

**Hero Eco Tech Ltd. and Others Vs. Hero Cycles Ltd. and Another**

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**Court :** Delhi

**Decided On :** May-06-2016

**Judge :** V. Kameswar Rao

**Appeal No. :** O.M.P.(I) (COMM.) No. 136 of 2016

**Appellant :** Hero Eco Tech Ltd. and Others

**Respondent :** Hero Cycles Ltd. and Another

**Judgement :**

V. Kameswar Rao, J. (Oral)

1. This is a petition filed by the petitioners under Section 9 of the Arbitration and Conciliation Act, 1996 ( Act in short) with the following prayers:-

A. Pending the hearing and final disposal of the arbitration proceedings, the Respondents be restrained by way of an ex-parte ad interim and interim injunction from exhibiting, promoting, displaying or selling bicycles bearing the trademark / Trade name HERO in any country other than India, USA, Russia, Australia New Zealand, Japan and European Union (except UK, Germany and Turkey) otherwise using the mark HERO in any country other than India, USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey) either as a trademark, trade name or in any manner whatsoever;

B. Pending the hearing and final disposal of the arbitration proceedings, the Respondents be restrained by way of an ex-parte ad interim and interim injunction from using the monogram as described in the Family settlement agreement dated 20th May 2010 in any country other than India, USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey);

C. The Respondents be directed to put a disclaimer on their advertisements/ invoices/ bills/ promotional materials that the goods sold by them are not for sale or export (directly or indirectly) in any country other than India, USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey);

D. The cost of the petition be paid by the Respondents to the Petitioners ; and

E. This Hon'ble Court be pleased to pass such other or further or order(s) as this Hon'ble Court deems fit and appropriate in the facts and circumstances of the present case.

## **FACTS**

2. A Family Settlement Agreement ( FSA in short) was executed between four Family Groups of the Munjal family being (F-1, F-2, F-3 and F-4) on 20th May, 2010, wherein, according to the petitioners, the rights of the different family groups qua the trademark Hero were clearly demarcated. The petitioners case is that F1 family group, represented by the petitioner No.2 herein would be entitled to exclusively own and use the trademark HERO for export of bicycles and parts thereof to all countries except India, USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey) and F-4 Family Group of which respondent No.2 is a part would be entitled to use the trademark HERO for bicycles and parts in India and the six countries excluded above.

3. The petitioners also avers that the parties herein, more specifically the petitioner No. 1 and the respondent No. 2 also entered into an undertaking and Business Realignment Agreement (BRA) dated January 31, 2011 wherein the operations and business of manufacturing bicycles and bicycle components under the

concern namely M/s. New Cycle Division at Ludhiana along with the assets and liabilities were assigned by the respondent No.2 to the petitioner No. 1. According to the petitioners, by virtue of this Agreement, the petitioners herein became entitled to full rights and benefits of use and exploitation, to the extent such rights and benefits are vested in or available to the respondent No.2 and subject to the FSA/Trademark Agreement as of 20th May, 2010 and such other restrictions as are applicable thereto, of all intangible assets relating to and forming part of the business of the undertaking including trademarks , sub trademarks, patents, copyrights , designs, etc. and goodwill. It is the case of the petitioners that other than HERO marks, all other trademarks, sub-trademarks came to the share of the petitioners. The petitioner, in his petition has given reference to different litigations between the parties. The case of the petitioners is that, despite having full knowledge of the rights and liabilities pursuant to the Family Settlement Agreement that they (respondents) did not have any rights in the trademark HERO for the purposes of export (except USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey), as a clever device to wriggle out of their obligations therein, started holding and participating in various exhibitions in relation to bicycles, parts, components etc. in the countries which exclusively fell in the domain of the petitioners in respect of the use and exploitation of the Trade Mark HERO by using the trade name Hero Cycles Ltd. and also the Monogram associated with the Trade Mark HERO so as to impinge upon the exclusive rights of the Petitioners with respect to the commercial use and exploitation of the Trade Mark 'HERO' in the aforesaid countries and to thereby violate the terms and conditions of the Family Settlement Agreement dated May 20th 2010. A reference has been made by the petitioners to one such participation in the 25th International Bicycle and Motor Fair in China during 2015, which made them to file a petition before this Court being OMP 288/2015, which petition was disposed of in terms of a settlement arrived at between the parties on the basis of an undertaking given by the respondents that they shall not export or sell to China, any HERO brand bicycles or bicycle parts under the trade name HERO in the said fair.

