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ARBITRABILITY OF INTELLECTUAL PROPERTY DISPUTES IN INDIA: A CRITIQUE

*Badrinath Srinivasan**

Arbitration is increasingly becoming the default commercial dispute resolution mechanism across the world. Recognising this, many States are reserving lesser classes of disputes for resolution in courts and are enlarging the scope of arbitrable disputes. One such class of disputes is those concerning intellectual property (IP) rights. In India, the shift has not been taking place in a linear fashion. This paper surveys the law on the topic, explores the non-linear movement towards a liberalized arbitrability regime of IPR disputes, and critically evaluates the law on the subject.

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I. INTRODUCTION

Intellectual property includes patents, trademarks, copyright, designs, geographical indications, plant varieties, semiconductor layouts, etc. Intellectual property law protects intangible property, that is, the product of creation by the mind. A notable aspect of many of the species of intellectual property is that the holder of the intellectual property discloses it to the public in exchange for monopoly rights over the intellectual property for a specific time. The monopoly rights include the right to assign or licence the right to another person. At the end of the monopoly period, the right ceases and the property is open to the public for use. Of course, some species of intellectual property do not conform to some or many of these characteristics. Some are not purely creations of mind but perform other significant roles such as identifiers of brand, quality, etc., and deserve protection from the State as they are useful to public.

The basis for protection of such property has a direct implication on the arbitrability of disputes concerning such property. Generally, arbitration is a private and confidential dispute resolution mechanism. On the contrary, the grant of monopoly rights by the state and protection thereto are not purely private matters and the authorities are expected to act in a transparent and open fashion. Whether disputes arising from the grant of protection to intellectual property could be resolved through the private and confidential process of arbitration is questionable. Nevertheless, questions have arisen whether disputes regarding exercise of some of the disputes, especially those relating to licensing or assignment of IP rights, could be arbitrated. Now that arbitration has become the default dispute resolution mechanism in the commercial world, many States are beginning to reserve lesser classes of disputes for resolution in courts and are enlarging the scope of arbitrable disputes. Disputes under the intellectual property law in many jurisdictions,

especially those traditionally regarded as economically developed, have also been subjected to this phenomenon.¹

This paper surveys the law in India on the topic,² explores whether there has been a movement towards a liberalised arbitrability regime of intellectual property law disputes in India and, if so, to what extent.³ It then puts forth two arguments: *First*, there is no reason why arbitrability of IP disputes should not be in *parimateria* with arbitrability standards relating to real property. *Second*, the world is moving towards the liberalisation of arbitrability of intellectual property disputes. However, the existing arbitrability regime of IP disputes in India is stifling the smooth resolution of commercial disputes, and is way behind many advanced economies. If India aspires to become an economic powerhouse and a hub of international arbitration, the courts have to liberalise the arbitrability of IP disputes.

The paper proceeds as follows: Part II provides a descriptive comment on the law of arbitrability of IP disputes in India. In this regard, cases concerning the issue of arbitrability are analysed descriptively in a chronological order. Such a perspective is important considering that it gives us a broad picture of how courts have handled the issue relating to arbitrability of IP disputes in India. Part III discusses the position in various jurisdictions and critically evaluates the non-arbitrability doctrine in its application to IP disputes in India. Part IV concludes by arguing that India's aspirations for becoming a hub of international arbitration would be possible only if its regime on IP arbitration is liberalised.

II. ARBITRABILITY OF IP DISPUTES IN INDIA

A. What is Arbitrability?

It is important, at the outset, to clarify what arbitrability as referred to in this paper means. Arbitrability in its widest import has been referred to mean the following: (i) The capability of a dispute being resolved through arbitration according to the laws of a state; (ii) The capability of a dispute being resolved through arbitration according to the agreement between the

¹ See, Part III of this paper.

² The paper is based on the law prevailing as on 14 April 2020.

³ For a survey on the Indian law on the subject, see, Kshama A Loya and Gowree Gokhale, 'Arbitrability of Intellectual Property Disputes: A Perspective from India' (2019) 14 *Journal of Intellectual Property Law & Practice* 632-641; Utkarsh Srivastava, 'Putting the Jig Saw Pieces Together: An Analysis of the Arbitrability of Intellectual Property Right Disputes in India' (2017) 33 *Arbitration International* 631-646.

parties; and (iii) The capability of a dispute being resolved through arbitration in view of the reference by the parties to arbitration.⁴ In the first sense, States reserve certain matters for resolution through courts or other specific for a and such matters cannot be resolved through arbitration. Even though a dispute may be arbitrable, the parties may have excluded such dispute from the scope of the arbitration agreement. For instance, parties may specifically exclude an issue relating to liquidated damages from being referred to arbitration. Thus, the second facet of arbitrability tests whether a dispute could be resolved through arbitration in light of the agreement between the parties. In the third sense, arbitrability is tested on whether the parties had actually referred a dispute to arbitration, even though it is covered by the arbitration agreement. This paper mainly concerns itself with arbitrability as used in the first sense.

