

(2020) 03 CK 0002

In the Bombay High Court

Case No : Notice Of Motion No. 2591 Of 2019 In Commercial Ip Suit No. 1387 Of 2019

Narendra Hirawat And Co

APPELLANT

Vs

Sholay Media Entertainment Pvt Ltd

RESPONDENT

Date of Decision : 09-03-2020

Acts Referred:

Specific Relief Act, 1963 — Section 14(1)(c), 14(b), 14(d)
Specific Performance Act, 1877 — Section 21(d)

Citation : (2020) 03 CK 0002

Hon'ble Judges : S. C. Gupte, J

Bench : Single Bench

Advocate : S. U. Kamdar, Rohaan Cama, Shrinivas Chatti, Kriti Srivastava, Anandita Mishra, V. Dhond, Archit Jaykar, Bhavika Deora, Monica Salian, Divya Tyagi, Dr. Birendra Saraf, Archit Jaykar, Bhavika Deora, Monica Salian, Divys Tyagi, Zal Andhyarijuna, Gulnar Mistry, Aurup Dasgupta, Hursh Meghani, Sonam Ghiya

Final Decision : Dismissed

Judgement

1. This notice of motion (Notice of Motion No.2591 of 2019) has been taken out in a commercial IP Suit in respect of distribution and exploitation rights in two suit films, by the names of Sholay and Sholay-3D.

2 The rights are claimed by virtue of a film licence agreement executed between the parties thereto on 9 September 2015 for the period between 1 April 2016 to 31 March 2022 ("first agreement") and a further agreement entered into between the parties on the same date, i.e. 9 September 2015, for the period between 1 April 2022 and 31 March 2027 ("second agreement"). The first agreement was for a total consideration of Rs.20 crores, whereas the second was for a total consideration of Rs.5 crores. The agreements covered exploitation rights, such as electronic media rights, television rights, satellite broadcasting rights, etc. on a sole and exclusive basis by the Plaintiff herein (described in the agreements as 'licensee', Defendant No.1 herein, the owner of copyright in the

two suit films, being described as 'licensor'). It is not in dispute that consideration payable under the first agreement has been more or less paid. The dispute really pertains to payment of consideration under the second agreement. The agreements were followed by an addendum. Disputes arose between the parties and these were finally resolved by the parties entering into a deed of settlement on 3 December 2018. (This deed of settlement was preceded by a memorandum of settlement between the parties, the deed of settlement being a formal execution of the settlement.) Under this deed of settlement, the Plaintiff was to pay an aggregate sum of Rs.8.71 crores, along with GST, for the suit films for the second term, namely, the term commencing on 1 April 2022 and ending on 31 March 2027, and which was extended upto 30 September 2028. In pursuance of the settlement, Defendant No.1 raised its first invoice for a sum of Rs.1.25 crores on 5 November 2018, which, along with applicable GST (both CGST and SGST), worked out to Rs.1.40 crores. This amount was to be paid to the credit of Defendant No.1 partly to one HRVS Financial Consultants Private Limited and partly to Defendant No.1 itself. It is not in dispute that this amount was duly paid by the Plaintiff. This was followed by a second invoice raised by Defendant No.1 on the Plaintiff on 3 December 2018 for licence fees of Rs.2.46 crores, which, together with GST, worked out to about Rs.2.75 crores. It is also not in dispute that this amount was duly paid by the Plaintiff to Defendant No.1 or to its credit. Defendant No.1 then raised its third invoice for a sum of Rs.1.75 crores on 3 June 2019, which, together with applicable GST, worked out to Rs.1.96 crores. This amount was also paid by the Plaintiff to, or to the account of, Defendant No.1, albeit with a delay. The Plaintiff thus paid a total sum of about Rs.5.46 crores as against the total consideration of Rs.8.71 crores reserved under the deed of settlement. The dispute between the parties pertains to the balance amount.

