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IN THE HIGH COURT OF JUDICATURE AT BOMBAY

ORDINARY ORIGINAL CIVIL JURISDICTION

COMMERCIAL ARBITRATION PETITION (L) NO.290 OF 2017

Deepak Thorat S/O Dinkar Thorat ...Petitioner

vs

Vidli Restaurant Ltd. (Formerly known as
Vithal Kamats Restaurants Pvt. Ltd.) ...Respondent

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Mr. Vishal Kanade, a/w. Mr. Vivek Patil, Mr. Yogendra Shriwadkar, Mr. Sandesh Godse and Ms. Sharayu Pednekar, i/b. Vivek Patil & Associates, for the Petitioner.

Mr. Mayur Khandeparkar, a/w. Mr. Devesh Juvekar and Mr. Dikshat Mehra, i/b. M/s. Rajani Associates, for the Respondent.

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CORAM : S.C. GUPTE, J.

DATED: JULY 27, 2017

ORAL JUDGMENT:

. Heard learned Counsel for the parties.

2. This Commercial Arbitration Petition is an appeal under Section 37 of the Arbitration and Conciliation Act, 1996 (Act), challenging an interim order passed by the sole Arbitrator under Section 17 of the Act.

3. The disputes between the parties arise out of a franchise agreement dated 24 March 2011. There are three parties to this franchise agreement, namely, the Petitioner and the Respondent herein and one Vithal Venkatesh Kamat, who is a registered proprietor of the

trade mark ' "Vithal Kamats" Original Family Restaurant Achha Hai, Sachha Hai ' and claims ownership of all combinations or variations thereof. The Respondent herein was a licensee of these marks and all combinations or variations thereof. The franchise agreement between the Petitioner and the Respondent herein, and to which Vithal Venkatesh Kamat was a confirming party, permitted the Petitioner to use the trade mark ' "Vithal Kamats", Original Family Restaurant Achha Hai, Sachha Hai ' as a non-exclusive and non-transferable licensee within the territories described in the agreement. The territories included three places, namely, Mulshi, Umraj and Kolhapur. The agreement had a negative covenant to the effect that after expiration of the term of the franchise agreement, or any earlier termination or revocation thereof, the Petitioner shall not use "any of the words or trade marks or trade name i.e. any permutation or combination whatsoever i.e. **"Vithal Kamats"** **"Original Family Restaurant"** **"Achha Hai, Sachha Hai"** or the face/logo or any other marks belonging to/owned" by the Respondent or the confirming party. It is an admitted position that the franchise agreement has stood terminated. The dispute, which was taken before the arbitral forum, purportedly under clause 16.01 of the agreement, concerned the use of the mark "IDLI & KAMATS - FEEL THE SOUTHERN TOUCH" by the Petitioner after termination of the franchise agreement. It is the case of the Respondent, who was the claimant before the arbitral forum, that the use of this tag-line, which includes the word "Kamats" as part of the mark, is in breach of the negative covenant contained in the franchise agreement. The application for interim relief in this behalf, originally filed as an application under Section 9 of the Act before this Court, was converted into an application under Section 17 of the Act

before the arbitral forum. The learned Arbitrator, by his impugned order dated 2 May 2017, granted an interlocutory injunction restraining the Petitioner herein from using the mark "IDLI & KAMATS - FEEL THE SOUTHERN TOUCH" in any of the restaurants operated by him or starting any new outlet using the impugned mark or any mark that was deceptively similar thereto or having the word 'Kamats' as part of it. This order is carried by the Petitioner in appeal in the present Arbitration Petition.

4. The principal contention of the Petitioner is that inasmuch as the reference involves determination of the right of the Respondent to use a trade mark or to restrain the Petitioner herein from using the same on the basis of such right, the dispute involves rights *in rem*, which cannot be determined by a private forum chosen by the parties, that is to say, the present arbitral forum. Mr. Kanade, learned Counsel for the Petitioner, relying on the judgment of the Supreme Court in **A. Ayyasamy vs. A. Paramasivam**¹ and judgments of our Court in the cases of **Steel Authority of India Ltd. vs. SKS Ispat and Power Ltd.**², **Indian Performing Right Society Ltd. vs. Eastern Indian Motion Pictures Association**³ and **Entertainment Network (India) Limited vs. Super Cassette Industries Limited**.⁴, submits that the rights to a trade mark and remedies in connection therewith are matters *in rem* and by their very nature not amenable to the jurisdiction of an arbitral forum.

