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INTELLECTUAL PROPERTY AS A SUBJECT MATTER OF ARBITRATION

-Suchana Sen [1]

ABSTRACT

This paper provides an insight into analysing intellectual property as a subject matter for arbitration. This involves looking into the characteristic features of disputes in intellectual property such as it being a *right in personam*, rather than being a right in rem, from the perspective of objective arbitrability. Moreover, the author extensively writes about public policy concerns, which is one of the primary determinant factors in considering arbitrability of IP disputes, and validity of invoking the argument of public policy, for and against considering IP disputes as arbitrable.

Keywords: Arbitration, Intellectual Property, Arbitrability, Alternate Dispute Resolution.

INTRODUCTION

Arbitration is a form of dispute resolution that is not of the latest significance, since its roots trace back to the early 14th Century. Commercial arbitration was in fact a recognised form of dispute resolution in the then Anglo – American legal system.[2] In England as well, several institutions and bodies such as stock exchange, insurance markets and even the church resorted to choosing arbitration for resolving the disputes that arose among their own members[3].However, since then and over the years, arbitration has become a favoured forum for adjudicating private rights between parties. Arbitration and other modes of ADR like mediation are early modes of resolving conflicts of interests between merchants arising out of their trade transactions. Over the years, this practice of referring a dispute between two parties to an independent and impartial third-party forum became recognized globally and incorporated into the world's many municipal laws. One of the primary reasons behind the

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[2] William Catron Jones, *History of Commercial Arbitration in England and the United States: A Summary View,* INT'L TRADE ARB. 127, 129 (Martin Domke ed., 1958).

[3] F.W. MARN, *Trust and Corporation, in selected essays* 141, 189-95 (H.D. Hazeltine et. al. eds., 1936)(1905).

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growth of commercial arbitration is the desire of parties to contractual dealings to apply commercially tailored solutions to their commercial disputes.

Arbitration can formally be defined as *a process of dispute resolution wherein parties in consensus submits by an agreement to one or more arbitrators, a dispute between them for adjudication by the arbitrators*.[4] This process has gained major global significance post its universal uniform recognition and governance under the United Nations Commission for International Trade Laws (UNCITRAL) and its subsequent adoption of the UNCITRAL Model Laws on International Commercial Arbitration (hereinafter referred to as Model Laws). The Model Laws specifically provide for technical and theoretical rules on the applicability of arbitration and arbitral proceedings. The Model Laws itself is a practical legal framework towards resolving disputes in international commercial relations.[5] The increased number of international commercial transactions between people from around the globe has driven more and more entities to include arbitration clauses in their contracts for dispute resolution owing to the many benefits that such an avenue offers.

The definition of arbitration indicates the most critical and necessary precondition to initiate an arbitration process between two parties - *the existence of an agreement referring the parties for arbitration in the event of a dispute*. The same highlights that arbitration is used only in determining the disputes arising out of *rights in personam*, i.e., disputes out of contractual rights and obligations of parties. The Model Laws vide their Article 1 lays out their applicability and states that the Model Laws apply to international commercial arbitration subject to any agreement between States. The term ―*commercial* within this provision is said to be interpreted in the broadest possible sense to cover matters arising from all relationships of a commercial nature[6]whether contractual or not. The Model Laws further identifies a comprehensive list of transactions that amount to commercial relations. These include any trade transaction for the supply or exchange of goods or services, leasing, licensing, exploitation agreements, among other activities.

A bare perusal of the phrase commercial arbitration renders that the feature ―commercial is a prerequisite, whether it is contractual or not. A prerequisite for arbitration under the Model Laws is the presence of a commercial relationship between two or more parties, evidenced by

[4]https://www.wipo.int/amc/en/arbitration/what-is-arb.html
[5]Resolutions adopted by the General Assembly, 11 December 1985
[6]*Explanation 2* under Article 1, UNCITRAL Model Laws on International Commercial Arbitration

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the existence of an agreement. However, the relationships which are covered under commercial transactions are not an exhaustive list. Even so, it does not contain any explicit mention of the term Intellectual Property because they are per se considered as *rights in rem* and therefore not arbitrable. However, the list identifies licensing in general as a commercial activity. Hence licensing of intellectual property falls under the scope of commercial activity. For instance, in the light of intellectual property, a licensing agreement between a patent holder and a third party shall constitute a commercial agreement, which can be subjected to arbitration in the event of any disputes under the agreement. An arbitration agreement is thus an agreement entered into by the parties to submit to arbitration all or certain disputes that have arisen or which may arise between them regarding a defined legal relationship, whether contractual or not.[7] It can either be a clause in the original commercial agreement entered into between parties in furtherance of their trade activity or even can be a separate agreement that the parties shall enter into at the time of a dispute, thereby coming into consensus, the dispute may be referred for arbitration. The general principles of arbitration law suggest that severability shall not apply to arbitration clauses in an agreement.

Although arbitration is an age-old means to resolve disputes, widening its scope to cover intellectual property disputes is still a developing jurisprudence. Initially, many legal systems did not consider referring disputes in intellectual property to a private forum for its adjudication since such matters lay exclusively in the domain of public governance. With the dynamic nature of trade, be it international or domestic, International Commercial Arbitration and the rules concerning it as contained under the UNCITRAL Model Laws, has been serving as one of the most effective means of dispute resolution amongst international parties. The Model Laws contain several basic principles that govern commercial arbitration and further authorises member states to draft their domestic laws on arbitration in consonance with the Model Laws, as well as their public policy concerns. The freedom granted to countries to formulate their own public policy matters has given rise to major differences regarding territorial enforcement of awards as well as in determining subject matter of arbitrability. Most jurisdictions hence specifically lay out through their statutes or judicial decisions the exclusion of certain matters from the scope of arbitration, since such matters pertain to public interest. Very commonly found examples of such matters as disputes arising out of criminal

[7]Article 7, UNCITRAL Model Law on International Commercial Arbitration

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law matters, rights and obligations arising from matrimonial relationship and guardianship, and so on. Therefore, one peculiar feature of arbitration differs from jurisdiction to jurisdiction and has been the topic for deliberation in several domestic courts, yet still unfit as a straightjacket formula. The theoretical concept of "Arbitrability of Disputes" has been deliberated upon by courts worldwide, and the concept has gained predominance primarily when disputes arising out of intellectual property rights are referred to for arbitration.

THE CONCEPT OF ARBITRABILITY

In any arbitration proceeding, the first and foremost aspect for consideration is the question of ―Arbitrability‖. Even though arbitration as a dispute resolution mechanism is highly preferred in commercial transactions, it sometimes proves to be not the ―appropriate‖ mechanism, owing to non – arbitrability of certain matters contained in the dispute. This chapter is dedicated to understanding the concept of Arbitrability, in special reference to arbitrability of intellectual property disputes. In the context of arbitrating intellectual property, one of the most commonly used justification for its non- arbitrability is the *Doctrine of Public Policy*. This chapter shall also delve into the various public policy concerns raised by proponents against arbitrating intellectual property, and the possible criticisms against such notions. Towards the end of this chapter, the author intends to analyse whether public policy as a justification for declaring intellectual property as a non – arbitrable subject matter does really qualify to be reasonable, in the light of growing prominence of trade in intellectual property.

