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Navigating the Complex Terrain: Intellectual Property Arbitrability Challenges in India

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Abstract

This article explores the intricate landscape of arbitrating intellectual property disputes in India. Focusing on the Indian legal framework, it delves into the challenges posed by the dichotomy of rights in rem and in personam. Analysing landmark cases and evolving jurisprudence, the article emphasizes the significance of contractual disputes and third-party involvement in determining arbitrability. Jurisdictional comparisons with the United Kingdom, the United States, and Singapore highlight global variations in Intellectual Property arbitrability. The conclusion underscores the need for a nuanced approach, carefully assessed remedies, and globally uniform law to address the existing gaps and complexities surrounding Intellectual Property disputes in a rapidly evolving global scenario.

Keywords: Intellectual Property Rights, Arbitrability, Jurisdictional Juxtapositions

1. INTRODUCTION

In a realm where Intellectual Property[3] battles are akin to a high-stakes chess game, imagine if Coca-Cola and Pepsi, in their "Great Bottle Battle", opted for a subtle ballet of arbitration rather than the dramatic Courtroom tango, traversing their complicated landscape of trademark rights.

Private rights, known as IP Rights, are only as effective as the instruments available to uphold them. The IP landscape is governed by national legal frameworks and international treaties like the TRIPS Agreement[4] on IP ownership, practice, and enforcement. Most states have vested authority in domestic Courts to arbitrate disputes concerning the above problems.

The rise in IP conflicts worldwide is unavoidable, given the rise in cross-border investments and activities. Bearing in mind that arbitration's efficiency, expertise, confidentiality, and respect for party autonomy have made it an increasingly alluring option for parties to settle their differences. Across the globe, interest in the arbitrability of IP issues is growing.

Whether an issue is arbitrable is a question of policy. Arbitrability refers to public policy restrictions on arbitration as a dispute resolution process. States can determine their own economic and social policies to determine which disputes can be resolved through arbitration. In international instances, arbitrability requires balancing opposing policy reasons.[5]

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[4] Agreement on Trade Related aspects of Intellectual Property Rights, (1995).
[5] Alan Redfern & Martin Hunter, International Commercial Arbitration 137 (2d. Ed., 1991).

This article delves into the complexities of arbitrating IP disputes, with the constant tug-of-war between rights in rem and rights in personam. Determining if arbitration is a feasible option for resolution poses a challenging undertaking. Keeping in mind domestic and international policy considerations, it is crucial to analyse the current patterns in the legal field and the guiding principles that influence Courts and arbitrators when making decisions.

2. Arbitrability of IP Disputes from the Lens of Indian Jurisprudence

To understand IP arbitrability, one must understand the Indian IP framework. A patent, copyright, and trademark regime creates a "statutory monopoly," which gives the creator of an intangible asset exclusive rights to exploit it under these regimes. This right has corresponding legislative remedies in Chapter XII, Copyright Act, 1957; Section 135, Trade Marks Act, 1999; Chapter XVIII, Patents Act, 1970.[6]

The arbitration of intellectual property disputes offers intrinsic benefits such as time and cost savings, and the assurance of secrecy while also preserving long-term commercial relationships. Arbitration would be particularly advantageous in India due to the substantial backlog of Court proceedings.

The public policy of a country determines whether an issue can be arbitrated. The Ayyasami[7] Case expanded the Booz Allen Case's[8] definition of arbitrable subject matter in India and highlighted the following two types of disputes that cannot be settled by arbitration:

1. Disputes over the resolution of actions in rem, such as criminal crimes or guardianship concerns (referred to as the first criterion for determining arbitrability); The second requirement of arbitrability refers to disputes that originate from a specific statute and are assigned to specialised courts with exclusive jurisdiction, such as those reserved for small claims courts.[9].
2. These tests demonstrate that the arbitrability of a dispute depends on the kind of claim being made, namely whether it is a claim related to property rights or a claim based on a specific statute. The arbitrability of IP issues should also be guided by this notion[10].

In Vidya Drolia v. Durga Trading Corporation[11], the Supreme Court of India developed a four-fold non-arbitrability test. The test considers actions in rem, erga omnes effects, implications on third-party rights, inalienable sovereign and public interest responsibilities, and non-arbitrability as per mandatory statutes. This critical decision establishes a thorough approach for determining Indian dispute arbitrability.