5. It is pertinent to note that the present arbitration reference is

1 2016 AIR (SC) 4675

2 NMSL2097/14, dated 21 November 2014

3 (1977) 2 SCC 820

4 (2008) 13 SCC 30

not an infringement or passing off action. What the Respondent seeks to enforce here is a negative covenant contained in the franchise agreement between the parties, which *inter alia* required the Petitioner franchisee to desist from using the mark ' "Vithal Kamats" Original Family Restaurant Achha Hai, Sachha Hai ', including any word forming part thereof, in any permutation or combination whatsoever. In fact, the learned Arbitrator has clearly proceeded to pass an order under Section 17 of the Act on the basis that the licence to use the mark, including all prominent features thereof, was part of a franchise agreement and subject to the terms and conditions laid down therein. The licence *inter alia* provided for an obligation on the part of the franchise to discontinue the use of the trade mark, including all trade names which contained any of the words, trade marks or trade name forming part of it in any permutation or combination whatsoever. The Arbitrator also noted that clause 11.05 of the agreement expressly recognized the Respondent's entitlement to an injunction in the event of any breach of the aforesaid obligation. The Arbitrator also noted that not only was the agreement duly determined but the Petitioner had even endorsed on the termination letter that he would close the restaurant by a particular date.

6. There is no infirmity in the impugned order of the learned Arbitrator, which calls for interference of this Court under Section 37 of the Act. The arbitration reference does not even remotely concern adjudication of the Respondent's ownership right or right to use the concerned trade mark "Vithal Kamats Original Family Restaurant Achha Hai, Sachha Hai" or to restrain the Petitioner herein from using the mark or any deceptively similar mark based on such right either as an owner or

permissive user of the mark. The controversy is simply and barely on the footing of a franchise agreement, which contains a negative covenant, namely, whether or not the franchiser is entitled to enforce that negative covenant against the franchisee. The judgments of our Court in the cases of **Steel Authority of India** and **Indian Performing Right Society Ltd.** (supra) do not bear on this issue. Both these cases involved reliefs sought in respect of infringement and passing off and the Court came to the conclusion that by their very nature these reliefs do not fall within the jurisdiction of the Arbitrator.

7. Mr. Kanade submits that the inquiry for issuing an injunction such as this does involves the questions of deceptive similarity, etc. which are usually part of an infringement or passing off action. These are pure findings of fact. There is no reason why an arbitrator cannot go into or consider those questions. After all, such consideration is for determining whether there is any breach of a negative covenant agreed to between the parties. Neither is an order that is passed on such consideration an order in rem nor is the right to claim such order sourced in a right in rem such as the one which a registered proprietor of a trade mark or an owner of a mark by reason of the extensive and distinctive user of such mark, has vis-a-vis the mark. I am fortified in this view by the judgments of our Court in **Eros International Media Limited vs. Telemax Links India Pvt. Ltd.**⁵ and **Eurokids International Pvt. Ltd. vs. Bhaskar Vidhyapeeth Shikshan Sanstha**⁶.

8. On facts, Mr. Kanade submits that there is no deceptive

⁵ NMS/886/13 in S/333/13, Coram: G.S. Patel, J. dated 12 April 2016

⁶ ARBP/1061/14, Coram: R.D. Dhanuka, J. dated 1 July 2015

similarity between the two marks, namely, “Vithal Kamats Original Family Restaurant Achha Hai, Sachha Hai”, which is a label mark, and the Petitioner's mark “IDLI & KAMATS - FEEL THE SOUTHERN TOUCH”. Even this argument has no merit. If one has regard to the registered label mark, “Vithal Kamats Original Family Restaurant Achha Hai, Sachha Hai”, it is at once clear that the word “Kamats” written in a distinctive style is an important, or rather the most prominent, feature of the label mark. The franchise agreement between the parties, as noted above, contains a specific negative covenant that the franchisee, upon expiration or any early determination of the franchise agreement, shall not use any of the words or trade mark or trade name in any permutation/combination whatsoever involving the trade mark “Vithal Kamats Original Family Restaurant Achha Hai, Sachha Hai”. This would certainly include the prominent word or feature, namely, “Kamats” forming part of the trade mark.

9. In any event, there is no justification behind adoption of the name 'Kamats' as part of his trade mark by the Petitioner. The adoption of the offending mark prima facie exhibits a dishonest intent to trade upon the reputation of the Respondent. The Petitioner's explanation in this behalf is wide off the mark and does not inspire any confidence. This conclusion is fortified by the fact that the writing style and font, including the size etc. of the word “Kamats” used in the offending mark is exactly similar to the features of the label mark “Vithal Kamats Original Family Restaurant Achha Hai, Sachha Hai”. This clearly shows that what is being used is a mark which is actually conceived in breach of the negative covenant forming part of the franchise agreement.

10. In the premises, there is no merit in the Arbitration Petition. The Arbitration Petition is dismissed. No order as to costs.

(S.C. GUPTE, J.)