The concept of arbitrability can be understood as a characteristic feature attached to a dispute that makes it amenable to adjudication by a private adjudicatory forum. A dispute is said to be arbitrable when it is susceptible to being resolved by arbitration. [8] It is a prerequisite condition before any arbitral proceeding that the subject matter of the dispute is determined to be and qualified to be arbitrable by the tribunal. In other words, arbitrability refers to the quality of the dispute which renders it appropriate to be adjudicated upon by a private forum. Conversely, arbitrability determines whether a subject matter is in fact more appropriately placed before the jurisdiction of a public forum, i.e., the courts, rather than before an arbitral tribunal. The non-arbitrability doctrine rests on the notion that some matters so pervasively involve public rights or the interests of third parties, who are subject of uniquely

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[8] Christos Petsimeris, *The Scope of the Doctrine of Arbitrability and the Law under which it is determined in the context of International Commercial Arbitration*, 58 RHDI, 435 (2005).

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governmental authority, those agreements to resolve such disputes by ―*private*‖ arbitration should not be effective.[9]

Arbitrability of a subject matter is of importance because merely due to the fact that parties have referred a dispute for arbitration does not ipso facto declare that the dispute is arbitrable. Parties may not take into consideration the arbitrability aspect of their potential dispute while entering into the commercial transaction. Most agreements contain a general clause mandating that any disputes under the agreement shall be referred for arbitration and shall also prescribe the governing law. Parties face the challenges concerning arbitrability only when the arbitration clause is invoked in the event of a dispute, only to find out in certain cases, that the dispute is not fit to be adjudicated by a private forum, i.e., an arbitral tribunal. In certain other cases, arbitrability of a dispute may be challenged at a later stage of enforcing the arbitral award. Such a situation is predominantly seen in international arbitration of commercial disputes. While the governing law of the arbitral proceeding may have permitted arbitrating a particular subject matter, the laws of another country before which enforcement of the award is produced may not comply with the same. Thus, public policy concerns and aspects of national interest play an important role in determining the arbitrability of disputes.

Thus, the question of arbitrability of a dispute comes into picture mainly during three instances or stages in an arbitral proceeding[10], being:

when the place whose law governs the substance or merits of the dispute is called to rule upon the arbitrability of the subject matter at issue;

when the law of the place of arbitration has a view of the arbitrability of the subject matter; and

where the parties go to court to enforce the arbitral award; non- arbitrability of subject matter may come up as a ground for refusal of enforcing the award.

In all the above stages, what play a common role in determining the question of arbitration are the ―public policy‖ concerns. Unfortunately, notion of public policy is not defined consistently across municipal legal systems. Factors such as political, social, economical and cultural settings in the society determine the public policy conditions adopted by a particular state. However, a minimum standard of uniformity is detected in the approaches adopted by

[9]https://www.abacademies.org/articles/the-arbitrability-of-the-subject-matter-of-disputes-in-arbitration10050.html#:~:text=In%20both%20domestic%20and%20international,the%20courts%20and%20arbitral%20tribunals.&text=In%20such%20situations%2C%20the%20arbitrator,arbitration%20under%20the%20applicable%20law.

[10] William Grantham, *The Arbitrability of International Intellectual Property Disputes,* 14 BERKELEY J. INT'L L. 173, (1996).

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the states in determining public policy which further aides at categorising subject matters into arbitrable or not. [11] Before going into detail on doctrine of public policy, we shall first look into the two types of arbitrability that is considered by tribunals when a matter first comes before them.

SUBJECTIVE AND OBJECTIVE ARBITRABILITY

Most nations do not contain any restrictive statutes which limit the freedom of persons to enter into agreements of whatsoever subject matter. Hence, arbitrability of the subject matter of dispute is not taken into consideration while entering into a commercial agreement by the parties. Even though some countries provide in their statutes lists of non-arbitrable subject matters, that does not restrain parties from entering into agreement to refer disputes in such matter for arbitration. The only effect that follows is that the arbitration clause or provision shall prove null and void if such an agreement is brought before the arbitral tribunal, and the adjudication of the dispute shall then be conducted by a court of law.

Tribunals identify two routes to determine whether a particular subject matter is arbitrable or not; Arbitrability of a dispute can be determined either as *objective* or *subjective*.[12] The two types of arbitrability differ significantly and plays an important role as a deciding factor as to whether the dispute can be brought before a private forum for arbitration. A matter can be disregarded as unfit for arbitration because the parties prove incapable to be bound by the agreement for arbitration. This is referred to as subjective arbitrability or *arbitrability ratione personae*. This type of arbitrability prevents certain entities or persons from bringing forth a dispute for arbitration owing to their legal status or capacity. This is called as ―*subjective arbitrability*‖ and is determined in accordance with the law that is applicable to the particular person who intends to arbitrate a claim.

In contrast to subjective arbitrability is ―*objective arbitrability*‖ which refers to ability of the subject matter to be arbitrated. This refers essentially to the nature of the dispute, combined together with policies adopted by nation states, which render the effect of arbitrability of disputes. [26] Thus, objective arbitrability differs from subjective‗ arbitrability, which is the scope of arbitrable disputes as defined in an arbitration agreement[13]. Both objective and

[11] Francois Dessemontet, *Intellectual Property and Arbitration.*

[12] Supra Note @ 21[26]

Supra Note @ 23.

[13] Vishakha Choudhary, ‗*Arbitrability of IPR Disputes in India: 34(2)(B) or Not to Be*‗, *August 15 2019, available at* *http://arbitrationblog.kluwerarbitration.com/2019/08/15/arbitrability-of-ipr-disputes-in-india342bor-not-to-be/*

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subjective arbitrability needs to be looked at with equal importance while determining whether a matter is arbitrable, since they are considered to supplement each other and answers the question in totality. [14]

Objective non- arbitrability has been recognised as a ground for refusing enforcement of awards by the UNCITRAL Model Law on Arbitration as well as Article V of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (―New York Arbitration Convention‖). Article 34(2) (b) (i) of the UNCITRAL Model Law on Arbitration stipulates that awards contemplating a non-arbitrable subject matter may be set aside. Under Articles II and Article V of the New York Arbitration Convention, the law determining arbitrability serves as a basis for a court to refuse recognition and enforcement of an award; however, the New York Arbitration Convention does not address the question of the law determining arbitrability at the pre-award stage. Article V (2) specifically lays down that a competent authority may refuse recognition and enforcement of an arbitral award, if as per the findings of the authority the subject matter of dispute is beyond the scope of settlement by arbitration under the laws of the land, or if such enforcement of award be contrary to the public policy of the country. Thus The New York Convention and UNCITRAL Model Law on Arbitration emphasizes on public policy being the determinant of the award being recognized and enforced in any jurisdiction that has adopted both the Conventions.[15]Although, determination of arbitrability of subject matter during the initiation of proceedings finds no mention in these texts, the member states are granted with the discretion to draw out their own set of public policy concerns which may prove as roadblocks in enforcing awards, if such enforcement is in contradiction to public interest.