3 According to Defendant No.1, the payment was not made in time, time being of essence, and Defendant No.1, accordingly, proceeded to terminate the films licence agreements between the parties by its letter dated 18 June 2019. Defendant No.1 claims to have entered into a separate film licence agreement with Defendant No.2 herein, creating same distribution rights in favour of the latter. (That is how Defendant No.2 has been arraigned as a party to the present suit.) On the other hand, it is the Plaintiff's case that Defendant No.1 was expected to issue invoice/s separately for licence fees to be charged from out of the total consideration reserved under the deed of settlement (i.e. Rs.8.71 crores) and applicable GST on that amount, and the Plaintiff was to make payment only according to such invoice/s. It is submitted that without raising such invoice/s, the Plaintiff could not have straightaway proceeded to terminate the suit film licence agreements including the memorandum and deed of settlement. The Plaintiff submits that there were discussions between the parties even after the purported termination, in which, the Plaintiff offered to pay the balance amount under the deed of settlement, subject to Defendant No.1 issuing an appropriate invoice. It is the grievance of the Plaintiff that despite these

discussions, Defendant No.1 never submitted any invoice towards the balance payment and instead, insisted on going ahead with the film licence agreements entered into by it with Defendant No.2. That is how the battle lines have been drawn between the parties.

4 Defendant No.2, for its part, submits that after due termination of the films licence agreements, including memorandum and deed of settlement, between the parties, Defendant No.1 has duly entered into film licence agreement with it; it has paid a substantial consideration to Defendant No.1 under this agreement; and considerations of equity demand that this court ought not to prevent performance of its film licence agreements with Defendant No.1.

5 Prima facie it is apparent from the deed of settlement that the revised consolidated consideration payable by the Plaintiff thereunder was to comprise of a total sum of Rs.8.71 crores plus GST as applicable; this amount was to be paid in installments in the manner stated in the deed of settlement; Defendant No.1 was required to issue invoices against each tranche of payment stating separately the amount of licence fee and GST as applicable; and payment was to be made by the Plaintiff to Defendant No.1 only against such invoices. These modalities are further supported by what actually transpired in the course of dealings between the parties. The three tranches of payment made so far under the deed of settlement by the Plaintiff to Defendant No.1 were all made after the latter had issued proper GST regulated invoices indicating components of license fee and GST (both CGST and SGST) separately and in each instance, payment was duly made by the Plaintiff to Defendant No.1 after receipt of such invoices. The grievance of the Plaintiff that Defendant No.1 could not have called upon the Plaintiff to pay any particular tranche from out of the sum designated under the deed of settlement, except after raising a proper tax invoice, thus seems to be prima facie justified.

6 Dr. Saraf, learned Counsel appearing for Defendant No.1, submits that the Plaintiff was in default of payment in accordance with the terms of the deed of settlement over a long period of time. Learned Counsel submits that the second tranche of Rs.2.46 crores was payable on 3 December 2018. The same was, however, paid in about seven instalments of diverse amounts between 4 December 2018 and 20 April 2019. Learned Counsel submits that the third tranche of Rs.2.50 crores was payable by 31 March 2019 and only a part payment, i.e. Rs. 1.75 crores, was made in June 2019 and the balance is still unpaid. Learned Counsel submits that the last tranche of Rs.2.5 crores was payable by 30 April 2019 and this amount has still not been paid at all.

7 So far as the second tranche of payment is concerned, namely, the sum of Rs.2.46 crores, though it is a matter of fact that this payment was made, despite raising of an invoice, in a staggered manner and over a period of time, i.e. between 4 December 2018 and 20 April 2019, it is equally true that these payments were duly accepted by Defendant No.1. It is only after accepting all these payments, that Defendant No.1 raised its third invoice, namely, the invoice

of Rs.1.75 crores (plus GST) on 3 June 2019. If that is so, surely, Defendant No.1 cannot fall back on defaults made earlier by the Plaintiff in payment of the second tranche. Coming now to the third tranche of payment, it is a matter of fact that whilst the third tranche was to cover a sum of Rs.2.50 crores, Defendant No.1 in fact raised an invoice only for a sum of Rs.1.75 crores (plus GST) and it is nobody's case that this amount was not paid by the Plaintiff. (In reality, as a matter of fact, this payment was made immediately on the following date, i.e. on 4 June 2019.) Now the question to be considered is whether, in these facts, Defendant No.1 was justified in terminating the suit licence agreements within a fortnight of this last payment of Rs.1.75 crores (plus GST), and that too by relying on defaults purportedly made by the Plaintiff prior in point of time, that is to say, prior to the payment of the last duly raised invoice, namely, the invoice of 3 June 2019 for Rs.1.75 crores (plus GST). The most obvious answer, which commends itself, at least at this prima facie stage, to this court is that Defendant No.1 was not justified. The Plaintiff's case that there was a breach on the part of Defendant No.1 in wrongfully terminating the suit licence agreements, in the facts noted above, is, thus, a legitimate case, which needs to go to trial.

