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THE CONUNDRUM OF ARBITRABILITY OF INTELLECTUAL PROPERTY RIGHTS DISPUTES IN INDIA: AN ANALYSIS

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ABSTRACT

The article endeavours to delve into the conundrum that is of the arbitrability of IPR disputes in India. Not only is the issue still moot but also the Indian Courts have delivered pendulum-like decisions which reach two extreme ends. On the one hand, the arbitrability of the disputes has been altogether rejected by the Courts whilst on the other, the Courts have plausibly adopted a pro - arbitration approach to cull out an exception which may permit the arbitrability of such disputes. Apart from the aforementioned, the Courts have opined different and confusing tests and standards for determining whether the IPR disputes may be referred to arbitration. These tests include the relief test, the standards laid down in Vijay Drolia, amongst other. Apart from evaluating the arguments from and against the arbitrability of IPR disputes which have been elucidated in various court decisions, this article endeavors to analyse the literature on the extant issue too. The article highlights the importance of a pro-arbitration approach in India with regard to encouraging foreign parties to deal in business with Indian parties. Not only that, it is imperative for Indian courts to match the standards of the international community and also to honor its commitments under the international conventions. Lastly, the article concludes and provides suggestions for improving the Indian position on the arbitrability of IPR disputes in India.

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LEGISLATIVE INTENDMENT ON ARBITRATION AND INTELLECTUAL PROPERTY RIGHTS (IPR)

Section 2(3) of the Arbitration and Conciliation Act, 1996 provides that certain disputes may not be submitted to arbitration and Section 34(2)(b)(i) provides that courts may set aside arbitral awards where the subject matter of the dispute was not capable of settlement by arbitration. The Act defines 'international commercial arbitration[2]' to mean and include any dispute of commercial nature arising between the Indian party and International party. The definition of the term 'commercial dispute' in the Commercial Courts Act, 2015 specifically includes disputes pertaining to Intellectual property[3]. In addition, Section 10 of the Commercial Courts Act provides for arbitration of commercial dispute without specifically ousting arbitration of IPR disputes from its purview. Lastly, nothing in the Arbitration Act prevents the enforcement of awards concerning Intellectual Property Rights including the question of their validity or infringement. The Indian Patent Act, 1970 allows for arbitration of matters only involving government[4].

JUDICIAL INTERPRETATION

In the case of ***Vidya Drolia v. Durga Trading Corporation***[5] (hereinafter 'Vijay Drolia') the Apex Court propounded a fourfold test for determining when the subject-matter of a dispute in an arbitration agreement is not arbitrable:

1. When cause of action and subject-matter of the dispute relates to actions in rem.
2. When cause of action and subject-matter of the dispute affects third party rights; have erga omnes effect; require centralised adjudication, and mutual adjudication would not be appropriate and enforceable.
3. When cause of action and 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 mandatory statute(s).

[2] Arbitration and Conciliation Act, 1996, § 2(1)(f), Acts of Parliament, 1996 (India).
[3] The Commercial Courts Act, 2015, § 2(1)(xvii), Acts of Parliament, 2015 (India).
[4] Patents Act, 1970, § 103(5), Acts of Parliament, 1970 (India).
[5] Vijay Drolia v. Durga Trading Corporation, MANU/SC/0939/2020.

The three categories to be adjudicated by the Court were opined in *Boghara Polyfab Private Limited*[6]. The first category of issues, namely, whether the party has approached the appropriate High Court, whether there is an arbitration agreement and whether the party who has applied for reference is party to such agreement would be subject to more thorough examination in comparison to the second and third categories/issues which are presumptively, save in exceptional cases, for the arbitrator to decide. In the first category, we would add and include the question or issue relating to whether the cause of action relates to action in personam or rem; whether the subject matter of the dispute affects third party rights, have erga omnes effect, requires centralized adjudication; whether the subject matter relates to inalienable sovereign and public interest functions of the State; and whether the subject matter of dispute is expressly or by necessary implication non-arbitrable as per mandatory statue(s).

