

IN THE HIGH COURT OF DELHI AT NEW DELHI

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Judgment delivered on: 24.09.2021

+ **O.M.P.(I) (COMM.) 182/2021**

M/S GOLDEN TOBACCO LIMITED

..... Petitioner

versus

M/S GOLDEN TOBIE PRIVATE LIMITED

..... Respondent

Advocates who appeared in this case:

For the Petitioner : Mr Sumeet Verma and Mr Mahinder
Pratap Singh, Advocates.

For the Respondent : Mrs Anjali J. Manish, Mr Priyadarshi
Manish and Ms Kinjal Shrivastava,
Advocates.

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HON'BLE MR JUSTICE VIBHU BAKHRU

JUDGMENT

VIBHU BAKHRU, J

1. M/s Golden Tobacco Limited (hereafter 'GTL') has filed the present petition under Section 9 of the Arbitration and Conciliation Act, 1996 (hereafter the 'A&C Act'), *inter alia*, praying that the respondent – M/s Golden Trobe Private Limited (hereafter 'GTPL') be restrained from manufacturing, selling and supplying to the market, cigarettes under the exclusive brands owned by GTL, that is, Panama, Golden Gold Flake, Golden Classic, Taj Chhap and Chancellor (hereafter referred to as 'the Exclusive Brands').

2. GTL claims that it is the owner of the Exclusive Brands, which have acquired significant reputation and goodwill in domestic and international market. The trademarks 'Panama' and 'Taj Chhap' were registered in the name of GTL on 20.06.1954 and 22.06.1954 respectively; the trademark 'Golden Gold Flake' was registered in favour of GTL on 05.04.1979; the trademark 'Chancellor' was registered in favour of GTL on 25.02.1993; and the trademark 'Golden Classic' was registered in favour of GTL on 15.09.2015.

3. GTL claims that GTPL was not engaged in the business of manufacturing or selling of cigarettes prior to August, 2019. On 16.08.2019, the parties entered into an agreement captioned 'Master Long Term Supply Agreement'. In terms of this agreement, GTL agreed to supply cigarettes under its Exclusive Brands to GTPL and, GTPL agreed to purchase and distribute the same in domestic as well as international markets.

4. On 12.02.2020, the parties entered into a comprehensive Trademark License Agreement (hereafter 'the Trademark License Agreement'). In terms of the Trademark License Agreement, GTL granted exclusive non-transferable and non-assignable license in respect of the Exclusive Brands to GTPL. This was subject to the exception in respect of duty free sales in India and in few other countries in respect of the trademark 'Golden Gold Flake' and 'Panama'.

5. GTL contends that the said Trademark License Agreement was

a comprehensive agreement not only for sale, supply and distribution of cigarettes, but also for manufacture of the same under the Exclusive Brands. According to the GTL, the Master Long Term Supply Agreement dated 16.08.2019 stood superseded by the Trademark License Agreement and the same did not survive after 12.02.2020.

6. GTL terminated the Trademark License Agreement by a termination notice dated 14.08.2020 alleging that GTPL had neither commenced manufacturing of cigarettes nor paid any royalty to GTL for a period exceeding six months. Subsequently, on 29.08.2020, GTL withdrew the said termination notice in view of an amicable settlement arrived at between the parties. On that date (that is, 29.08.2020), the parties entered into an Amendment Agreement (hereafter 'the Amendment Agreement') whereby it was agreed that GTPL would pay a minimum monthly royalty as specified under the Amendment Agreement for an initial period commencing from August, 2020 through November 2020. The parties agreed that they would once again meet in December, 2020 to discuss and agree upon a minimum turnover and payment of royalty.

7. GTL claims that GTPL has violated the terms of the Amendment Agreement dated 29.08.2020 as it did not enter into any further discussions regarding the payment of royalty, targets of sales turnover and other terms and conditions applicable from December, 2020 onwards. GTL alleges that GTPL continued to pay royalty at a lower rate, which was applicable till 30.11.2020, without disclosing its sales turnover.

8. GTL alleges that since GTPL had breached the terms and conditions of the Amendment Agreement dated 29.08.2020, it issued a notice dated 13.02.2021 terminating the Amendment Agreement as well as the Trademark License Agreement dated 12.02.2020.

9. On 15.02.2021, GTL informed the National Stock Exchange Limited that it had terminated the Trademark License Agreement of GTPL. In the meanwhile, GTPL continued to deposit royalty in the bank account of GTL. GTL claims that it had returned the same by a demand draft. However, GTPL disputes the receipt or acceptance of any demand draft from GTL in respect of return of the royalty paid by GTPL.

10. On 14.04.2021, GTPL instituted a suit against GTL [being CS (COMM) No. 178/2021] seeking a decree of permanent injunction, rendition of accounts, delivery and damages. In essence, GTPL sought specific performance of the Trademark License Agreement as amended by the Amendment Agreement dated 29.08.2021. The said suit was listed before a Coordinate Bench of this Court on 16.04.2021 and was adjourned to 26.04.2021.

