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**EMPOWERING TRADEMARK'S DISPUTE RESOLUTION –  
ENDORSEMENT OF ARBITRATION & MEDIATION IN INDIA**

- Swasti Saumya Dubey<sup>1</sup>

**Abstract**

Due to recent improvements in India's intellectual property (IP) law, there has been a significant surge in patent applications. Unfortunately, this expansion has led to a rise in legal disputes related to IP, putting a burden on the legal system. One potential solution to address this issue is to allow patent disputes to be resolved through arbitration. Although there are no specific regulations concerning mediation in IP disputes, this article highlights a recent pro-arbitration decision by the Delhi High Court in trademark disputes. This decision has the potential to transform the process by offering a faster and more cost-effective alternative to traditional litigation. Additionally, the ruling has established a four-part rule for determining when a dispute cannot be settled through arbitration. Mediation could potentially save substantial amounts of money that would otherwise be spent on courtroom battles, making it a financially prudent option. Mediation is a financially responsible choice since it may be able to save significant sums of money that would otherwise be spent on judicial disputes.

*Keywords: Trademark Disputes, Arbitration, Intellectual Property, Trademark Infringement*

**Introduction**

The legal framework governing the creation, ownership, use, and protection of different intellectual assets, including as patents, trademarks, copyrights, and trade secrets, is known as intellectual property law. IP law's main goal is to encourage artists and innovators to come up with original ideas and works while simultaneously making sure that others may use and enjoy them without infringing on their legal rights. When the British adopted the Indian Patents and Designs Act of 1911 during the colonial era, it marked the beginning of IP law in

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<sup>1</sup> Student at KIIT School Of Law

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India. This legislation provided protection for innovations and industrial designs, although with tight time limits and a narrow scope that only applied to certain technological fields. India began developing its own intellectual property (IP) laws after achieving independence in 1947, heavily inspired by the British system. The Indian Patents Act of 1970 marked a significant change by moving from the British system and replacing product patents with process patents. This modification aims to promote domestic innovation and growth while avoiding the monopolization of essential pharmaceuticals and other goods. In the ensuing decades, India kept enhancing its IP structure. The Trade Marks Act of 1999, the Copyright Act of 1957 (as amended in 2012), and the Geographical Indications of Goods (Registration and Protection) Act of 1999 were all passed as part of this revision. Many different facets of intellectual property, including trademarks, copyrights, and geographical indications, were given further protection by these legal actions. India has advanced significantly in the field of intellectual property (IP) throughout the years. India has always received criticism for the weak enforcement of its intellectual property laws. However, the country has recently made a number of steps to strengthen its IP framework. These actions include updating the legislation, streamlining the process, and enhancing the powers of IP offices. The number of patent applications filed in the nation has increased steadily as a result of these efforts. With an astounding 66,440 applications submitted in the year prior alone, India has become one of the top locations for patent applications by 2022.<sup>2</sup> This quick growth has, however, also led to an increase in IP-related conflicts, which has put a significant pressure on the legal system. Allowing patent disputes to be settled through arbitration, which provides a quicker, more cost-efficient, and specialized alternative to traditional litigation, might be a solution to this problem.

### **Can Trademark Disputes be Arbitrated?**

The Indian legislative body has recently put in place a number of measures to encourage alternative conflict resolution techniques, including mediation. It's important to note that there isn't a special statute that permits mediation of issues involving IP. However, Section 12-A2 of the Commercial Courts Act, 2015 is a crucial clause in this respect. The fact that intellectual property rights are included in the definition of "commercial disputes" under the

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<sup>2</sup> "Patent Filing in India Increases by More than 50 per Cent in 7 Years" (*The Economic Times*, April 13, 2022) <<https://economictimes.indiatimes.com/small-biz/sme-sector/patent-filing-in-india-increases-by-more-than-50-per-cent-in-7-years/articleshow/90812038.cms>> accessed September 14, 2023.

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aforementioned Act is noteworthy. This covers trademarks both registered and unregistered copyrights, patents, designs, domain names, geographical indicators, and semiconductor integrated circuits. Examining the disparate positions and decisions of various courts throughout India may help one understand this conundrum about whether IP matters can be addressed through arbitration.

