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Arbitrability of IP Disputes in India: The Conundrum of Exclusion by Necessary Implication and Right in Rem

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ABSTRACT

Intellectual Property (hereinafter referred to as IP) has been regarded as an invaluable asset in the current commercialized economy and holds an indispensable place in commercial contracts. With a parallel boost in consequential IP litigation and the unfortunate stumbling blocks that the conventional judicial system in India faces, arbitration is recognized as an expedient and relatively efficient mode of dispute resolution in IP matters, owing to its adversarial yet party friendly approach. However, the conundrum is centered on the arbitrability of IP disputes which is hit by the enigma of IP disputes being a complex blend of rights in rem and personam, with the former being established as non- arbitrable and capable of being adjudicated only by the public fora. In addition, certain subject matters, though involving questions of private rights, are non-arbitrable owing to their implied statutory exclusion from the ambit of arbitration. This article exhaustively discusses the aforementioned impediments to arbitration of IP disputes in India and how a pro- arbitration stance in IP matters is a sine qua non of the current economic transition towards a commercialized society.

Keywords: *Arbitrability, Intellectual Property, Right in Rem and Personam, Implied Exclusion, Public Policy, Vidya Drolia*

I. INTRODUCTION

In the current knowledge based economy, there has been an expeditious growth and development in the protection of intellectual property rights, now called "digital assets", owing to the rapid digitalization.[2] In consequence, there is a proportionate escalation in the high value, commercial intellectual property (hereinafter IP) disputes, the infringement of which has been resulting in serious, dreadful consequences. The conventional judicial

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[2] 'Digital Assets' have been defined as "*those goods and services capable of being created, transformed, copies, disseminated or stored in a digital form and transmitted through the Internet*". Marcos J. Basso and Adriana C. K. Vianna, *Intellectual Property Rights and the Digital Era: Argentina and Brazil*, 34 U. MIAMI INTER-AM. L. REV., 277, 278 (2003).

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resolution mechanism for IP enforcement in India, though in place since the very inception of the recognized statutory protection, suffers from its own drawbacks.

A silver lining had flickered with the inevitable rise in resolution of disputes through alternative dispute resolution mechanisms, precisely arbitration, a private adversarial alternative to litigation.[3] However, in testing the competency of disputes capable of being adjudicated by a private tribunal, primarily characterized by party autonomy, the arbitrability enigma inches in.[4] The arbitrability of IP disputes in the Indian legal system has been highly contentious, attributable to the legal impediments vis-à-vis the inapplicability of the Arbitration and Conciliation Act, 1996, firstly, to those matters that ought not to be submitted to arbitration by virtue of any law time being in force[5] and next, to those which entail an action in *rem* and are best suited if decided by a public fora i.e. courts[6] or those matters which, though right in *personam*, are reserved for adjudication by a public forum.[7]

Keeping this conundrum of exclusion of arbitration by necessary implication and the dichotomy between right in *rem* and *personam*, the researcher shall seek to analyse the applicability and effectiveness of arbitration in IP Disputes in India through a critical analysis of the failings of the Indian courts which has empowered a need of arbitration in IP matters (Chapter II), followed by a preliminary understanding of the impediments to objective arbitrability in IP disputes (Chapter III), through a jurisprudential perspective with elementary emphasis on arbitrability of IP disputes as a subset of right in *rem* (Chapter IV), followed by construing the specific IP statutes to interpret the phraseology and intention of the legislature in conferring jurisdiction upon certain courts for adjudication of disputes (Chapter V), with an aim of inferring informed suggestions, on discussing the normative justification for permitting arbitrability of one of the highly litigated commercial disputes, for reducing the judicial uncertainty on the long drawn stumper on arbitrability of IP disputes.

II. NEED OF ARBITRATION IN IP DISPUTES IN INDIA

The Indian IP law recognizes the rights of the owners of these intangible assets as "statutory monopoly"[8] and vests in them the exclusive right of exploitation of the protected subject

[3] Department of Justice, Canada, *Dispute Resolution Reference Guide* (2017) https://www.justice.gc.ca/eng/rp-pr/csj-sjc/dprs-sprd/res/drrg-mrrc/06.html

[4]Vishakha Choudhary, *Arbitrability of IPR Disputes in India: 34(2)(b) or Not to Be*, KLUWER ARBITRATION BLOG (2019) http://arbitrationblog.kluwerarbitration.com/2019/08/15/arbitrability-of-ipr-disputes-in-india-342b-or-not-to-be/?print=print%5C&doing_wp_cron=1596561431.7946269512176513671875

[5] *See* Arbitration and Conciliation Act 1996 §2(3).

[6] *See* Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd., AIR 2011 SC 2507 [hereinafter Booz Allen].

[7] Sai Anukaran, *Scope of Arbitrability of Disputes from the Indian Perspective*, 14(1) ASIAN INT. ARBITR. J., 71 (2018).

