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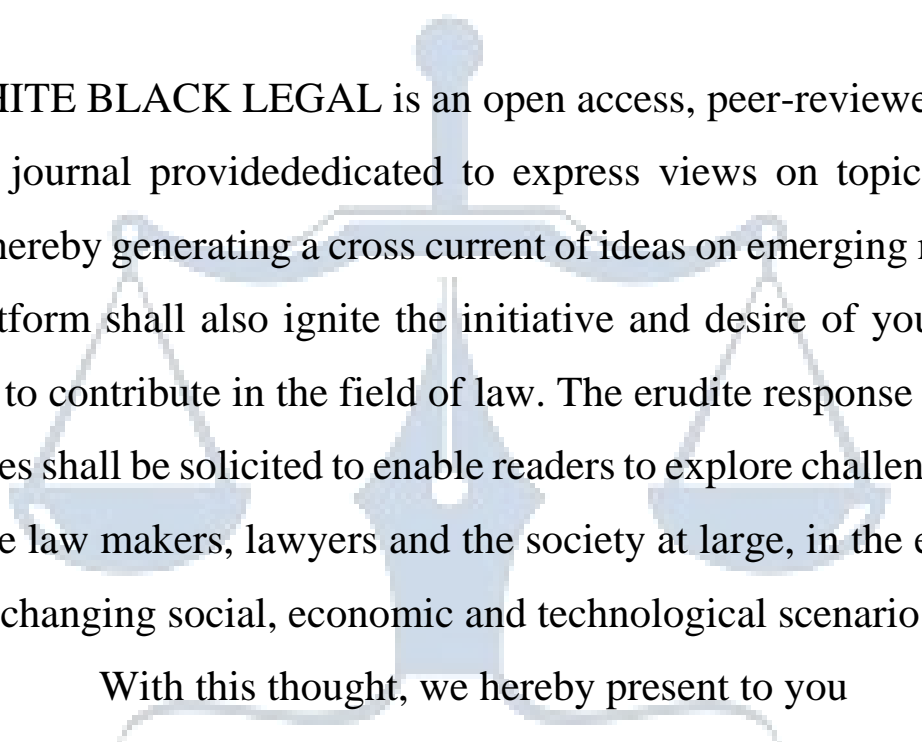


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With this thought, we hereby present to you

W H I T E B L A C K
L E G A L

INTELLECTUAL PROPERTY RIGHTS DISPUTE **AND ITS SCENERIO IN ARBITRATION**

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ABSTRACT:

The term "arbitrability" relates to the possibility of bringing a specific dispute before an arbitral tribunal or the extent of the tribunal's jurisdiction. The arbitrability of issues pertaining to intellectual property rights (IPRs) is a crucial matter. The arbitrability of IPR issues in India is the main topic of this abstract. The Arbitration and Conciliation Act, 1996, which governs the Indian legal system, gives the courts the authority to decide whether a dispute can be arbitrated rather than explicitly listing the types of conflicts that cannot be arbitrated. In order to decide whether or not IPR conflicts can be arbitrated, the courts have looked to case law.

This paper considers the decisions made in two significant cases: Vidya Drolia, which developed a four-fold test to determine the arbitrability of disputes, and Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd., which established the test of "right in rem" and "right in personam" to determine the arbitrability of disputes. In conclusion, case law and the interpretation of the Arbitration and Conciliation Act, 1996 are combined to establish whether IPR issues in India are arbitrable. Courts have created standards to determine arbitrability based on variables like the kind of rights involved and public interest considerations, yet there is no definitive list of IPR cases that are not arbitrable. India's dedication to advancing arbitration as a successful mechanism of resolving such issues is shown in the acceptance of arbitrability in some IPR disputes.

Keywords: Arbitrability; Intellectual Property Rights (IPR); Dispute Resolution; ,Booz Allen; Vidya Drolia

1. INTRODUCTION TO ARBITRABILITY OF IPR DISPUTES

The use of arbitration as a method of resolving disputes has grown in recent years because of its many benefits, which include finality of the arbitral ruling, speedier completion, convenience,

confidentiality, freedom, and flexibility in selecting the arbiter. Like any other form of dispute resolution, arbitration in intellectual property disputes has many benefits, but it also has drawbacks. These include the requirement for an arbitration clause in contracts, the lack of uniformity in various matters, the need for highly qualified arbitrators to handle IP disputes, the lack of interim relief in the majority of cases, etc.

