out of the said Term Sheet, in view of the facts and circumstances of the case, especially the rights created by the Defendant No. 1 in favour of Defendant Nos. 2 to 8 the entire cause of action cannot be referred to Arbitration. The present Suit is a composite action. Further Defendant Nos. 2 to 8 are not a party to the Arbitration Agreement or not amicable to the jurisdiction of the Arbitral Tribunal under the said Term Sheet and consequently Arbitration is not an effective remedy to the Plaintiff to secure the reliefs claimed under the present suit."

8. To complete this factual conspectus, it is common ground that the tenure of the Term Sheet has expired and that none of the Defendants are today using any of Eros's copyright-protected material. There would, therefore, survive a claim for damages, and a possible claim for relief in terms of a permanent injunction for the future.

9. Dr. Tulzapurkar for the Plaintiff submits that there is no specific bar to the arbitration or the arbitrability of such disputes. Eros's claim is under the Term Sheet. This is not a case where the allegation is that Telexmax is guilty of copyright infringement simpliciter. There is very much a contract between the parties. He therefore submits that all civil disputes of the kind mentioned in the Term Sheet and in the Arbitration Agreement lend themselves to arbitration, and it is settled law that all civil disputes are, by definition, arbitrable except those that are specifically excluded, such as those mentioned in the decision of the Supreme Court in *Booz Allen & Hamilton Inc v. SBI Home Finance Limited & Ors.*, AIR 2011 SC 2507. He refers to paragraph 20 to 24 of this decision (from the AIR report). In particular he emphasises that certain types of disputes are well known to be non-arbitrable. These include disputes relating to rights and liabilities that give rise to or arise from criminal offences; matrimonial disputes relating to divorce, judicial separation, restitution of conjugal rights; guardianship matters; insolvency and winding up matters; testamentary matters such as those for grant of probate, Letters of Administration and Succession Certificates; and eviction or tenancy matters governed by special statutes where jurisdiction is specifically conferred on designated Courts.

10. Dr. Tulzapurkar's argument is that the remedies sought by the Eros are not in rem. The suit is very much an action in personam between Eros and Telexmax (and those claiming under Telexmax). A claim in rem is distinct from a claim for

enforcement against an individual. He refers also to a decision of the Supreme Court in *V.H. Patel & Co. & Ors. v. Hirubhai Himabhai Patel & Ors.*, 2000 (4) SCC 368. The disputes in that case, pertaining inter alia to three trade marks used in relation to Beedis and Beedi manufacturing in Chalisgaon, were referred to the Sole Arbitration of a retired Judge of this Court. The Arbitrator held that a certain writing and a retirement deed were invalid, void, and not binding. He also declared that one of the parties had not retired from partnership under a particular deed. The Arbitrator did not entertain a counter-claim from the Respondents seeking a dissolution of one of the firms, saying that it was beyond the scope of his reference. A single Judge set aside the finding of the Arbitrator and held that the Arbitrator did in fact have jurisdiction to entertain the counter-claim seeking dissolution of a partnership firm. Unusually in such cases, the learned Single Judge remitted the issue back to the Arbitrator for a de novo consideration and a decision in accordance with law. That order of the learned Single Judge was challenged before the Supreme Court.⁽³⁾ In paragraphs 3 and 4 of its decision the Supreme Court dealt with the aspect of arbitrability of the counter-claim. The Supreme Court noted the contention raised before it that the Arbitrator had no power to dissolve a partnership firm. The argument was that such a dissolution is based on a ground of it being just and equitable to order dissolution, and that power, or any such power, is within the remit of a Court alone. In paragraph 12, dealing with the power of a private arbitral tribunal to dissolve a partnership, the Supreme Court held that the law is clear that where there is a clause in the articles of partnership or in an agreement referring the matters between the parties to arbitration, the arbitrator does have the power to decide whether or not the partnership should be dissolved and to award its dissolution. The arbitrator's powers depend primarily upon the arbitration clause. There is no principle in law, the Supreme Court said, nor any provision that bars an arbitrator from examining such a question. It held that it is permissible for the Court to refer to arbitration a dispute in relation to dissolution on a ground such as the destruction of mutual trust and confidence between the partners which is the foundation of the partnership.

(3) The matter was, it seems, taken directly to the Supreme Court. This aspect is noted in paragraphs 6 and 7 the judgment.

11. Dr. Tulzapurkar relies on this decision in support of his argument that ousting arbitrability, in the face of an arbitration clause, is not something to be lightly assumed. It must be done in limited cases which are clearly non-arbitrable. Today there is no surviving claim except, as I have noted, one for damages and possibly one for a future injunction.

