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

Date of Decision: 20th February 2024

+ O.M.P. (COMM) 338/2023

NATIONAL RESEARCH DEVELOPMENT CORPORATION AND
ANOTHER Petitioners

Through: Mr. Aldanish Rein, Advocate.

versus

M/S MECPRO HEAVY ENGINEERING LTD. Respondent

Through:

HON'BLE MR. JUSTICE ANUP JAIRAM BHAMBHANI

J U D G M E N T

ANUP JAIRAM BHAMBHANI J.

By way of the present petition filed under section 34 of the Arbitration & Conciliation Act 1996 ('A&C Act'), the petitioners impugn arbitral award dated 26.05.2023 rendered by the learned Sole Arbitrator in disputes that had arisen between the parties from Agreement dated 25.03.2004.

2. The court has heard Mr. Aldanish Rein, learned counsel appearing for the petitioners, at length on the point of issuance of notice. Mr. Rein has also filed a short synopsis summarising his submissions.
3. Mr. Rein submits that the learned Sole Arbitrator has dismissed the claims made by the petitioners *only* on the ground that the claims



were barred by limitation, which is a perverse inference, since the petitioners' case before the learned Arbitrator was that the cause of action in favour of the petitioners was a continuing cause of action and therefore their claims could not have been held to be barred by limitation.

4. Briefly, the genesis of the disputes is a Technology Development and Demonstration Programme Agreement dated 25.03.2004 ('TDDP Agreement') signed between the petitioners and the respondent in connection with the Technology Promotion Development and Utilisation ('TPDU') Programme for purposes of "Technology Development and Demonstration of Continuous Hydrogenation System for Fatty Acids and Oleo Chemicals Plants", under which agreement petitioner No. 2 was to release in favour of the respondent partial financial support of Rs.70 lacs against a total project costs of Rs.145 lacs. Eventually, petitioner No. 2 released Rs.55 lacs to the respondent, since that amount was found sufficient to complete the project.
5. Further to the TDDP Agreement, another Agreement dated 12.05.2004 was also signed between the parties concerning the collection of royalty payable by the respondent to petitioner No. 1, under which the respondent was liable to pay an annual lump-sum royalty of 1.3 times the amount disbursed by petitioner No. 2, for a period of 05 years from the start of commercial sale of the product developed under the TDDP Agreement.
6. Furthermore, as per the TDDP Agreement, the respondent was to assign the technology that was to be developed under the project



alongwith a licence to use the intellectual property and the know-how to petitioner No. 1 within 60 days from the occurrence of certain events, as detailed hereinafter.

7. The relevant portion of clause 11 of the TDDP Agreement, around which the dispute revolves, reads as follows :

“11. UTILIZATION OF TECHNOLOGY

a.

b.

c.

d.

e. MECPRO will assign the technology proposed to be developed under this project alongwith license to use the intellectual property owned by them and transfer the know-how document to NRDC within 60 days from the occurrence of any of the following:

(i) If MECPRO refuses to exercise its right, within one year of completion of the “Project”, its option to commercialise technology,

(ii) If MECPRO fails to commercialise technology within four years of completion of the project,

(iii) If MECPRO fails to execute agreement referred to in clause 11(a) above,

f. NRDC will have an exclusive right to license the technology developed through the “Project” to third parties in case of occurrence of either of the events referred in clause 11(e) above. MECPRO will provide to NRDC full details of any Improvement(s) made on the “Product” and the process of manufacture and any additional information, which NRDC may require to license this technology to third parties, in the event of third party licensing under the circumstances given in clause 11(e) above. In such cases, MECPRO will also provide training to third party licensees on request from NRDC on mutually agreed terms. Revenues earned by NRDC through third party licensing under this clause will be shared between MECPRO and NRDC (on behalf of DSIR) in the ratio of actual financial contributions by DSIR and MECPRO towards the project as assessed at the end of the project.”

8. It has been argued on behalf of the petitioners that admittedly the technology was developed by the respondent in June 2008; however,



the respondent neither refused to exercise its option to commercialise the technology within 01 year of completion of the project; nor was the respondent able to commercialise the project within 04 years of completion, *i.e.* by June 2012. It is argued that in these circumstances, it was the respondent's obligation under the agreement to assign the technology alongwith the licence to use the intellectual property and the know-how to petitioner No. 1 within 60 days from the expiry of the said period of 04 years, *i.e.* by or before August 2012.

9. It is the petitioners' case that they wrote several letters requesting the respondent to furnish their royalty returns in terms of the TDDP Agreement; however, the respondent failed to do so; and instead, to such letters the respondent invariably replied to say that “ *our effort is there to put this technology to the commercial platform*”.
10. Mr. Rein points-out that since clause 17 of the agreement contemplated that the terms of the agreement, including the timeframes stipulated thereunder, could be modified, in view of the assurances extended by the respondent, the petitioner did not take any legal action and instead chose to give further time to the respondent to make their best efforts, submitting that granting such time amounted to modification of the agreement as was permissible in clause 17. For reference, clause 17 reads as follows :

“17. MODIFICATIONS TO THE AGREEMENT

The Agreement can be modified through mutual written consent of all the parties to this Agreement.”