Therefore, arbitrability is sometimes considered as a public policy limitation. Based on their respective social and economic policies, States determine matters that may be settled by arbitration and ones that may not in order to reserve matters of public interest to be settled by courts.[16]

This brings us to the notion that doctrine of arbitrability slightly differs from jurisdiction to jurisdiction, depending on the peculiarities of the national laws. Arbitrability is even looked at from a differential approach in international arbitration than in domestic arbitration. As per a general practice, the international arbitration community looks into arbitrability of disputes

[14]https://jusmundi.com/en/document/wiki/en-arbitrability
[15] Supra Note @ 21.
[16] Alan Redfern and Martin Hunter, *Law and Practice of International Commercial Arbitration,* 51 THE CAMB L.J, 376-378 (1992).

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with a wider application and in a less strict sense. The non- arbitrability of a subject matter under the local laws of a country need not necessarily render the same matter non - arbitrable for an international arbitral forum. To this extent, even the US Supreme Court had laid down in ***Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc***., [17] that the ambit of arbitration may be wider in an international context than in a national context; hence, the court in that case declared antitrust disputes to be arbitrable, contrary to the ruling in a previous matter ***American Safety Equipment Corp v. J P Maguire & Co.,*** that they were non-arbitrable in a domestic context.[18]

However this may not prove to be uniformly applicable to all types of disputes. When it comes to intellectual property, non-arbitrability is a serious concern. In determining the arbitrability of intellectual property disputes, there are several roadblocks in identifying a uniform approach across jurisdictions. Most states are of the belief that protection of intellectual property is a prerogative of the state, and hence any disputes arising out of them cannot be subjected to the free will of private persons.[19] To that extent, some jurisdictions offer a complete ban on arbitrating IP disputes. The territorial nature of intellectual property also adds on to the challenges in arbitrating on them. Moreover, different types of intellectual property are dealt under different statutes, and have varied domestic law practices, which make a uniform arbitrable approach on them more difficult.

FEATURES OF INTELLECTUAL PROPERTY RIGHTS AND CLAIMSARISING OUT OF THEM – ARE THEY ARBITRABLE?

The WIPO defines Intellectual Property as the ***―creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce."***[20]They are intangible, and its value lies in its exclusive use and licensing by the owner. They have emerged to be one of the most valuable commodities today due to their worth in the economy.

Intellectual property is generally classified into two main categories of copyright and related rights and industrial property which consists of either distinctive signs such as trademarks and GI, and those properties such as patents, industrial designs and trade secrets that are

[17]*Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc*., 473 U.S. 614

[18]*American Safety Equipment Corp. v. J.P. Maguire & Co.*, 391 F.2d 821 (2d Cir.1968).

[19] Loukas Mistelis, *Keeping the Unruly Horse in Control' or Public Policy as a Bar to enforcement of (Foreign) Arbitral Awards*, 2 Int'l Law Forum Du Droit Int'l 248, (2000); Supra Note @ 12; Supra Note @ 30; http://unil.ch/webdav/site/cedidac/shared/Articles/Melanges%20Bercovitz.pdf

[20]https://www.wipo.int/aboutip/en/#:~:text=Intellectual%20property%20(IP)%20refers%20to,and%20images%20used%20in%20commerce.

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intended at stimulating innovation, design and creation of technology. As per Article 2(viii) the Convention Establishing the World Intellectual Property Organization of 14 July 1967, intellectual property was defined to include ***rights related to a comprehensive set of creations and inventions, being literary, artistic and scientific works; performances of performing artists, phonograms, and broadcasts; inventions in all fields of human endeavour; scientific discoveries; industrial designs; trademarks, service marks, and commercial names and designations; protection against unfair competition; and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.***[21] Intellectual Property such as patents and copyrights are generally construed to be of highlytechnical in nature, thereby demanding increased protection in the global economy. However, other branches of intellectual property, such as trademarks and trade secrets are also accorded with utmost importance in today's world, since they might be the most valuable assets of a corporate entity.[22]

Intellectual property is an area of law where irreparable harm can occur if disputes are bogged down in lengthy litigation. One issue that pertains with respect to disputes of Intellectual Property at an international level is the myriad conceptual differences in the way the different countries view such rights. Domestic laws provide with their own protection regimes based on their perspectives. Until the TRIPS Agreement came into force it was highly difficult to gain uniformity at a pan-national level. Some nations view intellectual property as a tool used by industrialized nations to control less developed nations. The less industrialized nations, such as India, used to initially give very little legal protection to intellectual property within their borders. Until the TRIPS Agreement came into force, the field was approached contrastingly by states at the international level. The domestic laws which gave protection to Intellectual Property was also quite often not in tangency with international standards. For instance, in the United States, the domestic law required that patent applications be maintained in secret, and disclosure not be made until the granting of the patent. The secrecy of pending applications distinguished domestic law from foreign patent registration procedures, where disclosure occurs at the time of filing.[37] Such discrepancies between municipal and international standards have given rise to increased litigations.

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[21] Matthew R Reed, Ava R Miller, Hiroyuki Tezuka and Anne-Marie Doernenburg, Wilson Sonsini Goodrich & Rosati and Nishimura & Asahi, *Arbitrability of IP Disputes*, GAR, 09 February 2021.

[22] Floyd A. Mandell, *In Trademark Litigation, Success Often Depends on 7ning and Foresight,* NAT'LL.J., May 16, 1994, at c22.[37]*Ibid*

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Issues that arise out of intellectual property may be of different types. There may be issues of infringement, questions of validity and disputes arising out of licensing of intellectual property between persons. Each of these issues in intellectual property leads to the parties involved to seek for varied remedies. Most commonly sought for remedies under civil law systems involve injunctive reliefs, declarations as to ownership status of intellectual properties or even specific performance. Additionally, damages as compensation are also sought for. These remedies may be sought against private persons or even the state, if the dispute under question relates to questions of registration or grant of monopolies. In most jurisdictions, it is an established notion that violation of an intellectual property right constitutes a tortuous act.[23] It has been laid out in several case laws, that tortuous acts which arise in a contractual arrangement is indeed suitable for resolution by *private forum* and such arbitrable tribunals may be empowered to pass awards accordingly.[24] Moreover, intellectual property is mostly considered as a specialised expansion of the law on property in the general body of laws.[25] It is merely a specialised set of laws incorporated in specific statutes in order to govern incorporeal property. Given the above presumptions, it is fair to say that the treatment that is received in any property dispute or claims must also be applicable to intellectual property, even to the extent of making them arbitral for the purpose of private adjudication. However, in reality and under the laws of several jurisdictions, especially in India, arbitrability of intellectual property disputes is not so easily established as a straight jacket formula.