Section 2(3) of the Arbitration and Conciliation Act 1996 (“Arbitration Act” or “1996 Act”) provides that Part I of the 1996 Act shall not affect any other law for the time being in force by which certain disputes may not be submitted to arbitration. Section 34(2)(b)(i) of the 1996 Act allows setting aside of an arbitral award on the ground that the subject matter of the dispute is not capable of settlement by arbitration under the law in force. Under Part II of the 1996 Act, non-arbitrability is a ground for refusing enforcement of foreign arbitral awards.⁵

Most of the disputes that are non-arbitrable have been so declared by courts.⁶ Very few disputes have been expressly barred by statutes from arbitration. The law regarding non-arbitrability has been analysed in depth by the Supreme Court of India in *Booz Allen and Hamilton Inc. v SBI Home Finance Ltd.*⁷ and the decision holds the field on the issue.

B. Booz Allen and Hamilton Inc. v SBI Home Finance Ltd.

In *Booz Allen*, the Supreme Court recognised as a matter of principle that any dispute that could be decided by a civil court could also be resolved through arbitration but added a caveat that the legislature has, expressly or impliedly, reserved certain categories of disputes from being arbitrated. Such categories, according to the Supreme Court, were actions *in rem* as opposed

⁴ See, *Booz Allen and Hamilton Inc. v SBI Home Finance Ltd.*, (2011) 5 SCC 532, para 34, where the Supreme Court listed out the three facets of arbitrability.

⁵ See, sections 48(2)(a) and 57(1)(b) of the 1996 Act.

⁶ See, *Booz Allen and Hamilton Inc. v SBI Home Finance Ltd.*, (2011) 5 SCC 532, para 36.

⁷ (2011) 5 SCC 532.

to actions *in personam*. Since actions *in rem* determined rights not only as between the parties to the action, but also against the world itself, including any other person claiming an interest in the subject-matter, the Supreme Court held that such actions could not be arbitrated. On the other hand, actions *in personam* were actions pertaining to rights and interests of the parties between themselves and therefore the court was of the view that such actions could be arbitrated.

Historically, the distinction between *in rem* and *in personam* actions is intimately connected to the nature of jurisdiction that a court exercises.⁸ In the case of actions *in rem*, the jurisdiction is possessed by the court in whose jurisdiction the property or the *res* rests. In respect of actions *in personam*, the jurisdiction is generally where the defendant is domiciled or where the cause of action arose. Further, this distinction has been maintained over centuries under the rubric of tangible property. As a result, the distinction between actions *in rem* and *in personam* presents fundamental classification challenges in respect of actions with regard to enforcing intellectual property rights, which are intangible.⁹ The situation is complicated since jurisdictions in respect of intellectual property rights are regarded as *sui generis* and differ, at times, vastly, in comparison with tangible property.¹⁰

The crucial aspect determinative of arbitrability is the nature of judgment sought by the aggrieved. If the judgment would affect the world at large, then such a judgment is a judgment *in rem* and is not arbitrable. But if the judgment sought would determine the rights of persons, a dispute seeking such a judgment would be arbitrable. For instance, proceedings initiated by a member of the public before the Registrar against patenting a purported invention calls for a judgment as regards grant of monopoly rights over the thing (or process) sought to be patented to the exclusion of world at large. Therefore, what is sought in essence is a judgment *in rem*, although the dispute is between two persons- the applicant and the party opposing the grant of patent. It is this critical distinction that would determine the arbitrability of a dispute seeking a judgment relating to an intellectual property right.¹¹

⁸ WW Buckland and Arnold D McNair, *Roman Law and Common Law: A Comparison in Outline* (1965) 89.

⁹ See, Part II of the Paper.

¹⁰ However, for certain purposes, intellectual property is regarded as intangible property.

¹¹ Booz Allen recognises the arbitrability of another species of rights: subordinate rights *in personam* arising out of rights *in rem*: "38. Generally and traditionally all disputes relating to rights *in personam* are considered to be amenable to arbitration; and all disputes relating to rights *in rem* are required to be adjudicated by courts and public tribunals, being unsuited for private arbitration. 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."

