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# **ARBITRATING INTANGIBLES: INTELLECTUAL PROPERTY RIGHTS AS CATALYSTS FOR LEGAL INGENUITY**

AUTHORED BY: DHVANI KAMRA & DR. BHAVNA BATRA

## **ABSTRACT:**

This study undertakes a thorough investigation into the arbitration process specific to intellectual property (IP) disputes, broadening its analytical scope from a domestic Indian context to a more expansive international framework. Central to this exploration is the nuanced concept of 'arbitrability'—the capacity of a given dispute, particularly within the domain of IP, to be resolved via arbitration rather than through traditional court proceedings or alternative legal forums. This study methodically assesses the practicality and overall efficacy of employing arbitration as the primary dispute resolution mechanism for IP conflicts, considering both the unique Indian legal framework and the wider, diverse global legal landscapes.

Embarking on this scholarly journey, the study underscores the inherently international character of IP disputes. This global nature is largely attributed to the ease with which intellectual property can be transferred across national boundaries, thus necessitating a more critical examination of international arbitration practices. The study meticulously examines various case laws within the Indian context, setting these against a backdrop of international legal perspectives. This approach highlights the fact that while IP rights are typically established and governed at the state level, there is a significant variance in how different national legal systems address the arbitrability of such disputes.

Delving deeper, the research intricately outlines the specific types of IP rights that are susceptible to arbitration. It then ventures into an in-depth analysis of the myriad challenges and unique considerations encountered when arbitrating these IP rights, drawing on examples and comparative studies from various common law jurisdictions. Through this detailed examination, the study aims to shed light on the diverse degrees to which different legal systems either accommodate or limit the arbitration of IP disputes.

“In the realm of intangible rights, where innovation and law intersect, arbitration stands not merely as a method of dispute resolution but as a testament to legal creativity and adaptability.” This perspective is central to the study's overarching goal, which is to elucidate the complex and multidimensional relationship that exists between the arbitration process and intellectual property rights.

This study posits that despite existing challenges, arbitration is anticipated to serve as a viable and effective approach for resolving intellectual property (IP) disputes, applicable both domestically and internationally. It not only enriches the academic discourse surrounding IP rights and arbitration but also serves as an invaluable reference for practitioners in the field, navigating the complex and dynamic landscape of international IP arbitration.

### ## Introduction to Intellectual Property Arbitration

Intangible assets like patents, copyrights, trademarks, and trade secrets invariably involve intricate legal issues. Arbitrating disputes associated with these assets requires a deep understanding of both the legal framework and the technical aspects of the assets involved. This complexity can stimulate legal professionals to develop innovative arguments and approaches to deal with these problems effectively. The combination of laws that seemingly function in various domains has posed a frequent challenge to arbitration, traditionally in the form of concerns over the arbitrability of disputes.

Here, arbitrability connotes the notion that a dispute, by its nature, is capable of being adjudicated beyond public fora, through a private tribunal chosen by parties. This ‘objective’ arbitrability differs from ‘subjective’ arbitrability, which is the scope of arbitrable disputes as defined in an arbitration agreement. This discussion focuses on objective arbitrability. In the context of IPR disputes, concerns of objective arbitrability stem from the impact arbitral awards may have on non-consenting parties. Owing to insufficient legislative engagement with this issue, judicial positions on the arbitrability of IPR disputes in India remain unsettled.

Arbitration as a mode of alternative dispute resolution allows parties to resolve their commercial disputes within a stipulated timeline. We know the benefits that arbitration provides to the parties; however, certain types of disputes are incapable of being resolved via arbitration and the only remedy is litigation. In this study, the judicial approach to the arbitrability of copyright disputes in India is analyzed.

Before delving into the issue, it is crucial to understand the concept of arbitrability or the disputes which are capable of being resolved through arbitration. Arbitrability of a matter means whether it is capable of arbitration. The legislation neither defines arbitrability nor illustrates the matters which are capable of arbitration. However, the Supreme Court in *Booz Allen* not only defined arbitrability but also illustrated the matters which are incapable of settlement through arbitration.

