IN THE HIGH COURT OF JUDICATURE AT MADRAS

(ORDINARY ORIGINAL CIVIL JURISDICTION)

FRIDAY, THE 1st DAY OF MARCH, 2019

THE HON'BLE MR. JUSTICE C.V.KARTHIKEYAN

A. No.6729 of 2017
in
C.S.No.678 of 2017

C.S.No.678 of 2017

QDSeatoman Designs Pvt. Ltd.,
5th Floor, Status Quo,
38, Sterling Road,
Nungambakkam,
Chennai – 600 034.
Rep. by its
Director,
Mr.Syed Layak Ali. ..Plaintiff

Vs.

1.Lifestyle Equities CV,
PrinsBernhardplein, 1097JB,
Amsterdam,
The Netherlands.

2.Eli Haddad,
27, Shadow Lawn Drive,
Oakhurst,
New Jersey – 07755,
United States of America.

3.Laura G.Willson,
100, Bayside Court,
Richmond,
California – 94804,
United States of America.

4.Apparel FZCO,
P.O.Box No.261873,
Jebel Ali Free Zone,
South Dubai,
U.A.E.,

5.Major Brands India Pvt. Ltd.,
No.401, 4th Floor, Skyline Icon,
Near Mittal Industrial Estate,
Andheri Kurla Road,
Andheri East,
Mumbai – 400 059.

6.Impulse International Pvt Ltd.,
Impulse Corporate Tower,
No.41, Echelon Institutional Area,
Sector 32,
Gurgaon – 122 001.
Haryana,
India.

7.Krayons Sourcing Limited,
House No.7/1,
Road No.74-71,
Gulshan-02,
Dhaka – 1212.
Bangladesh.
Also at:
Krayons Sourcing Limited,
D-21, Sarna Towers-2,
Infocity-2,
Sector-33,
Gurgaon – 122 001.
Haryana,
India.

8.Lifestyle Licensing BV,
PrinsBernhardplein 200,
1097JB Amsterdam,
The Netherlands. ..Defendants

A. No.6729 of 2017

Lifestyle Licensing BV,
PrinsBernhardplein,
1097JB Amsterdam,
The Netherlands.
Represented by their
Power of Attorney Holder,
Mr.Abhishek Kotnala. ..Applicant.

Vs.

1.QDSeatoman Designs Pvt. Ltd.,
5th Floor, Status Quo,
38, Sterling Road,
Nungambakkam,
Chennai – 600 034.
2.Eli Haddad,
27, Shadow Lawn Drive,
Oakhurst,
New Jersey – 07755,
United States of America.

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7.Krayons Sourcing Limited,
House No.7/1,
Road No.74-71,
Gulshan-02,
Dhaka – 1212.
Bangladesh.

8.Lifestyle Licensing BV,
PrinsBernhardplein 200,
1097JB Amsterdam,
The Netherlands. ..Respondents.

Application praying that this Hon'ble Court be pleased to refer the parties to arbitration in terms of Clause 40 of the Agreement dated 30.06.2014 entered into between the Applicant and the Respondent No.1.

This Application coming on this day before this court for hearing, the court made the following order:-

This Application had been filed under Section 8 of the Arbitration and Conciliation Act 1996 by the first defendant Life Style Equities CV.

2. The applicant claimed that there is a subsisting agreement dated 30.06.2014 entered into between the applicant and the first respondent/plaintiff which is in force and Clause 40 of the said agreement provides for referring disputes to Arbitration.

C.S.No. 678 of 2017:

3. The suit had been filed by QDSeatoman Designs Pvt. Ltd., seeking a Judgment and decree of permanent injunction restraining the defendants from jointly and severally infringing the Copyright of the plaintiff in the illustrations of the artistic work of the apparel designs / styles including collection of the apparel design / styles for the season Fall 17 as a whole, color palette for the band Beverly Hills Polo Club, created by the plaintiff and for consequential reliefs of damages and costs.

4. The plaintiff is a Private Limited Company incorporated in the year 2012. They are in the business of Design, Line and product Conceptualization, Design Translation, Product Translation, Technical Design, Product Development and Prototyping Production and Process Management Services of apparel, quality control and also brand services for apparel industry as a one stop shop service provider.

5. The first defendant in the suit, Lifestyle Equities CV is a Dutch Limited Partnership Firm incorporated under the Laws of the Netherlands, Amsterdam. They claimed to be the proprietor of the brand name and trademark "Beverly Hills Polo Club", which is a lifestyle brand dealing with apparel and accessories for men, women and children. The second defendant Mr.Eli Haddad is the Managing Director of the eighth defendant, Lifestyle Licensing BV. The third defendant Mrs. Laura G. Wilson is the consultant designer for the first defendant.

6. The first defendant claimed that they had engaged orally agreed terms, the plaintiff from 2008 to support brand Beverly Hills Polo Club. Later, a written agreement dated 30.06.2014 was entered into between the parties. It was actually signed in February 2016. The first defendant was the brand owner and the eighth defendant was the Licensor and the fourth and fifth defendants M/s. Apparel F Z Co, UAE and Major Brands India Pvt. Ltd., Mumbai, India, were the Licensees of the first defendant. The fifth defendant was permitted to use the brand name in India. Royalty was paid for sales. The first and eighth defendants have to provide designs and resources for the products to be purchased and marketed by the Licensees.

