
CONFLICTING JURISPRUDENCE ON THE ARBITRABILITY OF IP DISPUTES IN INDIA: NAVIGATING THE JOURNEY FORWARD

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Abstract

Broadly, intellectual property is concerned with the grant of considerable protection (measured in terms of monopoly rights) to its owner. In recognition of the tilt towards the owner brought about by these monopoly rights, States have sought to develop intellectual property policies and laws which strive to establish of a balance between the protection afforded to 'creators' and the benefit derived by the 'public' from exploiting IP. Conventionally, in furthering this balance, IP disputes have been considered to be in the exclusive realm of the judiciary. This paper seeks to explore the possibilities of arbitration as an alternative to adjudicating IP disputes. Part I of this paper outlines the theoretical debate surrounding the arbitrability of IP disputes. Thereafter, Part II briefly engages in analysing the Indian position on the same, with a cursory comparative analysis. Subsequently, Part III engages in charting a way forward on the arbitrability of IP disputes.

Introduction

With the courts of India struggling to meet its extraordinary pending caseload (an approximate of 3.3 crore),¹ arbitration has emerged as an efficacious alternative to traditional dispute resolution. The process of adjudication - measured in terms of

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¹ Harish Nair, *3.3 crore backlog cases in courts, pendency figure at highest: CJI Dipak Misra*, INDIA TODAY (June 28, 2018), <https://www.indiatoday.in/india/story/3-3-crore-backlog-cases-in-courts-pendency-figure-at-highest-cji-dipak-misra-1271752-2018-06-28>.

time and cost - is central to the development of economy of India, and in shaping global views on the ease of doing business.² Scholars have documented the need to build a robust domestic system for dispute resolution outside the traditional courts of the State.³ Arbitration has emerged as one of the three systems of alternative dispute resolution (other two being mediation and negotiation) with a view towards streamlining adjudication in India. Consequently, with the growing popularity of arbitration, the outcome of the arbitral process has received the sanction of the State, which itself seeks to enforce the arbitral award.⁴

The selection of the 'bench' by the parties is what distinguishes an arbitration from a regular court proceeding. The primary benefit of this selection arises from the specialisation attached to the arbitrators in dealing with particular fields of dispute,⁵ whether it be insolvency, capital markets or intellectual property ("IP"). Effectively dealing with disputes concerning patents, trademarks or copyright requires a thorough understanding of the intricacies of the scenario, from the built-in code of video games, to musical notations and components of medicine, along with an informed commercial understanding of the concerned industry. Herein, the effectiveness of arbitration is manifest in reducing the time and cost required to adjudicate such complex IP disputes. However, the flipside to private adjudication of disputes include the limitations of authority inherent in these arbitral tribunals,

² Bibek Debroy & Suparna Jain, *Strengthening Arbitration and its Enforcement in India – Resolve in India*, NITI AAYOG, niti.gov.in/writereaddata/files/document_publication/Arbitration.pdf.

³ John McDermott, *Arbitration and the Courts*, 11 THE JUSTICE SYSTEM JOURNAL 248, 248-250 (1986).

⁴ Blackman *et al*, *Alternative Dispute Resolution in Commercial IP Disputes*, 47 AMERICAN UNIV. LAW REV. 1709, 1710-1713 (1998).

⁵ Gregg Paradise, *Arbitration of Patent Infringement Disputes: Encouraging the Use of Arbitration through Evidence Rules Reform*, 64 FORDHAM L. REV. 247, 262-264 (1995).

which preclude their jurisdiction over parties which do not consent, increased expenditure and suspect quality of arbitration.⁶

Indian IP jurisprudence is however notorious in its lack of clarity on the arbitrability of IP disputes. The 2015 amendment to the Arbitration and Conciliation Act, 1996 did not seek to define 'arbitrability' and this confusion was only compounded by the Bombay High Court reaching two opposite conclusions on the issue at hand, in *Eros International Media Ltd. vs. Telemax Links India Pvt. Ltd.*⁷ and *Indian Performers Right Society Limited vs. Entertainment Network Ltd.*⁸ This paper seeks to trace the disharmony in legal opinion on the arbitrability of IP disputes, especially in the Indian context.