8 The question now is whether the Plaintiff deserves any interim protection pending such trial. Dr. Saraf, for Defendant No.1, submits, and he is joined in this by Mr. Andhyarijuna, who appears for Defendant No.2, that the suit agreements being in the nature of a licence, and accordingly, by their very nature being determinable, their specific performance cannot prima facie be granted. Learned Counsel rely on the provisions of Section 14(d) of the amended Specific Relief Act. (Amended Section 14(b) is in pari materia with old Section 14(1)(c) of the un-amended Specific Relief Act.) The word "licence" used in the suit agreements is not some special term of art so as to give rise to any particular consequence, as a matter of law, so far as revocability or determinability of the agreements is concerned; the consequence would rather depend on the agreements read as a whole. Apropos the agreements and having regard to the particular term of determination thereunder, Dr. Saraf and Mr. Andhyarijuna argue that the contract is clearly determinable and if that is so, no specific performance is permissible. Learned Counsel rely on the cases of *Indian Oil Corporation Ltd Vs. Amritsar Gas Service* (1991) 1 SCC 533, *Jindal Steel and Power Limited Vs. M/s SAP India Pvt. Ltd.* (2015) 221 DLT 708 and *Spice Digital Ltd Vs. Vistass Digital Media Pvt Ltd* (2012)114 (6) Bom LR 3696. Relying on these cases, it is submitted that since the subject agreements contain a termination clause, they must be treated, as, by their very nature, determinable and accordingly, no specific performance should be granted. Learned Counsel are not right there. When the relevant provision (Section 14(d) of the Specific Relief Act) uses the words "a contract which is in its nature determinable", what it means is that the contract is determinable at the sweet will of a party to it, that is to say, without reference to the other party or without reference to any breach committed by the other party or without reference to any eventuality or circumstance. In other words, it

contemplates a unilateral right in a party to a contract to determine the contract without assigning any reason or, for that matter, without having any reason. The contract in the present case is not so determinable; it is determinable only in the event of the other party to the contract committing a breach of the agreement. In other words, its determination depends on an eventuality, which may or may not occur, and if that is so, the contract clearly is not "in its nature determinable".

9 The cases cited by learned Counsel for the Defendants are clearly distinguishable on facts. In *Indian Oil Corporation (supra)*, the contract (clause-28 of the distributorship agreement) gave right to either party to determine the agreement by giving 30 days' notice and the only relief that was permissible in such a case was award of a compensation for the period of notice, that is to say, 30 days. It is in the context of this clause that the Supreme Court held that the respondent before it (original plaintiff) was not entitled to restoration of its distributorship terminated by the appellant (original defendant), but only entitled to compensation for loss of earning for the notice period of 30 days, since such notice was not given by the defendant to the plaintiff. Likewise, in *Jindal Steel and Power Ltd. (supra)*, the relevant clause of the contract gave right to the respondent before the court (original defendant) to terminate the licence after giving 30 days' notice to the petitioner (original plaintiff). In pursuance of this clause, a learned Single Judge of Delhi High Court held that the contract was determinable by its very nature. In *Spice Digital Ltd. (supra)*, the relevant contract (clause 6.2 of the agreement before the court) gave right to either party to the contract to terminate the agreement upon a 30 days' prior written notice to the other party without assigning any reason for such termination. Once again, it is in the context of such unilateral right of termination that the court came to a conclusion that the contract was, by its very nature, determinable and no specific performance could be claimed. All these cases are clearly distinguishable and do not support the Defendants' case here.

