

M/S. SHINHAN APEX CORPORATION

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v.

M/S. EURO APEX B.V.

(Civil Appeal Nos.4359-4360 of 2016)

APRIL 22, 2016

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**[FAKKIR MOHAMED IBRAHIM KALIFULLA AND
S. A. BOBDE, JJ.]**

Arbitration – Partial Final Award – Licence agreement between the appellant and the respondent – Provision for settlement of disputes by arbitration – Dispute between the parties before the arbitral tribunal – Subsequently, application for registration of Patent in US as well as India by the appellant – Partial Final Award by arbitral tribunal whereby the respondent to transfer all rights and interests of Indian Patent to claimant – Thereafter, application by the respondent before the High Court for enforcement of the PFA – High Court held that there was a material alteration in the draft deed forwarded by the respondent to the appellant when the final deed was executed in the deed and thus, the appellant bound to execute transfer deed of assignment as per the draft sent by the respondent as was originally forwarded to the appellant – On appeal, held: Appellant did not commit any default in complying with the direction of the said Award and the direction of the judge was wholly unwarranted – If the respondent failed to act based on the final transfer deed executed by the appellant, which was in tune with the draft forwarded by respondent themselves, the appellant cannot be blamed for the misfeasance committed by the respondent.

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Allowing the appeals, the Court

HELD: 1.1 Having regard to the development which took place after the PFA which discloses that the appellant did not commit any default in complying with the direction of the said Award and the present direction of the judge in the impugned order was wholly unwarranted. If the respondent failed to act based on the final transfer deed executed by the appellant on 4.4.4012, which was in tune with the draft forwarded by the respondent themselves, the appellant cannot be in any way blamed for the misfeasance committed by the respondent. [Para 14] [43-F]

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A 1.2 The judge completely missed to note that based on the
correspondence exchanged between the respondent and the
appellant between 19.1.2012 and 3.4.2012 Annexure P6 dated
4.4.2012 was the ultimate transfer deed which the appellant was
obliged to execute, that the appellant duly executed the said
document by signing the same on 4.4.2012 and forwarded to the
B respondent's lawyers and the due execution of which was also
confirmed on behalf of the respondent by their lawyers. A further
confirmation was made by the respondent's counsel to the
respondent themselves on the same day as to the execution of
the transfer deed dated 4.4.2012. The original documents were
C also forwarded by the appellant on 12.4.2012. After the referred
sequence of events as regards Annexure P6 dated 4.4.2012 are
noted, it must be held that the direction the PFA of the Arbitral
Tribunal was duly carried out by the appellant based on the first
request of the respondent themselves as made on 19.1.2012 and
D as per the modified request dated 3.4.2012. If that was the real
fact situation in regard to the execution of the transfer deed, which
was completely omitted to be noted by the Single Judge, it must
be held that there was no occasion for the respondent to have
any grievance in regard to the execution of the transfer deed as
directed in the PFA of the Arbitral Tribunal. The failure on the
E part of the judge in having noted the fact that the transfer deed
dated 4.4.2012 was as per the re-draft forwarded by the respondent
themselves which was duly executed and sent back by the
appellant by 9.4.2012 and the original by 12.4.2012 unfortunately
resulted in the passing of the impugned order. In the light of the
said patent illegality in the impugned order, the same is set aside.
F [Para 15] [43-H; 44-A-E]

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 4359-
4360 of 2016

G From the Judgment and Order dated 29.09.2014 passed by the
High Court of Judicature at Bombay in Execution Application No. 643
of 2013 in Award dated 23.12.2011 with Chamber Summons No. 832 of
2014

K. Vishwanathan, Sr. Adv., Pramod Nair, Raghenth Basant, Ms.
Aanchal Tikmani, Ms. Liz Mathew, Advs. with them for the Appellant.

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Manoj K. Singh, Nilava Bandyopadhyay, Prem Prakash, Advs. A
for the Respondents.

The Judgment of the Court was delivered by

FAKKIR MOHAMED IBRAHIM KALIFULLA, J. Leave
granted.

