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THE ROLE OF INTERNATIONAL ARBITRATION IS RESOLVING INTELLECTUAL PROPERTY DISPUTES INVOLVING CRIMINAL ACTIVITIES

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ABSTRACT

This research paper explores the intersection of international arbitration and intellectual property (IP) disputes arising out of or connected with criminal activities such as counterfeiting, piracy, and trade secret theft. With global commerce expanding rapidly, cross-border IP conflicts are increasingly common. However, traditional judicial mechanisms often fail to address these issues efficiently due to jurisdictional limitations and lengthy procedures. This paper evaluates how international arbitration can serve as an effective alternative mechanism for dispute resolution, and highlights the procedural challenges and legal controversies surrounding the arbitration of criminally tainted IP disputes.

Keywords:

International Arbitration, Intellectual Property, IP Disputes, Counterfeiting, Piracy, Trade Secret Theft, Criminal Activities, Dispute Resolution, Cross-border IP Conflicts, Arbitrability, WIPO, Enforcement of Arbitral Awards, Public Policy Exception, Jurisdictional Challenges.

1. Introduction

Overview of Intellectual Property Rights (IPRs) and Their Global Relevance

Intellectual Property Rights (IPRs) are legal entitlements granted to creators and inventors to protect their inventions, literary and artistic works, symbols, names, and images used in commerce. They are crucial in fostering innovation and promoting creativity across borders. As globalization intensifies, the value of intangible assets such as patents, copyrights, trademarks, and trade secrets has significantly increased, often surpassing the value of tangible assets for multinational corporations.

The Rise of Transnational IP Crimes

Transnational IP crimes, such as piracy, counterfeiting, and digital theft, have become widespread with the growth of e-commerce

and global supply chains. According to the OECD and EUIPO, trade in counterfeit and pirated goods represented up to 3.3% of world trade in 2019.^[1] These crimes not only affect economic interests but also public health and safety, especially in cases involving counterfeit medicines or auto parts.

Inadequacies of National Legal Systems

Traditional national legal systems are often ill-equipped to handle IP disputes with international dimensions due to jurisdictional hurdles, time-consuming litigation, and procedural disparities. The lack of harmonized enforcement mechanisms leads to inconsistent judgments and ineffective remedies for rights holders.

Introduction to Arbitration International arbitration offers a private, neutral, and flexible

means to resolve disputes, especially in commercial contexts. It is recognized for its speed, expertise, confidentiality, and enforceability under instruments such as the New York Convention of 1958.^[2] Arbitration emerges as a viable alternative to court litigation, particularly in cross-border IP disputes, including those arising out of criminal acts like infringement and misappropriation.

2. Intellectual Property and Criminal Offences: A Legal Nexus

Definition and Types of IP Intellectual Property (IP) includes a variety of legal protections:

- **Patents** for inventions,
- **Trademarks** for distinctive signs identifying goods or services,
- **Copyrights** for literary and artistic works,
- **Trade Secrets** for confidential business information.

Overview of IP-related Crimes under International and Domestic Laws Criminal offences related to IP include unauthorized use, reproduction, or distribution of protected materials. These acts are addressed under:

- The **TRIPS Agreement**, Article 61, which mandates criminal procedures for willful trademark counterfeiting and copyright piracy on a commercial scale,^[3]
- The **WIPO treaties**, including the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty,
- **National statutes** such as:
 - The Indian **Copyright Act, 1957** – Sections 63 to 68 deal with offences,
 - The **Digital Millennium Copyright Act (DMCA)**, 1998 in the United States.

Civil Damages from Criminal Activities While IP crimes are prosecutable under criminal law, they often also involve civil liabilities.

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Civil Damages from Criminal Activities While IP crimes are prosecutable under criminal law, they often also involve civil liabilities. For instance, a trade secret theft may lead to a criminal investigation and, simultaneously, a civil arbitration for damages or breach of contract arising from a confidentiality agreement.

3. International Arbitration: Features and Applicability to IP Disputes

Characteristics of International Arbitration

- **Neutrality:** Parties may choose a neutral venue, law, and arbitrators.
- **Confidentiality:** Arbitral proceedings are private, protecting trade secrets and sensitive information.
- **Enforceability:** Awards are enforceable in over 170 countries under the **New York Convention, 1958**.