The peculiarity of disputes in intellectual property that makes its categorisation as arbitrable difficult is the multiplicity of its nature that depends upon the type of claim that arises out of it. Claims in IPR can either be actions in *rem* or actions in *personam.* For instance, registration and validity of an IPR relates to the concept of ownership, and hence any claim that arises out of issues in them stands against the whole world, being action in rem. On the other hand, in a contractual transaction between owner of an IPR and another party in

[23] Francis Hilliard, *The Law of Torts or Private Wrongs*m vol II (Little, Brown & Co 1861) 18; AM Wilshire, T*he Principles of the Law of Contracts and Torts* (Sweet & Maxwell 1922) vi; Charles Adams, *‗Indirect Infringement from a Tort Law Perspective'* 42 University of Richmond Law Review 635, 637 (2008).
[24] *Renusagar Power Co. Ltd.* v. *General Electric Co.,* (1984) 4 SCC 679: AIR 1985 SC 1156; *AfconsInfrastructure Ltd.* v. *Cherian Varkey Construction Co. (P) Ltd.*, (2010) 8 SCC 24
[25] David D Caron, *‗The World of Intellectual Property and the Decision to Arbitrate* (2003) 19 Arbitration International 441-449, 442; William W Park, *‗Irony in Intellectual Property Arbitration* 19 Arbitration International 451-455, 451.

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furtherance of licensing or transferring the right to use the IP, any action pertaining to the scope of contractual rights or a breach in the term of contract, is exercised only against the party, constituting an action in *personam*. This principle of superficial division of actions into *rem* and in *personam p*roves successful in most cases where subject matter in question is corporeal property, from a general standpoint. Unfortunately, in intellectual property cases, a third set of action may also arise- when a party to a contract alleges infringement of intellectual property against the other. Although infringement of intellectual property generally considered as an action *in rem,* the transformed nature of such an action into an act *in personam*, often makes things complicated.

To attain clarity on the complications of arbitrating IP is however not that simple. The complexities can be attached to the dual nature of rights arising out of IP well as the dual nature of remedies that can be sought for. Another way of looking at this can be assessing if the action or remedy involved in the dispute is likely to affect third parties or the world at large, or is protected under *privity* of contract. For instance, a car owner's right over his property is a right *in rem* but there is no reason why a dispute regarding the liability to compensate that arises owing to an incident (damage to the car) cannot be arbitrated. [26] This is because the claim involved belongs to the category of private claim against the concerned party, and no third party has any role to do with it. Suppose there exists a non-exclusive technology licensing agreement where a patented technology is licensed for a limited period. The agreement provides that the licensor shall be entitled to damages if the licensee violated the terms of the agreement. It is true that like real property, the right of the owner of intellectual property is a right *in rem*. At the same time, the right of the owner as licensor against the licensee is also a right *in personam*. This dual nature of the right to remedies seems to create confusion in order to determine arbitrability. The ultimate reason why the classification of *in rem* and *in personam* was recognised to determine arbitrability was to ensure that the rights of third parties who might have an interest over the subject in issue do not get trampled upon.[42]However, in the case of intellectual property, since concepts like validity and registration are matters in the nature of *rem*, any awards passed on such matters shall have an *erga omnes* effect. But as we know, arbitral tribunals are precluded from providing awards that have *erga omnes* effect.[27]

[26]*Afcons Infrastructure Ltd.* v. *Cherian Varkey Construction Co. (P) Ltd.*, (2010) 8 SCC 24
[42]*Booz Allen and Hamilton Inc.* v. *SBI Home Finance Ltd.*, (2011) 5 SCC 532.
[27] Christopher John Aeschlimann, *The Arbitrability of Patent Controversies*, 44 J.PAT.OFF. SOC'Y 655, 662 (1962).

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The *erga omnes* effect of IPRs renders them to be rights *in rem,* thereby enabling the owner of the IPR to exclude the other persons from using or exploiting it. Hence, it is needless to emphasise that an intellectual property right can be exercised against the world at large, as contrasted from a right *in personam* which is an interest protected solely against specific individuals. Actions *in personam* refer to actions that determine the rights and interests of the parties in the case's subject matter, whereas actions *in rem* refer to actions that determine the title to property and the rights of the parties not only among themselves, but also against all other persons who may claim an interest in the property at any time[28]

A clear distinction is drawn in instances of intellectual property whose grant requires State action such as registration for instance patents and trademarks, and other types of intellectual property which are not required to be registered. A clear distinction is also made between purely contractual issues, in which the validity or ownership of the contract is not in question, and other conflicts. Further delineation is made based on whether the issue involves adjudication on the legality or ownership of the intellectual property in question. Intellectual Property Rights are essentially rights created under Statues and are considered to be territorial in nature.[29] Provisions containing recognition, registration and enforcement of these rights are incorporated in domestic laws, in accordance with the international legal instruments which have gained prominence due to the presence of multinational trade and transfer involving IPRs. Intellectual property rights have been characterised by certain features. One such feature is that territoriality[30]. This means that IPRs must be enforced on a country-by-country basis. Another implication of the territoriality principle is that the recognition given to intellectual property is attributed to national governments and domestic statutes. Hence, most concepts such as registration of Intellectual Property rights and their validity are governed by the statutes under which such provisions are governed.

International intellectual property law is founded on the notion of territoriality. The legislation of the jurisdiction where the right is registered will determine whether or not an infringement has occurred. There is a very real possibility of having to launch various lawsuits in multiple jurisdictions to preserve and enforce rights where commodities are sold

[28] Rajat Jain, *Arbitrability of IPR Disputes - A Harmonious Approach*, 118 taxmann.com 326
[29] Buch N, *Issues of Jurisdiction in Intellectual Property Violations*, 2 INTEL PROP RIGHTS, (2014).
[30]*Ibid*

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or services are delivered globally.[31] For those looking to make sure that they do not infringe IPRs, this means potentially having to determine what rights exist on a country-by-country basis. This isn‘t always an easy task, as some IPRs are easily identifiable due to its registration, while some such as copyrights need not always be registered. And even where there is registration, searching can be time-consuming and expensive and, in some jurisdictions, the facility is limited or non-existent.

Another characteristic feature of intellectual property rights is their exclusivity. Granting of IPR vests with the holder the ability to exclude others from exploitation of that intellectual property. This means that Intellectual Property Rights are conferred by the state with an *erga omnes* effect. This is so done in pursuance of public interest. Granting of monopolies in the form of Intellectual Property Rights promote public interest by achieving socio economic goals such as domestic research, transfer of technology, enhancement of skill sets, research and development and so on. [32] It is a well understood principle that the intellectual property being intangible property, its value is attributed to the exclusive rights that its rightful owner shall exercise, and also to the extent of commercially exploiting such rights. There may also be disposal of intellectual property rights by its owner, amounting to contractual waiver of rights. [33]

Dispute resolution concerning Intellectual property is complex and needs to be looked at from two perspectives; - rights and claims arising out of rights. The determination of validity of an intellectual property is one question, for instance in the case of whether a person is the rightful holder of a trademark, or a patent. However, claims arising out of a right, for instance, rights vested on a licensee of copyrights in an artistic work and the claims that shall rise out of the right are contractual in nature and hence *in personam*. The adjudication of disputes belonging to both of these natures is approached in different ways by the various nations, both at municipal level and internationally. At the international level, while the WTO offers for dispute settlement mechanism while the WIPO has established the WIPO Arbitration and Mediation Centre. While Intellectual Property Rights cannot *per se* be arbitrated since they are *rights in rem*, claims of contractual nature arising out of them have been made subject matter of arbitration in several instances.