1. These appeals are directed against the order dated 29.9.2014 in
Execution Application No.643 of 2013 in Award dated 23.12.2011 with
Chamber Summons No.832 of 2014. B

2. To briefly note the facts, there was a Licence Agreement
between the appellant and the respondent dated 22.2.1993 which provided
for settlement of disputes by way of arbitration in accordance with the
Rules of the Dutch Arbitration Institute. The said agreement was sought
to be terminated by a notice by the respondent on 12.3.2007. The
termination was to take effect from 23.02.2008. The dispute went before
the Arbitral Tribunal. On 11.6.2008, the appellant filed an application for
registration of Patent Nos.10-0865115 and 100909490 in the United States
as well as in India. In the arbitral proceedings, a Partial Final Award (for
short, PFA) came to be passed by the Arbitral Tribunal on 23.12.2011. C
We are presently concerned with the Indian Patents in which the
appellant's rights and interest were involved, namely, Patent Nos. 2143/
MUM/2008 and 2144/MUM/2008. The relevant part of the award (viz) D
paragraphs 7 and 9, of the PFA reads as under:- E

"7. Respondent to, within 30 days following the notification of the
arbitration award, unconditionally and irrevocably, fully transfer
all rights and interests of Indian Patent No.2143/MUM/2008 and
2144/MUM/2008 to Claimant, or a company designated by
Claimant, and sign/execute and submit, at the first request of
Claimant, and within 3 days following such request, all the
documents that are required to effect such patent rights and
interests transfer in accordance with the requirements of the Indian
Patent Act and applicable Indian laws; and to simultaneously
provide copies of all the relevant correspondence relating to such
transfer to the attorney of Claimant by fax and registered post
(fax: +31-20-6513001, HIL International Lawyers & Advisers,
PO Box 22678, 1100 DD Amsterdam, the Netherlands); F
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A 9. Respondent to pay a direct enforcement penalty in the amount of Euro 50,000 for each case in which Respondent infringes the arbitral orders sub 7 and 8 above, and Euro 5,000 for each day the infringement continues;”

B 3. The Award dated 23.12.2011 was communicated to the parties by the Arbitral Tribunal on 27.12.2011. Therefore, the period of thirty days, fixed in paragraph 7, was to start from 27.12.2011.

C 4. Closely followed by that, the respondent forwarded its request dated 19.1.2012 in the form of a letter communicated by the Advocate of the respondent to the appellant by enclosing the required documents to be executed by the appellant for the purpose of transfer of the patents. In the opening paragraph of the draft transfer deed a reference was made to PFA rendered on 23.12.2011 of CASE NAI 3625, in order to ascertain the obligation of the appellant to execute the transfer of the patents. It is not in dispute that subsequent to the said letter dated 19.1.2012 and the enclosures, discussions were held between January and March, 2012 among the advocates of the appellant and the respondent to finalize the draft deed of transfer.

D 5. Thereafter, again at the instance of the respondent through a communication dated 3.4.2012 of the respondent’s lawyers addressed to the appellant a re-draft of the deed of transfer was enclosed, which was dated 4.4.2012. In the opening part of the said Deed, the reference to PFA, which was mentioned in the earlier draft transfer deed, was omitted. In other respects, the draft remained the same which contained a clause under the caption ‘Consideration’ to the effect, “Pursuant to the above, the Parties agree that the consideration for the sale and transfer of the patent and the patent rights shall be US\$ 1 (United States Dollar One), receipt of which is hereby acknowledged”.

E 6. That apart, in clause 5.5 of the re-draft it was mentioned that arbitration of the dispute arising out of or in connection with the deed should be initially settled under the Rules of Singapore International Arbitration Centre by a Sole Arbitrator appointed in accordance with the said Rules and the proceedings should be in English and the seat of arbitration should be Singapore. Insofar as the said clause was concerned, the same was different than the one which was contained in the earlier draft, as per which the arbitration was to be carried out with the Rules and provisions by Netherlands Arbitration Institute and the venue of the arbitration as Hague, The Netherlands and governing law was also

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mentioned as the laws in force in the Netherlands and the Courts at A
Netherlands to have jurisdiction. In the draft dated 4.4.2012 the governing
law was to be the laws in force in India.

