Beyond Briefs Law Review

Volume 1 | Issue 2

2023- 2024

DISCLAIMER

ARBITRATING INTELLECTUAL PROPERTY DISPUTES IN INDIA: RECONCILING LEGAL PRECEDENTS AND PRACTICAL REALITIES

~ Hans Rathi [1]

Abstract

The paper explores the legal landscape and political challenges surrounding the arbitration of intellectual property disputes in India, focusing on whether intellectual property rights constitute Rights in Rem or Rights in Personam. It discusses the application of the frivolous four-test arbitrability criteria set by the Indian apex court for IP disputes, considering third-party effects and statutory mandates. Despite the benefits of IP arbitration, such as affordability, speed, and enforceability, IP actors face issues such as legal precedents, lack of cooperation, and a complete legal framework. The paper suggests future trends in IP arbitration, including the establishment of Distinct Arbitration Centres, AI-supported arbitration, and specific rules. Recommendations include enacting distinct legislation, emphasizing institutional education, and considering legal technologies to enhance the use of IP arbitration in India.

Keywords

Intellectual Property, Arbitration, Alternative Dispute Resolution, India, Legal Framework, Arbitrability.

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INTRODUCTION

The process of arbitration in its most general terms refers to the alternative sort of resolution technique of conflicts. It has recently gained popularity and wide usage due to its cost-effectiveness, quick resolution of disputes, confidentiality, and the informed decision-making process. Arbitration is mostly undertaken in commercial matters, construction, maritime, and family disputes.

On the other side of the coin, Intellectual Property Rights are the certain kind of recognition and protection granted to innovators and artists for the creations and inventions of their minds and skill set. Such rights are granted for a specific period. The concept covers several kinds of intellectual properties including copyrights, trademarks, geographical indications as well as industrial designs, and even trade secrets. Now, the disputes arising out of the infringement of any intellectual property rights of any person or organization involve issues that are to be dealt with some sort of technical knowledge and expertise in the field of intellectual property.

Moving on to the topic of our blog, arbitration can also be used to resolve disputes over intellectual property rights. In various circumstances and applications of the same, it has been confirmed that arbitration can be the best way to solve any sort of technical dispute involving any specialized knowledge or expertise.

Examining the current scenarios, firstly in India, there seems no such straightforward answer for the complex question of the arbitrability of disputes in intellectual property. Delving into certain provisions of the statutory legislations of the country, it can be concluded that traditionally, IP rights were considered to be right in rem. Examining the specific arbitration-related legislation, the statute provides that some matters may not be submitted before arbitration. It also provides the courts with the power to set aside an award for arbitration in cases where the subject matter is incapable of being resolved through arbitration. Analyzing all these observations, it can be said that there exists no such provision for defining and deciding the capability of any subject matter for being decided through arbitration proceedings. Thus, there exists no legislation covering the issues of arbitrability of disputes of intellectual property in India.

Now, since there exists no such legislation, what we can do is find and analyze the relevant judicial decisions regarding the arbitrability of disputes governing intellectual property. The major judicial

decisions related to this complex issue are the Vidya Drolia [2] and Booz Allen [3] cases. In the latter, it was determined by the court that disputes were based on rights in remedy and those that are to be examined by exclusive jurisdictions.

THE FOUR-PRONGED TEST OF JURISDICTION

Adding to the aspects discussed above, the main problem regarding the aspect of jurisdiction is that if the arbitral tribunals are allowed to adjudicate purely legal issues such as that of copyright, then this would lead to Actions in Personam, thus, exceeding the jurisdiction of the arbitral tribunal. The Hon'ble Supreme Court in the landmark case of Vidya Drolia had laid down the four-pronged tests for determining the intellectual property disputes in India. The apex court had consolidated and expounded upon the previous judgments' saying regarding the arbitrability of IP disputes.

INTELLECTUAL PROPERTY RIGHTS – RIGHT IN REM OR RIGHT IN PERSONAM?

The main concept that was discussed in these judgments was the question of the rights of intellectual property to be determined as rights in rem or Rights in Personam. It has been held that when the proceedings are not right in rem and are not related to any infringement or ownership issues, then such issues are always arbitrable. In general practice, the disputes relating to rights in rem are considered as non-arbitrable because they carry the effect of erga omnes that is towards all effect and thus do involve the rights which bind the entire population.