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[31] https://www.taylorwessing.com/download/article-ipr-protection-for-cross-border-trade.html

[32] Thomas G Field Jr., *Intellectual Property: Some Practical and Legal Fundamentals*, 35 IDEA 79 (1994-95), pages 86, 97

[33] Steven P. Finizio & Duncan Speller, *A Practical Guide to International Commercial Arbitration: Assessment, Planning and Strategy*, 1st ed. (London: Sweet & Maxwell, Thomas Reuters, 2010).

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Moreover, given the skew monopoly rights introduce, states endeavour to craft intellectual property policies to draw a balance between levels of protection granted and benefits that members of the State can derive from exploitation of such intellectual property. Given the overall policy and the *erga omnes* character of IP protections, disputes concerning IP are ordinarily reserved within the sole domain of state courts, and are quite often discouraged to be brought into an arbitration forum. This is so due to the notion that a private tribunal does not /cannot posses the ability or authority to undo a monopoly, considering such an action would require sovereign authority.[34] Arbitrating upon intellectual property rights is often discouraged also owing to reasons of public policy. One such concern is the less intensive fact finding process and less rigorous evidential proceedings that are part of arbitration process. Limited review of arbitral awards may also be a reason.

Despite these complications, there is no reference to an explicit blanket ban on arbitration of intellectual property rights. Arbitration as a mode of dispute resolution has in fact experienced rapid growth and increased significance in recent years. This is so due to the rendering of traditional litigation as an unattractive option owing to exorbitant costs and long delays. Furthermore, as business conflicts have become more global, more opposing parties have expressed a desire for a neutral forum. This is because intellectual property rights are worldwide in nature, and in most situations, the dispute involves both the parties' national affiliations and the countries that granted the property rights. International exploitation is particularly prominent in the sphere of intellectual property because, unlike physical property, users can exploit intellectual property in various locations as long as the prerequisites for its physical embodiment exist.[35] Moreover, licensing agreements allow a large number of people to use the intellectual property at the same time.[36]

Arbitration is also considered to be attractive in disputes involving intellectual property rights due to the highly technical nature of the dispute and specialised subject matter, since parties can select a knowledgeable arbitrator and design and control the procedures bywhich their dispute shall be settled. These factors have all fostered the growth of extrajudicial dispute settlement procedures. However, the varied approach of municipal courts and international organisations towards this subject is what makes it interesting to study, insofar as to attain

[34] Supra Note @ 48

[35] Rory J. Radding, *Intellectual Property Concerns in a Changing Europe: The U.S. Perspective,* 7 INT'L L. PRA criCUM 41, 41 (1994).

[36]*Ibid.*

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answers. Arbitrability under arbitration law is a concept that interpreted variedly by different forums, but is also gaining widespread attention. There is a gradual movement towards, what is termed as, *universal arbitrability,* which suggests that all matters with an economic facet are *prima facie* arbitrable in most jurisdictions.[37] That being said it is suggestive that intellectual property and disputes thereto are being welcomed into the realm of arbitration.

Most transfers in intellectual property take place vide commercial agreements and hence, it is generally considered as arbitrable subject matter as the transfer is contractual in nature. [38]

IPR form a crucial constituent of commercial transactions and are comprised in the bundle of rights therein. To *ipso facto* declare them non-arbitrable would upset the purpose of the Arbitration Act, impair the efficacy of commercial arbitration and disregard party autonomy. Despite the varied approaches taken by the different jurisdictions as to the arbitrability of intellectual property disputes, the most commonly referred to ground of reasoning is the public policy doctrine. Now that we know the nature of IPRs and the claims that arise out of them, this chapter now intends to look at what notions under the public policy doctrine is invoked to determine arbitrability of IP disputes.

PUBLIC POLICY CONCERNS

The principle of party autonomy, which is perhaps considered as the heart and soul of international commercial arbitration and the enforcement of its awards, deals with the contracting parties 'liberty to enter into any contractual terms and arrangements, as long as the subject matter does not invade the realms reserved particularly to state. This is a commonly found practice across jurisdictions. Therefore, public policy is also considered as a limitation to party autonomy as it curtails the party's freedom to submit certain claims to arbitration. A question that can be asked at this juncture is ―*where does party autonomy end, and public policy begin in the setting of arbitration*? While parties are provided with the free will to enter into arbitration on any matter of their choice, this choice is often backfired with the conditional public policy concerns that each national law may put forth. Since what constitutes public policy remains a myth across jurisdictions even now, it is needless of any doubt that the concept is vague. Despite so, the concept of public policy vests with each country the power to draw its own notions of public policy. What really constitute the validity of such public policy concerns in respect to non- arbitrability of disputes is hugely dependent

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[37] Karim Youssef, *The Death of Inarbitrability;* Loukas A Mistelis & Stavros L Brekoulakis (eds), *Arbitrability – International and Comparative Perspectives*, Wolters Kluwer, 2009.

[38] W. Lawrence Craig et all, *International Chamber of Commerce Arbitration*, (2d ed. 1990).

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on a case-by-case basis, in tangency with the varying factors such as socio-political conditions of the state. While this is so the case at domestic levels, what plays the driving force in cases of international arbitration is the need to balance competing policy considerations. [39]The legislators and courts in each country must balance the importance of reserving matters of public interest to the courts against the public interest in the encouragement of arbitration in commercial matters.[40]

When it comes to arbitrability of intellectual property disputes, public policy concerns have been of greater influence. At domestic levels, question of arbitrability of IP disputes is usually attempted at by construing general and open-ended provisions setting forth the boundary between party autonomy and public policy. Such varied interpretative approach by the different nations has without doubt given rise to varied outcomes on the issue. In effect, there exists no specific guidance in any national legislation on issues of arbitrability of IP disputes and such lack of authority has constituted major doubts in this regard. In this section the author analyses the most commonly made arguments for characterising IP disputes as non -arbitrable.

First and foremost, it is necessary to look into how does intellectual property as a subject matter attract the limitations of public policy with respect to its arbitrability. Intellectual property rights, as we know, are a right that attains recognition from the state. In this way the state is the absolute determiner as to the validity of an intellectual property right. However, state is also the entity from which every other right that is recognised under the legal system derives their validity. That does not make every property or subject matter on which such a state granted right is exercised by the right holder non –arbitrable. For instance, corporeal property is also subjected to private property rights, which are derived from the State. Yet, disputes over the ownership and validity of title in real property are usually arbitrable, in several instances before the English courts. [41] That being so, despite the similarity between intellectual property and real property rights, the *Public Policy* is not raised in arbitration cases concerning real property title. The notion that disputes in intellectual property are *per se* non – arbitrable is based on the theory that intellectual property has certain intrinsic

[39] Mohamed H. Negm and HuthaifaBustanji, *'Particularity of Arbitration in International Intellectual Property Disputes: Fitting Square Peg into Round Hole*', Lawrence Boo and Gary B. Born (eds), Asian International Arbitration Journal, (Kluwer Law International 2018, Volume 14 Issue 1)

[40] Supra Note @ 30

[41] *Doed. Morris v. Rosser,* 3 East 15, 102 Eng. Rep. 501 (K.B. 1802).

