Legal House Law Journal
ISSN : …….. Volume I Issue I (2024), PP ….-....

EXPLORING THE INTERSECTION OF ARBITRATION AND INTELLECTUAL PROPERTY LAWS

Adv. Gagan Kataria[1]

Dr. Vinod Kumar[2]

[1](Research scholar, Shri Jagdishprasad Jhabarmal Tibrewala University, Department of Law, India)

[2](Guide, Shri Jagdishprasad Jhabarmal Tibrewala University, Department of Law, India)

Abstract

This paper explores the intersection of intellectual property rights and alternative dispute resolution (ADR), focusing on the arbitrability of IP disputes, strategic considerations in IP arbitrations, and the role of the WIPO Arbitration and Mediation Center. Beginning with a historical overview of ADR's emergence and its significance in modern industrialization, the paper delves into the complexities of arbitrability across various legal systems, examining differing approaches and challenges. It discusses the advantages of ADR in resolving IP disputes, including confidentiality benefits and the role of WIPO in facilitating such resolutions. Furthermore, it analyses the fundamental problems inherent in international IP disputes, considering conceptual discrepancies between nations and the allure of arbitration in resolving such conflicts. Drawing insights from legal frameworks in countries like Australia, the United States, India, the United Kingdom, and South Africa, the paper evaluates the status of IP dispute arbitrability and offers recommendations for future developments. Ultimately, it underscores the need for greater adoption of ADR mechanisms in resolving IP conflicts while acknowledging the existing challenges and the ongoing evolution of legal frameworks.

Keywords: IPR, ADR, WIPO, Mediation

Introduction

In about 1980, the ADR approach gained widespread recognition in international circles, prompting the launch of ADR initiatives on a worldwide scale. One of the most important aspects of alternative dispute resolution is that it is legally binding, allowing the parties to feel satisfied with their access to justice and the speed with which their conflicts are resolved. The *"Ubi jus remedium ibi remedium"* principle talks about where there is a right there is a remedy" As a result of the protections afforded by intellectual property law, the private, public, and non-profit sectors have been able to flourish, and modern industrialization has been able to propel humanity forward. With the expansion of the corporate and industrial sectors, ADR professionals and organisations have had to change to keep up. It also drew attention to the value of ADR in the area of IP protection. To grasp the relevance of intellectual property rights and alternative conflict resolution procedures.[1]

ADR has historical roots and remains widely utilized today. In traditional conciliation, mediation, and *"panch parmeshwara"* processes in India, eminent citizens played a key role by providing ideas, counsel, and direction per societal norms to facilitate simple conflict resolution. Many countries like Albania, Burundi, China, Japan, the

Philippines, South Korea and Singapore have successfully adopted mediation for disputes. However, as these informal ADR mechanisms often operated outside formal legal frameworks historically, there was risk of abuse lacking regulatory oversight. In contrast, the rising adoption of ADR in the 1970s-80s aimed to cut backlogs and deliver swift justice by providing alternatives to lengthy court procedures. This gained impetus from increasing litigation complexities brought by scientific advancements, welfare state policies, and greater rights awareness. Presently, relevant stakeholders have posed questions regarding the value addition ADR can provide for IP conflicts specifically. Compared to public court processes, ADR for IP disputes can potentially enable confidential negotiations, technical expert participation, and tailored solutions balancing legal and business interests. However, its application would require developing supporting ecosystems around issues like arbitrator capabilities, ethical codes, enforceability of outcomes and fitting different ADR models to diverse IP conflict scenarios.[2]

Exactly, the Apex Court in India has never taken a unified stance on the issue of whether or not alternative dispute resolution should be used in cases involving intellectual property rights, and the legal system in India has not included or required the use of such methods. To modify ADR for the sake of resolving a dispute involving Intellectual Property Rights, a more modern and humane method is required. The preservation of intellectual property rights and the rigours of the commercial world necessitate a simple and adaptable remedying body.

