IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on : 22.10.2024

Pronounced on : 30.10.2024

Coram:

THE HONOURABLE MR. JUSTICE **G.K.ILANTHIRAIYAN**

Arb.Appln.No.486 of 2024 and OA.Nos.546 & 547 of 2024

Arb.Appln.No.486 of 2024

1.Ucon PT Structural System Private Limited
(Formerly knoan as Utracon Structural Systems Private Limited)
Represented by its Authorized Signatory,
Arunkumar,
Old No.23, New No.45, 5th Street,
Padmanabha Nagar, Adyar,
Chennai 600 020
2.M.Kamalakannan .. Applicants

/versus/

1.Utracon Corporation Pte Ltd.,
Having office at,
5, Joo Koon Way, Singapore 628 994
2.Utracon Management Pte Ltd.,
Having office at,
5, Joo Koon Way, Singapore 628 994
3.Utracon Engineering Services Private Limited,
Second Floor, APS Thinaki Towers,
115/1, Kamaraj Avenue, 2nd Street, Adyar,
Chennai 600 020 ... Respondents

Prayer: Arbitration Application is filed under Order XIV Rule 8 of O.S.Rules read with Section 9(2) (a) and 9(2)(e) of Arbitration and Conciliation Act, 1996 seeking to pass an interim direction to the respondents not to poach any client/employees of the applicant company and provide employment or undertake any contract works and further, to ensure compliance with the provision of clause 10.2 of the Sale of Shares Agreement dated 22.03.2012 till the disposal of the present application.

For Applicants : Mr.Naveen Kumar Murthy
for Mr.R.Premchander

For Respondents : Mrs.C.Deepika Murali
for M/s.Sukrit Kapoor

OA.No.546 of 2024

1.Ucon PT Structural System Private Limited
(Formerly knoan as Utracon Structural Systems Private Limited)
Represented by its Authorized Signatory,
Arunkumar,
Old No.23, New No.45, 5th Street,
Padmanabha Nagar, Adyar,
Chennai 600 020
2.M.Kamalakannan .. Applicants

/versus/

1.Utracon Corporation Pte Ltd.,
Having office at,
5, Joo Koon Way, Singapore 628 994
2.Utracon Management Pte Ltd.,
Having office at,
5, Joo Koon Way, Singapore 628 994
3.Utracon Engineering Services Private Limited,
Second Floor, APS Thinaki Towers,
115/1, Kamaraj Avenue, 2nd Street, Adyar,
Chennai 600 020 ... Respondents

Prayer: Arbitration Original Application is filed under Order XIV Rule 8 of O.S.Rules read with Section 9(2) (a) and 9(2)(e) of Arbitration and Conciliation Act, 1996 seeking to grant an interim injunction restraining the third respondent herein from using/utilising, in any manner, whether during the course of business or otherwise, either by itself or through its affiliates etc., the name and logo of 'UTRACON' till the disposal of the present application.

For Applicants : Mr.Naveen Kumar Murthy
for Mr.R.Premchander

For Respondents : Mrs.C.Deepika Murali
for M/s.Sukrit Kapoor

OA.No.547 of 2024

1.Ucon PT Structural System Private Limited
(Formerly knoan as Utracon Structural Systems Private Limited)
Represented by its Authorized Signatory,
Arunkumar,
Old No.23, New No.45, 5th Street,
Padmanabha Nagar, Adyar,
Chennai 600 020
2.M.Kamalakannan .. Applicants

/versus/

1.Utracon Corporation Pte Ltd.,
Having office at,
5, Joo Koon Way, Singapore 628 994
2.Utracon Management Pte Ltd.,
Having office at,
5, Joo Koon Way, Singapore 628 994
3.Utracon Engineering Services Private Limited,
Second Floor, APS Thinaki Towers,
115/1, Kamaraj Avenue, 2nd Street, Adyar,
Chennai 600 020 ... Respondents

Prayer: Arbitration Original Application is filed under Order XIV Rule 8 of O.S.Rules read with Section 9(2) (a) and 9(2)(e) of Arbitration and Conciliation Act, 1996 seeking to grant an interim injunction restraining the third respondent herein from using/utilising, in any manner, whether during the course of business or otherwise, either by itself or through its affiliates etc., the name and logo of 'UTRACON' till the disposal of the arbitration proceeding between the parties and further, restrain the respondents from communicating with the clients/employees of the applicant company.