I. The Theoretical Debate Surrounding the Arbitrability of IP Disputes: Irreconcilable Tensions

While previously, the Courts of the State enjoyed sole jurisdiction over IP disputes, today we have witnessed a shift towards arbitration of these disputes, with bodies including the World Intellectual Property Organisation⁹ and the International Chambers of Commerce¹⁰ supporting arbitral processes. However, uniform practice across countries is conspicuous in its absence. The position in India has been no less clear, with the Supreme Court in *Ayyasamy vs. A. Paramasivam and Ors.*¹¹ including

⁶ Darryl Horowitz, *The Pros and Cons of Arbitration*, COLEMAN & HOROWITT LLP, www.ch-law.com/files/pdf/news/Arbitration.pros.cons.client.memo.pdf.

⁷ *Eros International Media Limited v Telemax Links India Pvt Ltd and Others* (2016), SCC OnLine Bom 2179.

⁸ *The Indian Performing Right Society Ltd v Entertainment Network (India) Ltd* (2016) SCC OnLine Bom 5893.

⁹ *Alternative Dispute Resolution*, WIPO, www.wipo.int/amc/en/.

¹⁰ ICC, *Adjudicating Intellectual Property Disputes, an ICC report on specialised IP jurisdictions*, INTERNATIONAL CHAMBERS OF COMMERCE, <https://iccwbo.org/publication/adjudicating-intellectual-property-disputes-an-icc-report-on-specialised-ip-jurisdictions/>

¹¹ *A Ayyasamy v. A Paramasivam and Others*, (2016) 10 SCC 386.

'patents, trademarks and copyright' in its list of inarbitrable disputes. This was in consonance with the Supreme Court's traditional conceptualisation of IP disputes revolving around adjudication of rights in rem.¹² However, this expansive proposition of the Court (devoid of qualifications) should not be read to imply that IP disputes always suffer from inherent subject matter non-arbitrability, since they are rights *in rem*. Whether or not a particular IP dispute can be the subject of arbitration will have to be decided on an evolving basis, specific to the conditions of every case.¹³ The Bombay High Court,¹⁴ for instance, outrightly rejected the Supreme Court's idea of IP disputes being inherently non-arbitrable. Further, the Court's holding in *Ayyasamy* on IP being non-arbitrable ought to be considered as mere obiter, as the case was concerned with the arbitrability of fraud. The mention of IP disputes as being inherently non-arbitrable was a result of the Court's quotation of the 'non-arbitrability list' from a commentary.¹⁵ In light of this jurisprudential confusion, it would be worthwhile to examine both sides of the story on arbitrability of IP disputes, before we analyse the relevant Indian High Court judgments on the issue.

IP discourse has revolved around the very nature of IP, which derogates from possibilities of submitting IP disputes to arbitration, notwithstanding the general benefits of arbitration. The arguments raised against the arbitrability of IP disputes can be broadly compartmentalised into 4 streams of thought.

First, the grant of IP rights has been understood to lie in the sole domain of the sovereign. Consequently, only the sovereign can undo what it bestows upon its subjects. Thus, private institutions

¹² Common Cause, A Registered Society v Union of India and Others, (1999) 6 SCC 667.

¹³ Utkarsh Srivastava, *Putting The Jig Saw Pieces Together: An Analysis of the Arbitrability of Intellectual Property Right Disputes In India*, 33 ARBITRATION INTERNATIONAL 631, 635-637 (2017).

¹⁴ *Eros*, *supra* note 7.