11. In that suit, GTL filed an application (IA No. 6080/2021) under Section 8 of the A&C Act, *inter alia*, praying that the parties be referred to arbitration.

12. The said application was allowed by an order dated 04.06.2021 and the parties were referred to arbitration in terms of the arbitration agreement as embodied in Clause 12 of the Trademark License

Agreement.

13. GTPL preferred an appeal [RFA (OS) (COMM) 3/2021] before the Division Bench of this Court against the said order referring the parties to arbitration. However, the said appeal was dismissed as withdrawn. GTPL has also filed a writ petition [being W.P. (C) 9149/2021] impugning the order dated 04.06.2021 passed by this Court referring the parties to arbitration. This Court is informed that the said petition is pending.

14. The present petition was listed on 11.06.2021 and this Court passed an *ex-parte ad-interim* order restraining GTPL from manufacturing, selling and supplying cigarettes under the Exclusive Brands till the next date of hearing. The said *ad-interim* order is continuing till date.

15. GTL issued a notice dated 15.07.2021 invoking the agreement in terms of Clause 12 of the Trademark License Agreement to refer the disputes to arbitration. However, GTPL did not agree to appoint an arbitrator or to refer the disputes to arbitration. Consequently, GTL filed a petition under Section 11 of the A&C Act, which is pending consideration before a Coordinate Bench of this Court.

Discussion and Conclusion

16. Ms Anjali J. Manish, learned counsel appearing for GTPL, sought to oppose the present petition on, essentially, five grounds. First, she submitted that GTL has expressed no intention to refer the

disputes to arbitration. According to her, this is evident from the fact that GTL had issued a notice terminating the Trademark License Agreement, on 13.02.2021 but had taken no steps to refer the disputes to arbitration till GTPL filed the suit [CS(COMM) No.178/2021] in this Court. She submitted that GTL had filed this application seeking interim injunction against GTPL in June, 2021 which is after a delay of almost four months and therefore, it was apparent that GTL had no intention to either appoint an arbitrator or to refer the disputes to arbitration. She relied on the decision of the Supreme Court in ***Firm Ashok Traders & Anr. v. Gurmukh Das Saluja & Anr.: 2004 3 SCC 155***, in support of her contention.

17. Second, she submitted that the disputes between the parties are not private disputes and therefore, cannot be referred to arbitration. She contended that the disputes were *in rem* and not *in personam* as the disputes related to Registered Trademarks. She submitted that GTL had also informed the National Stock Exchange regarding termination of the Trademark License Agreement and thus, the dispute related to a matter in the public domain. She submitted that GTL had also issued notices in the national dailies regarding securing an injunction against GTPL and therefore, the disputes were, essentially, disputes of a public nature, which could not be adjudicated by an Arbitral Tribunal.

18. Third, she submitted that GTPL had made significant investments to establish capabilities for manufacturing cigarettes on the strength of the Trademark License Agreement, which granted

GTPL license to use the Exclusive Brands in perpetuity. In the circumstances, irreparable loss would be caused to the GTPL in the event an injunction as sought for was granted.

19. Fourth, she submitted that there was no default on the part of GTPL in complying with its obligations under the Trademark License Agreement as amended by the Amendment Agreement. She submitted that GTPL is and was always ready and willing to pay royalty to GTL in terms of the Trademark License Agreement, as amended by the Amendment Agreement and therefore, the said agreements could not be terminated on the ground that the representative of the parties had not met after December, 2020.

20. Lastly, she submitted that the termination of the Trademark License Agreement as amended was illegal as the said agreement required GTL to issue a three months prior notice, however, GTL had terminated the Trademark License Agreement with immediate effect.

21. Mr Sumeet Verma, learned counsel appearing for the GTL, countered the aforesaid submissions. He submitted that disputes were liable to be referred to arbitration in terms of the order dated 04.06.2021 passed in IA 6080/2021, whereby this Court had allowed GTL's application for referring the parties to arbitration.

22. Next, he submitted that the Trademark License Agreement was terminated by an email dated 14.08.2021 and was reinstated with certain modifications. He submitted that in terms of Clause 5 of the Amendment Agreement, GTL had unrestricted rights to terminate the

Trademark License Agreement and the same could not be disputed or contested by GTPL. He submitted that denial of injunction as sought for would amount to specifically enforcing the Trademark License Agreement, which was impermissible as it was determinable in nature. He relied upon Section 14(d) of the Specific Relief Act, 1963, in support of his contention that such contracts were not specifically enforceable.

Reasons and Conclusion

23. The contention that GTL is not interested in referring the disputes to arbitration and has not shown any indication for doing so is wholly insubstantial and, is liable to be rejected. GTL's application that the parties be referred to arbitration was allowed; it had thereafter, filed the above captioned petition. As noticed above, *ad-interim* orders were passed in this petition on 11.06.2021. GTPL had assailed the said order before the Division Bench of this Court (FAO (OS) 73/2021), which was disposed of on 04.08.2021. In the meanwhile, GTL had issued a notice invoking arbitration and suggested the name of an arbitrator. It had thereafter, filed an application under Section 11 of the A&C Act for the appointment of the arbitrator. The delay in appointment of the Arbitral Tribunal is clearly attributable to GTPL and not GTL. In the given facts, the reliance placed by Ms Manish on the decision of the Supreme Court in ***Firm Ashok Traders & Anr. v. Gurmukh Das Saluja & Anr*** (*supra*) is wholly misplaced.

