

# Arbitrability Of Intellectual Property Disputes In Indian Context

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**Abstract** - *Arbitrability refers to the question of whether a particular dispute can be submitted to arbitration or whether an arbitral tribunal has jurisdiction over the subject matter. In the context of Intellectual Property Rights (IPR) disputes, the issue of arbitrability is of particular significance. This abstract focuses on the arbitrability of IPR disputes in India. The Indian legal framework, as governed by the Arbitration and Conciliation Act, 1996, does not expressly list the categories of disputes that are non-arbitrable, but instead provides the courts with the power to adjudicate on questions of arbitrability. The courts have relied on case law to determine the arbitrability of IPR disputes. This paper takes into account the rulings in the landmark case of 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 and in the Vidya Drolia case which developed a four-fold test to determine the arbitrability of disputes. In conclusion, the arbitrability of IPR disputes in India is determined through a combination of case law and the interpretation of the Arbitration and Conciliation Act, 1996. While there is no exhaustive list of non-arbitrable IPR disputes, courts have developed tests to determine arbitrability based on factors such as the nature of rights involved and public interest considerations. The recognition of arbitrability in certain IPR disputes reflects India's commitment to promoting arbitration as an effective means of resolving such disputes.*

**Keywords:** Arbitrability; Intellectual Property Rights (IPR); Dispute Resolution; Arbitration & Conciliation Act, 1996; Booz Allen; Vidya Drolia

## 1. INTRODUCTION TO ARBITRABILITY OF IPR DISPUTES

The term “Arbitrability” in a procedural context refers to whether the subject matter of the can be settled through arbitration or whether an arbitral tribunal can exercise jurisdiction over the subject matter. The question of arbitrability of disputes may arise at different stages i.e., (i) before the court of law; (ii) during arbitral proceedings; (iii) while considering an application for setting aside of an award; or (iv) during the stage of enforcement of an award. The issues of arbitrability of disputes are only governed by case laws and not by the statutes by virtue of Section 2(3) of the Arbitration & Conciliation Act, 1996 [“the Arbitration Act”] which provided that “certain disputes may not be submitted to arbitration” but doesn’t lists down the category of cases that are non – arbitrable, while on the other side Sections 34(2)(b) and 48(2) of the Arbitration Act gives power to courts to set aside an award if it was not capable of being settled through arbitration, or if it violates the public policy of India, leaving it to the courts to adjudicate upon the questions of arbitrability.

Intellectual property (IP) disputes present unique challenges that can be addressed effectively through arbitration.

- The technical nature of these disputes requires expertise that judges in traditional courts may lack. Arbitration allows the parties to appoint an arbitrator with the necessary technical knowledge, ensuring a deeper understanding of the issues involved.
- Confidentiality is a crucial concern in IP disputes. When taken to court, sensitive information becomes public. However, arbitration offers a solution by maintaining confidentiality throughout the proceedings.
- Arbitration grants parties the power to tailor the procedural rules to their specific needs, unlike the limited flexibility of traditional systems. This empowers parties to monitor and control the outcome of their case more effectively.

- IP disputes often have an international dimension, leading to conflicts over jurisdiction and multiple proceedings in different countries. Arbitration resolves these complexities by centralizing the dispute under a single arbitral authority, enabling the parties to choose a convenient seat and place for the arbitration process.
- The corporate world values efficient and timely resolution of disputes to ensure uninterrupted business operations. The burden of pending cases in traditional litigation makes this challenging. Arbitration provides a quicker resolution within a specified timeframe. Additionally, arbitration decisions are final and binding, reducing the need for multiple rounds of appeals commonly seen in court cases.

## 2. GENERAL PRINCIPLES OF ARBITRABILITY

The whole theory on arbitrability stands obscured by the Supreme Court of India in the case of *Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd.*<sup>1</sup> [“*Booz Allen*”] case wherein the Court developed the test of ‘right in rem’ and ‘right in personam’ where right in rem meant the right available against the world at large are not arbitrable<sup>2</sup> where right in personam which is available against a particular are considered arbitrable. The test developed by the Supreme Court of India was later criticised in subsequent judgments<sup>3</sup> and is not comprehensive enough to be considered as a sole test for arbitrability of disputes. The Courts have then tried to find an alternative and developed the test of relief where the tribunal can grant the relief prayed for, or the test of public policy. Due to lack of consensus in *Booz Allen*, courts have entirely misinterpreted and misapplied the public policy exception while deciding the question of arbitrability.

In *Booz Allen*, the Supreme Court of India was posed with the question of arbitrability with reference to the enforcement of a bank mortgage by sale. While the entire cause of action was based on agreements which were executed between the parties and the bank, the Court went ahead to examine the question of arbitrability with the broad tests of (a) whether the subject matter of the dispute is capable of being settled through a private forum; or (b) whether the relief claimed in the dispute can only be granted by a special court or by a tribunal. The Court while laying down the rationale agreed that arbitration is a private forum chosen by the parties to settle every dispute, civil or criminal through arbitration, and subsequently held that the parties can only avail the remedy which is given under the statute. The Court used the rights – based analysis and set the test of public policy based on the distinction between rights. The Court further while taking away the power from arbitral tribunals to adjudicate upon the claims held that an ouster of jurisdiction of a civil court would vitiate the rights of third parties and same cannot be permitted on grounds of public policy.