The Hon'ble Supreme Court laid down a basic principle to decide the arbitrability of any matter, stating that matters which relate to actions in personam, i.e., actions determining the rights and interests of the parties themselves in the subject matter of the case, are capable of being resolved via arbitration. However, matters related to actions in rem, i.e., rights exercisable against the world at large, are incapable of being resolved through arbitration. The Supreme Court emphasized that the decision of the arbitrator is not binding on non-signatories but only on the parties to the contract. Therefore, actions in rem, which are exercisable against the public at large, are incapable of being resolved through arbitration, and an arbitrator's decision cannot bind the public at large. Moreover, the court has held that "Disputes relating to subordinate rights in personam arising from rights in rem have always been considered to be arbitrable." Therefore, conclusively, actions in rem are in-arbitrable, and actions in personam are arbitrable.

Arbitrability of Intellectual Property Disputes has been a controversial topic in the Indian legal landscape. The courts have held that disputes concerning Intellectual Property Rights are non-arbitrable. The Arbitration and Conciliation Act, 1996, which is the specific domestic legislation concerning Alternative Dispute Resolution in India, does not make any specific provision for excluding any category of disputes from ADR, including Intellectual Property Disputes. Hence, there is a large reliance on judicial pronouncements to understand the scope and extent of arbitration in India.

The Supreme Court has held that disputes arising out of trademarks, copyrights, and patents are in-arbitrable per se. However, since this categorization was limited to the Court's obiter dictum, it cannot be conclusively followed as precedential authority. There are varying schools of thought on the matter, and essentially, from various decisions, it can be observed that there is no absolute bar on the arbitrability of IP disputes.

As per the Civil Procedural law of the country, if the court deems fit, it can allow arbitration, mediation, or conciliation for settlement of disputes between parties outside the court, which

expressly means that the court has the power to refer IP matters to ADR. Arbitration and other ADR mechanisms tend to provide speedier resolutions of disputes than going through litigation in courts. This typically occurs either because arbitration and ADR proceedings can commence without delay or because of the flexibility in administering arbitration and other ADR proceedings. The speed of dispute resolution is an important consideration when it involves intellectual property rights. The reason for this is that court litigation can take much longer than the period of protection for the product involved. For example, if the dispute concerns a patent, which is protected for a maximum period of twenty years, court proceedings can last five years, thus rendering the case useless or reducing the patent's lifespan and affecting the patent holder's profitability.

The term 'intellectual property' is comprehensive and encompasses largely all creations of human intellect. As the name suggests, any creation of one's mind, a product of their intellect, is considered their intellectual property. Nearly everything around us can be considered the intellectual property of someone, whether it is the computer screen you are reading this on, the software used to run the computer, the design of clothes you are wearing, or the lightbulb acting as a source of light.

Predominantly, everything around us is the intellectual property of someone else. The World Intellectual Property Organization (WIPO) defines Intellectual Property (IP) as "creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names, and images used in commerce."

### **Arbitrability of Disputes in India and IPR**

The relationship between Competition Law and IP rights may inherently seem conflicting but in reality, it is not. Rather, it promotes investments in dynamic competition by limiting static competition. IP rights provide their holders a head-start over others by granting them the right to exploit commercially their product within a specific duration. During this period, the IP right holder will always have monopoly power and a position of dominance. Competition Law has never excluded monopolistic behavior from its purview but asserts that the abuse of such a position will amount to a violation of anti-trust laws.

Throughout long-term changes in law and experiences from numerous cases, there has been a congruent and non-conflicting evolution of these twin laws. To understand the complexities of

applying competition systems and IPR, it is crucial to note the legal guidelines of various countries and their approaches to counter these issues. For instance, Section 3 of the Indian Competition Act, 2002, states: "No enterprise or association of enterprises or person or association of persons shall enter into any agreement in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services, which causes or is likely to cause an appreciable adverse effect on competition within India." Section 3(5) provides a broad exception for IPR, indicating that competition provisions do not interfere with IPR strategies unless there is an abuse of dominant position under Section 4 of the Act.