10 I am fortified in the view I am taking by a Division Bench judgment of Kerala High Court in the case of *T.O. Abraham Vs. Jose Thomas* (2018) 1 KLJ 128. The learned Judges, in paragraph-18 of the judgment, considered the question of determinability "in its nature" of a contract in the following words :

"The question thus before us is whether this contract is determinable. Before we answer this, we deem it necessary to understand clearly what is meant by determinable contracts. In the now repealed Specific Performance Act, 1877, section 21(d) stipulated that a contract, which in its nature is revokable, cannot be enforced to unenforceable contracts. The provision of the old Act corresponds to section 14(1)(c) of the Specific Relief Act, 1963 (which will, hereinafter be referred to as the 'Act' for convenience), the only difference between the two being that the word 'revokable' has been substituted with the word 'determinable'. This was done because the word 'revokable' was inaccurate and it was felt that a more accurate word for it be substituted. Therefore, it is indubitable that a contract which in its nature is revokable or determinable, as

described in the provisions of the sections afore referred, is definitely not enforceable through specific performance. For a contract to become determinable, it has to be first shown by the defendant that its clauses and terms are such that it would become possible for either of the parties to determine and terminate it without assigning any reason. The words used in section 14(1) (c) is 'inherently determinable'. The effect of the use of the word 'inherently' in the section is to make it unambiguously clear that a contract which can be terminated by either of the parties on their own will without any further reason and without having to show any cause, would ones are inherently determinable. However, if an agreement is shown to be determinable at the happening of an event or on the occurrence of a certain exigency, then it is ineluctable that on such event or exigency happening or occurring alone that the contract would stand determined. In order to see if a particular contract is inherently determinable or otherwise, we have to first see whether the parties to the said contract have the right to determine it or to terminate it on their own without the junction of any other party and without assigning any reason. This is akin to a partnership at will, where one of the partners can notify the others of his intention not to continue in the said firm and the partnership itself then dissolves. The analogy we think is appropriate because a contract, to be inherently determinable, will have to specifically provide competence to the parties to it to terminate it without assigning any reason and merely by indicating that he does not intend to comply with the same."

11 Coming now to the questions of balance of convenience and irreparable damage, it needs to be noted at the outset that whereas, if the suits were to be dismissed, Defendant No.1 would very much be capable of being compensated for the damage occurred to it as a result of the temporary injunction claimed herein; such damage would even be clearly measurable, the measure being what Defendant No.1 would have gained if its rival licence agreement with Defendant No.2 were allowed to be performed; on the other hand, so far as the licensee's (i.e. the Plaintiff's) rights are concerned, by their very nature, it is difficult to formulate what would be appropriate damages if the temporary injunction sought herein were refused. Performance of distribution and exploitation rights involves various elements bearing on the expertise of an individual party to monetize these rights. It is doubtful, if the Plaintiff can, in such circumstances, be adequately compensated, if the interim relief sought for is not granted. The rights claimed under the licence agreements are not ordinary property available in the market, in which case it would have been imminently possible to work out damages.

12 No doubt, when the court considers the question of balance of convenience, in a case like this, there is also a third party involved, namely, Defendant No.2, who had entered into an agreement of licence for similar exploitation and distribution rights concerning the suit films. But then, Defendant No.2 can clearly be said to have entered into this agreement with open eyes, with knowledge of the Plaintiff's agreements with Defendant No.1 and their termination and even a

