

\$~07

* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

%

Date of Decision: 15.10.2018

+ **FAO(OS)(COMM)No.217/2018 & CM Nos.39476-77/2018**

ORANGEFISH ENTERTAINMENT PVT. LTD. Appellant

Through : Mr. Suhail Dutt, Sr. Adv. with Mr.
R.S. Mittal, Mr. Ankur
Manchanda, Mr. Azhar Alam and
Ms. Vartika Sharma, Advs.

versus

NGC NETWORK (INDIA) PVT. LTD. Respondent

Through : Mr. Dayan Krishnan, Sr. Adv.
with Mr. Sahil Sethi, Ms. Snehima
Jauhari, Mr. Devvrat Joshi, Mr.
Sanjeevi Seshadri and Ms. Sneha
Jain, Advs.

CORAM:

HON'BLE MR. JUSTICE S. RAVINDRA BHAT

HON'BLE MR. JUSTICE A.K.CHAWLA

S.RAVINDRA BHAT, J.

1. In this appeal, the order of a learned single judge granting injunctive relief in an application, under Section 9 of the Arbitration and Conciliation Act (hereafter referred to as “the Act”), filed by the respondent, i.e. NGC Network (India) Pvt. Ltd. (hereafter referred to as “NGC”) is impugned. The impugned order enjoined the appellant (hereafter known as “Orangefish”) from selling tickets bearing the trademark “*India Bike Week*”; “*Biker’s Festival*”; “*IBW*”; “*IBW 2018*” and “*India Bike Week*” or use any other deceptively similar mark(s).

2. The facts necessary to decide the case are that NGC and Orangefish entered into an agreement on 16.10.2012 (hereafter “MOU”). That MOU

was to some extent modified by an addendum (hereafter referred to as “the Addendum”) dated 01.05.2015. By the MOU, the parties agreed to organize the India Bike Week event (referred to as “IBW event”) conducted annually from February, 2013 till February, 2016. This was followed by a mini event, also held in February, 2017. Disputes arose between the parties when NGC alleged its knowledge, for the first time that Orangefish had applied for registering the IBW mark exclusively as its owner. This led to NGC approaching the court after issuing a termination notice dated 24.08.2017. Upon receipt of this notice, Orangefish made certain counter allegations with respect to NGC’s breaches (of the MOU) and threatened the termination of the MOU in the event the breaches were not rectified. Later Orangefish announced the dates for the 2017 IBW event – unilaterally agreed NGC.

3. In these circumstances, the NGC approached the Additional District Judge (ADJ), Gurugram under Section 9 of the Act (Arb.CaseNo.54/2017). The NGC issued a notice calling upon Orangefish from ceasing and desisting from exploiting the IBW trademark and also arbitration, in accordance with Clause XIII of the MOU and proposed to appoint an Arbitrator. The ADJ on 16.11.2017 dismissed NGC’s petition holding that it had not made out a *prima facie* case and that it was also unable to demonstrate balance of convenience in its favour. He however, directed Orangefish to maintain accounts with respect to the event so that they can be produced into arbitration proceedings. This order was appealed against by NGC to the Punjab and Haryana High Court which passed a conditional order based upon the statement of parties, *inter alia* permitting Orangefish to maintain ledger accounts while trading and organizing the IBW in November, 2017 and preserve their accounts which could be audited by NGC and that it would also render these accounts to the Arbitrator on or

before 25.12.2017. Both NGC and Orangefish, were to not directly or indirectly organize the India Bike Week in terms of Clause 1.1 of the MOU or use the IPR as defined under Clause 1.3 of the MOU till commencement of arbitration proceedings for one week thereafter subject to a maximum of two months from the date of the order of the High Court (i.e. dated 23.11.2017).

4. When Orangefish proposed to hold an event similar to the IBW event under the caption “*MOTOCAMP*”, NGC objected citing the order of the High Court and highlighting that arbitration had been sought by it. Orangefish’s position was that the High Court’s order worked itself out and that the ADJ’s order had merged with it. Later a fresh arbitration agreement dated 21.03.2018 was entered into with the parties agreeing that the disputes between them would be adjudicated under the aegis of the Delhi International Arbitration Centre (hereafter “DIAC”). Accordingly, on 06.04.2018, NGC sought the initiation process of arbitration through a reference. Further, it undertook to file its statement of claim which it did on 21.04.2018 and thereafter, began the process of agreeing upon to a sole arbitrator. The NGC was notified of some deficiencies in respect to its quantification of its monetary claims for the purposes of arbitration fee fixation and subsequently, some correspondence ensued. As the process for constituting the Tribunal took some time, on 21.06.2018, NGC sought appointment of an emergency arbitration and claimed urgent relief under Section 17 of the Act.