7. The appellant received the re-draft by way of e-mail on 3.4.2012
with a direction to the appellant to sign the document, get it legalized by B
the Indian Embassy in Seoul and dispatch the same to the respondent's
lawyers in Amsterdam. The appellant executed the deed of transfer
dated 4.4.2012 and thereby transferred all its rights and interests in the
Indian Patents in favour of the respondent. The appellant's lawyers sent
an electronic copy of the said document to the respondent duly notarized C
with an assurance that the original would be promptly couriered to the
respondent upon confirmation. In response to the same, the lawyers of
the respondent in their e-mail dated 11.4.2012 intimated that the signature
part of the deed was correctly executed by the appellant and also wanted
the original deed to be sent by courier to their Amsterdam Office for
carrying out other additional formalities for effecting the transfer. D
Simultaneously, their lawyers also on the same day informed the
respondent confirming the forwarding of the transfer deed for effecting
the transfer of the patent applications duly signed by the appellant. The
original document was also forwarded to the lawyers of the respondent
on 12.4.2012.

8. However, it appears that the respondent had its own issue with E
its lawyers as regards the draft as well as the final deed executed by the
appellant in favour of the respondent which came to light when the
present proceedings before the High Court was launched by the
respondent. The same was reflected in the communication dated
12.4.2012 addressed by the representative of the respondent to its
lawyers. Thereafter, the next communication was dated 3.12.2012 by F
the respondent's lawyer addressed by way of an e-mail to the appellant's
lawyer suggesting that the transaction can be by way of trade sale of
the appellant's business. On behalf of the appellant, its lawyer sent a
reply dated 11.12.2012 taking the definite stand that after the execution
of the transfer deed dated 4.4.2012 the requirement of the obligation to G
be fulfilled by the appellant was duly complied with as per the PFA
dated 23.12.2011. Thereafter, by another communication dated 15.3.2013,
the respondent's lawyers sent a fresh e-mail to the appellant's lawyers
informing that fresh steps are required to be taken to arrive at a final
settlement of disputes. The said e-mail was also replied on behalf of the
appellant on 20.3.2013 wherein the respondent was reminded as to the H

A confirmation of the steps taken based on the transfer deed executed by them. For the first time, on 8.6.2013, by way of e-mail at the instance of the respondent's lawyers it was intimated that respondent was not willing to accept the transfer of Indian Patents based on the language used in the draft deed as signed by the appellant. The said e-mail was also duly replied on behalf of the appellant on 15.6.2013 pointing out that the deed was executed as per the draft forwarded to the respondent by their lawyers and consequently the appellant was not in any way liable for either any delay or for the terms contained in the transfer deed.

9. It was in the above-stated background the present application came to be filed by the respondent on 8.7.2013 before the High Court of Bombay for the enforcement of paragraph 7 of the PFA dated 23.12.2011. By the impugned order, the learned Single Judge held that there was a material alteration in the draft deed forwarded by the respondent to the appellant when the final deed was executed in the deed dated 4.4.2012 and consequently, the appellant is bound to execute a transfer deed of assignment as per the draft sent by the award holder, namely, the respondent as was originally forwarded to the appellant.

10. With that view, the learned Judge directed the appellant to execute the deed of transfer and assignment of Patent Nos. 2143/MUM/2008 and 2144/MUM/2008 in favour of the award holder in terms of Annexure P6 to the Execution Application incorporating therein the complete recital 'B' and the Arbitration Clause 5.5 showing the future arbitration in Netherlands within two weeks from the date of the order. Aggrieved by the impugned order, the appellant is before us.

11. We heard Mr. K.V. Vishwanathan, learned senior counsel appearing for the appellant and Mr. Manoj K. Singh, learned counsel appearing for the respondent.