7. The third defendant Ms. Laura G. Wilson was originally employed as a designer to design all apparels for the brand to be marketed through the fourth and fifth defendants. She resigned in January 2015. She has been re-engaged in March 2017. The fourth and fifth defendants had entered into Licensing Agreement with the eighth defendant Company. The sixth and seventh defendants, Impulse International Pvt. Ltd., Haryana, India and M/s. Kraysons Sourcing Ltd., Bangladesh and Haryana, India, are newly nominated agents / vendors, involved in the manufacture of the goods of Fall' 17 line apparel in India and Bangladesh.

8. The plaintiff claimed that they are a strategic partner for the success of the brand Beverly Hills Polo Club. The sales had increased to US$30 Million in just four years. There was an agreement between the parties dated 30.06.2014. It was claimed that it was on principal to principal basis. The plaintiff were to provide service and they were paid a monthly retainer fee of US$ 15,000/- per month. They were also paid additional US$ 2,500/- per month for expenses. They were to act as the nominated agent of the first defendant. The retainer fees was increased to US$ 21,000/- in April 2016 and to US$ 30,000/- from August 2016. The first defendant has to provide the design and tech packs. It was stated by the plaintiff that in 2015, it was informed that the third defendant had stopped working with the first defendant. The plaintiff accepted the request of the first defendant to create designs for the brand Beverly Hills Polo Club. The plaintiff therefore created designs for the season Fall' 16, Spring ' 17 and Fall ' 17 for the first defendant. This work was not covered under the agreement dated June 2014 but signed in February 2016. It was claimed that the plaintiff also provided other services which were not covered under the agreement. It was orally agreed that the plaintiff would be compensated separately by way of equity from the first defendant's share of the joint venture partnership firm between the first defendant and the fourth defendant. It was claimed that even before the joint venture could be entered into, the first defendant forced new terms under the first part of the agreement for the brand service and even though there was no agreement, the fourth defendant was also influenced by the first defendant in this regard. The first defendant demanded tech packs for the season Fall ' 17. It was claimed that this was done to commit fraud and to cheat the plaintiff. Since no payment was made for the designs, the plaintiff volunteered to return the amount received for the samples and adjust the same against the outstanding amount due to the plaintiff. It was claimed that the first defendant had induced the plaintiff to create the designs. Even though the plaintiff suffered loss, they performed their service under the agreement. The plaintiff claimed that the designs which they had created vested with them and the Copyright was also vested only with them. The plaintiff claimed to be the Copyright owner of the following:-

S.No.	***DESCRIPTION***
1.	QDS FALL 17 COLLECTION – BHPC a. Initial Illustration Fall 17 b. Initial Illustration Fall 17 with creation dates c. Catalogue cad sheet Fall 17 d. Catalogue cad sheet Fall 17 with creation dates e. Color Palette Fall 17 (i) Catalogue Color Palette Fall 17 (ii) Catalogue Color Palette Fall 17 with creation dates (iii) Original color palette Fall 17 Americana with Accent Combinations (iv) Original color palette Fall 17 Fashion with Accent Combinations (v) Original color palette Fall 17 Americana CMYK% (vi) Original color palette Fall 17 Americana CMYK% with creations dates (vii) Original color palette Fall 17 Fashion CMYK % (viii) Original color palette Fall 17 Fashion CMYK % with creations dates (ix) Accent color with primary color combinations Fall 17
2.	Badges QDS Fall '17 Collection – BHPC a. Style Illustration + Small version of Badge b. Individual Badges with creation dates
3.	QDS created Full Brand Manual, with Creation dates – BHPC
4.	QDS created Brand Manual Ver 2.0 – BHPC Infringed by Defendants with creation dates

9. The plaintiff claimed that the defendants had infringed upon the above Copyright without consent or permission. They began to reverse engineer / copy the designs created by the plaintiff. They also began to use the illustrations of the artistic work that were contained in the cad sheet of the tech packs. In violation of the agreement, the first defendant instructed the sixth and seventh defendants to approach the vendors of the plaintiff and place orders. The plaintiff claimed that the defendants have started manufacturing apparel for Fall ' 17 based on the illustrations of the artistic work of apparel created by the plaintiff. The plaintiff claimed that this infringement seriously caused hardships. The apparel manufacture by the defendants are replicas of the illustrations of the artistic work created by the plaintiff. The plaintiff also claimed irreparable injury in view of the above Copyright infringement. It is under these circumstances that the plaintiff had filed the suit under Sections 51, 55 and 62(2) of the Copyright Act 1957.

A.No. 6729 of 2017:

10. The first defendant filed A.No. 6729 of 2017 seeking to refer the disputes to Arbitration. In the affidavit filed in support of the said application, the power of attorney holder of the first defendant stated that the plaintiff had admitted disputes had arisen only on the issues in the agreement dated 30.06.2014. It had been stated that the first defendant had earlier filed an application under Section 9 of the Arbitration and Conciliation Act 1996. The said application was heard by a Single Judge of this Court and orders were passed holding that the disputes should be referred to Arbitration. This order was taken up in appeal and a Division Bench of this Court also confirmed the said order.

11. It was further stated that there was clause in the agreement which stipulated that disputes between the parties should be referred to arbitration. Placing reliance on the said Clause, the applicant had stated that the disputes raised in the present suit also arise from and out of the agreement and when there is such dispute, then the matter must be referred to Arbitration. The applicant stated that the claims raised by the plaintiff were connected with the agreement. It was therefore stated that the issues must be referred to Arbitration in accordance with the agreement entered into between them.