C. Sukanya Holdings (P) Ltd. v Jayesh H. Pandya

*Sukanya Holdings (P) Ltd. v Jayesh H. Pandya*¹² has far-reaching consequences on the arbitrability doctrine. The Supreme Court held in the case that a suit in which an application under Section 8 of the 1996 Act has been filed should be a “matter” in respect of which the parties have agreed to refer to arbitration. In respect of disputes that were either outside the scope of the arbitration agreement or between persons who were not parties to the arbitration agreement, Section 8 would, according to the court, not apply. The court clarified that as regards disputes that were partly-arbitrable, bifurcation of the cause of action was not permitted under the law. This implies that IR disputes cannot be referred to arbitration if a part of the subject matter or some (including one) of the parties to the dispute are not parties to the arbitration agreement.¹³

Sukanya Holdings was recently considered by the Supreme Court in *Ameet Lalchand Shah v Rishabh Enterprises*,¹⁴ in the context of the recent amendments to Section 8 of the 1996 Act. The court took note of the 2015 amendments to the 1996 Act and held that ‘party’ in the amended Section 8 was clarified to include persons claiming through or under such party also.¹⁵

Rarely have IP statutes declared disputes as non-arbitrable. The law on the issue has been explicated by judicial decisions. Historically, issues regarding arbitrability of IPR seem to have been raised as independent grounds in the late 1980s. Courts have clearly held that disputes regarding the validity of intellectual property rights are not arbitrable.¹⁶ However, the issue as to whether rights relating to licensing of intellectual property rights can be arbitrated has remained unanswered decisively, although courts have leaned in favour of arbitrability of these disputes.¹⁷

Booz Allen holds the field as regards arbitrability of disputes. Most decisions employ the tests propounded in *Booz Allen* to decide whether a dispute is arbitrable. Often, a dispute is not just about the arbitrary classification of

¹² (2003) 5 SCC 531; AIR 2003 SC 2252.

¹³ See, Part III of this paper.

¹⁴ (2018) 15 SCC 678.

¹⁵ See also, *Chloro Controls India(P) Ltd. v Severn Trent Water Purification Inc.*, (2013) 1 SCC 641; *Reckitt Benckiser (India) (P) Ltd. v Reynders Label Printing India (P) Ltd.*, (2019) 7 SCC 62. See also, *Mahanagar Telephone Nigam Ltd. v Canara Bank*, 2019 SCC OnLine SC 995, which considers the applicability of arbitration agreement to non-signatories where they are an affiliate of a party to the arbitration agreement.

¹⁶ See, for instance, *Lifestyle Equities CV v QD Seatoman Designs (P) Ltd.*, MANU/TN/3292/2017, para 5(t); 2017 SCC OnLine Mad 7055.

¹⁷ *Lifestyle Equities CV v QD Seatoman Designs (P) Ltd.*, MANU/TN/3292/2017, para 5(p); 2017 SCC OnLine Mad 7055.

whether it is an IP dispute or a contractual dispute, etc., but it is about the relief claimed by the plaintiff. Whether the relief claimed can be granted by an arbitral tribunal has been dealt with in *Sukanya Holdings* and it still holds the field. The remaining portion of this part discusses how courts have decided issues relating to arbitrability of IP disputes.

D. Mundipharma AG v Wockhardt Ltd.

*Mundipharma AG v Wockhardt Ltd.*¹⁸ is one of the earliest cases on the arbitrability of IPR and requires close analysis. Section 20 of the Arbitration Act 1940 provided for reference of disputes in a suit to arbitration if there was an arbitration agreement between the parties. Mundipharma AG and Wockhardt Ltd entered into an agreement for licensing of technology. The agreement contained clauses relating to arbitration and confidentiality and provided that during the currency of the agreement and three years thereafter, Wockhardt would not compete with Mundipharma AG. Disputes arose and Mundipharma sought interim relief restraining Wockhardt from infringement of copyright over packaging, breach of confidentiality and breach of license agreement. Mundipharma wanted these disputes to be referred to arbitration. The court held that infringement of copyright and the remedies therefor such as damages or injunction cannot be made a subject matter of arbitration.¹⁹

However, the court did not give detailed reasons as to why the position is so nor did it cite precedents in support of its conclusion on non-arbitrability. Non-arbitrability of IP disputes was taken as a given.

E. Angath Arts (P) Ltd. v Century Communications Ltd.

In *Angath Arts (P) Ltd. v Century Communications Ltd.*,²⁰ the Bombay High Court did not discuss the issue of arbitrability of IPR disputes since no argument was raised to that effect. Nevertheless, the case is notable because the matter was referred to arbitration. The dispute was between the assignor and assignee of rights in a film. The assignor and the assignee had entered into an agreement which afforded joint ownership of the copyright in the negative of the film. The assignee was free under the agreement to exploit the copyright by entering into agreements with others, provided the assignor

¹⁸ 1990 SCC OnLine Del 269; ILR (1991) 1 Del 606.