[8]Saniya Mirani, Mihika Poddar, *Arbitrability of IP Disputes in India- A Blanket Bar?*, KLUWER ARBITRATION

matter. For an effective enforcement of these rights, the specific statutes governing each IP bestow remedies in the nature of civil, criminal, administrative, provisional or border measures, in addition to the common law remedies. As has been observed, along with a stringent protection and enforcement provisions in place, an efficient mechanism in resolving the disputes and effectuating the rights and remedies is a requisite for efficaciously upholding the IP rights.[9]

The pitiful condition of the Indian judiciary is no hidden fact. The heavy pendency, high costs, unreasonable delays, jurisdictional issues in the instance of a cross border or International Commercial Arbitration, lack of technical expertise, and most importantly, preserving confidentiality in IP matters specifically, has lamented the conventional resolution mechanisms and paved way for the upswing of arbitration as a homogenous, adversarial alternate.[10]

Arbitration in the recent times has gained momentum in the resolution of commercial disputes owing to its voluntary, party friendly characteristic, along with the informality it beholds, which consequently thwarts unreasonable delays and expenses, and preserves the marketability of the protected products which could have been hampered by the delays.[11] This has made it an appealing recourse for international companies and has also stimulated foreign direct investment into the economy.[12]

In the current times of globalization, IPR is no more a domestic matter but spans multi-jurisdictionally and thereby holds the vices of international dispute resolution like, simultaneous suits on a specific dispute before more than one court globally, elongated deliberations on the maintainability and jurisdictional aspects, each nation having varied laws and thus probable inconsistent orders on the same dispute, multiplied costs of litigation, among others. Owing to its party autonomy dogma,[13] the parties to an arbitration are free to agree on the place of arbitration failing which the arbitrator could work it out,[14] with finality

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BLOG (2019) http://arbitrationblog.kluwerarbitration.com/2019/03/09/arbitrability-of-ip-disputes-in-india-a-blanket-bar/?doing_wp_cron=1598695112.1946020126342773437500

[9] *Why Arbitration in Intellectual Property?* WIPO (Sept. 8, 2020, 6:49PM) https://www.wipo.int/amc/en/arbitration/why-is-arb.html>

[10] *Id.*

[11] Ankur Singhal, Vasavi Janak Khatri, *Recent Developments Concerning Arbitrability of IPR Disputes in India: A Need for Reform*, INDIAN LAW REVIEW (2020).

[12] Andrew Myburgh Jordi Paniagua, *Does International Commercial Arbitration Promote Foreign Direct Investment?* 59 (3) J.L. & ECON (2016).

[13] Mia Louise Livingstone, *Party Autonomy in International Commercial Arbitration: Popular Fallacy or Proven Fact?* 25(5) J. INT'L ARB. 529 529 (2008).

[14] UNCITRAL Model Law of International Commercial Arbitration art.20 §1; Arbitration and Conciliation Act 1996 §20(2).

afforded to an arbitral award,[15] thereupon making it the best suited mode.

Resorting to arbitration in matters with complex technicalities, in the cases of prior use of patents, idea expression dichotomy in copyright, and the like, has a leverage over litigation for in the former, the parties are free to appoint an adjudicator with the necessary expertise. Thereafter, with trade secrets and undisclosed information ruling businesses globally, the public fora is not the most suited recourse vis-à-vis the easy accessibility of the proceedings and decree to the public at large,[16] which could have everlasting impacts on the concerned businesses. Nonetheless, arbitration ensures privacy and also upholds strict confidentiality.[17] Since the Indian courts have propagated delivery of a judgment in IP disputes within 4 months of filing the suit,[18] with day to day hearing, this aggregates arbitration into the ultimate, expedient mode of resolving IP disputes, specifically in patent matters since the grant of patent is for a short- lived period of just 20 years and history is evidence to the tendency of the Indian judiciary to litigate a matter for a decade or more.

Despite the edge that arbitration holds, the lack of Indian statutory provisions in the Arbitration and Conciliation Act 1996 and the specific IP statutes as well, mandating arbitration for IPR disputes, is a stumbling block. Thus, the meat of the matter remains the arbitrability of IP disputes, which will exhaustively be discussed through the course of this research.

III. PREDICAMENT OF OBJECTIVE ARBITRABILITY

The concept of arbitrability has not been defined expressly either in India or globally.[19] However, it was observed to mean different things in different contexts.[20] In context of the Arbitration and Conciliation Act, 1996, it at no instance makes any mention of arbitrability nor does it enlist non- arbitrable subject matters.[21] The only implicit reference can be inferred from the definition of "arbitration agreement" wherein the Act imparts a positive phrasing i.e. any matter involving a legal relationship, whether contractual or not, if submitted to arbitration, is deemed to be amenable to arbitration.[22] It is essential to delve into the depths and intricacies of arbitrability because the Act thwarts amenability of disputes to arbitration