A specific arbitration clause in the parties' contract is typically the cause of a problem or dispute that is being arbitrated. The ability of a dispute involving intellectual property to be arbitrated depends on a number of variables that vary from state to state. The ability of an intellectual property dispute to be arbitrated fundamentally indicates whether or not it can only be resolved by judicial courts. Because of its nature, intellectual property rights are globally enforceable and are typically bestowed by the government. Intellectual property rights are protected in rem, although arbitration is a very secret process. Therefore, the third party's rights are unaffected by the arbitral ruling. Put another way, in IP disputes, arbitration is limited to claims arising out of right in personam. The state's determination of whether intellectual property issues can be arbitrated is significantly influenced by the public policy of a given country.

In a procedural setting, "arbitrability" refers to the ability of an arbitral tribunal to exercise jurisdiction over an issue or its suitability for arbitration as a means of settlement. The arbitrability of a dispute may come up at any of the following four stages: (i) before a court of law; (ii) during arbitral proceedings; (iii) when evaluating a request to set aside an award; or (iv) when an award is being enforced. Section 2(3) of the Arbitration & Conciliation Act, 1996 ["the Arbitration Act"] stated that "certain disputes may not be submitted to arbitration," but it did not specify which cases are not arbitrable. On the other hand, Sections 34(2)(b) and 48(2) of the Arbitration Act grant courts the authority to set aside an award if it was not capable of being settled through arbitration or if it violates Indian public policy, leaving the question of arbitrability up to the courts to decide. Arbitration is a useful tool for resolving the particular issues raised by intellectual property (IP) disputes.

- Due to the intricate nature of these cases, judges in conventional courts might not have the necessary knowledge. Through arbitration, the parties can select an arbiter who possesses the requisite technical expertise, guaranteeing a more profound comprehension of the pertinent matters.

- One major worry in intellectual property conflicts is confidentiality. Sensitive information becomes public when it is brought before a court. Nonetheless, arbitration provides a resolution by respecting confidentiality during the entire process.
- Unlike traditional systems, which have limited flexibility, arbitration gives parties the ability to customize the procedural norms to meet their unique needs. This gives the parties more effective monitoring and control over the case's outcome.
- Intellectual property disputes sometimes involve multinational parties, resulting in disagreements about jurisdiction and several legal processes in various nations. By bringing the disagreement under the jurisdiction of a single arbitrator and giving the parties the option to select a convenient location for the arbitration, arbitration eliminates these complications.
- In order to maintain continuous commercial operations, the corporate world places a high importance on prompt and effective dispute resolution. This is difficult in traditional litigation due of the backlog of cases. Within a given timeframe, arbitration offers a speedier resolution. Furthermore, arbitration rulings are binding and final, eliminating the need for the numerous rounds of appeals that are frequently required in court proceedings.

2. GENERAL PRINCIPLES OF ARBITRABILITY

The Supreme Court of India cast doubt on the entire theory of arbitrability in the *Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd*¹. [“Booz Allen”] case, wherein the Court developed the test of “right in rem” and “right in personam,” wherein the former refers to the right available against the general public and the latter to the right available against a specific party. The Supreme Court of India's test was later criticized in subsequent judgments² and is insufficiently broad to be used as the only standard for determining whether a dispute can be arbitrated. The courts subsequently looked for a different approach and created the public policy test or the relief test, which allows the tribunal to award the requested relief. Owing to the absence of agreement in *Booz Allen*, judges have decided cases involving arbitrability by completely misinterpreting and using the public policy exception.

In the *Booz Allen* case, the Indian Supreme Court was asked to rule on the arbitrability of a bank

¹ *Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd*. CA No. 5440 of 2002

² *Rakesh Malhotra v. Rajinder Kumar Malhotra* (2015) 192 Comp Case 516.

mortgage enforcement by sale. Even though the parties' executed agreement with the bank served as the foundation for the entire cause of action, the Court nevertheless examined the arbitrability of the dispute using the two broad tests: (a) whether the dispute's subject matter can be resolved in a private forum; and (b) whether the relief sought in the dispute can only be granted by a special court or by a tribunal. In establishing the reasoning, the Court acknowledged that arbitration is a private forum selected by the parties to resolve any disagreement, civil or criminal, through arbitration. It then held that the parties are limited to using the remedies provided by the Act. The Court established the public policy test based on the differentiation between rights by applying the rights-based analysis. In addition, the Court found that removing a civil court's jurisdiction would violate third parties' rights and that this is against public policy, even though it gave arbitral tribunals no authority to decide the claims.