24. GTPL's contention that the disputes between the parties are not

arbitrable and therefore, the present petition is not maintainable, is bereft of any merit. The disputes arising out of the Trademark License Agreement as amended by the Amendment Agreement are contractual disputes and not disputes of a public nature, which cannot be arbitrated. GTL does not seek any order that requires issuance of any directions to the Registrar of Trademarks. The contention advanced by Ms Manish was considered and rejected by this Court in its judgment dated 04.06.2021 by referring to the earlier decision in the case of ***Hero Electric Vehicles Pvt. Ltd. & Anr. v. Lectro E-Mobility Pvt. Ltd. & Anr.: 2021 SCC OnLine Del 1058***. The said decision covers the issue raised by Ms Manish. It is material to note that the appeal preferred by GTPL against the order dated 04.06.2021 passed by this Court in CS (COMM) No. 178/2021 was withdrawn.

25. The contention that the disputes are of a public nature as GTL had informed the National Stock Exchange, is also wholly unmerited. Merely, because a company is required to report any material event affecting its affairs to the Stock Exchange, does not render the disputes relating to such events as non-arbitrable.

26. The principal questions to be addressed is whether the Trademark License Agreement is in its nature determinable? And whether, GTL's action to terminate the same is, *prima facie*, illegal?

27. Before proceeding further, it will be relevant to refer to certain clauses of the Trademark License Agreement. The recital clauses indicate that GTPL had entered into the Trademark License

Agreement with the purpose of using the Exclusive Brands owned by GTL, for its business.

28. In terms of Clause 2.1 of the Trademark License Agreement, GTL had granted an exclusive, non-transferable and non-assignable license in respect of the Exclusive Brands to GTPL. Clauses 2.1 and 2.2 of the Trademark License Agreement are set out below:-

“2.1 The Licensor hereby grants to the Licensee an exclusive, non-transferable and non-assignable license, subject to Clause 2.8, to use the Exclusive Brands and the blend formulation, within the Domestic Market and International Market, during the term of this Agreement (“License”) solely in connection with the objects of the Licensee, being manufacture of cigarettes at its factory situated at Greater Noida (hereinafter referred to as the (“**Factory**”), by itself and/or through its associates or job-workers, and sale supply and distribution of the same in Domestic Market and International Market (“**Objects**”).

2.2 Without prejudice to the generality of the foregoing and subject to the provisions of this Agreement and the applicable Law, the Licensee may use the blend formulation and the Exclusive Brands for the furtherance of the Objects including in the following manner:

- (a) Use the Exclusive Brands in any brochure, letter head, pamphlet or any other like document circulated by the Licensee as allowed by law;
- (b) Place the Exclusive Brands on any page of a website owned or used by the Licensee as allowed by law;
- (c) Sell under the Exclusive Brands through third party dealers or otherwise in accordance with the terms of this Agreement;

- (d) Use the Exclusive Brands for conducting marketing campaigns and advertising in any media including digital and print media for tobacco products as allowed by Law;
- (e) for manufacturing, sub-contract manufacturing, job work manufacturing, production, marketing, promotion, distribution and sale; or
- (f) for any purposes while conducting any activities in furtherance of the Objects provided that such activities are not illegal or against any terms and conditions of this Agreement.”

29. Clause 8 of the Trademark License Agreement contains the provisions regarding its term and termination. In terms of Sub-clause 8.1 of the Trademark License Agreement, the parties had agreed that the Trademark License Agreement would continue in perpetuity unless it was terminated.

30. Clauses 8 and 9 of the Trademark License Agreement are relevant and are set out below:-

“8. TERM AND TERMINATION

- 8.1 Unless terminated pursuant to this Clause 8, this Agreement in respect of Exclusive Brands shall continue from Effective Date till perpetuity.
- 8.2 Till one (1) year following the Production Date (“Lock-in-Period”), the Parties shall not terminate this Agreement.
- 8.3 Notwithstanding Clause 8.2, Licensor shall have the right to terminate this Agreement by giving thirty (30) days written notice upon the Licensee in the event Licensee commits any default in payment of monthly Royalty in the

manner provided in this Agreement and has failed to cure such breach within thirty (30) days after written notice of such default has been provided.

8.4 Notwithstanding Clause 8.2, either Party shall have the right to terminate this Agreement by giving ninety (90) days written notice upon the other Party committing a material breach of this Agreement (other than breach by the Licensee in respect of payment of Royalty) and has failed to cure such breach within ninety (90) days after written notice of such breach has been provided.

8.5 This Agreement may be terminated by the Licensor (if not already terminated by the Parties by mutual agreement) in the circumstances mentioned in Clause 2.10, after making payment to the Licensee as provided therein.

8.6 Either Party shall have the right to terminate this Agreement forthwith where the other Party is declared bankrupt or goes into compulsory or voluntary liquidation.