Therefore, it is settled position that in before referring the dispute to arbitration[7], the Courts are empowered to evaluate the arbitrability of disputes and may not refer the dispute to arbitration if the grounds enumerated in Vijay Drolia are not fulfilled.

INTELLECTUAL PROPERTY RIGHTS AS RIGHTS IN REM

A right in rem is a right exercisable against the world at large[8]. A judgment in rem determines the status of a person or thing as distinct from the particular interest in it of a party to the litigation; and such a judgment is conclusive evidence for and against all persons whether parties, privies or strangers of the matter actually decided[9]. Such a judgment "settles the destiny of the res itself" and binds all persons claiming an interest in the property inconsistent with the judgment even though pronounced in their absence[10].

The seminal decision of *Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd*[11]. Albeit examined the extant issue but it is noteworthy that the Court did not expressly include IPR in the list of disputes which are non-arbitrable. In fact, it was opined that, “there is no exact answer to non-arbitrability, it is a flexible rule”.

[6] Boghara Polyfab Private Limited MANU/SC/4056/2008: (2009) 1 SCC 267.
[7] Arbitration and Conciliation Act, 1996, § 8, Acts of Parliament, 1996 (India).
[8] Ramanatha Alyar Advanced Law Lexicon, 3rd Edn.
[9] Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd., MANU/SC/0533/2011.
[10] G.C. Cheshire & P.M. North, Private International Law 12th ed. by North & Fawcett London: Butterworth's, 1992, p. 362.
[11] Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd., MANU/SC/0533/2011.

Nonetheless, in a catena of judgments, the Courts in India have inclined towards non-arbitrability of IPR disputes. In *A. Ayyasamy vs. A. Paramasivam and Ors*.[12] the Courts have held that certain kinds of disputes may not be capable of adjudication through the means of arbitration, these include disputes involving patents, trademarks and copyright. However, this observation of the Court is mere *dicta* as the issue before the Court was of the arbitrability of fraud and the Court premised this observation on an academic book[13] with no legal backing whatsoever.

In *Suresh Dhanuka v. Sunita Mohapatra*[14], it was held that a dispute concerning a right in rem shall be incapable of being arbitrated upon and shall be the exclusive jurisdiction of the courts of the land. The Supreme Court has enunciated that the right in rem includes right in patent and copyright[15]. The Supreme Court in the case of C*hiranjilal Shrilal Goenka (deceased) through LRs. v. Jasjit Singh*[16], held that the action in rem could not be referred to arbitration even by consent of the parties. In *Indian Performing Right Society Ltd. v. Entertainment Network (India) Ltd*.[17], the High Court evaluated the entire judicial dicta on the point of arbitrability of rights in rem and concluded that IPR copyright right is a right in rem and set aside the award of the arbitrator on this ground.

In *SAIL v SKS Ispat and Power Ltd*[18]., the Bombay High Court dismissed the petition opining further that trademark and the connected rights are in rem and are not open to private forum resolution chosen by the parties like arbitration. *Deepak Thorat v Vidli Restaurant Ltd*[19], the court read Steel Authority of India Case[20] as holding that disputes relating to infringement and passing off were non-arbitrable.

In *IPRS Ltd v Entertainment Network (India) Ltd*.[21] the Bombay High Court had to decide if an arbitral tribunal could rule on the validity on the right of copyright itself. The court holding