In the case of *Mundipharma Ag v. Workhardt Ltd.*,<sup>3</sup> the Delhi High Court ruled on September 11, 1990, that copyright issues are not subject to arbitration. This is so because only Civil Courts have the authority to award remedies for copyright infringement under legislation. With a judgment dated March 2, 2021, the court took a different perspective in *Hero Electric Vehicles Private Limited and Anr. v. Lectro E-Mobility Private Limited and Anr.*<sup>4</sup> The Delhi High Court ruled in favor of arbitration in this case, saying that disagreements about the use of trademarks against certain groups as opposed to the entire world can be resolved by arbitration.

### **Recent Decision's Implications for Arbitrating Trademark Disputes**

The court recently issued a permanent restraining order to prevent the Defendant and its affiliates from using the "LIBERTY INTERNATIONAL" trademark, or any other mark confusingly similar to the Plaintiff's registered "LIBERTY" trademark, for goods falling within Class 25 or related categories. The case involved M/S Liberty Footwear Company and M/S Liberty International.<sup>5</sup> The purpose of an injunction is to stop any infringement on the plaintiff's trademark rights. It should be noted that the two parties' agreement previously had a provision for arbitration. However, it was argued that arbitration was not the best course of action in this trademark issue.

In a trademark dispute concerning the infringement of the plaintiff's "LIBERTY" mark, the Delhi High Court approved the defendant's application under section 8 of the Arbitration Act. To establish when the subject matter of a dispute within an arbitration agreement is unsuitable for arbitration, the Court developed a four-part examination in this decision. The following factors make up the four-part assessment of whether a case is appropriate for arbitration:

- If the argument involves real-world acts (depending on the circumstances);

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<sup>3</sup> *Mundipharma Ag v. workhardt Ltd.*, ILR 1991 Delhi 606.

<sup>4</sup> *Hero Electric Vehicles Pvt. Ltd. v. Lectro E-Mobility Private Ltd.*, 2021 SCC OnLine Del 1058.

<sup>5</sup> *M/S Liberty Footwear Company vs M/S Liberty International*, Neutral Citation Number 2023/DHC/000153.

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- If it has a general effect (erga omnes) on third-party rights;
- If it is relevant to the state's innate sovereign and public interest functions;
- If it is exempt from arbitration under the relevant statutory statute(s).

When determining whether a dispute may be handled through arbitration, these assessments shouldn't be seen as discrete things but rather as a whole and realistically.

By using the aforementioned test, the court made it clear that "Actions in rem" refer to legal actions that establish property ownership and the rights of all parties involved, not just among themselves but also against any potential third parties who might claim an interest in the property at any time. On the other hand, "Actions in personam" are court cases that resolve the rights and interests of the people involved in the action directly. In contrast to "in rem" issues, which cannot be arbitrated privately and must be settled by the courts and public tribunals, "in personam" disputes can be arbitrated. It's crucial to remember that disputes resulting from higher-priority "in rem" rights than lower-priority "in personam" rights are nonetheless regarded as appropriate for arbitration.

Finally, the court granted the defendant's request made in accordance with Section 8 of the Arbitration Act, allowing the parties to resolve their differences through arbitration. These disputes generally centre on whether the defendant, a partner in the plaintiff firm, has the right to use the plaintiff firm's trademarks for his own commercial ventures and whether a partnership agreement exists that permits partners' families to use the plaintiff firm's trademarks. A few examples of the legal considerations the arbitrator will make during the arbitration process are the Partnership Act, The Trade Marks Act, The Partnership Agreement, and the registration of trademarks.

The court's decision might have a big influence on future trademark lawsuits, especially since arbitration and mediation can speed up the process. It's important to emphasize that mediation has many advantages, including significant financial savings over protracted court fights. Therefore, one may contend that compensating court costs is consistent with mediation's goals and will likely encourage parties to choose mediation.<sup>6</sup>

### **Court Assisted Mediations**

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<sup>6</sup> "A Positive Trend Towards Settlement Of Trademark Disputes Through Mediation - Trademark - India" (*Mondaq*, October 6, 2022) <<https://www.mondaq.com/india/trademark/1234290/a-positive-trend-towards-settlement-of-tmdemark-disputes-through-mediation>> accessed September 14, 2023.