[15]Joseph P. Zammit and Jamie Hu, Arbitrating International Intellectual Property Disputes, DRJ (Sept. 18, 2020 9:37PM) http://arbitrationlaw.com/files/articles/aaa_arbitrating_international_intellectual_property_disputes.pdf
[16] Swapnil Tripathi v. Supreme Court of India, AIR 2018 SC 4806.
[17] *ADR Advantages*, WIPO (Sept. 10, 2020, 9:01AM) https://www.wipo.int/amc/en/center/advantages.html.
[18] Bajaj Auto Ltd. v. TVS Motor Co. Ltd., MANU/SC/1632/2009.
[19] General Assembly, U.N. Commission on International Trade Law, Report of the United Nations Commission on International Trade Law on the work of its thirty-second session, A/54/17; Supp. No.17 (1999).
[20] Booz Allen.
[21] Tanya Choudhary, *Arbitrability of Competition Law Disputes in India* 4(2) IJAL 69 70 (2016).
[22] Arbitration and Conciliation Act 1996 § 7.

which are ousted by the laws time being in force.[23] Moreover, non- arbitrability also plays a critical role in quashing of arbitral awards[24] and affects the enforcement of awards.[25]

In an attempt to lay the ongoing dispute at rest, the Apex Court in the landmark *Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd.*[26] observed that actions in *rem* were precluded from the scope of arbitration. *Per contra*, rights in *personam* were held to be amenable to arbitration, for they do not affect the rights of third parties who are not privy to the agreement. The Court further elaborated on the question of arbitrability by observing that over and above the dispute complying with the aforementioned benchmark, keeping in view the public policy concerns, the *sine qua non* of any exclusion, either express or by necessary implication, of the arbitral tribunal and reservation of the said matter for adjudication by the courts or special tribunals out to be paid heed to while determining arbitrability.[27]

Despite the clarity that the court offered in the *Booz Allen* judgment on the rather undiscussed aspect of arbitrability, IPR is much more complex to fit into this broad distinction, owing to its minute intricacies in light of the intertwining of the right in *rem* and *personam*. In an attempt to crystalize the law on arbitrability of IP Disputes in the absence of statutory mandates or authoritative judicial pronouncements, the author shall revisit a few prominent yet inconsistent judgments in an attempt to comprehend the ambit of differentiation between actions in *rem* and *personam* in the first section of the article, and the conclusive stance on ousting of arbitration by necessary implication in the interest of public order in the second section of the article.

IV. ARE IP DISPUTES ACTIONS IN *REM* OR *PERSONAM*?

The Apex Court has at numerous instances regarded the general concept of 'property', including intangible, as involving a right in *rem*[28] and in plainly following the Booz Allen ratio, a claim in the nature of a right in *rem* would be inarbitrable. However, on an in- depth analysis, it is evident that IP disputes are more intricate than being generic rights in *rem*. There has also been a well- reasoned contention on the untenable character of the Booz Allen test owing to its generic spirit, lack of reliance on the nature of relief claimed, and the facts that the court itself observed that the same as not a hard and fast rule to be complied with.[29] It

[23] Arbitration and Conciliation Act 1996 § 2(3).
[24] Arbitration and Conciliation Act 1996 § 34(2)(b).
[25] Arbitration and Conciliation Act 1996 § 48(2).
[26] Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd., AIR 2011 SC 2507.
[27] Booz Allen ¶ 35.
[28] Vikas Sales Corporation v. Commissioner of Commercial Tax, (1996) 4 SCC 433.
[29] Sai Anukaran, *Scope of Arbitrability of Disputes from the Indian Perspective*, 14(1) ASIAN INT. ARBITR. J., 71, 81(2018).

also observed that "*This is not however a rigid or inflexible rule. Disputes relating to subordinate rights in personam arising from rights in rem have always been considered to be arbitrable*"[30] and this clarification by the court drew more certainty on the dichotomy in question.

(A) Judicial Interpretation

On the same lines of the *Booz Allen* judgment, the Bombay High Court in *Eros International Media Ltd. v. Telemax Links India Pvt. Ltd.*[31] clearly upheld that subordinate rights, contractual in nature, flowing from the real IP rights as bestowed by the State, are amenable to arbitration for two reasons. Firstly, the claim of an infringement of an IP is clearly a right in *personam* for it relates to the parties in question with no effect whatsoever on any third party, despite flowing from a State- given right.[32] Next, the nature of reliefs sought in the case could be decreed by a private tribunal since nothing barred such disposal.[33]

Similarly, the High Courts have upheld the arbitration of IP disputes subject to any absolute bar[34] and also permitted arbitration in matters claiming specific performance of a contract since they are plain contractual rights and there is nothing in the Specific Relief Act, 1963 or the Arbitration and Conciliation Act barring such reference to arbitration.[35] Conferment of jurisdiction on courts to grant specific performance cannot *ispo facto* oust the jurisdiction of an arbitrator.[36]