For example, the disputes related to the validity or revocation of the rights of intellectual property such as patents, trademarks & copyrights can be referred to as rights in rem and are hence non-arbitrable. On the other hand, the disputes relating to the infringements of the said rights of intellectual property can be referred to as Rights in Personam as they carry an erga omnes effect.

THIRD PARTY EFFECT & CENTRALISED ADJUDICATION

The second aspect for determining the arbitrability of a dispute is the importance of centralized adjudication and also the potential impact on the rights of third parties when the subject matter of the dispute carries an erga omnes effect. In the situations of such cases, the mutual settlements and

[2] Vidya Drolia v. Durga Trading Corp., (2021) 2 SCC 1 (India).
[3] Booz Allen & Hamilton Inc. v. SBI Home Fin. Ltd., (2011) 5 SCC 532 (India).

resolutions through the manner of arbitration cannot be effective and even executable against the third parties who also are not the parties to the proceedings of arbitration.

For example, a third party that is not involved in the dispute can be affected by a dispute concerned with the validity or revocation of any patent. Now, if such sort of disputes will be resolved through arbitration proceedings, then the results of the settlements cannot be binding or enforceable for the third parties not involved in the matter. The said situation can then lead to inconsistency in outcomes and in inefficacy of the rights of intellectual property.

THE PUBLIC INTEREST FUNCTION

The third aspect of the determining of arbitrability of the dispute relates to the matters that are involved within the sovereign or the public interest functions of a state. These disputes cannot be solved through arbitration because the private resolutions and awards cannot be said to be executable and enforceable in such sort of matters.

For example, the disputes that involve the granting or refusing of the rights of intellectual property by the public authorities cannot be resolved through an arbitration mechanism. These matters and disputes deal with the exercising of the statutory powers of the public authorities and also result in the implications on the interest of the public. Thus, the arbitration mechanism cannot be said to resolve such disputes, as they deal with the sovereign functions of the state.

EXPRESSLY & MANDATORILY RENDERED

The fourth aspect of the determination of arbitrability deals with the fact that certain subject matters are explicitly and clearly deemed non-arbitrable by specific statutes and relevant legal provisions. In such matters and disputes, precedence is held by the language of the statutory provisions and the dispute is held to be non-arbitrable.

For example, if some dispute or any subject matter related to a certain IP right has been expressly stated as non-arbitrable in nature by an intellectual property law, then the tribunals as well as the courts have a duty for respect the statutory mandate and render the dispute as non-arbitrable.

THE JUDICIAL PROGRESS

There have also been significant judicial decisions opposing the arbitrability of disputes governing intellectual property issues. In a recent case, the Hon'ble apex court has outlined that disputes governing intellectual property are out of the scope of arbitration proceedings.

The first step of the Indian judiciary's progress in this field of arbitrability of IP dispute was its decision in the Eros Case [4]. The arbitrability of the disputes governing intellectual property issues was discussed and analyzed against the criteria laid down in the previous significant decisions.

There also exists a big question regarding as to the provisions in the statutes governing intellectual property issues providing for filing before no court lower than any district court. The issue is whether these provisions exclusively or impliedly exclude the jurisdiction of the arbitral tribunals in such issues governing intellectual property matters. Subject to this matter, there have been conflicting judgments among different courts. The Hon'ble High Court of Delhi in this matter has provided that since provisions mandate the filing of IPR disputes before no court lower than the district court, thus, the provisions exclusively outcast the jurisdiction of the arbitral tribunals. On the other hand, Hon'ble Bombay High Court provided that these provisions only restrict the actions from being brought up before any board or any registrar.

CHALLENGES & OPPORTUNITIES IN INTELLECTUAL PROPERTY ARBITRATION

There exist some major challenges for the proceedings of arbitration to be conducted in matters of intellectual property disputes. The first such hurdle is the limitation of not setting up any legal precedent. It is a known fact that the decisions of any arbitral tribunal cannot be used as a precedent for any sort of legal proceedings or other arbitration proceedings. So, while dealing with such a significant and technical matter like that of intellectual property, the absence of legal precedents for proceedings allows for a large loophole in the objective.