[12] A. Ayyasamy vs. A. Paramasivam and Ors. MANU/SC/1179/2016.
[13] O.P. Malhotra on 'The Law & Practice of Arbitration and Conciliation', Third Edition, authored by Indu Malhotra.
[14] Suresh Dhanuka v. Sunita Mohapatra, (2012) 1 SCC 578.
[15] Common Cause, A Registered Society v. Union of India, (1999) 6 SCC 667.
[16] Chiranjilal Shrilal Goenka (deceased) through LRs. v. Jasjit Singh, (1993) 2 SCC 507.
[17] Indian Performing Right Society Ltd. v. Entertainment Network (India) Ltd., 2016 SCC OnLine Bom 5893.
[18] SAIL v SKS Ispat and Power Ltd., 2014 SCC OnLine Bom 487.
[19] Deepak Thorat v Vidli Restaurant Ltd., 2017 SCC OnLine Bom 7704.
[20] SAIL v SKS Ispat and Power Ltd. 2014 SCC OnLine Bom 487.
[21] Indian Performing Right Society Ltd. v. Entertainment Network (India) Ltd., 2016 SCC OnLine Bom 5893.

in the negative stated that allowing the tribunal to decide purely legal issues such as the existence of copyright amounts to a decision on an action in rem which is well settled that the arbitral tribunal has no jurisdiction to decide. The stand was also recognized by Calcutta High Court in *Diamond Apartments Pvt Ltd v Abanar*[22].

Marketing Ltd. Lifestyle Equities C V v. Q D Seatoman Designs (P) Ltd[23] has more clearly dealt with the traditional in rem versus in personam debate. Herein, it was held that patent disputes can be arbitrable if the dispute is about the licensing of a patent or infringement of a patent, but a dispute challenging the validity of the patent will not be arbitrable. In the case of *Emaar MGF Land Ltd. v. Aftab Singh*[24] categorically stated that disputes related to patents, copyright and other Intellectual Properties are beyond the scope of arbitration. However, the issue in the case appertained arbitrability of landlord-tenant disputes, therefore the above discussion is mere dicta.

Subordinate rights in personam

Despite the aforementioned, the Courts have culled out the subordinate rights in personam from the rights in rem. The conventional view is thus that, for example, rights under a patent licence may be arbitrated, but the validity of the underlying patent may not…..An arbitrator whose powers are derived from a private agreement between A and B plainly has no jurisdiction to bind anyone else by a decision on whether a patent is valid, for no-one else has mandated him to make such a decision, and a decision which attempted to do so would be useless[25]. Moreover, the Supreme Court in *V.H. Patel & Co. v. Hirubhai Himabhai Patel*[26] held that ousting arbitrability, in the face of an arbitration clause, is not something to be lightly assumed. It must be done in limited cases which are clearly non-arbitrable.

Disputes relating to subordinate rights in personam arising from rights in rem have always been considered to be arbitrable[27]. In the welcome decision of *Eros International v. Telemax*[28], the issue appertained copyright infringement, the Court opined 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.

[22] Diamond Apartments v. Abanar, 2015 SCC OnLine Cal 9348.
[23] Lifestyle Equities CV vs. Q.D. Seatoman Designs Pvt. Ltd. and Ors. 2017(72)PTC 441(Mad).
[24] Emaar MGF Land Ltd. v. Aftab Singh, (2019) 12 SCC 751.
[25] Mustill and Boyd in their 2001 Companion Volume to the 2nd Edition of Commercial Arbitration.
[26] V.H. Patel & Co. v. Hirubhai Himabhai Patel, (2000) 4 SCC 368.
[27] Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd., MANU/SC/0533/2011.
[28] Eros International v. Telemax, 2016 SCC OnLine Bom 2179.

Such actions are always actions in personam, one party seeking a specific particularized relief against a particular defined party, not against the world at large. The Court elucidated the concept as, "*Take an example. A may allege infringement by B. A may succeed against B. That success does not mean that A must necessarily succeed in another action of infringement against C. The converse is also true. Should A fail in his action against B, he may yet nonetheless succeed in his action against C. this shows the nature of the dispute btw the parties affecting their rights in personam and even if they succeed it does not lead to a declaration in rem*".

Thus, claim of infringement against a particular person is arbitrable as is subordinate right in personam[29]. 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[30].