11. In these circumstances, it is submitted that the petitioners invoked arbitration *vide* Notice dated 22.10.2021, whereupon the arbitration proceedings commenced.
12. The essence of Mr. Rein's contention is that the technology developed under the TDDP Agreement was intellectual property, which could be commercialised at anytime during the 'lifetime' of the technology, even after it was updated to advanced versions. Therefore, it is argued that so long as the technology/intellectual property remained in the possession of the respondent, the breach of the agreement continued to remain. As a result, Mr. Rein argues that the petitioners are suffering *continuing injury* since they stand deprived of their right to commercialise the technology/intellectual property, which amounts to a continuing cause of action prevailing in favour of the petitioners.
13. In view of the above, the petitioners made the following claims *vide* Statement of Claim dated 08.02.2022 :

"In the above facts and circumstances of the case herein above, it is most respectfully prayed that the Ld. Arbitrator may be pleased to:

- A. Award lumpsum royalty payment of 1.3 times of the amount disbursed by DSIR for the project amounting to Rs. 14.30 Lakhs for a period of 5 years as damages **(Total Rs. 7150000/-)** for failing to assign the technology within 60 days upon the failure to commercialise technology within four years of completion of the project in terms of clause 11(e)(ii) of the TDDP Agreement.
- B. Award **GST @ 18 % on the above amount of Rs. 7150000/-** which amounts to 1287000/-.
- C. Award **Interest on the above amount of Rs 7150000/- @12% for the first six months from August 2012 to February 2013 amounting to Rs. 429000/-** in terms of the Royalty collection Agreement.



- D. Award Interest on the above amount of Rs 7150000/- @ 18% beyond the period of six months till realization/recovery of the entire amount due to NRDC from February 2013 to February 2023 amounting to Rs. 12870000/- in terms of the Royalty collection Agreement.*
- E. Pass any other order as the Ld. Arbitrator deems fit and proper in the facts of the present case.”*

(bold in original)

14. In this backdrop, after a very detailed consideration of the submissions made on behalf of the petitioners as well as the respondent, the learned Arbitrator has opined as follows :

“23. Mr. Aldanish Rein, Ld. Counsel appearing on behalf of the Claimants has vehemently argued that the non-transfer of the Technology and the know-how documents by the Respondent is a breach of the TDDP Agreement and the same has resulted in:

- (a) the technology still remains with the Respondent till date;*
- (b) The technology would still be commercialized by the Respondent as stated by them in their various communications exchanged between the parties; and*
- (c) Till the time the technology is with the Respondent, it is a continuing wrong and a continuous injury to the Claimants.*

“25. Per contra, Mr. Arvind Kumar Jadon, Ld. Counsel appearing on behalf of the Respondent has contended that the Claimants never setup a case based upon cause of action for transfer of technology either in the notice of invocation of arbitration or in their petition filed before the Hon'ble Delhi High Court for appointment of the Arbitrator under Section 11(6) of the Arbitration and Conciliation Act, 1996. It was submitted that even if the Claimants would have based their case for recovery of the royalty amount for failure of the Respondent to transfer the technology still the Claimants' cause for invoking the present arbitration would fall under the category of cases filed for breach of



agreement' limitation for which is covered by Article 54 and 55 of the Limitation Act, 1963. It was further argued by the Ld. Counsel appearing on behalf of the Respondent that the claims of the Claimants for recovery of the royalty amount allegedly due and payable under the TDDP Agreement dated 25.03.2004 and Royalty Collection Agreement dated 12.05.2004 are hopelessly barred by limitation and cannot be entertained or adjudicated upon by this Arbitral Tribunal.

“27. A holistic wholesome reading of various clauses particularly clause 4.1(d); clause 11(e) of the TDDP Agreement and clause 3 of the Royalty Collection Agreement extracted hereto above would show that the parties have expressly agreed regarding their rights and obligations under these Agreements particularly relating to financial aspects of the matter. The Claimants had partially funded the project of the Respondent and agreed to provide financial support to the tune of Rs. 70,00,000/- whereas the total project cost was Rs. 145 Lakhs. The Claimants have released Rs. 55 Lakhs to the Respondent. The financial arrangement between the parties is provided for in clause 5 of the TDDP Agreement extracted above. As per the Agreement, the Respondent was to pay annual lump-sum royalty payment of 1.3 times of the amount disbursed by the Claimants to the Respondent for the project in five equated annual installments of Rs. 14.30 Lakhs every year for five years from the start of commercial sale of the product against the funds released to the Respondent by the Claimants as their contribution for implementation of the above project. The term 'Commercial sale' is defined in the TDDP Agreement which stipulate that the 'commercial sale' of the product(s) will mean the first invoiced sale of the product by the Respondent. Clause 11(e) of the TDDP Agreement extracted above is significant and it provides for an obligation upon the Respondent to assign the technology proposed to be developed under this project alongwith license to use the intellectual property owned by them and transfer the know-how document to NRDC (Claimant No. 1) within 60 days from the occurrence of any of the following events;



- i. If MECPRO refuses to exercise its right within one year of the completion of the project, its option to commercialize the technology,
- ii. If MECPRO fails to commercialize technology within four years of completion of the project.
- iii. If MECPRO fails to execute Agreement referred to in clause 11(a) above.”

