

Enforcement of Intellectual Property Arbitration Awards: Challenges in India

Priyanka Ponna

Student, Department of Law, Christ University, Bengaluru, India

Abstract—Intellectual Property Disputes are principally commercial in nature and often have international dimensions because of people protecting their Intellectual Properties or licensing them in multiple jurisdictions. The question which this paper target is whether arbitration is possible in IP disputes? If yes, then in what kind of disputes is it possible? In the past, many legal systems did not allow the arbitration of IP disputes, simply because the rights had been granted by a sovereign power. It was argued that the nature of the rights was such that questions as to validity should only be decided by the authority which issued the right. However, it is now broadly accepted that disputes relating to IP rights are arbitrable, just like disputes relating to any other type of privately held rights like transfer of granted IP rights as in licensing or any other such commercial arrangements. The research work consists of Theoretical and Analytical Study, based on the collection of data from secondary sources. It is an attempt to understand the significance of Arbitration in respect to the disputes related to Intellectual Property Rights in India.

Index Terms— Intellectual Property, Arbitration Awards

I. INTRODUCTION

Intellectual Property Rights has seen a wide development across jurisdictions, especially in the area of commercial transactions which includes a wide range of products and services. There are various international treaties and legislations which have enabled the registration and recognition of copyrights, patents, and trademarks. One of the vital issue in the area is that of arbitration of Intellectual Property disputes. Arbitration in Intellectual Property disputes gives due advantage to the parties in the way of discretion in selecting a competent arbitrator, time and cost efficient, and most importantly, confidentiality in the concerned matter of dispute. In addition to this, arbitration in IP matters is promising as often where an international party is involved, the parties to the dispute might be subject to different jurisdictions individually and arbitration provides a flexible, speedy and a common base for adjudication. Because of these reasons, arbitration is widely favoured among international or multinational companies.

The issue in consideration with regard to the intellectual property arbitration lies in the arbitrability of the intellectual property disputes where the right to the intellectual property is given by the sovereign authority and thus, the only competent authority to decide the validity, infringement or interference is the administrative authority. This results in the conclusion that entitlements with regard to intellectual property, and the legal

issues which flowed from those rights, could not usefully be referred to or considered by an arbitration tribunal. Another important concern is whether such enforcement of an award would be contrary to the public policy of the country.

Article V of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards specifies the grounds for refusing the enforcement of such award in the case where the subject matter of the dispute is not capable of arbitration under the particular law of the country or in case where enforcement of such an award would be contrary to public policy. Further, Article II(3) of the Convention also specifies that the Courts can refuse to refer the dispute to arbitration if it finds that the agreement to arbitration is incapable of being performed.

Article 36 of the UNCITRAL Model law also provides for grounds for refusing recognition or enforcement of an award, which is also the Article that the Section 48 of the Arbitration and Conciliation Act, 1996 is based upon. This Section 48 of the Act lays down the condition for enforcement of a foreign award and an award maybe refused in the cases where it meets the requirements of the Section.

The paper shall deal with whether Intellectual Property Rights is arbitrable in India and analyses the extent of its arbitrability. The major considerations in this particular case would pertain to whether there is an arbitration agreement specifying the dispute to arbitration, whether all the parties to the suit are also parties to the arbitration agreement and finally, whether the relief sought can be adjudicated or granted in an arbitration. These issues are still in the light of uncertainty and are also of immediate concern, which if addressed, would result in growth in the international arbitration with respect to intellectual property disputes.

On one hand, in the process of international economic globalization, most countries are inclined to acknowledge the IPR as private property rights. On the other hand, courts are overburdened by a large amount of commercial disputes. This has resulted in increasing debates and researches, both academically and practically, on alternative dispute resolution methods, and many countries are inclined to adopt a policy favoring and allowing arbitration and further enlarge the scope of arbitrability. With the world more and more dependent upon technology of all types, the continued and growing importance of intellectual property cannot be understated. There has been,

and will continue to be, an accompanying explosion in the number and complexity of transactions in which intellectual property is a critical, if not the critical, element. Many of these transactions cross national boundaries; as do the disputes which inevitably arise from them. But international intellectual property disputes present complexities not encountered in either intellectual property disputes which are confined to one country or other international commercial disputes.

