

IN THE HIGH COURT OF SINDH AT KARACHI

Present:

Mr. Justice Jawad Akbar Sarwana

Suit No. 113 of 2024

Plaintiff No.1: M/s. Peng's Hair and Beauty Clinic, and;
Plaintiff No.2: M/s Peng Salon through Ms. Zahra Sehr Vayani along with M/s. Rameez Lalani & Mohsin Raza, Advocates.

v.

Defendant No.1: The Purple Pink, and;
Defendant No.2: Mst. Kamal Zaheer w/o Zaheer Ahmed through Mr. Shaukat Hayat, Advocate

Suit No. 1202 of 2023

Plaintiff: The Purple Pink through Mr. Shaukat Hayat, Advocate

v.

Defendant: M/s. Peng's Hair and Beauty Clinic through Ms. Zahra Sehr Vayani along with M/s. Rameez Lalani & Mohsin Raza, Advocates

Date of Hearing: 22.01.2025, 20.02.2025 and 25.02.2025

Date of Short Order: 25.02.2025

Date of Reasons: 23.04.2025

COMMON JUDGMENT

JAWAD AKBAR SARWANA, J.: This Common Judgment articulates the reasons for the Short Order dated 25.02.2025 passed in Suit No.113/2024 and Suit No.1202/2023, returning the plaint filed in the two suits to the respective plaintiffs to enable them to avail their remedies/relief before the proper forum, i.e. the Intellectual Property ("IP") Tribunal.

2. The judicial determination in this common judgment concerns whether the subject matter in the two lis falls within the scope of “Intellectual Property Laws” (“IP Laws”). Admittedly, the dispute as set up in the two above-mentioned suits arises out of and/or is in connection with and/or concerns certain rights accruing from the franchise agreement between the parties. On the one hand, both parties seek a declaration against each other from the Court for using a common/same trade name, trademarks, copyright, etc. On the other hand, they also seek counterclaims of damages/compensation claims and counterclaims for loss of business and loss of reputation, prestige, goodwill, causing mental torture, stress and agony for illegal gains and alleged unauthorised earnings, as the case may be. As mentioned earlier, this bench came to the conclusion vide its Short Order dated 25.02.2025 that the subject matter falls within those categories of suits and proceedings under Sections 17(6) and (7) of the Intellectual Property Tribunal Organization of Pakistan (“IPOP”), 2012, which are liable to be decided under Section 18 of IPOP, 2012, by the IP Tribunal.

3. Counsels for the parties have vehemently argued that the IP Tribunal does not have jurisdiction to hear the subject matters in the two suits. They contended that the cause of action accrues from the Franchise Agreement; hence, the performance and/or breach of the Franchise Agreement between the parties is a matter of contract, principally, and not “IP Laws”. They argued that contractual disputes between the parties are not amenable to the jurisdiction of the IP Tribunal. Finally, both argued that they seek damages and compensation against the other, and such relief is beyond the jurisdiction of the IP Tribunal. For these reasons, they submitted that a civil court, i.e. the High Court of Sindh, exercising original civil jurisdiction at the material time, should continue to hear the matter.

