

18<sup>th</sup> July, 2023

# INTELLECTUAL PROPERTY RIGHTS- ARBITRABILITY

## 1. INTRODUCTION

Disputes related to intellectual property rights commonly arise when one party claims that another party has violated their exclusive rights to intellectual property. Infringement can occur through unauthorized use, reproduction, distribution, or commercial exploitation of protected works. In IP disputes involving parties from different jurisdictions, arbitration provides a neutral forum for resolving conflicts. Selecting a neutral seat for arbitration and appointing arbitrators from diverse nationalities, helps ensure a fair and impartial resolution, mitigating potential biases that may arise in domestic courts. The article tries to explain the issues with respect to arbitration of intellectual property rights by analysing relevant statutory provisions and judicial pronouncements.

## 2. Relevant Statutory Provisions:

Section 35 of the Trade Marks Act, 1999 provides a remedy for the infringement of trademark by way of filing a civil suit in the court of law. Section 62(1) of the Copyrights Act, 1957 states that “Every suit or other civil proceeding arising under this Chapter in respect of the infringement of copyright in any work or the infringement of any other right conferred by this Act shall be instituted in the district court having jurisdiction”. The Indian Patent Act, 1970 allows for arbitration of matters only involving government. Whereas, Section 2(c)(xviii) of the Commercial Courts Act, 2015 states that “commercial dispute” means a dispute arising out of intellectual property rights relating to registered and unregistered trademarks, copyright, patent, design, domain names, geographical indications and semiconductor integrated circuits and Section 10 of the same enactment provides for arbitration of commercial dispute. Section 89 of the Code of Civil Procedure, 1908 states that “if the court deems fit, it can allow arbitration, mediation or conciliation for settlement of disputes between parties outside the court”.

Section 2(3) of the Arbitration and Conciliation Act, 1996 states that the provisions in the enactment will not affect any other law which does not allow arbitration of certain disputes and section 34(2)(b)(i) states that an arbitral award may be set aside if the court finds that the subject matter of the dispute is not capable of settlement by arbitration under the law for the time being in force.

Therefore, the relevant statutory provisions do not provide clarity as to whether the disputes relating to intellectual property rights are arbitrable or not. The Supreme Court and various High Courts in the country have tried to shed light upon the above said issue, however the same has led to further confusion.

## 3. Judicial Pronouncements:

The Supreme Court and the various High Courts in the country have delivered judgments which provide contrasting opinions on the question of arbitrability of disputes relating to intellectual property rights.

- Right in Rem/Person

The Supreme Court in the case of *Booz Allen and Hamilton Incvs SBI Home Finance Limited* (2011)5 SCC 532 laid down three facets of arbitrability, relating to the jurisdiction of Arbitral Tribunal i.e (i) whether the disputes, having regard to their nature, could be resolved by an arbitral tribunal chosen by the parties or whether they would exclusively fall within the domain of civil courts, (ii) whether the disputes are enumerated or described in the arbitration, (iii) whether the dispute fall under the scope of the submissions to the Arbitral Tribunal. The Court further held that all disputes relating to rights in personam are arbitrable and disputes relating to rights in rem are required to be adjudicated by courts and tribunals.



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The Supreme Court in the case of Suresh Dhanukavs Sunita Mahopatra (2012) 1 SCC 578 held that dispute relating to rights in rem should not be subject to arbitration and the dispute should be referred to courts/tribunals. In Chiranjit Shrilal Goenkavs Jasjit Singh (1993) 2 SCC 507, the Supreme Court held that the dispute in rem can not be referred to arbitration by consent of the parties. In Indian Performing Rights Society vs Entertainment Network India Ltd (2016 SCC Online Bom 5893), the Bombay High Court held that copyright is a right in rem and not arbitrable. The same stand was taken by the Calcutta High Court in Diamond Apartments Pvt Ltd vs Abanar (2015 SCC Online Cal 9348). In Emaar MGF Land Ltd vs Aftab Singh (2019) 12 SCC 751, the Supreme Court held that disputes relating to intellectual property rights cannot be referred to arbitration.

- Pro Arbitration decisions.

The Bombay High Court in the case of Eros International vs Telemax (2016 SCC Online Bom 2179) stated that “Where there are matters of commercial disputes and parties have consciously decided to refer these disputes arising from that contract to a private forum, no question arises of those disputes being non-arbitrable”. The Court held that subordinate rights in person from the rights in rem be referred to arbitration.

The Bombay High Court in the case of Eurokids International Pvt Ltd vs Bharatiya Vidhyapeeth Shikshan Sanstha (Arbitration Petition No. 1061 of 2014) referred the dispute pertaining to trademark and copyright arising out of franchise agreement for arbitration as the ownership of trademark and copyrights was not in question.

The Delhi High Court in the case of Hero Electric Vehicle Pvt Ltd vs Lectro E-Mobility Pvt Ltd (2021 SCC Online Del 1058) held that when the dispute with respect to intellectual property rights arise out of a contract, the dispute is arbitrable.

The Delhi High Court in the case of Golden Tobie Pvt Ltd vs Golden Tobacco Ltd (2021 SCC Online Del 3029) referred the dispute with respect to trademark license agreement for arbitration as “The right that is asserted by the plaintiff is not a right that emanates from the Trademark Act but a right that emanates from the Agreement...The assignment of trademark is by a contract and not by a statutory act. It does not involve any exercise of sovereign functions of the State. It cannot be said that the disputes are not arbitrable.”

- Vidya Drolia four-fold test

The Supreme Court in the case of Vidya Drolia & Ors vs Durga Trading Corporation (2019) 20 SCC 406 laid down principles to determine when a particular dispute cannot be referred to arbitration. The following are the principles:

- 1 When cause of action and subject matter of dispute relates to actions in rem.
- 2 When the cause of action and subject matter of dispute affects third party rights; have erga omnes effect; require centralized adjudication; and mutual adjudication would not be appropriate and enforceable.
- 3 When the cause of action and the subject matter of the dispute relates to inalienable sovereign and public interest functions of the state and hence mutual adjudication would be unenforceable.
- 4 When the subject matter of the dispute is expressly or by necessary implication non-arbitrable as per relevant statutes.

The case of Vidya Drolia clarified the one issue regarding arbitrability of Intellectual Property disputes that matters pertaining to granting a patent and registration of trademark are not arbitrable.

#### 4. Conclusion:

- There is still some uncertainty with respect to arbitrability of IPR disputes due to conflicting statutory provisions and contrasting judicial decisions.
- IPR disputes arising out of contract can be referred to arbitration, but it depends upon the facts and circumstances of each case.
- Arbitration of IPR disputes must be encouraged in order to improve foreign investment.