¹⁵ SRIVASTAVA, *supra* note 13.

like arbitral tribunals, which do not possess the authority of the sovereign cannot dilute or expand the scope of a right granted by the State.¹⁶

Second, flowing from the first argument raised above, scholars posit that public interest often demands that the sovereign, in exercise of its power, shift certain subjects from the public to the private realm. In essence, this implies that the ‘creator’ of the IP; its owner, has the sole right to exploit it, to the exclusion of all third parties, who are now obliged to recognise the protective boundaries of the grant of IP rights to its creator. Hence, an arbitral tribunal will not be able to invalidate this monopoly in favour of the creator, owing to lack of the authority of the State.¹⁷

Third, consent of the parties is the driving force behind the power and authority of arbitral tribunals. Necessarily therefore, the tribunal can exercise no power *vis-à-vis* third parties, unlike rulings of Courts on rights *in rem*. Arbitral awards cannot confer rights, nor impose obligations on third parties.¹⁸ Juxtaposing this argument against the monopoly nature of IP rights (them being rights against third parties), would prevent arbitration of IP disputes.

Fourth, the grant of IP rights to creators is based on the understanding that such grants will help attain social and economic ends, whether it be encouraging creativity, maximising welfare or enhancing research. In the absence of an IP rights regime, creators would have negligible incentive to make their

¹⁶ Therese Jansson, *Arbitrability Regarding Patent Law - An International Study*, 1 JURIDISK PUBLIKATION 49, 53 (2011).

¹⁷ Daniel Mathew, *Arbitrating Intellectual Property Disputes in India*, SSRN (Mar. 28, 2017), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2942684

¹⁸ Prarthna Bathija & Apoorv Madan, *Demystifying the Arbitrability of Patent Disputes in India*, INDIA CORPLAW (Aug. 3, 2018), <https://indiacorplaw.in/2018/08/demystifying-arbitrability-patent-disputes-india.html>.

work public and this would in turn negatively impact welfare.¹⁹ If we were to allow private adjudicatory bodies to negate this grant, creators would be disincentivised from displaying their work, ultimately rebelling against the very ends the system was designed to attain.

*Booz Allen Hamilton Inc. vs. SBI Home Finance*²⁰ put forth a possible *fifth* argument, wherein it was stated that often specific, specialised tribunals are created by statute, granting them sole jurisdiction over certain types of disputes. Consequently, this recognition of exclusive jurisdiction, ousts the jurisdiction of all other adjudicatory authorities, including arbitral tribunals. When read in conjunction with scholarship which suggests that specialised IP tribunals should be established by the State, this leads us to inquire whether tribunalisation of IP disputes is feasible or not. However, that enquiry is beyond the scope of this paper, but would be beneficial to explore in the future.

At the outset, *Redfern & Hunter*,²¹ and *Karim Youssef*²² argue that the remarkable development of the scope of arbitration has brought about the ‘death of arbitrability’ as a concept in itself. Broadly, in a plethora of jurisdictions, all disputes that possess a commercial element are amenable to arbitration. With the expansion of the range of rights that lend themselves to being arbitrated upon, the ‘*concept of arbitrability, as central as it may be to arbitration theory, has virtually died in real arbitration life*’.²³

With this background in mind, the following arguments in favour of the arbitrability of IP disputes have been put forward:

¹⁹ ROBERT MERGES, JUSTIFYING INTELLECTUAL PROPERTY, 300-310 (2011).

²⁰ *Booz Allen Hamilton Inc. v. SBI Home Finance*, (2011) 5 SCC 532.

²¹ REDFERN & HUNTER, LAW AND PRACTICE OF INTERNATIONAL COMMERCIAL ARBITRATION, 154 (1999).

²² KARIM YOUSSEF, THE DEATH OF INARBITRABILITY IN L. MISTELIS ED. ARBITRABILITY: INTERNATIONAL & COMPARATIVE PERSPECTIVES, 47-48 (2009).

²³ *Id.* at 47.