9. CONSEQUENCE OF TERMINATION

9.1 Within sixty (60) days of termination of this Agreement:

(a) the Licensee shall cease to use the Exclusive Brands in any manner whatsoever including but not limited to the Licensor's name, logo, website, stationery, letterheads, brochures, designs, bill boards or other media which incorporate the Exclusive Brands or which the Licensee is using (except for the purpose of sale and disposal of goods lying with the Licensee's distribution chain at the time of

termination) and shall remove all advertisement materials containing the Exclusive Brands and subject to the choice of the Licensor or be destroyed at the expense of that Party which has caused the termination of this Agreement; and

- (b) the Licensee shall ensure that all third-party dealers' through which the Licensee sells products or performs services cease use of the Exclusive Brands and remove the Exclusive Brands in accordance with Clause 9.1 (a) above.

Provided, however, that in case termination of this Agreement is reasonably disputed by the Licensee, the provisions of this Clause shall only become effective from the date such termination ceases to be disputed by the Licensee.

- 9.2 The Parties shall, after termination of this Agreement, cease using the other Party's Confidential Information and other proprietary rights and promptly return the same to the owner.
- 9.3 The termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties at the date of termination, unless waived in writing by mutual agreement of the Parties.
- 9.4 For the avoidance of doubt, upon termination of this Agreement, the Licensee shall not be entitled to any compensation whatsoever from the Licensor as a consequence of the termination."

31. It is clear from the above that the Trademark License

Agreement could not be terminated unilaterally by either party unless the other party was in material breach of their obligations under the agreement. And in such an eventuality, the party not in breach would have the right to terminate the Trademark License Agreement by giving ninety days notice. However, in the event GTPL defaulted in its obligations to pay a monthly royalty, the Trademark License Agreement could be terminated by giving a shorter notice of thirty days, provided that, GTPL had not cured the breach within thirty days of the notice of default.

32. The Trademark License Agreement was amended by the Amendment Agreement. The relevant clauses of the said agreement are set out below:-

“NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND PROMISES SET FORTH BELOW, THE RECEIPT AND SUFFICIENCY OF WHICH IS ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:

1. On the basis of assurance provided by the Licensee to forthwith commence commercial production at the factory premises at Greater Noida, and strictly comply with the terms of the TMLA as amended by this Amendment Agreement, the Licensor has agreed to withdraw the Termination Notice effective from 14.08.2020 as if there were no termination in effect and Licensee has agreed to the resolution of the matter as contained herein,
2. Notwithstanding anything to the contrary in the TMLA, (i) Execution Date of this Amendment Agreement shall be deemed to be the Effective Date or Royalty Commencement Date or

Commercial Production Date for the purposes of TMLA : (ii) the Licensee shall be liable to pay a minimum monthly Royalty for an initial period upto 30.11.2020, counted from Execution Date to 30.11.2020, based on sales turnover as per the following table:

Month	Royalty (Rs.)
August 2020	5,00,000/-
September 2020	5,00,000/-
October 2020	5,00,000/-
November 2020	5,00,000

3. The minimum sales turnover during the period upto November 2020 shall be as follows provided however, that minimum sales turnover not achieved in any particular month as per below, till the month of October 2020, shall be carried over to the next successive month(s) such that the total minimum sales turnover to be achieved by the Licensee over the period from the Execution Date upto November 2020 shall not less than 22.5M:

Month	Minimum Sales turnover (quantity)
August 2020	(As per market)
September 2020	5M
October 2020	7.5M
November 2020	10M

4. Subject to fulfillment of the condition mentioned in this Agreement (including Clause

2 hereinabove) by the Licensee, the Parties shall meet sometime in the first week of December 2020 as determined by Licensors and accepted by Licensee, to discuss and agree upon further Royalty and other targets and terms and conditions, going forward.

5. At any point of time, if the conditions mentioned in TMLA as amended by this Amendment Agreement are not met by the Licensee, the Licensors shall have unrestricted right to terminate the TMLA after a notice period of 3 (three) months by issuance of a termination notice, which will not be contested or disputed by the Licensee.”

33. This Court is unable to accept the contention that the Amendment Agreement provided any unilateral right to GTL to terminate the Trademark License Agreement, despite no default on the part of GTPL. Clause 5 of the Amendment Agreement clearly specified that if the conditions mentioned in the Trademark License Agreement or the Amendment Agreement were not met, GTL would have an unrestricted right to terminate the Trademark License Agreement. Plainly, the exercise of this right was contingent upon GTPL defaulting in its obligations as mentioned in the Trademark License Agreement and as amended by the Amendment Agreement.

34. Mr Verma had earnestly contended that since the Trademark License Agreement contained provisions for its termination, it was by its nature determinable and therefore, could not be specifically enforced. This Court is unable to accept the contention that merely because an agreement can be terminated by one party on account of

breach of the obligations by the other, it is determinable in its nature. The import of this contention is that all agreements irrespective of their nature would be determinable, as a party not in default would have the right to terminate the agreement if the other party commits a fundamental breach of its obligations. Similarly, the contention that commercial contracts are in their nature determinable, is equally erroneous. If this contention is accepted, one would have to accept that no commercial contract can be specifically enforced. This proposition is not well founded and this Court is unable to accept the same.

