



Arbitrability And Intellectual Property Disputes In India: Legal Dynamics

Dr V.B.N.H. SAROJA ACHANTA

Abstract

Arbitrability means whether a particular dispute can be brought to arbitration or if an arbitral tribunal has jurisdiction over the subject matter. Arbitrability is especially crucial for intellectual property rights (IPR) disputes. The arbitrability of IPR disputes in India is explored in this abstract. The Indian legal system, as defined by the Arbitration and Conciliation Act, of 1996, does not specifically list the categories of non-arbitrable disputes, but rather empowers the courts with the power to judge on issues of arbitrability. The courts relied on case law to determine the arbitrability of IPR cases. This paper evaluates the rulings in the significant cases of *Vidya Drolia*, which developed a four-fold test to determine the arbitrability of disputes, and *Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd.*, that established the test of "right in rem" and "right in personam" to determine the arbitrability of disputes. In summary, case law and interpretation of the 1996 Arbitration and Conciliation Act determine whether IPR disputes in India can be arbitrated. While there is no definitive list of non-arbitrable IPR disputes, courts have developed tests for evaluating arbitrability based on factors such as the nature of the rights at issue and public interest. The recognition of arbitrability in some IPR disputes demonstrates India's commitment to promoting arbitration as an effective way of resolving such disputes.

Keywords: Arbitrability, Dispute, Intellectual Property Rights (IPR), Public Interest, Non-arbitrable

Introduction

Intellectual property (IP) has appeared as one of the most considerable tools in the knowledge-driven economy. Enhancement in innovation drives economic growth, and safeguarding IP rights became crucial for individuals, traders, and nations. Globalization and expansion of the digital economy are some of the reasons for disputes over intellectual property rights (IPR). Traditional court litigation is a time-consuming process because complexity of technical issues involved in IPR disputes.

IP comprises a wide spectrum of property rights that make it possible to share, protect, and transfer valuable and intangible items, such as trade names, industrial inventions, patents and creative expressions. Arbitration has been utilized to resolve disputes concerning intellectual property since the 19th century. National courts have historically handled the majority of disputes pertaining to intellectual property rights. Because the rights had been granted by a sovereign power, many legal systems in the past prohibited the arbitration of intellectual property disputes.

It was further argued that the nature of the rights meant that only the body that granted them should have the authority to judge whether they were legitimate. In principle, all disputes that may be decided by a court can be decided by an arbitral tribunal, with the exception of certain that aren't considered "arbitrable". Arbitration is more beneficial to resolve IPR disputes. The arbitration process helps parties to avail services of experts as arbitrators, the whole process goes confidentially, and it is a more flexible and faster process

than litigation. However, the implementation of arbitration in resolving IPR disputes creates significant legal challenges under Indian law.

In India, IPR disputes are governed under the provisions of the Patents Act of 1970, the Trade Marks Act of 1999, and the Copyright Act of 1957. The Arbitration process in India goes as per the provisions of the Arbitration and Conciliation Act of 1996 and it contains the principles of the United Nations Commission on International Trade Law (UNCITRAL) Model Law. The collision of various legal systems produces a challenging environment for IPR arbitration.

The present study intends to provide a comprehensive review of India's legal position on resolving IPR issues through arbitration. It focuses on essential issues such as arbitrability, enforceability, and judicial intervention in the context of IPR conflicts. The present study compares India's approach to worldwide best practices, outlining prospective reforms that could improve arbitration as the preferred option of dispute resolution in intellectual property cases.

Research Methodology

The data was collected from secondary resources like journals, articles, media reports, books, case laws and different websites. The researcher has conducted a comparative study on the different aspects of intellectual property that are relevant to the rights in rem and personam and that indicates the need for arbitration in emerging IP disputes.

