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

Date of decision: 1st March, 2018

+ O.M.P (I) (COMM) 546/2017

SORREL HOSPITALITY PVT. LTD

..... Petitioner

Through: Mr.Jeevesh Nagrath, Mr.Pratham
Sharma and Mr.Chitvan Singhal,
Advs.

versus

NAKODAR HOTELS PVT. LTD.

..... Respondent

Through: Mr.Vatsal Kumar, Adv.

CORAM:

HON'BLE MR. JUSTICE NAVIN CHAWLA

NAVIN CHAWLA, J. (Oral)

1. This petition under Section 9 of the Arbitration and Conciliation Act, 1996 (hereinafter referred to as the 'Act') has been filed by the petitioner inter alia seeking the following reliefs:

“(a) pass an interim order of injunction thereby restraining the Respondent, its agents, employees, officers, Directors, etc. from using or permitting to be used or making any reference of the Sub-Licensed Mark in any manner whatsoever, directly or indirectly, including but not limited for and from the Hotel or any part concerning the same, and from all displays, hoardings, stationery, listings, internet, promotional material, advertisements, reference, on all internet channels (e.g. websites, third-party websites (online travel agencies), online publications, and domain names) or from using the same in any other manner whatsoever, etc. until the adjudication of the disputes by the Sale Arbitrator.”

2. It is the case of the petitioner that the petitioner is the Master Licencee for India, Sri Lanka and Bangladesh of Best Western International Inc. (hereinafter referred to as the 'BWI') which is a lodging industry service organization and is the owner of several trademarks. The Master Licence Agreement dated 03.09.2015 has been executed between the petitioner and BWI and whereby the petitioner was granted the right to grant sub-licence to entities/ organizations/companies involved in the operation of Hotels to use the specified registered trademarks. It is further claimed that BWI is the sole and absolute owner of the trade mark "Best Western". It is further claimed that BWI has global network of approximately 4,200 hotels in more than 100 countries of which 'Best Western' is an important mark as far as the name of the hotels are concerned.

3. It is the case of the petitioner that a Sub-Licence Agreement dated 01.04.2016 was executed between the parties in terms of which a limited, non-exclusive, nontransferable and restricted license to use the mark "Best Western" was granted by the Petitioner to the respondent. As the respondent did not adhere to the terms of the Sub-Licence Agreement in spite of repeated notices, the petitioner terminated the said Agreement vide notice dated 17.04.2017 which was followed with the reminders dated 07.06.2017 and 01.12.2017.

4. Learned counsel for the petitioner draws my attention to the photograph showing the use of the mark "Best Western" as the bill-board on the property as also to email dated 27.11.2017 to show that the respondent is also using "Best Western" as part of its email even after termination of the

Sub-Licence Agreement. He further draws my attention to the screenshot of the website of the respondent using the said mark and logo.

5. Learned counsel for the petitioner submits that once the Sub-Licence Agreement has been terminated by the petitioner, the use of mark “Best Western” or Logo by the respondent is unauthorized and, in fact, misleading to the general public as it conveys continuing relationship between the petitioner and the respondent. He further draws my attention to certain terms and conditions of the Sub- Licence Agreement to contend that the respondent had been authorized to use the mark only during the term of the agreement and had specifically undertaken in the agreement not to use the said mark upon expiry of the said agreement. He places reliance to the Clause 1.1, 3.1, 18.1, 18.4 and 18.6 of Sub-Licence Agreement, which are reproduced herein below:

“Article 1.

Limited Sub-Licence

1.1 Licensor hereby grants to the Licensee a non-transferable, non-exclusive, limited and restricted sub-license permitting the Licensee to use the Sub-licensed Mark for the operation of the Hotel only during the Term and validity of this Agreement, and subject to and on the terms and conditions contained in this Agreement.