12. There is a distinction, Dr. Tulzapurkar submits, between the forum, i.e., the arbitral forum, and the remedy. It is altogether too broad a proposition to say that no action under the Trade Marks Act or the Copyright Act can ever be referred to arbitration.

13. As regards the question of the supporting Defendants, Dr. Tulzapurkar refers

to the amended Section 8 which now includes parties or persons claiming through or under a party to an arbitration agreement. This would include Defendants Nos. 2 to 8. All have indicated by filing Affidavits or by statements to Court that they are agreeable to a reference to an arbitration.

14. Mr. Dhond's argument for the Plaintiff is that disputes of this kind are inherently non-arbitrable. Parties must, irrespective of what an agreement between them might or might not say, invoke only the remedy of going to Court. A party must use the statutory remedy provided. This is not, in his submission, a right arising purely out of a contract. He says that in order even to arrive at a finding in his favour of damages, there must be a finding of infringement of copyright. That finding, whether it translates into a specific relief or not, is one that is only within the remit of a Court. It can never be done by an Arbitrator. He relies upon the decision of the Supreme Court in *The Premier Automobiles Limited v. Kamlekar Shantaram Wadke & Ors.*, (1976) 1 SCC 496 to say that the jurisdiction of a Civil Court cannot be ousted in matters such as these. He also refers to the decision of the Supreme Court in *Management Committee of Montfort Senior Secondary School v. Vijay Kumar & Others*, (2005) 7 SCC 472 a decision that cited *Premier Automobiles*, again to buttress his submission that if a statute confers a right and provides for a remedy for its enforcement, the remedy provided by the statute is an exclusive one. I think this misses the point entirely. Nobody is suggesting that the remedy is taken away. All that is being said is that the parties have agreed to go to a particular forum to seek that remedy. The remedy itself is not excluded. I do not see how either of these two decisions furthers Mr. Dhond's case. He then relies on a decision of a Single Judge of this Court (Gupte, J.) in *Steel Authority of India Ltd. v. SKS Ispat & Power Ltd. & Ors.*, Notice of Motion (L) No. 2097 of 2014 in Suit No. 673 of 2014, decided on 21st November 2014. In paragraph 4, Gupte J. observed that the suit was for reliefs in infringement and passing off which by their very nature do not fall within the jurisdiction of the Arbitrator. Mr. Dhond uses this to suggest that this judgments lays down an absolute principle that all disputes in trade mark and copyright infringement and passing off are, therefore, non-arbitrable. The reason, he suggests, is that such actions are actions in rem. I must note that the matter before Gupte J. was slightly different. There was there an agreement as well. It too had an arbitration clause. However, the Defendant No. 1 was accused of misusing the brand name and was guilty of infringement and passing off. In paragraph 4, the Court held that the rights to a trade mark and in connection therewith are matters in rem and by their very nature are not amenable to private forum chosen by the parties. This is a broadly stated proposition. But it is, in my view, considerably circumscribed by the next observation which is that the disputes in the matter before him concerning infringement and passing off did not arise out of the contract between the parties which contains an arbitration clause. In this case, they do; and they arise only out of the contract. In particular, I notice that this decision did not consider the Supreme Court decision in *Booz Allen* cited by Dr. Tulzapurkar.

15. Mr. Dhond also referred to a well-known commentary, O.P. Malhotra's Law & Practise of Arbitration and Conciliation.⁽⁴⁾ In this, the learned author says that amongst the well-recognised examples of broad categories of non-arbitrable disputes are those in patent, trade marks and copyright. I noticed, however, that in the same work at page 445, after citing Booz Allen, when listing the well-recognised examples of non-arbitrable disputes, these matters under trade mark, copyright and patent law are not mentioned. There is no authority mentioned for the former proposition.

(4) Third Edition, 2014 by Ms. Indu Malhotra.