It is crucial to understand that, as opposed to establishing the rights of the parties to the proceedings—which is, in a sense, the first step in establishing a tribunal's jurisdiction to rule on the dispute's subject matter—the arbitrability question directly addresses the procedural maintainability of the dispute. The courts have usurped the authority from the tribunals to decide who has the authority to decide on such disputes by ruling in *Booz Allen* and other cases.³

3. JURISDICTIONAL CHALLENGES IN ARBITRATING IPR DISPUTES

The question of whether disputes concerning these rights are arbitrable has come before the courts increasingly frequently. It is generally accepted that disputes pertaining to the nature, extent, or legality of exclusionary rights are not subject to arbitration when they include the state. However, there are two sides to the jurisdictional issue: some have permitted the arbitration of these types of conflicts, while others have placed restrictions on the arbitrability of intellectual property disputes. The intricate legal framework governing intellectual property rights (IPR) and the international scope of these issues give rise to jurisdictional challenges in arbitrating IPR disputes. The following jurisdictional issues frequently come up during IPR arbitration:

- **Jurisdiction Selection:** Deciding which jurisdiction is best for the arbitration can be difficult since different jurisdictions offer different legal frameworks or appeal to the parties differently in terms of strategic interests. The parties' intents, the relevant arbitration statutes, and any jurisdictional restrictions imposed by the in question IPR rights must all be carefully considered in order to resolve this challenge.

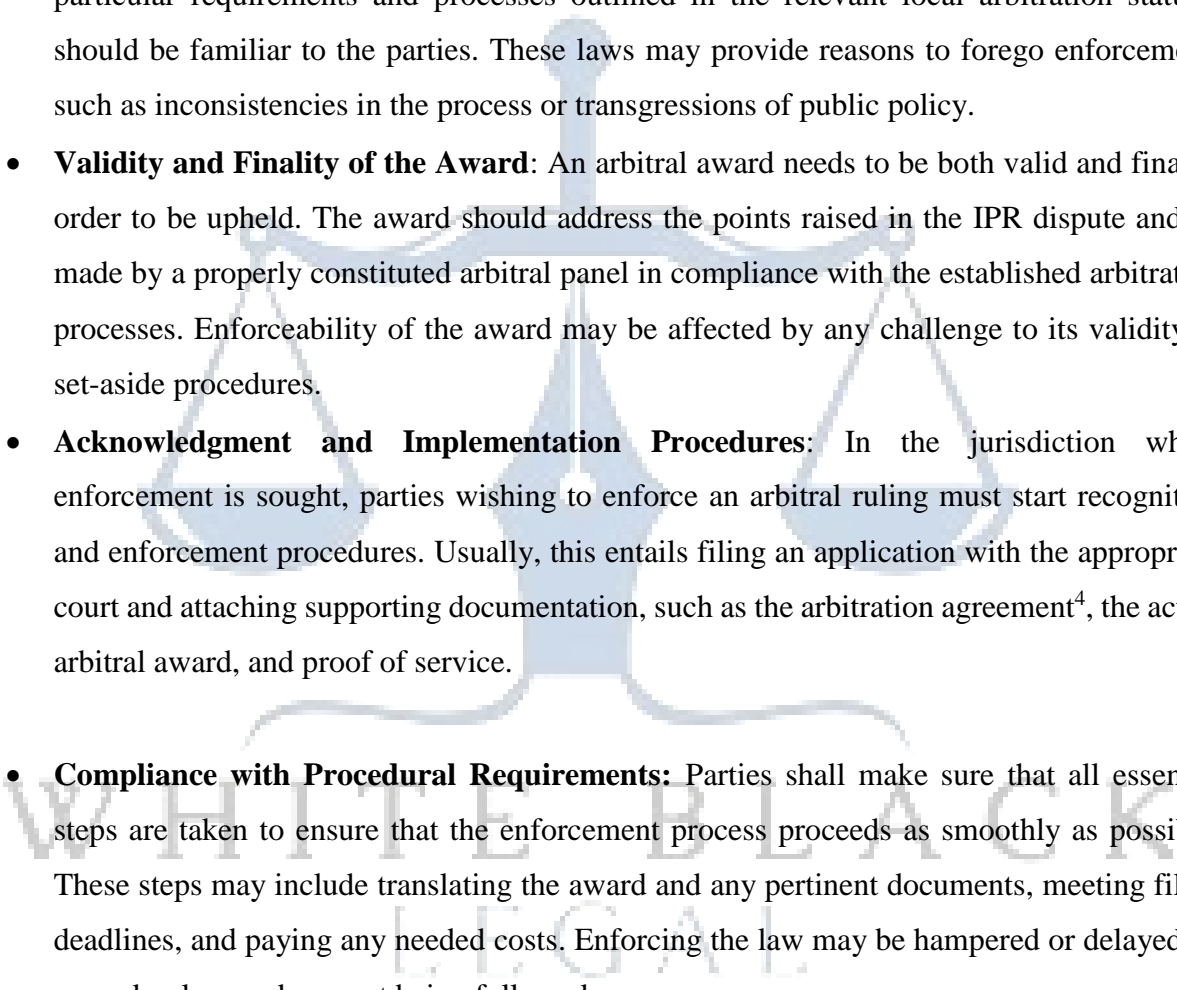
³ *Himangni Enterprises v. Samaljeet Singh Ahluwalia*, (2017) 10 SCC 706.