However, on the other end, the courts have also outrightly denied the arbitrability of IP Disputes. The Apex Court, though in its obiter in *A. Ayyasamy v. A Paramasiwan*[37], quoting OP Malhotra,[38] nonetheless enlisted "patent, trademarks and copyright" as non- arbitrable.[39] However, the Madras High Court in *Lifestyle Equities CV v. QDseatoman Design Pvt. Ltd.*[40], while referring to the *Ayyasamy* judgment, rightly buttressed on the section emphasizing on non- arbitrability of IP disputes as "a mere extract from a book" and that it does not affirm a

[30] *Id.* ¶ 38.
[31] Eros International Media Ltd. v. Telemax Links India Pvt. Ltd., (2016) 6 Bom CR 321 [hereinafter Eros v. Telemax].
[32] *Id.* ¶ 17.
[33] *Id.* ¶ 18.
[34] Ministry of Sound International v. Indus Renaissance Partners Entertainment (P) Ltd., (2009) 156 DLT 406 (Del).
[35] Olympus Superstructures Pvt. Ltd. v. Meena Vijay Khetan, AIR 1999 SC 2102; Lakshmi Narain v. Raghbir Singh, AIR 1956 P&H 249; Fertiliser Corporation of India vs. Chemical Construction Corporation, ILR 1974 Bom 856.
[36] Keventer Agro Ltd. v. Seegram Company Ltd., Apo 498 of (1997) & Apo 449 of (401) (dated 27.1.98).
[37] A. Ayyasamy v. A. Paramasivam, (2016) 10 SCC 386.
[38] O.P. MALHOTRA, INDUA MALHOTRA, THE LAW AND PRACTICE OF ARBITRATION AND CONCILIATION (3ed. Thomas Reuters 2014).
[39] A. Ayyasamy v. A. Paramasivam, (2016) 10 SCC 386, ¶ 14.
[40] Lifestyle Equities CV v. Qdseatoman Designs Pvt. Ltd., 2018 SCC OnLine SC 638

conclusive position.[41] Similarly, the Bombay High Court in *Steel Authority of India v. SKS Ispat and Power Ltd.*[42] had also abstained from referring a dispute comprising of a relief for infringement and passing off of trademarks for the reason that by their very nature, they cannot be adjudicated by a private fora.

Owing to the conflicting opinions, the enigma additionally also extends to cases where a private contractual dispute with respect to an infringement of an IP or a license agreement arises and in the course of the proceedings, a claim in *rem* on the very validity of the IP in question is raised as a defence against such transgression. In such a case, could the matter be put through arbitral proceedings by turning a blind eye to the public policy concerns? Or ought the matter be referred and adjudicated upon by the courts entirely? To promote a pro-arbitration stance, it becomes imperative to resolve the said enigma.

(B) Arbitration Framework in Foreign Jurisdictions: With Emphasis on Singapore

Reference may be drawn to the system in Singapore, one such South Asian country that stands out with an impeccable international arbitration framework which is also supportive of by its courts.[43] In light of the above enigma, the Singaporean laws on arbitration viz. the Singapore Arbitration Act 2002[44] and the International Arbitration Act 2002[45] were very recently amended by the Intellectual Property (Dispute Resolution) Act 2019 and through the introduction of a chapter titled "Arbitrations Relating to Intellectual Property Rights",[46] the scope of arbitrability of IPR disputes was afforded utmost clarity on all public policy issues, with a pro- arbitration stance.

Primarily, all IPR disputes, including those relating to "dispute over the enforceability, infringement, subsistence, validity, ownership, scope, duration or any other aspect of an IPR"[47], were incorporated as being arbitrable.[48] Moreover, the Acts also provided that a mere conferment of jurisdiction to a specific entity, including a court, tribunal or administrative officer amongst others,[49] or the absence of express possibility of settlement by an arbitrator in a statute would not bar the arbitrability of IP matters.[50]Consequently, the public policy

[41] *Id.* ¶ 5s.
[42] Steel Authority of India v. SKS Ispat and Power Ltd., 2014 SCC OnLine Bom 4875.
[43]Michael Pryles, *Singapore: The Hub of Arbitration in Asia*, SIAC (Sept. 15, 2020, 10:30AM) https://www.siac.org.sg/2013-09-18-01-57-20/2013-09-22-00-27-02/articles/198-singapore-the-hub-of-arbitration-in-asia
[44]Arbitration Act 2002, https://sso.agc.gov.sg/Act/AA2001.
[45] International Arbitration Act 1994, https://sso.agc.gov.sg/Act/IAA1994?ValidDate=20191121.
[46] Arbitration Act 2002, Part IXA; International Arbitration Act 2002, Part IIA.
[47] *See* Arbitration Act 2002, § 52A (3); International Arbitration Act 2002, § 26A (4).
[48] *See* Arbitration Act 2002, § 52B (1); International Arbitration Act 2002, § 26B (1).
[49] *See* Arbitration Act 2002, § 52B (4); International Arbitration Act 2002, § 26B (4).
[50] *See* Arbitration Act 2002, § 52B (3); International Arbitration Act 2002, § 26B (3).

concern of permitting all IP disputes to be amenable to arbitration was renormalized by barring *erga omnes* effect of such arbitral awards and limiting their finality as between the parties to the agreement only.[51]

Concurrent changes were also brought to the specific IP statutes for facilitation of such resolution.[52] Similarly, other jurisdictions like the United States,[53] Switzerland,[54] Canada,[55] on one hand, and United Kingdom,[56] Australia,[57] on the other, have permitted the arbitrability of IP disputes with the former adopting a widely non- restrictive approach by permitting arbitration to test the 'validity' of the IP, however, the latter limited to an *inter partes* effect of the revocation of a valid IP.[58] Thus, this purposive approach could be a guiding light in the embryonic Indian context.