16. Section 62 of the Copyright Act 1957 corresponds almost exactly to Section 134 of the Trade Marks Act, 1999: infringement and passing off actions cannot be brought in a court lower than a jurisdictionally competent District Court, one within whose limits the plaintiff resides or works for gain. I do not think these sections can be read as ousting the jurisdiction of an arbitral panel. All that they mean is that such actions are not to be brought before the registrar or the board, viz., an authority set up by either of those statutes. In fact, Section 134 of the Trade Marks Act, 1999, correctly read, answers in full Mr. Dhond's case of having to pursue a remedy given by statute in a particular forum; for that section contains the same provision as regards trade mark passing off actions and it is well settled that an action in passing off is not in pursuit of a statutory remedy but one in common law. It is a mistake, I think, to see these so-called "intellectual property" statutes as relating to rights that stand wholly apart from the general body of law. These are special rights to be sure, but they are, at their heart, a species of property and share much with their more tangible cousins to whom acts such as the Sale of Goods Act or the Transfer of Property Act apply. Even those acts confer certain "rights"; and the registration of a document of title to land (or, for that matter, to a motor scooter) is also in one sense a right against the world, i.e., any other who would lay claim to it. I see no material distinction between in this regard between being the owner of land and the proprietor of a mark. What Sections 62 of the Copyright Act, 1957 and the Trade Marks Act, 1999 seem to do, I believe, is to define the entry level of such actions in our judicial hierarchy. They confer no exclusivity and it is not possible from such sections, common to many statutes, to infer the ouster of an entire statute. These sections do not themselves define arbitrability or non-arbitrability. For that, we must have regard to the nature of the claim that is made.

17. I must therefore consider what is it precisely that Mr. Dhond possibly means when he says that these are "rights in rem". I find it very difficult to accept this proposition stated like this. It seems to me to be altogether too broad. As between two claimants to a copyright or a trade mark in either infringement or passing off action, that action and that remedy can only ever be an action in personam. It is never an action in rem. In trade mark law it is true that the registration of a mark gives the registrant a right against the world at large. It is possible that an opposition to such an application (before the Registrar) would be

an action in rem, for it would result in either the grant or non grant of the registration, good against the world at large. But an infringement or passing off action binds only the parties to it. Take an example. A may allege infringement and passing off by B. A may succeed against B. That success does not mean that A must necessarily succeed in another action of infringement and passing off against C. The converse is also true. Should A fail in his action against B, he may yet nonetheless succeed in his action against C. This applies equally to copyright actions. A man may be able to demonstrate that his copyright in a film, a literary work, an artistic work or any other work in which copyright is said to subsist is infringed by a certain party. But he may not be able to show such an infringement at the hands of another party. Both are actions in personam. What is in rem is the Plaintiff's or registrant's entitlement to bring that action. That entitlement is a result of having obtained or acquired copyright (either by authorship or assignment) or having statutory or common law rights in a mark.

18. The Arbitration Act is not one that we should constantly try to short-circuit in matter after matter. Unless specifically barred, what a Civil Court can do, an arbitrator can do. Dr. Tulzapurkar points out that this dispute is one that is purely contractual. It arises out of the Term Sheet. I think that is correct. The relief that the Plaintiff seeks today, a decree in damages and injunction, are both reliefs that an arbitrator can well grant. These are reliefs that are routinely granted in arbitrations. Mr. Dhond says that the arbitrator can never arrive at a finding of copyright infringement. I do not see why not. That is surely a finding of fact. It is not a question of making an order in rem at all. This is quite distinct from, say, a Testamentary proceeding where a will is sought to be proved. That is obviously not something that can ever be sent to an arbitrator. It requires proof of the Will in its solemn form. That Will, when proved, either with or without contest, is proved once and for all, till it is revoked, against the world at large. Where a probate Petitioner obtains a probate against certain Caveators, that probate can be set up against every other person whether or not that person was a Caveator before the Court. This is a material distinction. The same principle applies to every single one of the excepted categories set out in the Supreme Court's decision in *Booz Allen* or, for that matter, those mentioned in Malhotra's treatise. Guardianship matters, Insolvency and Winding Up matters all provide good examples. Where a winding up Petition is admitted against a Company, it enures for the entire body of creditors. It is never allowed to be withdrawn by a simple compromise between a particular creditor and the Company. Any other creditor is entitled to step into the petitioning creditor's shoes. Similarly, matters relating to guardianship: a guardian is appointed by a Court to represent a minor or person of unsound mind; that appointment is good against the world at large.

19. Where there are matters of commercial disputes and parties have consciously decided to refer these disputes arising from that contract to a private forum, no question arises of those disputes being non-arbitrable. Such actions are always actions in personam, one party seeking a specific particularized relief against a particular defined party, not against the world at large.