12. The first respondent/plaintiff filed a counter affidavit. The facts stated in the plaint were again reiterated. It was stated that the agreement only related to technical design service and not to creative designs. It was stated that the issue now raised were with respect to ownership and usage of creative design, which were outside the scope of the agreement, and it was therefore consequently claimed that they cannot be referred to Arbitration. It was stated that the dispute relates to the service of creative design, which was not the subject matter of the agreement. The determination of ownership of designs fell within the scope of the Copyright Act and those disputes cannot be referred to Arbitration. Keeping this as the main thrust, the counter had been filed seeking dismissal of the application.

13. A rejoinder had been filed by the applicant/first defendant. It was reiterated that the disputes raised in the suit came within the contractual relation between the parties. It had been stated that the suit had been filed only as a counter blast to the earlier application filed under Section 9 of the Arbitration and Conciliation Act. It was again asserted that the application must be allowed.

DISCUSSION AND FINDING:

14. Heard arguments advanced by Mr.S.Sathish

Parasaran, learned Senior Counsel for the applicant/first defendant for Mr.Mohit Goal, Mr.Thriyambak and Mr.J.Kannan and by Mr.P.S.Raman, learned Senior Counsel for the first respondent/plaintiff.

15. The suit had been filed by the first respondent seeking permanent injunction restraining the defendants or anybody acting under them from aiding in manufacturing, manufacturing or using or selling or in any other manner infringing upon the copyright of the plaintiff in apparels design, styles and illustrations of artistic work. It is pertinent to point out that the first respondent had not sought the relief of a declaration in rem seeking entitlement to be declared as copyright holder.

16. The first respondent claims to be in the business of designs, line and product Conceptualization, Design Translation, Product Translation, Technical Design, Product Development & Prototyping, Production and Process Management Services of apparel, Quality control and other Brand services for the Apparel industry as a one stop shop service provider.

17. It is an admitted fact that the applicant is the owner of an international apparel brand “Beverly Hills

Polo Club". The applicant had engaged the services of the first respondent and other independent entities of the first respondent since the year 2008. The terms between the applicant and the first respondent were admittedly on the basis of an oral agreement till February 2016. In February 2016, the first respondent and the applicant entered into an agreement which was admittedly predated to 30.06.2014.

18. It is the claim of the first respondent that "Design" was one of the many services offered by them to be included as part of the agreement. However it is further claimed by the first respondent that though "Design" was offered, it was not selected as a service by the applicant to be performed under the agreement. As per the recitals of the Agreement, the scope of services envisaged to be provided by the first respondent to the applicant were as follows:-

i. Brand services, comprising
   a. Product Translation
   b. Technical Design
   c. Production Administration
   d. Other relevant supporting creative services

ii. Brand's Nominated Agent Services, comprising of managing, for the Applicant's Licensees:-

a. Production planning

b. Quality Process Management and Controls

c. Other sourcing requirements of the brand and buyer.

19. It is also seen that there are interpolations in the text of the agreement and the first respondent claimed that these have been made by the second defendant on behalf of the applicant herein. The agreement was on a principal to principal basis. This naturally meant that both the applicant herein and the first respondent stood on equal footing. It was not a principal and agent relationship. The agreement provided that the first respondent was to manage defined creative services such as product translation, technical design and product administration. These were given in the first part of the agreement. Under the agreement, the applicant herein was to handover all product execution criteria including "Design briefs", "Comprehensive tech packs", "Customer contacts", "Ship points", and other relevant information. A subsidized monthly retainer fee of UUSD $ 15000 per month was agreed to be paid. This excluded incidental expenses in quality control production sales and travel. An additional fixed retail team expense of USD $ 2500 per month was also agreed to be paid by the applicant to the first respondent. It was also provided that the applicant would place all of its woven business or a minimum of 35% of its total annual business with the factories of the first respondent. It was also agreed that any sales samples/proto samples/sew samples would be charged separately by the first respondent. As per the second part of the agreement, the first respondent was engaged as nominated agent of the applicant to service its licensees and retail partners.

20. Thereafter, by an amendment to the agreement, the monthly retainer fee of USD 15000 per month including USD 2500 for brand retainer team expenses was increased to USD 21000 per month from April 2016 to July 2016 and thereafter to USD 30000 per month from August 2016. It was claimed by the first respondent in the plaint that the increased fee was paid by the applicant. It was also stipulated in the agreement that the applicant had to provide design illustrations and tech packs. The third defendant, who was the designer would provide designs, illustrations and comprehensive tech packs to the first respondent.

21. Disputes arose between the applicant and the first respondent. It is claimed by the first respondent that the applicant forced new terms under the first part of the agreement and coerced the fourth defendant to bring new terms for the second part of the agreement. It was also stated that the applicant started demanding tech packs for the Season Fall'17 from the first respondent. The first respondent and its affiliates were forced out of business. It was claimed by the first respondent that the applicant had taken samples pro-typed by the first respondent from the "Designs" of the first respondent created for the Season Fall' 17. The first respondent claimed that they owned the copyright for the same. Since no payment was made for the "Designs", the first respondent agreed to return the amount received for the samples after adjusting the outstanding amounts payable for various other services including "Designs". The first respondent further claimed that the applicant deceived them by promising advantage compensation for the service of creation of "Designs" by way of equity in a joint venture partnership between the applicant and the fourth defendant. The first respondent further claimed that the appellant reduced the minimum amount of business to less than the agreed 35%. The business was then diverted to the fourth and fifth defendants. The first respondent refused to handover the prototype samples for the Season Fall'17 and instead agreed to adjusting the compensation received for the samples against the outstanding amount.