¹⁹ 1990 SCC OnLine Del 269; ILR (1991) 1 Del 606, para 14. The court dismissed the petition on the ground of non-arbitrability and also on various other grounds.

²⁰ 2008 SCC OnLine Bom 475; (2008) 3 Arb LR 197.

was made a confirming party. The agreement also contained an arbitration clause. The assignor alleged that the assignee had negotiated with a third party to exhibit the film abroad without the assignor's consent. Hence, the petitioner approached the Bombay High Court for an injunction restraining the respondents from transferring, licensing or sub-licensing any rights in the copyright of the film to any third party, pending constitution of the arbitral tribunal and reference to arbitration.

The crucial aspect of the case is that the petition was filed under Section 9 of the 1996 Act but the court did not go into the issue of arbitrability of the dispute although it pertained to copyright.

F. Ministry of Sound International Ltd. v Indus Renaissance Partners Entertainment (P) Ltd.

In *Ministry of Sound International Ltd. V Indus Renaissance Partners Entertainment (P)Ltd.*,²¹ Ministry of Sound International Ltd (MSIL), an Irish company, licensed certain trademarks and copyrights it owned to Indus Renaissance Partners Entertainment Ltd (IRPEL). MSIL terminated the licence agreement. Disputes arose and MSIL filed a suit against IRPEL and other persons seeking an injunction and damages. Some of the defendants were not parties to the licence agreement. IRPEL filed an application seeking reference of the matter to arbitration as per the arbitration clause. MSIL objected on several grounds, including the non-arbitrability of the subject matter, breach of confidentiality obligations and infringement of intellectual property, and that some defendants were not parties to the licence agreement.

The court rejected MSIL's objections: on facts, the defendants who were not parties to the arbitration agreement either themselves stated that they were not planning to enter into any agreement with MSIL or conceded that they defendant would not use the plaintiff's IP without the plaintiff's permission.

On the ground of non-arbitrability, the court justified the arbitrability of the disputes for the reason that the licence agreement as a commercial document had to be afforded a common sense interpretation and that the agreement was for authorising the licensee to use the trade marks/copyright. The court clarified that the agreement was governed by English laws which permitted the tribunal to grant injunctive relief. Consequently, the court referred the matter to arbitration.

²¹ 2009 SCC OnLine Del 11:(2009) 156 DLT 406.

Whether one would treat a dispute connected to an agreement licensing an intellectual property right could be considered as a contractual issue or an IP issue. Where courts have considered them to be a contractual issue, they have been referred to arbitration.

G. Tandav Film Entertainment (P) Ltd. v Four Frame Pictures

In *Tandav Film Entertainment (P)Ltd. v Four Frame Pictures*,²² Tandav Films Entertainment P Ltd (“Tandav Films”) entered into an exclusive licence agreement in June 2002 wherein Mr Jaideep Sahni, licensed exclusively the writer’s rights in relation to the script of a Hindi film, Khosla ka Ghosla, to Tandav Films. Consequent to the said agreement, Tandav Films signed several licence agreements relating to dialogues, screen play, music, etc. In May 2003, Tandav Films signed a Memorandum of Understanding with Padmalaya Telefilms Ltd (“Padmalaya”) for a joint venture for the making of the Hindi film. Tandav Films entered into an agreement with UTV Software Communications Ltd (“UTV Software”) and Living Media India Ltd (“Living Media”) wherein certain exclusive rights (“Exclusive Rights Agreement”) relating to the film were transferred to UTV Software for 15 years. The said agreement contained an arbitration clause. The film released in 2006 and was successful in the box office.

Given the success, it was decided to re-make the film in Tamil under the title “Poi Solla Porom” (We are Going to Lie). The rights in the musical works in the Tamil film were assigned to Big Music and Home Entertainment (“Big Music”).

Tandav Films filed a suit restraining UTV Software, Living Media and Big Music from infringing its copyright in music in the Hindi film. A connected suit was filed by Tandav Films along with Padmalaya restraining Four Frames Pictures, which represented the director of the Tamil film, UTV Software and Mr. Jaideep Sahni, restraining them from releasing the Tamil film.