Like the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, India can enact provisions like Compulsory Licensing in cases of excessive pricing. Tying arrangements should be managed by the Competition Commission of India (CCI), which must consider stringent standards and rules based on discoveries from the US and EU. The courts have adopted the principle that "the interest of the consumer is of paramount importance" and cannot be sacrificed for the sake of the rights holder. India can learn from the practices and cases in the US and EU to develop robust responses to IP-related competition issues.

The academic efforts of IP creators are measured based on the rights attached to their creations. Intellectual property insurance instructs creators to exercise control over third parties. Without their consent, third parties will attempt to use the creation, causing a disincentive for creators. IP laws encourage innovation by making sure creators can control the use of their works. Conversely, it is often misconceived that these laws create monopolies, whereas, in reality, they protect creators' rights and encourage further innovation.

In the Indian context, the Delhi, Mumbai, and Madras High Courts have rendered various judgments regarding the arbitrability of IPR disputes, which have not always been consistent. The Delhi High Court, in the case of *Eros International Media Ltd. v. Telemex Links India Pvt. Ltd.*, held that disputes pertaining to IP rights are arbitrable if they relate to the contractual terms between parties. Conversely, the Bombay High Court, in the case of *Steel Authority of India Ltd. v. SMS Siemag AG*, expressed a different view, suggesting a more restrictive approach towards the arbitrability of IP disputes. These differing opinions highlight the evolving judicial attitude towards this issue and the ongoing debate in Indian jurisprudence.

## **The WIPO Arbitration and Mediation Center**

The WIPO Arbitration and Mediation Center, established in 1994, offers an array of alternative dispute resolution (ADR) services, primarily tailored to IP and technology-related disputes. The Center facilitates arbitration and mediation processes, providing model agreements and guidance to ensure effective and efficient resolution. Given the cross-border nature of many IP disputes, the WIPO Center's emphasis on confidentiality and neutrality is particularly advantageous. It also provides specialized training for arbitrators and mediators, ensuring that they possess the requisite expertise to handle complex IP matters. The WIPO Center's role is crucial in promoting ADR for IP disputes, aligning with international best practices and fostering a conducive environment for the resolution of such disputes outside traditional court systems.

## **WIPO Arbitration Procedure**

The WIPO Arbitration process begins with an agreement between parties to resolve their dispute through arbitration. This agreement can be pre-existing, embedded within a contract, or agreed upon after a dispute arises. The WIPO Center assists in the selection of arbitrators, ensuring they have the necessary expertise in IP law and the technical aspects of the dispute. The arbitration proceedings are confidential, allowing parties to protect sensitive information and trade secrets. The process is flexible and can be tailored to the specific needs of the parties involved, ensuring a fair and efficient resolution.

The WIPO Arbitration Rules provide a comprehensive framework for the arbitration process, including provisions for the appointment of arbitrators, conduct of proceedings, interim measures, and the rendering of awards. These rules ensure that the arbitration process is conducted in a manner that is consistent with international standards and best practices.

## **Temporary Relief in IP Arbitration**

Speedy and effective legal remedies are crucial in IP disputes to prevent significant asset devaluation. ADR mechanisms provide quicker resolutions compared to lengthy litigation processes, which is essential in time-sensitive IP matters such as patents, where delays can severely impact the commercial value of the protected innovation. The flexibility of arbitration allows for interim relief measures, such as injunctions, to be granted swiftly to prevent further infringement or damage. This is particularly important in IP disputes, where the value of the protected asset can diminish rapidly if not protected promptly. The ability to obtain temporary

relief through arbitration can provide parties with the necessary protection while the dispute is being resolved.