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Article 3

Terms

3.1 The sub-license hereby granted in favour of the Licensee is for a fixed period of 10 (Ten) years (‘Term’) commencing from the Effective Date and shall expire on 31st December, 2025, subject to Article 3.2 below, unless terminated earlier in accordance with Article 18 below.

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Article 18

Breach, Default, Remedies, Termination and Consequences of Termination

18.1. The Term of the License granted under this Agreement shall commence on the Outside Opening Date and, unless terminated earlier in accordance with its terms, shall expire at the expiry of the term mentioned in Article 3.1 above.

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18.4 On the expiry or early termination of this Agreement the Licensee and any other persons or entities claiming rights hereunder shall have no further rights under this Agreement, including, without limitation, the right to use the “Best Western” name or any Sub-Licensed Mark. On the expiration or termination of this Agreement for any cause or reason whatsoever, all rights and privileges granted hereby or herein shall immediately terminate. The Licensee shall immediately cease and desist from using the “Best Western” name and the Sub-Licensed Mark, from using any supplies, equipment and other items bearing such name or other Identifying Marks or Sub-Licensed Marks, and from using any software, systems, processes or procedures provided or made available by Licensor/ BWI. In furtherance of the foregoing, Licensee shall take any and all necessary steps to completely disassociate itself from Licensor /BWI and the Best Western brand including the Sub-licensed Mark and to operate thereafter in such a way as to avoid any possible implication directly or indirectly, that it was or is an affiliate, licensee or sub-licensee of Licensor/ BWI, including without limitation, destroying all exterior sign cabinets or modifying them so that the top of the cabinet does not have a curvilinear or similarly recognizable feature distinctive as being associated with an Sub-Licensed Mark. The Licensee shall not directly or indirectly and in any manner whatsoever use the Sub-Licence, Mark and/or any of the Indentified Mark or make a claim in respect of the same. In addition, Licensor shall complete the following upon termination, expiration or non-renewal of this Agreement:

- (a) Immediately pay all sums due and owing to Licensor /BWI, including any reasonable expenses incurred by Licensor /BWI in obtaining injunctive relief for the enforcement of this Agreement;*
- (b) Immediately cease, representing itself as then or formerly a Licensee or sub-licensee of BWI/ Licensor;*
- (c) Immediately return the GQA Manual, the BIM, and all other written materials incorporating Confidential Information, and any copies thereof to BWI/ Licensor; and*
- (d) Immediately take such action as may be required to cease any use of, and cancel any registrations of, any trade names or domain names it has used that may contain the Sub-Licensed Mark, or at the option of BWI/Licensor, assign them to BWI/Licensor.*
- (e) In consideration of the importance to BWI of the Identifying Marks, Sub Licensed Marks and the Confidential Information, and the incalculable and irreparable harm that would result to Licensor/ BWI if Licensee were to breach its covenants and agreements in connection with them or use the same even after the expiry of termination of this Agreement, the Parties agree that Licensor/ BWI may seek specific performance and/or injunctive relief to enforce the covenants and agreements in this Agreement, in addition to any other relief which Licensor /BWI may be entitled to at law or in equity to enforce the covenants and agreements set forth in this Agreement.*
- (f) Nothing in this Agreement shall be construed to restrict the right of BWI Licensor to institute appropriate proceedings at law or in equity to obtain injunctive or other relief on account of any default hereunder whether or not BWI / Licensor has exercised its right to terminate this Agreement. The remedies granted to BWI and/Licensor hereunder neither are nor intended to be exclusive of any of the remedies to which they may be lawfully be entitled to in case of any breach or threatened breach of the terms and provisions hereof.*
- (g) Failure of BWI or Licensor to insist on strict performance of any of the terms and provisions of this Agreement or to*

exercise any right or remedy shall not be construed as a waiver of any such rights.