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features that compels the state into the foreground, and thereby, invokes the conditions of public policy.

One of the most profoundly referred to characteristic feature of intellectual property rights that renders it non- arbitrable by most states is they are rights granted by the sovereign, and hence cannot be brought into the scope of a private tribunal. The proponents of this notion suggest that granting of exclusive monopolies in the form of IP rights is an absolute public function, and therefore any discrepancy that is to follow from such grant shall be brought before a public authority, that is, the court of law. This reasoning is also based on the notion that arbitral tribunals are not vested with the power to dispose acts of the state by initiating private proceedings. Since the grant of IP right is a state action, it is generally argues that no private forum is empowered to adjudicate upon the validity of such act.

The sovereign function aspect of IP rights can be linked to the next public policy concern that is usually raised, being, the motive of public interest that states have in granting of monopolies. It is often regarded that the creation of monopoly rights such as IP rights are not an end to itself, but rather a mechanism to further certain public interests linked to the whole system of intellectual property protection. Intellectual property is protected in the first place by states in furtherance of a greater public interest motive – promotion of science, technology and innovation in the society. This has been the established objective of intellectual property rights since the early ages, and the various theories of intellectual property also substantiate the same. Thus, as the system itself is weighed against greater good of the society from the state‘s perspective, it is only fair for the state to assume that the implications arising out of such rights shall also be adjudicated by the public forum, and not a private arbitral tribunal.

While this notion, as stated above, is loosely supported by theories of intellectual property such as the Labour Theory of Locke, or the Utilitarianism, the theory of Personality as propounded by Hegel and Kant can be attributed to the moral rights of the inventor/creator that is vested with the intellectual property. That being so, it is strongly advocated by proponents of non-arbitrability of IP disputes that arbitral tribunals are not competent to adjudicate on subject matters containing an aspect of moral rights. This is due to the reason that moral rights in intellectual property are considered as inalienable and inherent in nature, and hence cannot be disposed of through private arrangements. Certain statutes like the French Intellectual Property Code provide great significance to the concept of moral rights in intellectual property and declare them as inalienable. [42]

[42] French Intellectual Property Code, Art. L. 121-1

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The arbitral tribunal's power to pass only *inter partes* orders plays an important part in determining the arbitrability of IP disputes, in the light of public policy concerns. It is an established fact that arbitral tribunals cannot make awards that have *erga omnes* effect. That being so, any arbitral award that attempts to invalidate a state grant is considered by its nature to seek to operate *erga omnes,* and thus, as beyond the arbitrator's powers. Since the intellectual property rights are grants made by the state, the above argument is often used as a reason to classify disputes in IP as non- arbitrable. A possible award by an arbitral tribunal that has the potential to impair the ownership over the intellectual property s granted by the state shall be deemed to be a declaration to the whole world to that extent, and therefore may prove *ultra vires* the powers of the arbitrator.

In some jurisdictions, blanket ban on arbitrating intellectual property disputes is found due to the reason that there already exists within their legal system, specific statutory bodies that are vested with the power to adjudicate on IP Issues, or that some IP statues explicitly confer jurisdiction on certain issues of IP onto court of laws.

CRITICISM AGAINST PUBLIC POLICY CONCERNS

While the above mentioned are many of the few commonly emphasised concern in public policy notion that render disputes in Intellectual Property as non-arbitrable, there are also reasons to not render these concerns as sustainable at all, and in fact which hold IP disputes as arbitrable. Firstly, the application of the above-mentioned notions of public policy is mostly possible only in the event where the question of ―validity‖, ―ownership‖ or ―registration‖ of an intellectual property is in question. Since arbitration as a means of dispute resolution only is invoked in the context of a commercial arrangement, it is rarely that questions of validity do come for consideration in a dispute on intellectual property. Most contractual arrangements concerning IP is on licensing or assigning of such rights, which leads to breach of licensing terms, which is ideally fit to be considered as equivalent to a breach of any contractual arrangement in general. That being so, it could be stated that most aspects arising out of a contractual transaction in Intellectual property may not be of concern to public authority at all, hence public policy may not even come into the picture.

However, issues of infringement and questions of validity may be brought in as subject matter or defence in a contractual arrangement concerning intellectual property. Even so, the proponents in support of arbitrating Intellectual Property are of the view that public policy

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still shall not affect such questions. When parties submit their dispute to arbitration, they are not interfering with any interest the state may have in the proper functioning of the IP system. The effect of an award will remain the disputants 'business' and its result will not affect the asserted IP right in respect of third parties. Hence, the power of the state to determine and give effect to its own public policy is considered to remain unaffected.[43] Even in the event when an issue of infringement is raised before an arbitral tribunal and the defence of validity is chosen by the party, the arbitral tribunal is still only adjudicating between the parties. The question of validity may be determined by the tribunal only as a means to come to its final conclusion as on the award, which may be made to an issue of breach of the contractual terms. In fact, in certain jurisdictions it has been held that issues relating to validity of intellectual property rights in disputes can be arbitrated if it comes up as an incidental issue to a contractual dispute, which is binding only between the parties. [44] In such scenario it was held that third parties could claim nullity of the patent notwithstanding the ruling in favour of validity by the arbitrator.[45] Italy is one such country to take this stand in as early as the 1950s onwards. The Italian Supreme Court in *Giordani v. Battiati*[46]accepted that arbitral tribunals had the power to resolve issues of patent validity provided that invalidity was incidental (*incidenter tantum*) to the resolution of the main issues at stake. Similar finding was also found with respect to trademark rights in *Scherk v. Grandes Marque*.[47]

In the situation that the tribunal determines the IP to be invalid, the conclusion by the tribunal would then be that there was no infringement *inter partes* the parties. Thus, outside the arbitral tribunal, the intellectual property right continues to be valid because the state apparatus has not revoked it. The registration of the IP still continues to run and will not be removed from the records unless and until a corresponding state action is adopted. The defendant's non- infringement is predicated not as a legal invalidity on which the arbitration tribunal can make no finding *erga omnes; but* on adjudication *inter panes* that the defendant's use of the intellectual property is non-infringing. In practical terms, this mostly leads to the situation where the tribunal confers an irrevocable and royalty free license over the asserted

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[43] Supra Note @ 55.

[44] *Socie'te' Liv Hidravlika D.O.O. v. S.A. Diebolt,*Case no. 05-10577, Paris Court of Appeal (1st chamber), February 28, 2008.

[45] , Dario Moura Vicente, _*Arbitrability of Intellectual Property Disputes : A Comparative Survey*' (2015) 31 Arbitration International 151, 155.

[46] *Giordani v. Battiati,* 3 Oct. 1956, No. 3329. 1956

[47] *Scherk v. Grandes Marque* , 5 September 1977, No 3989 SU [64] Supra Note @ 7.

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IP right. [64] The arbitrator, thus, awards the defendant something analogous to an equitable remedy: a right to use the disputed intellectual property. The arbitrable award simply regulates the enforceability of rights between the parties. It does not invalidate them generally.