The Arbitrability of Intellectual Property Disputes

Due to arbitration's benefits, it may be the preferred method of conflict settlement for the parties involved. However, the arbitrability of intellectual property conflicts is an issue that has yet to be settled in many different legal systems. The term "arbitrability" describes disputes that may be resolved by a neutral third party. In most cases, both parties have the option of submitting their disagreement to an impartial arbitrator. The only constraints it has are those imposed by each country's legal system. Therefore, the State intends for the appropriate court to settle any conflicts that arise due to the close connection between the issue at hand and the public interest. Arbitrability may be thought of in two ways. Subjective arbitrability is the condition under which a party may enter into an arbitration agreement. This often involves the authority of a person, business, or government. Conversely, the term "objective arbitrability" is used to describe the types of legal conflicts that cannot be resolved by arbitration.[3]

According to Kleiman and Pauly (2019), While some nations have broadened the range of disputes that may be resolved by arbitration, others have relegated such questions to the exclusive jurisdiction of the courts to maintain state control. Arbitral awards might be hard to enforce due to the world's increasing diversity. For instance, even if an award is made by an arbitral tribunal seated in a nation that recognises arbitration of intellectual property issues, the judgement may not be accepted in a country that does not.[4]

When deciding cases, courts everywhere apply a restricted definition of public policy, focusing on measures that prevent "grave injustice." Approaches to enforcing international arbitration awards based on public policy grounds vary across jurisdictions. For instance, in the case *"Mabuhay Holdings Corporation v. Sembcorp Logistics Limited"*[5] in the Philippines, the court adopted a narrow interpretation,

restricting non-enforcement to scenarios that violate basic morality and fairness. In contrast, Singapore equates public policy for both domestic and foreign awards when considering setting aside an arbitral award. Moreover, Article 44 of Brunei Darussalam's Constitution (2009) allows rejecting foreign awards as contrary to public policy or involving non-arbitrable disputes. Meanwhile, Indonesia's Arbitration Law (1999) sets a distinct threshold - refusing enforcement only for awards that violate "public order" under the New York Convention.

The arbitrability of IP disputes also differs due to public policy concerns in some countries. There is an argument that since IP rights are creations of public law under national statutes rather than private contracts, related conflicts may not be suitable for private arbitration procedures. For instance, in Germany, only the Federal Patent Court can rule on patent invalidity while infringement cases can go to arbitration. Overall, interpreting violations of public order and which IP matters have adequate arbitrability remains varied across jurisdictions. Achieving harmony requires balancing public regulatory interests with the flexibility of private dispute resolution mechanisms.

In the United States, in *"Ballard Medical Products v. Earl Wright"* ***[6]***, "the Court of Appeals cautioned that arbitrators, though they consider public policy in doing their job, are not roving patent offices that can pass upon the validity of patents." The court further elaborated that in the event the arbitrators had rendered a determination of patent invalidity, it is conceivable that one of the involved parties could have initiated a motion seeking to nullify the arbitral decision on grounds of arbitrator overreach. Additionally, an alternative perspective contends that certain intellectual property rights (IPR) conflicts are amenable to arbitration. *In "Booz Allen Hamilton v SBI Home Finance"* ***[7]***, the Indian Supreme Court stated "that all disputes amenable to judicial resolution might be settled by an arbitral panel. However, arbitration cannot be used to resolve disputes involving crimes. It is important to remember that infringement proceedings can either be brought as a criminal procedure if the defendant is suspected of breaking the penal laws of the State or as a civil case if the claimant is seeking monetary damages or a restraining order."

Role of WIPO Arbitration and Mediation Center in IPR Disputes

In September 1993, The WIPO ("World Intellectual Property Organization") General Assembly passed a resolution to establish the WIPO Arbitration Center, currently known as the "WIPO Arbitration and Mediation Center", with unanimous support. The Centre's services include arbitration and mediation for private parties involved in intellectual property issues. The Center also handles unique administrative procedures for settling disagreements related to domain name registrations. The Center was established to link two fields that have witnessed rapid development in recent years but have done so independently of one another. Specifically, they are the fields of arbitration (or alternative dispute resolution; "ADR") and intellectual property (IP). Both the number of arbitration hearings and the number of entities conducting them have increased significantly. Furthermore, in certain countries, like the United States of America, new kinds of ADR processes have emerged beyond traditional arbitration and mediation. These include customised variants of classical arbitration, mini-trials, and other combinations of procedures.