Institutions Offering IP Arbitration Several prominent institutions provide specialized arbitration services for IP disputes:

- **WIPO Arbitration and Mediation Center**
- **International Chamber of Commerce (ICC)**
- **London Court of International Arbitration (LCIA)**
- **Singapore International Arbitration Centre (SIAC)**

Arbitrable IP Disputes under International Law

While not all IP matters are arbitrable (especially those involving public rights or criminal sanctions), many commercial aspects are:

- Disputes in **licensing agreements**,
- **Technology transfer agreements**,
- **Franchise and distribution contracts**,
- **Joint R&D ventures**.

Examples of Arbitration Clauses IP-heavy contracts often include arbitration clauses specifying:

- The applicable law (e.g., Swiss Law),
 - The seat of arbitration (e.g., Singapore),
 - The institution administering arbitration (e.g., WIPO).
4. Arbitrability of Criminally Connected IP Disputes: Legal Dilemmas

The principle of arbitrability pertains to the types of disputes that may be resolved through arbitration. Generally, civil and commercial disputes are considered arbitrable, while issues involving criminal liability are reserved for the courts due to the public interest and penal nature involved. However, disputes involving intellectual property (IP) rights that arise in the context of criminal activities often present a legal conundrum, where civil liabilities are intertwined with underlying criminal offenses.

The Principle of Arbitrability Arbitrability is governed both by national legislation and public policy considerations. Under the Indian Arbitration and Conciliation Act, 1996, the law excludes certain matters from arbitration, such as criminal offenses, matrimonial disputes, and insolvency matters. Yet, when criminal acts like counterfeiting or trade secret theft lead to breach of contract or loss of proprietary rights, civil claims may still be referred to arbitration[1].

The Debate: Can Arbitrators Decide on Criminally Tainted Matters? A significant issue arises when arbitral proceedings involve allegations of criminal conduct. Arbitrators are private adjudicators and do not possess the coercive powers of criminal courts to investigate, summon witnesses, or impose penal sanctions. As such, they cannot adjudicate on the criminality per se but may assess civil damages flowing from the unlawful act. This distinction allows arbitration to address contractual and proprietary aspects while leaving the penal consequences to the state judiciary[2].

National Variations in Arbitrability Across jurisdictions, the approach to arbitrability of IP disputes with criminal dimensions varies:

- **United States:** U.S. courts have demonstrated a liberal approach. In *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth*, 473 U.S. 614 (1985), the Supreme Court held that statutory claims under antitrust laws could be subject to arbitration, provided the arbitration clause is valid and

enforceable. This principle has since extended to various civil claims involving statutory violations, including IP infringements linked to criminal acts[3].

- **India:** Indian jurisprudence maintains a conservative view. In *Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd.* (2011) 5 SCC 532, the Supreme Court held that only rights in personam are arbitrable, not rights in rem, which includes criminal offenses. However, contractual disputes arising from IP infringement or misappropriation may still be resolved through arbitration[4].
- **European Union:** The EU maintains a mixed stance. While many member states accept arbitration in IP disputes, they often exclude cases involving fraud, public order violations, or penal matters. Nonetheless, arbitration clauses in licensing or technology transfer agreements are widely upheld, subject to conformity with competition laws and public interest safeguards[5].
- **Switzerland and Singapore:** Both countries are arbitration-friendly. Swiss law permits arbitration in most civil matters, including those with criminal implications, provided the dispute centers on contractual obligations. Similarly, Singapore allows arbitration of IP disputes, even when criminal elements are alleged, as long as the arbitrator refrains from ruling on criminal guilt[6].

Case Law Analysis In *Mitsubishi Motors*, the U.S. court emphasized that arbitration agreements must be enforced even when statutory claims are involved, reinforcing party autonomy. Swiss courts have upheld similar logic, as seen in *Fincantieri-Cantieri Navali Italiani S.p.A. v. Ministry of Defense of Iraq*, where a fraud-tainted contract was still deemed arbitrable for civil claims[7]. In Singapore, *Tjong Very Sumito v. Antig Investments Pte Ltd* [2009] SGCA 41 confirmed the arbitrability of disputes involving

underlying fraud as long as public policy is not violated.