UTV Software filed an application under Section 8 of the 1996 Act relying on the arbitration clause in the Exclusive Rights Agreement. The Single Judge of the Bombay High Court allowed the application and dismissed the suit. On appeal, Tandav Films argued that except for UTV Software, no other defendants were parties to the arbitration agreement and that by virtue of *Sukanya Holdings*, arbitration would not lie. The Division Bench of the Bombay High Court, which heard the appeal, ruled that the appeal was not

²² 2009 SCC OnLine Del 3930; (2010) 1 Arb LR 79 .

maintainable. On the question as to whether *Sukanya Holdings* applied, the court held the defendants other than UTV Software derived their rights from UTV Software or were merely *proforma* parties. The court clarified that its views were only tentative and that the arbitral tribunal under Section 16 of the 1996 Act could decide the issues.

Whether a party impleaded as a defendant was a primary party or a party which derived its rights from a party to the agreement is also material on whether the dispute was arbitrable or not. In *Tandav Film*, the court held that the defendants other than the party to the agreement held rights that could be traced to the defendant which was a party to the agreement. The next case, *R.K. Productions*, decided otherwise.

H. R.K. Productions (P) Ltd. v N.K. Theatres (P)Ltd.

In *R.K. Productions (P) Ltd. v N.K. Theatres (P)Ltd.*,²³ the Division Bench of the Madras High Court had to decide whether the subject matter of the dispute between the parties was arbitrable. The dispute arose out of the assignment agreement between RK Productions Pvt Ltd (“RK Productions”) and NK Theatres Pvt Ltd (“NK Theatres”) where the former assigned the right to remake the Tamil film “3” in Telugu. Under the assignment agreement, NK Theatres had to pay about Rs 2.35 crores to RK productions before the delivery of the prints but NK Theatres failed to do so. Based on an undertaking to pay the said amount and three cheques for Rs. 1.35 crores, NK Theatres obtained the prints and entered into an assignment agreement with Mango Mass Media Private Limited (“Mango Mass”) for exploitation of satellite rights of the suit film. Mango Mass entered into an agreement with Zee Telugu Limited (“Zee”) to broadcast the film in the latter’s channel. RK Productions issued a letter to Gemini Industries & Imaging Private Limited, the lab, asking it not to issue satellite clearance of the lab without NK Theatres clearing the dues. Further thereto, RK Productions filed a suit seeking a permanent injunction against NK Theatres, Mango Mass and Zee from infringing the plaintiff’s copyright, especially its satellite rights.

NK Theatres objected to the filing of the suit and sought reference of the dispute to arbitration in view of the arbitration clause in its agreement with RK Productions, the plaintiff. The Single Judge of the High Court agreed with the contention of NK Theatres and referred the matter to arbitration. On appeal, the Division Bench relied on *Sukanya Holdings* and held that since reliefs were sought against Mango Mass and Zee, who were not parties

²³ 2012 SCC OnLine Mad 5029; (2014) 1ArbLR34.

to the arbitration clause, and since those issues were inextricably linked to the issues as regards infringement by NK Theatres, the reference to arbitration by the Single Judge of the High Court was not correct. The Division Bench ordered continuance of the suit. It appears that NK Theatres sought leave to appeal from the Supreme Court but the same was not granted.²⁴

I. SAIL v SKS Ispat and Power Ltd.

In *SAIL v SKS Ispat and Power Ltd.*,²⁵ Steel Authority of India Limited (“SAIL”) filed a suit in the Bombay High Court for permanent injunction against SKS Ispat & Power Ltd (“SKS Ispat”) and two others for infringing SAIL’s trademarks and against passing off by the defendants of their goods as SAIL’s goods. SAIL also claimed damages in the suit. The defendants filed a petition (Notice of Motion, in Bombay High Court parlance) for reference of the matter to arbitration under Section 8 of the 1996 Act in view of the arbitration agreement between SAIL and SKS Ispat.

The court dismissed the petition on the ground that the reliefs of infringement and passing off did not fall within the jurisdiction of the arbitrator. The view of the Single Judge was based on three grounds:

- A trademark and the rights connected therewith were matters *in rem* and were not amenable to resolution by a private forum;
- Disputes regarding infringement and passing off do not and did not arise out of contract;
- Except for SKS Ispat, the other defendants were not parties to the arbitration agreement. By virtue of Sukanya holdings, the entire subject matter had to be referred to the court even if a part of it was covered by the arbitration clause.

Another Single Judge of the Bombay High Court attempted to distinguish *Steel Authority of India* in *Eros International Media Ltd. v Telexmax Links India (P) Ltd.*²⁶ by stating that *Steel Authority of India* did not lay down a broad proposition that all disputes relating to trademarks and passing off were actions *in rem* and non-arbitrable. The Court considered the observations in *Steel Authority of India* were facts specific in that the disputes there

²⁴ See Order dt.14 October 2014 in *N.K. Theatres (P) Ltd. v R.K. Productions (P) Ltd.*, SLP (C) Nos. 16103-16104 of 2013 reported as MANU/SCOR/41792/2014.