2.1 IP rights: in rem or personam?

Rights are often divided into rights in rem and rights in personam. Rights in rem can be enforced against everyone. Actions in rem establish property ownership and rights among the parties and against anybody who may claim an interest in that property at any time. In personam refers to a legal claim that is only defended against certain individuals. Actions in personam that are relevant to a particular case are undertaken to establish the legitimate interests and rights of the persons involved.

[6] Saniya Mirani, Mihika Poddar, *Arbitrability of IP Disputes in India – A Blanket Bar?*, Kluwer Arbitration Blog (Mar. 9, 2019) [https://arbitrationblog.kluwerarbitration.com/2019/03/09/arbitrability-of-ip-disputes-in-india-a-blanket-bar/].
[7] A. Ayyasamy v. A. Paramasivam & Ors (2016) 10 SCC 386.
[8] Booz Allen & Hamilton Inc v. SBI Home Finance Limited & Ors (2011) 5 SCC 532.
[9] Supra Note 4.
[10] Ibid.
[11] Vidya Drolia v. Durga Trading Corporation MANU/SC/0939/2020.

Arbitrability in Indian IP disputes is complicated by the interaction between 'real' rights in rem and subordinate rights in personam. Commercial agreements, typically subject to private arbitration, generate a web of interrelated rights among parties, unlike IP rights, which stand against the world.

While the Booz Allen case did not explicitly include IPR in the list of non-arbitrable conflicts and defined arbitrability as a 'flexible' rule, in A. Ayyasamy, the Courts ruled that patent, trademark, and copyright conflicts cannot be arbitrated.

Identifying the thin boundary between rights in rem and rights in personam is difficult, and the lack of a defined legal framework for arbitrable and non-arbitrable IP issues complicates matters. Thus, IP arbitrability must be shaped by Court rulings and arbitral verdicts.

Marketing Ltd. Lifestyle Equities C v Q D Seatoman Designs (P) Ltd[12] clarified the in rem versus in personam argument while holding that "Patent issues involving licensing or infringement are arbitrable, but patent validity disputes are not." Arbitration may apply to reduce rights in personam from rights in rem. These rights, recognised in private contracts, empower arbitrators to resolve private disputes without official interference.

Arbitrability has always applied to subordinate rights in personam originating from rights in rem.[13] The welcome decision of Eros International v. Telemax[14], it was determined that industrial disputes that parties have intentionally agreed to resolve in a private forum are not exempt from arbitration. These actions are consistently actions in personam, where one party seeks a specific remedy against another party, rather than against the entire group.

As with subordinate rights in personam, infringement claims against a specific person are arbitrable.[15] Commercial disputes that parties intentionally direct to a private forum are not non-arbitrable.[16]

The Apex Court ruled in Ministry of Sound International v. M/S Indus Renaissance Partners[17] that IPR issues can be arbitrated since there is no absolute restriction on arbitration. Arbitration contracts are business documents that should be evaluated pragmatically rather than legally.

2.2 Contractual disputes and third-party involvement in determining arbitrability

In a stark departure from the customary tapestry of contractual disputes, conflicts arising from IP Rights are uniquely adorned with the intricate threads of statutory entitlements. The majority of IP rights conflicts are based on contracts, and there is no justification for a government to intervene in these contractual relationships and prevent these disputes from being resolved through arbitration. These conflicts are subject to arbitration, regardless of whether they stem from a contract related to registered IP rights.

As stated in the case of Hero Electric Vehicles Private Limited and Ors. vs. Electro E-mobility Private Limited and Ors,[18] where intellectual property rights (IPR) conflicts emerge from a contractual agreement between the parties, they can be resolved through arbitration.

[12] Marketing Ltd. Lifestyle Equities C v Q D Seatoman Designs (P) Ltd 2017(72) PTC 441(Mad).
[13] Supra note 5.
[14] Hereinafter referred to as Eros.
[15] Deccan Mills v. Regency Mahavir Properties (2021) 15 SCC 532; Impact Metals Ltd. and Ors. vs. MSR India Ltd. and Ors., MANU/AP/0646/2016.
[16] O.P. Malhotra, The Law and Practice of Arbitration and Conciliation: The Arbitration and Conciliation Act 1996 142 (2002).
[17] Ministry of Sound International v. M/S Indus Renaissance Partners, 2009 SCC OnLine Del 11.
[18] Hero Electric Vehicles Private Limited and Ors. vs. Electro E-mobility Private Limited and Ors MANU/DE/0379/2020.