22. At that juncture, the applicant, according to the first respondent concealing material information, filed O.A.Nos. 515 to 517 of 2017 and A.No. 2855 of 2017 under Section 9 of the Arbitration and Conciliation Act 1996 seeking an order of interim injunction against the first respondent herein. Those applications were dealt originally by a Single Judge of this Court and later by a Division Bench and a further Appeal therefrom was preferred to the Supreme Court. The learned Single Judge originally granted an order of interim injunction and later after hearing both the sides held by order dated 11.08.2017 that the disputes were arbitrable in nature. In the Appeal filed by the first respondent under Section 37 of the Act in O.S.A.No. 249 of 2017, the Division Bench also held that the disputes were arbitrable in nature and dismissed the original side appeal. The first respondent then filed Special Leave Petition before the Hon'ble Supreme Court and by order dated 13.02.2018, the said petition was dismissed, however granting liberty to the first respondent to file an application under Section 16 of the Act before the learned Arbitrator to decide the issue of arbitrability.

23. The Hon'ble Supreme Court nominated Hon'ble Mr.Justice M.F. Ibrahim Kallifullah, Former Judge of the Supreme Court as sole arbitrator. The first respondent herein had also filed an application under Section 16 before the learned Arbitrator. The said application was dismissed by the arbitrator. It is claimed BY Mr.Sathish Parasaran, learned Senior Counsel for the applicant that the counter filed in the present application under Section 8 of the Act, is very similar to the counter filed under Section 9 of the Act. It had been urged by the learned Senior Counsel that the arguments asserted and denied by the contesting parties are identical to the one which had already been adjudicated in the said application and in the subsequent appeals pursuant to the application under Section 9 of the Act. Section 8 of the Arbitration and Conciliation Act 1996 is as follows:-

> *"8. Power to refer parties to arbitration where there is an arbitration agreement.- (1) A judicial authority, before which an action is brought in a matter which is the subject of an arbitration agreement shall, if a party to the arbitration agreement or any person claiming through or under him, so applies not later than the date of submitting his first statement on the*

substance of the dispute, then, notwithstanding any judgment, decree or order of the Supreme Court or any Court, refer the parties to arbitration unless it finds that prima facie no valid arbitration agreement exists.)"

(2) The application referred to in sub-section (1) shall not entertained unless it is accompanied by the original arbitration agreement or a duly certified copy thereof:

(provided that where the original arbitration agreement or a certified copy thereof is not available with the party applying for reference to arbitration under sub-section (1), and the said agreement or certified copy is retained by the other party to that agreement, then, the party so applying shall file such application along with a copy of the arbitration agreement and a petition praying the Court to call upon the other party to produce the original arbitration agreement or its duly certified copy before that Court.)

(3) Notwithstanding that an application has been made under sub-section (1) and that the issue is pending before the judicial authority, an

> *arbitration may be commenced or continued and an arbitral award made."*

24. The Act had been amended and sub-clause (1) had been further strengthen by stating that judicial authority before which action is brought with relation to a subject which is governed by the arbitration agreement, then, notwithstanding any Judgment, decree or order by the Supreme Court or any Court refer the parties to arbitration unless it finds that *prima facie* no valid arbitration agreement exists.

25. In the present case, in the agreement entered into between the parties, Clause 40 relates to settlement or resolution of disputes. Clause 40 is as follows:-

> *"40. Any dispute arising out of or in connection with this Agreement, shall first be resolved mutually by the parties through negotiations. If the parties are not able to settle the same through negotiations, each party may appoint an arbitrator and such appointed arbitrators shall appoint a third arbitrator for arbitration. The arbitration shall be conducted in accordance with the Arbitration and Conciliation Act, 1996. The place of arbitration shall be Chennai, India and the language of*

arbitration shall be in English."

26. It is the contention of Mr.P.S.Raman, learned Senior Counsel for the first respondent that the present suit had been filed under Sections 51, 55 and 62(2) of the Copyright Act 1957 and since it relates to adjudication of intellectual property Act namely Copyright over the "Designs" produced by the first respondent and since a right under rem is sought, the issue cannot be referred to arbitration. His assertion has been seriously disputed by Mr.Sathish Parasaran, who stated that primarily the suit had not been filed seeking a declaration with respect to the "Design" to rather it is only a suit for permanent injunction which is a cause in personal and no right in rem is sought in the plaint.

27. The point to be decided consequently, whether the act of the first respondent in designing the products for the applicant herein was within the scope of the agreement and whether the issue is arbitrable or not. In this connection, the main thrust of the arguments of Mr.Sathish Parasaran was that the arbitrability of the disputes have already been decided in the application filed earlier under Section 9 of the Act.

28. Clauses 9, 14, 15 and 16 of the agreement are as follows:-

> *"9. It is the complete responsibility of the PROVIDER to organize, hire and support the Brand Beverly Hills Polo Club forits needs to service the workload outlaid by the BRAND.*
>
> *14. Approximately 100 styles in Spring and 130 styles in Fall, with a min of approximately 3 options each, will be developed of which potentially 80% will be adopted and go into orders per season and there will be 2 distinctive seasons and such will be specific only to the style developed by the PROVIDER based on BRANDS requirement. However, delivery flow plans can be staggered but confined to a specific season as mutually agreed.*
>
> *15. The Management fee agreed to as a Retainer in Clause 16 specified in this agreement is based on 100 styles for Spring and 130 Styles for Fall, x 3 Skus per Style, not exceeding 700 Skus in total for a total period of 2 seasons in a 12 month period. Any*

additional development of Styles/Skus will be discussed prior to the seasons, to arrive at respective charges. Any serious decline of the Indian Rupee (INR) to the US Dollar (USD) will be discussed along with inflation and or including inflation specific to the industry and or any other costs directly requiring additional manpower and time and effort on account of the BRAND for timely execution.