First, the fluidity of the notion of public policy problematises the endeavour to include/exclude specific matters from its scope. The dynamism of public policy only further compounds the issue. Being a bundle of unique rights, characterised by distinct manners of acquisition and divergent features, IP rights necessitate the understanding that a public policy backed blanket ban on arbitrability of IP disputes, is misinformed. The confusion on the limits of public policy would allow certain IP disputes to be arbitrable, and others not.²⁴

Second, the outcome of the arbitral process is limited to the consenting parties, and thus does not affect the world at large. Therefore, arbitration of IP disputes would not derogate from the sovereign's grant of IP rights to creators.²⁵ Naturally, an arbitral tribunal cannot register copyright, or quash a patent in general for that would impact the rights of the public.²⁶ The idea is that the arbitral award cannot extend itself to annul grants of IP rights which have an *in rem* nature, an issue to which we shall turn later.

Third, if the question of validity of IP (an *in rem* determination) is incidental to the central question before an arbitral tribunal, the tribunal would be free to decide whether to ignore the incidental question or not. If it chooses to answer only the central question, then the argument of inarbitrability would not apply.²⁷

²⁴ CHRISTOPHER KEE *ET AL*, INTERNATIONAL COMMERCIAL ARBITRATION: AN ASIA-PACIFIC PERSPECTIVE, 188-189 (2011).

²⁵ MATHEW, *supra* note 15 at 7.

²⁶ GARY BORN, NON-ARBITRABILITY AND INTERNATIONAL ARBITRATION AGREEMENTS IN INTERNATIONAL COMMERCIAL ARBITRATION, 991-993 (2009).

²⁷ *Non-Core Insolvency Claims: Straddling The Line Between Arbitrability And Non-Arbitrability*, AFIA (AUG. 15, 2017), afia.asia/2017/08/non-core-insolvency-claims-straddling-the-line-between-arbitrability-and-non-arbitrability/.

II. The Arbitrability of IP Disputes in India: Questions of Nature and Relief

In *Booz Allen*,²⁸ the Supreme Court distinguished arbitrable disputes from inarbitrable ones using two approaches. *First*, if the subject matter – the nature of the dispute was amenable to arbitration and *second*, if the relief prayed for could be awarded solely by the Courts of the State or by private arbitral tribunals. This paper first examines arbitrability of IP dispute *vis-à-vis* the nature of the dispute itself.

A. A ‘NATURE’ BASED DETERMINATION OF ARBITRABILITY

Traditionally, IP rights have been regarded as being rights *in rem*, thus being inarbitrable. However, *Booz Allen*²⁹ problematised this simplistic assertion, holding that there may exist subordinate *in personam* rights, that is, rights that were derived from principal *in rem* rights, which arose from contractual relationships and were thus inherently arbitrable. To illustrate, rights which flow from a technology sharing or IP licensing agreement, would be *in personam* rights subordinate to the principal IP *in rem* right, and arise through derivation from the latter.³⁰ Consequently, adjudication of such a dispute would operate only between the concerned parties and not affect the world at large, and hence such contractual IP disputes can be resolved through arbitration.

The Bombay HC, in *Eros Media*³¹ had the opportunity to adjudicate upon the arbitrability of IP infringement claims. Interestingly, the same Court had earlier noted that claims of passing off/infringement could not be resolved by arbitration.³²

²⁸ *Booz Allen*, *supra* note 20.

²⁹ *Id.*

³⁰ SRIVASTAVA, *supra* note 13 at 637.

³¹ *Eros*, *supra* note 7.

³² *Steel Authority of India Ltd. v. SKS Ispat And Power Ltd and Others*, Notice of Motion (L) No.2097 of 2014 in Suit No.673 of 2014

Eros Media,³³ however rejected this line of argument, holding that proceedings pertaining to infringement of IP rights necessarily revolved around the determination of rights *in personam*, and did not concern rights *in rem*. The Court's reasoning was simple- the arbitral award was binding between the parties to the dispute only, and did not affect similar claims that could be levied against different defendants in other actions before any adjudicatory authority. While a right *in rem* did indeed form the basis for the claim of infringement, the infringement claim was inherently concerned with *in personam* rights.