V. EXCLUSION OF IP DISPUTES BY NECESSARY IMPLICATION

The landmark *Booz Allen* judgment articulates yet another yardstick for determining arbitrability. As a general rule, all commercial or civil matters, capable on adjudication by the courts, can be resolved by arbitration unless such adjudication has been excluded expressly by a statute or by necessary exclusion in light of public policy.[59]

Having analysed the dichotomy of arbitrability in the context of rights in *rem* and *personam* in the previous section, with an assured and incontestable inference of enforceable arbitrability of actions in *personam*, the bend in the road on the confirmed arbitrability of actions in *personam* comes with a statute that endows in it public policy concerns and thereby excludes the application of the Arbitration and Conciliation Act by necessary implication, even in matters of private nature. The Bombay High Court reiterated the said principle and observed that, *"*The test would be whether adjudication of such disputes is reserved by the legislature exclusively for public fora as a matter of public policy. Because even an action-in-personam, if reserved for resolution by a public fora as a matter of public policy would

[51] *See* Arbitration Act 2002, § 52C; International Arbitration Act 2002, § 26C.
[52]*See* Intellectual Property (Dispute Resolution) Act 2019, https://sso.agc.gov.sg/Acts-Supp/23-2019/Published/20190911?DocDate=20190911.
[53] *See* 35 U.S.C. § 294(a), (c).
[54] *See* Fincantieri - Cantieri Navali Italiani SpA and Oto Melara S.p.A. v. M. and Tribunal arbitral (ATF 118 II 353 et seq.) (1992).
[55] *See* Desputeaux v. Editions Chouette, (1987) Inc., [2003] 1 SCR 178 (Canada).
[56] *See* Roussel-Uclaf v. Searle & Co., [1978] 1 Lloyds Rep. 225.
[57] *See* Federal Court of Australia Act, 1976, § 53A.
[58] Robert Briner, *The Arbitrability of Intellectual Property Disputes With Particular Emphasis On The Situation In Switzerland,* WORLDWIDE FORUM ON THE ARBITRATION OF INTELLECTUAL PROPERTY DISPUTES (Sept. 18, 2020, 6:49PM) https://www.wipo.int/amc/en/events/conferences/1994/briner.html
[59] Booz Allen, ¶ 35.

become non-arbitrable."[60]

Thus, the question that currently lies is whether arbitrability of IP disputes is excluded by the specific statutes regulating the IP framework in India?

(A) Vidya Drolia v. Durga Trade Corporation: The Yardstick for Determining Implied Exclusion?

In furtherance, the author shall heavily rely on the judgment of the Apex Court in *Vidya Drolia v. Durga Trade Corporation*[61] to analyse the interpretation of the scheme of the IP statutes. The matter at hand centres on a tenancy dispute and whether the Transfer of Property Act, 1882 is indicative of public policy concerns. In analyzing the same, the court refers to *Vimal Kishor Shah v. Jayesh Dinesh Shah*[62] wherein the "examination of the remedies and the scheme of a particular Act"[63] was indicative of a prerequisite test for adjudging exclusion by necessary implication. It furthers the test in deliberating arbitrability on a three- fold aspect: firstly, whether there is a special act which creates special rights and provides for their determination; secondly, whether issues relating to such special rights ought to be resolved by the special tribunal so constituted; and thirdly, if the remedies prescribed are those which are related to matters decided by civil courts.[64]

To elucidate further, in light of the test followed in *Vidya Drolia*, we firstly ought to understand the intention of the legislators behind the remedial and jurisdictional provisions of the aforementioned Acts, through a literal interpretation of the working of the provisions, as a rudimentary rule of construction.[65] The Indian Trusts Act shall be rudimentarily analysed since the court appraised it as an "excellent instance" to comprehend implied exclusion.[66] A reference was made to certain quintessential provisions of the said statue which bestow upon the Civil Court paramount powers, Section 34 to begin with, which provides for the option of the trustee to apply "to a principal Civil Court of original jurisdiction" for advice or direction on question of management of trust property. Similarly, Sections 46, 49, 53, 74 of the Act provide for the significance of the role of the principal Civil Court, and these highly cardinal powers and duties can in no circumstance be vested upon a private adjudicatory authority in consideration of public policy. Moreover, if the terminology of the said provisions is observed, it is *prima facie* evident that not all or any civil courts have been provided the due