- **Jurisdictional Reach:** It might be difficult to determine whether an arbitral ruling in an IPR dispute has extraterritorial effect. Depending on the existence of bilateral or multilateral agreements governing the recognition and enforcement of arbitral rulings, the enforceability and recognition of an award may differ between jurisdictions.
- **Conflict of Laws:** Because several jurisdictions may have different legal standards and interpretations of intellectual property rights, IPR issues can involve conflicts of laws. Determining the parties' substantive rights and responsibilities requires careful consideration of the appropriate choice of law. The parties' agreement, the relevant arbitration rules, or conflict of laws principles may all influence the choice of law.
- **Parallel Proceedings:** Parties may concurrently participate in separate countries in parallel legal or arbitral processes. This creates jurisdictional issues since it could result in contradictory rulings, which would be unclear and might make it harder to enforce the final decision. It could be essential for jurisdictions to collaborate and coordinate in order to lessen the effects of concurrent processes and guarantee consistent results.
- **Enforcement and Recognition:** Obtaining a favorable arbitral ruling alone may not guarantee its enforcement or recognition in other countries. Parties must traverse the applicable legal frameworks, including international agreements and domestic legislation governing the recognition and enforcement of arbitral verdicts, as the procedures for enforcement differ between jurisdictions.

Therefore, when the proceedings would have an erga omnes effect—that is, when the arbitrators cannot bind a party who is not a signatory to the agreement—the tribunal's jurisdiction is typically rejected.⁵ Therefore, the public policy exemption defining the tribunal's jurisdiction will only apply in situations where the outcome of the arbitration proceedings may impact third parties' rights and obligations rather than the right in question being in rem.

4. Enforcement of Arbitral Awards In Ipr Disputes

An essential part of the arbitration process in Intellectual Property Rights (IPR) disputes is the enforcement of arbitral awards, which guarantees the efficient application of the rights and remedies granted by the award. When discussing the execution of arbitral rulings in IPR disputes, the following elements are crucial to take into account:

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- **International Conventions:** One important international agreement that makes it easier for arbitral awards to be enforced in different countries is the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The treaty offers a foundation for arbitral awards to be recognized and upheld in more than 160 nations. It is important for the parties to confirm that the country requesting enforcement is a signatory to the New York Convention.
 - **Domestic Laws Governing Arbitration:** The recognition and execution of arbitral awards are heavily influenced by the domestic legislation of the jurisdiction in question. The particular requirements and processes outlined in the relevant local arbitration statutes should be familiar to the parties. These laws may provide reasons to forego enforcement, such as inconsistencies in the process or transgressions of public policy.
 - **Validity and Finality of the Award:** An arbitral award needs to be both valid and final in order to be upheld. The award should address the points raised in the IPR dispute and be made by a properly constituted arbitral panel in compliance with the established arbitration processes. Enforceability of the award may be affected by any challenge to its validity or set-aside procedures.
 - **Acknowledgment and Implementation Procedures:** In the jurisdiction where enforcement is sought, parties wishing to enforce an arbitral ruling must start recognition and enforcement procedures. Usually, this entails filing an application with the appropriate court and attaching supporting documentation, such as the arbitration agreement⁴, the actual arbitral award, and proof of service.
 - **Compliance with Procedural Requirements:** Parties shall make sure that all essential steps are taken to ensure that the enforcement process proceeds as smoothly as possible. These steps may include translating the award and any pertinent documents, meeting filing deadlines, and paying any needed costs. Enforcing the law may be hampered or delayed by procedural procedures not being followed.
 - **Public Policy Issues:** In intellectual property rights disputes, public policy issues may arise when arbitral rulings are enforced, especially if they could have an effect on issues pertaining to competition law, public health, or national interest. The particular exceptions to public policy that could apply in the jurisdiction where enforcement is requested should be known to the involved parties.