### **Challenges in Arbitrating IP Disputes**

Arbitrating IP disputes presents unique challenges, primarily due to the inherent nature of IP rights and the public interest involved. One of the main challenges is ensuring that arbitral awards do not affect third parties who are not part of the arbitration agreement. IP rights, by their nature, often have a broader impact beyond the immediate parties to the dispute. For example, a patent dispute may involve considerations of public health and access to technology, which extend beyond the interests of the disputing parties. Arbitrators must carefully balance these broader interests while resolving the dispute, ensuring that the award does not infringe on the rights of third parties or contravene public policy.

Additionally, the technical complexity of IP disputes requires arbitrators to have specialized knowledge and expertise in both the legal and technical aspects of the subject matter. This can be challenging, as finding arbitrators with the necessary expertise can be difficult and may increase the costs associated with the arbitration process. Moreover, the global nature of many IP disputes necessitates an understanding of multiple legal systems and international IP law, adding another layer of complexity to the arbitration process.

Mustil and Boyd emphasized that there is a difference between personal rights caused by property rights, which can be arbitrated, but property rights themselves cannot. To clarify this distinction, the author proposes examples of disputes related to rights under patent licenses, as opposed to disputes involving the validity of patents. The first type of dispute is arbitrable, and the other type is not arbitrable. The limitation of arbitrability is not established by the intervention of foreign mandatory legal norms, but only by the limitation imposed by public policy in international affairs. In other words, the author believes that the restriction is self-imposed, not the express prohibition of Law.<sup>1</sup>

The above discussion pointed out the conclusion that the big angle should be the first consideration is the idea of debate. If the idea of the problem is combined with the legitimacy or

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<sup>1</sup> O.P. Malothra, *The law and practice of Arbitration & Conciliation* (2nd edn, LexisNexis Butterworths, New Delhi 2016).

recruitment of intellectual property rights, the debate is beyond dispute. There is no issue of arbitrability for disputes involving infringement of intellectual property rights from the agreement or when the agreement exists. However, in any other discussion of intellectual property rights, including legally binding rights or intellectual property rights arising from agreements, it must be assumed that the issue can be arbitrated. The general rule that can be defined is that when the legality of intellectual property rights is yet to be debated and the issue is limited to intellectual property requirements, the issue can be safely ordered arbitrarily.<sup>2</sup>

It is also obvious that there are still some difficulties in this process. Generally speaking, the debate on intellectual property is related to intrusion/implementation activities against parties to unauthorized commitments in a transcendent way. In the absence of an arbitration agreement, ordinary courts are standard meetings for raising questions. The debate on intellectual property rights caused by the agreement is gradually standardized. Usually, incredible problems and many different problems also arise with the requirements of intellectual property rights, and the requirements of intellectual property rights may be inseparable from the legality of intellectual property rights. In addition to increasing these difficulties, the legality of intellectual property rights is often maintained on intellectual property issues. It is interesting that countries have very different legal status on this issue. Switzerland adopts the most liberal method. In 1975, the Swiss Federal Office for Intellectual Property explained that the arbitration court is capable of determining the legality of intellectual property rights. Furthermore, some countries such as South Africa prohibit any arbitration that fully covers intellectual property issues. Different countries such as France, Italy and Japan have adopted a more prohibitive strategy, taking into account the arbitration of intellectual property infringement, rather than the legality of intellectual property rights.

Despite this, the internationally recognized view is that meetings on a global scale in an ever-evolving world have created miracles of hosting IP debates and solving their problems in ADR, including arbitration, including IP debates. The number of IP arbitrations guided by W.I.P.O is developing rapidly.

W.I.P.O describes the special principles of arbitration for intellectual property matters. Some regions similar to the United States, Hong Kong, Switzerland, and Israel have made further

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<sup>2</sup> Ahuja S. Arbitration Involving India: Recent Developments, 18(3) Asian Dispute Review (2016).

progress and outlined unusual regulations on the arbitrability of intellectual property issues, thus setting aside discussions about the arbitrability of intellectual property debates.

