

Legal Issues in ‘Common Underlying Framework’

Issue: Whether IPR Suits Valued Below Minimum Specified Value Shall be Filed as Ordinary Suits?

Relevant Legal Provisions

❖ *Section 6, Commercial Courts Act, 2015*

Jurisdiction of Commercial Court.—The Commercial Court shall have jurisdiction to try all suits and applications relating to a commercial dispute of a Specified Value arising out of the entire territory of the State over which it has been vested territorial jurisdiction. [Emphasis Supplied]

❖ *Section 12, Commercial Courts Act, 2015*

“Determination of Specified Value.—(1) The Specified Value of the subject-matter of the commercial dispute in a suit, appeal or application shall be determined in the following manner:—

[...]

(d) where the relief sought in a suit, appeal or application relates to any other intangible right, the market value of the said rights as estimated by the plaintiff shall be taken into account for determining Specified Value”

Relevant Judicial Decisions

❖ ***Kirloskar Aaf Limited v. American Air Filters Company Inc.* [Regular First Appeal No. 1 of 2015 in the High Court of Karnataka on August 26, 2021]**

“8. The twin requirements of this Act are that a dispute has to be a commercial dispute, and secondly, it must be of certain pecuniary limit, namely Rs.3,00,000/- or above. The term commercial dispute has been defined in Section 2(c) of the Act. Section 2(1)(c) (xvii) clearly deals with the intellectual property rights relating to registered, and unregistered trademarks. Undoubtedly, the present case deals with a trademark the usage of trademark by the appellant, which according to the respondent plaintiff is illegal usage. Thus, the subject matter of the dispute does relate to intellectual property rights. Hence, the dispute is a commercial dispute as defined by Section 2(1)(c)(xvi) of the Act.”

Relevant Judicial Decisions

❖ ***Kirloskar Aaf Limited v. American Air Filters Company Inc.* [Regular First Appeal No. 1 of 2015 in the High Court of Karnataka on August 26, 2021]**

“9. The Karnataka Court Fees and Suits Valuation Act deals with the calculation of Court Fees. Section 26 of the said Act clearly states that in a suit for injunction, whether the subject-matter of the suit has a market value, or not, the fee shall be computed on the amount at which the relief sought is valued in the plaint, or on rupees one thousand whichever is higher. Therefore, a distinction has to be made between the value of the subject-matter, and the calculation of Court fees. According to Section 26(c), the Court fee shall be based on the relief sought, and the value of the relief mentioned in the plaint. Admittedly, in the present case, in the plaint, the relief sought was valued as Rs.3,000/-. But nonetheless, the value of the subject matter, that is the infringement of the trademark, has not been stated. But considering the fact that the dispute relates to the infringement of trademark that too by a company, the value of the subject matter can safely be taken to be more than Rs.3,00,000/-”

Relevant Judicial Decisions (Contd.)

❖ *Soni Dave v. Trans Asian Industries Expositions Pvt. Ltd.* [AIR 2016 DELHI 186]

“25. The Commercial Courts Act has not been enacted to interfere with the Courts Fees Act or the Suits Valuation Act. It is a settled principle of law that the provisions such as Section 21 supra have to be read and interpreted by finding out the extent to which the legislature intended to give it a overriding effect and the context in which such a provision is made and on a consideration of purpose and policy underlying the enactment. It is also relevant to consider whether the conflicting enactment can be described as a special one and in which case the special one may prevail over the more general one, notwithstanding that the general one is later in time.”

“27. In my view Section 12 of the Commercial Courts Act providing for determination of specified value as defined in Section 2(i) thereof is not intended to provide for a new mode of determining the valuation of the suit for the purpose of jurisdiction and court fees. It would be incongruous to hold that while for the purpose of payment of court fees the deemed fiction provided in the Court Fees Act for determining the value of the property is to apply but not for determining the specified value under the Commercial Courts Act”.

Relevant Judicial Decisions (Contd.)