The argument against arbitrability of IP disputes on the ground that domestic statutes have explicitly reserved a subject matter to be referred to a specific court is also not sustainable on several grounds. Firstly, most special statutes across states do as a matter of general practice include in their text a provision which confers jurisdiction of subjects on the courts of law, irrespective of the nature of their subject value. However, this does not mean that no aspects concerning the same subject matter shall ever be brought before an arbitral tribunal as a dispute. If that be the case then every contractual arrangement would be considered as non-arbitrable. Therefore, such designation in IP statutes where courts are to deal with certain subjects, cannot exclude arbitration of such disputes, unless there is a strong public policy backing on such a ban.[48]For instance, criminal offences are mandatorily tried before a court of law and can under no circumstance be brought before an arbitral tribunal.

Another notion that finds itself unsustainable and unrealistic in practical sense is the public policy concern behind powers of the state in granting of monopolies. Proponents of this theory suggest that individuals allowed to dispose of or modify intellectual property rights would oust the inherent powers of the state to grant and shape monopolies, and hence would go against the public interest. But if this notion is to be accepted, then, any change that is to be made to in ownership of an intellectual property come under the domain of public authority. This is impractical and unrealistic since its implications would render contractual arrangements as unfit for arbitration, since every commercial transaction more or less involves the transfer of a right from one to another. Moreover, at the global level, there is varied approaches from different countries as to whether granting of Intellectual Property rights is a ―sovereign act‖ or not, and that itself is dependent on the public policies of each nation. For instance, Switzerland considers that granting IP right does not constitute a sovereign act and, therefore, arbitral tribunals can invalidate IP right with *erga omnes*

[48] Section 103D (4) of the Hong Kong Arbitration Ordinance: For the purposes of sub-section (1), an IPR dispute is not incapable of settlement by arbitration only because a law of Hong Kong or elsewhere- (a) gives jurisdiction to decide the IPR dispute to a specified entity; and (b)does not mention possible settlement of the IPR dispute by arbitration.‖

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effect.[49] Similarly, Belgium provides for *erga omnes* effect to awards invalidating patents.[50] On the other hand, several other states like South Africa have much narrow approach and explicitly provides for a blanket ban on arbitrating IP disputes. [51] Several European countries have also taken a liberal approach towards arbitrability of IP disputes. Despite the statutory reservations on transferability of moral rights in intellectual property as contained in the French Intellectual Property Code, the French Court of Appeals in one instance confirmed the possibility of settling by arbitration a dispute relating directly to the author's moral right.[52] The author of an English book had contractually transferred his rights to an English editor. The translation rights into French had been transferred by the editor to a French subeditor. Both contracts contained a similar arbitration clause. The author complained about a breach of contract imputable to the French subeditor entailing harm to the honour of the book. The Court had no difficulty in confirming the decision of the first instance court to decline jurisdiction in favour of arbitration. A similar stance was also taken by the Supreme Court of Canada in a dispute[70] concerning a license agreement for the exploitation of an animated figure. The Supreme Court acknowledged that an artistic work constituted a manifestation of the personality of its author. It stressed, nevertheless, the fact that the Canadian copyright legislation, aiming primarily at a financial arrangement of the author's rights, did not prevent the artists from coming to an agreement with regard to their moral rights; by doing so the artists could even waive these rights and they could do so for a valuable consideration. There are also instances when courts in the United States have even gone to the extent of holding that registration of IP rights is not ―an act of state‖ in the first place; but rather is a ―ministerial act‖, thus leading to the conclusion that arbitration of IP disputes is in fact possible. [53]

The above instances and takes by various jurisdictions bring to light the non-uniformity amongst countries with respect to their public policy concerns itself, which thereby also have impact on deciding arbitrability of IP disputes. Some Countries like the United States have

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[49] Decision of 15 Dec. 1975 of the Federal Office of Intellectual Property.
[50] Art. 51(1) of Belgian Patents Act. 1997
[51] Art. 18(1) of South African Patents Act 1978: ―*save as is otherwise provided in this Act, no tribunal other than the commissioner shall have jurisdiction in the first instance to hear and decide any proceedings*‖.
[52] Cour d'appel de Paris, 1ère Ch., 26 mai, 1993 Revue Internationale du Droit d'Auteur (1994), 292.
[70] Cour Suprême du Canada, 21 mars 2003: Rev. Arb. (2003), 473
[53]*Mannington Mills, Inc. v. Congeleum Corp.*, 595 F.2d 1287, 1293 C94 (3d Cir. 1979); *Sage Intern, Ltd v.Cadillac Gage Co.*, 534 F. Supp. 896, 904 (E.D. Mich. 1981); and *Forbo-Giubasco SA v. Congoleum Corp.*, 516 F. Supp. 1210, 1217 (S.D.N.Y. 1981). [72] 35 U.S.C. §§ 135(d), 294

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taken certain measures in order to bring out a clearer picture on their stand on arbitrability of IP disputes, by making necessary changes to that effect in their IP statutes. Under the US Patents Act[72], tribunal have the power to arbitrate on validity of patents and in the event where the arbitrator finds that the patent at issue is invalid, the award cannot be enforced until the Patent and Trademark Office has been informed of the award's existence. The peculiarity of such a system as found in the US is that although arbitration is meant for a private adjudication of parties, the statutory recognition given to the tribunal‘s power to adjudicate on validity of patents also serves as a mechanism to protect the state interest. It seeks to recognise and balance out the integrity of IP systems with the virtues of arbitration system as speed, economy and efficiency. A similar view is also adopted under the laws of Switzerland, where arbitral tribunals can decide upon validity of industrial property including patents, trademarks and designs. These decisions, if accompanied by a certificate of enforceability issued by a Swiss court with jurisdiction over the seat of arbitration, will be entered in the federal intellectual property register. By making the arbitration tribunal, in a sense, do the work of the public authorities, the integrity of ―public policy ―is not compromised.

Although the role of public policy has been of relevance predominantly in the jurisprudence relating to arbitrability of IP disputes domestically, at the international arbitration realm it is slightly different. The backbone of international arbitration is party autonomy and it is the recognised objective in most scenarios that idiosyncratic or parochial views should neither prevail over the parties‘ intent to arbitrate nor set hurdles to the recognition and enforcement of arbitral awards. International arbitration or as for that matter, even cross border trade would not flourish if the legal systems governing such aspects are intolerant with respect to traditional concepts of public policy. For example, the United States Court of Appeals in its well-known decision in *Parsons & Whittemore*[54]held that public policy arguments in international arbitration are relevant only when the ‗most basic notions of morality and justice‘ of a jurisdiction may be violated. Thus, there is a clear disparity on the degree of public policy that is usually considered in domestic arbitration and international arbitration.
Most international institutions which deal with commercial aspects of intellectual property have laid down broad approaches in arbitrating such disputes. For instance, in as early as

[54]*Parsons & Whittemore Overseas Co*. v. *SocieteGenerale d L'Industrie du Papier(RAKTA),* 508 F.2d 969 (1974)