5. In the background of these facts, on 27.06.2018, the DIAC called upon Orangefish either to agree upon one of the names out of the panel of five suggested by the NGC or convey its five names. Later correspondence on behalf of the Orangefish indicates that it did not agree to the names suggested by the NGC. In the meanwhile, on 13.07.2018, the NGC agreed

for appointment of Justice K.S.P. Radhakrishnan, former Judge of the Supreme Court as the sole arbitrator. This had the apparent approval of Orangefish. Eventually, on 16.07.2018, the DIAC wrote to the arbitrator. The arbitrator was intimated and the process of his acceptance, by making a disclosure statement, etc. was on. Citing injury on account of an advertisement issued by Orangefish, in the meanwhile, before intimation of the constitution of the Tribunal could be received, the NGC approached the court under Section 9; the application was heard on 14.08.2018 when an *ex parte* injunction was granted.

6. The proceedings were resisted vehemently by Orangefish which contended that the court lacked territorial jurisdiction because the March 2018 MOU had merely changed the venue of arbitration but not the jurisdiction clause which continued to bind the parties, who were compelled by its terms to subject themselves to the court of appropriate jurisdiction i.e. the ADJ at Gurugram. Section 42 of the Act was relied upon. Other pleas such as lack of jurisdiction of the court on account of Section 9(3) of the Act (since the Tribunal was constituted) too was taken. On the merits, it was contended that the termination of MOU by NGC was *mala fide* and was terminated without issuing 15 days' notice and therefore, as a defaulting party, the NGC could not claim relief.

7. The court had granted an *ex parte* order restraining Orangefish from holding the proposed event. Orangefish pointed out that the event was likely to be a sizeable one and attended by thousands of bikers with participation of 100 clubs and 75 exhibitors from India and overseas as all arrangements had been completed, the restrain was bound to act in a prejudicial manner.

8. The NGC's position was that this court had jurisdiction in view of the addendum which directed the parties to seek recourse to arbitral

proceedings with the DIAC and that the addendum had substantially altered the circumstances. It was contended besides that Section 9(3) did not apply to the circumstances of this case because the intimation upon constitution of the Tribunal was received after the application under Section was made.

9. By the impugned order, Single Judge rejected Orangefish's arguments through detailed reasoning and held that the execution of 2018 MOU resulted in a conscious change of venue to Delhi which emphasized that the jurisdiction of the court would be where the DIAC is located, i.e. in Delhi. It was noticed that the March 2018 MOU did not provide for exclusive jurisdiction of the courts and having regard to the fact that it superseded the previous MOU and, on that aspect, this court had jurisdiction. The Single Judge also interpreted Section 9(3) in the light of the facts of the case noting that the request for emergency arbitrator was made as far back as on 21.06.2018 and that despite showing keenness, steps to constitute Tribunal could not be taken before 24.07.2018 and that the intimation was received after the application under Section 9 was filed. Having regard to these facts, the Single Judge was of the opinion that the objections to jurisdiction were inconsequential.

10. On the merits, the court was of the opinion that the action complained of by the NGC i.e. the alleged appropriation of the trademark (IBW) and other IPRs, by Orangefish, which sought to register it exclusively as proprietor (even though under the MOU it held only a share which was lesser than that of the NGC) justified the grant of relief. The Single Judge noted that Orangefish had applied for registration in its name on 10.12.2012 – which was brought on record. Consequently, Orangefish could not be consistent with its responsibility under Clause IV of the MOU and have applied unilaterally for registration as sole owner. On the basis of this reasoning, the impugned order confirmed the *ex parte* order and

continued the injunction.