For Applicants : Mr.Naveen Kumar Murthy
for Mr.R.Premchander

For Respondents : Mrs.C.Deepika Murali
for M/s.Sukrit Kapoor

COMMON ORDER

Arb.Appln.No.486 of 2024 has been filed seeking to pass an interim direction to the respondents not to poach any client/employees of the applicant company and provide employment or undertake any contract works and further, to ensure compliance with the provision of clause 10.2 of the Sale of Shares Agreement dated 22.03.2012 till the disposal of the present application; OA.No.546 of 2024 has been filed seeking to grant an interim injunction restraining the third respondent herein from using/utilising, in any manner, whether during the course of business or otherwise, either by itself or through its affiliates etc., the name and logo of 'UTRACON' till the disposal of the present application and OA.No.547 of 2024 has been filed seeking to grant an interim injunction restraining the third respondent herein from using/utilising, in any manner, whether during the course of business or otherwise, either by itself or through its affiliates etc., the name and logo of 'UTRACON' till the disposal of the arbitration proceeding between the parties and further, restrain the respondents from communicating with the clients/employees of the applicant company.

2. The first applicant is a company incorporated under the Companies Act, 1956 and the second applicant is the Managing Director of the first applicant. While being so, memorandum dated 01.10.2011 was entered between the applicants and respondents 1 & 2, wherein it was agreed that 16 lakh shares of the first applicant company constituting 80% of the total shares would be sold by respondents 1 and 2 in favour of the second applicant. In pursuant to the memorandum, they had entered into sale of shares (hereinafter called as 'SOS') agreement. Accordingly, on 22.03.2012, the second applicant had purchased 80% share i.e. 16 lakh shares of the first applicant. Clause 3.1 to 3.3 of the agreement deal with the consideration part wherein share value was fixed as Rs.50/- per share and it was stipulated that 50% of the consideration would

be paid by 31.03.2012 and the remaining balance by 20.04.2012. The SOS agreement shall remain valid as long it is not terminated. As per the clause 10.2 of SOS agreement, the respondents 1 and 2 undertake that for a period of 10 years from the date of agreement, they will not either on their own or in conjunction with others and whether directly or indirectly or alone or jointly or through any person in competition with the business of the first applicant solicit or canvass or entice away any of the employees from the applicant for the purposes of employment in an enterprise or venture similar to the business of the first applicant. It is relevant to extract the clause 10.2 of the license agreement dated 22.03.2012 hereunder:

> 10.2 UCPL undertake that, for a period of 10 (ten) years from the date of this Agreement, they will not either on their own account or in conjunction with others and whether directly or indirectly:
>
> 10.2.1 whether alone or jointly with or through any other Person in competition with the business of USSI solicit or canvass or entice away (or endeavour to solicit or canvass or entice away) any of the employees from USSI for the purposes of employment in an enterprise or venture similar to the business of USSI whether or not such Person would commit a breach of contract by reason of leaving service;
>
> 10.2.2 whether alone or jointly with or through any other Person in competition with the business of USSI carry

on business or trade under a name which is identical or similar to any names used by the business of USSI or which suggests any connection with the business of USSI, within India;

10.2.3 whether alone or jointly with or through any other Person in competition with the business of the USSI establish or develop or carry on or be engaged in any business enterprise or venture materially competing with the business of USSI in pre-stressing works as currently conducted by USSI within India.

