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## NAVIGATING THE LABYRINTH: THE ARBITRABILITY OF INTELLECTUAL PROPERTY DISPUTES

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### **ABSTRACT**

Intellectual Property (“IP”) rights can only be as strong as the means for enforcing them are strong.<sup>834</sup> Arbitration, a private, confidential process, is increasingly seen as the optimal method to resolve intellectual property disputes, especially when parties are from different jurisdictions. Arbitration, with its advantages of time-efficiency, cost-effectiveness, etc., has led several countries like Australia, Germany, etc., to adopt a pro-arbitration approach towards IP disputes.

The paper explores the progress and current status of IP dispute resolution through arbitration, drawing on legal frameworks and precedents. It examines the Supreme Court’s definition of intellectual property and significant IP legislation in India. Global perspectives are analysed to highlight diverse approaches to IP arbitration. The paper discusses emerging technologies like blockchain and their potential to transform IP dispute resolution.

Initiatives promoting Arbitration in IP rights like WIPO establishing “WIPO Arbitration and Mediation Centre,” i.e., a global, non-profit dispute resolution service provider offering time and cost-effective options have assisted arbitration in IP disputes and enabled parties to successfully resolve their domestic and international IP and technology disputes. The paper also advocates for WIPO’s role and its ability to propose mandatory arbitration rules to address complexities and promote international cooperation in resolving IP disputes efficiently.

GRASP - EDUCATE - EVOLVE

<sup>834</sup>Why Arbitration in Intellectual Property, WORLD INTELLECTUAL PROPERTY ORGANIZATION, [Why Arbitration in Intellectual Property? \(wipo.int\)](https://wipo.int)

## INTRODUCTION

The Supreme Court in The Institute of Chartered Accountants of India defines intellectual property as those set of intangible rights protecting commercially valuable products of the human intellect, including trademarks, copyrights, patents, trade secrets, publicity rights, moral rights, and rights against unfair competition.<sup>835</sup> This includes art, artistic, and literary productions, including symbols, designs, names, and images that are used in businesses. IP litigation and arbitration arise from infringement validity disputes, breach of contract, or ownership disputes relating to IP rights, and though most common law jurisdictions consider them arbitrable but because decisions regarding IP rights validity require enforcement by the relevant country's IP office/statutes, validity challenges are either considered arbitrable or not-arbitrable, with limitation of any award binding only the arbitration parties.<sup>836</sup> Though the New York Convention provides for recognizing international arbitration agreement that includes a subject matter that is capable of settlement by arbitration<sup>837</sup>, it can still be opposed if national courts, where enforcement is sought, determine that subject-matter is not capable of being settled by arbitration under that country's law<sup>838</sup>, even though they are enforceable as part of the Convention.

Intellectual Property rights are a right in rather than a right in personam due to the owner's ability to prevent others from exploiting or utilizing it and can be exercised against the entire world. This brings the point of contention as though the Arbitration and Conciliation Act 1996<sup>839</sup> does not specifically list all the disputes that are arbitrable but indirectly deals with non-

arbitrability, providing that whatever is affecting rights in personam can be settled through arbitration, but the right in rem cannot be settled. Therefore, are Intellectual Property Disputes arbitrable or not?

### I. India And Arbitrability Of IP Disputes

Arbitration in India is governed through the Arbitration and Conciliation Act, 1996 ("Act"), which is based on the UNICITRAL Model Law on International Commercial Arbitration, 1985. Notably, Section 34(2)(b) of the Act<sup>840</sup>, in alignment with Article 32(b)<sup>841</sup> of the UNICITRAL Model Law, provides that arbitral awards can be set aside if the subject matter of the dispute is contrary to public policy or is not amenable to arbitration.<sup>842</sup>

Other major IP legislations In India include the Patents Act 1970<sup>843</sup>, section 104, 134 of Trademarks Act 1999, section 55,62<sup>844</sup> of The Copyright Act 1957<sup>845</sup> which suggest that it's a right in rem. The 1996 Act itself doesn't give a definitive answer to what exactly is scope of subject-matter in arbitrability in India. It is the contrast between "rights in rem" and "rights in personam" and between judgement in rem and judgment in personam that gives birth to policy disputes.