4. Heard Counsel and perused the documents in the two suits.

5. The Plaintiff, Peng's Hair and Beauty Clinic ("PHBC"), has prayed for the following reliefs:

- (i) Declare that the Franchise Agreement stood terminated on 28.06.2023
- (ii) Declare that during the existence of the Franchise Agreement, the Defendants had breached Clause 6, 6.5.1, and 6.5.1.1 and 6.6, Clause 1.1.3, 1.1.4 1.1.5, Clause 14.1.2.1, 14.1.2.1 (b); (c), Clause 14.2, Clauses 6.29, 6.30 and 6.31, 12.3 and 12.4 and had been wrongly, malafidely been using the Goodwill, Trademarks, copyrights, Company name, brand name, of the Plaintiffs.
- (iii) Declare that subsequent to termination of the Franchise Agreement, the Defendants had been unauthorizedly and illegally using the Goodwill, Trademarks, Copyrights, Brand name, Company name of the Plaintiffs.
- (iv) Declare that the Defendants owe to the Plaintiffs an amount of PKR 765,862/- (Rupees Seven Lacs Sixty-Five Thousand Eight Hundred and Sixty-Two only/-) which includes Rs. 583,362/- payables against the Royalty and Rs. 185,200/- against products supply.
- (v) Direct the Defendants to pay to Plaintiffs an amount of PKR. 765,862/- (Rupees Seven Lacs Sixty-Five Thousand Eight Hundred and Sixty-Two only/-) which includes Rs. 583,362/- payables against the Royalty and Rs. 185,200/- against products supply.
- (vi) Permanently Restrain the Defendants their agents, attorneys, employees, and/or any other person or persons under any of them from using the Company name/Enterprise name, Goodwill, Brand name, of Plaintiffs etc, from using website domains, online portals, whatsapp channel or any other such modes of advertisements using Plaintiffs company name, brand name, goodwill, trademark and copyrights etc.
- (vii) Direct the FBR or any other relevant authorities to Cancel the Registration of the NTN registered by Defendants in the name of Peng Salon Spa and/or any other similar name(s) used by the Defendants that are against the interests of the Plaintiffs.
- (viii) Award/Grant General Damages of an amount of PKR.35,000,000/- (Three Crores fifty lacs Rupees only/-) to be paid by the Defendants to the Plaintiffs for unauthorizedly using the Goodwill, Trademarks, copyrights, brand name, company name etc.
- (ix) Award/Grant Special Damages of an amount of PKR.35,000,000/- (Three Crores fifty lacs Rupees only) to be paid by Defendants to the Plaintiffs for causing harm to the brand reputation of the Plaintiffs and for illegal gains and unauthorized earnings obtained by the Defendants after termination of franchise agreement, on account of unauthorized usage of the Goodwill, Trademarks, copyrights, brand name, company name etc. of the Plaintiffs.

- (x) A Mandatory injunction be granted against the Defendants directing her to deliver to the Plaintiffs, all the material including but not limited to marketing purpose etc. involving the Goodwill, Trademarks, copyrights, brand name, company name/enterprise name etc. of the Plaintiffs, and on their failure, to direct the Nazir of this Hon'ble Court to obtain such copies/materials etc. thereof and deliver the same to the Plaintiffs.
- (xi) To order and decree that the Defendants to pay the cost of this suit to the Plaintiffs under the circumstances of the case.
- (xii) Grant any other, further and better relief or relieves which this Hon'ble Court may deem fit and proper in circumstances of the case.

6. In juxtaposition, the Plaintiff, the Purple Pink ("TPP") in Suit No.1202/2023, has prayed as follows:

- (i) Declare the notice dated 04.04.2023 and email dated 27.06.2023 issued by the Defendant of non-renewal of the Franchise Agreement dated 01.09.2017 to the Plaintiff is breach of terms of franchise agreement and liable to be set aside forthwith; and cancelled;
- (ii) Declare that the oral agreement during the Covid period from mid of 2020 mid of 2022 of extension of Franchise Agreement dated 01.09.2017 is still intact till the period August 2024;
- (iii) Declare that the notices dated 04.04.2023 and email dated 27.06.2023 of non-renewal of the Franchise Agreement are violative of the right of the plaintiff to enter into New Agreement under mandatory clause 3. "RIGHT TO A NEW AGREEMENT" of the said Franchisee Agreement and such right of plaintiff still intact before expiry of the agreement in August 2024;
- (iv) Direct the defendant to pay damages/compensation to the tune of Rs.150 Million in lieu of loss of business and loss of reputation, prestige, goodwill, causing mental torture, stress and agony to the plaintiff;
- (v) Restrain the defendant / Franchisor and his employees, subordinates or on his behalf to remove the plaintiff (Franchisee) from social media post, signage, branded stationary, advertisements and all other material holding the brand name of the franchisee and further restrain to stop delivery of products used in the women salon / franchisee under the agreement and further to restrain removing the name and contact number from website of the Franchisor /Defendant till the final disposal.
- (vi) Restrain the defendant/ Franchisor to enter into franchisee agreement with the third party within the area of Schedule I of Franchise Agreement.
- (vii) Interim relief may also be solicited;
- (viii) Any other relief from this Hon'ble Court being fit and proper under the facts and circumstances of the suit.
- (ix) Cost of the suit.

