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CASE NOTE ON BRIGHT BROTHERS (P) LTD. V. JK SAYANI AIR 1976 MAD 55

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INTRODUCTION

The following case analysis is based on the topic of agency. Agency as per **the Indian Contract Act, 1872** is defined as representing someone else on their behalf. For this purpose, the one representing someone is called the **Agent**, while the one being represented is called the **Principal**.

Talking more precisely, the case law discusses the aspect of termination of agency. It discusses in detail the relationship between parties of an agency and the extent of their rights to be claimed. It describes how the provisions are interrelated to each other and the fact that mere reading of singular sections can lead to misleading conclusions, thus violating the rights of the individuals.

BACKGROUND

The following case being discussed is one of an appeal. The appellants here are the manufacturers of plastic goods based in Bombay while the respondent, based in Madras is their distributor and selling agent for the city of Madras as per the arrangement since 1952. Under a modification on 27th September 1964, the respondent was to receive a commission of 6-1/4th on the profits and a target commission of 1- 1/4th on the extra profits earned beyond the expected limit.

The following arrangement of agency was brought to an end on the 30th of September 1964 by the appellants on the grounds of misconduct from the side of respondents. It is due to this termination that the respondents seek the trial court for compensation on the grounds that they had the right to receive a prior notice before termination of the agency, that they had already booked the orders before the termination was executed and that they had suffered loss in maintaining the staff for the agency.

The trial court held that there existed the relationship of principal and agent between the appellants and the respondent and the latter was entitled to a reasonable notice under **section 206 of the Indian Contract Act, 1872** and that the respondent was the sole distributor of plastic goods manufactured by the appellants in the state of Madras. The Trial Court judge also observed that there existed no binding on the respondent so as to restrict his business dealings only to the appellants, thus no misconduct happened on part of the respondent to amount to termination. The respondent was thus allowed a compensation for lack of a reasonable notice, the reasonable time amounting to a period of four months along with other expenses, leading to a grand total of rupees 8817.

ISSUE

Whether the respondents were entitled to a prior reasonable notice before the termination of the contract under **section 206 of the Indian Contract Act, 1872**?

JUDGEMENT

The judgement came in favour of the appellants. The ratio behind such conclusion is described below:

The learned judge said that for being eligible to seek a reasonable notice before the termination of a contract of agency, the term of agency for which it will continue must be discussed before-hand under the provisions of termination of agency discussed under **sections 201 to 210 of the Indian Contract Act, 1872**. According to his interpretations, the application of **section 206 of the Indian Contract Act, 1872** cannot be done in isolation from the preceding section and that the meaning of the word '*such*' in the provision is directed towards the **section 205 of the Indian Contract Act, 1872** i.e., only those contracts that had a pre-determined period of agency are eligible to get a prior notice. In the present case, there exists no such arrangement between the appellants and the respondent. It is one of the supporting pillars for appellants that since no restriction was put, therefore respondent though being the sole distributor was not entitled to notice, had it been employment as stated by the respondent. The learned judge observed that there was no obligation on the respondent to perform the job, rather there existed just a provision that if he did the job, he will be commissioned.

ANALYSIS

According to me, the judgement has been reached to the conclusion after very detailed and precise interpretation of the sections mentioned of the **Indian Contract Act, 1872**. The said sections are being talked

about in most detail are **section 205 and section 206 of the Indian Contract Act, 1872** and in my view, this judgement has played a crucial role in understanding the meaning of both these sections to its minutest extent. Until now, this interpretation was not touched upon so sharply and vividly so as to leave no doubt in the minds of the readers.

It is obvious that the section was and will always be open to interpretation like it was done in the trial court by the learned judge. According to the trial court judge, the respondents were correct in demanding the compensation from the appellants for the lack of the notice of termination within a reasonable time under the provision of **section 206 of the Indian Contract Act, 1872**. Here, it must be taken into consideration that upon doing the bare surface reading of the section, issuance of a prior reasonable notice looks correct. But this interpretation has not given a concrete solution. The reader will find himself in a flummoxed situation. It is so because the sections must be read in connection to other sections, at least for those that are in a same chapter. This is a very well- established rule for the interpretation, namely, *Ex Visceribus Actus* which means that a statute must be read as a whole and the independent reading of the sections is not encouraged. Also, the section was not read by giving due importance to each word. This can be seen from the fact that the word 'such' used in **section 206 of the Indian Contract Act, 1872** was not paid heed to. No word in a statute is useless and had the learned judge dug a bit deeper into the meaning of each word, he would have come to a different conclusion. At any point of time, the basic rules of interpretation must always be kept in mind, which was neglected here to a large extent.

In my view, unlike the trial court judge, the interpretation brought forth by the High court judge is more accurate. He has read and explained the meaning of each ambiguity with proper reasoning for anyone to rely on it confidently.

In the case, it has always been questioned that whether the appellants were mandated to give a reasonable notice to the respondents before terminating the agency or not and it is through this beautiful and crystal- clear judgement that we now have an answer that can be relied upon without any second thoughts. The learned judge came to the conclusion that the respondents were not entitled to a reasonable notice before termination as per **section 206 of the Indian Contract Act, 1872** because the section talked about only those contracts of agency that were to be carried out for a fixed period of time under **section 205 of the Indian Contract Act, 1872**. The inter relation between the provisions of **section 205 and section 206 of the Indian Contract Act, 1872** and the meaning of the word 'such' and the explanation of each provision mentioned in the chapter of termination was done in so much of detail through the help of various case laws, readings of learned philosophers and contrasting provisions that had similar way of writing that there left no question for doubt both in the mind of the appellant as well as the respondent. It is therefore definitely an important and landmark judgement in the interpretation of the said provisions.

CONCLUSION

The appellants were correct in their claim. The respondents were not entitled to a reasonable notice before termination as there existed no clause in the contract mentioning the time period for which the agency must be carried on and thus the application of the **section 205 and section 206 of the Indian Contract Act, 1872** were nullified. The appeal being allowed seems the best remedy to the dispute.