[60] Kingfisher Airlines Ltd. v. Prithvi Malhotra Instructor, [2013] (7) Bom CR 738, ¶ 13.
[61] Vidya Drolia v. Durga Trade Corporation, 2019 SCC OnLine SC 358.
[62] Vimal Kishor Shah v. Jayesh Dinesh Shah, (2016) 8 SCC 788 [hereinafter Vimal Kishor].
[63] Vimal Kishor, ¶ 49.
[64] *Id.*
[65] HH Sri Rama Verma v. CIT, 1991 Sup. 1 SCC 209.
[66] Vidya Drolia, ¶ 26.

jurisdiction but it is only a single court that is the competent authority. Thus, it is indisputable that there is an exclusion of arbitration by necessary exclusion in the Indian Trusts Act.

Equally, while contrasting the scheme of the Transfer of Property Act and other state tenancy statutes, the question on arbitrability of disputes under the Bombay Rents Act, 1947 arose in *Natraj Studios (P) Ltd. v. Navrang Studios*[67] wherein arbitration agreements weren't recognized by law[68] since Section 28 of the Act vested exclusive jurisdiction on Court of Small Causes or Court of Civil Judge, wherein "*no other Court* shall have jurisdiction to entertain any such suit, proceeding or application or to deal with such claim or question."[69] [emphasis applied]. This provision goes to the extent of ousting the jurisdiction of any other public fora itself, thereby there being no scope of how an arbitrator, a private authority, would in any circumstance be vested with the power to adjudicate the dispute. On the other hand, it was observed in the *Vidya Drolia* case that there is nothing in the Transfer of Property Act that negates arbitrability.

Thus, the Court in *Vidya Drolia* inferred that in conclusively determining implied exclusion of arbitrability, the statute has to be considered as a whole and on analysing Sections 111, 114 and 114A of the Transfer of Property Act for they were contended as being indicative of public policy, the court held that the Transfer of Property Act does not satisfy the threefold conditions for a tenancy dispute to be arbitrable since it is not a special statute, it is not indicative of public policy for it does not specifically protect the interest of tenants as a class under Sections 111, 114 and 114A, and on the question of conferring jurisdiction on specified courts, the court deduced that since there was nothing in the Act to exclude the jurisdiction of the arbitrator, the tenancy dispute in question could be amenable to arbitration.[70]

Therefore, this decision has clearly articulated the conceptual distinction between statutes ousting arbitration by necessary implication and otherwise, setting a definite yardstick for the upcoming cases concerning arbitrability of disputes, by an extensive analysis of disputes concerning the Trust Act, Specific Relief Act, special tenancy statutes and the Transfer of Property Act.

(B) Common Genesis of TPA and IP Laws: Interpreting IP Laws to Determine Implied Exclusion

Having analysed the ratio of the *Vidya Drolia* case, it becomes pertinent to understand how

[67] Natraj Studios (P) Ltd. v. Navrang Studios, (1981) 1 SCC 523.
[68] *Id.* ¶ 17.
[69] The Bombay Rents, Hotel and Lodging House Rates Control Act 1947, § 28(1)(b).
[70] Vidya Drolia, ¶ 21.

the subject matter there is related to arbitrability of IP disputes in the current research. The statute in question in the *Vidya Drolia* judgment was the Transfer of Property Act and the courts have time and again correlated and indicated similarities between the said Act governing tangible property and the intellectual property laws by observing that,

"*It is a mistake, I think, to see these so-called 'intellectual property' statutes as relating to rights that stand wholly apart from the general body of law. These are special rights to be sure, but they are, at their heart, a species of property and share much with their more tangible cousins to whom acts such as the Sale of Goods Act or the Transfer of Property Act apply... I see no material distinction between in this regard between being the owner of land and the proprietor of a mark.*"[71]

Since the common genesis of the Transfer of Property Act and IP laws is now established, it is *prima facie* conclusive that there ought to be nothing in the IP laws to oust arbitration, like had been the case in the Transfer of Property Act. However, to conclusively answer the same, a brief analysis of certain IP statutes will hereby be conducted in light of the conceptual distinction drawn in the *Vidya Drolia* judgment vis-à-vis the Indian Trust Act, Transfer of Property Act and other tenancy legislations. The IP Acts for the present research shall be limited to Copyright Act 1957, Trade Marks Act 1999 and Patent Acts 1970.

When contrasted with the aforementioned statutes, Section 104 of the Patents Act, in a negative phraseology, provides that no suit for declaration as to non- infringement, infringement or claiming relief against groundless threats of infringement "*shall* be instituted in any *court inferior to a district court having jurisdiction to try the suit.*" [emphasis applied]. Equally, Section 134 of the Trade Marks Act provides that no suit for infringement or passing off "*shall* be instituted in any *court inferior to a District Court having jurisdiction to try the suit*." [emphasis applied]. Section 104 and 134 bar the jurisdiction of courts lower than that of the District Court. This at the outset does not exclusively vest the jurisdiction on the District Court but attempts at maintaining a judicial hierarchy in which such a case ought to be filed. The same shall be elucidated after analyzing the jurisdictional clause of the Copyright Act.