16. A monthly retainer of USD $ 15,000 (USD Fifteen thousand only) will be paid to the "PROVIDER" for Brand Services excluding any sourcing, QC, Production, Sales, travel."

29. These clauses ensure support for the special brand Beverly Hills Polo Club and provides a delivery plan for the same. There is also a retainer fee paid. It is seen that for creative service, retainer fees are paid by the applicant to the first respondent and creative services are within the scope of brand services. There could not have been any jural relationship between the first respondent and the applicant dehors the agreement. Even though both the parties were doing business under oral terms, once a written agreement is entered into between the parties they are bound by it.

30. The claim of the first respondent that the issues in the suit concern adjudication of rights in rem and are therefore, non arbitrable will also have to be examined. The first respondent as repeatedly pointed out had not sought any declaration of title in the suit. They have rather sought a permanent injunction in personam against the applicant herein. Any order granted would be applicable only against the named defendants. Unless a right in rem in the nature of a declaration of title or ownership to the Copyright is sought and established and granted by the Court, merely because the nomenclature of the suit states that it had also been filed under the provisions of the Copyright Act it would not convert the suit to one seeking protection of intellectual property rights. Section 34 of the Specific Relief Act is as follows:-

> ***"34. Discretion of court as to declaration of status or right.—****Any person entitled to any legal character, or to any right as to any property, may institute a suit against any person denying, or interested to deny, his title to such character or right, and the court may in its discretion make therein a declaration that he is so entitled, and the plaintiff need not in*

such suit ask for any further relief: Provided that no court shall make any such declaration where the plaintiff, being able to seek further relief than a mere declaration of title, omits to do so. Explanation.—A trustee of property is a "person interested to deny" a title adverse to the title of some one who is not in existence, and whom, if in existence, he would be a trustee. "

31. A party, who had the option to claim a relief of declaration and fails to do so cannot thereafter seek a relief or protection from of injunction from the Court particularly when there is a cloud over title. The first respondent herein has not asserted title to the Copyright or Design. They have not asserted that they are the exclusive copyright holders and that their right ennures against claims made by anybody in the world. They have not sought any protection of a right in rem. They do not even claim that they have a right in rem. On the other hand, they seek an action in personam against the applicant herein restraining the applicant and the other defendants by way of a permanent injunction. When the title the copyright is disputed, and the disputes between the parties have been agreed to referred to arbitration, then the first respondent can not seek to wriggle out of the commitment to refer disputes to arbitration without seeking a relief of declaration of title or copyright.

32. Having failed to do so, it would not lie in the mouth of the first respondent to claim that the reliefs which they sought are not arbitrable. However, the learned Senior Counsel for the first respondent had insisted that a claim laid under the Copyright Act cannot be referred to arbitration. The learned counsel relied on the case of ***Powertech World Wide Ltd., v. Delvin International General Trading*** reported in ***(2012) 1 SCC 361***. However in para 29, it had been stated as follows:-

> *"Thus, any ambiguity in the arbitration clause contained in the purchase contract stood extinct by the correspondence between the parties and the consensus ad idem in relation to the existence of an arbitration agreement and settlement of disputes through arbitration became crystal clear. The parties obviously had committed to settle their disputes by arbitration, which they could not settle, as claims and counter claims had been raised in the correspondence exchanged between them. In view of the above, even the pre-condition for invocation of an arbitration agreement stands satisfied."*

33. In this connection the learned Senior Counsel filed a set of e-mail correspondences between the parties and urged that the Court should examine them. Unfortunately, I do not agree with this contention.

34. In the present case, the issues between the applicant herein and the first respondent are with respect to and arise out of the agreement between then. The disputes have already been held to be arbitrable. The first respondent thereafter instituted this suit but has not laid a claim for declaration of title or copyright but only for permanent injunction and other connected reliefs.

35. It is also to be noted that Section 8 as amended has placed an obligation on the Courts to refer parties to Arbitration notwithstanding any order of the Supreme Court or any other court.

36. Mr.P.S.Raman, learned Senior Counsel then relied on the case of ***P.Manohar Reddy and Bros. v. Maharastra Krishna Valley Dev. Corp and others*** reported in ***AIR 2009 SC 1776.*** The Hon'ble Supreme Court in para 11 held as follows:

> *"The petitioner along with Exh. 19 has produced various documents and correspondence ensued with the*

> *respondents. The correspondence produced on record in support of claim under Section 8 of the Arbitration Act by the petitioner is sufficient to come to the conclusion that there was dispute between petitioner and the respondents in respect of additional work and no such steps have been taken by the respondents as provided under the contract. Therefore, the finding of the learned judge elucidates the reliance placed on correspondences exchanged between the parties. The learned Judge determined the disputes with respect to additional work based on the correspondences. This demonstrates the willingness of the Court to come to a conclusion only after thorough consideration of all materials placed before the Court including the correspondences exchanged between the parties."*

37. This decision was relied on only for the purpose that this court should engage itself in examining the correspondences between the parties. The repeated assertion on this line by Mr.P.S.Raman is again negatived by me since the documents produced particularly correspondences would have to be tested in manner known to law. When there are disputes between the parties and when an earlier forum had already held that the disputes are arbitrable, then it would only be just that the said documents are tested during the course of arbitral proceedings.

