Arbitrability of Intellectual Property Disputes with Special Reference to Copyright

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ABSTRACT:

The paper describes the recent statutory and judicial developments as regards the arbitrability of IPR agreements and particularly over Copyright licensing. It shows the thrust of the state judiciary has been to allow for the progressive growth of arbitration in the area of contractual obligations (as rights in personam) and so to give a fillip to the rights of the parties to invoke arbitral jurisdiction through the express provision of an arbitration clause in the agreements inter se. Similarly, in the realm of patent infringement, arbitration has emerged as a favored tool of the rights holder to protect his legitimate interest with a greater degree of confidentiality and expediency than expensive courtroom litigation. However, the Apex court has yet to render a definitive verdict on the matter.

Keywords: IPR, Copyright, Patent, Arbitration.

I. INTRODUCTION

Inaction Given the globalization of the Indian Economy as well as the increased prominence and development of digital technology, in the present scenario, intellectual property, and its associated rights have acquired greater prominence as well as utility. Insofar as the dispute resolution is concerned, arbitration as machinery is applicable as well as quickly replacing the traditional adversarial litigation as the primary resolution machinery. This is largely due to the expense and the temporal excesses of the latter;thus, parties are increasingly towards arbitral proceedings. Initially, prior to the year 2002, there was no trend of using arbitration as a method of dispute resolution in the Indian regime. Majorly the cases were settled by way of court litigation in which the grant of the interim injunction would determine the final outcome. Very few cases were settled this way. Others would just vanish before the trial. The factors that brought about changes to this regime were made by way of changes made to the IPR laws on account of TRIPS and the Code of Civil Procedure. With section 89 of the CPC coming into force the courts were now given a discretion that if the elements of arbitration, conciliation or mediation or settlement could suit to the case at hand then the court can on its own motion refer the disputes to such legal recourse as per the procedure laid down in the said section.

II. RISE OF ADR MACHINERY VIS-À-VIS IPR RIGHTS

The key enablers may be briefly stated as follows:

- The acceleration effect
- The digitalization effect

- The complexity effect
- The multi-jurisdictional effect
- The trademark and private standards

The acceleration effect

As stated before the combined effect of the rapid advance of digital technology as well as a liberalized and globalized economy has given impetus to innovation and creative endeavor, as such IP rights also come into existence commensurately. The sheer volume of IP proliferating the market necessitates quicker and more flexible modes of dispute resolution.

The digitalization effect

Digitalization also presents the problem of reducing the cost of imitation of the product of innovation to virtually zero. Hence without adequate protection, it threatens to strip the innovator of all benefits associated with his creation leading to loss of incentive to innovate in the market.

The complexity effect

The expense associated with litigation relating to IP infringement poses a significant barrier to entry to those who are to be protected as well as draining temporal resources.

The multi-jurisdictional effect

Globalization has opened the flood-gates to cross-jurisdictional contracts. Thus the question of jurisdiction is persistent in IP contracts as the rights accrued spill across various countries.

The trademarks and private standards effect

Assurance gives to the customers in respect of the products they purchase has also played into the larger impact of globalization. The use of a trademark is to inform the purchaser about the source of the product, as such there lie implicit and presumptive assurances about the quality of the product, trademark infringement has proliferated in recent times, however.

III. APPLICABILITY UNDER SPECIFIC TYPES OF IP

Copyright and software disputes

A copyright dispute usually involves the issue of whether or not the infringing part has actually infringed the copyright. The issue revolves around the fulcrum of unlawful copies of, or derivation of own and original work from the protected property. As such the case typically requires the weighing of evidence as regards the

infringing parties access to the protected property and the extent of similarity between the particular instantiations of the original copyrighted work and the infringing parties variant.