35. The question whether an agreement is in its nature determinable, is required to be understood in the context of the nature of that agreement. There are certain agreements that can be terminated by either party. Partnership agreements in cases of partnerships at will and agreements, which expressly provide that either party has the right to terminate the same, without any cause, are, clearly agreements that by their nature are determinable. There may be certain other contracts such as those of service of a personal nature, which require a voluntary commitment by any individual, the performance of which by its very nature cannot be compelled. Clearly, such contracts would also be determinable by their nature. There may be agreements where the right to terminate the contract is reserved for a specified party or parties. Plainly, in such cases, the contracts are determinable but only at the instance of the said party and that party cannot be compelled to specifically perform the contract. However, an agreement, which pertains to transfer of rights in property, can certainly not be

considered as a determinable contract if the same does not provide for termination by a party without cause. The aforesaid illustrations are by no means, exhaustive; the question whether a contract is determinable in its nature is required to be examined in the facts of each case.

36. In the present case, the Trademarks License Agreement granted GTPL the right to use the Exclusive Brands of GTL in perpetuity. Clearly, a contract of this nature cannot be considered as determinable in absence of any agreement entitling the party to terminate the same without cause or default on the part of the other party.

37. In the case of *T.O Abraham v. Jose Thomas and Ors: (2018) 1 KLJ 128*, the Kerala High Court held as under:

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

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

20. It is obvious from a reading of clause 13 of the agreement that the vendors namely the appellant and respondents 2 to 5 herein have agreed that if, for any reason, which is not expected in the normal course, the agreement cannot be completed due to reasons of breach or default on their side, they will repay the advance amount of Rs. 1,50,00,000/- with 12% interest, less the

value of the rubber trees sold by the first respondent herein.

21. Can we say, we asked ourselves whether this would be in the nature of a determinable contract. It is obvious from a reading of the clause that this does not give any of the parties a right to determine the contract on their own without assigning reasons. On the contrary, the clause is worded in such a manner that if there is any breach on the side of the vendors, then alone the contract will stand determined and too on them making payment of the advance amount with 12% interest.”

38. In *Narendra Hirawat and Co. v. Sholay Media Entertainment Pvt. Ltd.* (2020) 5 Mah LJ 173, the Maharashtra High Court held as under:

“8. The question now is whether the plaintiff deserves any interim protection pending such trial. Dr. Saraf, for defendant No. 1, submits, and he is joined in this by Mr. Andhyarujina, who appears for defendant No. 2, that the suit agreements being in the nature of a licence, and accordingly, by their very nature being determinable, their specific performance cannot prima facie be granted. Learned Counsel rely on the provisions of section 14(d) of the amended Specific Relief Act. (Amended section 14(b) is in *pari materia* with old section 14(1)(c) of the un-amended Specific Relief Act.) The word “licence” used in the suit agreements is not some special term of art so as to give rise to any particular consequence, as a matter of law, so far as revocability or determinability of the agreements is concerned; the consequence would rather depend on the agreements read as a whole. Apropos the agreements and having regard to the particular term of determination thereunder, Dr. Saraf and Mr. Andhyarujina argue that the contract is clearly determinable and if that is so, no specific performance is permissible. Learned Counsel rely on the cases of *Indian*

Oil Corporation Ltd. v. Amritsar Gas Service, (1991) 1 SCC 533, *Jindal Steel and Power Limited v. SAP India Pvt. Ltd.*, (2015) 221 DLT 708 and *Spice Digital Ltd. v. Vistass Digital Media Pvt. Ltd.*, 2012 MhLJ Online 105 : (2012) 114 Bom LR 3696. Relying on these cases, it is submitted that since the subject agreements contain a termination clause, they must be treated, as, by their very nature, determinable and accordingly, no specific performance should be granted. Learned Counsel are not right there. When the relevant provision [section 14(d) of the Specific Relief Act] uses the words “a contract which is in its nature determinable”, what it means is that the contract is determinable at the sweet will of a party to it, that is to say, without reference to the other party or without reference to any breach committed by the other party or without reference to any eventuality or circumstance. In other words, it contemplates a unilateral right in a party to a contract to determine the contract without assigning any reason or, for that matter, without having any reason. The contract in the present case is not so determinable; it is determinable only in the event of the other party to the contract committing a breach of the agreement. In other words, its determination depends on an eventuality, which may or may not occur, and if that is so, the contract clearly is not “in its nature determinable”.

