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LEGAL FRAMEWORKS AND EMERGING TRENDS OF ARBITRATION IN IP DISPUTES

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Abstract

This article analyzes the relationship between intellectual property (IP) law and arbitration in India. It explores the potential advantages of arbitration, such as flexibility, confidentiality, and technical knowledge, for settling intellectual property conflicts.

The Arbitration and Conciliation Act of 1996 and other pertinent IP statutes are highlighted in this article's discussion of India's legal framework for arbitration. After that, it explores the idea of arbitrability and examines the kinds of intellectual property conflicts that can be resolved by arbitration.

This article presents the essential legal standard set forth in the Vidya Drolia case, which describes the conditions under which an intellectual property issue cannot be settled by arbitration. The article also notes the growing trend in the world for IP conflicts to be resolved through arbitration and the assistance provided by institutions like the WIPO Center. With regard to arbitration's relationship to intellectual property law in India, the article offers a thorough analysis, emphasizing the advantages and disadvantages of this form of dispute resolution.

Introduction

Arbitration is an alternative method of resolving disputes in which a third party chosen by mutual consent arbitrates the conflict between the parties and the arbitrator's decision is legally binding.

According to sec 2(1)(a) of the Arbitration and Conciliation Act, 1996 " *arbitration means any arbitration whether or not administered by permanent arbitral institution*"[2]

Intellectual property protects the Creative work of the mind, such as innovations, designs, music, and artistic work and it's the exclusive right of creators and inventors.Intellectual

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[2]The Arbitration and Conciliation Act 1996, s 2(1)(a).

property is defined and protected by trademarks (which protect names or symbols that identify or distinguish any goods or services), patents (which protect inventions), copyrights (which protect literary and creative works), and designs (which protect products and logos).

According to WIPO, "*Intellectual property (IP) refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names, and images used in commerce"*[3]

Role of Arbitration in Intellectual Property Disputes

Arbitration is a private and confidential process used to resolve conflicts and disputes including intellectual property disputes, particularly between parties from different jurisdictions. and intellectual property disputes are better resolved in arbitration than in court proceedings.[4]

It has not yet been completely realized how effective arbitration and mediation may be in settling conflicts.Since the majority of Intellectual Property owners and lawyers still use conventional court litigation methods. However, over the past ten years, several connected developments have caused perceptions to start shifting.

International transactions, where the applicable rules differ from nation to nation and require a high degree of specialization in the relevant topic, are becoming a defining feature of all sectors. Time is another common factor. Since patents have a limited lifespan and technology can age quickly, the length of time the court takes to resolve disputes beyond the point at which an appeal is possible works against the interests of the parties involved. Thus, arbitration provides these industries with benefits that are especially beneficial to them.[5]

Who determines whether an IPR issue may be resolved by Arbitration

i) Section 7 of the Arbitration and Conciliation Act, 1996 empowers parties to draft a written agreement, known as an arbitration agreement, to submit disputes (existing or future) arising from a defined legal relationship to arbitration.

This agreement can be included as an arbitration clause within a contract or exist as a separate agreement altogether.

[3]"What Is Intellectual Property (IP)?", <https://www.wipo.int/about-ip/en/> accessed March 30, 2024.
[4]"Why Arbitration in Intellectual Property?"<https://www.wipo.int/amc/en/arbitration/why-is-arb.html> accessed March 30, 2024.
[5] "Arbitration and Intellectual Property Rights"<https://www.legalserviceindia.com/legal/article-360arbitration-and-intellectual-property-rights.html>accessed March 30, 2024.

ii) Section 8 of the Arbitration and Conciliation Act, 1996 gives power to refer parties to arbitration if there is an arbitration agreement.[6]

iii) Section 89 of the Code of Civil Procedure,empowers the court to encourage and facilitate settlement of disputes outside the formal court system through Alternative Dispute Resolution processes such as Mediation, Arbitration, Conciliation, and Lok Adalat.The section applies to matters pending in regular courts, but not to pre-litigationmatters.But there the consent of parties is required if any matter under any provisions goes to Arbitration.

Legislative Provisions

Section 2(1)(f)ofthe Arbitration and Conciliation Act, 1996 defined "international commercial arbitration" as any dispute of a commercial nature arising between the Indian party and the international party.

In Commercial Courts Act, 2015 it is specified that issues involving intellectual property are included in the category of " Commercial disputes".

Section 10 of the Commercial Courts Act,2015 provides for the arbitration of commercial disputes without specifically ousting arbitration of IPR disputes from its purview.

The Indian Patent Act, of 1970 allows for the arbitration of disputes only involving government.[7]

Relevant IP Acts like the Trademark Act, 1999, and Copyright Act, 1957 don't expresslyprohibit arbitration in IP issues.

Arbitrability of Intellectual Property Disputes

Although a little complicated, India has an adequate stance on the arbitrability of IP disputes. The policy argument arises from the difference between "rights in rem and rights in personam, as well as between judgment in rem and judgment in personam." There is discussion over the scope of remedies that parties to intellectual property arbitration should be able to obtain.

The court made this observation in the ***Booz Allen Hamilton v. SBI Home Finance*** case: "Generally and traditionally, all disputes relating to rights in personam are considered to be

[6]The Arbitration and Conciliation Act 1996, s 8.

[7]Gupta P, "The Conundrum of Arbitrability of Intellectual Property Rights Disputes in India: An Analysis" *Arbitration & Dispute Resolution - India* (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 March 30, 2024.

suitable for arbitration; and all disputes relating to rights in rem are required to be settled by courts and public tribunals, being not suited for private arbitration." Additionally, the Court recognized that "subordinate rights in personam arising from superior rights in rem may be arbitrable and that "this rule wasn't unbreakable."