4. It is the case of the petitioners, that they had agreed that the respondents could book orders for export of their products for customers visiting the fair from

countries where the respondents have right to use the mark HERO. It is also the case of the petitioners that they have found a wrongful sale of bicycles and bicycle parts to domestic purchasers, inasmuch as the respondents made sale of their goods consisting of bicycles and parts to Infinity Enterprises, SCF 21-F, B.R.S. Nagar, Ludhiana ostensibly as a domestic sale. The said organisation, on the same day, sold the same to one M/s Guru Kirpa Overseas, Ludhiana, for the purposes of export, which in turn started exporting the said goods bearing the trademark HERO to Bangladesh, which territory vests exclusively with the petitioners.

5. The petitioner would aver that the families continued to negotiate to resolve the issues. However, to the shock of the petitioners, it has come to their attention that the respondents, in complete violation of the Family Settlement Agreement/Trademark Agreement have once again booked a stall at the 26th International Bicycle and Motor Fair in China commencing May 06, 2016 and also an exhibition in Germany commencing on August 31, 2016.

6. In the reply, it is the stand of the respondents that while seeking an interim order under Section 9 of the Act, it is the manifest intention of a party to go for arbitration at the time of the filing of the petition but previously also, the petitioners had filed OMP 288/2015 under Section 9 of the Act seeking a restraint order from exhibiting, promoting or displaying its bicycles at the 25th International Bicycle and Motor Fair in China in 2015 but the petitioner had not invoked the arbitration clause and from which, it can be inferred, the petitioners have no intention to commence arbitration proceedings and on this ground only, the petition needs to be dismissed. The respondents have also pleaded delay and acquiescence on the part of the petitioners to approach this Court inasmuch as the petitioners knowing well that the booking for the fair takes place at least 4-6 months prior thereto and definitely by January. The respondents referred to the fact that on January 12, 2015, the petitioners wrote to the respondents stating that they have come to know that the respondents have booked a stall in the fair at China. Despite the same, the petitioners deliberately did not approach this Court in a timely manner. Instead, they have waited till the last month in approaching this Court so as to create an artificial urgency in the hope, they may be able to obtain orders on the basis of the

urgency. On the plea of acquiescence, it is the case of the respondents that they have been participating in this fair since 2013 but the petitioners never objected to the same despite knowledge as the petitioners had also participated there. According to the respondents, the petitioners and the respondents had also participated in the fair in the year 2014 and 2015. The very fact, that the petitioners have consented to the respondents booking orders for export of their products including HERO brand bicycle or bicycle parts from customers visiting the on-going fair from countries like USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey), they were very well aware that the respondents would participate in this year also.

7. Insofar as the merit of the case is concerned, it is the case of the respondents that they have exclusive right of ownership and use over the trademark HERO in relation to or in connection with Bicycle/ Automotive Products and Services and retain all right, title and interest therein. The petitioners have only been permitted to use the trademark HERO for export of bicycle and bicycle parts to specified territories. According to the respondents, as Clause 2.1.7 of the Undertaking and Business Realignment Agreement is subject to the Family Settlement Agreement and the Trade Mark and Name Agreement, there is no prohibition or negative intendment that hinders the respondents' participation in international trade fairs and the reliance placed by the petitioners upon the Undertaking and Business Realignment Agreement is of no significance.

8. Mr. C.M. Lall and Mr. Akhil Sibal had made their oral submissions. Mr. Lall reiterates the stand taken by the petitioners in its petition. That apart, it has been his endeavour to show in what manner, the respondents have violated the family settlement agreement. He would vehemently oppose the plea of the delay taken by the respondents in their reply to contend that there is no delay, inasmuch as after the culmination of the proceedings in OMP 288/2015, a meeting was held in July, 2015 between the family members. He states that a further meeting was held on August 21, 2015 of which minutes have been drawn and which have been annexed at page 8 of the documents filed along with the rejoinder. He also states, vide order dated October 30, 2015 even the Supreme Court has observed that it would be open for the parties to negotiate and settle the matter and in January,