Hypothesis

Arbitration and any other forms of alternative dispute resolution are crucial in the modern era for intellectual property conflicts, but we must ensure that they significantly lessen the load on the legal system. As IP law disputes take place, the ideas of state sovereignty, legislative constraints, and rights in rem and personam shouldn't become hurdles.

Intellectual Property (IP) disputes confront specific challenges that can be effectively resolved through Arbitration:

- i. The sophisticated nature of the disputes requires expertise. Arbitration allows the parties to choose an arbitrator with the appropriate technical skills, resulting in a great understanding of the issues involved.
- ii. Confidentiality is a critical problem in intellectual property conflicts. When sensitive information is brought to court, it becomes public. However, arbitration provides a remedy by ensuring confidentiality throughout the procedures.
- iii. Unlike traditional systems, arbitration allows parties to tailor procedural rules to their specific requirements. This enables parties to more effectively track and handle the outcome of their disputes.
- iv. Intellectual property issues often take on an international dimension, resulting in jurisdictional challenges and various proceedings in different jurisdictions. Arbitration addresses these issues by centralizing the dispute under a single arbitral body, allowing the parties to select a convenient seat and location for the arbitration process.
- v. The corporate world prefers effective and speedy conflict resolution to maintain uninterrupted business operations. The burden of pending cases in traditional litigation makes it challenging. Arbitration delivers a quicker resolution within a specific time frame. Furthermore, arbitration awards are final and binding, eliminating the need for many rounds of appeals often encountered in court proceedings.

Overview of Arbitrability

The term arbitrability refers to whether a specific dispute could be settled by arbitration or it must be resolved by a court. Private conflicts involving contractual rights or business transactions are often regarded as arbitrable, whereas disputes involving public rights, such as civil, criminal matters or insolvency concerns, are non-arbitrable.

Certain disputes in the realm of IPR remain unresolved, particularly those challenging the validity or registration of intellectual property rights, which may have consequences for third parties and the public interest.

In a procedural setting, "arbitrability" refers to whether the subject matter can be resolved through arbitration or whether an arbitral tribunal has jurisdiction over the subject matter. The subject of arbitrability of disputes may arise at numerous times, including (i) before a court of law; (ii) during arbitral proceedings

(iii) while evaluating an application for setting aside an award and (iv) during the enforcement stage of an award. The issues of arbitrability of disputes are only governed by case laws and not by statutes by Section 2(3) of the Arbitration & Conciliation Act, 1996 [“the Arbitration Act”] which provides that “certain disputes may not be submitted to arbitration” but does not list down the category of cases that are non-arbitrable, while on the other side Section 34(2)(b) and 48(2) of the Arbitration Act gives power to courts to set aside an award if it was not capable.

Legislative Framework

In India, arbitration is controlled by the Arbitration and Conciliation Act, of 1996, which relies on the UNCITRAL Model Law on International Commercial Arbitration. The Arbitration Act contains a comprehensive framework for Domestic and International Arbitration, which includes:

- Part I: Domestic and International commercial arbitration conducted in India.
- Part II: Recognition and enforcement of foreign arbitral awards.
- Part III: Conciliation procedures.

Key provisions related to IP disputes

Section 7: Defines arbitration agreement, crucial for IP contracts.

Section 34: Reasons for the objection to the arbitral award, such as public policy grounds, are also frequently raised in IP matters.

Section 48: Recognition and enforcement of foreign arbitral awards. It is one of the crucial issues in cross-border IP litigations.

Indian courts began debating the arbitrability of intellectual property disputes, particularly those involving statutory rights. Contrastingly with licensing and other contractual disputes connected to IP, significant debate prevails on whether arbitration is competent to deal with issues such as IP legality.

The 2015 amendments to the Arbitration Act empowered arbitration more time-efficient and less prone to judicial intervention by setting a final deadline and limiting court interference in arbitral processes.

Judicial Approach

Indian courts have adopted a conservative stance on the arbitrability of IPR cases, frequently distinguishing between rights in rem (rights against the world as a whole) and rights in personam.