In **Booz Allen case**<sup>846</sup>, the Hon'ble Supreme Court laid down criteria for determination of arbitrability disputes in India. Though it completely excluded jurisdiction of rights in rem from the purview of arbitration, stating that they have to necessarily be adjudicated by public tribunals, but the court does vaguely consider that rights in rem and personam cannot be fully bifurcated and thus rights in personam arising from rights in rem might be subjected to

<sup>835</sup> Arjim Jain, *Interplay of Arbitration and Intellectual Property Rights*, MANUPATRA, (Jan. 3, 2023), [Interplay of Arbitration and Intellectual Property Rights \(manupatra.com\)](https://www.manupatra.com/interplay-of-arbitration-and-intellectual-property-rights)

<sup>836</sup> Matthew R Reed, Ava R Shelby, Hiroyuki Tezuka, Anne-Marie Doernenburg, *Arbitrability of IP Disputes*, GLOBAL ARBITRATION REVIEW, (Dec. 21, 2022), [Arbitrability of IP Disputes - Global Arbitration Review](https://www.globalarbitrationreview.com/insights/arbitrability-of-ip-disputes)

<sup>837</sup> New York Convention, 1958, art. II(1)

<sup>838</sup> New York Convention, 1958, art. V(2)(a)

<sup>839</sup> The Arbitration and Conciliation Act, 1996, No.26, Acts of Parliament, 1996 (India)

<sup>840</sup> The Arbitration and Conciliation Act, §34(2)(b), 1996, No.26, Acts of Parliament, 1996 (India)

<sup>841</sup> United Nations Commission on International Trade Law, UNICITRAL Model Law on International Commercial Arbitration, U.N. Doc. A/40/17, at 18 (June. 21, 1985)

<sup>842</sup> Shivang Mishra, *From Booz to Tobacco: Accepting the Arbitrability of IPR disputes*, NLIU CELL FOR STUDIES IN INTELLECTUAL PROPERTY RIGHTS, (Apr. 5, 2022), <https://csipr.nliu.ac.in/intellectual-property/from-booz-to-tobacco-accepting-the-arbitrability-of-ipr-disputes/>

<sup>843</sup> The Patents Act, 1970, No. 39, Acts of Parliament, 1970 (India).

<sup>844</sup> The Trade Marks Act, 1999, No. 47, Acts of Parliament, 1999 (India)

<sup>845</sup> The Copyright Act, 1957, No. 14, Acts of Parliament, 1957 (India)

<sup>846</sup> Booz Allen Hamilton v. SBI Home Finance (2011) 5 SCC 532

arbitration. It also stipulated that disputes out of a special statute that are reserved for exclusive jurisdiction are generally inarbitrable like where validity of patent may not but rights under patent license may be arbitrated.

In **Eros Case**<sup>847</sup> while analysing the arbitrability of copyright infringement, the Bombay High Court held that both passing off actions and infringement are *in personam* actions. It stated that the right/entitlement of bringing such action is *in rem* which is a result of obtaining copyright or having statutory/common law rights in a mark which makes an infringement claim by a person/entity identifiable arising out of contract breach as arbitrable as it's a subordinate right *in personam*, thus arguing against a blanket ban on arbitrating IP disputes. It also rejected the contention that IPR statutes like Section 62 of the Copyright Act<sup>848</sup> and Section 134 of the Trademark Act<sup>849</sup> oust the jurisdiction of arbitral tribunals. Though the Court held the validity of copyright to be arbitrated by the tribunal as negative as the existence of copyright is a decision on action *in rem* and being outside arbitrability scope.<sup>850</sup>

**Vidya Drolia**<sup>851</sup> case defines 4-point test to ascertain when the subject matter of the dispute is not arbitrable in an arbitration agreement;

- When the subject matter and cause of action of dispute relates to actions *in rem* and not to subordinate rights *in personam* that arise from rights *in rem*,
- When they affect third-party rights, having an *erga omnes* ('towards all') effect, requiring centralised adjudication, as mutual adjudication will not be appropriate and enforceable,
- When they relate to the state's public interest functions and inalienable sovereign,

- When the dispute's subject matter is expressly or by implication non-arbitrable as per the mandatory statute.

Though the SC explained these tests are not watertight compartments and they overlap and will help and assist in ascertaining/determining when a dispute or subject matter is non-arbitrable.

The court also mentioned that though arbitrability to be dealt with per case basis but it stated that for grant and issue of patents and registration of trademarks are under government functions, thus have an *erga omnes* effect, meaning rights and obligations arising from such decisions are applicable to all generally and are non-arbitrable as they also confer monopoly rights. But the case of **Hero Electric Vehicles ("Hero")**<sup>852</sup> clarified such ambiguity.