Section 62 of the Copyright Act,1957, states that infringement matters could not be filed before any Court lower than the jurisdictionally competent District Court which led to bewilderment as the bare reading of the provision leads to the interpretation that IP disputes cannot be arbitrated.In***Eros International Media Limited v. Telemax Links India Pvt. Ltd.*** Case, the same was challenged. It was decided that intellectual property disputes resulting from "commercial contracts," such as those involving two parties suing one another for passing off or copyright infringement, could only ever be settled through action in personam, and could therefore be arbitrated. It was said that the jurisdiction of an arbitral panel "should not be interpreted to entail the termination of the Copyright Act.".When it comes to copyright infringement cases, the court in ***Indian Performing Right Society (IPRS) Ltd. Vs. Entertainment Network***case has adopted a different approach and declared that "injunctions, damages, and other remedies may only be conferred by a Court, and are therefore not subject to arbitration." This is in contrast to the case previously mentioned. The court read Section 62(1) and based its finding on the ruling in the ***Mundipharma AG v. Wockhardt Ltd***case.[8]

The claimant's ownership of the copyright and trademark in the ***EuroKids*** case was deemed uncontested by the Bombay High Court during its consideration of a petition submitted in compliance with the Arbitration Act. Therefore, the claimant's processes were not in rem. The court granted the petition as a result, and the respondent was barred from violating the terms of the franchise agreement.The Delhi High Court decided that a trademark dispute might be arbitrated in favor of the plaintiffs in ***Hero Electric Vehicles v. Lectro E-Mobility Pvt. Ltd.***, who wanted to protect their trademark rights against a specific group rather than the entire world.[9]

The Indian legal system's pro-arbitration stance was demonstrated by the Supreme Court's ruling in ***Vidya Drolia v. Durga Trading Corpn***, which addressed the arbitrability of intellectual property issues. The Supreme Court has addressed a request from a two-judge

[8]Rao P, "Arbitrability of IP Disputes – a Step Forward? | Dispute Resolution Blog" (*Dispute Resolution Blog*, August 28, 2023)<https://disputeresolution.cyrilamarchandblogs.com/2023/08/arbitrability-of-ip-disputes-a-step-forward/>accessed March 30, 2024.

[9]Jain A, "Interplay of Arbitration and Intellectual Property Rights" (*Manupatra Articles*, January 3, 2023), <https://articles.manupatra.com/article-details/Interplay-of-Arbitration-and-Intellectual-Property-Rights>accessed March 30, 2024.

bench on the arbitrability of a landlord-tenant dispute under the Transfer of Property Act, 1882, as well as concerns about the validity of the ratio established in ***Himangni Enterprises v. Kamaljeet Singh Ahluwalia***. The Court answered the question of whether each issue can be arbitrated by establishing a four-part test to determine whether arbitration of IP disputes is necessary.It held that the following circumstances would render a dispute non-arbitrable:

1) it concerns actions in rem that do not concern subordinate rights in personam that arise from rights in rem;

2) it affects the rights of third parties or has an erga omnes effect;

3) it pertains to the State's inalienable sovereign and public interest functions; and

4) it is expressly or impliedly non-arbitrable under a particular statute.

The verdict makes clear whether intellectual property disputes can be arbitrated and says that anything that is prohibited by law cannot be arbitrated since it affects third parties' rights.

It can be argued that the tide would shift in favor of IP dispute arbitration with the implementation of the Vidya Drolia, a multi-pronged test.[10]

International Aspect

Traditionally national courts have been the primary forum for resolving disputes involving intellectual property rights. That being said, there has been a noticeable move in favor of arbitration in recent years. Because a thorough understanding of technology is necessary to make decisions in IP challenges, it is acknowledged that national courts are not necessarily the most appropriate forum for such conflicts. Companies are more and more inclined to have arbitral tribunals handle their disputes rather than state courts, especially when those issues include many states.

The World Intellectual Property Organization (WIPO) developed the WIPO Arbitration and Mediation Center (WIPO-Center), as well as distinct arbitration (both expedited and non-expedited), mediation, and expert determination regimes, to address the unique demands in IP and technology conflicts. The number of cases handled by the WIPO Center is continuously increasing, indicating expanding demand for such specialist services. Key figures released by the WIPO Center demonstrate the extensive usage of its services in the sectors of TMT and IP (WIPO Mediation, Arbitration, and Expert Determination Cases).[11]

[10] Ibid.

[11] Woller M and Pohl M, "IP Arbitration on the Rise" (*Kluwer Arbitration Blog*, July 16, 2019)<https://arbitrationblog.kluwerarbitration.com/2019/07/16/ip-arbitration-on-the-rise/>accessed March 30, 2024.

Conclusion

In India, the field of Intellectual property (IP) arbitration is changing. Although traditional court cases are still prevalent, arbitration is becoming more and more popular because of its advantages, which include speed, confidentiality, and technical knowledge.

The Vidya Drolia ruling by the Supreme Court offers a much-needed four-part criteria to establish whether intellectual property disputes can be arbitrated. This makes clear the circumstances in which arbitration is prohibited, including those in which it infringes upon the rights of other parties or involves the public activities of the state.Arbitration for IP disputes is becoming more popular internationally. Businesses such as the WIPO Center address the particular requirements of these disputes.

With the establishment of the Vidya Drolia test, India's judicial system appears organized to be more accommodating to IP dispute arbitration in the future. Businesses looking for a more specialized and effective forum to settle their intellectual property disputes may find this change advantageous.