38. Mr.P.S.Raman, then relied on the case of ***A.Ayyasamy vs. A.Paramasivam and Others*** reported in ***2016 (6) ABR 596*** wherein it was held as under:-

> *"hence, it is necessary to emphasise that as a matter of first principle, this Court has not held that a mere allegation of fraud will exclude arbitrability. The burden must lie heavily on a party which avoids compliance with the obligation assumed by it to submit disputes to arbitration to establish the dispute is not arbitrable under the law for the time being in force. In each such case where an objection on the ground of fraud and criminal wrongdoing is raised, it is for the judicial authority to carefully sift through the materials for the purpose of determining whether the defence is merely a pretext to avoid arbitration. It is only where there is a serious issue of fraud involving criminal wrongdoing that the exception to arbitrability carved out*

in N.Radhakrishnan may come into existence."

39. It was therefore contended that even though there is a positive obligation on the Courts to refer the parties to arbitration, the materials must be sifted through in order to determine whether the subject matter is within the scope of the agreement and hence, arbitrable. In the present case, the first respondent could have had the opportunity to create the designs only because there was an agreement with the applicant. The first respondent could not have ventured into such business if there had been no agreement with the applicant. When such agreement stipulates that the disputes have to be referred to arbitration then the first respondent should subject themselves to arbitration. I fail to understand the nature of Copyright which the first respondent asserts and claims. The first respondent had not sought any declaration over any particular Copyright. The first respondent had assumed that it was the owner of the Copyright. This stand has been seriously disputed by the applicant herein. The learned Senior Counsel for the first respondent referred to the case of ***Booz Allen and Hamilton Inc. V. SBI Home Finance Ltd., and Ors.,*** reported in ***AIR 2011 SC 2507*** wherein paragraph Nos. 20 and 21 reads as under:-

"20. The nature and scope of issues arising for consideration in an application under section 11 of the Act for appointment of arbitrators, are far narrower than those arising in an application under section 8 of the Act, seeking reference of the parties to a suit to arbitration. While considering an application under section 11 of the Act, the Chief Justice or his designate would not embark upon an examination of the issue of `arbitrability' or appropriateness of adjudication by a private forum, once he finds that there was an arbitration agreement between or among the parties, and would leave the issue of arbitrability for the decision of the arbitral Tribunal. If the arbitrator wrongly holds that the dispute is arbitrable, the aggrieved party will have to challenge the award by filing an application under section 34 of the Act, relying upon sub-section 2(b)(i) of that section. But where the issue of `arbitrability' arises in the context of an application under section 8 of the Act in a pending suit, all aspects of arbitrability have to be decided by the court seized of the suit, and cannot be left to the decision of the Arbitrator.

Even if there is an arbitration agreement between the parties, and even if the dispute is covered by the arbitration agreement, the court where the civil suit is pending, will refuse an application under Section 8 of the Act, to refer the parties to arbitration, if the subject matter of the suit is capable of adjudication only by a public forum or the relief claimed can only be granted by a special court or Tribunal.

21. The term `arbitrability' has different meanings in different contexts.

The three facets of arbitrability, relating to the jurisdiction of the arbitral tribunal, are as under : (i) whether the disputes are capable of adjudication and settlement by arbitration? That is, whether the disputes, having regard to their nature, could be resolved by a private forum chosen by the parties (the arbitral tribunal) or whether they would exclusively fall within the domain of public fora (courts). (ii) Whether the disputes are covered by the arbitration agreement? That is, whether *the disputes are enumerated or described in the arbitration agreement as matters to be decided by arbitration or whether the disputes fall under the `excepted matters' excluded from the purview of the arbitration agreement. (iii) Whether the parties have referred the disputes to arbitration? That is, whether the disputes fall under the scope of the submission to the arbitral tribunal, or whether they do not arise out of the statement of claim and the counter claim filed before the arbitral tribunal. A dispute, even if it is capable of being decided by arbitration and falling within the scope of arbitration agreement, will not be `arbitrable' if it is not enumerated in the joint list of disputes referred to arbitration, or in the absence of such joint list of disputes, does not form part of the disputes raised in the pleadings before the arbitral tribunal.*

22. Arbitral tribunals are private fora chosen voluntarily by the parties to the dispute, to adjudicate their disputes in place of courts and tribunals which are public fora constituted under the laws of the country. Every civil or commercial dispute, either contractual or non-contractual, which can be decided by a court, is in principle capable of being *adjudicated and resolved by arbitration unless the jurisdiction of arbitral tribunals is excluded either expressly or by necessary implication. Adjudication of certain categories of proceedings are reserved by the Legislature exclusively for public fora as a matter of public policy. Certain other categories of cases, though not expressly reserved for adjudication by a public fora (courts and Tribunals), may by necessary implication stand excluded from the purview of private fora. Consequently, where the cause/dispute is inarbitrable, the court where a suit is pending, will refuse to refer the parties to arbitration, under section 8 of the Act, even if the parties might have agreed upon arbitration as the forum for settlement of such disputes. The well recognized examples of non-arbitrable disputes are : (i) disputes relating to rights and liabilities which give rise to or arise out of criminal offences; (ii) matrimonial disputes relating to divorce, judicial separation, restitution of conjugal rights, child custody; (iii) guardianship matters; (iv) insolvency and winding up matters;*

(v) testamentary matters (grant of probate, letters of administration and succession certificate); and (vi) eviction or tenancy matters governed by special statutes where the tenant enjoys statutory protection

against eviction and only the specified courts are conferred jurisdiction to grant eviction or decide the disputes.