9. The cases cited by learned Counsel for the defendants are clearly distinguishable on facts. In *Indian Oil Corporation* (supra), the contract (clause-28 of the distributorship agreement) gave right to either party to determine the agreement by giving 30 days' notice and the only relief that was permissible in such a case was award of a compensation for the period of notice, that is to say, 30 days. It is in the context of this clause that the Supreme Court held that the respondent before it (original plaintiff) was not entitled to restoration of its distributorship terminated by the appellant (original defendant), but only entitled to compensation for loss of

earning for the notice period of 30 days, since such notice was not given by the defendant to the plaintiff. Likewise, in *Jindal Steel and Power Ltd.* (supra), the relevant clause of the contract gave right to the respondent before the Court (original defendant) to terminate the licence after giving 30 days' notice to the petitioner (original plaintiff). In pursuance of this clause, a learned Single Judge of Delhi High Court held that the contract was determinable by its very nature. In *Spice Digital Ltd.* (supra), the relevant contract (clause 6.2 of the agreement before the Court) gave right to either party to the contract to terminate the agreement upon a 30 days' prior written notice to the other party without assigning any reason for such termination. Once again, it is in the context of such unilateral right of termination that the Court came to a conclusion that the contract was, by its very nature, determinable and no specific performance could be claimed. All these cases are clearly distinguishable and do not support the defendants' case here.”

39. In *Tarun Sawhney v. Uma Lal: 2011 (125) DRJ 527*, this Court held as under:

“4. Section 14(1) of Specific Relief Act deals with the contracts which cannot be specifically enforced and such contracts include a contract which by its nature is determinable. Therefore, the question which comes up for consideration is as to whether the agreements dated 16.09.2009 can be said to be determinable by nature within the meaning of Section 14(1)(c) of Specific Relief Act. In my view, Section 14(1)(c) of Specific Relief Act deals with the contracts which a party to the contracting is entitled to determine, during the subsistence of the contract. This clause, in my view, does not refer to a contract which would stand determined on account of non-performance of his obligation by a party to the agreement. Defendant No. 5 states that Clause 20 of the

first agreement and Clause 17 of the second agreement, which are identical clauses, provide for termination of the contract in the event of its not being implemented within the time frame fixed in the agreement and not by an action of a party to the agreement. Even if the interpretation being given by Defendants No. 3 and 5 is accepted, a clause providing for automatic termination of the contract on account of its not being implemented within a given time frame would not make the contract terminable in nature, within the meaning of Section 14(1)(c) of Specific Relief Act, which I feel only to such contracts which provide for its termination by a party to the agreement, during the subsistence of the agreement. Section 14(1)(c) refers to agreements, which, either from their special character or from special stipulations, are determinable at the option or pleasure of the party against whom the relief is sought.”

40. In *Intercontinental Hotels Group India Private Ltd v. Shiva Satya Hotels Pvt Ltd*: 2013 SCC Online Guj 8678, the Gujarat High Court held as under:

“47. What is meant by determinable? Its dictionary meaning as per Oxford English Dictionary is, (i) Fixed definable (ii) Able to be authoritatively decided, definitely fixed or definitely ascertained and (iii) Liable to come to an end, terminable. In the earlier Act i.e. Specific Relief Act, 1877-Clause (d) of Section 21 had used the word ‘revocable’. The Law Commission had suggested that ‘revocable’ is not the proper expression. Following the recommendation of Law Commission, the word ‘determinable’ is introduced. So, word ‘determinable’ can be considered as a synonyms of word ‘revocable’. Further, when term in question in the agreement is not incomplete, or not lacking in clarity or it is not uncertain and such term or terms of the agreement is breached and question arose for determination whether the agreement is determinable or

not, then answer most likely than ‘not’, in all cases would be in negative i.e. not determinable. How to consider that agreement is determinable in nature or not? In *Rajasthan Breweries Ltd.’s case* (supra) gives one test, viz., all voidable agreements are revocable and such agreements are determinable. In *Adhunik Steel’s case* (supra), the Orissa High Court took the view that provision of closing the breach i.e. calling upon the other side to remedy the breach within 90 days makes the agreement not determinable at the instance of either party. In *Mariott International Inc.’s case* the Court found that agreement is not specifically enforceable on account of Section 14(1)(a) and 14(1)(b). Clause- (c) does not appear to have been specifically considered by the Court. One way of looking at it, is to ask the question whether it is possible to issue order of specific performance and possible to enforce that order? In other words, the Court would not issue idle or formal order or the direction. The Court would not issue futile direction. Obviously, the facts and circumstances of the case-mainly the terms of the agreement-would decide whether it is just, proper and legal to enforce the agreement or not. Determinability of the agreement may be determined by applying the test of ‘propriety.’”

41. The Madras High Court in its decision of ***A.Murugan and Ors. v. Rainbow Foundation Ltd: (2020) 3 MLJ 47***, has held as under:

“16. On examining the judgments on Section 21(d) of SRA 1877 and Section 14(c) of the Specific Relief Act, as applicable to this case, i.e. before Act 18 of 2018, I am of the view that Section 14(c) does not mandate that all contracts that could be terminated are not specifically enforceable. If so, no commercial contract would be specifically enforceable. Instead, Section 14(c) applies to contracts that are by nature determinable and not to all contracts that may be determined. If one were to classify contracts by placing them in categories on the basis of

ease of determinability, about five broad categories can be envisaged, which are not necessarily exhaustive. Out of these, undoubtedly, two categories of contract would be considered as determinable by nature and, consequently, not specifically enforceable : (i) contracts that are unilaterally and inherently revocable or capable of being dissolved such as licences and partnerships at will; and (ii) contracts that are terminable unilaterally on “without cause” or “no fault” basis. Contracts that are terminable forthwith for cause or that cease to subsist “for cause” without provision for remedying the breach would constitute a third category. In my view, although the **Indian Oil case** referred to clause 27 thereof, which provided for termination forthwith “for cause”, the decision turned on clause 28 thereof, which provided for “no fault” termination, as discussed earlier. Thus, the third category of contract is not determinable by nature; nonetheless, the relative ease of determinability may be a relevant factor in deciding whether to grant specific performance as regards this category. The fourth category would be of contracts that are terminable for cause subject to a breach notice and an opportunity to cure the breach and the fifth category would be contracts without a termination clause, which could be terminated for breach of a condition but not a warranty as per applicable common law principles. The said fourth and fifth categories of contract would, certainly, not be determinable in nature although they could be terminated under specific circumstances. Needless to say, the rationale for Section 14(c) is that the grant of specific performance of contracts that are by nature determinable would be an empty formality and the effectiveness of the order could be nullified by subsequent termination.”

[Emphasis Supplied]

42. The aforesaid view was also followed by the Madras High Court in its subsequent decision of *Jumbo World Holdings Ltd v.*

***Embassy Property Developments Pvt Ltd: 2020 SCC OnLine Mad
61.***

43. In view of the above, this Court is unable to accept that the Trademark License Agreement, as amended by the Amendment Agreement, is in its nature determinable and, therefore, incapable of being specifically enforced by virtue of Section 14(d) of the Specific Relief Act, 1963.

44. Mr Verma contended that since the Trademark License Agreement has been terminated, this Court cannot grant specific performance of the same. He submitted that the scope of Section 9 of the A&C Act is limited to preserving the subject matter of the disputes and, therefore, GTL's rights in the Exclusive Brands are required to be protected by interdicting GTPL from using the same.

45. The said contention is also unmerited. First of all, the sweep of Section 9 of the A&C Act is not narrow, as contended by Mr Verma. The Court has wide powers including to grant such interim measures of protection as may appear to the court to be just and convenient. The court has the same power for making orders as it has for the purpose of and in relation to any proceeding before it. The subject matter of disputes in the present case are not only the rights of GTL but also that of GTPL. In terms of the Trademark License Agreement, GTPL has, subject to payment of agreed royalty, the right to use the Exclusive Brands in perpetuity. This is a valuable right and, surely, it cannot be

contended that this Court lacks the jurisdiction to pass interim orders of protection for preserving such right.

46. It is important to note that it is GTL that has approached this Court and cannot insist that interim orders of protection be passed in its favour without establishing a *prima facie* case and balance of convenience, in its favour.

47. If it is found that the action of GTL terminating the Trademark License Agreement is contrary to its terms and the termination is illegal, the Trademark License Agreement, as amended by the Amendment Agreement, may be specifically enforced.

48. GTL's contention that GTPL is in default of its obligations under the Trademark License Agreement as amended by the Amendment Agreement is, *prima facie*, unpersuasive. In terms of the Amendment Agreement, GTPL was required to pay royalty for the months of August, 2020 through to November, 2020 as stipulated in Clause 2 of the Amendment Agreement. GTPL had made the said payments. In terms of Clause 3 of the Amendment Agreement, the minimum sales turn over from August, 2020 was required to be carried forward as the minimum sales turn over to be achieved by GTPL for the next month. Undisputedly, the conditions as set out in Clause 2 and 3 of the Amendment Agreement were duly met.

49. Clause 4 of the Amendment Agreement specified that subject to fulfilment of the conditions as stipulated in Clause 2 and 3 of the Amendment Agreement, the parties would meet in the first week of

December, 2020 “to discuss and agree upon further Royalty and other targets and terms and conditions, going forward”.

50. A plain reading of the termination notice dated 13.02.2021 indicates that GTL had sought to terminate the Trademark License Agreement on account of (a) alleged failure on the part of GTPL to provide the sales turn over from October, 2020 onwards; and, (b) failure on the part of GTPL to discuss further sales after November, 2020 in terms of Clause 4 of the Amendment Agreement.

51. However, GTL has not placed any communication (letter or email) on record, whereby it had invited GTPL for any discussion regarding targets for payment of future royalty after November, 2020. According to GTL, it had made verbal requests for the same. However, there is no contemporaneous communication indicating the same.

52. On the contrary, GTL had raised invoices for royalty for the months of December, 2020, January, 2021 and February, 2021 on the second day of the respective months based on the minimum agreed turnover for November, 2020 (as stipulated) under the Amendment Agreement.