⁴ Margaret L. Moses, “The Principles and Practice of International Commercial Arbitration 2 (2nd ed. 2012)

- **Third Party And Their Rights (*Right In Rem And Right In Personam*):** Based on a contract and with the parties' cooperation, arbitration is used by interest as a method of resolving disputes. Such an arrangement can be seen as right in personam by its very nature. Since they are not parties to the arbitration process, a third party cannot be forced to abide by the decision issued there. Due to the fact that an intellectual property right is a right that can be enforced against anybody, it is customary for arbitration in IP disputes to only apply to rights in personam and not rights in rem. This presents a challenge. Arbitration's universal nature is called into question when it is permitted to decide the validity of any intellectual property claim. Limiting the binding nature of the arbitral ruling to the parties involved and not to other parties is one strategy to address this problem.
- **Exclusive Authority of the State:** There have always been discussions about the state's sole authority to determine whether intellectual property rights are legitimate, enforceable, and recognized. This is so because intellectual property rights are initially granted by the state. If a disagreement emerges, copyright infringement cases that are not required to be registered can often be resolved through arbitration. The issue primarily arises when it comes to trademark and patent matters related to intellectual property. Essentially, the argument goes that since an arbitrator is chosen by the parties, he or she cannot make decisions about issues pertaining to intellectual property rights that were originally given by the states.

Furthermore, issues involving intellectual property are included in the Act's definition of "commercial disputes." The business Courts Act, 2015's Section 10 allows for the arbitration of business disputes without expressly excluding intellectual dispute arbitration from its jurisdiction.

5. Case Law And Precedents On Arbitrability Of Ipr Disputes

Following the implementation of the Commercial Courts Act, 2014, Sections 2(1)(f) of the Arbitration and Conciliation Act, 1996 and Section 2(c)(xvii) of the Commercial Courts Act, 2015 might be read in combination to support arbitration in disputes of this type.

- **Eros International Media Ltd. v. Telemax Links India Pvt. Ltd. & Ors⁵ :**

In this case, the arbitrability of copyright disputes was at question. A contract between the plaintiff and the defendant was signed in order to provide material to device manufacturers. Additionally, the sheet had an arbitration clause that said their disagreements would be resolved by arbitration. The court determined that the arbitration clause was drafted as broadly as feasible and that their disagreements would typically be submitted to arbitration. The court further declared that copyright

⁵ 2016 (6) ARBLR 121 (BOM).

disputes might still be arbitrated in accordance with Section 62(1) of the Copyrights Act, 1957.

- **Vidya Drolia v. Durga Trading Corporation**⁶: It is regarded as a seminal ruling in which the Supreme Court of India was asked to determine the extent to which a dispute can be arbitrated. In order to determine the extent of such arbitrability, the Court devised a four-part test. Four criteria were established as to when these issues cannot be arbitrated:

1. If the activity pertains to right in rem

2. When disputes need to be decided centrally because they involve third parties or have an erga omnes effect.

3. When they pertain to the State's unalienable sovereignty and public interest roles.

4. When a particular statute clearly or implicitly prohibits the arbitration of such conflicts.

- **Golden Tobie (P) Ltd. v. Golden Tobacco Ltd.**⁷:

The Delhi High Court found in 2021 that a disagreement over the right to use a trademark is arbitrable, citing the precedent set in Vidya Drolia. Arbitration is one method that can be used to settle disputes involving copyright infringement. The court believed that in evaluating the dispute's arbitrability while utilizing its authority under Section 8 of the Arbitration Act, 1996, it was imperative that the jurisdiction under Sections 8 and 11 not be utilized in a manner that would undermine the Tribunal's jurisdiction to make a decision on it.

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⁶ Civil Appeal No. 2402 of 2019.

⁷ CS (Comm) 178 of 2021.

CONCLUSION & SUGGESTION

To sum up, the cases of Booz Allen and Vidya Drolia demonstrate noteworthy advancements in Indian arbitration. These instances highlight how crucial it is to preserve the rights and interests of parties involved in arbitration processes as well as public policy issues.

However, Booz Allen makes it clear that when a dispute involves domestic issues, two Indian parties cannot choose a foreign location for arbitration. This ruling upholds India's dedication to guaranteeing Indian parties' access to justice and defending their interests in domestic affairs. Conversely, the Vidya Drolia acknowledges that disputes resulting from lease agreements are under the purview of the 1996 Arbitration Act. This ruling demonstrates India's pro-arbitration position and dedication to promoting alternative dispute resolution procedures, and it encourages the use of arbitration as a successful means of resolving lease-related problems.

When taken as a whole, these examples show how the Indian judiciary views arbitration as a practical means of settling conflicts and makes an attempt to give parties to arbitration procedures clarity, certainty, and justice. The decisions further improve the enforceability and efficacy of arbitral awards in India and advance the country's arbitration jurisprudence.

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