A. Does a plaint filed in a suit concerning rights arising from a ‘Franchise Agreement’ amount to a suit and proceedings instituted under the “IP Laws”?

7. Section 16 of the IPOP Act, 2012 provides for the creation of IP Tribunals and determines how “Intellectual Property Tribunals” are to be established, clarifying that:

“16. Establishment of Intellectual Property Tribunals: (1) The Federal Government may, by notification in the official Gazette, establish as many Tribunals as it considers necessary to exercise jurisdiction under this Act, appoint a Presiding Officer for each of such Tribunal and where it establishes more Tribunals than one, it shall specify in the notification the territorial limits within which each of the Tribunal shall exercise its jurisdiction.”

8. According to Section 17(1) of IPOP Act, 2012, matters about “Intellectual Property Laws” (hereinafter referred to as “IP Laws”) pending in any Court shall stand transferred to the Intellectual Property Tribunal (“IP Tribunal”) under Section 16 of the IPOP Act, 2012; whereas Sections 17 and 18 of the Act determine the powers and jurisdiction of such Tribunals, which Sections are reproduced as hereinbelow:

“17. Powers of the Tribunals. (1) Subject to the provisions of the Act, the Tribunal shall,

(a) in the exercise of its civil jurisdiction, have all the powers vested in a civil court under the Code of Civil Procedure, 1908 (Act V of 1908);

(b) in the exercise of its criminal jurisdiction, try offences made punishable under this Act and shall, for this purpose have the same powers as are vested in a Court of Sessions under the Code of Criminal Procedure, 1898 (Act V of 1898);

(2) The Tribunal shall in all matters with respect to which the procedure has not been provided for in this Act, follow the procedure laid down in the Code.

(3) All proceedings before the Tribunal shall be deemed to be judicial proceedings within the meaning or sections 193 and 228 of the Pakistan Penal Code (Act XLV of 1860).

(4) Subject to subsection (5), no court other than a Tribunal shall have or exercise any jurisdiction with respect to any matter to which the jurisdiction of the Tribunal extends under this Act.

(5) Nothing in sub-section (4) shall be deemed to affect any proceedings pending before such court immediately before the coming into force of this Act.

(6) All suits and proceedings pending in any court instituted under intellectual property laws shall stand transferred to, and be heard and disposed of by, the Tribunal having jurisdiction under this Act. On transfer of proceedings under this subsection, the parties shall appear before the Tribunal concerned on the date previously fixed.

(7) In respect of proceedings transferred to the Tribunal under subsection (6), the Court shall proceed from the stage which the proceedings had reached immediately prior to the transfer and shall not be bound to recall and re-hear any witness and may act on the evidence already recorded or produced before a court from which the proceedings were transferred (underling added)."

"18. Jurisdiction of the Tribunals. (1) All suits and other civil proceedings regarding infringement of intellectual property laws shall be instituted and tried in the Tribunal.

(2) Notwithstanding anything contained in any other law for the time being in force, the Tribunal shall have exclusive jurisdiction to try any offence under intellectual property laws."

(underlining added)

9. It may be noted that Section 2(h) of the IPOP Act, 2012 defines "Intellectual Property Laws" / "IP Laws", as the laws specified in the Schedule to the Act, which include the following:

- (1) The Trade Marks Ordinance, 2001 (XIX of 2001)
- (2) The Copyright Ordinance, 1962 (XXXIV of 1962)
- (3) The Patents Ordinance, 2000 (LXI of 2000)
- (4) The Registered Designs Ordinance, 2000 (XLV of 2000)
- (5) The Registered Layout-Designs of Integrated Circuits Ordinance, 2000 (XLIX of 2000).
- (6) Sections 478, 479, 480, 481, 482, 483, 485, 486, 487, 488 and 489 of Pakistan Penal Code (XLV of 1860).