11. Learned senior counsel for Orangefish, Mr. Suhail Dutt relied upon Clause XIII of the MOU dated 16.10.2012 to state that exclusive jurisdiction continued to remain with the courts at Gurugram and that the agreement of 21.03.2018 modified the MOU only to the extent of terms and conditions i.e. in respect of Clause 9 and therefore, this court did not have jurisdiction to hear and decide the Section 9 petition. It was further contended that with respect to Section 42 of the Act, the NGC could not have approached the Delhi High Court. It was submitted that if a party approaches a court in terms of an agreement, that court becomes the exclusive forum in regard to arbitral disputes between the two, arising out of the same transaction, having regard to Section 42 of the Act. It was further argued that the request (for a reference) to be treated as one i.e. for arbitration, had to be made within the terms of the DIAC's Rules as this subject was not taken, the reference, *ipso facto*, was not maintainable. Consequently, the NGC's Section 9 petition could not be entertained as the terms of the original MOU prevailed.

12. It was lastly highlighted that the tribunal was constituted as far back as on 23.07.2018 and as a result by virtue of Section 9(3) of the Act, the court could not have validly exercised jurisdiction. It was furthermore submitted that the payment towards Orangefish's trademark application was within the knowledge of the NGC; it was consequently estopped from contending that the trademark application made exclusively as owner constituted breach of the MOU.

13. Learned senior counsel for the respondent, Mr. Dayan Krishnan submitted that the findings and orders of the Id. Single Judge did not call for interference. He reiterated the submissions made before the Single Judge and pointed out all the facts with respect to the objection as regards Section

9(3). It was urged that though an application for an emergency arbitrator and interim relief was made before the DIAC on 21.06.2018, no action was taken on it and even as to the constitution of the Tribunal, the NGC was in the dark. It had therefore, no alternative but to apply under Section 9 which it did on 14.08.2018. It was after this event that it received the intimation with respect to constitution of the Tribunal. On the issue of Section 42, it was urged that there is no denial of the fact that the addendum displaced the arbitration clause as originally agreed; the venue became DIAC. That clearly falls within the jurisdiction of this court. As a consequence, this court is a court of competent jurisdiction entitled to entertain and try the proceedings held in or conducted by DIAC. It was lastly urged that on the merits, there can be no dispute at all with respect to Orangefish's breach of Clause 4 which stated its responsibility i.e. to honour the terms under which the ownership of the IPR was in the ratio of the revenue sharing agreed. Since the NGC had applied in 2012 in its name as owner of the IPR and in the agreement its share was greater than that of Orangefish, the least that the latter could have done was to intimate and seek permission (of the NGC) before seeking exclusive registration for itself.

Analysis and conclusions

14. The Single Judge has by an elaborate – 65 page order analysed all the submissions of the parties and continued the interim order made initially. The principal grievance which the Orangefish urged before this court was with respect to the jurisdiction on the merits. Two questions of jurisdiction were urged – firstly, with respect to the maintainability on the ground that since the Tribunal was constituted, there was a bar to the exercise of power of the court to grant interim relief under Section 9(3) and

secondly, that instead of NGC they should have approached the Tribunal.

15. On this aspect i.e. the maintainability on the ground of Section 9(3), this court is of the opinion that the single judge's view is correct and unexceptionable. The facts speak for themselves – NGC had applied for an emergency arbitrator on 21.06.2018 much before the Tribunal was constituted. Its various communications with respect to the names of possible arbitrators was not responded to, by the Orangefish. On the contrary, the latter dithered and proposed its own name (for sole arbitrator). The NGC agreed to one of the names - Justice K.S.P. Radhakrishnan, on 24.07.2018 when the letter written by the DIAC was received by it. On 07.08.2018 Orangefish advertised that tickets for the IBW event was to be available from 15.08.2018. Till that point of time, the consent of the sole arbitrator had not been obtained – and not communicated. The NGC therefore, filed the Section 9 petition on which an *ex parte* order was granted on 14.08.2018. The court is of the opinion that upon the conspectus of these circumstances, it is evident that the urgent relief which NGC had sought when it applied for emergency arbitrator on 21.06.2018 became even more imminent upon the advertisement issued by Orangefish on 07.08.2018. Till then, it was unknown whether the agreed arbitrator had consented and made disclosures resulting in constitution of the Tribunal. As it was apparent, NGC really had no choice but to approach the court under Section 9. In view of these facts, this court is of the opinion that the Single Judge's finding with respect to the maintainability on the scope of Section 9(3), is sound and does not call for any interference.