The determination of whether a specific intellectual property rights (IPR) issue can be resolved through arbitration is a complex and nuanced matter that lacks a one-size-fits-all solution. Each case must be carefully examined in light of its unique circumstances, considering factors such as the nature of the dispute, the parties involved, and the underlying legal and factual issues.

In India, the drafting of arbitration clauses in agreements has evolved to be comprehensive and meticulous, aiming to ensure clarity and effectiveness in dispute resolution. This approach has led to a consistent interpretation of these clauses by arbitration tribunals and courts alike, contributing to a more predictable and efficient arbitration process.

The trend towards a more pragmatic and comprehensive approach in handling cases, including those involving IP disputes, is evident in recent legal developments. Courts and tribunals are increasingly recognizing the benefits of alternative dispute resolution mechanisms, such as arbitration and mediation, in resolving complex IP disputes.

The Bawa Masala Company case provides a notable example of this trend. The use of early neutral evaluation in this case demonstrates a willingness to explore innovative approaches to dispute resolution. This method, which involves a neutral evaluator assessing the merits of a case at an early stage, has the potential to expedite the resolution process and reduce the time and cost involved in traditional litigation.

Arbitration and mediation clauses have become increasingly common in intellectual property transactions, reflecting a growing recognition of the benefits of these alternative dispute resolution mechanisms. By allowing parties to tailor the resolution process to their specific needs and circumstances, arbitration and mediation offer a more flexible and efficient way to resolve complex IP disputes.

Overall, the evolving landscape of intellectual property dispute resolution in India is characterized by a shift towards a more holistic and innovative approach. By embracing alternative dispute resolution mechanisms and adapting to changing legal and commercial realities, India is paving the way for a more efficient and effective resolution of IP disputes in

the future.

This shift towards alternative dispute resolution is also influenced by the recognition of the limitations of traditional litigation in handling complex IP disputes. Traditional court proceedings are often time-consuming, costly, and may not always result in a satisfactory outcome for all parties involved. By contrast, arbitration and mediation offer a more streamlined and flexible process, allowing parties to resolve their disputes in a more efficient and cost-effective manner.

Additionally, the growing use of arbitration and mediation in IP disputes is reflective of a broader trend towards the globalization of intellectual property rights. As businesses increasingly operate on a global scale, disputes involving IP rights are becoming more complex and multi-jurisdictional. Arbitration and mediation offer a forum for resolving these disputes that is not bound by the limitations of national courts, allowing for more efficient and effective resolution of disputes across borders. In a landmark judgment in the case of *Bawa Masala Co. vs. Bawa Masala Co. Pvt. Ltd. and Anr.*<sup>3</sup>, After several legal debates were resolved through the interaction of agency issues, the Delhi High Court approved a period of funding order called early fair evaluation in an intellectual property-based case. In 1908, the court in response to this situation, under the protection of the 89th Session of the Communist Party of China, proposed to consider this method to resolve the debate brilliantly. The court also said that the early non-partisan assessment method had "similar highlights to the mediation cycle... The important thing is that in the case of mediation, the settlement is usually reached at a meeting, and the arbitrator agrees to pursue the proper arrangement." In the early fair evaluation, the evaluator will check the strengths and weaknesses of each meeting as an impartial individual." The court also made a reservation between the early non-partisan evaluation and the arbitration, stating that in the early fair evaluation, there was "no statement, promise or evaluation, and no such fair evaluation was recorded." The court also held that the early non-partisan assessment was "secret, and neither party can use the other party's meetings. There is no honor or evidence of results." This is an original case. In this case, the Indian court Attempt to include a selective debate purpose tool to solve problems related to infringement of intellectual property rights. This case further demonstrates the trend that Indian courts have begun to share, which is to include objective measures of alternative debates in the objectives of such issues.