Such cases usually arise in settings which lack exactitude such as where the author of a book alleges infringement on the part of a movie, of his book. The details as to the name and setting etc. may be different or the issue would be fairly straight ford to resolve. However, these cases are not particularly technical and are restricted in their scope and complexity. This is because the test applied is one of the "ordinary observer" as such no extensive discovery or technical expertise is usually required. Thus, though these cases come within the ambit of ADR they are not necessarily more suitable to such mode of resolution as compared to traditional commercial disputes. However, continued confidentiality and access to the arbitrators with a trained and technical background would become attractive in disputes of a technical nature particularly so where confidentiality is valued such as disputes regarding computer software. Arbitration provides the opportunity for far greater protection of trade secrets and other proprietary or sensitive information during the procedure itself. Unlike a trial in the traditional justice system, arbitration allows the parties to determine for themselves the degree to which such information will be made publicly available.

Landmark Case Law in India

Originally the most authoritative case on the matter in the state Judiciary – in the case of *Munidipharma AG vs. Wockhardt Ltd*.' (1990)[1] - ousted arbitral jurisdiction over civil remedies for infringement, making it the sole domain of the court of competent jurisdiction. The parties could not voluntarily refer the matter to arbitration through a notice of motion under section 8 of the arbitration act invoking the arbitral clause in the agreement between the parties.

However more recently, the Bombay high court has held that issue involving copyright infringement that arises out of any agreement between parties are subject to arbitration provided that the arbitration clause provides for the same. The court while allowing the matter for arbitration, noted that section 62 of the copyright act, 1957 does not oust the jurisdiction of an arbitral panel[2]. Justice Gautam Patel allowed the Notice of Motion under Section 8 of the Arbitration Act, 1996 and held that the disputes were arbitrable as arising out of contractual obligations. His reasoning was as follows:

(i) The resolution of copyright disputes by an arbitral tribunal does not take away or exclude the remedies available to a claimant (para 14).

[1]Mundipharma AG v. Wockhardt Ltd., (1991) ILR 1 Delhi 606.
[2]ros International Media Limited v. Telemax Links India Pvt. Ltd. and Ors, 2016 (6) BomCR 321.

(ii) As between two claimants to a copyright or a trademark in either infringement or passing off action, that action and that remedy can only ever be an action "in personam". It is never an action "in rem". Copyright actions are actions "in personam". (Para 17).

(iii) Holding otherwise would "result in widespread confusion and mayhem in commercial transactions". The Learned Judge didn't think that "the world of domestic and international commerce is prepared for the apocalyptic thermonuclear devastation" that would follow holding otherwise.[3]

These findings were reiterated and relied upon in subsequent cases.[4]

Apex Court Unclear

The stance of the Apex court on the matter is unclear. It has stated in - *Booz Allen Hamilton vs. SBI Home Finance Ltd (2012)* – that rights in rem are not subject to arbitral jurisdiction whereas rights in personam are, the court did not dilate on rights arising out of contractual disputes between the parties. The case dealt with statutory remedies to be granted exclusively by civil courts vested with authority for the purpose by the statute and therefore it is hard to say what applicability it might have on rights in personam as seen arising out of contracts between the parties invariance. [5]

Case law – A WIPO software trademark arbitration [6]

A North American software developer had registered a trademark for communication software in the United States and Canada. A manufacturer of computer hardware based elsewhere registered an almost identical mark for computer hardware in a number of Asian countries. Both parties had been engaged in legal proceedings in various jurisdictions concerning the registration and use of their marks. Each party had effectively prevented the other from registering or using its mark in the jurisdictions in which it holds prior rights. The parties entered into a co-existence agreement which contains a WIPO arbitration clause. When the North American company tried to register its trademark in an Asian country, the application was refused on account of possible confusion with the prior mark held by the other party. The former requested the latter to undertake efforts to facilitate the same however when such request was denied it initiated arbitral proceedings. In an interim award, the sole arbitrator gave effect to the consensual solution suggested by the parties, which provided for the granting by the hardware manufacturer of a license on appropriate terms to the North American company, including an obligation to provide periodic reports to the other party.