Addressing the arbitrability of questions of validity and existence of IP rights, the Court in *Eros Media*³⁴ further held that such questions were not capable of resolution through arbitration. The Court's holding here was premised on its conceptualisation of an arbitral tribunal being incapable of adjudicating upon the validity of IP rights, which are rights *in rem*. In essence, only the sovereign can take away what it grants.³⁵ For example, an arbitral tribunal would lack the power to grant or invalidate registration of a trademark, since that would not only amount to determining the ownership of the trademark, but more importantly, impact the rights of the trademark applicant against everybody else.³⁶ *Booz Allen*³⁷ adopted a similar stream of thought, with the Supreme Court holding that a judgment *in rem* was one that does not operate against a specific party, but '*determines the status or condition of property which operates directly on the property itself.*' Judgments of this nature lay in the sole territory of the Courts of the State. Interestingly, in the USA, an adverse finding on the validity of a patent by an arbitrator is required to be entered in the Register of

³³ *Id.*

³⁴ *Id.*

³⁵ THOMAS HALKET, ARBITRATION OF INTERNATIONAL INTELLECTUAL PROPERTY DISPUTES, 74 (2012).

³⁶ *Eros*, *supra* note 7.

³⁷ *Booz Allen*, *supra* note 20.

Patents. While this does not therefore give the award an *in rem* effect, it charts a somewhat middle ground.

Next in the saga of arbitrability of IP disputes was *IPRS Ltd. vs. Entertainment Network Ltd.*³⁸ This case posed a novel question to the Indian judiciary: would the mandatory registration of copyright derogate from the capacity of an arbitral tribunal to decide questions of existence of copyright in a work? Recognising that adjudication of such claims of infringement of copyright, might require determination of purely legal questions (the *Eros* Court did not deal with the feasibility of arbitrating legal questions of IP and strangely held that the determination of copyright was in essence a question of fact³⁹), the Court here held that if an arbitral tribunal were permitted to decide the existence of copyright in a work, it would amount to a judgment *in rem*. The Calcutta HC, in *Diamond Apartments vs. Abanar Marketing*⁴⁰ also held that complex and nuanced issues of law should not be brought before arbitral tribunals. Adjudicating upon the scope and existence of a particular copyright would necessitate a decision on complicated legal questions, and should thus not be brought to arbitration.⁴¹

B. A 'RELIEF' BASED DETERMINATION OF ARBITRABILITY

In *Booz Allen*,⁴² the Supreme Court held that the issue of arbitrability also had to be determined on the touchstone of the

³⁸ The Indian Performing Right Society Ltd v Entertainment Network (India) Ltd (2016) SCC OnLine Bom.

³⁹ Shammad Basheer, *Apocalyptic Arbitration of IP disputes?*, SPICY IP (APR. 21, 2016), <https://spicyip.com/2016/04/18085.html>.

⁴⁰ *Diamond Apartments v. Abanar Marketing*, GA No. 1343 of 2015 (Calcutta High Court).

⁴¹ Pranav BR & Ganesh Gopalakrishnan, *Dealing with Arbitrability of Fraud in India – The Supreme Court’s Fra(e)udian Slip?*, KLUWER ARBITRATION BLOG (NOV. 17, 2016), arbitrationblog.kluwarbitration.com/2016/11/17/dealing-with-arbitrability-of-fraud-in-india-the-supreme-courts-fraeudian-slip/.

⁴² *Booz Allen*, *supra* note 20.