²⁵ 2014 SCC OnLine Bom 4875.

²⁶ 2016 SCC OnLine Bom 2179; (2016) 6 Arb LR 121. See, the later portions of Part II for a discussion of the decision.

did not arise out of the arbitration agreement. This take on *Steel Authority of India* not correct. In *Steel Authority of India*, the Single Judge held:

“The present suit, firstly, is for reliefs against infringement and passing off, which by their very nature do not fall within the jurisdiction of the Arbitrator. The rights to a trademark and remedies in connection therewith are matters in rem and by their very nature not amenable to the jurisdiction of a private forum chosen by the parties. Secondly, the disputes concerning infringement and passing off do not arise out of the contract between the parties dated 1 June 2011, which contains the arbitration agreement.”²⁷

It is clear that the Single Judge clearly held that the reliefs of infringement and passing off of trade marks were not arbitrable.²⁸

J. Euro Kids International (P) Ltd. v Bhaskar Vidhyapeeth Shikshan Sanstha

*Euro Kids International (P) Ltd. v Bhaskar Vidhyapeeth Shikshan Sanstha*²⁹ is an important decision from the arbitrability perspective. It presents a classic example of how Indian courts attempted to extricate disputes regarding personal rights from the clutches of the non-arbitrability doctrine, especially in the absence of an authoritative ruling of the Supreme Court on the issue.

The dispute related to the use of copyrighted material and trademarks of the franchisor by the franchisee owing to non-renewal of the franchise agreement. Under the franchise agreement, the franchisor granted the franchisee the right to use the franchisor's trademarks and copyrighted material. On expiry of the agreement, the franchisor called upon the other party to desist from using the said trademarks and copyrighted material. The franchisee refused and the matter was referred to arbitration. Pending the arbitration, the franchisor approached the High Court under Section 9 of the 1996 Act seeking an injunction against the franchisee from using the franchisor's trademarks and copyrighted material. The franchisor relied on a negative covenant in the agreement which prohibited the franchisee from using the trademarks and copyrighted material of the franchisor in the event of termination of the agreement. Since the franchisee did not comply, the franchisor

²⁷ 2014 SCC OnLine Bom 4875, para 4, <<https://goo.gl/tUZTx6>> accessed 25 August 2018.

²⁸ Also see, *Deepak Thorat v Vidli Restaurant Ltd.*, 2017 SCC OnLine Bom 7704, para 7, where the court read *Steel Authority of India* case as holding that disputes relating to infringement and passing off were non-arbitrable.

²⁹ 2015 SCC OnLine Bom 3492.

approached the Bombay High Court seeking an injunction under Section 9 of the 1996 Act.

When the franchisee contended that the disputes related to intellectual property rights which were not arbitrable, the court disagreed and allowed the petition for interim relief. 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 and the court had the power to restrain the franchisee from violating the negative covenant under Section 9 of the 1996 Act.

K. Eros International Media Ltd. v Telemax Links India (P)Ltd.

In *Eros International Media Ltd. v Telemax Links India (P)Ltd.*,³⁰ Eros International Media Limited (Eros) and Telemax Links India Pvt Ltd (Telemax) signed a term sheet wherein Eros granted Telemax content marketing and distribution rights in respect of certain films. The term sheet contained an arbitration clause. The parties were to enter into a comprehensive agreement that would supersede the term sheet. Disputes arose between the parties and Eros filed a suit in the Bombay High Court for infringement against Telemax and seven others who claim to have used the copyrighted material pursuant to a sub-licence from Telemax. Telemax filed a petition under Section 8 of the 1996 Act for referring the dispute to arbitration. Eros argued that the dispute was not arbitrable. Rejecting this contention, the court held that the dispute was arbitrable. Following propositions summarises the court's decision in the matter:

- Merely because Section 62 of the Copyright Act 1957, or the corresponding provision in the Trade Marks Act 1999³¹ confers jurisdiction on the District Court in respect of infringement matters cannot be a ground for holding the disputes in the matter as non-arbitrable. This provision only defines the entry level of such actions in the judicial hierarchy.
- Intellectual property laws do not stand distinct from the general body of law. Although IPR are special rights, they are merely species of property.
- Actions of infringement between two claimants of copyright are not actions *in rem* but are only actions *in personam*. On the other hand, registra-

³⁰ 2016 SCC OnLine Bom 2179; (2016)6 Arb LR 121.