There are now more opportunities to employ ADR as a result of the rising usage of international protection for intellectual property. With more rights comes a greater

likelihood of disputes arising over those rights. The parties involved in negotiating licences and other contractual agreements often focus more on the positive outcomes of the negotiations than the fallout that may occur if the business arrangement fails. However, contractual measures aimed at the expedient resolution of potential conflicts have not always kept up with the changes in the field of arbitration. Furthermore, the existence of a plethora of national and regional rights covering the same subject matter underlines the necessity for conflict resolution methods which avoid recourse to multiple national court actions. When two international parties are at odds with one another, it may be necessary for them to use alternative conflict resolution mechanisms that are not tied to the judicial system of either of their home countries.

Advantage of ADR in IPR Disputes

With the right arbitration agreement in place, the parties may be able to devise more creative solutions than would be available in a court of law. But these fixes can still be blocked by authorities if they violate public policy. If the parties still agree to give the arbitrator the power to award any remedy, the judgement may not be enforceable.

Arbitrating intellectual property disputes is crucial for maintaining confidentiality, but in some countries like India, arbitration of in rem rights or third-party interests is legally prohibited. This presents a dilemma between private confidentiality interests and public policy concerns about transparency of dispute outcomes. Arbitrators in India can rule on patent infringements, but their decisions can be challenged in courts if they violate statutory norms or public policy principles. To balance confidentiality benefits with public access needs, jurisdictions strive to facilitate confidential resolution mechanisms for suitable disputes while retaining transparency for conflicts with larger economic and social stakes. This balance between private arbitration and public regulation mandates remains challenging.[8] Problems with maintaining the privacy of intellectual property disputes that have wide-ranging public implications can be mitigated by passing laws mandating at least some of the processes to be made public. The protocol mandates submission of any arbitral judgment concerning the validity, infringement, and interference of patents to the U.S. Patent and Trademark Office. The enforceability of the verdict is contingent upon notification to the prevailing party. In Switzerland, arbitral judgments pertaining to intellectual property are recorded by the same authority responsible for patent issuance and maintenance. Such judgments may be officially documented if accompanied by a certificate of enforceability from the Swiss court or arbitral tribunal as per Article 193 of the Swiss Private International Law Act. These provisions underscore the potential for well-crafted Indian intellectual property legislation to facilitate increased and enhanced arbitration proceedings while safeguarding the confidentiality of the involved parties and upholding the broader public interest.

Arbitration in Copyright Disputes

Copyright disputes in India encompass a wide range of issues, including infringement, licensing agreements, and ownership disputes. Arbitration in copyright disputes offers several advantages over traditional litigation. Firstly, it provides parties with the flexibility to choose arbitrators with expertise in copyright law, ensuring a more informed decision-making process. Additionally, arbitration proceedings are private,

thereby maintaining confidentiality, which is particularly beneficial for parties seeking to protect sensitive intellectual property information. Moreover, arbitration tends to be faster and more cost-effective than litigation, allowing parties to resolve disputes in a timely manner without the delays associated with court proceedings.

Arbitration in Patent Disputes

Patent disputes often intertwine complex technical and legal nuances, necessitating a nuanced approach for resolution. Arbitration emerges as a compelling alternative, offering specialized expertise and procedural flexibility. In India, the Arbitration and Conciliation Act, 1996, forms the legal scaffold for arbitration proceedings, providing a conducive environment for resolving patent disputes efficiently. This discourse delves into the merits of arbitration in patent disputes within the Indian context, elucidating its benefits, procedural aspects, and the role of arbitrators with technical acumen.

Patent disputes, characterized by their intricate blend of technical and legal complexities, demand a specialized approach for resolution. Arbitration, with its capacity to accommodate technical expertise, emerges as a pragmatic choice. Arbitrators with technical backgrounds possess the requisite understanding of patent law and technology, facilitating informed decision-making. Their ability to decipher technical intricacies enhances the credibility and efficacy of arbitration proceedings.

Furthermore, arbitration offers parties the latitude to customize the dispute resolution mechanism according to their unique requirements. Whether through expert determination, mediation, or binding arbitration, parties can choose the most expedient route to resolution. This flexibility not only expedites the dispute resolution process but also mitigates disruptions to business operations, fostering a conducive environment for innovation and commercial activities.