‘*reliefs test*’, that is, whether the relief sought before an arbitral tribunal could only be granted exclusively by the Courts of the State or specialised tribunals. The Bombay HC in *Rakesh Malhotra vs. Rajinder Malhotra*,⁴³ for instance, noted that all disputes arising from Sections 397 and 398 of the Companies Act, 1956 were actions *in rem*, and were thus inarbitrable and had to be submitted before the Company Law Board.

In contractual disputes, a wide range of reliefs is sought, ranging from a claim for damages, injunctions or specific performance. It is presumed that all reliefs claimed as a result of breach of contract (including contracts concerning IP) can be granted by an arbitral tribunal, and the tribunal can simply engage in a fact-based determination.⁴⁴ However, is it undeniable that there exists a number of situations where the relief claimed by a party in an IP related contractual dispute cannot be granted by a private arbitral tribunal, and would instead fall under the purview of the Copyright Board. Thus, all disputes arising out of issues revolving around copyright assignment⁴⁵ and compulsory licensing⁴⁶ (for example, questions of royalty refunds emerging from the licence) and disputes enlisted under Section 6 of the Copyright Act⁴⁷ would be amenable to adjudication only by the Copyright Board, and not arbitral tribunals.

However, when it comes to cases of infringement of IP with claims of damages/injunctions/lost profits, the position in Indian jurisprudence is conflicting. *IPRS vs. Entertainment Network*⁴⁸ and

⁴³ *R. Malhotra v. RK Malhotra & Ors*, MANU/MH/1309/2014.

⁴⁴ *EROS*, *supra* note 5; *Olympus Superstructures Pvt Ltd v. Meena Khetan*, (1999) 5 SCC 651.

⁴⁵ Copyright Act 1957 § 19A.

⁴⁶ *Music Choice India Private Limited v Phonographic Performance Limited* (2010) SCC OnLine Bom 113.

⁴⁷ Section 6 of the Copyright Act, 1957 deals with ‘*certain disputes to be decided by the Copyright Board*’.

⁴⁸ *IPRS*, *supra* note 38.

*Mundipharma AG vs. Wockhardt*⁴⁹ read Section 62(1) of the Copyright Act⁵⁰ as a mandatory provision ('Every suit or other civil proceeding arising under this Chapter in respect of the infringement of copyright in any work or the infringement of any other right conferred by this Act shall be instituted in the district court having jurisdiction') and consequently hold that remedies flowing from infringement shall not be within the powers of an arbitral tribunal. The logic enshrined in these judgments would apply to other forms of IP as well. The approach embodied here however creates a blanket rule against arbitrability of IP disputes (including *in personam* suits) and runs contrary to the logic of the Arbitration Act.⁵¹ In the view of the author, *Eros Media*⁵² subscribes to a sound approach, balancing IP laws with that of the Arbitration Act. *Eros Media*⁵³ noted that provisions such as Section 62(1) were markers of the 'entry level for infringement suits in the judicial hierarchy' and did not vest exclusive jurisdiction in the Courts of the State to provide remedies to infringement suits. Further, flowing from the approach in *Booz Allen*,⁵⁴ questions of infringement of IP are suits *in personam*, and do not affect the rights of the world at large.

Finally, recall that questions pertaining to the existence/validity of IP rights involve judgments *in rem* and therefore are hit by the bar of subject matter inarbitrability. Questions of nature also however fall foul of *Booz Allen's* reliefs test. For instance, Section 124 of the Trademarks Act, 1999 establishes the Intellectual Property Appellate Board⁵⁵ to exclusively adjudicate upon issues of invalidity of trademarks that have been statutorily registered. Notwithstanding there being no explicit bar against such

⁴⁹ *Mundipharma AG v. Wockhardt*, ILR (1991) 1 Delhi 606.

⁵⁰ Copyright Act, 1957 § 62(1).

⁵¹ SRIVASTAVA, *supra* note 11 at 641-642.

⁵² EROS, *supra* note 5.

⁵³ *Id.*

⁵⁴ *Booz Allen*, *supra* note 18.