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The Supreme Court correctly noted that courts must adjust to shifting circumstances and support Parliament in achieving its objectives. It is apparent that Indian courts have contributed significantly to the acceptance and use of mediation, with the settlement of trademark disputes acting as a notable example.

The famous disagreement between "COKE STUDIO" and "COOK STUDIO," which was taken before the Delhi High Court, is one noteworthy instance. The plaintiff, Nikhil Chawla, is the owner of "The Chawla Group," which operates the website platform "COOK STUDIO," according to the evidence that was submitted in court. This website produces food-related films, engages in food vlogging, and offers online cooking courses. The Coca-Cola Company is named as the defendant in this dispute and is the registered owner of the trademark "COKE STUDIO." They sent the plaintiff a notice requesting that he cease using the "COOK STUDIO" mark on his blog. The plaintiff then filed a case in response, asking for a ruling that he was not violating the registered trademark "COKE STUDIO".<sup>7</sup> The Single Judge directed the case to mediation after advising the parties to attempt to settle their differences amicably. The sides were able to agree upon anything after that, and they both signed a joint memorandum. The Plaintiff agreed to use "Cook Pro 6" instead of "COOK STUDIO" by November 30, 2022 as part of this agreement, among other things. The Defendant further consented to refrain from interfering with the Plaintiff's use of the "Cook Pro 6" trademark or registration. In exchange, the Plaintiff consented to withdraw all trademark registration applications for the "COOK STUDIO" and to dismiss the case.

The Calvin Klein Trademark Trust filed a lawsuit in 2021, saying that the words "Calvin Klein" and "CK" (both in word and logo form) had been used without authorization. The matter was subsequently sent to the Delhi High Court's Mediation and Conciliation Center to see whether there was any chance of reaching a settlement through dialogue. The parties to the issue subsequently came to a mutually acceptable arrangement and formalized it by signing a settlement agreement. This settlement deal was formally approved by the court, putting an end to the legal dispute.<sup>8</sup>

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<sup>7</sup> *Nikhil Chawla v. The Coca – Cola Company*, CS (COMM) 312 of 2022.

<sup>8</sup> *Calvin Klein Trademark Trust v. Ektarfa Garments Private Limited and Others*, 2021 SCC OnLine Del 3696.

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The disputes were eventually settled through mutual consent in a number of other legal cases involving trademark violations and allegations of passing off, which were brought by Giani S. Foods Private Limited,<sup>9</sup> Tata Sons Private Limited,<sup>10</sup> Hindalco Industries Ltd.<sup>11</sup>

It is important to note that the Delhi High Court ordered the court expenses to be reimbursed in each of these cases since the disputes had been settled through mediation. This directive was in compliance with Section 16 of the Court Fees Act, 1870, as well as the Delhi High Court's and Supreme Court's decisions in the instances of *Nutan Batra v. Buniyaad Associates*<sup>12</sup> and *Afcons Infrastructure Limited v. Cherian Varkey Construction Company Private Limited*,<sup>13</sup> respectively.

According to Section 16 of the statute, the Plaintiff is entitled to a certificate from the collector authorizing a full reimbursement of Court expenses if the Court orders parties to pursue a settlement procedure described in Section 8916 of the Code of Civil Procedure, 1908 ("CPC"). When Section 89 of the CPC was passed in 1999, this Section 16 was also included to the Court Fees Act of 1870. In the Nutan Batra case, the Delhi High Court noted that Section 16 was probably introduced to encourage the adoption of ADR techniques. The Court made it clear that Section 16 only applies after an ADR referral made according to Section 89 of the CPC, not before the issue is referred for settlement. In addition, the Court decided that a plaintiff should be entitled to a full court fee refund provided they can show that their case satisfies the requirements of Section 16.

It's important to note that one of mediation's many benefits is its cost-effectiveness, which helps parties save substantial sums of money that would otherwise be spent on court cases. Therefore, the payment of court costs is consistent with mediation's objectives and can surely encourage parties to participate in mediation.

### **Challenges and Concerns in Trademark Arbitration and Mediation**

Ensuring that arbitration rulings are enforceable is a key difficulty in trademark arbitration. Even though arbitration is supposed to be a final and binding procedure, there could be times when one side doesn't want to follow the rules. A strong legislative structure that makes it

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<sup>9</sup> *Giani S. Foods Private Limited v. Keshav Aggarwal and Another*, 2022 SCC OnLine Del 384.