Advantages of Arbitration in Patent Disputes

1. Technical Expertise: Arbitrators with technical backgrounds possess the requisite knowledge to decipher complex patent issues, ensuring accurate interpretation and application of patent law.
2. Confidentiality: Arbitration proceedings can be conducted in a confidential manner, safeguarding sensitive information and trade secrets, which is particularly crucial in patent disputes.
3. Efficiency: The streamlined nature of arbitration proceedings enables swift resolution of disputes, thereby minimizing costs and time expended in protracted litigation.
4. Flexibility: Parties have the autonomy to customize the arbitration process to suit their specific needs, including selecting arbitrators, determining procedural rules, and choosing the mode of dispute resolution.
5. Enforcement: Arbitral awards are enforceable under the Arbitration and Conciliation Act, 1996, providing parties with a robust mechanism for enforcing decisions.

Arbitration Procedure in Patent Disputes

The arbitration process in patent disputes typically follows a structured trajectory, encompassing several key stages:

1. Agreement to Arbitrate: Parties enter into a binding arbitration agreement, delineating the scope of the dispute, choice of arbitrators, and procedural rules.

2. Appointment of Arbitrators: Arbitrators are appointed based on their technical expertise and impartiality, ensuring a fair and informed adjudication process.
3. Preliminary Hearing: A preliminary hearing is conducted to delineate procedural matters, including timelines, exchange of evidence, and expert witness testimony.
4. Submission of Evidence: Parties submit evidence, including technical documents, expert reports, and witness testimony, to support their respective claims.
5. Arbitral Decision: Arbitrators render a decision based on the merits of the case, taking into account both legal principles and technical considerations.
6. Enforcement of Award: The arbitral award is enforceable under the provisions of the Arbitration and Conciliation Act, 1996, providing parties with a mechanism for enforcing the decision.

Arbitration in Trademark Disputes

Trademark disputes in India are a common occurrence, arising from various issues such as infringement, passing off, and opposition proceedings. In navigating these conflicts, arbitration emerges as a vital alternative dispute resolution mechanism, offering a platform for parties to efficiently and effectively resolve their differences. Unlike traditional litigation, arbitration presents distinctive advantages tailored to the complexities of trademark disputes.

One of the primary advantages of arbitration in trademark conflicts is the flexibility it offers in the selection of arbitrators. Parties have the autonomy to choose arbitrators who possess specialized expertise in trademark law and industry-specific knowledge. This pivotal aspect ensures that decisions are rendered by individuals well-versed in the nuances of trademark protection and enforcement. By selecting arbitrators with relevant experience, parties can benefit from informed adjudication and nuanced understanding, thereby enhancing the quality and reliability of the dispute resolution process.

Moreover, arbitration proceedings offer a degree of informality not typically found in traditional litigation settings. This informality fosters an environment conducive to productive discussions and collaborative problem-solving. Parties are encouraged to engage in open dialogue, explore innovative solutions, and work towards mutually acceptable outcomes. The absence of strict procedural formalities allows for a more flexible and adaptive approach, enabling parties to tailor the process to suit their specific needs and preferences.

Additionally, arbitration offers a level of confidentiality that may be desirable for parties involved in sensitive trademark disputes. Unlike court proceedings, which are generally conducted in public and entail a high level of transparency, arbitration provides a confidential forum where proceedings and outcomes can be kept private. This confidentiality safeguard can be particularly valuable for businesses seeking to protect proprietary information, trade secrets, and brand reputation.

Furthermore, arbitration proceedings are often more expeditious than traditional litigation, offering parties a timely resolution to their disputes. The streamlined nature of arbitration, coupled with the ability to schedule hearings at mutually convenient times, helps expedite the resolution process. This efficiency is particularly

advantageous in the context of trademark disputes, where prompt action may be necessary to mitigate potential harm to brand integrity and market position.

Another key benefit of arbitration in trademark conflicts is the potential for cost savings. While litigation can be prohibitively expensive due to lengthy court proceedings, extensive legal fees, and associated expenses, arbitration offers a more cost-effective alternative. By avoiding the protracted timelines and procedural complexities inherent in litigation, parties can minimize legal costs and allocate resources more efficiently. Moreover, the ability to tailor the arbitration process to suit the specific needs and budgetary constraints of the parties further enhances cost-effectiveness.

Arbitration also provides parties with greater control and autonomy over the dispute resolution process. Unlike litigation, where procedural rules and courtroom protocols are dictated by the court, arbitration allows parties to customize the process according to their preferences and priorities. From selecting arbitrators to determining the procedural rules and timelines, parties have the freedom to shape the arbitration proceedings to best serve their interests. This empowerment fosters a sense of ownership and investment in the resolution process, enhancing the likelihood of a satisfactory outcome for all parties involved.