23. It may be noticed that the cases referred to above relate to actions in rem. A right in rem is a right exercisable against the world at large, as contrasted from a right in personam which is an interest protected solely against specific individuals. Actions in personam refer to actions determining the rights and interests of the parties themselves in the subject matter of the case, whereas actions in rem refer to actions determining the title to property and the rights of the parties, not merely among themselves but also against all persons at any time claiming an interest in that property.

Correspondingly, judgment in personam refers to a judgment against a person as distinguished from a judgment against a thing, right or status and Judgment in rem refers to a judgment that determines the status or condition of property which operates directly on the property itself. (Vide : Black's Law Dictionary). Generally and traditionally all disputes relating to rights in personam are considered to be amenable to arbitration; and all disputes relating to rights in rem are required to be adjudicated by courts and public *tribunals, being unsuited for private arbitration. This is not however a rigid or inflexible rule. Disputes relating to sub-ordinate rights in personam arising from rights in rem have always been considered to be arbitrable.*

24. The Act does not specifically exclude any category of disputes as being not arbitrable. Sections 34(2)(b) and 48(2) of the Act however make it clear that an arbitral award will be set aside if the court finds that "the subject-matter of the dispute is not capable of settlement by arbitration under the law for the time being in force."

40. The learned counsel also relied on ***MANU/TN/2307/2012*** in the case of ***R.K.Productions Pvt. Ltd., vs. M/s. N.K.Theatres Pvt., Ltd.***, a Division Bench of this Court had relied on ***Booz Allen and Hamilton Inc. V. SBI Home Finance Ltd., and Ors.,*** reported in ***AIR 2011 SC 2507,*** wherein paragraph Nos. 18 & 19 are as under:-

"18. Considering the present case in the light of the above principles, the dispute pertains to exploitation of Telugu dubbing rights of suit film. The subject matter of the suit inter

alia raises the issues - (i) whether the last instalment of Rs.2,35,00,000/- was paid by the first defendant to the plaintiff; (ii) Without paying the last instalment, can first defendant assign Telugu dubbing rights and remake of the suit film to the second defendant; (iii) based on the agreement executed by the first defendant for which amount is stated to be due, whether defendants 2 and 4 can exploit the rights and (iv) whether the plaintiff is entitled to the relief of injunction restraining the defendants 2 and 4 from infringing their copyright. All the above issues are inextricably mixed and those issues cannot be split up. Bifurcation of the issues would only lead to delay in resolving the dispute. Since the cause of action and subject matter of dispute arise against all of them ie., defendants 1 to 4 and applying the ratio of Sukanya Holdings case, the subject matter of the suit cannot b e bifurcated by referring the matter to arbitration.

19. The single Judge was not right in holding that the only issue involved is with regard to non-payment of the amount and that if the

> *payment of balance amount is decided by the Arbitrator, the issue of infringement of copyright would automatically come to an end. We are not inclined to endorse the views of the learned Judge. By a careful perusal of the order of the Single Judge, we find that Sukanya Holdings Case was not brought to the notice of the Single Judge. Therefore, applying the ratio of Sukanya Holdings case, we are of the view that the subject matter of the suit cannot be bifurcated to refer the parties to arbitration and that the appeal is to be allowed. In the result, the order of Single Judge in A.No. 2275 of 2012 in C.S.No. 258 of 2012 is set aside and the appeal is allowed. The suit in C.S.No.258 of 2012 is ordered to be restored on file. Respondents-Defendants shall file written statement and the matter shall be proceeded in accordance with law. Consequently, connected M.P. is closed. No costs. "*

It must be pointed out that Section 8 of the Act had been amended and the words that notwithstanding any order of Supreme Court or any other Court had been introduced, and it is asserted at the bar, that such amendment was to overcome the implied application of the ratio in Sukanya Holding referred above.

41. In ***Emmar MGF Land Limited v. Aftab Singh*** reported in ***2018 SCC OnLine SC 2771 at para 43***, the Hon'ble Supreme Court held as follows:-

> *"43. In Paragraph No. 8 of the judgment, it was further stated that the language of Section 8 is peremptory and it is, therefore, obligatory for the Court to refer the parties to arbitration in terms of their arbitration agreement."*

42. That was a case which involved a situation where though there was an arbitration clause between a consumer and the builder, the consumer opted to approach the consumer forum by filing a consumer complaint. In that context, the Hon'ble Supreme Court held that the amendments to Section 8 of the Act did not oust the right of a person to enforce his rights by availing the special remedies or additional remedies under special statutes such as the Consumer Protection Act 1986, which legislation was a beneficial legislation at once that forum had been chosen then naturally application under Section 8 of the

Arbitration Act would not lie. The Hon'ble Supreme Court discussed this aspect in the paragraph Nos. 49 to 52.