[3]Umakanth Varottil, arbitrability of copyright disputes, https://indiacorplaw.in/2016/05/arbitrability-of-copyright-disputes.html (accessed 07/09/19)
[4]Deepak Thorat v. Vidli Restaurant Limited, 2017 SCC OnLine Bom 7704.
[5]Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd. and Ors, AIR 2011 SC 2507.
[6]"Case example",Http//www.wipo.int/amc/en/arbitration/case-example.html, (accessed 07/09/19)

Commercial patent disputes

Patent disputes, on the other hand, are eminently serviceable through the medium of ADR particularly Arbitration given that often they involve complex technological issues. For instance, an arbitrator voluntarily selected by the parties may be better suited to handle the technicalities of the case than the traditional courts. Usually, to decide upon such issues the decision-maker must examine closely the technical aspects of the patent to ascertain the patent's validity and subsequent infringement. Personnel trained in the art and science of "high technology" serve as prudent decision-makers and offer a significant advantage.Further, cases which present a level playing field amplify the advantages mentioned above. It provides an opportunity to discover an acceptable middle ground apart from affording the possibility of determining mutually the time and effort and intrusion involved in the process.Finally, the expense involved in the process can be restrained as opposed to exorbitant legal fees charged by traditional patent litigators.

Case law – A WIPO patent license arbitration[7]

A French pharmaceutical research and development company licensed know-how and patented pharmaceuticals to another French company. The license agreement includes an arbitration clause that provides that any dispute will be resolved under the WIPO arbitration rules by an arbitral tribunal consisting of three members in accordance with French Law. Faced with the licensee's apparent refusal to pay the license fee, the R&D Company initiated arbitration proceedings.

IV. TRADEMARK LITIGATION V. ARBITRATION

The matter in the case of trademark infringement is a little trickier and murkier. The Bombay High Court has rendered a decision – in the case of *Steel Authority of India Limited (SAIL) vs. SKS Ispat and Power Limited*' (2016)[8]- in the favor of Courtroom litigation by dismissing a notice for motion filed under section 8 of the arbitration act relying upon the arbitration clause in the agreement between the parties. However, in this case the court held that the rights under the agreement were a right in rem and therefore not subject to arbitral jurisdiction. [9] This echoes the judicial sentiment in the aforementioned copyright case of 1990 - *Munidipharma AG vs. Wockhardt Ltd*.' (1990).[10]

V. ADVANTAGES ASSOCIATED WITH ADR IN IP

There is a great multitude of advantages that ADR particularly arbitration confers:

[7] Ibid.
[8]Notice of Motion (L) No. 2097 of 2014 in Suit No. 673 of 2014, decided on 21st November 2014.
[9]*Steel Authority of India Limited (SAIL) vs. SKS Ispat and Power Limited' (2016)*
[10]Mundipharma AG v. Wockhardt Ltd., (1991) ILR 1 Delhi 606

- A single procedure: the parties can agree to resolve the dispute in a single procedure, protected across jurisdictions, thereby avoiding the risk and complexity of multi-jurisdictional litigation.
- Party autonomy: the parties enjoy, given that the process is private, greater control over their dispute and its resolution that they would in the traditional court. They themselves may select the most appropriate decision-maker and preserve confidentiality etc.
- Neutrality: ADR can sidestep any home-court advantage by being neutral to the Law, language or culture of both the parties.
- Confidentiality: ADR proceedings are private allowing for greater confidentiality.
- The finality of awards: arbitral awards are not normally subject to appeals whereas court decisions are usually amenable to one or two rounds of appeal.
- Enforceability of awards: The United Nations Convention for the recognition and enforcement of foreign arbitral awards of 1958, known as the New York Convention, provides for the recognition of arbitral awards on par with domestic court judgments without review on merits. This greatly facilitates the enforcement of awards across borders.