In the case of *Ministry of Sound International v. M/S Indus Renaissance Partners*[31], the Apex Court has opined that disputes pertaining to IPR can be arbitrated upon on premise that there is no absolute bar on arbitration involving questions relating to IPR. A contract providing for arbitration is a commercial document that must be interpreted with a common sense approach rather than with pedantic or legalistic interpretation. The disputes relating to Intellectual Property use and infringement concern only rights-in-personam, and are by that virtue arbitrable.[32]

<u>*Contractual Disputes*</u>

In another case of *EuroKids International Private Limited vs. Bhaskar Vidhyapeeth Shikshan Sanstha*[33], the Hon'ble Court observed that since there is no dispute about the petitioner's ownership of the trademark and copyright involved in the present case, therefore, the

[29] Deccan Mills v. Regency Mahavir Properties (2021) 15 SCC 532; Impact Metals Ltd. and Ors. vs. MSR India Ltd. and Ors. MANU/AP/0646/2016.
[30] Cf. Grandlay Elecs. (India) Ltd. v. Batra, A.I.R. 1999 Del. 1, 2 (upholding the findings of an arbitral tribunal as to ownership of a trademark); O.P. MALHOTRA, THE LAW AND PRACTICE OF ARBITRATION AND CONCILIATION: THE ARBITRATION AND CONCILIATION ACT 1996 142 (2002).
[31] Ministry of Sound International v. M/S Indus Renaissance Partners, 2009 SCC OnLine Del 11.
[32] Affirmed in Lifestyle Equities vs Qdseatoman Designs Pvt. Ltd., 2017(72) PTC 441(Mad); Angath Arts (P) Ltd. v Century Communications Ltd., 2008 SCC OnLine Bom 475.
[33] EuroKids International Private Limited vs. Bhaskar Vidhyapeeth Shikshan Sanstha, Arbitration Petition No.1061 OF 2014.

proceedings filed by the petitioner cannot be considered as proceeding in rem. As reiterated in *Hero Electric Vehicles Private Limited and Ors. vs. ELectro E-mobility Private Limited and Ors*[34]., when the disputes pertaining to IPR arise from a contract between the parties, they are arbitrable. Most disputes related to IPR are founded upon a contractual basis and there is no reason for a state to interfere in such relations and exclude the disputes arising therefrom from the domain of arbitration. These disputes are arbitrable even if they arise from a contract concerning registered IPR[35].

Golden Tobie Private Limited v. Golden Tobacco Limited[36], evaluated dicta on this point including Vijay Drolia, followed it and held that when the dispute is centered around the agreement and is in respect of the agreement of the parties only, it is arbitrable. In *Angath Arts (P) Ltd. v Century Communications Ltd.*[37], The court held that the dispute did not relate to the ownership of the trademark or of the copyrighted material and was therefore not a dispute regarding a right in rem. Since the petition was for enforcement of a negative covenant in a franchise agreement, the dispute was arbitrable.

In *Ministry of Sound*[38]*, Impact Metals*[39]*, Deepak Thorat*[40], for example, the court styled the issue as a contractual issue while in cases such as *Mundipharma* and *Steel Authority*[41], the court classified the issue to be purely IP related issue.

However, as opined by the Court in the case of *Eros International v. Telemax*[42], and I agree, that We often have complex commercial documents and transactions that routinely deal with intellectual property rights of various descriptions as part of the overall transaction. This can be said of mergers, acquisitions, joint ventures, the setting up of special purpose vehicles, technology transfer and sharing agreements, technical tie-ups, licensing and so on. The range