2.1 Further, clause 10.1.1 of the SOS agreement forbids the applicants from venturing into any similar venture with the business of the first and second respondents or any part of it outside India. The second applicant controlled the first applicant and he became the face of the first applicant. It shows from the increase of turnover of the first applicant after the second applicant became the major shareholder of the first applicant. The turn over which was Rs.120.09/- crores for the financial year 2012-13 had virtually doubled to Rs.235.69/- crores for the financial year 2018-2019 thereby respondents 1 and 2 being shareholders of the first applicant enjoyed the benefits. After SOS agreement was entered between the first applicant and the first respondent whereby exclusive licence was granted in favour of the first applicant for the period of 10 years and also charged licence fee. While being so, the first respondent had incorporated a new company in India in the name of the third respondent in the month of February 2019. It is incorporated with the first respondent as the major shareholder, which is gross violation of SOS agreement. The third respondent was incorporated with the objection of poaching and enticing away all the clients and customers including employees of the first applicant. Therefore, there is dispute between them and the first applicant preferred a petition under the Commercial Courts Act, 2015 by invoking Section 12A of the Act. Therefore, the first applicant alleged that the third respondent itself is a categoric breach of clauses 10.2, 10.2.1, 10.2.2, 10.2.3 and also clause 12 of the SOS agreement. Therefore, the first applicant is entitled for being indemnified under clause 8.1 of the SOS agreement.

2.2 Subsequently, the first applicant company had changed its name from Utracon Structural Systems Private Limited to Ucon PT Structural System Private Limited on 22.05.2023. The shareholding of the first respondent also reduced from 10% to 5% in the first applicant company in pursuance to the Rights Issue conducted by the first applicant. Subsequently, the third respondent also poached key personnel and staff of the applicants with the sole intention of illegally poaching the clients, employees, work orders and contracts procured or to be procured by the first applicant. Therefore, the first applicant changed its name and initiated appropriate steps to change its name in business, correspondences, mails, etc. Therefore, the first applicant is entitled for damages for the losses due to the illegal and impermissible acts of the respondents during the subsistence of SOS agreement. In this regard, the applicants moved application under Section 9 of the Arbitration and Conciliation Act in Arbitration Application No.472 of 2024 along with OA.Nos.534 and 535 of 2024 before this Court and it is pending. However, it would not provide any benefit to the applicants by invoking arbitration clause under the licence agreement and as such, the applicants have preferred these applications.

3. Heard, the learned counsel appearing on either side and perused all the materials placed before this Court.

4. On perusal of the counter filed by the respondents and on hearing the submissions of *Mrs.Deepika Murali*, the learned counsel appearing for the respondents revealed that the first and second respondents are companies incorporated under the laws of Singapore. The third respondent is a private limited company incorporated under Companies Act, 2013 in India. The applicants and the respondents 1 and 2 entered into a memorandum dated

01.10.2011 towards transfer of equity shares from the respondents 1 and 2 to the applicants as per clause 3.4 provided that a separate and distinct agreement entered between the first applicant and the first respondent as SOS agreement dated 22.03.2012 in pursuant to which, another agreement was also entered into i.e. licence agreement dated 22.03.2012. The first respondent had secured registration of 'Utracon' Trademark bearing registration No.2379606 in Class 37 on 14.08.2012 and valid upto 14.08.2032. Thereafter, the applicants violating those agreements, attempted to apply for registration of 'Utracon' Trademark vide application No.3806452 dated 15.04.2018. It was rejected by the Trade Marks Registry by an order dated 15.04.2018. Thereafter, the respondents duly informed the applicants about the expiry of licence agreement by their communication dated 30.03.2021 and reminded them for renewal.

5. While being so, the respondents were served with notice from the Tamil Nadu State Legal Services Authority, Chennai with regards to Pre-Institution Mediation Application dated 10.04.2024 under Section 12A of the Commercial Courts Act, 2015 as against the respondents 1 and 3, thereby challenging the termination of the licence agreement. Thereafter, the first respondent issued Cease-and-Desist notice dated 30.05.2024 to the applicants as well as their associated individuals and companies regarding the continued