⁵⁵ Section 124 deals with a stay of proceedings where the registration of a trademark is questioned and empowers only the IPAB to rectify the register.

questions being heard by the civil court, by virtue of Section 124, in *Data Infosys vs. Infosys Technologies*,⁵⁶ the Delhi HC ruled that only the IPAB could hear disputes of validity of registered trademarks. Consequently, the jurisdiction of an arbitral tribunal in this matter is ousted as well. Interestingly however, the jurisdiction of civil courts (the High Court) *vis-à-vis* patent revocation claims have not been ousted and would thus be arbitrable as well.⁵⁷ Nonetheless, since its subject matter involves an *in rem* determination, it would still remain inarbitrable.

At this stage, it would be worthwhile to briefly engage in a cursory comparative analysis of legal positions on arbitrability of IP disputes. At one end of the scale, lies jurisdictions such as Switzerland⁵⁸ and Belgium,⁵⁹ which generally recognise the *in rem* consequences of arbitral awards, that the holder of the IP may prevent its exploitation by others. The USA and Japan too are liberal in their approach of enabling the arbitrability of questions of existence/validity of IP rights, but limit this to operating between the parties to the arbitration.⁶⁰ The middle of the scale is representative of those jurisdictions (Italy,⁶¹ Germany,⁶² Portugal⁶³ and perhaps India), which allow arbitration of IP

⁵⁶ *Data Infosys Ltd. v. Infosys Technologies Ltd.*, MANU/DE/0283/2016.

⁵⁷ J. Deepak, *Counterclaim and the High Court's Jurisdiction over a Suit for Patent Infringement*, THE DEMANDING MISTRESS (Feb. 16, 2011), <http://thedemandingmistress.blogspot.com/2011/02/counterclaim-and-high-courts.html>.

⁵⁸ ANNA MANTAKOU, ARBITRABILITY AND INTELLECTUAL PROPERTY DISPUTES, IN L. MISTELIS ED. ARBITRABILITY: INTERNATIONAL AND COMPARATIVE PERSPECTIVES, 267 (2009); Article 177, Swiss Federal Act on Private International Law (1987).

⁵⁹ Article 51, Belgian Patent Act (1997); Trevor Cook, *ADR as a Tool for IP Enforcement*, WIPO, http://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ace_9/wipo_ace_9_3-main1.pdf.

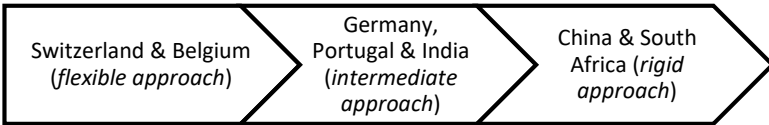
⁶⁰ K. Adamo, *Overview of International Arbitration in the Intellectual Property Context*, 2 GLOBAL BUS. L. REV 7, 16-18 (2011).

⁶¹ MATHEW, *supra* note 17 at 7-8.

⁶² Erik Schafer, *The Use of Arbitration and Mediation for Protecting Intellectual Property Rights: A German Perspective*, 94 TMR 695, 708-711 (2004).

⁶³ MATHEW, *supra* note 17.

disputes, barring those concerning disputes of existence, validity and ownership, which have a clear *in rem* nature. At the other extreme end of the scale are countries like China and South Africa which enact a ban on arbitration of certain IP disputes.⁶⁴