[34] Hero Electric Vehicles Private Limited and Ors. vs. ELectro E-mobility Private Limited and Ors., MANU/DE/0379/2020
[35] Arbitrability of Disputes Concerning Intellectual Property Rights, Petr Kalenský (Brno 2019), https://is.muni.cz/th/vjn0h/DP.pdf
[36] Golden Tobie Private Limited (Formerly Known as Golden Tobie Limited) v. Golden Tobacco Limited (2021) SCC OnLine Del 3029.
[37] Angath Arts (P) Ltd. v Century Communications Ltd., 2008 SCC OnLine Bom 475: (2008) 3 Arb LR 197
[38] Ministry of Sound International v. M/S Indus Renaissance Partners, 2009 SCC OnLine Del 11.
[39] Impact Metals Ltd. and Ors. vs. MSR India Ltd. and Ors. MANU/AP/0646/2016.
[40] Deepak Thorat v Vidli Restaurant Ltd., 2017 SCC OnLine Bom 7704.
[41] SAIL v SKS Ispat and Power Ltd., 2014 SCC OnLine Bom 487.
[42] Mundipharma v. Workhardt, 1990 SCC OnLine Del 269.

of fields of human activity that could possibly be covered by any one or more of these is limited by nothing but our own imagination : steel manufacturing, setting up of power plants, software, motor car manufacture, computer hardware, music, films, books and literature, performances and even services. If IPR disputes are altogether rendered non-arbitrable, then in any of these cases, where intellectual property rights are transferred or, for that matter, in any way dealt with, no dispute arising from any such agreement or transactional document could ever be referred to arbitration, and every single arbitration clause in any such document would actually, in his formulation of it, be void and non-est ab initio. It would have to be so — Sukanya Holdings[43] will not allow a dispute relating to intellectual property rights to be segregated from other disputes. The court termed this situation as an *"apocalyptic legal thermonuclear devastation"*.

In the case of a licence of intellectual property, the owner theoretically has the option of choosing his role ex post facto and seek remedies appropriately. But there is a catch: the parties have agreed to go for arbitration in respect of any dispute that may arise under or in relation to the agreement. This must mean that the owner of the IP has already opted for the role: that of a licensor of intellectual property. As a result, it must mean that the right sought to be enforced is that of the licensor. Having agreed to an omnibus arbitration clause, the licensor cannot later resile from the agreement. Given the public policy reasons in giving effect to arbitration clauses and given the absence of public policy reasons against giving effect to these clauses, there is no reason why this exercise of implied option should not be recognised. The concept of rights in rem and in personam are more nuanced than what was analysed in Booz Allen.[44]

Relief Test

A third rubric of the rights in rem debate is the relief test. Some Courts have relied on the relief test to determine whether the matter can be referred to arbitration or not. In *Rakesh Malhotra v Rajinder Malhotra*[45], the Court held "parts of the reliefs may be in rem and …

[43] Eros International v. Telemax, 2016 SCC OnLine Bom 2179.
[44] Thomas W Merrill and Henry E Smith, 'The Property/ Contract Interface' (2011) 101 Columbia Law Review 773-852.
[45] Rakesh Malhotra v Rajinder Malhotra, MANU/MH/1309/2014.

therefore, the nature of the reliefs sought and powers invoked necessarily exclude arbitrability." The court focused on the relief sought by the parties to determine arbitrability instead of the nature of legal rights. According to the decision in HDFC *Bank v Satpal Singh*[46], if the relief sought was in personam and one which could be granted by an ordinary civil court, the dispute would be arbitrable. Building on its analysis of actions in rem, the Court acknowledged that where the remedy sought is such that it would have an effect in rem, such a relief cannot be granted by private fora and hence, would be non-arbitrable. The crucial aspect determinative of arbitrability is the nature of judgment sought by the aggrieved[47]. If the judgment would affect the world at large, then such a judgment is a judgment in rem and is not arbitrable[48].

These conflicting tests have created uncertainty as to the categorization of disputes which are arbitrable[49].

Position post amendment of the Arbitration Act

In *Emaar MGF v. Aftab*[50], the Court observed that the "non obstante clause" in the s. 8 of the act added after 2015 amendment was to minimise judicial intervention. The refusal of judiciary is limited to the fact that prima facie no arbitration agreement exists. Therefore, the intervention by the commercial courts has been substantially reduced by the amendment. However, at the same time, the Court cautioned that the amendments cannot be given such expansive meaning so as to inundate entire regime of special legislation where such disputes are not arbitrable. This amendment was not intended to side-line or override the settled law on non-arbitrability.