In the *Booz Allen & Hamilton Inc v. SBI Home Finance Ltd* [Booz Allen] case, the Supreme Court of India defined the test of "right in rem" and "right in personam," wherein right in personam is regarded as arbitrable but right in rem means the right accessible against the world at large is not. This decision has obscured the entire concept of arbitrability. The test developed by the Supreme Court of India was later criticised in subsequent judgements and is not comprehensive enough to be considered a sole test for the arbitrability of disputes. The courts sought an alternative and created the public policy test, which allows the tribunal to award the requested relief.

The Supreme Court of India was asked to rule on arbitrability in the case of *Booz Allen*, which involved the execution of a bank mortgage by sale. While the entire cause of action was based on agreements signed by the parties and the bank, the Court went on to examine the question of arbitrability using the broad tests of (i) whether the subject matter of the dispute is capable of being settled through a private forum; or (ii) whether the relief sought in the dispute can only be granted by a special court or tribunal. While laying down the rationale, the Court acknowledged that arbitration is a private forum chosen by the parties to settle all disputes, civil or criminal, and then decided that the parties can only seek the remedy provided by the Act. The Court applied rights-based analysis and established a test of public policy based on the distinction between rights. The Court said that removing the competence of arbitral tribunals to decide on claims could harm the rights of their parties, which cannot be tolerated on the grounds of public policy.

It is critical to understand that the question of arbitrability strikes directly at the heart of the procedural maintainability of the dispute, rather than determining the rights of the parties to the proceedings, which is the first step in determining a tribunal's jurisdiction to adjudicate on the tribunals and gave it to the courts to determine the authority to rule on such disputes.

Jurisdictional Challenges

The courts are frequently called upon to decide whether conflicts concerning such rights are arbitrable. It is generally accepted that whenever a dispute arises against the state about the nature, scope, or legality of exclusionary rights, it is non-arbitrable. The jurisdictional issue, however, is two-fold: some governments have allowed arbitration of such conflicts, while others have restricted the arbitrability of intellectual property disputes. The complex legal framework surrounding IPR, as well as the around-the-globe nature of these conflicts, present jurisdictional issues in arbitrating Intellectual Property Rights (IPR). The following are some of the jurisdictional challenges:

- (i) **Selection of Jurisdiction:** Selecting the proper jurisdiction for the arbitration can be challenging since parties may have different preferences based on strategic interests or the legal framework available in different jurisdictions. This dispute must be resolved carefully, taking into account the parties' intentions, the applicable arbitration laws, and any jurisdictional constraints imposed by the IP rights in question.
- (ii) **Jurisdictional Reach:** Determining the extent to which an arbitral award in an IPR dispute can have extraterritorial application is a jurisdictional challenge. The enforceability and recognition of an award may differ between jurisdictions, depending on the existence of bilateral or multilateral agreements governing the recognition and enforcement of arbitral verdicts.
- (iii) **Conflict of Laws:** IPR issues often lead to legal conflicts, as countries may have different legal systems and procedures and interpretations of IPR. The appropriate law is critical in determining the parties' substantive rights and duties. The applicable arbitration rules, conflict of laws principles, or the parties' agreement can all influence the choice of law.
- (iv) **Concurrent Proceedings:** Parties may conduct concurrent proceedings, such as litigation or arbitration, in different jurisdictions. Due to the possibility of contradictory conclusions, this leads to jurisdictional challenges and makes it difficult to enforce the award. Coordination and collaboration among jurisdictions may be required to lessen the impact of concurrent processes and assure consistent outcomes.
- (v) **Enforcement and acknowledgement:** Even if an arbitral ruling is favourable, its enforcement and acknowledgement across jurisdictions might be difficult. Enforcement requirements vary by jurisdiction, and parties have to negotiate the various legal frameworks, which include international agreements and domestic legislation governing the recognition and enforcement of arbitral verdicts.