Section 62 (1) of the Copyright Act 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*." [emphasis applied]. On a bare reading, the usage of the term "shall" implies a mandate on the party to institute the suit before the aforementioned court only, in

[71] Eros v. Telemax, ¶ 15.

lines of the ratio in the *Vimal Kishor* case on the construction of implied exclusion of the Indian Trusts Act. However, the courts have held that the usage of the term "shall" shall not always mean "mandatory" but is to be construed in light of the intention of the legislature, and settled principles, so that the object of the statute is not frustrated,[72] and can be interpreted as being discretionary. Thus, when two interpretations of a provision are viable, the court ought to adopt such interpretation that "advances the remedy and suppresses the mischief as the legislative intent."[73] Moreover, as already discussed, such conferment of power on a civil court does not by itself exclude the authority of other forums, unless there is a public concern involved, thus advocating arbitrability all in all.

(C) Judicial Interpretation

To critically analyse the same, it is pertinent to refer to the judicial interpretation on the said issue which is again divided on the interpretation of the jurisdictional clauses of the IP statutes *vis-à-vis* Section 2(3) of the Arbitration Act.

The Delhi High Court in *Mundipharma AG v. Wockhardt Ltd.*[74] subtly observed that since Section 62 of the Copyright Act, 1957 expressly provided for any civil suit under the said Chapter, encompassing the grant of remedies for infringement, to be instituted before the "district court having jurisdiction", a petition claiming such remedies for infringement would thus not be a subject matter of arbitration because it can only be filed in courts not below such district courts having jurisdictions.[75] Following the strict interpretation adopted by the Delhi High Court, the Bombay High Court in *Indian Performing Rights Society v. Entertainment Networks*[76] relied on the said judgment and upheld Section 62(1) to be a mandatory provision for institution of civil proceedings before courts only, not lower than the concerned district court.[77]

On the flip side of the coin, the judgment of the Andhra Pradesh High Court, *Impact Metals Ltd. v. MSR India Ltd.*[78] is acclaimed for rightly holding that Section 62 of the Copyright Act does not intend an express bar as required under Section 2(3) of the Arbitration and Conciliation Act.

Thus, for conclusively determining an absolute ousting of arbitration, it is imperative to *prima facie* adjudge whether a statute, by virtue of its object and broad scheme, intends to

[72] Sarla Goel v. Kishan Chand, (2009) 7 SCC 658.
[73] New India Sugar Mills Ltd. v. Commissioner of Sales Tax, AIR 1963 SC 1207.
[74] Mundipharma AG v. Wockhardt Ltd., 1990 SCC OnLine Del 269.
[75] *Id.* ¶ 14.
[76] Indian Performing Rights Society v. Entertainment Networks, 2016 SCC OnLine Bom 5893.
[77] *Id.* ¶ 122.
[78] Impact Metals Ltd. v. MSR India Ltd., (2016) 6 ALT 263 (DB).

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imbibe in it public policy concerns[79].

The Bombay High Court in *Eros v. Telemax* purported an avant- garde approach of interpreting Section 62 of the Copyright Act and Section 134 of the Trade Mark Act as,

"*What Sections 62 of the Copyright Act, 1957 and the Trade Marks Act, 1999 seem to do, I believe, is to define the entry level of such actions in our judicial hierarchy. They confer no exclusivity and it is not possible from such sections, common to many statutes, to infer the ouster of an entire statute. These sections do not themselves define arbitrability or non-arbitrability. For that, we must have regard to the nature of the claim that is made.*"[80]

The judgment rightly concludes that these Sections do not confer any exclusivity or oust the jurisdiction of the Tribunal and observes that the statutory remedy provided under the said Acts is not taken away or excluded, rather another forum is chosen and approached for ease of enforcing the same remedy.[81] However, the said provisions in question, as have been deemed to be analogous, though in the context of territorial jurisdiction, ought to be purposively interpreted[82] so as to effectuate the subject, that is the material of the statute, and the object, that is the intent of the legislature, and not frustrate the legislative policy.[83] Owing to the high pendency of cases, the subject of the statute viz. enforcing rights of the IP holders against unauthorized use, and the object of the legislature viz. protecting the labour, skills and hardwork put into creation of such intangible, intellectual rights, with the Apex Court encouraging expedited trial,[84] should not be restrictively interpreted to exclude the jurisdiction of the arbitrator as this would do grave violence to the scheme of the statute.

