SCOPE OF ARBITRATION IN INTELLECTUAL PROPERTY DISPUTES: THE BUDDING INDIAN REGIME

The Authors are third year students pursuing BBA. LL.B (Hons.) at Gujarat National Law University, Gandhinagar.

KUNAL BHARDWAJ

SHUBHAM TIWARY

Introduction

The Arbitration and Conciliation Act, 1996 defines '*international commercial arbitration*' to mean and include any dispute that is commercial in nature. Though the term 'commercial' is not defined in the Act, 'commercial dispute' is explained in the Commercial Courts, Commercial Division and Commercial Appellate Division of the High Court Acts, 2015. Further, on reading Section 2(1) (f) of the Arbitration Act with Section 2(c) (xvii) of the Commercial Courts, Commercial Division and Commercial Appellate Division of the High Court Acts, 2015, we can come to the conclusion that disputes pertaining to Intellectual Property Rights are commercial in nature and can be decided by an arbitral tribunal. Intellectual Property (IP) is that limb of law which safeguards and protects the most crucial human achievements and manifestations such as technological developments, inventions, designs, logos, symbols, musical creations, among other artistic achievements and their subsequent rights pertaining to copyright, patents, trademarks, know-how of their usage and private confidential information, and related rights. Hence, Intellectual Property Rights (IPR) forms a crucial component of such commercial transactions.

The general perception of disputes pertaining to IP being non-arbitrable is flawed as it derogates from the very purpose and intent behind the Arbitration Act being efficient dispute resolution. It creates an obstacle in India's dream of becoming the hub of Commercial Arbitration. This perception stems from the lacunae in statutory law governing IP arbitrability as neither the Arbitration Act nor the intellectual property framework have clarified or laid down a clear proposition as to the

arbitrability of the IP disputes.

A dim light of guidance could however be seen in one of the objectives in National Intellectual Property Rights Policy, 2016 stating a need to strengthen the enforcement and adjudicatory mechanisms for combating infringement of Intellectual Property Rights. This ambiguity is even not clarified to a great extent, by importing the jurisprudence evolved by courts into the statutory law. A superfluous look into the Apex Court's decisions, projects an apparent blanket prohibition on the arbitrability in IP disputes. However, a closer and deeper inspection of the jurisprudence furnishes a contrasting view wherein the courts have found certain ancillary matters in relation to IP to be rights *in personam* thereby making them arbitrable.

Evolving Indian Jurisprudence

The Supreme Court (hereinafter referred as "SC") in *Common Cause, A Registered Society v. Union of India & Ors.,[1]* held that a judgment dealing with infringement of a trademark, patent, or copyright is a judgment *in rem* since it involves determination of Intellectual Property rights which are rights *in rem*. Therefore, such issues can only be addressed by a Civil Court and not an Arbitral Tribunal. However, in *Ministry of Sound International Ltd. v. Indus Renaissance Partners*,[2] the Delhi High Court (hereinafter referred as "HC") held that contractual Intellectual Property disputes can be decided by an Arbitral Tribunal unless there is a blanket prohibition on arbitration of such disputes. In *Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd. & Ors.*,[3] the SC categorically held "*Generally and traditionally all disputes relating to rights in personam are considered to be amenable to arbitration; and all disputes relating to rights in rem are required to be adjudicated by courts and public tribunals, being unsuited for private arbitration. This is however not a rigid or inflexible rule. Disputes relating to sub-ordinate rights in personam arising from rights in rem have always been considered to be arbitrable.*"

Further, The SC in *Ayyaswamy v. A.Paramasivam*[4] observed that the category of disputes relating to patents, trademarks and copyrights cannot be decided by an arbitral tribunal. However, the Court did not comment upon the arbitrability of the subordinate rights arising from such Intellectual Property.

The Bombay HC in *Eros International Media Limited v. Telemax Links India Pvt. Ltd. and Ors*,[5] dwelled into the interpretation of Section 134 of the Trade Marks Act and

Section 62 of the Copyright Act. It was held that suits for infringement and passing off cannot be brought before a court lower than a district court.