infringement of registered trademark of 'Utracon' and to discontinue illegal exploitation of the intellectual property owned by the respondents. However, subsequently the said mediation proceedings was withdrawn by the first applicant by the legal notice dated 30.07.2024. Therefore, the first respondent preferred a commercial suit along with an application under Order XXXIX Rules 1 and 2 of the Civil Procedure Code, 1908 as against the applicants before the Hon'ble High Court of Delhi seeking permanent and mandatory injunction to restrain them from infringing upon the 'Utracon' Trademark of the first respondent in CS.(Comm) No.661 of 2024. The Hon'ble High Court of Delhi granted interim injunction dated 07.08.2024 and also directed to block domain name of the applicants which was used by the applicants to exploit the intellectual property rights owned by the first respondent. Private notice was also served on the applicants and directed the applicants to appear on 03.10.2024.

6. Further, the applicants ought to have raised the allegation of violation of SOS agreement and the licence agreement within the period of 30 days from the date of violation as per clause 9.4 of SOS agreement. It is relevant to extract clause 9.4 of SOS agreement dated 22.03.2012 in respect of material breach hereunder:

9.4 Material Breach

This Agreement may be terminated at any time prior to the Completion Date, by any non-breaching Party upon 30 (thirty) Business Days notice to the other Parties if a Party has materially breached any of its representations, warranties or covenants in this Agreement; provided, however, that notwithstanding the foregoing, no Party shall have the right to terminate this Agreement upon a breach by one or the other of them, or if one or the other of them is the subject of bankruptcy or has failed to satisfy any of the Conditions Precedent mentioned in Clause 4.

6.1 Accordingly, SOS agreement can be terminated by 30 days notice to the parties, if a party has materially breached any of its clauses. The limitation period of three years should have commenced from March 2019 and therefore, the claim of the applicants is hopelessly time barred. Even according to the applicants that the alleged breach of contract is stated to have taken place on 14.03.2019, however the Pre-Institution Mediation Application was filed only in the month of April 2024. Therefore, the claim of the applicants is time barred one and the applicants are not entitled for any relief sought for in these applications.

7. The licence agreement and the SOS agreement have termination

clauses. Clause 8.2 of the licence agreement says about termination. It is relevant to extract clause 8.2 of the licence agreement hereunder:

> 8.2. **Termination**: UCPL and USSI a shall have the right to terminate this Agreement for the following reasons:-
>
> (1) Non-observance of exclusivity provisions by UCPL under Section 2 hereinbefore:
>
> (2) This Agreement may be terminated at any time prior to the expiry of the Term, by any non-breaching Party upon 30 (thirty) Business Days notice to the other Parties if a Party has materially breached any of its representations, warranties or covenants in this Agreement;
>
> (3) Bankruptcy of a party or having a receiving order made against it or presenting a petition in bankruptcy or making arrangement with or assignment in favour of one party's creditors or going into liquidation.

8. Insofar as SOS agreement, clause 9 says about the termination. It is relevant to extract clauses 9.2, 9.3 & 9.4 of the SOS agreement hereunder:

> 9.2 **Termination due to Breach of Pre-Completion Conditions**
>
> This Agreement may be terminated by the aggrieved Party at aggrieved Party discretion, if the Pre-Completion Conditions are not complied with to the reasonable satisfaction of the aggrieved Party by 31 May 2012 or such other later date

as may be agreed in writing between the Parties, as provided in Clause 4.8.

9.3 **Termination due to Non-Occurrence of Completion Date**

This Agreement may be terminated by the Vendors in the event that the Pre- Completion Conditions have been duly complied with in accordance with the provisions of Clause 4 but the Completion Date has not occurred by 31 May 2012 or such later date as may have been mutually agreed in writing between the Parties, by the Vendors upon 30 (thirty) Business Days notice to the other Parties, provided that the Agreement cannot be terminated under this Clause by the Vendors if their fault or breach has caused failure of the Completion Date to occur, where such failure has not been cured prior to the end of such 30 (thirty) Business Days:

9.4 **Material Breach**

This Agreement may be terminated at any time prior to the Completion Date, by any non-breaching Party upon 30 (thirty) Business Days notice to the other Parties if a Party has materially breached any of its representations, warranties or covenants in this Agreement, provided, however, that notwithstanding the foregoing, no Party shall have the right to terminate this Agreement upon a breach by one or the other of them, or if one or the other of them is the subject of bankruptcy or has failed to satisfy any of the Conditions Precedent mentioned in Clause 4.