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<sup>3</sup> AIR 2007 Delhi 284, (2008) 149 PLR 38

In any case, an objective method of selective issues should be used to ensure that discussions related to intellectual property rights can resolve certain issues. In the first place, since the guarantee of intellectual property rights is regional in nature, the public order based on *ONGC v. Serra Pipes* placed around the LIC, provided that it is carried out in accordance with the order of the IP, can constitute an obstacle for the enforceability of the arbitration award. Related questions. In addition, the issue of the legality of intellectual property rights focuses on protecting the rights of all people. This may represent another obstacle to the use of targeted hardware in intellectual property discussions. However, when deciding on rights between two meetings, safeguards against infringement of intellectual property rights can be actively used through the use of selective discussion hardware.

“Delhi High Court in the case of *Mundipharma AG v. Wockhardt Ltd*<sup>4</sup>. Responsible for administering the arrangements for Chapter 12 of the Copyright Act of 1957 and determining whether there should be common methods of copyright infringement. The ruling is that any litigation or other joint proceeding involving the infringement of the copyright of any work, or the infringement of other rights granted by the Copyright Law will be determined in the district court with jurisdiction.

The Madras High Court in the case of *RK Production Pvt. Ltd. v. M/s. NK Theatres Pvt. Ltd*<sup>5</sup> He is dealing with a case arising from an inter-sessional agreement on copyright tasks, which contains an arbitration clause. Some issues include ideological non-delivery and the parties' ignorance of the appropriateness of the arbitration statement. The court held that each of these issues cannot be separated, nor can these issues be submitted to arbitration. The judge did not elaborate on the reasons. Therefore, it is uncertain whether the explanation is based on the question of whether the question includes people who have not settled, or whether the discussion also addresses copyright.

In a recent judgment of *Lifestyle Equities CV v. QD Seatoman Designs Pvt. Ltd.*<sup>6</sup> The Madras High Court held this event and discussed this issue in detail. The judge took note of the rulings of the Delhi High Court and Mumbai High Court mentioned above, as well as the few different rulings recalling the Supreme Court decision.

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<sup>4</sup> ILR 1991 Delhi 606

<sup>5</sup> Original Side Appeal No.307 of 2012

<sup>6</sup> O.S.A.Nos.216 and 249 of 2017

is from *Common Cause v. UOI*'s interpretation, when interpreting the infringement obligation, the Supreme Court implied the meaning of "misconduct" and demonstrated that the copyright of misconduct is an infringement of the privilege of rem.

. In his *Booz Allen Hamilton v. SBI Home Finance Ltd.*, most of the Supreme Court's rights against property rights must be chosen by the court and not by the arbitration committee. This is considered "in any case, it is not a principle of inflexibility or determination." "It is clearly stated that" the debate on the determination of secondary rights of the personality derived from real law has always been considered arbitrable. "The interesting thing is that it is attributed to the inclusion of the real right after the real right that cannot be mentioned. Illustrative question type., Identifies problems related to intellectual property rights without prior notice.

It is essential that the Supreme Court relies on *A Ayyasamy v. Paramasivam* proposed a non-arbitrable category of issues, one of which is the debate on licenses, trademarks and copyrights. At this stage, it is necessary to clarify that the previous categories mentioned in the Judgment have been determined. Excerpted from the book "*Indu Malhotra*", "*OP Malhotra on the Law and Practice of Arbitration and Reconciliation*", Thomson Reuters Third Edition, 2014, not based on any dialogue or thought. Subsequently, this classification can, at best, be regarded as the opinion of the author, not the opinion of the Supreme Court.

Likewise in India, arbitral awards relating to patent infringement or validity could be denied as being against public policy.

In the *ONGC v Saw Pipes case (2003)*, the Court noted that the concept of public policy connotes some matter which concerns "public good and the public interest" and that "what is public good or public interest has varied from time to time..." also noting that an arbitral award, "patently in violation of statutory provisions cannot be said to be in public interest".

Public policy was given a far wider meaning than as held previously in the *Renu Sagar v. General Electric Co. case (1993)*, increasing the scope thereby of judicial intervention and undermining the scope of IP arbitration.