> *"49. This Court, thus, in the above cases has noticed that amendments are expressed to apply notwithstanding any prior judicial precedents, but the scope of amendment under Section 8(1) was confined to three 49 categories as has been noted in Paragraph No.29. Amendments under Section 8, thus, were aimed to minimise the scope of judicial authority to refuse reference to arbitration and only ground on which reference could have been refused was that it prima facie finds that no valid arbitration agreement exists. Notwithstanding any prior judicial precedents referred to under Section 8(1) relates to those judicial precedents, which explained the discretion and power of judicial authority to examine various aspects while exercising power under Section 8.*
>
> *50. The Legislative intent and object were confined to only above aspects and was not on those aspects, where certain disputes were not required to be referred to arbitration. Can it be said that after amendment under Section 8(1), the law laid down by this Court in reference to Section*

2(3), where large number of categories have been held to be non-arbitrable has been reversed or set at naught. Neither any such Legislature intendment was there nor any such consequence was contemplated that law laid down by this Court in context of Section 2(3) has to be ignored or reversed.

51. While carrying out amendment under Section 8(1) of Act, 1996, the statutes providing additional remedies/special remedies were not in contemplation. The legislative intent is clear that judicial authority's discretion to refuse arbitration was minimise in respect of jurisdiction exercise by judicial authority in reference to Section 8. The amendment was also aimed to do away with special or additional remedies is not decipherable from any material. The Law Commission 246th Report, the Statement and Objects of Bill and the notes on clauses do not indicate that amendments were made for overriding special/additional remedies provided under different statutes. In the event, the interpretation as put by the learned counsel for the petitioner is accepted, Section 8 has to be read to override the law laid down by this Court in reference to various special/additional jurisdictions as has been adverted to and *noted in judgment of this Court in Booz Allen and Hamilton Inc.(supra) which was never the intent of amendment in Section 8.*

52. The amendment in Section 8 cannot be given such expansive meaning and intent so as to inundate entire regime of special legislations where such disputes were held to be not arbitrable. Something which legislation never intended cannot be accepted as side wind to override the settled law. The submission of the petitioner that after the amendment the law as laid down by this Court in National Seeds Corporation Limited(supra) is no more a good law cannot be accepted. The words "notwithstanding any judgment, decree or order of the Supreme Court or any Court" were meant only to those precedents where it was laid down that the judicial authority while making reference under Section 8 shall entitle to look into various facets of the arbitration agreement, subject matter of the arbitration whether the claim is alive or dead, whether the arbitration a 52 Shah and others, (2016) 8 SCC 788. This Court in the above case had occasion to consider the provisions of Section 8 of the Act, 1996 in reference to special remedy provided under Trusts Act, 1882. This

Court noticed the judgment of this Court in Booz Allen and Hamilton Inc.(supra) with approval in paragraphs 40 and 42 which is to the following effect:

"40. Before we examine the scheme of the Trusts Act, 1882, we consider it apposite to take note of the case law, which has a bearing on this issue. The question came up for consideration before this Court in Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd. as to what is the meaning of the term "arbitrability" and secondly, which type of disputes are capable of settlement by arbitration under the Act. Their Lordships framed three questions to answer the question viz.: (SCC p. 546, para 34) (1) Whether the disputes having regard to their nature could be resolved by a private forum chosen by the parties (Arbitral Tribunal) or whether such disputes exclusively fall within the domain of public fora (courts)?; (2) Whether the disputes are covered by the arbitration agreement?; and (3) Whether the parties have referred the disputes to arbitrator?" 42. The question to be considered in this appeal is whether the disputes relating to affairs and management of the Trust including the disputes arising inter se trustees, beneficiaries in relation to their 53

appointment, powers, duties, obligations, removal, etc. are capable of being settled through arbitration by taking recourse to the provisions of the Act, if there is a clause in the trust deed to that effect or such disputes have to be decided under the Trusts Act, 1882 with the aid of forum prescribed under the said Act?"

43. In the present case, the relief of declaration of copyright over the designs have not been sought. The first respondent will have to first establish declaration of ownership of copyright and then seek protection from infringement. In the present case, the first respondent had not sought such a declaratory relief.

44. In ***A.Ayyasamy vs. A.Paramasivam and Others*** reported in ***2016 (6) ABR 596,*** the Hon'ble Supreme Court at para 43 had laid as follows:-

"Hence, allegations of criminal wrongdoing or of statutory violation would not detract from the jurisdiction of the arbitral tribunal to resolve a dispute arising out of a civil or contractual relationship on the basis of the jurisdiction conferred by the arbitration agreement. "

45. In the very same case, it had also laid in paragraph 53 as follows:-

> *"The Arbitration and Conciliation Act, 1996, should in my view be interpreted so as to bring in line the principles underlying its interpretation in a manner that is consistent with prevailing approaches in the common law world. Jurisprudence in India must evolve towards strengthening the institutional efficacy of arbitration. Deference to a forum chosen by parties as a complete remedy for resolving all their claims is but part of that evolution. Minimising the intervention of courts is again a recognition of the same principle. "*

46. In the present case, the first respondent had only sought a Judgment decree of permanent injunction which is a relief in personam against the applicant from using the alleged designs. However, the first respondent as repeatedly stated above had not sought a declaration of Copyright over the designs.

47. In view of the above discussions, I hold that the disputes raised are a direct fall out over the terms of the agreement between the parties herein and consequently are arbitrable. I hold that the applicant had made out a case to refer the dispute to the arbitration. Accordingly, this Application is allowed.

Sd/-C.V.K.J

01/03/2019

//Certified to be a true copy//
Dated this the day of 2019.
JJ 12/03/2019

COURT OFFICER (O.S)

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