2016, the negotiations have started as per the order of the Supreme Court. He also states, two meetings were held on January 16, 2016 and February 11, 2016. According to him, on March 15, 2016, settlement between the parties has failed. He also states, on March 18, 2016, the petitioners had participated in the Ludhiana exhibition without any objection. It was only on April 9, 2016 when the petitioners got an e-mail of final lay out, it was found that the respondents are participating in the China fair. He makes a similar plea that the petitioners have written to the respondents in 2013. The petitioners have also written to them against their participation in the 2015 China exhibition. It was only when the respondents refused to adhere to the Agreement, the petitioners filed a petition under Section 9 of the Arbitration and Conciliation Act being OMP 288/2015. He also states, that during the settlement process, the issue of participation in China exhibition was also discussed and since the negotiations failed in March, 2016 and thereafter the petitioners gained knowledge of participation of the respondents in the 2016 China fair only on April 9, 2016, the petitioners have filed the present petition.

9. On the other hand, Mr. Akhil Sibal, learned counsel for the respondents reiterates the plea of delay and laches and absence of manifest intention to arbitrate by stating that the petitioners had raised an objection to the respondents exporting to Africa as far back as 2011 and the petitioners also objected to the sale under the Hawk branch in Africa and other territories as far back as 2013 and took a specific objection to the respondents participation in the China fair in 2013. Admittedly, the respondents attended the China fair in 2014 without objection raised by the petitioners. According to him, Hawk and Hero branch were displayed at the China fair in 2015 as well, as has been done in 2013. Therefore, the action complained of today was the same action taken by the respondents in the year 2013, 2014 and 2015. He states, that booking for the China fair are closed 4-6 months prior to the date of exhibition. The respondents have made payment of US Dollars 27,350 for participation in the China fair. Thus, the belief of the petitioners, as canvassed by Mr. C.M. Lall that the respondents would not participate in the international fairs to be held in China and Germany on the basis of the order dated May 8, 2015 passed in OMP 288/2015 is unfounded. It was a fitment of imagination of the petitioners. In case, the petitioners had any doubt, they could have written to the respondents seeking a confirmation. Without resorting to such

a process, the petitioners have filed the present petition in this Court in the last week of April, in a similar manner, as they had done in the year 2015. He also pleads acquiescence, inasmuch as the petitioner is selling bicycles and bicycle parts under the banner of Hero Ecotech Ltd. in India, which as per the Family Settlement Agreement dated May 20, 2010 is not the petitioner's territory. According to him, the stand of the petitioner that such sales are permissible under the Family Settlement Agreement since it is under a different branch, namely Kross, and it is only being associated with one of the companies of the petitioners, namely Hero Ecotech Ltd and by prominently displaying name of Hero Ecotech Ltd. along with Kross, the petitioner is drawing such association in order to ride on the goodwill of the Hero brand.

10. According to him, the respondents had challenged such use in India and injunction restraining the petitioners in similar terms to what is sought at prayer (A) of this petition under Section 9 of the Act. The petitioner is now objecting to sale of bicycles by Hero Cycles Ltd. (HCL) under different sub-brands of HCL including Hawk in territories which, according to the petitioners, are allocated to it under the Family Settlement Agreement, while having successfully argued before the High Court of Patna that the sale by the petitioner Hero Ecotech Ltd in India of bicycles under the brand Kross is not in violation of the Family Settlement Agreement/Trade Mark Agreement. While the respondents have challenged the judgment of the Patna High Court before the Supreme Court, which challenge is pending final disposal, the petitioner has accepted the judgment and thereby acquiesced to an interpretation of the Family Settlement Agreement/Trade Mark Agreement to the effect that selling of cycles under each other's territories under different brand names albeit by companies with Hero formative names is consistent with the Family Settlement Agreement/Trade Mark Agreement, by which, it is clear that the petitioner is taking contradictory stands before different Courts and having already obtained benefit of its stand before the High Court at Patna, the petitioners cannot argue opposite before this Court.