❖ *Fine Footwear Pvt. Ltd. Represented by its Director v. Skechers USA Inc.* [2019 (3) AKR 703]

“9. It has been a well settled position of law that the plaintiff being the dominus litis has the prerogative of choosing the Court and determine the valuation of the suit for the purpose of pecuniary jurisdiction, special jurisdiction or for computation of court fees; the opposing party cannot insist that the suit be tried before some other Court without establishing the lack of jurisdiction of the Court in which the cause is brought; the suit involves a commercial dispute, is true; but, there is no material placed on record to prima facie show that its specified value is Rupees Three Lakh or above, in terms of Section 2(1)(i) r/w Section 12 of the 2015 Act. A Coordinate Bench of this Court in RFA No. 1/2015 in the case of Kirloskar Aaf Limited Vs. M/S American Air Filters Company Inc & Another vide judgment dated 25.09.2018 at paragraph No.8 observed "the twin requirements of this Act are that a dispute has to be a Commercial Dispute and secondly it must be of a certain pecuniary limit, namely Rupees Three Lakh or above ..." In other words, the Commercial Courts have jurisdiction only in such matters which pass the Twin Test i.e., existence of a "Commercial Dispute" as defined under Section 2(1)(c)(xvii) and the "Specified Value" as defined under Section 2(c)(i) r/w Section 12 of the 2015 Act. In the present writ petition, although the suit involves a Commercial Dispute, the subject matter of the suit is apparently less than the Specified Value. To put it succinctly, the commercial courts shall have exclusive jurisdiction if both the commercial dispute and specified value concur to exist and not just one of them, as rightly contended by learned Sr. Counsel for the respondent.”

Relevant Judicial Decisions (Contd.)

- ❖ ***C.K. Surendran v. Kunhimoosa* [CRP No. 146 of 2021 in the High Court of Kerala on September 17, 2021]**

“12. ...No doubt, the specified value of a suit is liable to be computed in accordance with the market value of the immovable property in such suits where, even as per the Court Fees Act, the value is to be determined on the basis of the market value of the property. In respect of suits where the valuation under the Court Fees Act is based on anything other than market value of the immovable property, the valuation under the Court Fees Act should be the basis for deciding the pecuniary jurisdiction.”

Relevant Judicial Decisions (Contd.)

❖ ***C.K. Surendran v. Kunhimoosa* [CRP No. 146 of 2021 in the High Court of Kerala on September 17, 2021]**

“13. The final issue is whether the court below could have transferred the suit to the Commercial Court in exercise of the power under Section 15 of the Act. In accordance with the mandate of Section 15, all suits falling within the ambit of 'commercial dispute' above the specified value got transferred to the jurisdictional Commercial Courts after the Act came into force. If the suit or application is not transferred, the Commercial Appellate Division of the High Court can, in exercise of the power under Section 15(5), withdraw the suit or application from the court before which it is pending and transfer the same for trial or disposal to the Commercial Court having territorial jurisdiction. Therefore, the learned Munsiff could not have transferred the suit, by usurping the power vested with the High Court. Having accepted the plaint and numbered the suit, the learned Munsiff could have only returned the plaint under Order VII Rule 10 of CPC. In this regard it may also be pertinent to note that even under Section 24 of CPC, the power to transfer suits is vested only with the High Court and the District Court.”

Relevant Judicial Decisions (Contd.)

❖ ***Vishal Pipes Limited v. Bhavya Pipe Industry* [FAO-IPD 1/2022 & CM APPLs. 12-14/2022 in the High Court of Delhi on June 3, 2022]**

“64. Therefore, in Delhi, in order to avail of its remedies provided under the various IPR statutes, a plaintiff ought to usually institute the suit before the District Court having jurisdiction i.e., District Judge (Commercial) by valuing it at Rs. 3 lakhs or above, and pay the basic required Court fee to invoke the jurisdiction of the said Court. However, acknowledging the plaintiff’s reasonable discretion in valuing its suit, it is held that in case a plaintiff values an IPR suit below the threshold of Rs.3 lakhs, such suits would be listed before the District Judge (Commercial) first, in order to determine as to whether the valuation is arbitrarily whimsical or deliberately undervalued.”

“65. This Court is cognizant of the fact that the valuation of intellectual property is by itself a very complex process. It is clarified that the Commercial Court is not expected to value the specific IP on the basis of any mathematical formulae but to broadly take into consideration whether the said IP would be worth more than Rs. 3 lakhs, which is the threshold for the Commercial Court to exercise jurisdiction.”

Relevant Judicial Decisions (Contd.)

❖ *Vishal Pipes Limited v. Bhavya Pipe Industry* [FAO-IPD 1/2022 & CM APPLs. 12-14/2022 in the High Court of Delhi on June 3, 2022]

“66. In light of the above discussion, the following directions are issued:

(i) Usually, in all IPR cases, the valuation ought to be Rs.3 lakhs and above and proper Court fee would have to be paid accordingly.

All IPR suits to be instituted before District Courts, would therefore, first be instituted before the District Judge (Commercial).

...

(iv) In order to however maintain consistency and clarity in adjudication, even such suits which may be valued below Rs.3 lakhs and continue as non-commercial suits, shall also continue to be listed before the District Judge (Commercial), but may not be subjected to the provisions of the CCA.