III. The Journey Forward: Whether the Nature of the Rights or Nature of the Action?

In endeavouring to adjudicate upon the arbitrability of IP disputes in the future, the Courts should bear a crucial distinction in mind: that of the nature of the rights, from the nature of the action involved. While IP rights in general are indeed rights *in rem*, by virtue of operating against the world at large, every cause of action arising out of IP would not necessarily be an action having *in rem* consequences. In essence, nothing in the nature of IP rights should imply that they are characteristically not fit for arbitration. This distinction is often blurred (for example, by the petitioners in *Eros Media*⁶⁵), but does not have any foundation in theory. *Booz Allen*⁶⁶ also stipulates that there is no blanket ban against the non-arbitrability of a right *in rem*. That said, we should undermine the necessity of examining the characteristics of the rights in question. An important part of the process of determining arbitrability, an action *in rem* (establishment of title over property, for instance) would invariably require judgment over a right *in rem*. Same is the case for actions and rights *in personam*. Distinguishing between the nature of the rights and nature of the action is merely a question of convenience towards an adjudication of arbitrability of IP

⁶⁴ *Id.*

⁶⁵ *Eros*, *supra* note 7.

⁶⁶ *Booz Allen*, *supra* note 20.

disputes, while at the same time not deviating from the dictum of *Booz Allen*.⁶⁷

Further, while the jurisprudential position in India is clear on the inarbitrability of questions of validity or existence of IP rights, *Gary Born* puts forth a novel argument supporting the arbitrability of such issues.⁶⁸ He argues that there should be no objections to an arbitral tribunal adjudicating upon the existence of an IP right, so as long as it only binds the parties. That should not be taken to imply that an arbitral tribunal can register copyright, or annul a patent. His argument merely is that a tribunal can engage in deciding issues of validity of an IP right, and this is in fact central to the tribunal's mandate; the only caveat being that the award must operate *inter partes*. However, it seems unlikely for such argument to gain traction in the Indian landscape, given the firm stance on inarbitrability of *in rem* disputes. For instance, the only adjudicatory authority which can engage in rectification of trademarks under the Trademarks Act is the IPAB.⁶⁹ Perhaps in countries with an extreme pro-arbitration mind-set, it might be accorded some importance.

Thus, given that claims of validity/existence would oust the jurisdiction of arbitral tribunals, one must be cautious of attempts to bypass the arbitral process by instituting such '*dressed up claims*',⁷⁰ which are mala fide and have no basis in law. While hearing these '*dressed up claims*' the adjudicatory body must accord necessary weightage to the arbitration clause. In *Ayyasamy*,⁷¹ the Supreme Court noted that the burden to prove inarbitrability (a heavy one) necessarily lay with the party desirous of bypassing the arbitration clause. Only after a perusal of the material at hand

⁶⁷ SRIVASTAVA, *supra* note 13 at 643.

⁶⁸ GARY BORN, NON-ARBITRABILITY AND INTERNATIONAL ARBITRATION AGREEMENTS IN INTERNATIONAL COMMERCIAL ARBITRATION 991-993 (2009).

⁶⁹ SRIVASTAVA, *supra* note 13 at 644.

⁷⁰ RAKESH MALHOTRA, *supra* note 39.

⁷¹ *Ayyasamy*, *supra* note 11.

establishes a *prima facie* case of an *in rem* action, or a complicated question of law, can the arbitration process be barred by the rule of inarbitrability.

IV. Conclusion

The question of arbitrability of IP disputes has traditionally been engaged with by scholars of arbitration, and rarely by those from the field of IP. The National IPR Policy, 2016 of India⁷² on the one hand states that it is geared towards *inter alia*, ‘*strengthening of enforcement and adjudicatory mechanisms for combating intellectual property rights infringements*’, but on the other hand only makes a passing reference towards the possibilities of exploring arbitration as a means towards adjudication of IP disputes. Indian jurisprudence, scholarship, statute and policy alike are yet to address the consequences of subjecting IP related disputes to arbitration and the judiciary is burdened with the problematic job of fashioning a remedy for this complexity. A right without an effective remedy is of little value, and since the benefits of arbitration over litigation (in terms of specialisation, competence and decentralisation) have been recognised, India would do well to commence conversation on the arbitrability of IP disputes.

⁷² *National IPR Policy*, DIPP, dipp.nic.in/policies-rules-and-acts/policies/national-ipr-policy.