10. As is apparent while under Section 18(1) of IPOP Act, 2012, the jurisdiction of the "Intellectual Property Tribunal" is in respect of "all suits and other civil proceedings regarding infringement of intellectual property laws", whereas, as per Section 17(6) of IPOP Act, 2012, cases that are to be transferred to "Intellectual Property Tribunals" are not all pending suits and other civil proceedings regarding the infringement of intellectual property laws but are limited to those matters that are "instituted under IP Laws (underlining added for emphasis)." The legislature distinguished between the nature of proceedings to be instituted before the IP Tribunals, once constituted, and the pending proceedings before any other forum, which are to be transferred to IP Tribunals. Inasmuch, jurisdiction is conferred on the IP Tribunals only in

matters that had been instituted under the provisions of any “IP Laws”, as defined in Section 2(h) read with the Schedule of the IPOP Act, 2012, and which are related to the infringement of IP Laws.

11. There had been no judicial determination as to the scope of “IP Laws” as defined under Section 2(h) of the IPOP Act, 2012, until the Judgement of the Supreme Court of Pakistan in the case of *Muhammad Multazam Raza v. Muhammad Ayub Khan*, 2022 SCMR 979 (“the *MM Raza* case”). The matter before the Supreme Court involved an impugned judgment of the IP Tribunal wherein it had returned the plaint filed by the claimant-partner against the respondent-partner for an alleged infringement of the claimant-partner’s registered trademark. The claimant-partner had averred in the suit instituted by him in the IP Tribunal that the respondent-partner, pursuant to a Joint Venture Agreement between the partnership firm and a third-party, had malafide franchised the registered trademark of the claimant-partner and made profits out of it for himself alone. The claimant-partner sought a perpetual injunction restraining the respondent-partner from using the trademarks, and claimed damages of Rs.10 million for causing loss, injury and damage to the goodwill and reputation of the registered trademark of the claimant-partner, for rendition of accounts by the respondent-partner for the profits wrongfully made from the unlawful use of the registered trademark without the consent of the claimant-partner, etc. The Supreme Court set aside the Order of the IP Tribunal and held that the IP Tribunal was competent to hear and decide the matter. Additionally, in paragraph 12 of the said judgment, the apex Court made the following observation concerning whether the subject of “Passing Off” was beyond the ambit of “IP Laws” under the IPOP Act, 2012:

“It may also be relevant to note that what is described as a passing off action may either be a passing off action simplicitor or an action of infringement of trade mark coupled with passing off. Where the case of passing off action is based on infringement of trade mark, such suit shall

necessarily require determination of the question whether there had been any infringement of the trade mark and where infringement of trade mark is alleged the suit must, in view of sections 17, 18 and 39 of the IPO Act, 2012, be instituted before the tribunal notwithstanding that the allegations in the suit were coupled with the allegation of passing off.”

12. As a consequence of the observations of the Supreme Court, it is now clarified that “IP Laws” under the IPOP Act, 2012, include cases involving “Passing Off” actions, too. The observations of the Supreme Court (i) carry weight, (ii) are to be given highest respect, and (iii) are binding on this Court. Under all three conditions (i) to (iii), this Court finds that after the apex Court has included “Passing Off” actions to be a part of “IP Laws”, no room is left not to read into the definition of “IP Laws” under Section 2(h) of the IPOP, 2012, contracts such as “Franchise Agreement” which regulate trademark, copyright and other IP rights between the parties which require determination of the question whether there has been any infringement of such trademark, copyright and/or other IP rights to be judicially determined to fall within the definition of “IP Laws”. Suits and other civil proceedings instituted under such species of instruments are also to be filed and decided by the IP Tribunal under sections 17, 18 and 39 of the IPOP, 2012. Of course, there may be certain exceptions. For instance, suits and other civil proceedings triggered under Sections 73(4), 80(4) and 96(2)(a)&(b) and (3) of the Trade Marks Ordinance, 2001.¹