(v) All pending IPR suits before the different District Judges (non- Commercial) in Delhi shall be placed before the concerned District Judges (Commercial) for following the procedure specified above. plaintiffs who wish to amend the Complaint would be permitted to do so in accordance with law.”

Relevant Judicial Decisions (Contd.)

- ❖ ***Bangalore Blues Entertainment India Private Limited v. One Ikigai Edutech Private Limited***
[Miscellaneous First Appeal No. 6392 of 2022 (CPC) in the High Court of Karnataka on January 2, 2023]

“28. At same time, when CC Act does not bar suit with specified value below Rupees Three Lakhs being filed before Civil Court, instead of compelling all suits involving Commercial disputes from being filed before Commercial Courts, it would be appropriate to adopt procedure evolved by this Court in CRP.no.545/2022 disposed of on 13.12.2022.

31. Until determination of specified value of subject matter of suit as per Section 12 of CC Act, suit cannot be held to be not maintainable by referring to rental value etc. of suit premises, which would not be as per method of assessment provided under Section 12 of CC Act. Therefore, answer to point under 28 consideration would be subject to determination of 'specified value' by Trial Court.”

Relevant Judicial Decisions (Contd.)

❖ ***Pankaj Ravjibhai Patel v. SSS Pharmachem Pvt. Ltd* [FAO (COMM) 98/2023 in the High Court of Delhi]**

“30. We further note that Section 12 and which sets out the basis for determination of specified value is essentially placed in the statute in order to subserve the provisions of the CCA and which are intended to require suits and applications relating to commercial disputes of a specified value being placed either before the notified commercial court or the Commercial Division of a High Court. However, Section 12 cannot possibly be construed as seeking to override the principles enshrined in the Court Fees and Suits Valuation Acts. This is evident when one bears in mind the intent of Section 12 and which clearly appears to be restricted to the determination of the value of the subject matter of the commercial dispute alone. Sections 2(1)(c) and 12 essentially constitute the two gateways which when crossed would lead to a particular matter being placed before a commercial court. That is the only purpose which those two provisions serve. They, however, clearly do not appear to be imbued with any legislative intent to override the provisions of the Court Fees and Suits Valuation enactments and which entitles a plaintiff to ascribe a value to the reliefs as claimed in the suit. The provisions contained in the Court Fees and Suits Valuation statutes are principally concerned with the imposition of court fee and other related matters. Insofar as the subject of court fee is concerned, it would be the amount as claimed by the plaintiff bearing in mind the nature of reliefs which are sought which would be determinative. We thus find ourselves unable to discern or read any provision of the CCA which may be said to mandate a contrary view being taken or the provisions of the Court Fee and Suits Valuation statutes being ignored.”

Relevant Judicial Decisions (Contd.)

❖ ***Pankaj Ravjibhai Patel v. SSS Pharmachem Pvt. Ltd* [FAO (COMM) 98/2023 in the High Court of Delhi]**

“32. Our inability to subscribe or accede to the directions framed in Vishal Pipes is further fortified when those directives are tested in the backdrop of a quia timet action. It would clearly be impossible to accord an imprimatur to those directions in situations where loss cannot be quantified or where the infringement is apprehended. Learned counsel for the appellant thus clearly appears to be correct when he contended that the directions framed by the Court in Vishal Pipes would be rendered unworkable in such contingencies.”

“37. We, for reasons aforesaid, find ourselves unable to affirm or approve the directions contained in Para 66 (iv) and (v) of Vishal Pipes. They shall consequently stand overruled. Any matters which in the interregnum may have been transferred to designated commercial courts for compliance with the directions issued in Vishal Pipes shall revert to the competent courts for being tried in accordance with the observations made hereinabove.”

Conclusion

- ❖ The Single Judge court in *Vishal Pipes* raised important concerns about forum shopping and deliberate undervaluation to escape the rigours of the Commercial Courts Act, 2015. By undervaluing their suit, the plaintiff could escape checks imposed by the Act and effectively place it before the non-commercial court instead which do not require such measures.
- ❖ The Act was brought in place not only to adjudicate commercial disputes but also to expedite the resolution of these disputes. This process impedes the speedy resolution of the disputes.
- ❖ The Court did not factor in that there can be instances where though the specified value of an IP will be more than 3 lakhs, the suit valuation based on the relief claimed could be less than that. The Court in *Pankaj Ravjibhai Patel* stuck to the clear interpretation of the statute wherein the ordinary District Court could decide on the nature of the suit on whether it qualifies as a commercial dispute.

THANK YOU!

Questions?

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