In yet another ruling, the Constitutional Bench of the Supreme Court on September 6, 2012 in *Bharat Aluminium Co. v Kaiser Aluminium Technical Service, Inc.* (where IPRs were also in dispute) overruling the *Bhatia International* ratio, decided that Part I of the Arbitration and

Conciliation Act, 1996, had no application to arbitrations which were seated outside India, irrespective of the fact whether parties chose to apply the Act or not. This decision having far-reaching implications will now impact and affect decisions on whether to have the seat of arbitration outside India and thereby, international intellectual property transactions. The Parties in an international commercial arbitration having the seat of arbitration outside India cannot agree to have jurisdiction to be exercised by Indian Courts.

However, the argument against arbitrability of IP disputes, especially where international ones are concerned, stems from the constraints of the territoriality of IP laws, especially in subjects like patents where perhaps issues linked to patent validity and public interest come under the scanner. In international patent arbitrations, the courts may refuse to enforce a foreign award based on a foreign law as being contrary to public policy and Indian interests. Patent matters in particular are considered not arbitrable as courts hold the exclusive jurisdiction to hear them in India.

Though *section 103 of the Indian Patent Act* allows the Court to refer any question on patent validity to arbitration, generally speaking, the said Act and the Arbitration and Conciliation Act are silent on the enforceability of arbitral awards for infringement or validity.

With delays and judicial interference hampering the progress of successful arbitration in India, the essence of dispute resolution is minimized. This could be the factor for the slow movement of arbitration as an ADR measure in the IP sector too. The Centre has formulated the National Litigation Policy 2010 to reduce the cases pending in various courts throughout India (more than 30 million according to recent estimates) with the mission to reduce the average pendency time from 15 years to 3 years. The policy also highlights that ADR should be "encouraged at every level" as long as arbitrations would be cost effective, efficacious, expeditious and conducted with high rectitude."

In India as the recent E&Y report suggests, arbitration is being rationalized as sector specific expertise, with for instance, the construction industry having created the Construction Industry Arbitration Council (CIAC) and the Bombay Stock Exchange having developed specific arbitration cells that provide relevant technical expertise. With greater competition and growing awareness about intellectual property rights giving rise to an increased volume of disputes, mechanisms of Alternative Dispute Resolution such as arbitration has been gaining ground across the globe.

What stops then, the Department of Industrial Promotion and Policy in proposing necessary amendments in the IP/patent laws and enabling and encouraging institutional arbitration in intellectual property disputes? The same could be modelled on the lines of that set-up by WIPO. Enforcement of arbitral awards is as important as the finality of the awards themselves. Looking forward, intellectual property rights are that patents, copyrights, trademarks and other statutory forms or those like trade secrets and confidential information that are simply determined by contracts, in any country are only as strong as the means available to enforce them.

### **Lack of a Supreme Court precedent settling the issue**

The Supreme Court of India has not conclusively settled the issue of arbitrability of IP disputes. In the Ayyasami Case, patents, trademarks and copyrights were listed in the category of inarbitrable disputes. However, the main issue before the court was of arbitrability of fraud. Thus, categorization of IP disputes as inarbitrable was only obiter dictum. Therefore, this decision cannot be read to bar arbitrability of IP disputes.

### **Different positions of Indian High Courts**

Both the aforementioned tests of arbitrability have been used to hold IP disputes inarbitrable. In the Mundipharma Case, the issue was whether a claim of ‘copyright infringement’ was arbitrable. The Delhi High court held the dispute to be inarbitrable given that infringement of copyright is a statutory claim, having definite statutory remedies that are to be granted exclusively by civil courts. This ruling thus seems to echo the second test of arbitrability that bars arbitrability of disputes arising out of special statutes which are reserved exclusively for civil courts.

Subsequently, in the SAIL Case [Suit No. 673/2014], a claim of ‘trademark infringement’ was held to be inarbitrable by Bombay High Court reasoning, “the rights to a trademark and remedies in connection therewith are matters in rem and by their very nature not amenable to the jurisdiction of a private forum chosen by the parties”. Accordingly, the dispute was held to be inarbitrable on the basis of the first test of arbitrability that makes actions in rem inarbitrable.