20. Mr. Dhond's submission that this will involve splitting up of a claim into arbitrable and non-arbitrable components and will, therefore, be contrary to the decision of the Supreme Court in *Sukanya Holdings (P) Limited v. Jayesh H. Pandya*, (2003) 5 SCC 531 is also incorrect. There is no such splitting. I am also unable to accept Mr. Dhond's reliance on the decision of the Division Bench of Madras High Court in *R.K. Productions Private Limited v. M/s. N.K. Theatres Private Limited*, 2013 1 L.W. 485. There the Division Bench held in paragraph 16 on the basis of *Sukanya Holdings* that a splitting up of the case was required. The arbitration clause in that particular case was also extremely peculiar because it operated to close out the question of infringement of copyright upon payment of a certain amount. In any case, the decision of the Division Bench of the Madras High Court is not binding. It also does not note the decision of the Supreme Court in *V.H. Patel's* case. I believe that makes a material difference.

21. I do not think it is possible to lose sight of the fact that in trade mark and copyright disputes, we very often are confronted with written agreements. In copyright matters, agreements are in fact a statutory requirement for an assignment. There must be a written document. The law does not say that the written document of assignment should have an arbitration clause. But many do. What Mr. Dhond suggests, in effect, is that in every one of these cases, all these arbitration clauses must be treated as entirely null, void and otiose. No law that I am aware of even remotely suggests anything of the kind. I think it would do a very great violence not only to the language but to the purpose and ambit of the Arbitration Act as also the Copyright Act, if I would have to read it in the manner Mr. Dhond suggests.

22. I find Mr. Dhond's protests, to the effect that the view I am inclined to take would turn the entire edifice of intellectual property law on its head, needlessly alarmist. It will do nothing of the kind. On the contrary, I believe an acceptance of Mr. Dhond's view must result in widespread confusion and mayhem in commercial transactions. We often have complex commercial documents and transactions that routinely deal with intellectual property rights of various descriptions as part of the overall transaction. This can be said of mergers, acquisitions, joint ventures, the setting up of special purpose vehicles, technology transfer and sharing agreements, technical tie-ups, licensing and so on. The range of fields of human activity that could possibly be covered by any one or more of these is limited by nothing but our own imagination: steel manufacturing, setting up of power plants, software, motor car manufacture, computer hardware, music, films, books and literature, performances and even services. If Mr. Dhond is correct, then in any of these cases, where intellectual property rights are transferred or, for that matter, in any way dealt with, no dispute arising from any such agreement or transactional document could ever be referred to arbitration, and every single arbitration clause in any such document would actually, in his formulation of it, be void and non-est ab initio. It would have to be so-*Sukanya Holdings* will not allow a dispute relating to intellectual property rights to be segregated from other disputes. I do not think

the world of domestic and international commerce is prepared for the apocalyptic legal thermonuclear devastation that will follow an acceptance of Mr. Dhond's submission.

23. Not to put too fine a point on it, Mr. Dhond's argument misses a fundamental aspect of the Supreme Court's decision in V.H. Patel. What the Supreme Court had before it in that case was a reference to arbitration that related to three trade marks and injunction claims in relation to these. One of the arbitral declarations was that the three registered trade marks continued to be the assets of a particular firm. Others before the arbitrator were declared by arbitral award to have no right, title or interest in these marks. The arbitrator issued an injunction permanently restraining those others from using or exposing in the course of trade or otherwise any of those marks in any territory. No question was ever raised before the Supreme Court in V.H. Patel about the award on the issue of the trade marks being bad on account of non-arbitrability, nor did that issue give the Supreme Court pause. The only question of arbitrability was about the dissolution of the firm, and there, as we have seen, the Supreme Court found that reference to arbitration was indeed competent.

24. I note here that the Defendants Nos. 2 to 8 have all filed Affidavits, agreeing to submit their disputes to the arbitration under the arbitration clause in the Term Sheet. Each of them have also said that they were all sub-licensees of Defendant No. 1. They are also, therefore, covered by the amended Section 8 of the Arbitration & Conciliation Act, 1996.

25. In this view of the matter, I see no reason to deny the relief sought. There will be an order in terms of prayer clause (c), which reads as under:

"(c) That this Hon'ble Court be pleased to pass an order under Section 8 of the Arbitration and Conciliation Act, 1996 referring the present suit to arbitration pursuant to the Arbitration Agreement contained in the Term Sheet dated 13th June 2012 executed between the Plaintiff and Defendant No. 1;"

26. This disposes of the Notice of Motion. All the disputes in the Suit are referred to the arbitration.

27. Mr. Dhond seeks a stay of the operation of this order. The order is stayed for a period of eight weeks from today. The slightly longer-than-normal stay is granted only because I am anxious to avoid compelling the Plaintiff to move the Vacation Judge during the forthcoming Summer Vacation that commences just a few weeks from now.