9. Any contract which provides for renewal based on mutual consent of the parties, ought to be determinable in nature. This also has bearing on injunctions which may be sought by the parties, as Section 41 sub clause (e) of the Specific Relief Act, 1963, provides that an injunction cannot be granted to prevent the breach of a contract, the performance of which would not be specifically enforced. The applicants had infringed the trademark and copyright of the respondents and had breached both the licence agreement as well as SOS agreement and it is a material breach as defined under clause 9.4 of the SOS agreement. Therefore, when the applicants violate any essential terms of the contract, it is one of the circumstances in which the court cannot enforce specific performance in favour of the applicants. This court held in the case of ***NLC Tamilnadu Power Limited and Others Vs. Sical Logistics Limited***[1], that a contract which is in its nature determinable, cannot be specifically enforced. Section 41 of the Specific Relief Act stipulates the circumstances in which the court could refuse interim injunction. In other words, under sub section (e) of Section 41 of the Specific Relief Act, an injunction cannot be granted to prevent the breach of a contract, the performance of which would not be specifically enforced. Therefore, on a combined reading of section 14 and 41 (e) of the

1 2019 SCC Online Mad 16819

Specific Relief Act, the relief sought for by the applicants is prohibited by statute and it is liable to be rejected and therefore as the applicants are themselves in breach of the essential terms of the relevant agreements, there is a bar on the specific enforcement of the reliefs sought for by the applicatns.

10. That apart, on perusal of SOS agreement, clause 10.2 (non-compete and non-solicitation) reveals that the active period of the said non-compete and non-solicitation clause is for 10 years from the date of the SOS agreement i.e. from 22.03.2012 till 21.03.2022. Therefore, the applicants cannot seek the enforcement of non-compete and non-solicitation clause because 10 years period as specified under the SOS agreement now stands expired. In fact, the term of 10 years expired when the respondents received notice from the Tamil Nadu State Legal Services Authority, Chennai for Pre-Institution Mediation Application dated 10.04.2024. Therefore, injunction sought for by the applicants cannot be granted.

11. The Hon'ble Supreme Court of India held in the case of ***Big Charter Private Limited Vs. Ezen Aviation Pty. Ltd and Others***[2], that the applicant, in Section 9, is also required to demonstrate that where urgent interim reliefs not granted, there is a chance of the arbitral proceedings being frustrated,

2 2020 SCC Online Del 173

even before they take off, and of the award, if any, which may come to be passed, being rendered futile. No such eventuality will occur for granting interim relief to the applicant. The arbitral tribunal is the appropriate forum to decide on the disputes that arise from the agreements between the applicants and the respondents as per clause 14 of the licence agreement and clause 18 of the SOS agreement. The arbitral tribunal is empowered to grant interim measures as well. The applicants have failed to establish the prima facie case in their favour and they have also failed to establish that the balance of convenience is tilted in their favour and also that irreparable loss or injury will be caused to them, if the interim measures sought for are not granted.

12. In the above circumstances, this Court is not inclined to grant any interim orders. Accordingly, both the original applications and also the arbitration application are dismissed.

30.10.2024

Neutral citation: Yes/no
Index : Yes/No
Speaking/Non Speaking
lok

G.K.ILANTHIRAIYAN, J.

lok

1.Utracon Corporation Pte Ltd.,
Having office at,
5, Joo Koon Way, Singapore 628 994
2.Utracon Management Pte Ltd.,
Having office at,
5, Joo Koon Way, Singapore 628 994
3.Utracon Engineering Services Private Limited,
Second Floor, APS Thinaki Towers,
115/1, Kamaraj Avenue, 2nd Street, Adyar,
Chennai 600 020

Arb.Appln.No.486 of 2024 and
OA.Nos.546 & 547 of 2024

30.10.2024