II. POSITION IN INDIA

The Arbitration and Conciliation Act, 1996 was created on the lines of the Model Law on Arbitration of the UNCITRAL (United Nations Commission on International Trade Law). India adopted the Act by repealing the existing three separate arbitration laws with respect to domestic arbitration, international commercial arbitration and the enforcement of foreign arbitral awards. Part I of the Act provides provisions for domestic arbitrations and some provisions such as Section 9 (interim measures by Court), Section 27 (Court assistance in taking evidence) and Section 37 (appealable orders) also apply to international arbitrations, while Part II of the Act deals with the Enforcement of Foreign Awards.

In Part II of the Act, Section 48 is analogous to Article 36 of the UNCITRAL Model Law. A foreign award can be enforced in a Court in India, unless such an award is not affected by the limitations provided in this Section. In the case of Intellectual Property Rights, the arbitrability of the dispute and whether the enforcement of the award would be in conflict with the public policy are the concerns to be addressed. Section 34(2)(b) of the Act also provides for recourse to a Court for setting aside an award if it finds that the subject matter of dispute is not capable of settlement by arbitration under the law for the time being in the country and of the arbitral award being contrary to public policy of India.

The stand of India towards arbitrability of IP disputes is a little complicated but logical. The policy debate arises because of the distinction between rights in rem and right in personam, also between judgement in rem and judgement in personem. The scope of remedies that should be available to parties in intellectual property arbitration is a source of controversy.

The judgement in personem is in form, as well as substance, between the parties claiming the right; and that it is so inter partes appears by the record itself. A judgment in rem is an adjudication, pronounced upon the status of some particular subject-matter, by a tribunal having competent authority for that purpose. Disputes seeking judgement in rem are thus generally considered to be unsuitable for private arbitration, although this is not a rigid rule. The Apex Court in *Booz Allen Case* has stated that subject matter of arbitration that involves only rights in personem are arbitrable in nature, but no matter involving right in rem, for example, with validity proceedings, where the effect of the award could potentially be to discontinue the existence or enforceability of the monopoly, can be put before any private arbitral tribunal for decisions.

However, the Supreme Court also recognized that this rule isn't infallible and that subordinate rights in personem that arise from rights in rem might be subject to arbitration, for example, if the IP disputes arise from commercial arrangements for the use of Intellectual Property, they are arbitrable disputes. While dealing with the similar issue the bench of the Hon'ble High Court of Bombay headed by Justice G.S. Patel in the case of *Eros International Media Limited v. Telemex Links India Pvt. Ltd. and Ors*, held that IP Dispute arising out of a commercial contract, like between two claimants to a copyright or a trademark in either an infringement or passing off action, that action and that remedy can only ever be an action in personem and hence such IP disputes are arbitrable in nature.

A. Copyrights

The judicial doctrine that has evolved with regard to the limit of arbitrability is that all disputes relating to rights in personem are considered to be amenable to arbitration and all disputes relating to rights in rem are required to be adjudicated by courts and public tribunals.

In this regard, the Delhi High Court in the matter of *HDFC Bank v. Satpal Singh Bakshi*, observed that 'all disputes relating to "right in personam" are arbitrable and choice is given to the parties to choose this alternate forum. On the other hand, those relating to "right in rem" having inherent public interest are not arbitrable and the parties choice to choose forum of arbitration is ousted'.

In a recent landmark judgment of *Eros International*, an application was moved by the defendant (Telemex) under Section 8 of the Arbitration and Conciliation Act, 1996, and the question arose whether under law there is a specific bar to arbitration or the arbitrability of such Intellectual Property disputes and whether such disputes are only amendable to jurisdiction of courts. In brief, the background of the case was that Eros (plaintiff) had copyright in several feature films. It executed a term sheet contract with Telemex (defendant) for granting content marketing and distribution rights in respect of films. The said term sheet had an arbitration clause. Also, while the term sheet contemplated the execution of an agreement within a limited time, however, no such agreement was executed.