Conclusion

An epitome for a conclusion would be to resonate the words eloquently stated by Abraham Lincoln, that *"part of the role of an attorney is to persuade your neighbors to compromise whenever you can. Point out to them how the nominal litigant winner is often a real loser-in fee, expenses and waste of time".* Many lawyers who specialize in intellectual property and their clients do not now view ADR as a viable option for settling conflicts. Alternative dispute resolution mechanisms are still relatively new in the realm of intellectual property in India, but they should be employed more often. While arbitration as a means to resolve IP issues has numerous advantages, it also has many detractors. Arbitration in intellectual property is often criticized for not being effective at discouraging infringing behavior or fostering an ethical work environment since its decisions are solely enforceable between the parties involved. In the event of multinational contracts, parties often avoid arbitration due to concerns over jurisdiction and the difficulty of locating impartial arbitrators. The impact of a counterclaim or revocation defence in situations of infringement must also be considered. In light of the fact that such reliefs are in rem, the parties would be required to submit their dispute to the proper venue. One might deduce that IP dispute arbitrability in India is a fledgling plan in need of legal backing and an appropriate framework for effective execution. It is possible to deduce that IP issues are arbitrable based on current court judgements, but there is still a long way to go.

Judicial analysis of arbitration in copyright, patent, and trademark disputes in India reveals a nuanced approach by the courts towards alternative dispute resolution mechanisms in intellectual property (IP) matters. In copyright disputes, courts have consistently upheld the validity and enforceability of arbitration clauses, emphasizing the importance of adhering to contractual agreements. Cases such as M/s. Super Cassettes Industries Ltd. v. M/s. Music Broadcast Pvt. Ltd. have underscored the courts' inclination towards enforcing arbitration agreements in copyright licensing contracts. Furthermore, courts have interpreted arbitration clauses broadly, recognizing

arbitration as a viable forum for resolving a variety of copyright-related issues, including licensing disputes, infringement claims, and ownership controversies.

In the realm of patent disputes, Indian courts have placed a premium on the technical expertise of arbitrators. Decisions such as Sundaram Clayton Ltd. v. Damodar Valley Corporation highlight the significance of selecting arbitrators with a strong understanding of patent law and technology. This emphasis on technical qualifications aims to ensure that arbitration proceedings in patent disputes are conducted fairly and that decisions are well-informed. Additionally, courts have intervened in patent arbitration proceedings to uphold public policy considerations, particularly in cases where patents are granted against the public interest or involve matters of national importance.

[1] Manupatra. "Articles – Manupatra." *Articles – Manupatra*, www.articles.manupatra.com/article-details/Alternative-Dispute-Resolution-Mechanisms-In-The-Intellectual-Property-Regime (last visited on June 12, 2024).

[2] "Are IP Disputes Arbitrable in India? And to What Extent? - Arbitration and Dispute Resolution - India." 12 Apr. 2018, *available at:* www.mondaq.com/india/arbitration-dispute-resolution/ (last visited on June 12, 2024).

[3] Dr Anu Mutneja, Dr. Arti and. "Alternative Disputes Resolution and Intellectual Property Rights: Indian Perspective - International Journal of Law Management and Humanities." *International Journal of Law Management & Humanities*, 13 June 2021, *available at:* www.ijlmh.com/paper/alternative-disputes-resolution-and-intellectual-property-rights-indian-perspective/ (last visited on June 12, 2024).

[4] "Are IP Disputes Arbitrable in India? And to What Extent?", *available at:* www.khuranaandkhurana.com/2018/04/02/are-ip-disputes-arbitrable-in-india-and-to-what-extent/#_ftn2 (last visited on June 12, 2024).

[5] G.R. No. 212734, Dec. 5, 2018.

[6] 821 F.2d 642 (Fed. Cir. 1987).

[7] AIR 2011 SUPREME COURT 2507.

[8] "Are IP Disputes Arbitrable in India? And to What Extent? - Arbitration and Dispute Resolution - India." 12 Apr. 2018, *available at:* www.mondaq.com/india/arbitration-dispute-resolution/ (last visited June 12, 2024)