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1989, the International Chamber of Commerce arbitration tribunal considered an issue[55] involving patent validity, wherein through its interim award, the tribunal held that such a dispute could be arbitrated and that the issue should not be separated from other clearly arbitrable issues in dispute. The parties had agreed that their contract would be interpreted according to Japanese law, but that the law of the Federal Republic of Germany would apply to the alleged infringement of industrial property rights. The place of the arbitration, to be conducted under ICC rules, was Zurich and the applicable law was the Swiss Concordat. The tribunal pointed out that the claimant's case was grounded in a single fact situation underlying both breach of contract and patent infringement issues. The parties also intended, as expressed through their arbitration agreement, to see their differences resolved via arbitration. Thus, the tribunal argued, it would be contrary to the meaning and purpose of these arbitral proceedings to divide jurisdiction according to the different legal aspects of a single alleged factual situation and to declare that the Arbitral Tribunal would only have jurisdiction over claims based on breach of contract while national courts would have jurisdiction over claims grounded in law (such as those alleging patent infringement). As for the issue of patent validity, the tribunal noted that only a national court with proper jurisdiction could invalidate a patent *erga omnes.* Further, the tribunal did not attempt to claim the statutory powers granted to arbitrators in the United States or in Switzerland to rule on the validity of patents. Nevertheless, the tribunal did believe itself to be "entitled to confirm whether the Claimant can substantiate the allegations based on its patents despite Defendant's objections, or whether Defendant can prove that the material covered by the patents in question was not in fact patentable"

Similarly, arbitrability of IP disputes has never been a restraining factor for parties bringing out invalidity claims before the WIPO arbitration councils. Wherever the question of the invalidity of an IP right has been raised, the parties were, in fact, seeking remedies related to contractual provisions, such as the payment of royalties rather than a declaration of *erga omnes* invalidity. In any case, such declarations can only have an *inter partes* effect, as they are confined bythe contractual nature of arbitration, the outcome of which is binding only upon the parties.[56]

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[55] *Interim Award in Case No. 6097 (1989),* ICC CT. ARu. BuLL, Oct. 1993, at 76.

[56] Trevor Cook & Alejandro I Garcia, *"Arbitrability of IP Disputes" in International Intellectual Property Arbitration* (Kluwer Law International, 2010) at p 70.

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Thus, it is understood that in the realm of international arbitration, the limitations of public policy is rather restricted. In other sense, international arbitration is said to have its own notion of public policy which is substantially different from the separate municipal practices that we have seen. This is due to the reason that each state freely determines the content and contours of its own notion of public policy, and such high degree of variance from one another does render municipal notions of public policy as neither satisfactory nor accurate in the international arbitration context. Therefore, in international commercial arbitration, domestic standards of public policy are often looked over by the particular features of international arbitration and its interests.

It was indeed recognised by the US Court of Appeals in ***Parsons & Whittemore OverseasCo. v. SocieteGenerale d L'Industrie du Papier*** that inclusion of public policy defense as a parochial device protective of national political interest would undermine the New York Convention‘s utility and that the provision was not meant to enshrine the vagaries of international politics under the rubric of "public policy." Rather, a circumscribed public policy doctrine was contemplated by the Convention's framers and every indication is that the United States, in acceding to the Convention, meant to subscribe to this supranational analysis. Such notions suggest that in the context of International Arbitration, a much liberal approach is to be taken even at domestic level. The distinction of arbitral proceedings as international and domestic by the state machineries also raises the idea of a separate international order, which is not to be confused with purely national interests.

CONCLUSION

Thus, from this chapter it can be rightly concluded that arbitration definitely is a favoured forum for adjudicating private rights between parties. The concept of international commercial arbitration has gained major global significance post its universal uniform recognition and governance under the various international organisations like the UNCITRAL. The UNCITRAL Model Laws on Arbitration contain several basic principles that govern commercial arbitration and also act as a skeletal set of laws based on which member states can formulate their national legislations. However, the freedom granted to countries to formulate their own public policy matters has given rise to major differences in the field of arbitration, specifically in determining arbitrability and regarding territorial enforcement of awards.

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Arbitrability is to be understood as a characteristic feature attached to a dispute that makes it amenable to adjudication by a private adjudicatory forum. Arbitrability of a subject matter is of importance because merely due to the fact that parties have referred a dispute for arbitration does not ipso facto declare that the dispute is arbitrable. Arbitrability of a dispute can be determined either as objective or subjective. '*Objective*' arbitrability refers to ability of the subject matter to be arbitrated. This refers to the nature of the dispute, combined with nation state policies. Objective non-arbitrability has been recognised as a ground for refusing enforcement of awards by the UNCITRAL Model Law and New York Convention. The doctrine of arbitrability differs from jurisdiction to jurisdiction, depending on the peculiarities of the national laws. Such a basic variance in perspectives across nations is indeed the reason as why there need be further research into the question of arbitrability of IP disputes.

Most states are of the belief that protection of intellectual property is a prerogative of the state and cannot be subjected to the free will of private persons. WIPO defines Intellectual Property as the creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce, the value of which lies in its exclusive use and licensing by the owner. Domestic laws provide with their own protection regimes for IP based on their perspectives. Until the TRIPS Agreement came into force it was difficult to gain uniformity in protecting Intellectual Property.

The Chapter particularly looked into the concept of public policy which plays an important role in the determination of arbitrability of IP disputes across jurisdictions. There exists no specific guidance in any national legislation on issues of arbitrability of IP disputes. The notion that disputes in intellectual property are *per se* non – arbitrable is based on the theory that intellectual property has certain intrinsic features that compels the state into the foreground. From a generalised perspective, there are certain commonly found challenges that are raised against arbitrability of IP disputes, which roots from public policy doctrine. Such arguments include the question as whether or not an IP right should be granted is purely a matter for the public authorities, since they are monopoly rights which only a state can grant. Another argument may be in the form of looking into the nature of IP rights as being Right of Exclusivity, which itself is a restriction on creating any *erga omnes* effect on the right through private actions of parties. An objective behind rising public policy arguments may also be to protect the interests of the state behind their granting of monopolies in the form of IPRs.

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Despite these many criticisms against arbitrability of IP disputes, the matter is not per se declared to be inarbitrable. Public policy arguments sometimes come short of proving the inarbitrable nature of IP, especially in the context of contractual disputes. The non-uniformity in public policy arguments across various jurisdictions also suggests that the argument is insufficient to substantiate a complete bar on arbitrability of IP disputes. The complications that arise from arguments supporting state interest and that of questions of validity of IP being beyond the scope of arbitral tribunal's jurisdiction, also seems to be resolved through the *inter partes* effect of arbitral awards.

Hence, in today's world which is a reflection of the increasing transnational commercial dealings between persons from different states, the public policy notion to discard arbitrability of a subject matter such as IP which is core to economic and technological growth, does not succeed to an extent. The international community as a whole, along with (most) individual nations through their municipal laws of arbitration or IP, has made efforts to recognize the effects of arbitration of IP and has aimed at seeking a harmonious approach between arbitrating IP and their own public policy concerns.

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