13. In the present case, Clause 1 of the Franchise Agreement (which is the subject matter in both the suits), states that it was/has been agreed between the parties that the said Agreement GRANTED RIGHTS for the purpose of the Business to:

¹ See Division Bench Judgments of the Sindh High Court in (i) HCA No.264/2021 dated 17.01.2025 (Mahle Engine Components Japan Corporation v. Azam Autos and Another, etc.) (Justice Muhammad Shafi Siddiqui and Justice Jawad Akbar Sarwana); and (ii) HCA No.289/2024 dated 10.02.2025 in Pervaiz Ahmed Shaikh (Late) v. Muhammad Tahir (Justice Muhammad Shafi Siddiqui and Justice Jawad Akbar Sarwana); and Single Bench Judgment of the Sindh High Court in M/s Sadiq & Suharwardy v. Ismail Industries and Eight Other Connected Suits and One J. Misc. as per Annexure “B” dated 10.01.2024 (Justice Jawad Akbar Sarwana).

- “1.1.3 use only such of the Trade Name the Trade Marks and other symbols insignia distinctive designs and plans or specifications owned by Peng’s Hair and Beauty Clinic and/or Peng’s Hair and Beauty Clinic together with the benefit of such companies’ accumulated experience knowledge and Goodwill (hereinafter defined) relating to the Services
- 1.1.4 use the copyright of Peng’s Hair and Beauty Clinic free of royalty in any printed matter or other matter (other than software) distinctive features marks décor fabric design and drawings and any other relevant matter or materials designated by the Franchisor from time to time.
- ...
- 1.6 In this Agreement the word “Goodwill” includes
 - 1.6.1 the goodwill and all rights in and associated with or arising from Peng’s Hair and Beauty Clinic, the Franchisor’s copyright material, the System the Trade Name, the Trade Marks and any other intellectual property rights of the Franchisor and
 - 1.6.2 any additional goodwill generated from their use or exploitation in the Business.
 -”

14. Given that the above provisions of the Franchise Agreement reference and rely upon statutory rights which have their genesis in the list of statutes appearing in the Schedule of the IPOP, 2012, the two suits fall within scope of Sections 17(6) and 18(1) of the IPOP Act, 2012. As such, under the “IP Laws” as articulated under Section 2(h) of IPOP Act, 2012 read in the light of the Supreme Court’s Judgment in the MM Raza case, this bench finds that the “Franchise Agreement” which draws upon the rights which are regulated by the statutes listed under the definition of “IP Laws” under Section 2(h), are amenable to the jurisdiction of the IP Tribunal. Suits instituted based on such Franchise Agreement (or claims of passing off), etc., are to be instituted before the IP Tribunal alone. Thus, a plaint filed in a suit concerning IP rights arising from a ‘Franchise Agreement’ is in the nature of a suit and proceedings instituted under the “IP Laws”.

B. Is the ancillary relief of granting/awarding damages and compensation beyond the jurisdiction of the IP Tribunal?

15. Counsels have argued that the ancillary relief of granting/awarding damages and compensation is beyond the

scope and jurisdiction of the IP Tribunal. Hence, on this score, too, the complaints filed in the two Suits cannot be returned to the claimants for filing before the IP Tribunal. Counsels contend that only the civil court can grant such an award for damages and compensation, and the civil court should continue hearing the lis.