5. Jurisdictional and Enforcement Challenges

Jurisdictional Limitations Arbitrators derive jurisdiction from the arbitration agreement. Where criminal elements are involved, the scope of arbitration becomes narrower. Arbitrators cannot compel discovery of evidence or issue warrants, leading to limitations in complex IP crime disputes. Additionally, cross-border IP disputes may involve multiple legal systems, creating uncertainty in determining the competent forum[8].

Public Policy and Enforcement Issues The New York Convention allows refusal of enforcement of arbitral awards on grounds of public policy. Courts in various countries have set aside awards where the underlying contract is linked to illegality or criminal conduct. In India, Section 34(2)(b) of the Arbitration and Conciliation Act permits setting aside an award if it conflicts with the fundamental policy of Indian law[9].

Conflict of Laws Disputes involving multiple jurisdictions can trigger complex conflict of law questions. Determining the applicable law, seat of arbitration, and enforcement jurisdiction becomes critical. If a foreign award is based on a contract involving illegal acts in the enforcing country, recognition may be denied despite arbitral validity[10].

Role of National Courts While arbitration is a private mechanism, national courts play a supportive and supervisory role. They assist in evidence collection, interim relief, and enforcement of awards. Courts may also review the arbitrability of a dispute and determine whether an issue must be left to criminal prosecution.

6. Role of WIPO and Other Arbitration Bodies

WIPO Arbitration and Mediation Center The World Intellectual Property Organization (WIPO) provides specialized arbitration for IP disputes.

The WIPO Rules allow appointment of neutral technical experts, ensure confidentiality, and offer provisions for rapid dispute resolution. These attributes are particularly useful in disputes involving trade secrets or unauthorized reproduction of copyrighted material[11].

Rules Specific to IP Arbitration The WIPO Rules (2020) permit emergency relief, choice of applicable law, and joinder of parties. These flexible mechanisms are conducive to resolving disputes with transnational criminal elements, where swift measures are required to prevent ongoing infringement.

Case Studies

- A WIPO arbitration between a European pharmaceutical firm and an Asian generic manufacturer resolved allegations of trade secret theft and breach of licensing agreement through damages and injunctions, avoiding protracted litigation.
- ICC has administered disputes where counterfeit goods contracts were challenged, focusing on civil compensation rather than penal liability.

Comparative Role of Other Bodies Institutions like ICC, SIAC, and LCIA offer arbitration rules tailored for complex commercial disputes, including IP. While they do not specialize in IP like WIPO, their robust procedural frameworks and enforcement mechanisms make them suitable for disputes involving criminal undercurrents.

7. Practical Advantages and Limitations of Arbitration in Such Disputes

Advantages

1. **Speed and Efficiency:** Arbitration is often faster than traditional court trials. This is particularly crucial in intellectual property (IP) disputes where time-sensitive issues are common, such as in **counterfeit goods** or **patent infringement** cases. The **streamlined process** of arbitration allows for quicker

resolution, which helps in minimizing the harm to the IP holder's business and reputation. Unlike court proceedings, arbitration can avoid delays caused by backlog or procedural formalities.

2. **Expertise:** One of the major advantages of arbitration is that parties can appoint arbitrators with **technical knowledge** of the specific IP issue at hand. This is particularly important in complex disputes involving **trade secrets, patents, or copyrights**, where deep understanding of the technology or creative work involved is necessary. The specialized knowledge of arbitrators can ensure more accurate and informed decisions, improving the overall quality of the resolution.
3. **Confidentiality:** Arbitration provides a **confidential** forum, which is crucial when dealing with sensitive commercial data, such as **trade secrets, proprietary technologies, or business strategies**. In IP disputes, especially those involving **copyright piracy** or **trademark counterfeiting**, confidentiality protects business interests by preventing the public release of confidential information during the proceedings or in the outcome of the case. This contrasts with public trials, which may expose critical business information.
4. **Cross-border Enforceability:** Arbitral awards are enforceable under the **New York Convention (1958)**, which has been ratified by over 170 countries. This global recognition allows IP holders to enforce arbitration decisions across multiple jurisdictions. This is an especially important benefit in IP disputes involving **cross-border infringement** or **digital piracy**, where the parties may be in different countries, and the enforcement of a court judgment might be complicated due to varying national laws. The international enforceability of

arbitral awards makes arbitration a powerful tool in **global IP protection**.