The Law Commission submitted the 246th Report "Amendments to the Arbitration and Conciliation Act, 1996" in August 2014. The Commission in its Report has observed "judicial intervention in arbitration proceedings adds significantly to the delays in the arbitration process and ultimately negates the benefits of arbitration".

[46] HDFC Bank v Satpal Singh, 2013 (134) DRJ 566 (FB).
[47] Bina Modi and Ors. vs. Lalit Kumar Modi and Ors. MANU/DE/2305/2020.
[48] JOHN SUTTON DAVID ST. & GILL JUDITH, RUSSELL ON ARBITRATION 28 (22d ed., 2003).
[49] Arbitrability of Intellectual Property Disputes in India: A Critique Badrinath Srinivasan.
[50] Emaar MGF Land Ltd. v. Aftab Singh, (2019) 12 SCC 751.

SOVEREIGN AND PUBLIC INTEREST

It is generally accepted that monopoly rights can only be granted by the State. Correctness and validity of the State or sovereign functions cannot be made a direct subject matter of a private adjudicatory process[51]. Redfern states that "*Whether or not a patent or trade mark should be granted is plainly a matter for the public authorities of the state concerned, these being monopoly rights that only the state can grant. Any dispute as to their grant or validity is outside the domain of arbitration.*" [52] Monopoly rights can only be granted by the State. Correctness and validity of the State or sovereign functions cannot be made a direct subject matter of a private adjudicatory process[53]. If the subject matter of the suit is capable of adjudication only by a public forum, courts may refuse s. 8 reference[54].In Natraj Studios (P) Ltd[55]., it was observed that on broader consideration of public policy the disputes were non arbitrable[56]. The Final Report on Intellectual Property Disputes and Arbitration by the International Chamber of Commerce described the issue in the following manner: "…some intellectual property rights derive from legal protection granted on a national basis by the local sovereign power, which affords the beneficiaries certain exclusive rights to use and exploit the intellectual property in question. The existence, extent, meaning and application of such rights could legally only be definitively investigated, reviewed, explained, expanded, curbed, revoked or confirmed by the authority which issued or granted the right, by another specifically appointed body under that system or, in certain situations where very specific questions of law arose, by the courts of that country." [57]

There is a theory that intellectual property disputes — or aspects of them — are inarbitrable per se. This theory is premised on the idea that even though the state usually remains in the background in other types of private disputes, whether similar — in the case of contract actions — or analogous — as with real property arbitration — intellectual property has certain

[51] Vijay Drolia v. Durga Trading Corporation, MANU/SC/0939/2020.
[52] BLACKABY, Nigel; HUNTER, Martin J.; PARTASIDES, Constantine; REDFERN, Alan. Redfern and Hunter on international arbitration. 6th edition. Oxford, United Kingdom; New York, NY: Oxford University Press, 2015, p. 112.
[53] Common Cause v. Union of India, MANU/SC/0437/1999; Agricultural Produce Market Committee v. Ashok Harikuni and Anr., MANU/SC/0597/2000.
[54] Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd., MANU/SC/0533/2011.
[55] Natraj Studios (P) Ltd vs Navrang Studios & Anr, 1981 AIR 537.
[56] N. Radhakrishnan v. Maestro Engineers and Ors. MANU/SC/1758/2009; Abdul Kadir Samshuddin Bubere v. Madhav Prabharkar Oak and Anr. MANU/SC/0363/1961.
[57] International Chamber of Commerce, Final Report on Intellectual Property Disputes and Arbitration. International Chamber of Commerce [online], 2016.

intrinsic features that compel the state into the foreground, and thereby, invoke the order public. But, commentators are uncertain as to what these intrinsic feature[s] might be and why there is a public policy bar to certain types of intellectual property arbitration. This is in contrast to antitrust cases, where . . . the antitrust debate at least has the virtue of having been grounded in a serious discussion of the respective roles of the state and of private parties in such disputes. In the case of intellectual property, one cannot point to a body of similar case law or literature to support the premise that certain classes of dispute inherently invoke the state interest in such a way that they should automatically be excluded from arbitration.