possible action by the Plaintiff for enforcement of the latter's rights under these agreements. The agreement between Defendant Nos. 1 and 2 clearly provides that the agreement shall be performed "provided that there is no operative legal restraint or an order of injunction restraining the licensee (defendant no.2) from exploiting the rights in the films under this agreement that is passed in the suit filed by M/s Narendra Hirawat & Co. (the Plaintiff herein) against the licensor (Defendant No.1) being Suit (L) No.939 of 2019 (the present suit) or any appeal(s) arising out of the said suit". The agreement provides for consequences of any operative legal restraint or order of injunction within the meaning of the stipulation above. The agreement provides for an eventuality where the present suit is either settled/amicably resolved or where there is an injunction and/or restraint upon the licensor (Defendant No.1) from entering into this agreement in force as on 31 December 2022. In the former case, Defendant No.2, as licensee, is required to pay balance licence fees to Defendant No.1 within 15 working days of being informed in writing by the latter about such settlement/amicable resolution. In the latter case, i.e. in the event of an injunction or restraint, as mentioned above, being in force as on 31 December 2022, the agreement contemplates cancellation of the agreement upon the licensor refunding the amount paid by the licensee including TDS to the licensor together with simple interest at the rate of 11 per cent per annum from the date of signing of the agreement and until the date of refund of such amount. These stipulations adequately take care of the remedies of Defendant No.2 in the event of an interim protection being granted to the Plaintiff in the present suit. Considering the eventuality provided for in its agreement with Defendant No.1, Defendant No.2 shall be entitled to apply for suitable reliefs in this suit itself, if it is so advised, and its injury or inconvenience to be caused to it, as a result of any injunction being granted in the present suit, need not be countenanced have any further. Besides, as learned Counsel for the Plaintiff submits, deposit of balance consideration together with interest to be made by the Plaintiff in this court should adequately take care of any remedy that may be availed of by Defendant No.2 or by Defendant No.1 at the trial of the suit.

13 In the premises, the Plaintiff clearly deserves an interim protection in terms of prayer clauses -(a), (ba), (bb), (bc) of Notice of Motion No.2591 of 2019, which are quoted below, and it is, accordingly, ordered as follows :

(a) that pending the hearing and final disposal of the present suit, this Hon'ble Court be pleased to pass temporary order and injunction restraining Defendant , their servants, agents, affiliates, associates, employees, officers, or any person or persons and/or entities claiming through, under or by them from in any manner dealing with or disturbing enjoyment of the licensed rights in the suit films by the Plaintiff until 30 December 2028 ;

(ba) that pending hearing and final disposal of the present sit, this Hon'ble Court be pleased to pass a temporary order and injunction restraining the Defendant, their servants, agents, affiliates, associates, employees, officers, or any person

or persons and/or entities claiming through, under or by them from in any manner acting and/or causing to act in pursuance of said termination letter/notice dated 18 June 2019 (Exhibit-P) and/or public notice dated 17 August 2019 (Exhibit -V);

(bb) that this Hon'ble Court be pleased to pass a temporary order and injunction restraining Defendant No.2, their servants, agents, affiliates, associates, through or under them from in any manner dealing with or disturbing enjoyment of the licensed rights in the suit films by the Plaintiff or acting upon or in furtherance of the purported agreement entered in October 2019 with Defendant No.1 until 31 December 2028;

(bc) that pending the hearing and final disposal of the present suit, this Hon'ble Court be pleased to pass a temporary order and injunction restraining Defendant No.2, their servants, agents, affiliates, associates, employees, officers, or any person or persons and/or entities claiming by through or under them from in any manner dealing with or disturbing enjoyment of the licensed rights in the suit films by the Plaintiff until 31 December 2028 or acting upon or in furtherance of the purported agreement entered in October 2019 with Defendant No.1 until 31 December 2028.

14 As a condition of these reliefs, the Plaintiff shall deposit in this court the entire balance amount, namely, Rs.3.25 crores under the deed of settlement dated 3 December 2018 together with interest at the rate of 11 per cent per annum from the date of termination, i.e. from 18 June 2019 and till today's date.

15 This amount shall be invested by the Prothonotary & Senior Master of this Court in fixed deposit/s of Nationalized Bank/s initially for a period of thirteen months and renewable thereafter from time to time, so as to abide by any order that may be passed in the present suit including an order on any application made in that behalf by Defendant No.2 herein. The amount, as noted above, shall be deposited by the Plaintiff within a period of three weeks from today.

16 Learned Counsel for Defendant No.1 as well as Defendant No.2 request for stay of this order. For obvious reasons, as emanate from the above discussion, such stay cannot be granted. The application is rejected.