Another challenge is that of the cooperation of the parties to the arbitration proceedings. Arbitration can only happen in a matter when both parties to the dispute agree to it. Usually, In disputes of intellectual property matters, the parties are aggressive towards each other for various

[4] Eros Int'l Media Ltd. v. Telemax Links India Pvt. Ltd., (2021) 6 SCC 738 (India).

related reasons and so, it is highly unlikely that they would agree to the resolution of the dispute through arbitration.

Then comes the major lack of legal framework governing the disputes of intellectual property in India as well as in the abroad world. There is no clear determination for the 'subject matter' of the IP disputes which can be resolved through arbitration. Moreover, there is no such legislation providing for certain criteria or lists for deciding the arbitrability of IP disputes.

Moving on to the opportunities part, the arbitration of the disputes of intellectual property can prove to be beneficial for both parties. Firstly, the proceedings would be cost-effective and would save both parties a lot of money from being spent on endless intellectual property litigation. Secondly, arbitration proceedings always prove to be more efficient and speedier than the endless litigation proceedings. Considering the cruciality of the rights in question which are intellectual property rights, a time-efficient and time-sensitive solution seems to be the best way out in such matters. The third advantage of arbitration of IP matters is the aspect of enforceability which is the awards granted by arbitration proceedings are easier to enforce and implement as compared to the litigation decisions.

FUTURE TRENDS AND INNOVATIONS IN IP ARBITRATION

As analyzed and discussed above, India can be classified as a significant player in the field of intellectual property. There is an enormous number of rapidly growing domestic as well as international industries that seek the protection of their IP rights in the country. As the current scenario is rapidly developing in relation to the field of IP rights, the dispute resolution method of arbitration can be expected to play a great role in the resolution of various kinds of IP disputes.

It can be said that India has a very well-established legal framework for the aspect of arbitration, such as the Arbitration and Conciliation Act of 1996. Also, the idea of arbitration and the several advantages of the same are becoming popular day by day. Due to this factor, we can expect a great number of companies to develop arbitration clauses in their agreements and contracts of intellectual property.

As the demand would increase rapidly for arbitration of IP disputes, there may be the establishment of specific IP arbitration centers focused on the said disputes. This step could provide certain

dedicated rules, and efficient procedures, and also help in the improvement of the expertise and efficiency of the arbitration process.

The future of this field may also experience the emergence of arbitration rules that are specifically IP-focused in their nature. This measure has the potential to address or deal with the issues of confidentiality, technical expertise, and complex evidence.

Moving on with the possible innovations for the future regarding the aspect of arbitration of IP disputes, this could also lead to the development of arbitrations assisted by technologies such as Artificial Intelligence. The efficient functioning of such technologies can much better than human minds analyse complex-natured patent documents, and art searches, and also identify the potential infringements of the same. The technologies of artificial intelligence, if used with proper care and by law and ethics, can also be very well used for drafting of arbitral awards and even summarizing arguments and various complex cases.

RECOMMENDATIONS AND CONCLUSION

In conclusion, it can be said that the idea of arbitration of IP disputes stands out as a complex issue that carries along with it both challenges as well as opportunities. The Indian scenario in regards to this aspect has been experiencing various significant developments but on the other hand, also carries the enormous hurdles which are required to be addressed.

The major hurdle faced by the concept is the lack of any such absolute and clear legal framework that could have governed the arbitrability of IP disputes. As discussed in the blog, there has been no such definite rules or guiding principles for determining which cases or disputes of intellectual property can be subjected to the arbitration mechanism. Moreover, the decisions of various courts have been in contradiction with each other regarding their standing for the same. The problem lies in the holding that since the IP rights are rights in rem, then they cannot be adjudicated before the arbitral tribunals, the jurisdiction that is limited to Rights in Personam.

Another major challenge can be said to be the hesitancy by parties to agree to the arbitration process in order to resolve IP disputes that are high-stakes. The parties, after, examining the private nature of the arbitration proceedings, and the inability of the courts to decide and establish any strong legal precedents, remain hesitant to accept it as a dispute resolution process.

Some possible ideal recommendations for the facilitation of the arbitration of IP disputes as in India, could be the enactment of clear and absolute legislation which could define and identify arbitrable and non-arbitrable issues. The next would be for the promotion of institutional education to create skilled arbitrators in the arbitration of IP disputes. The future could also use and explore the possibility of using artificial intelligence and other legal technologies for the assistance of the arbitration process in complex matters such as patent analysis, evidence review, and even drafting of arbitral awards and agreements.