In fact, it is difficult to see why an accused infringer would have the complete invalidation of the patent as one of its litigation objectives. A judgment of invalidity stands to benefit potential competitors to the alleged infringer, as well as the infringer itself, by making the patented invention available to all potential infringers. The alleged infringer is likely to prefer a broad and irrevocable patent license, leaving the monopoly intact for non-party competitors, and leaving the enforcement costs with the patentee. Thus, a potential infringer is unlikely to share a potential public interest in invalidating a patent.

On the contrary, as aforementioned, in Eros International[58] *and Hero Electric*[59], the court observed where parties to an agreement merely dispute the assignment of IP rights and are claiming that the other party has violated the first party's rights under an agreement, there is no conflict with sovereign governmental functions. Even in *Eros International,* the court ruled that an infringement action, unlike an action against registration, would only bind the parties to the dispute and was thus arbitrable.

ERGA OMNES EFFECT

The jurisdiction of the arbitral tribunal is ousted in cases where arbitration proceedings would have an erga omnes effect as the arbitrator, whose powers are derived from an agreement between the parties, cannot bind non-signatories to the agreement[60]. The inter parties effect of an arbitral award is where the debate concerning arbitrability of certain IPR disputes stems

[58] Eros International v. Telemax, 2016 SCC OnLine Bom 2179.
[59] Hero Electric Vehicles Private Limited and Ors. vs. ELectro E-mobility Private Limited and Ors., MANU/DE/0379/2020.
[60] MARGARET L. MOSES, THE PRINCIPLES AND PRACTICE OF INTERNATIONAL COMMERCIAL ARBITRATION 2 (2d ed. 2012)

from, as the registered IPR, unlike arbitral awards, possess an erga omnes effect. At first glance, the contract privity of the arbitral agreement and the nature of arbitral awards therefore seem incompatible and unsuited for the decision of disputes related to registered IPR and especially for disputes concerning the validity thereof[61]. Arbitration is unsuitable when it has erga omnes effect, that is, it affects the rights and liabilities of persons who are not bound by the arbitration. The court observed that certain intellectual property issues, such as the grant and issue of patents and the registration of trademarks, were exclusive matters which fell within sovereign governmental functions and had an *erga omnes* effect. Since the grant of such rights conferred monopoly rights, they were non-arbitrable[62]. Lifestyle Equities[63] also reaffirmed that there is a restriction to arbitrability of disputes relating to the validity of patents, pertaining to its erga omnes effect.

But again, if the dispute only appertains the rights involved in an agreement, it would not have an erga omnes effect. Interestingly, it has been observed, Indian law recognizes two different ways that a patent may be found invalid. The more general route, "revocation," extinguishes the patent monopoly. A finding of "invalidity," on the other hand, serves only as an inter partes defense to patent infringement. The defense of invalidity arises from the fact that, under the Patents Act, every ground on which a patent may be revoked is also available as a defense in a suit for infringement of the patent[64].

INTERNATIONAL COMPARISON

Internationally, patent disputes are allowed to be resolved through arbitration. Both the New York Convention, 1958 and the Model law on International Commercial Arbitration, 1985 provide for settlement of international disputes by way of Arbitration. WIPO went so far as to institutionalize the arbitration of IPR disputes by establishing WIPO Arbitration and Mediation Centre.

Countries which have adopted UNCITRAL law like Australia, Germany, Japan, and Canada have all validated arbitration of patent infringement and some even of patent validity. The

[61] COOK, Trevor M.; GARCIA, Alejandro I. International intellectual property arbitration. Alphen aan den Rijn, The Netherlands: Frederick, MD: Kluwer Law International, Arbitration in context series, v. 2, 2010, p. 69.
[62] Vijay Drolia v. Durga Trading Corporation, MANU/SC/0939/2020.
[63] Lifestyle Equities vs Qdseatoman Designs Pvt. Ltd., 2017(72)PTC 441(Mad).
[64] Fabcon Corp. v. Indus. Eng'g Corp., A.I.R. 1987 All. 338.