17 The companion notice of motion, namely, Notice of Motion No.2607 of 2018, has been taken out in a separate commercial suit by the Plaintiff herein against one Generation Three Entertainment Private Limited (Defendant No.1) and Goldmines Telefilms Private Limited (Defendant No.2), namely, Commercial IP Suit No.1469 of 2019. This suit is in respect of similar rights, as in the case discussed above, but in respect of 32 different films. The rights to these suit films were acquired by the Plaintiff by virtue of two film licence agreements, both of the same date, i.e. 9 September 2015. There were similar documents, i.e. memorandum of settlement of 5 November 2018 and deed of settlement of 3 December 2018 executed between the parties. Defendant No.1 in this suit is a sister concern of Defendant No.1 in the suit above. Some of the correspondence

exchanged between the parties is even common correspondence, representing both Defendant No.1 in this suit and Defendant No.1 in the companion suit, discussed above. The facts as well as legal submissions to be made in this notice of motion are more or less on the same footing, as the companion notice of motion discussed above, save and except the fact that in this particular case, there was only one invoice post the memorandum of settlement, which involves a particular tranche of the settlement amount, and which is reflected in the deed of settlement. After the execution of the deed of settlement, there was no payment of any tranche, but then equally, as in the earlier case, there was no invoice raised at the instance of Defendant No.1 in this case. The particular clause, which requires a tax invoice specifying clearly the amount of licence fee payable and the GST (both CGST and SGST), to be separately indicated, is the same as in the earlier suit. It is demonstrable, having regard to the course of dealings between the parties, that the payment was made by the Plaintiff when such invoice was raised and so far as the balance payment is concerned, as in the earlier case, there has been no invoice. The fact that there are some letters of demand in this case, unlike in the companion case, does not make any material difference either. In that case, for the same reasons, which are discussed above in connection with the earlier case, even here, the Plaintiff deserves an interim protection in terms of prayer clauses -(a), (ba), (db) and (dc) of Notice of Motion No.2607 of 2019, which are quoted below, and it is, accordingly, ordered as follows :

(a) that pending the hearing and final disposal of the present suit, this Hon'ble Court three weeks be pleased to pass temporary order and injunction restraining Defendant No.1, their servants, agents, affiliates, associates, employees, officers, or any person or persons and/or entities claiming through, under or by them from in any manner dealing with or disturbing enjoyment of the licensed rights in the suit films by the Plaintiff until 31 December 2028 ;

(ba) that pending hearing and final disposal of the present suit, this Hon'ble Court be pleased to pass a temporary order and injunction restraining the Defendant, their servants, agents, affiliates, associates, employees, officers, or any person or persons and/or entities claiming through, under or by them from in any manner acting and/or causing to act in pursuance of said termination letter/notice dated 18 June 2019 (Exhibit-T) and/or public notice dated 17 August 2019 (Exhibit -ZA);

(db) that this Hon'ble Court be pleased to pass a temporary order and injunction restraining Defendant No.2, their servants, agents, affiliates, associates, through or under them from in any manner dealing with or disturbing enjoyment of the licensed rights in the suit films by the Plaintiff or acting upon or in furtherance of the purported agreement entered in October 2019 with Defendant No.1 until 31 December 2028;

(dc) that pending the hearing and final disposal of the present suit, this Hon'ble Court be pleased to pass a temporary order and injunction restraining Defendant

No.2, their servants, agents, affiliates, associates, employees, officers, or any person or persons and/or entities claiming by through or under them from in any manner dealing with or disturbing enjoyment of the licensed rights in the suit films by the Plaintiff until 31 December 2028 or acting upon or in furtherance of the purported agreement entered in October 2019 with Defendant No.1 until 31 December 2028.

18 These reliefs are granted on the same terms and subject to the same condition of deposit of balance consideration together with interest. The balance amount of consideration works out to Rs.1.25 crores. This amount, together with interest to be computed from 18 June 2019 till today's date, shall be deposited by the Plaintiff likewise within a period of three weeks from today. Subject to deposit of this amount, the same reliefs as are granted in connection with two subject films, namely, Sholay and Sholay-3D, are granted to the Plaintiff in this case in connection with 32 films covered by the suit licence agreements read with memorandum and deed of settlement referred to above.

19 Defendant No.2 shall likewise in this case be entitled to apply for suitable reliefs based on its agreement with Defendant No.1, which, as noted above, is more or less in the same terms, as in the earlier case discussed at length above.

20 The same request for stay made in this case is rejected for the same reasons.