In Hero, The Delhi High Court, when dealing with an issue of trademark infringement and passing off dispute in terms of Family Settlement Agreement and Trademark Name Agreement where the plaintiff seeking a permanent injunction to restrain the defendant from using trademark had filed suit against the defendant. The high court, when dealing with the question of arbitrability of IP disputes, held that case facts were regarding rights to use of IP under FSA, not IP rights to be owned by the parties, and TMA was exercised according to terms, thus making the disputes an adjudication of rights *in personam* to be arbitrable.

This was followed by **Golden Tobacco**<sup>853</sup> and **Vijay Munjal**<sup>854</sup> judgements where Delhi High Court held that assumption of trademark related matters being outside arbitration to be erroneous as there may be disputes that arise from subordinate rights like licenses granted by proprietor of registered trademark and these undisputedly even while involving the right of usage of trademarks are arbitrable as they

<sup>847</sup> Eros International Media Limited v. Telemex Links India Pvt. Ltd., 2016 6 Bom CR 321.

<sup>848</sup> The Copyright Act, 1957, § 61, No. 14, Acts of Parliament, 1957 (India)

<sup>849</sup> The Trade Marks Act, 1999, §134, No. 47, Acts of Parliament, 1999 (India)

<sup>850</sup> *Indian Performing Rights Society v. Entertainment Networks*, 2016 SCC OnLine Bom 5893.

<sup>851</sup> *Vijay Drolia v. Durga Trading Company*, (2021) 2 SCC 1

<sup>852</sup> *Hero Electric Vehicles Pvt. Ltd. & Anr. v. Lectro E-Mobility Pvt. Ltd. & Anr.*, 2021 279 (DLT) 99

<sup>853</sup> *Golden Tobacco Limited v. Golden Tobie Private Limited*, 2021 SCC OnLine Del 4506.

<sup>854</sup> *Vijay Kumar Munjal v. Pawan Kumar Munjal*, 2022 290 DLT 719.

relate to rights *inter se* licenses agreement parties. Likewise, the disputes *inter se* contracting parties regarding their rights under the contract are arbitrable, and any action for enforcement of such rights *inter se* the contracting parties is action in personam.

## **II. International Scenario In IP Arbitration**

### **A. Common Law Jurisdictions**

There has been a growing recognition and enforcement of arbitrability in IP disputes, with new statutes and acts facilitating this trend globally.

1. **United Kingdom**– Patents Act 1997 allows for arbitration in some circumstances<sup>855</sup> and arbitrability of IP disputes have been recognized judicially. Copyright and trademark related disputes are also fully arbitrable in the UK.<sup>856</sup>
2. **United States**– Federal statutes provide that parties can agree to arbitrate patent disputes by including an arbitration clause in the contract involving a patent between them or by agreeing to submit an already existing dispute to arbitration<sup>857</sup>. US Courts have held copyright disputes to be arbitrable, though there are no statutes providing explicitly for arbitration of copyright disputes or trademarks.<sup>858</sup>
3. **Singapore and Hong Kong**– In 2019, Singapore passed the Intellectual Property (Dispute Resolution) Act that amended the Singapore Arbitration and International Arbitration Act, allowing specifically the arbitration of IP disputes irrespective of IP rights being a central or incidental issue. Hing Kong, in 2017, issued an Arbitration (Amendment) Ordinance clarifying that IP rights disputes may be arbitrated and is not

contrary to public policy to enforce arbitrable awards regarding IP rights.<sup>859</sup>

4. **Canada**– has showcased a pro-arbitration policy regarding IP disputes with its Supreme Court ruling that parties to an arbitration agreement can identify, as they wish, those disputes that may be the subject of arbitration proceeding<sup>860</sup>. Arbitral awards concerning patents can be enforced here.<sup>861</sup>

### **B. Civil Law Jurisdiction**

IP disputes among private parties are considered arbitrable to a large extent involving contractual claims and obligations, but certain IP issues like patent validity are still brought before national courts, considering them non-arbitrable because the patent is granted by the state to a patent holder and is considered to be limited to a specific territory, time and subject matter.<sup>862</sup> Therefore, arbitrability of such disputes depends mainly on the jurisdictions which may be divided into:-