ICC Commission has stated arbitration to be the "most desirable method for settling disputes arising out of intellectual property transactions." The ICC Final Report on Intellectual Property Disputes and Arbitration even states that "There are no substantive differences in arbitrations arising from intellectual property disputes as from other areas."[65]

In the ICC case[66], it was held that such a dispute involving license agreement does not necessarily involve issues of (in) validity, revocation of registration or other concerns that might interfere with the public interest or public policy. The arbitrators in this case therefore saw no reason why such a case would be under the exclusive jurisdiction of French courts, since it had only pertained to a breach of contract. The fact that the patent has been extinguished as a result of such a contractual breach was deemed irrelevant under the present circumstances. A similar observation was recorded in another case ICC[67].

As stated before, most economically developed jurisdictions hold intellectual property disputes as arbitrable. Some jurisdictions have even gone to the extent of holding issues relating to validity of intellectual property rights in disputes relating to licensing of intellectual property rights as arbitrable[68].

CONCLUSION

Needless to say, the conundrum persists as to whether IPR disputes are arbitrable or not. The pendulum of conflicting decisions has left the issue still open and controversial.

From the analysis of the above cases, it is apparent that different views have been taken by

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[65] International Chamber of Commerce. Final Report on Intellectual Property Disputes and Arbitration. International Chamber of Commerce [online]. International Chamber of Commerce. 2016, p. 23 [quoted September 11, 2018].

[66] Interim Award in ICC Case no. 5480, dated 1991, no. 5480, ICC Bulletin [online]. International Chamber of Commerce, © 1991 [quoted February 14, 2019]. Available at: http://library.iccwbo.org/dr-noaccount.htm?reqhref=%5Ccontent%5Cdr%5CAWARDS%5CAW_0035.htm%253Fl1%3DAwards%26l2%3DIntellectual%2Bproperty

[67] Interim Award in ICC Case No. 6709, dated 1991, No. 6709, ICC Bulletin [online]. International Chamber of Commerce, © 1992 [quoted February 14, 2019]. Available at: http://library.iccwbo.org/dr-noaccount.htm?reqhref=%5Ccontent%5Cdr%5CAWARDS%5CAW_0257.htm%253Fl1%3DAwards%26l2%3DIntellectual%2Bproperty

[68] ocie´te´ Liv Hidravlika D.O.O. v S.A. Diebolt, Paris Court of Appeal (1st chamber), February 28, 2008, cited and quoted in Dario Moura Vicente, 'Arbitrability of Intellectual Property Disputes: A Comparative Survey' (2015) 31 Arbitration International 151, 155.

the judges of the Hon'ble Supreme Court and High Courts of India. Though from the analysis of the above cases, it is obvious that there can be no blanket bar on the arbitrability of the disputes relating to IPR arising out of the agreement entered by the parties and it will depend on the facts of each case.

From the above illustrations, it is manifest that if a dispute is arising out of the terms of the contract between the parties, and the dispute falls within the ambit of the arbitration clause of the contract, even though such dispute pertains to the copyright or trademark infringement, it still could be decided by arbitration as it will fall under the ambit of right in personam.

Though most of the IPR disputes arising out of the contract will be amenable to arbitration but not every dispute. Whether a particular IPR dispute arising out of the contract can be adjudicated through arbitration will depend on the facts of each case.

I would suggest that it is imperative for foreign investment and globalisation in India that the Courts adopt wider approach to enhance arbitrability of IPR disputes. It is high time that Indian judiciary realises this requirement as it would eventually mitigate the hesitation amongst the foreign parties in building business with Indian parties.

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