VI. CONCLUSION

On having exhaustively discussed the conundrum of arbitrability of IP disputes, it can primarily be deduced that any matter, other than those based on public policy and real rights, or those that have been excluded expressly by the courts, should not be considered as inarbitrable, for that would frustrate the very purpose of IP laws and the Arbitration Act. The question of exclusion by necessary implications has brought in a lot of unnecessary confusion and ambiguity in decisions of concurrent benches. On scrutinizing the high inconsistency in the decisions on the matters of arbitrability, it indicates at the outset that the judges of courts

[79] Kingfisher Airlines Ltd. v. Capt. Prithvi Malhotra Instructor, (2013) 1 AIR Bom R 255, ¶ 13.
[80] Eros v Telemax, ¶ 14, 15.
[81] Eros v Telemax, ¶ 14.
[82] Pepsico Inc. v. M/S. Sagarnil Enterprise, 2016 SCC OnLine Del 6493.
[83] Ambica Quarry Workers v. State of Gujarat, AIR 1987 SC 1073; Kameshwar Singh Srivastava v. IVth Addl. District Judge, Lucknow, (1987) 1 ARC 94.
[84] Bajaj Auto Ltd. v. TVS Motor Co. Ltd., MANU/SC/1632/2009.

lower to the Apex Court are not well- versed or have not broadened their notions on the concept for arbitrability.

A law holds good only when it fits into its dynamic character and changes with changing times. The notion of IP rights as sovereign grants has in the recent times developed to more of a commercial transaction, with majority of commercial documents and transaction routinely dealing with IP disputes. With the Courts burdened with huge pendency, there would be no harm in letting a private adversarial adjudicator adjudicate on matters concerning private contractual or legal disputes, as is protected by Section 7 of the Arbitration Act. Moreover, on a conjoint reading of Section 2(1)(f) of the Arbitration Act, which defines International Commercial Arbitration and encompasses in it any matter considered as commercial under the law time being in force, and Section 2 (c) (xvii) of the *Commercial Courts, Commercial Division and Commercial Appellate Division of the High Courts Acts, 2015 which enlists intellectual property while defining a commercial dispute, intellectual property matters are clearly commercial disputes and thereby arbitrable. In addition, Section 10 of the Commercial Courts Act hints towards arbitration of commercial disputes, thereby including IP matters.*

In this era of globalization and commercialization, a pressing priority is a belated deliberation by the legislature or conclusive determination of arbitrability of varied matters by the Apex Court, which though seem to involve public policy concerns at the outset but indeed have been more so involving rights in *personam*, with a contractual reference to arbitration. Thus, it is high time the judiciary endorses a pro- arbitration stance and stops short circuiting the Arbitration Act in one matter after the other since anything that the civil court can do, the arbitrator can unless expressly barred or against public policy.[85]

SUGGESTIONS

In furtherance of the aforementioned analysis, the high variability in the decisions of the courts is evidently devastating the edifice of a conclusive position on the research issue. Keeping in view the limited scope of this research, it is safe to suggest that primarily, to put a halt to this conundrum once and for all, it is for the legislature or the judiciary to instantaneously deliberate and assess the most suited alternative to the aforementioned impediments on the intertwining of real rights and their subordinate rights, and the dilemma of exclusion of arbitrability.

In light of the current economic transition towards a commercialized society, an originalistic

[85] Eros v. Telemax, ¶ 18.

approach would be shortsighted. As a rudimentary rule of interpretation, if the language of any law is clear and unambiguous, such language ought to be construed literally, without adding or subtracting anything therefrom.[86] As has been repeatedly observed here above, on an unabridged reading of the statutes concerned, there is nothing in the Indian statutory framework that *litera scripts* bars arbitrability of IP disputes and such silence can in no circumstance amount to a negation of the arbitrability proposition.[87] The scheme of the statutes in question presses for a contextual and purposive interpretation, in lines of the Singaporean model that exquisitely balances public policy and the boons of an expedited, private adjudication. This model is a perfect balance between the extremist liberal approach of the US and Switzerland jurisdiction, and the extensively restricted interpretation of public policy in India. Correspondingly, the Indian jurisprudence can harmonize the exigency of an efficient dispute resolution mechanism, in light of its overburdened judiciary, with its *public odre* touchstone through a similar, comprehensive amendment to its Arbitration Act so as to incorporate the subject matter of intellectual property and to the jurisdictional clauses of IP statutes so as to pull out the ambiguity of resorting to arbitration and permit the same to further the legislative scheme.

Per contra, in absence of a legislative action, the onus is upon the activist, Hon'ble Supreme Court to equitably and purposively construe the provisions and either enlist disputes that are arbitrable or set a conclusive yardstick, like attempted in the *Vidya Drolia* case which has been referred to an Hon'ble larger bench, to assuredly determining the arbitrability of disputes interwoven in real rights and their subordinate variations or those that disguise themselves as being exclusively limited to the specific authority as prescribed by the statute. A glimmer of hope awaits the decision in the *Vidya Drolia* reference.

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[86] State of Haryana v. Bhajan Lal, 1992 Sup. (1) SCC 335.
[87] KS Paripoornam v. State of Kerala, (1994) 5 SCC 593.