16. The next ground, i.e. maintainability on the strength of application of Section 42, is not straight forward. The Single Judge relied upon *Bharat Aluminium Co. v. Kaiser Aluminium Technical Services Inc.*, (2012) 9 SCC 552. The Orangefish had relied upon the judgment of the Supreme Court in

Emkay Global Financial Services Limited v. Girdhar Sondhi, (2018) SCC Online(SC) 1019. To some extent, the facts of this case would also be instructive; the MOU of 2012 expressly talks of courts at Gurugram exercising jurisdiction. That condition (Clause XIII) states that “*the venue of the arbitration shall be Gurgaon (India)*”. Clause XIII also stated that :

“subject to the above provisions, the Courts having jurisdiction under the provisions of the Arbitration and Conciliation Act, 1996, to determine all matters which the Court is entitled to determine under the Act, including, without limitation, provision of interim reliefs under the provisions of Section 9 of the Arbitration and Conciliation Act, 1996, shall exclusively be the courts at Gurgaon, India.”

17. The Addendum (of 2015) extended the period of the contract. The parties later, on 21.03.2018, agreed to modify the arbitration condition in the following terms :

"1. The Parties agree to submit all disputes arising from, connected with and/or in relation to the Agreement to arbitration in accordance with the Rules of the DAC.

2. The Parties agree to the appointment of a sole arbitrator by the Delhi International Arbitration Centre in accordance with the DAC Rules. The Parties agree that such sole arbitrator shall be a retired Judge of the Supreme Court of India who has not previously acted as arbitrator in any disputes concerning either of the Parties or their affiliates.

3. The Parties agree that the venue of the arbitration proceedings shall be at Delhi and ordinarily at the Delhi International Arbitration Centre located at the High Court of Delhi, New Delhi, India.

7. This Arbitration Agreement shall be valid and binding on the Parties, and shall remain in effect, only if the arbitration is initiated within a period of thirty (30) days from the signing of this Arbitration Agreement, failing which this Arbitration Agreement will cease to operate and will cease to have any effect

and the Parties shall be governed by the Agreement

9. The Parties agree that the Arbitration clause being clause XIII of the Agreement, except in so far as modified by this Arbitration Agreement, shall continue to apply and be binding on the parties."

18. The argument made on behalf of the Orangefish that it is only the venue of arbitration that the parties agreed to change – from Gurugram to Delhi but the exclusive jurisdiction remained that of Gurugram courts: is not entirely devoid of merit. Yet on close examination of the facts, it would be clear that but for the office of the NGC, which was located in Gurugram, *per se*, it is not apparent whether the Gurugram courts had any jurisdiction. Concededly, Orangefish has its office in Mumbai and the principal place where the cause of action would occur or had occurred was Goa. Given these situations, the over emphasis placed by Orangefish upon Section XIII – in the light of Clause 9 of the Arbitration agreement of 2018, is unpersuasive. The Single Judge relied upon *Balco* (supra) too and the passage in that is the authority emphasizing that the court within whose jurisdiction arbitration is conducted also possesses jurisdiction. In *Emkay* (supra) there was a subsisting exclusive jurisdiction clause: “12. The parties hereto agree to submit to the exclusive jurisdiction of the courts in Mumbai in Maharashtra (India).” There was no *substitution* of the arbitration agreement, of the kind that the parties agreed to in this case; furthermore, the exclusive court designated, had subject matter jurisdiction. In this case, it is doubtful whether the Gurugram court had *any jurisdiction at all*. This observation is, however not conclusive.

19. Having regard to the facts of this case, this court holds that there was no infirmity in the view taken by the Single Judge with respect to maintainability of proceedings under Section 9 before this court.

20. On the last aspect i.e. the merits, clearly the materials on record reveal that *prima facie* NGC was correct in contending that a termination event had occurred when it became aware that Orangefish sought to register the IBW trademarks in its favour, *exclusively*. The Single Judge in our opinion was justified in holding that the mere fact that some payments were made to the trademark register on behalf of the Orangefish did not *ipso facto* mean that NGC had knowledge that the application was made exclusively by Orangefish.

21. In view of the foregoing discussion, it is held that this appeal is without merits. All the observations made in the course of these proceedings are tentative; it is open to the parties to urge all their contentions in the pending arbitration proceedings in accordance with law; furthermore if any party wishes to seek modification of the impugned order, it is open to it to do so, by seeking recourse to Section 17, in accordance with law and depending upon change in circumstances.

22. The appeal is dismissed in the above terms. Pending applications also stand dismissed.

Order *dasti*.

S. RAVINDRA BHAT, J

A. K. CHAWLA, J

OCTOBER 15, 2018

aj