11. On the interpretation of the Trademark and Name Agreement, it is his submission that the respondent is the proprietor and owner of all rights, title and interest in the trademark and name Hero including all registrations in the

trademark Hero, which is allocated to the F4 family group, namely the respondents, together with goodwill of the business accrued by use of the Hero mark in India and many other countries. He would rely upon clause 3.8 and 2.1 in support of his contention. He states that the limited exclusivity and rights of ownership and use granted to the petitioners, which is use for export of bicycles and bicycle parts in the territories as specified in sub-clause(d). Use for export would mean that F1 family group is permitted to export to certain territories using the Hero trademark from India, which given that Hero Cycles Ltd belonging to the respondents is otherwise the registered owner of Hero trademarks in India and would amount to infringement of trademarks as per Section 56 read with Section 29(6) of the Trademarks Act. He would also state, there is no prima facie case in favour of the petitioners; the balance of convenience is in favour of the respondents and would cause irreparable loss if the interim order, as sought, is granted. In that regard, he states, a high powered delegation from the State of Punjab including Deputy Chief Minister, two other Ministers and four staff members are expected to travel to China with respect to manufacture and sale of Hero cycles in India.

12. Mr. C.M. Lall, in rejoinder would state that the respondents and petitioners are not on the same footing in view of the following clauses of the agreements:-

(i) Clause 19.3(c) of Family Settlement Agreement;

(ii) Clause 22.11 of Family Settlement Agreement;

(iii) Narrative D to Schedule 10 to Family Settlement Agreement;

(iv) Clause 1.1.7 of Schedule 10 to Family Settlement Agreement, which clearly provides that the petitioners have exclusive right to use the trademarks/trade names HERO EXPORTS, HERO ELECTRIC, HERO ECO and rights to use the trademark HERO in the defined territories. Clause 2(ii) of the Family Settlement Agreement, clearly states that the petitioner have the exclusive right of ownership to use the F1 family trademarks as defined in clause 1.1.7.

(v) Clause 3.7 of Schedule 10 to Family Settlement Agreement;

(vi) BRA was executed between the respondents and the petitioner No.1 for realignment of New Cycle Division of the respondent No.1.

(vii) Clause 2.1.7 of BRA;

13. According to him, a combined reading of the above clauses clearly shows that the respondent No.1 could assign its rights under the Family Settlement Agreement to the petitioners and the same was permitted to be facilitated by the facilitator. Thus, by way of the BRA, the respondent No.1 assigned its rights in the New Cycle Division to the petitioner No.1. The respondent No.1 also assigned the rights in and to the Sub-brands exclusively to the petitioner No.1 which is apparent from clause 2.1.7 of the BRA. Further, the petitioner No.1 was also permitted to manufacture and sell bicycles and bicycle components in India under the corporate name Hero Ecotech by virtue of the BRA. He states, the petitioners do not display HERO branded cycles in the territories of respondent whereas the respondents display HERO branded cycles with or without the Hero Monogram as well as prominently display their corporate name HERO CYCLES LTD. in the territories of the petitioners. Clearly the petitioners are permitted by the respondents to use the corporate name HERO ECO TECH LTD. in the territories of the respondents whereas no such permission has been granted to the respondents by the petitioners to use the corporate name of trademark comprising of HERO in the territories of the petitioners. The respondents filed a suit against use of corporate name Hero Eco Tech Ltd. by the petitioners before the District Judge, Patna wherein injunction order was passed by the Ld. District Judge. However, the same has been vacated by the Patna High Court. The respondents have filed an SLP against the order of Patna High Court and no stay has been granted by the Supreme Court. The SLP is pending adjudication. The respondents have also not invoked arbitration till date despite disputes, which is clearly in violation of the Agreement as well as the order dated May 8, 2015 passed by this Court in OMP 288/2015. He states, in view of the above, the conduct of the petitioners in no manner can be called to be against equities and the petitioners have acted with bona fides and are entitled to the reliefs claimed in the petition. He states, the present petition only pertains to the participation of the respondents in the China Exhibition 2016 and Germany Exhibition 2016 and no issues have been

raised pertaining to the sub-brands including HAWK, which also belong to the petitioners. The petitioners reserve their rights to raise all objections and grounds before the learned Arbitrator, once he is appointed after invoking Arbitration. The balance of convenience is completely in favour of the petitioners as the respondents have violated the orders and undertaking given to this Court in 2015. The respondents are violating the rights of the petitioners as per the Agreements and are most likely to continue doing the same if not restrained by way of an injunction order passed by this Court. The petitioners have made a prima facie case for grant of injunction and irreparable injury will be caused to the petitioners if the same is not granted.