The Eros Case marked a significant departure from this trend. In this case, the Respondent was granted a copyright license to distribute the Petitioner’s films. The license included a negative covenant prohibiting the use of copyrighted films upon termination. The Respondent violated

this term, leading the Petitioner to initiate arbitration for the ‘violation of the contractual covenant.’ This claim, rooted in contract, still required establishing copyright infringement.

The recent ruling by the Bombay High Court has profound implications for resolving intellectual property (IP) disputes, particularly concerning their arbitrability. By affirming that IP disputes arising from contractual agreements are arbitrable as actions in personam, the court expanded private arbitration in IP law. This decision recognizes the contractual dimension of many IP disputes, promoting efficiency and flexibility in dispute resolution.

Moreover, the court's assertion that arbitrators can adjudicate infringement claims is significant, highlighting the specialized nature of IP disputes and the need for expertise in resolving them. It also reflects a trend in arbitration towards granting arbitrators greater authority in deciding complex legal issues.

Furthermore, the court's rejection of the second test of arbitrability, which deems disputes from special statutes as inarbitrable, is notable. This test is applied where public policy warrants disputes to be adjudicated by courts. However, the court's decision suggests such considerations may not always apply in IP disputes, recognizing their often private nature suitable for arbitration.

The evolving IP dispute resolution landscape in India, seen in the Eros Case and the recent Bombay High Court ruling, demonstrates a growing recognition of arbitration's viability. This trend reflects the need for efficiency and flexibility in dispute resolution, highlighting arbitration's potential to benefit the IP ecosystem.

Since the Eros and Euro Kids cases, other IP disputes that are purely born out of such negative covenants in contracts have also been upheld as being arbitrable.<sup>7</sup>

## **ANALYSIS AND CONCLUSION**

In previous cases such as Munidpharma and SAIL, the issue of arbitrability of intellectual property (IP) disputes was examined. In these cases, the petitioners raised statutory claims of copyright or trademark infringement, seeking statutory or public law-based remedies. Initially,

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<sup>7</sup> Deepak Thorat v. Vidli Restaurant Limited, 2017 SCC OnLine Bom 7704

the scope of IP disputes tested for arbitrability was limited to those arising solely from IP statutes. However, it is essential to recognize that IP disputes can also have a contractual dimension.

Recent cases like EROS and Eurokids have addressed the arbitrability of purely contractual IP disputes, marking a shift in the understanding of arbitrability. These cases correctly distinguished from SAIL's ruling on the inarbitrability of purely statutory IP claims, indicating that contractual IP claims are arbitrable.

In India, there is no absolute prohibition on the arbitrability of IP disputes. The arbitrability of such disputes is determined based on the nature of the claims involved. Disputes over royalty, geographical area, marketing, and other terms of license agreements, which are contractual in nature, are considered arbitrable. Parties in India are encouraged to arbitrate such disputes freely. However, disputes over the validity or ownership of an IP right should be adjudicated by the court or assigned public administration, as they can impact the general public's right to use the asset.

The arbitrability of infringement claims depends on the specific circumstances of each case. Statutory infringement claims alone are generally not arbitrable, as per the Mundipharma and SAIL cases. However, infringement claims arising from a contract are arbitrable, following the decisions in the EROS and Eurokids cases. In cases where a counterclaim is raised regarding the validity of an IP right alongside an infringement claim, the court should resolve the counterclaim, as it involves an action in rem. Pending such resolution, arbitration may be stayed.

This approach to arbitrability strikes a balance between the rights of inventors/authors and the general public. It allows inventors/authors to arbitrate contractual rights while ensuring that courts retain jurisdiction over matters that affect the public's right to use copyrighted works and patented inventions. This balance is crucial for the effective functioning of the IP regime and encourages inventors. It also safeguards the public domain and public interest by retaining the courts' jurisdiction over certain IP matters.