12. Having drawn our attention to the above factual details which emanated after the passing of PFA dated 23.12.2011, Mr. Vishwanathan, learned senior counsel, contended that when the application was initially moved, the respondent failed to bring to the notice of the Court about the extensive correspondence which took place between 19.1.2012 and 15.6.2013, that after the appellant in its Chamber Summons brought to the notice of the Court the relevant information, namely, the re-draft sent by the respondent on 3.4.2012 which contained the variation in para 'B' as between the one contained in the earlier draft of 19.1.2012 and 3.4.2012 as well as the arbitration clause and the governing law contained

in paragraphs 5.5 and 5.6, the respondent for the first time in their rejoinder referred to those documents. The learned senior counsel pointed out that learned Judge completely omitted to take note of such relevant factors and proceeded to hold as though the draft sent by the respondent on 19.1.2012 alone was material and that the changes found in the final deed dated 4.4.2012 was at the instance of the appellant which unfortunately led to the passing of the impugned order.

13. In reply, Mr. Singh, learned counsel appearing for the respondent, was not able to controvert the factual position, namely, that the first request of the respondent after the PFA dated 23.12.2011 was 19.1.2012, that along with the said communication the draft deed of transfer to be executed by the appellant was forwarded to it, that after detailed discussions between January and March, 2012, the re-draft was forwarded by the respondent on 3.4.2012 wherein the reference to PFA in the opening paragraph of the earlier draft was omitted and that the paragraphs relating to consideration was specified apart from the change about the venue and the applicable Rules of the Arbitral Tribunal was noted as Singapore instead of Netherlands and the governing law applicable was also changed from Netherlands to India. Learned counsel was also not able to controvert any of the other subsequent correspondence exchanged between the appellant and the respondent between 11.4.2012 and 15.6.2013.

14. Having regard to the said development which had taken place after the PFA dated 23.12.2011 which discloses that the appellant did not commit any default in complying with the direction of the said Award and, therefore, the present direction of the learned Judge in the impugned order was wholly unwarranted. If the respondent failed to act based on the final transfer deed executed by the appellant on 4.4.2012, which was in tune with the draft forwarded by the respondent themselves, the appellant cannot be in any way blamed for the misfeasance committed by the respondent.

15. In the above-stated background, when we consider the prayer of the respondent as claimed in the application, the prayer was for a direction to the appellant to execute the deed of transfer and assignment of Patent Nos. 2143/MUM/2008 and 2144/MUM/2008 in favour of the respondent in terms of the draft deed in Annexure P6, which was dated 4.4.2012. In fact the learned Judge, as rightly pointed out by Mr. Vishwanathan, learned senior counsel for the appellant, completely missed

A to note that based on the correspondence exchanged between the respondent and the appellant between 19.1.2012 and 3.4.2012 Annexure P6 which was dated 4.4.2012 was the ultimate transfer deed which the appellant was obliged to execute, that the appellant duly executed the said document by signing the same on 4.4.2012 and forwarded to the respondent's lawyers on 9.4.2012 and the due execution of which was also confirmed on behalf of the respondent by their lawyers on 11.4.2012. A further confirmation was made by the respondent's counsel to the respondent themselves on the same day, i.e. 11.4.2012 as to the execution of the transfer deed dated 4.4.2012. The original documents were also forwarded by the appellant on 12.4.2012. After the above referred sequence of events as regards Annexure P6 dated 4.4.2012 are noted, it must be held that the direction contained in paragraph 7 of the PFA of the Arbitral Tribunal was duly carried out by the appellant based on the first request of the respondent themselves as made on 19.1.2012 and as per the modified request dated 3.4.2012. If that was the real fact situation in regard to the execution of the transfer deed, which was completely omitted to be noted by the learned Single Judge, it must be held that there was no occasion for the respondent to have any grievance in regard to the execution of the transfer deed as directed in paragraph 7 of the PFA of the Arbitral Tribunal dated 23.12.2011. The failure on the part of the learned Judge in having noted the fact that the transfer deed dated 4.4.2012 was as per the re-draft forwarded by the respondent themselves which was duly executed and sent back by the appellant by 9.4.2012 and the original by 12.4.2012 unfortunately resulted in the passing of the impugned order. In the light of the said patent illegality in the impugned order, the same is liable to be set aside.

F 16. In the said circumstances, the impugned order of the learned Judge cannot be sustained, the same is set aside and the appeals stand allowed.

Nidhi Jain

Appeals allowed.