³¹ Trade Marks Act 1999, s 134.

tion gives the holder a right against the whole world. But infringement or passing off actions, whether in trademark or copyright, bind only the parties. To illustrate, A may succeed in an infringement action against B but this will not mean that A will succeed in an infringement action against C.

- The commercial parties have consciously chosen a particular method of dispute resolution, arbitration and these actions cannot be characterised as actions *in rem*.
- Many copyright assignment agreements contain arbitration clauses. No law prohibits disputes from these agreements from being arbitrated. Doing so would amount to turning intellectual property law on its head and would result in uncertainty in commercial transactions. There are many complex commercial agreements dealing with intellectual property rights in some way or another. Ousting these from the scope of arbitration clauses contained therein would be against domestic and international commerce.
- Defendant Nos. 2 to 8, the sub-licensees have filed affidavits agreeing to arbitration as per the arbitration clause in the term sheet. They are persons “claiming through or under” Telemax, which was the licensee as per the term sheet.

Therefore, the Single Judge of the Bombay High Court referred the matter to arbitration.

L. Indian Performing Right Society Ltd. v Entertainment Network (India) Ltd.

In *Indian Performing Right Society Ltd. v Entertainment Network (India) Ltd.*,³² the Bombay High Court had to decide whether disputes in respect of copyright infringement under a licence agreement were arbitrable.³³ Indian Performing Right Society Limited (IPRS) and Entertainment Network (India) Ltd (ENIL) entered into an agreement whereby IPRS licensed the right to broadcast songs of its members to ENIL for royalty as the consideration. Disputes arose between the parties, the matter was referred to arbitration, and the arbitrator passed the award. IPRS challenged the award before the Bombay High Court on the ground that the award dealt with issues that were not arbitrable. It was contended on behalf of IPRS that the arbitrator framed an issue on whether the use or broadcast of a sound recording with the permission of the owner of the copyright in the sound recording but without

³² 2016 SCC OnLine Bom 5893.

³³ Inika Charles, ‘On the “Apocalyptic” Arbitrability of Copyright Disputes: IPRS v Entertainment Network’ (*SpicyIP* 24 September 2016) <<https://spicyip.com/2016/09/on-the-apocalyptic-arbitrability-of-copyright-disputes-iprs-v-entertainment-network.html>> accessed 4 September 2018.

the permission of the owner of the copyright in the literary work and/ the or musical work infringes the copyright in literary work and/or musical work. There was a prayer for a declaration that the broadcast of sound recording by the claimant did not infringe any copyright of the respondent and/or its members.

The court held that since Section 62(1) of the Copyright Act 1957 mandated suits relating to infringements to be brought before the District court, it cannot be referred to arbitration. Further the court held that similar to the *Steel Authority of India Ltd* case, the right conferred by the copyright law on the holder was a right *in rem* and are not amenable to private dispute resolution processes. The court distinguished *Eros International* by stating that the issues involved in the particular case different as the present case concerned the entitlement of IPRS to royalty in relation to sound recordings and for injunction against IPRS from wrongful demands. These, according to the courts, could not be arbitrated in view of the *Booz Allen and Steel Authority of India Ltd* cases.

M. Impact Metals Ltd v MSR India Ltd

In *Impact Metals Ltd. v MSR India Ltd.*,³⁴ the Hyderabad High Court was faced with an appeal against an order rejecting an application under Section 8 of the 1996 Act filed before the trial court seeking reference of the dispute that formed the subject matter of the suit to arbitration. A manufacturing agreement was executed between Impact Metals Ltd (“Impact Metals”) and others on the one hand and MSR India Ltd (“MSR India”) and others on the other for manufacture and supply by Impact Metals of certain goods. The agreement contained an arbitration clause.

MSR India filed a suit complaining that Impact Metals stole their invention and filed an application for grant of patent rights in respect of an invention which was of MSR India. Hence, MSR India sought injunction restraining Impact Metals from using MSR India’s IPR and for damages.

Impact Metals filed an application under Section 8 seeking reference of the dispute to arbitration in view of the arbitration clause. The Trial court rejected the said petition. On a petition for revision, the High Court held that the dispute was covered by the agreement between the parties and was hence to be referred to arbitration. Importantly, the court rejected the argument that the dispute could not be referred to arbitration since the Copyright Act 1957 conferred jurisdiction specifically on the District Court. The Court

³⁴ 2016 SCC OnLine Hyd 278.

cited Para 36 of the Supreme Court's decision in *Booz Allen* and held that that there is no express or implied bar on reference of such disputes to arbitration.