Disputes arose between the parties and Eros (plaintiff) filed a suit for infringement of copyright against Telemex and the subsequent licensees. Eros argued that Telemex was not entitled to exploit and deal with such content before execution of the agreement. On the other hand, to counter the suit, Telemex filed an application under Section 8 of the Arbitration Act stating that all disputes (including under the present suit) between Eros and Telemex be referred to arbitration in view of the arbitration clause in the term sheet, which aspect came to be decided as part of the decision.

Eros contended that term sheet was not binding and that Telemex had infringed its copyright and had also sub-licensed this copyright-protected material to the other defendants to the suit. Eros argued that the action against Telemex was not for

breach of a contract, but was a statutory action under the Copyright Act, which is inherently non-arbitrable. Eros also contended that the other defendants were not a party to the term sheet. Telex argued that the dispute arising out of the term sheet was purely contractual and not simply an action for copyright infringement. Telex further argued that by the suit, Eros sought to enforce a right in personam as opposed to a right in rem. Further, the other defendants, who were not parties to the term sheet, were in the nature of persons claiming through or under Telex (under the amended Section 8) and had also filed affidavits agreeing to submit the entire dispute to arbitration. Telex also argued that there was no specific bar on the arbitrability of such disputes and relied on the decision of the Supreme Court of India in *Booz Allen & Hamilton Inc v. SBI Home Finance Limited & Ors.*

The Court while deciding in favour of the defendant, observed that provisions of the Copyright Act and the (Indian) Trade Marks Act, 1999 (Trademarks Act) do not oust the jurisdiction of an arbitral panel, they only seek to ensure that such actions are not to be brought before the Registrar or the board. Further, where there are matters of commercial disputes and parties have consciously decided to refer these disputes arising from that contract to a private forum, no question arises of those disputes being non-arbitrable. Such actions are always actions in personam, one party seeking a specific relief against a particular defined party, not against the world at large. Eros' action is in personam as it is seeking a particular relief against a particular defined party.

This decision makes it abundantly clear that although under trademark and copyright law, registration grants the registrant a right against the world at large and it is possible that an opposition to such an application (before the Registrar) would be an action in rem, however, an infringement or passing off action binds only the parties to it.

B. Patents

In case of Patents in India, Arbitration is available as a means to resolve disputes but is not widely used. However, arbitration is not available to determine matters of invalidity, as the Patent Office does not recognize arbitral awards in this respect. Only the disputes arising out of contracts between parties, like patent licensing disputes, can be subject to arbitration.

The significance of arbitration in the area of Intellectual Property is the ensured confidentiality of subject matter of dispute among the parties. But in a country like India, the difficulty arises in balancing the interests of the parties in maintaining confidentiality, and the interests of the public, thereby, preventing the arbitration of disputes involving rights in rem or third-party interests. The confidentiality conflicts with the public interest especially, in having the outcome of revocation proceedings be published. The answer to this criticism is that any award which is against the public policy of India can be challenged before the appropriate court of law, arbitral awards relating to patent infringement or validity could be denied as being against public policy or patently in violation

of statutory provisions.

Challenges with respect to confidentiality of IP disputes which affect public at large can be addressed through legislation requiring that some or all of the proceeding be publicly disclosed. For example, USA laws explicitly allow arbitration of patent validity and infringement issues and arbitration of "any aspect" of patent interference disputes but a copy of any arbitral award must be given to the United States Patent and Trademark Office. The award is unenforceable until this notice is given. Similarly, Switzerland practices the registration of an arbitral award with the authority which issues and maintains patents. Also, awards rendered in connection with the validity of intellectual property rights are recognized as the basis for entries in the register, provided these awards are accompanied by a certificate of enforceability issued by the Swiss court at the seat of the arbitral tribunal in accordance with Article 193 of the Swiss Private International Law Act.

Arbitration is a consensual means of dispute resolution, requiring all parties involved to submit the matter to arbitration, failing which this method of dispute resolution would fail to operationalize. The agreement to arbitrate, which embodies the consent of the parties, obtains a binding force as a result of national and international support extended to it through domestic and international law. Most jurisdictions have modified their domestic laws to reflect the Model Laws prepared by UNCITRAL and recommended for adoption by the United Nations General Assembly. Internationally, instruments such as the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958, adhered to by 156 States, provided for expedited enforcement of a valid arbitration agreement and award rendered in a contracting state in the territory of another contracting.