Thus, the tribunal's jurisdiction is often refused in situations where the processes would have an enforceable effect, meaning that the arbitrators would not be able to bind a party that did not sign the agreement. As a result, the public policy exemption to defining the tribunal's jurisdiction should apply solely in circumstances when the outcome of arbitration proceedings affects the rights and responsibilities of third parties rather than the right implicated in rem.

Enforceability of arbitration award

The enforcement of arbitral awards in Intellectual Property Rights (IPR) disputes is a key component of the arbitration process because it ensures that the rights and remedies granted by the award are properly executed. The following aspects are necessary to consider when dealing with the execution of arbitral awards in IPR disputes:

International Conventions

The New York Agreement on the Recognition and Enforcement of Foreign Arbitral Awards is a major international agreement that allows cross-jurisdictional enforcement of arbitral awards. The convention establishes a framework for the recognition and execution of arbitral awards in more than 160 nations. Parties should establish that the jurisdiction seeking enforcement is a signatory to the New York Convention.

Domestic Arbitration Laws

The recognition and execution of arbitral rulings are heavily influenced by the domestic laws of the jurisdiction in dispute. Parties should become familiar with the specific rules and processes outlined in the applicable domestic arbitration regulations. These laws may define the grounds for rejecting enforcement, such as violations of public policy or procedural errors.

Award Validity and Finality

In order to be enforceable, an arbitral award must be both valid and final. The award should be issued by a properly constituted arbitral tribunal in line with the agreed-upon arbitration processes, and it should address the concerns raised in the IPR dispute. Any legal challenge to the award's legitimacy or set-aside procedures may have an impact on its enforceability.

Recognition and Enforcement Proceedings

Parties seeking to enforce an arbitral award must file recognition and enforcement proceedings in the jurisdiction in which enforcement is sought. This typically entails making an application to the appropriate court and providing supporting documents such as the original arbitral award, arbitration agreement, and proof of service.

Compliance with Procedural Requirements

Parties must ensure that all procedural requirements for enforcement are carefully followed, such as translations of the award and associated documents, filing dates, and payment of any required fees. Failure to comply with procedural standards could impede or prolong enforcement efforts.

Public Policy Considerations

In IPR disputes, the execution of arbitral awards may be subject to public policy considerations, especially if the award could influence concerns of national interest, public health, or competition policy. Parties should be aware of any specific public policy limitations that may apply in the jurisdiction where enforcement is sought.

Further, the Act defines "commercial disputes" to include intellectual property disputes. Section 10 of the Commercial Courts Act of 2015 allows for the arbitration of commercial disputes without specifically excluding intellectual property issues.

Case Law on Arbitrability of IP Disputes

After the enactment of the Commercial Courts Act of 2014, the issue of arbitrability of such disputes might be addressed in favour of arbitration by reading Section 2(1)(f) of the Arbitration and Conciliation Act of 1996 along with Section 2(c)(xvii) of the Commercial Courts Act of 2015.

Eros International Media Ltd. v. Telemax Links India Pvt. Ltd. and others¹⁰

The arbitrability of copyright issues is the subject of this case. Content dissemination to device manufacturers was agreed upon by the plaintiff and defendant. An arbitration clause that stated that any disputes between them would be settled by arbitration was also included in the agreement. The court ruled that their disputes would often be settled through arbitration and that the clause was stated in the broadest manner feasible. The court went on to say that arbitration of copyright disputes was not prohibited by Section 62(1) of the Copyrights Act, 1957.

Bajaj Auto Limited v. TVS Motor Company Limited¹¹

Furthermore, referring Shree Vardhman, the Supreme Court expressed its concern about the unsatisfactory state of affairs involving IP issues in Bajaj Auto Limited v. TVS Motor Company Limited. Additionally, it upheld Shree Vardhman's viewpoint by ordering all courts and tribunals to handle cases pertaining to these issues on a daily basis and deliver a decision within four months of the suit's filing date.