The situation where IP disputes may be non-arbitrable was termed as an "apocalyptic legal thermonuclear devastation" by the Court in the Eros case. In Golden Tobie Private Limited v. Golden Tobacco Limited,[19] it was held that "The plaintiff's right comes from the Agreement, not the Trademark Act. The trademark is assigned by contract, not statute, not entailing state sovereignty, and therefore the conflicts are arbitrable".

Third-party engagement in conflicts can affect arbitrability. Arbitration was traditionally reserved for parties to an agreement. The amendment made in 2015 to section 8 of the A&C Act[20] permits parties who are claiming through a party mentioned in the agreement to submit issues to arbitration. In the Eros case, the plaintiff submitted a comprehensive complaint against multiple parties, including the party involved in the arbitration agreement. The plaintiff argued that the cause of action could not be separated and sent to arbitration. The Court applied the change in section 8 to submit the parties to arbitration, as they were alleging through the respondent.

2.3 Relief Test

The relief test is the third criterion used in the rights in rem discussion. In order to decide whether to send a dispute to arbitration, some Courts have depended on the relief test. The Court determined arbitrability by focusing on the relief sought by the parties rather than the nature of legal rights in Rakesh Malhotra v. Rajinder Malhotra[21], holding that "parts of the reliefs may be in rem and... therefore, the nature of the reliefs sought, and powers invoked necessarily exclude arbitrability." The matter would be subject to arbitration if the claimed remedy is of a personal nature and can be granted by a civil court, in accordance with the decision in HDFC Bank v. Satpal Singh[22]. Expanding upon its examination of proceedings in rem, the Court recognized that in cases where the requested remedy would have an impact in rem, it could not be provided by private forums and, as a result, would not be subject to arbitration. The type of judgment that the aggrieved party is seeking is a critical factor in determining arbitrability.[23] A judgment is considered to be in rem and cannot be arbitrated if it has broad consequences.[24]

3. Jurisdictional Juxtapositions of Arbitrability in IP Disputes

Since intellectual property may easily be transferred within and between countries, the majority of conflicts involving intellectual property are multinational in nature. Intellectual property rights are often conferred and regulated by individual nations, and various legal frameworks handle matters of arbitrability in varying ways.

3.1 United Kingdom

The United Kingdom does not have any legal acknowledgment of the arbitrability of intellectual property issues under the Arbitration Acts of 1950, 1979, or 1996.[25] Furthermore, the UK Patents Act 1977 specifically permits arbitration in only extremely restricted situations.[26] However, the Court system has

[19] Golden Tobie Private Limited v. Golden Tobacco Limited SCC OnLine Del 3029.
[20] §8, The Arbitration and Conciliation Act, 1996.
[21] Rakesh Malhotra v Rajinder Malhotra, MANU/MH/1309/2014.
[22] HDFC Bank v Satpal Singh, (2013) (134) DRJ 566 (FB).
[23] Bina Modi and Ors. vs. Lalit Kumar Modi and Ors., MANU/DE/2305/2020.
[24] John Sutton David St. & Gill Judith, Russell on Arbitration 28 (22d ed., 2003).
[25] 'Final Report on Intellectual Property Disputes and Arbitration', 9 ICC International Court of Arbitration Bulletin, 1998 at 42–43.
[26] Ibid.

predominantly acknowledged the arbitrability of intellectual property conflicts.[27] Both trademark and copyright issues can be entirely resolved by arbitration. In addition, patent validity can also be determined through arbitration, although this finding only has an impact on the parties involved under English law.[28] Typically, English Courts have read arbitration agreements comprehensively.

3.2 United States

Federal statutes in the US expressly permit parties to choose arbitration for patent disputes. An arbitration clause can be included in patent-related contracts, including licence agreements or cooperative development agreements, to accomplish this. Parties may also decide to agree to arbitrate continuing patent issues. During arbitration under this Act, an individual accused of patent infringement has the option to present defences of non-infringement, unenforceability, or illegality. However, it is important to note that if the patent in question is deemed invalid, the verdict will only have an effect on the parties involved in the case. In other words, despite a patent being declared invalid by an arbitral verdict, the patent owner will nevertheless have the ability to enforce the same invention against other parties.