Arbitrability refers to the question of whether a particular dispute can be submitted to arbitration or it befits solely to the jurisdiction of the courts. Both the New York Convention, 1958 and the Model Law on International Commercial Arbitration, 1985 provide for settlement of international disputes by way of Arbitration. It also involves the recognition and enforcement of foreign awards by the courts of different jurisdictions. Whether a particular dispute falls within the ambit of arbitrability under a given law, is fundamentally a matter of Public Policy. Public policy varies from state to state and constantly evolves with changes in the society.

As already discussed, patent rights are the property rights conferred by the State upon an inventor. These are statutory monopoly rights which are granted to the patentee to manufacture and market their inventions for commercial gains for a specified period of time. These rights could be exigent to the overall development of the society.

Intermittently it is contended that since these are territorial rights created by a sovereign entity, only the courts of this sovereign entity should have the authority to adjudge matters relating to such rights. It has been held that a patent right is available against the whole world at large. On the other hand,

Arbitration, as a dispute settlement resolution, is the outcome of a concerted agreement between two parties who are bound by certain rights and obligations towards each other. Consequently, concerns were raised with respect to subject matter of arbitrability of patent disputes throughout the international community. In the beginning, disputes pertaining to the rights and entitlements to intellectual property could not, for a long time, be referred for arbitration. However, with the passage of time, disputes arising from commercial arrangements such as transfer or assignment of rights, license agreements or multi-jurisdictional disputes, were considered to be prima facie arbitrable. It is justifiable to conclude that since the nature of the relationship between the parties is purely contractual in the above cases, arbitration agreements maybe entered into, and the awards thereto shall be considered as final and binding.

The municipal laws of various countries have different stands over subject matter arbitrability of patent disputes. United Kingdom and Singapore allow arbitration in Intellectual Property rights, but to a limited extent and with the prior sanction of the court. USA and Switzerland, on the contrary, follow a liberal approach. As a matter of fact, the United States Code expressly provides for arbitration in case of any kind of patent disputes.

It is also noteworthy, that the issue of subject matter arbitrability of patent disputes has been laid down as a condition precedent for the recognition and enforcement of foreign award under the New York Convention, 1958. Article V of the said convention provides that if a contracting state does not consider a subject matter capable of arbitration, an agreement to arbitrate on such subject matter be considered as invalid and shall be refused enforcement.

Hence, voluntary arbitration is more or less dependent upon the municipal laws of a country in so far as they are in compliance with the International Conventions.

III. CONCLUSION

Though there are various benefits of using arbitration as a method for resolving IP disputes there are also many criticisms against it. One of the biggest criticisms against arbitration in IP is that it is binding only between the parties and does not set a public precedent as regards its use as a deterrent to infringement and establishing a culture of integrity. Parties also do not actually resort to arbitration primarily on account of finding suitable arbitrators or because of jurisdictional issues in case of international contracts. One also needs to ponder on the effect of the counterclaim or defence of revocation in cases of infringement. As these remedies or reliefs are in rem, henceforth, the parties would have to turn to the relevant forum for resolution of that claim. So, whether such action would render the entire dispute non-arbitrable or the tribunal may stay

its proceedings until the appropriate forum decides on the validity of the copyright/ trademark/ patent? This is, however, far from ideal as it would delay the arbitration and substantially increase costs.

The conclusion which can be drawn in relation to the arbitrability of IP disputes in India is that it is a budding scheme which needs legislative support and a proper mechanism for better implementation. Though court rulings are quite unclear in the present scenario still it can be inferred that IP disputes are arbitrable, but still there is a long way ahead.

The one possible solution for addressing this issue in regard to enhancing arbitration in India is to provide for the arbitrability of IP disputes in the Arbitration and Conciliation Act, as well as the Indian Copyrights Act and Patents Act. In providing so, it not only eliminates the confusion regarding the arbitrability of Copyright and Patent disputes but also prevents further litigation in the light of public policy. An amendment to the Arbitration and Conciliation Act including the arbitrability of IP disputes, and also amendments to the Copyrights Act and Patent Rights authorizing the parties to subject the dispute to arbitration would clear the complications involved in such arbitrations.

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