1. those that allow full arbitrability of IP disputes expressly including patent violations like Switzerland and Belgium or prohibit it expressly like South Africa (that is considered as a hybrid legal system), which is the exception, and<sup>863</sup>
2. those that accept *inter partes* awards or incidental decisions on patent validity but do not have a universal *res judicata* effect like France, Italy, Portugal, etc, and

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<sup>859</sup> Aceris Law LLC, *International Arbitration and Intellectual Property (IP) Disputes*, ACERIS LAW, (Apr. 5, 2021) [International Arbitration and Intellectual Property \(IP\) Disputes | Aceris Law](https://www.acerislaw.com/international-arbitration-and-intellectual-property-ip-disputes/)

<sup>860</sup> *Desputeaux v. Editions Chouette* (1987) inc., [2003] 1 SCR 178;

<sup>861</sup> David H Herrington, Zachary S O'Dell and Leila Mgaloblishvili, *Why Arbitrate International IP Disputes*, GAR, The Guide to IP Arbitration, Law Business Research 2021,

<sup>862</sup> David H Herrington, Zachary S O'Dell & Leila Mgaloblishvili, *Why Arbitrate International IP Disputes*, GAR, The Guide to IP Arbitration, Law Business Research 2021, at 34-35.

<sup>863</sup> D.M. Vicente, *Arbitrability of Intellectual Property Disputes: A Comparative Survey*, 31(1) ARBITRATION INTERNATIONAL (2015) [https://www.researchgate.net/publication/276132831\\_Arbitrability\\_of\\_intellectual\\_property\\_disputes\\_A\\_comparative\\_survey](https://www.researchgate.net/publication/276132831_Arbitrability_of_intellectual_property_disputes_A_comparative_survey)

<sup>864</sup> D.M. Vicente, *Arbitrability of Intellectual Property Disputes: A Comparative Survey*, 31(1) ARBITRATION INTERNATIONAL (2015) [https://www.researchgate.net/publication/276132831\\_Arbitrability\\_of\\_intellectual\\_property\\_disputes\\_A\\_comparative\\_survey](https://www.researchgate.net/publication/276132831_Arbitrability_of_intellectual_property_disputes_A_comparative_survey)

<sup>855</sup> Patents Act 1977, s 52(5).

<sup>856</sup> David H Herrington, Zachary S O'Dell & Leila Mgaloblishvili, *Why Arbitrate International IP Disputes*, GAR, The Guide to IP Arbitration, Law Business Research 2021, at 29

<sup>857</sup> 35 U.S.C. s 294(a)

<sup>858</sup> *Packeteer, Inc. v. Valencia Systems Inc.*, 2007 WL 707501,



interest. WIPO may consider establishing an international convention mandating arbitration or alternative dispute resolution mechanisms before trial in multiple litigation cases involving IP disputes.<sup>874</sup>

This convention would enhance the effectiveness of the legal procedural system by reducing court litigations and provide a universal standard for multi-jurisdictional cases. WIPO can set up standards that allow parties to bring relevant third parties to arbitration to address the issue of a lack of witnesses. Arbitrators' expertise can mitigate the need for expert witnesses, but parties should be permitted to bring third-party witnesses under specific scrutiny standards, promoting fairness and efficiency. WIPO should encourage countries to establish specialized IP courts to ensure efficient resolution of IP disputes while avoiding limitations faced by individual member states in systems like the Unified Patent Court (UPC).<sup>875</sup>

### **CONCLUSION**

Intellectual rights are critical to the prosperity and economy of the nation. Arbitration, with its benefits of neutrality and impartiality, one forum, flexible process, less formal and adversarial process, cost and time efficiencies, consideration of parallel rights, and fostering a confidential and conducive environment for preserving long-term business relationships, have led to arbitration steadily becoming a used and tested alternative for protecting and enforcing intellectual property rights and disputes. India, in that stance, still has a long way to go despite its progress in new views on the arbitrability of IP disputes.

However, arbitration itself still has limitations and restrictions, which leads to disparity in the arbitrability of IP disputes, like patent validity issues, due to its public nature. WIPO is an

avenue that can be used to propose a set of uniform models for IP issues to be subject to arbitration and deal with the above disparities in its enforcement, which may include provisions like arbitrators' expertise, the balance of countries' interests, etc. Further, new technologies like blockchain and smart contracts can be used to find a universal and reasonable arbitral solution to regulate IP rights.

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