It is important to know that the question of arbitrability strikes directly at the root of procedural maintainability of the dispute, rather than determining the rights of the parties to the proceedings which is so to say is the initial step to determine the jurisdiction of a tribunal to adjudicate on the subject matter of the dispute. In *Booz Allen* and subsequent cases, the courts have taken away the power from the tribunals and given it to the courts to determine the power to adjudicate upon such disputes.<sup>4</sup>

## 3. JURISDICTIONAL CHALLENGES IN ARBITRATING IPR DISPUTES

It is more often that the courts have been called to decide upon whether the disputes involving such rights are arbitrable. It is a general position that wherever the dispute is against the state with respect to the nature, scope or validity of exclusionary rights, such are non – arbitrable. The jurisdictional question is however two faced, where some jurisdictions have allowed arbitration of such disputes whereas on the other hand some restrict the arbitrability of intellectual property disputes. Jurisdictional challenges in arbitrating Intellectual Property Rights (IPR) disputes arise from the complex legal landscape surrounding IPR and the global nature of these disputes. The following jurisdictional challenges commonly arise in the arbitration of IPR disputes:

- Choice of Jurisdiction: Selecting the appropriate jurisdiction for the arbitration can be a challenge, as parties may have different preferences based on their strategic interests or the legal framework available in various jurisdictions. Resolving this challenge requires a careful analysis of the parties' intentions, the applicable arbitration laws, and any jurisdictional limitations imposed by the IPR rights in question.
- Jurisdictional Reach: Determining the extent to which an arbitral award in an IPR dispute can have extraterritorial effect presents a jurisdictional challenge. The enforceability and recognition of an award may vary across jurisdictions, depending on the existence of bilateral or multilateral agreements governing the recognition and enforcement of arbitral awards.

<sup>1</sup> *Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd.* CA No. 5440 of 2002

<sup>2</sup> *Ibid*

<sup>3</sup> *Rakesh Malhotra v. Rajinder Kumar Malhotra* (2015) 192 Comp Case 516.

<sup>4</sup> *Himangni Enterprises v. Samaljeet Singh Ahluwalia*, (2017) 10 SCC 706.

- **Conflict of Laws:** IPR disputes often involve conflicts of laws, as different jurisdictions may have distinct legal standards and interpretations of IPR. Selecting the proper choice of law is crucial in determining the substantive rights and obligations of the parties. The choice of law may be determined by the parties' agreement, the applicable arbitration rules, or conflict of laws principles.
- **Parallel Proceedings:** Parties may engage in parallel proceedings, such as litigation or arbitration, in different jurisdictions simultaneously. This raises jurisdictional challenges, as conflicting decisions may arise, leading to uncertainty and potential difficulties in enforcing the ultimate outcome. Coordination and cooperation between jurisdictions may be necessary to mitigate the impact of parallel proceedings and ensure consistent outcomes.
- **Enforcement and Recognition:** Even if a favourable arbitral award is obtained, the enforcement and recognition of the award across jurisdictions can be challenging. The legal requirements for enforcement vary from one jurisdiction to another, and parties must navigate the relevant legal frameworks, including international conventions and domestic laws governing the recognition and enforcement of arbitral awards.

Thus, the jurisdiction of the tribunal is generally rejected in cases where the proceedings would have an *erga omnes* effect meaning that the arbitrators cannot bind a non – signatory to the agreement.<sup>5</sup> Therefore, the public policy exception with respect to spelling out the jurisdiction of the tribunal shall apply only in cases where the cases where the rights and liabilities of the third parties will be affected by the outcome of arbitration proceedings rather than the right involved is *in rem*.

#### 4. Enforcement Of Arbitral Awards In Ipr Disputes

The enforcement of arbitral awards in Intellectual Property Rights (IPR) disputes is a critical aspect of the arbitration process, as it ensures that the rights and remedies granted by the award are effectively implemented. The following factors are important to consider when addressing the enforcement of arbitral awards in IPR disputes:

- **International Conventions:** The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards is a key international convention that facilitates the enforcement of arbitral awards across jurisdictions. The convention provides a framework for the recognition and enforcement of arbitral awards in over 160 countries. Parties should ensure that the jurisdiction where enforcement is sought is a signatory to the New York Convention.
- **Domestic Arbitration Laws:** Domestic laws of the jurisdiction where enforcement is sought play a significant role in the recognition and enforcement of arbitral awards. Parties should familiarize themselves with the specific requirements and procedures set forth in the applicable domestic arbitration laws. These laws may outline grounds for refusing enforcement, such as violations of public policy or procedural irregularities.
- **Validity and Finality of the Award:** For an arbitral award to be enforceable, it must be valid and final. The award should be rendered by a duly constituted arbitral tribunal, in accordance with the agreed-upon arbitration procedures, and it should address the issues presented in the IPR dispute. Any challenge to the validity or set-aside proceedings against the award may impact its enforceability.
- **Recognition and Enforcement Proceedings:** Parties seeking enforcement of an arbitral award must initiate recognition and enforcement proceedings in the jurisdiction where enforcement is sought. This typically involves submitting an application to the relevant court and providing supporting documents, including the original arbitral award, the arbitration agreement, and evidence of service.
- **Compliance with Procedural Requirements:** Parties should ensure that all procedural requirements for enforcement, such as translations of the award and relevant documents, filing deadlines, and payment of any necessary fees, are strictly adhered to. Failure to comply with procedural requirements may hinder or delay the enforcement process.
- **Public Policy Considerations:** In IPR disputes, the enforcement of arbitral awards may be subject to public policy considerations, particularly when the award potentially impacts matters of national interest, public health, or competition policy. Parties should be aware of the specific public policy exceptions that may exist in the jurisdiction where enforcement is sought.

In addition to this, the definition of the term “commercial disputes” in the Act includes disputes pertaining to intellectual property. Section 10 of the Commercial Courts Act, 2015 provides for arbitration of commercial disputes without specifically pulling out arbitration of intellectual disputes from its purview.

<sup>5</sup> Margaret L. Moses, “The Principles and Practice of International Commercial Arbitration 2 (2<sup>nd</sup> ed. 2012)

### 5. Case Law And Precedents On Arbitrability Of Ipr Disputes

After the enforcement of the Commercial Courts Act, 2014, the issue on arbitrability of such disputes can be given a pro – arbitration view with a combined reading of Section 2(1)(f) of the Arbitration and Conciliation Act, 1996 read with Section 2(c)(xvii) of the Commercial Courts Act, 2015.

- ***Eros International Media Ltd. v. Telex Links India Pvt. Ltd. & Ors.***<sup>6</sup>

This case dealt with the issue arbitrability of copyright disputes. The plaintiff and the defendant executed a term sheet to distribute content to manufacturers of devices. The sheet also contained an arbitration clause which provided that the disputes between them shall be referred to arbitration. The court held that the clause was worded in the widest possible terms and that their disputes shall ordinarily be referred to arbitration. The court also said that the Section 62(1) of the Copyrights Act, 1957 did not place a bar on the arbitrability of copyright disputes.

- ***Vidya Drolia v. Durga Trading Corporation***<sup>7</sup>

It is considered as the landmark decision where the Supreme Court of India was posed with the issue to decide the scope of arbitrability in a dispute. The Court developed a four-fold test to decide the scope of such arbitrability. It laid down four aspects when these disputes shall not be arbitrable –

1. When the action relates to right in rem.
2. When the disputes affect third parties or are having *erga omnes* effect and thus require centralized adjudication.
3. When these relate to inalienable sovereign and public interest functions of the State.
4. When such disputes are either expressly or impliedly not arbitrable under a specific statute.

- ***Golden Tobie (P) Ltd. v. Golden Tobacco Ltd.***<sup>8</sup>

In 2021, the Delhi High Court while referring to the precedent laid down in *Vidya Drolia* held that a dispute over the right to use a trademark is arbitrable. The adjudication over the disputes of infringement of copyright, such disputes can and may be resolved through arbitration. The court was of the view that while considering the aspect of arbitrability of the dispute while exercising its jurisdiction under Section 8 of the Arbitration Act, 1996 the court must ensure that the jurisdiction under Section 8 & 11 should not be exercised in such a way as to wash away the authority of the Tribunal to rule on it.

### 6. CONCLUSION

In conclusion, the *Booz Allen* case and the *Vidya Drolia* case highlight significant developments in the field of arbitration in India. These cases emphasize the importance of public policy considerations and the protection of the rights and interests of parties involved in arbitration proceedings.

While *Booz Allen* clarifies that two Indian parties cannot select a foreign seat for arbitration when the subject matter of the dispute is domestic. This decision reaffirms India's commitment to ensuring access to justice for Indian parties and safeguarding their interests in domestic matters. While on the other hand, the *Vidya Drolia* recognizes the applicability of the Arbitration Act, 1996 to disputes arising from lease agreements. This decision promotes the use of arbitration as an effective means of resolving lease-related disputes, demonstrating India's pro-arbitration stance and commitment to facilitating alternate dispute resolution methods.

Together, these cases demonstrate the Indian judiciary's recognition of the importance of arbitration as a viable mechanism for resolving disputes and its efforts to provide clarity, certainty, and fairness to parties involved in arbitration proceedings. The rulings contribute to the development of arbitration jurisprudence in India and further enhance the enforceability and effectiveness of arbitral awards in the country.

<sup>6</sup> 2016 (6) ARBLR 121 (BOM).

<sup>7</sup> Civil Appeal No. 2402 of 2019.

<sup>8</sup> CS (Comm) 178 of 2021.