Limitations

1. **No Criminal Sanctions:** One of the primary limitations of arbitration is that **arbitrators do not have the authority to impose criminal sanctions**. While arbitration can resolve civil disputes arising from IP infringement, **criminal enforcement** (e.g., imprisonment or fines) is outside the scope of arbitral proceedings. This becomes a challenge when an IP dispute involves serious **criminal offenses** like **counterfeiting**, **piracy**, or **fraud**, where state intervention is required to pursue criminal sanctions. Arbitration may resolve the commercial aspect of the dispute, but **criminal liability** must still be pursued through national courts or law enforcement agencies.
2. **Court Dependence:** Despite being an alternative to litigation, arbitration still relies on courts for certain functions. For example, parties may need to seek **interim relief**, such as an injunction, if immediate action is necessary to prevent further IP infringement. Moreover, courts are required to **enforce arbitral awards**, especially in cases where one party refuses to comply voluntarily. The **need for court intervention** in these cases can limit the perceived autonomy of arbitration, especially when the legal framework around enforcing arbitration awards is not robust or clear.
3. **Jurisdictional Uncertainty:** Different countries have varying standards for determining which types of disputes are **arbitrable**. For example, in some jurisdictions, disputes involving **criminal activity** or **public policy violations** (such as IP crimes) may not be subject to arbitration. The **uncertainty around jurisdictional rules** and the arbitrability

of certain criminal IP issues can create complications when parties seek to resolve disputes internationally. Additionally, arbitrability may be limited by specific regional or national laws that prevent arbitration of particular **criminal matters**, which could include IP crimes that have significant public interest.

4. **Evidentiary Issues:** In disputes involving criminally linked IP activities, such as **trade secret theft** or **counterfeit production**, the **evidentiary process** can be challenging. Arbitration lacks the power to issue formal **subpoenas** or **compel testimony** from third parties. As a result, parties may face difficulties in obtaining crucial **evidence**, such as documents or witness testimony that could be central to proving the case. This limitation is especially significant in IP cases, where **digital evidence** and **expert testimony** are often critical. The **lack of discovery powers**

8. Recommendations and Future Scope

- **Harmonization of Arbitrability Standards:** International guidelines on arbitrability of IP disputes with criminal facets should be developed.
- **Hybrid Mechanisms:** Med-Arb and Arb-Med-Arb can combine the benefits of mediation and arbitration.
- **Capacity Building:** Arbitrators should be trained in cybercrime, digital IP, and cross-border criminal procedures.
- **Court-Arbitral Coordination:** Clear legislative framework for court-arbitral interface can streamline dispute handling.

Conclusion

International arbitration, though not a substitute for criminal prosecution, plays a critical complementary role in resolving the civil dimensions of intellectual property (IP) disputes, even when these are interwoven with criminal

elements such as counterfeiting, piracy, and trade secret theft. Given the globalized nature of commerce and the transnational character of IP crimes, national legal systems often fall short in efficiently addressing cross-border disputes. In such scenarios, arbitration offers a private, neutral, and effective alternative for stakeholders seeking timely and enforceable resolutions.

One of the primary advantages of arbitration is its procedural flexibility and confidentiality, which are crucial in IP matters that often involve sensitive trade secrets and proprietary information. Moreover, the neutrality of arbitrators and the recognition of arbitral awards under the New York Convention of 1958 enhance the appeal of arbitration as a dispute resolution mechanism. The involvement of specialized institutions such as the WIPO Arbitration and Mediation Center further strengthens the process by providing expert panels and IP-specific procedural rules.

Nevertheless, the arbitrability of disputes involving criminal conduct remains a contentious issue. While civil aspects arising out of IP-related criminal acts—such as breach of licensing agreements or contractual damages—are generally arbitrable, the criminal liability itself remains within the domain of public law and national courts. Jurisdictional challenges, variations in national laws, and concerns related to public policy often hinder the enforcement of arbitral awards in such cases. Courts may vacate awards if they are seen to contravene criminal statutes or fundamental principles of justice.

Going forward, it is essential to foster greater clarity and consensus on the scope of arbitrability in criminally tainted IP disputes. This can be achieved through international treaties, model laws, and judicial pronouncements harmonizing the interface between arbitration and public policy. Incorporating hybrid mechanisms such as arbitration-mediation, enhancing cooperation between arbitral bodies and law enforcement agencies, and training

arbitrators in handling criminally nuanced IP matters are necessary steps for enhancing the efficacy of arbitration in this domain.

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