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18.6 The right of termination once exercised by the Licensor/ BWI, unless withdrawn by the Licensor / BWI, shall be binding on the Licensee and shall be effective forthwith notwithstanding any dispute by the Licensee in respect of the correctness, legality, reasonableness or validity of such termination. No such dispute by the Licensee shall entitle the Licensee to continue with the use of the Sub-licensed Mark. On the termination / expiry the Licensee shall promptly perform its post termination obligations. The sole remedy of the Licensee against termination of this Agreement by the Licensor/ BWI, if the Licensee disputes or challenges the termination including on the ground of the same being illegal or invalid or incorrect, will be damages which shall, in any event, not exceed the immediately previous year's fee actually paid by the Licensee to Licensor in terms of this Agreement. The Licensee agrees and undertakes that the Licensee shall not be entitled to and shall not claim any relief of specific performance injunctive relief in the event of termination / expiry of the Agreement. The Licensee shall not be entitled to any damages for loss of profit, return or capital or and direct or indirect amalgamated damages on termination. Furthermore, the Licensor/ BWI shall not be liable to the Licensee in case of any suspension of services, if such suspension is in valid exercise of their rights under this Agreement.”

6. Though, the learned counsel for the respondent was present when the matter was called and heard in part in the pre-lunch session, counsel has chosen not to appear post lunch.

7. The respondent in its reply has contended that since there was an ambiguity on the final amount being payable by the respondent to the petitioner, the same was resolved through various meetings and an amount

of Rs.2 lacs has been paid by the respondent to the petitioner on 21.12.2017. The respondent further claimed that an amount of USD 1596.96 25 has also been transferred to Best Western Inc (USA) on 20.12.2017 through wire transfer. Placing reliance on Article 18.2.2 (i) of the Sub-Licence Agreement, it is contended that the termination of the agreement could have taken place only after issuance of three notices of default by the petitioner. It is submitted that as in this case only one notice dated 17.04.2017 had been issued by the petitioner, the termination of the Sub-Licence Agreement is invalid.

8. I have considered the submissions made by the learned counsel for the petitioner and the reply of the respondent. In view of the Sub-Agreement having been executed by the respondent, the respondent cannot deny the right of the petitioner over the mark “Best Western” or its logo. The right of the respondent is only as a licensee and was valid only during the term of the Sub-Licence Agreement. By acknowledging that certain payment has been made by the respondent to the petitioner in December, 2017 i.e. after issuance of notice of termination, the respondent prima facie at least, admits to its default in payment of licence fee in terms of Clause 4.1 of the Sub-Licence Agreement. The respondent also does not deny the receipt of various notices issued by the petitioner to the respondent prior to the termination notice dated 17.04.2017 calling upon the respondent to pay the licence fee. The receipt of notice of termination dated 17.04.2017 is also not denied by the respondent. Admittedly, no reply thereto was given by the respondent to the petitioner.

9. In view of the above, breach of the Sub-Licence Agreement on part of the respondent, at least prima facie, is established by the petitioner. The

submission of the respondent that the termination of Sub-Licence Agreement can take place only in accordance with Clause 18.2.2(i) does not prima facie, appear to be correct. The said Article has to be harmoniously construed alongwith Article 18.2.1, which provides for termination of the agreement by giving a notice of 30 days to cure the defect, including default of payment, and in case of the licensee not curing such defect, the termination of the licence Article 18.2.2 (i), prima facie, appears to be applicable to the situation where after the notice, the defects are cured by the respondent on the first two occasions, however, a subsequent default is made by the respondent resulting in issuance of third notice in terms of 18.2.1. In terms of Clause 18.2.2(i) the Agreement shall stand terminated on issuance of this third notice.

10. In the present case, the petitioner has terminated the agreement exercising its right under Article 18.2.1. In any case, whether such termination is valid or not, is a question to be decided by the Arbitrator. For present, Article 18.6 of the agreement would suffice as it clearly states that once the agreement is terminated, notwithstanding the challenge of the licensee with respect to the correctness, legality, reasonableness or validity of the said termination, the licensee shall discontinue the use of Sub-Licensed Mark and the remedy, if any, of the licensee shall be in damages.