Whereupon, the learned Arbitrator has concluded as follows :

“31. If the project was completed in June, 2008, the last of the above two situations would have come to an end by August, 2012, which is the date by which the technology ought to have been transferred by the Respondent in favour of the Claimants. This did not happen presumably because the Claimants acquiesced into the submission of the Respondent that it was making efforts aggressively to commercialize the technology/product despite new technology having come in place. In case the Claimants were aggrieved by the action of the Respondent in not transferring the technology in the teeth of the contractual provisions contained in the TDDP Agreement and the Royalty Collection Agreement, the cause of action in favour of the Claimants to sue the Respondent could at best be an action for breach of the terms of the Agreement for which limitation is prescribed in Article 55 of the Schedule to the Limitation Act, 1963 extracted above according to which the three years’ time to sue for breach of contract would commence from the date when the contract was broken. As already stated above, the breach, if any, on the part of the Respondent in not transferring the technology arose in August, 2012 and three years limitation prescribed in Article 55 had expired around August, 2015.”

“33. The argument advanced by the Ld. Counsel for the Claimants that, non-transfer of technology by the Respondent has caused a continuing wrong and a corresponding continuing injury to the Claimants and therefore, the cause of action for invoking the arbitration is a continuing one which brings the claims of the



Claimants within time as they are filed pursuant to a notice of invocation of arbitration dated 22.10.2021, does not appear to be convincing at all and is thus, not acceptable to this Arbitral Tribunal particularly, in view of clause 16 of the TDDP Agreement which provide the duration of Agreement between the parties for a period of 14 years from the date of its signing (Agreement signed on 25.03.2004). After the term of the Agreements had expired by efflux of time, the rights and obligations of the parties automatically have come to an end. The Claimants cannot be expected to wait endlessly to avail their legal remedy under the agreements after cessation of the rights and obligations of the parties under these agreements."

(emphasis supplied)

15. The learned Arbitrator has further observed that as per clause 16 thereof, the term of the agreement itself expired by efflux of time after 14 years from the date of its signing. Clause 16 of the TDDP Agreement reads as under :

"16. DURATION OF THE AGREEMENT

The duration of this Agreement will be for a period of 14 years from the date of its signing."

16. As a sequitur to the above discussion, the learned Arbitrator has been pleased to hold that the claims preferred by the petitioners are time-barred, since they are covered by Article 55 of the Schedule to the Limitation Act 1963, which prescribes a limitation period of 03 years. The learned Arbitrator has held that the cause of action arose in August 2012, and the limitation period expired in August 2015; however the claims arising from TDDP Agreement dated 25.03.2004 were not raised by the petitioners up-until the issuance of invocation notice dated 22.10.2021 *i.e.* until 17 years later.



17. In regard to Mr Rein's contention that the correspondence exchanged between the parties amounted to modification of the time-frames prescribed in the agreement, it is settled law that mere writing letters and reminders does not extend the period of limitation. A brief reference may be made on this point to the decision of the Supreme Court in ***Bharat Sanchar Nigam Limited & Anr. vs. Nortel Networks (India) (P) Ltd.***¹, which holds as under :

"51. The period of limitation for issuing notice of arbitration would not get extended by mere exchange of letters, [S.S. Rathore v. State of M.P., (1989) 4 SCC 582 : 1990 SCC (L&S) 50; Union of India v. Har Dayal, (2010) 1 SCC 394; CLP (India) (P) Ltd. v. Gujarat Urja Vikas Nigam Ltd., (2020) 5 SCC 185] or mere settlement discussions, where a final bill is rejected by making deductions or otherwise. Sections 5 to 20 of the Limitation Act do not exclude the time taken on account of settlement discussions. Section 9 of the Limitation Act makes it clear that: "where once the time has begun to run, no subsequent disability or inability to institute a suit or make an application stops it." There must be a clear notice invoking arbitration setting out the "particular dispute" [Section 21 of the Arbitration and Conciliation Act, 1996.] (including claims/amounts) which must be received by the other party within a period of 3 years from the rejection of a final bill, failing which, the time bar would prevail."

(emphasis supplied)

18. As a result, this court is of the view that since the cause of action for filing a claim arose in August 2015, and the agreement itself expired by efflux in March 2018, the claims raised by way of the arbitration notice on 22.10.2021 are *ex-facie* time-barred.

¹ (2021) 5 SCC 738



19. Considering the basis and reasoning on which it proceeds, this court is unable to discern any ground for interfering with the arbitral award under section 34 of the A&C Act.
20. The petition is accordingly dismissed *in-limine*; without however any order as to costs.
21. Pending applications, if any, also stand disposed-of.

ANUP JAIRAM BHAMBHANI, J

FEBRUARY 20, 2024/uj