<sup>10</sup> *Tata Sons Private Limited v. Bharat Bhushan Udiniya and Others*, 2021 SCC OnLine Del 5499.

<sup>11</sup> *Hindalco Industries Ltd. v. Amit Agrawal*, 2021 SCC OnLine Del 4601.

<sup>12</sup> *Nutan Batra v. Buniyaad Associates*, (2010) 8 SCC 24.

<sup>13</sup> *Afcons Infrastructure Limited v. Cherian Varkey Construction Company Private Limited*, 2018 (255) DLT 696.

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easier for arbitration rulings to be enforced is necessary to address this issue. The success of the procedure depends on the choice of arbitrators or mediators. When parties can't agree on a neutral third party, problems may occur. Maintaining the integrity of the process depends on the impartiality, skill, and competency of arbitrators or mediators.<sup>14</sup>

It can be difficult to strike a balance between the public interest in transparency and the requirement for secrecy in arbitration and mediation. Disputes over trademarks sometimes include topics of general interest, such as consumer protection. Determining the right amount of transparency while safeguarding confidential corporate information may be difficult. Although lengthy litigation is often seen to be more expensive, arbitration and mediation do incur costs. Fees for arbitrators, mediators, and administrative expenses are still possible for parties to pay. It might be important to maintain fair and open access to conflict resolution for all parties. The results of arbitration and mediation do not establish legal precedents, in contrast to traditional litigation, where court judgements do so. When parties desire clarification on how related matters have been settled in the past, this might be difficult.

Ensuring that both parties abide by the terms of the settlement can be a persistent problem even when parties achieve an agreement through arbitration or mediation. In the event of non-compliance, this may call for procedures for enforcement and conflict settlement. There may be a huge power disparity between the parties in some trademark disputes. This might give rise to worries that, particularly in mediation, the weaker party would be coerced into accepting an unjust settlement. To solve this problem, precautions must be taken to protect the interests of weaker parties.<sup>15</sup> In today's multijurisdictional commercial environment, participants to trademark issues frequently come from other countries. It can be difficult to navigate international arbitration or mediation processes and create jurisdictional issues when determining which laws apply.

## Conclusion

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<sup>14</sup> "Arbitrability of Trademark Disputes" (*Lexology*, June 5, 2023) <<https://www.lexology.com/library/detail.aspx?g=af5af36c-ab80-4cc8-8349-c37f2652e47b>> accessed September 14, 2023.

<sup>15</sup> Gupta P, "The Conundrum Of Arbitrability Of Intellectual Property Rights Disputes In India: An Analysis" (*Mondaq*, July 15, 2022) <<https://www.mondaq.com/india/arbitration--dispute-resolution/1212264/the-conundrum-of-arbitrability-of-intellectual-property-rights-disputes-in-india-an-analysis>> accessed September 14, 2023.

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The use of trademarks and other intellectual property is pervasive in our daily lives, for example, in marketing, goods, packaging, and services which raises the risk of infringement. Therefore, the necessity for an efficient and effective alternative conflict settlement system is urgent. The number of patent applications has been steadily increasing as a result of India's major efforts to improve its intellectual property environment. The judicial system has been hampered by the increase in intellectual property disputes brought on by this development. Arbitration has become a viable substitute for traditional litigation to solve this issue. A recent judgment in the case of M/S Liberty Footwear Company established a four-part standard for determining whether a dispute can be resolved through arbitration, despite the fact that there have been conflicting decisions regarding the arbitrability of trademark disputes. This decision offers a methodical framework for choosing which disputes should be sent to arbitration, possibly altering the way trademark-related disputes are handled in the future. The use of mediation as an alternative conflict resolution method has been actively supported by the Indian legislative and judiciary. As demonstrated from the aforementioned examples, mediation has aided in the swift and effective resolution of trademark disputes. Therefore, it may be anticipated that the current tendency will continue and may even inspire courts and litigants to accept and promote mediation as a practical choice for dispute settlement. India's initiatives to support arbitration, mediation, and other alternative dispute resolution processes would lighten the load on the judicial system and provide an expedited, more affordable, and specialized method of resolving intellectual property conflicts.

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