16. Under the IPOP Act, 2012, the IP Tribunal shall have the same powers vested in such Court under the Code of Civil Procedure, 1908. Even otherwise, it is a settled principle of law that where a statute confers jurisdiction on a court or tribunal, it also confers by implication the powers that are reasonably incidental and ancillary to the effective exercise of jurisdiction.² The IPOP Act, 2012, overrides other laws to the extent of any inconsistency, ensuring the tribunal's authority in intellectual property matters. This exclusivity in IP matters is emphasized in the IPOP Act of 2012, particularly under Sections 17, 18, and 39, which clarify that the tribunal's jurisdiction takes precedence over other courts, irrespective of conflicting provisions in other laws. In the present case, this exclusivity includes determining trademark and copyright infringement disputes, such as those involving IP rights as discussed above.³ As discussed above, the Supreme Court held in the MM Raza case that even a suit for accounts, etc., combined with a trademark infringement claim, must be instituted before the IP Tribunal. Although, suffice to say, there is no express discussion by the apex Court on this point in the MM Raza case, yet, the matter before the Supreme Court involved a claimant-partner seeking damages and compensation against the respondent-partner as an ancillary relief, and ultimately, the Supreme Court decided that the IP Tribunal should have heard the matter itself and should not have returned the complaint for filing in the civil court.

² Muhammad Anayet Gondal v. The Registrar, Lahore High Court, Lahore and another, 2015 S C M R 821 and Zarai Taraqiat Bank Ltd. through President and 2 others v. Masood Ahmed and 2 others, 2019 C L D 1248, Sindh (Larkana Bench).

17. Given the above, the IP Tribunal has been constituted under the IPOP, 2012, to adjudicate the disputes arising from “IP Laws”. The IP Tribunal has been constituted by giving exclusive jurisdiction to determine such “IP Laws” disputes by excluding the jurisdiction of civil courts. The IP Tribunal, being a statutory Judicial Tribunal specifically constituted for adjudicating the claims arising out of “IP Laws”, has trappings of a Court, including the ancillary powers of granting and awarding damages and compensation. Where a statute confers jurisdiction on a court or tribunal, it also confers by implication the powers that are reasonably incidental and ancillary to the effective exercise of jurisdiction. Since, it is a matter of record that the plaintiff/defendants in the two suits have claimed damages while basing their claims on the franchise agreements (breach and/or enforcement, as the case may be) which agreement regulates IP rights of the parties, inter se, hence, such monetary/pecuniary claim is and remains always dependent upon in the first instance, the existence or otherwise of such IP rights. Therefore, within the meaning of Sections 17, 18 and 39 of IPOP, 2012 *supra*, the jurisdiction of the ordinary Civil Court was always barred. The ordinary civil Court has no jurisdiction to try the suit as the jurisdiction lies exclusively with the IP Tribunal after its notification dated 29.12.2015.⁴

18. In view of the above reasons, this bench, vide its Short Order dated 25.02.2025, ordered the return of the complaints filed in the two suits for presentation before the IP Tribunal having

³ *Nestle Pak Limited, Lahore through Authorized Signatory and another v. Shehryar Kureshi and 3 others*, 2024 C L D 502 [Lahore].

⁴ Although the IPOP Act, 2012 was enacted by Parliament on 06.12.2012, yet pursuant to Section 1(3) of the said Act, it did not come into force in the Province of Sindh until the Government of Pakistan, Law Justice and Human Rights Division published Notification No.P.15(1)/2013-A-IV dated 02.12.2014 when Section 16 was brought into force and by which notification IP Tribunals were established, and in particular a Tribunal was constituted inter alia having territorial jurisdiction for matters pertaining to the infringement of intellectual property rights within the city of Karachi. Thereafter vide the Government of Pakistan, Law Justice and Human Rights Division published Notification No.S.R.O 1330(I)/2015 dated 29.12.2015, the Federal Government was pleased to direct that Section 15 as well as sub-sections (2), (3), (8), (9), (10), (11) and (12) of Section 16 and Sections 17, 18 and 19 of the said Act shall come into force with immediate effect.

jurisdiction as per law. These are the reasons for the Short Order dated 25.02.2025.

19. For removal of doubt it is clarified that none of the observations made by this bench for the purpose of articulating the reasons for the Short Order dated 25.02.2025 shall be relied upon by either the IP Tribunal or the parties for the adjudication of the two suits.

JUDGE