However, this does not exclude the jurisdiction of an Arbitral Tribunal if the parties have contractually agreed to settle such disputes through arbitration since such actions are actions *in personam*. Moreover, this view was reiterated by the Bombay HC in *Deepak Thorat v. Vidli Restaurant Ltd.*[6]

However, the same court in *Intellectual Property Rights Society (IPRS) v. Entertainment Network*,[7] was of the view that if the award rendered by the arbitrator is such that it could disentitle the copyright, then it would not be arbitrable. The Madras HC in *Lifestyle Equities CV v. Qd Seatoman Designs (P) Ltd.*,[8] considered Booz Allen case and Ayyaswamy case and had held that the disputes pertaining to IPR are arbitrable if they pertain to the licensing or infringement of such IPR but a dispute pertaining to challenging of the very validity of the IPR is not arbitrable and hence, in such cases, parties cannot resort to arbitration proceedings.

Concluding Remarks

It is noteworthy that while the general rule would be in favour of contractual IP disputes being arbitrable, there are certain IPR contractual issues which fall within the exclusive jurisdiction of special adjudicatory bodies. For instance, the jurisdiction to adjudicate disputes as enshrined in section 6 of the Copyright Act and those pertaining to mandatory licenses and assignment of copyright vests with the Copyright Board. Civil courts and arbitral tribunals cannot entertain such matters.

An analysis of the aforementioned cases brings us to the conclusion that the jurisdiction of an Arbitral Tribunal can easily be ousted in an infringement suit by challenging the validity of such Intellectual Property Right since the resolution of such a question would amount to determination of a right *in rem*. Taking into consideration the *ratio* in Sukanya Holdings case,[9] stating that it is not possible to split a dispute and have a part of it be decided through arbitration and other parts through Court, a wide latitude for abuse is created which defeats the entire object behind the arbitration agreement.

A similar dilemma was faced by the Government of Hong Kong which was assuaged by bringing forth the Hong Kong (Amendment) Ordinance, 2017. This Ordinance resulted in inculcation of Part A dwelling mainly on 'Arbitration Relating to Intellectual Property Rights'. Part 11 A introduced through this ordinance gave clarity on the scope of counterclaims being permissible in IPR arbitrations.

Hence, further guidance by Parliament in this regard is imperative due to such scope of abuse. In this regard, legislative amendments can provide clarity as Courts cannot make laws but merely interpret them and the lacunae with regards to complex and controversial matters such as scope of counterclaims challenging the validity of IP before an Arbitral Tribunal is ever too wide.

Moreover, inspiration can also be taken from jurisdictions such as USA[10] and Switzerland,[11] wherein patent infringement issues have also been made arbitrable subject to registration of the award of such dispute with the Patent Registry or the relevant authority. This safeguards the object of effective dispute resolution and determination of rights *in rem*.

Taking the foreign jurisprudence as highlighted above into consideration, it is recommended that similar legislative provision could be emulated in India by amending the IP Laws and allowing arbitration of objections to Registration of the respective Intellectual Property right, where the arbitrator will decide which party has the right to get the IPR registered. Once the arbitral tribunal has made the decision as to who has right over the IPR, the concerned registry should proceed to decide whether such IPR should be granted or not. This preserves the confidentiality of the proceeding as well because there is no need to publish the award. Adoption of such system of arbitration in India would preserve confidentiality of arbitral proceedings in contrast to the limitations of the USA system of deposition of the award with the Patent Office in which case, the award becomes a public document.

ENDNOTES-

[1] Common Cause, A Registered Society v. Union of India & Ors., (1999) 6 SCC 667.

[2] Ministry of Sound International Ltd. v. Indus Renaissance Partners Entertainment (P) Ltd., (2009) 156 DLT 406.

[3] Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd. & Ors., AIR 2011 SC 2507.

[4] A. Ayyasamy v. A. Paramasivam, (2016) 10 SCC 386.

[5] Eros International Media Limited v. Telemax Links India Pvt. Ltd. and Ors., (2016) 6 Bom CR 321.

[6] Deepak Thorat v. Vidli Restaurant Ltd., 2017 SCC OnLine Bom 7704.

[7]Intellectual Property Rights Society (IPRS) v. Entertainment Network, 2016 SCC OnLine Bom 5893.

[8] Lifestyle Equities CV v. QdSeatoman Designs (P) Ltd., 2017 (72) PTC 441 (Mad).

[9] Sukanya Holdings v. Jayesh H. Pandya, (2003) 5 SCC 531.

[10] 35 U.S.C. § 294(d) (1952).

[11] Schweizerisches Bundesgesetz über das Internationale Priyatrecht [IPRG] [Swiss Federal Code on Private International Law] Dec. 18, 1987, SR 291, art. 193, para. 2, (Switz.).