11. In ***Sheel International Ltd.v. Shree Anu Milk Products Ltd.***, 2013 SCC Online Del 2287, this Court had held as under:

“14. It is also a well settled law that once the licence is revoked or period thereof expired, any use by the licensee of the trademark would amount to infringement of the trade mark and the rights of the proprietor. The following decisions are referred to on this aspect:-

(a) In Fedders North American v. Show Line, reported in 2006 (32) PTC 573 (DEL), it has been held that after termination of the agreement dated 21 May, 1956, plaintiff had given right to defendant No. 18 to use the trade mark "Fedders" for a period of five years, by virtue of the agreement dated 11 October, 1963. It was held that after this period came to an end in the year 1968, use of trade mark "Fedders" by defendant No. 18 from 1968 onwards was not in line with the rights available to the plaintiff as a registered proprietor of trademark "Fedders".

(b) In Velcro Industries B.V v. Velcro India Ltd., reported in 1993 (1) Arb.LR 465, the facts involved were, more or less, similar to the present case. In the said case, Velcro Industries (plaintiff) had entered into collaboration agreement with the Indian Directors and pursuant thereof Velcro India Ltd. (Defendant) came in existence. Defendant was granted trademark license vide a License Agreement which was renewed and subsequently, defendant was permitted to use the word "Velcro" as part of its trade name. Renewed agreement also expired on 30 September, 1986, thereafter plaintiff called upon defendant to stop using the mark of the plaintiff which was not complied with. Accordingly, plaintiff approached the Bombay High Court wherein defendant was restrained from using the mark "Velcro" as their trade name in India. It was held that after the license expired, defendants had no right to use the same as that of their corporate name/trade name.

(c) In Rob Mathys India Pvt. Ltd v. Synthes Ag Chur, reported in 1997 (17) PTC 669 (DB), this Court echoed the view expressed by the Supreme Court in Power Control Appliances v. Sumeet Machines Pvt. Ltd. JT, reported in 1994 (2) SC 17 to the effect that it is a settled principle of law relating to trademarks that there can be only one mark, one source and one proprietor. A trademark cannot have two origins. It was held that after termination of the collaboration agreement between the parties to that litigation, the appellant therein, not the owner of the trademark, could not use the word "Synthes" or the

trademark “AO/ASIF” after revocation of the collaboration agreement.

(d) The Division Bench in the case of J.K Jain & Others v. Ziff-Davies Inc., reported in 2000 PTC 244 (DB) held that an ex licensee, having taken the benefit of an agreement with the licensor is estopped from resisting an application for an injunction by the licensor after termination of the agreement between the parties.

15. In the present case, no doubt, there is no dispute about the fact that the petitioner is the registered proprietor of the trademark BILONA in question and the respondent is using the identical trademark in respect of the same goods. It is obvious that a case of passing off of trademark is made out by the petitioner.

After the termination of the Trade Mark Agreement, as per settled law, the respondent by no means can be considered as permitted user. The respondent, after termination, is using the identical trademark. Under those circumstances, any such use by it if permitted, it would likely to cause confusion to the public or which is likely to have an association with the petitioner.”

12. In view of the above, in my opinion, the petitioner has been able to make out a prima facie case and use of the mark by the respondent, even after termination of the Sub-Licence Agreement, is likely to cause damage not only to the petitioner but also to the general public inasmuch as it gives an impression of continuing relationship between the petitioner and the respondent.

13. In view of the above, an ad-interim order of injunction is passed in terms of prayer ‘a’ of the petition in favour of the petitioner and against the respondent.

14. I may reiterate that my above observations are only prima facie in nature and the Arbitrator shall decide the disputes between the parties uninfluenced by the same.

15. The petition is disposed of with the above directions. There shall be no order as to cost.

NAVIN CHAWLA, J

MARCH 01, 2018/Arya