In contrast to patent disputes, copyright disputes are not specifically covered by legislation in the US that mandates binding arbitration, yet US Courts have ruled that copyright claims are arbitrable.[29] This covers a copyright's validity as well.[30] Similarly, no US law calls for the binding arbitration of trademark conflicts.

3.3 Singapore

The Singapore Intellectual Property (Dispute Resolution) Act of 2019[31] explicitly allowed arbitration of intellectual property issues under the Arbitration Act and International Arbitration Act. This applies regardless of whether an intellectual property right is the major issue or simply indirectly related.

It covers Patents, trademarks, copyrights, and other intellectual property rights. It also cover disputes regarding the enforcement, infringement, existence, legality, title, extent, time frame, or any other feature of an intellectual property right, a contract involving an IP right, or compensation for an IP right. Interparte patent validity arbitration is also allowed by the amendment.

4. Suggestions and Conclusions

Arbitrability is crucial in India's complex IP landscape. In the milieu of IP issues, the interesting contrast between the more traditional struggles in Court and the more alluring option of arbitration is striking. The Indian legal system is based on precedent-setting rulings like Booz Allen and Ayyasamy, which made actions in rem and specialised Court disputes arbitrable.

Vidya Drolia and Eros International show that the Indian judiciary recognises the arbitrability of subordinate rights in personam arising from rights in rem. The distinction between rights in rem and rights in personam in IP disputes is still unclear, and arbitrators' and Courts' rulings continue to affect arbitrability. The most recent ruling in the case of Vidya Drolia suggests that rights in rem are typically

[27] 'Final Report on Intellectual Property Disputes and Arbitration'; Maurizio Crupi, 'Patent arbitration: a European comparative analysis', MSc diss., Milan, Bocconi University, 2014 at 58–62.
[28] Kenneth R Adamo, "Overview of International Arbitration in the Intellectual Property Context" (2011) 2 Global Business Law Review 18-19.
[29] Packeteer, Inc. v. Valencia Systems, Inc., 2007 WL 707501.
[30] Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191.
[31] The Singapore Intellectual Property (Dispute Resolution) Act, 2019.

not amenable to arbitration. Conflicts arising from subordinate rights in personam, however, can be arbitrated since they include a dispute between two private parties.

Most IP issues have contractual backgrounds that complicate arbitrability. As in Hero Electric Vehicles and Golden Tobie, Courts highlight that contractual IP disputes are arbitrable. The relief test and third-party participation also affect arbitrability. Jurisprudential disparities between the US, Singapore, and UK show different IP arbitrability viewpoints. Singapore supports arbitration for IP disputes, although the US and UK disagree with patent issues being arbitrable in the US.

Copyright, trademark, and patent rules in India are often unclear. Indian intellectual property issues are exacerbated by lengthy legal processes and bureaucracy. Justice delays can hurt rights holders and cause commercial uncertainty due to procedural inefficiency. Arbitrability of IP disputes is not included in arbitration or IP rights statutes. The sole reliance in such cases is on different and conflicting judicial decisions. Thus, ADR alternatives like arbitration should be considered, especially for complicated technological disputes, to cover holes in the adjudicative environment.

Transnational IP rights have various arbitrability regulations in different jurisdictions. This causes inconsistent decisions and task duplication, increasing costs and time. Some countries, including the UK, arbitrate validity problems, but only the parties are bound by them. IP rights owners may benefit because an adverse validity ruling will not affect their registered rights globally. The effect of any verdict will vary by jurisdiction because national legislation for resolving disputes over these rights varies widely.

Given the complexity of IP arbitrability, parties to IP disputes must carefully consider the remedy sought and the jurisdictional implications before choosing arbitration. Policymakers should regularly evaluate and improve IP arbitrability laws to ensure that IP dispute resolution meets worldwide IP demands. To close legal loopholes worldwide, a universal law is needed.

While arbitration can resolve IP disputes in India quickly and privately, arbitrability difficulties require legal, educational, and international cooperation. This will help the legal system adapt to global intellectual property challenges.