53. The only communications relied upon by Mr Verma in support of his contention that GTL had called upon GTPL to submit their sales figure of turnover, is a letter dated 05.01.2021 and an email dated 02.02.2021. The letter dated 05.01.2021 is set out below:-

“Date 05-01-2021

To,
Mr. Yogesh Chug Industrial Plot No.. 69-A
Toy City, Gautam Buddh Nagar,
Greater Noida,
UP-201306

Subject : Invoice No GTL/ROY/20-21/05 Dated 01-12-2020 and GTL/ROY/20-21/06 Dated 02-01-2021

Please note that we have sent the above subject invoices on the basis of November 2020's invoice and you made payment of the same, where as volume and amount are yet to be finalized for the month of December 2020 & onwards as per agreement dated 29th August 2020. Please also note that we will raise separate invoice for the difference in volume and value if any.

Thanking you

For Golden Tobacco Limited

Pawan Kumar Malsaria
Executive Director

54. The email dated 02.02.2021 is set out below:

“From: S P Malkoti [mailto:malkoti@goldentobacco.in]
Sent: 02 February 2021 18:25

To: 'subhash.kataria@goldentoble.com'
Subject: Royalty-feb21

Dear Sir,

Please find attached Invoice No GTL/ROY/20-21/007 dated 2/22021 Please note the Royalty

charges in above invoice is based on November 2020 Invoice. The volume and value yet to be conform. We will submit the separate Invoice for the difference if any

Regards

S P Malkoti
Golden Tobacco Ltd
Vadodara”

55. It is apparent from the above that there was no specific demand made by GTL seeking any information regarding sales turnover. GTL had merely reserved its right to raise a separate invoice if there was any difference in the royalty payable based on the volume and value of the sales made.

56. Plainly, if GTL required GTPL to submit details of any sales turn over, it is reasonable to expect that GTL would have sent letters/communications demanding the same and also putting GTPL to notice regarding the consequences of failure to submit the same.

57. In view of the above, this Court is unable to accept that GTL has, *prima facie*, established any default on the part of GTPL entitling GTL to terminate the Trademark License Agreement.

58. The termination notice dated 13.02.2021 is also, *ex-facie*, illegal as it is not in conformity with the terms of the Trademark License Agreement, as amended by the Amendment Agreement. In terms of Clause 5 of the Amendment Agreement, GTL was entitled to terminate the Agreement in the event GTPL did not comply with any

of the conditions as set out in the Trademark License Agreement “after a notice period of 3 (three) months by issuance of a termination notice”. However, paragraph 14 of the termination notice dated 13.02.2021 expressly states that GTL had terminated the Trademark License Agreement and the Amendment Agreement “with immediately effect”.

59. Mr Verma, has contended that the said notice was in conformity with the Amendment Agreement as GTL had refrained from taking any action for a period of three months after 13.02.2021 and the same was sufficient compliance of Clause 4 of the Amendment Agreement. He submitted that GTPL had not contested the notice at the material time on the aforesaid ground, but had merely insisted that the same be withdrawn.

60. The contention that since GTL had refrained from taking any action for a period of three months after issuance of the termination notice, it had complied with the notice requirement under Clause 5 of the Amendment Agreement, is without merit. The contention that GTPL had not raised any objection regarding the same, is also erroneous. GTPL had responded to the said termination notice by a letter dated 10.03.2021 and specifically pointed out that there was a provision to cure the defects within a period of thirty days in respect of any default in payment of monthly royalty. Further, GTL had also stated that in case of failure to cure the defect, the termination could be effected after a period of ninety days.

61. GTL responded to the said letter dated 10.03.2021 by its letter dated 15.03.2021 reiterating that the Trademark License Agreement and the Amendment Agreement were terminated and, it would be constrained to take legal action if, GTPL did not stop manufacturing and distribution of the cigarettes under the Exclusive Brands. GTL alleged that the use of Exclusive Brands by GTPL after 13.02.2021 – that is, after the date of the termination notice – is illegal. Paragraphs 8 and 9 of GTL’s reply dated 15.03.2021 are relevant and are set out below:-

- “8. Though this rejoinder notice, we hereby call you to resist from using our well known brands of Trade mark as we had already terminated the Trade Mark license agreement dated 12/2/2020 and amendment agreement dated 29/8/2020 vide our notice dated 13/2/21. Inspite of termination notice if you indulge in using our Brands for manufacturing and selling in the market, you will be doing so at your own risk and consequences, we shall be constrained to take legal action both in civil and criminal case against you and your company, your employees and distributors and dealers who are manufacturing, distributing and dealing & selling our cigarette brands in market.
9. We once again advise you to stop manufacturing, distributing and selling our well known brands forthwith or otherwise we are constrained to take legal action both in criminal & civil case against you & your company and claim compensation/damages for illegal use of our cigarettes brands from 13/2/21.”

62. Thus, the contention that GTL had granted ninety days prior

notice to GTPL cannot be accepted.

63. In view of the above, this Court does not consider it apposite to grant the relief as sought for by GTL in the present petition. The petition is, accordingly, dismissed. The *ad-interim* order stands vacated.

64. It is clarified that all rights and contentions of the parties in the arbitration proceedings are reserved. The Arbitral Tribunal, as and when constituted, shall consider the disputes between the parties uninfluenced by any findings or observations in this order.

SEPTEMBER 24, 2021
pkv/RK

VIBHU BAKHRU, J