14. Having heard the learned counsel for the parties, there is no dispute that the Family Settlement Agreement incorporates an arbitration clause. From the pleadings and the contentions as advanced before this Court, it is noted that disputes have arisen between the parties. Surely, it is not for this Court to adjudicate the inter-se disputes between them as the same need to be settled through the process of arbitration. The limited relief, which this Court is now considering in this petition is pending arbitration whether the petitioners are entitled to the relief sought for, in relation to the fair that is being held in China from 6th May to 9th May, 2016.

15. Insofar as the plea of delay, as raised by the respondents is concerned, it is not disputed by Mr. Sibal that till March 2016, in terms of the order of the Supreme Court dated October 30, 2015, the parties were in talks. The talks have failed in the month of March, 2016. A plea has been taken by the petitioners that it was only through the e-mail dated April 9, 2016, the petitioners have come to know of the participation of the respondents in the China fair. It is the plea of the petitioners that the participation of the respondents in China fair was also subject-matter of the talks. In any case, when the parties were in talks, there was no occasion for the petitioners to approach this Court earlier to March 2016. The petitioners having a confirmed information, of the respondents participating in the China fair to be held between 6th May and 9th May, 2016, only on April 9, 2016 and the petition having been filed on April 21, 2016, the petition cannot be dislodged on the ground of delay.

16. The plea of acquiescence of Mr. Sibal is concerned, any finding either way at this stage, would have a bearing on the merit of the disputes between the parties and I refrain from saying anything on that. Further, the prayers A and B if granted, would amount to granting the final relief to the petitioners, which in any case, has to be considered by the learned Arbitrator.

17. The only prayer survives in the present petition is prayer C . On the said prayer, the submission of Mr. Sibal is that the petitioner is claiming disclaimer in respect of use by the respondents without offering corresponding disclaimer for its own use is answered by Mr. Lall by relying upon clause 1.1.7 of the Schedule 10 of FSA, which according to him clearly provides that the petitioners have exclusive right to use trade mark / trade name HERO Exports, HERO Electric, HERO Echo and right to use the trademark HERO in the defined territories and the petitioners do not display HERO branded cycles in territories of respondent whereas the respondents displayed HERO branded cycles with or without HERO Monogram as well as prominently displayed the incorporated name HERO Cycles Limited in the territories of the petitioners. This position is disputed by Mr. Sibal.

18. Be that as it may, in OMP 288/2015, the undertaking of the respondents was to the extent that it shall not export to China / sell any HERO brand bicycles or bicycle parts under the trade name HERO in the ongoing 25th China International Bicycle and Motor Fair, China. However, they would be at liberty to book the orders for export of their products including HERO brand bicycles or bicycle parts, HERO trade name or HERO monogram from customers visiting the Fair from countries like USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey).

19. I note the duration of the Fair is only for four days and it is commencing from May 06, 2016, which is one day away. Being an International Fair, heavy business is expected to be done by the parties. To ensure, no prejudice is caused to either party and noting the admitted position that China is not a territory of the respondents and the territories of the respondents being USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey), this Court is of the view that pending adjudication of the disputes by the Arbitrator, the

respondents shall be at liberty to book the orders for export of their products including HERO brand bicycles and bicycle parts, HERO trade name or HERO monogram from customers visiting the ongoing Fair from countries like USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey) and shall put a disclaimer on the invoices and bills only, to be issued to the customers that the goods sold by them are not for sale or export (directly or indirectly) in any other country other than USA, Russia, Australia, New Zealand, Japan and European Union (except UK, Germany and Turkey). This direction is only confine to the Fair to be held in China. For seeking any order for the Fair to be held in Germany, the parties would be at liberty to invoke the arbitration clause and seek reference to the arbitration and file appropriate application for appropriate relief with regard to the said Fair before the Arbitrator. It is made clear, the aforesaid is not an expression on the merit of the disputes between the parties.

20. The petition is disposed of with no costs.

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