Golden Tobie (P) Ltd vs. Golden Tobacco Ltd¹²

A dispute over the right to use a trademark is arbitrable, according to a 2021 Delhi High Court ruling that cited Vidya Drolia. Arbitration can and may be used to settle copyright infringement disputes. The court

ruled that in evaluating whether the dispute could be arbitrated while using its jurisdiction under Section 8 of the Arbitration Act, 1996, it must make sure that the use of Sections 8 and 11 does not limit the Tribunal's power to make a decision.

Vidya Drolia vs. Durga Trading Corporation¹³

The Supreme Court of India was entrusted with deciding the extent of arbitrability in a dispute in what is considered to be a landmark case. To determine the scope of such arbitrability, the Court developed a four-fold test.

1. When the action involves right in rem.
2. Centralized adjudication is necessary when problems involve other parties or have a negative impact.
3. In cases when they are connected to the State's natural sovereign and public interest roles.
4. When the arbitration of such matters is expressly or implicitly forbidden by a particular statute.

Conclusion

In conclusion, the Booz Allen and Vidya Drolia cases show key advancements in Indian arbitration. These instances highlight the importance of public policy concerns as well as the protection of parties' rights and interests in arbitration proceedings.

Booz Allen clarifies that two Indian parties cannot choose a foreign seat for arbitration where the dispute is domestic. This ruling confirms India's commitment to giving Indian parties access to justice and protecting their interests in domestic concerns. On the other hand, the Vidya Drolia acknowledges that the Arbitration Act of 1996 applies to disputes resulting from leasing agreements. This ruling promotes arbitration as a viable option for settling lease-related disputes, demonstrating India's pro-arbitration position and commitment to encouraging alternative dispute settlement techniques.

These instances reflect the Indian judiciary's acknowledgement of arbitration as a viable conflict resolution tool and its efforts to give clarity, certainty, and justice to parties involved in arbitration procedures. The opinions help to advance arbitration law in India and improve the enforceability and efficacy of arbitral verdicts.

References:

- [1] Rakesh Malhotra v. Rajinder Kumar Malhotra, (2015). 192 Comp Cas 516 (India)
- [2] Himangni Enterprises v. Samaljeet Singh Ahluwalia, (2017). 10 SCC 706 (India)
- [3] Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd., (2011). 5 SCC 532 (India)
- [4] Mahanagar Telephone Nigam Ltd. v. Canara Bank, (2019). SCC OnLine SC 995 (India)
- [5] Lifestyle Equities CV v. QDSeatoman Designs (P) Ltd., (2017). MANU/TN/3292/2017, para 5(p); SCC OnLine Mad 7055 (India)
- [6] Reckitt Benckiser (India) (P) Ltd. v. Reynders Label Printing India (P) Ltd., (2019). 7 SCC 62 (India)
- [7] Tandav Film Entertainment (P) Ltd. v. Four Frame Pictures, (2009). SCC OnLine Del 3930: (2010) 1 Arb LR 79 (India)
- [8] R.K. Productions (P) Ltd. v. N.K. Theatres (P) Ltd., (2012). SCC OnLine Mad 5029: (2014) 1 Arb LR 34 (India)
- [9] SAIL v. SKS Ispat and Power Ltd., (2014). SCC OnLine Bom 4875 (India)
- [10] Eros International Media Ltd. v. Telemex Links India (P) Ltd., (2016). SCC OnLine Bom 2179: (2016) 6 Arb LR 121 (India)
- [11] Bajaj Auto Limited v. TVS Motor Company Limited, (2009) 9 SCC 797
- [12] Golden Tobie (P) Ltd. v. Golden Tobacco Ltd, CS (Comm) 178 of 2021. Delhi High Court
- [13] Vidya Drolia v. Durga Trading Corporation, (2020) SCC OnLine SC 1066