Interestingly, the court rejected the argument that copyright was a right *in rem* on the ground that MSR India did not cite any judgment in this regard. Ultimately, the High Court allowed the revision petition.

MSR India filed a petition for leave to appeal to the Supreme Court but the Supreme Court refused to interfere with the decision of the Hyderabad High Court.³⁵

N. Deepak Thorat v Vidli Restaurant Ltd.

In *Deepak Thorat v Vidli Restaurant Ltd.*,³⁶ one Vithal Venkatesh Kamat, who is a registered proprietor of the trade mark "Vithal Kamats" Original Family Restaurant Achha Hai, Sachha Hai ' and claims ownership of all combinations or variations thereof. Vidli Restaurant Ltd and Deepak Thorat entered into a franchise agreement along with Vithal Venkatesh Kamat, who had licensed the trade marks to Vidli Restaurant Ltd. The franchise agreement permitted Deepak Thorat to use the above trade mark on a non-exclusive and non-transferable basis, subject to certain restrictions. The agreement had a negative covenant that Deepak Thorat shall not use the trade mark on expiry or early termination of the franchise agreement. Vidli Restaurant Ltd. invoked arbitration since Deepak Thorat purportedly breached negative covenant. Pursuant to an application for interim relief, the arbitrator exercised his powers under Section 17 and granted an interlocutory injunction restraining Deepak Thorat from using the trade mark. Deepak Thorat appealed to the Bombay High Court against the order of the injunction.

One of the contentions raised by the franchisee was that the dispute was non-arbitrable. The court rejected the contention and held that the licence to use the trade mark was a part of the franchise agreement. The court took note of the clause in the agreement which expressly recognised the franchisor's right to injunction in the event of breach of the negative covenant. It was the view of the arbitrator that the arbitration was not an action for infringement or passing off. The High Court concluded that since the arbitration did not remotely concern the adjudication of the franchisor's ownership right or the right to use the relevant trademark or to restrain the franchisee from using the trademark or any other deceptively similar mark based on the franchisee's right as an owner or user of the trade mark, the dispute was

³⁵ *MSR India Ltd. v Impact Metals Ltd.*, MANU/SCOR/23906/2018.

³⁶ 2017 SCC OnLine Bom 7704.

arbitrable. The fact that the dispute related to the enforcement of the negative covenant tilted the view of the High Court in favour of arbitrability. The High Court opined that the interim injunction ordered by the arbitrator was not an order *in rem* nor was the claim to the said order sourced in a right *in rem*.

O. Uday Chand Jindal v Galgotia Publications (P)Ltd.

In *Uday Chand Jindal v Galgotia Publications(P)Ltd.*,³⁷ the Delhi High Court was concerned with an assignment agreement where the author made several allegations of breach of the said agreement, including non-payment of royalty, adaptation of the author's work without permission, breach of author's moral rights, etc. The author also alleged that the terms of the assignment agreement were harsh. The Copyright Board had previously heard the matter and concluded that the author did not establish that the terms of the agreement were harsh. The Board dismissed the matter on the grounds that there was an arbitration clause and that it did not have jurisdiction over the breach of an author's moral rights.

The author appealed and argued that since the matter involved disputes that were non-arbitrable, the matter as a whole had to be adjudicated by the Board in view of the decision of the Supreme Court in *Sukanya Holdings (P) Ltd. v Jayesh H. Pandya*.³⁸

The court rejected the contentions of the author and held that since the author had agreed to the terms of the agreement, including the arbitration clause, he cannot contend that the said clause was of no consequence. On this basis, the court dismissed the appeal of the author, thereby recognising that disputes regarding the harshness of the assignment agreement were to be taken up before the arbitrator. The court rejected the contention of the author that the Copyright Board could decide on claims relating to moral rights. The court also did not decide on the applicability of *Sukanya Holdings*. Therefore, although the court did not go into the question as to the arbitrability of disputes relating to the breach of moral rights of an author, it appears from the judgment that the court did not consider the matter as beyond the scope of arbitration.

³⁷ 2017 SCC OnLine Del 10626: (2017) 72 PTC 492.

³⁸ (2003) 5 SCC 531.

P. Shanthi Thiagarajan v KE Gnanavelraja

*Shanthi Thiagarajan v KE Gnanavelraja*³⁹ concerned assignment of rights to remake a popular Bollywood film. Viacom 18 Medial Private Limited (“Viacom”) had the rights to remake the famous movie ‘Special 26’ directed by Neeraj Pandey. Viacom assigned the rights to remake the film in Tamil to the plaintiff, Shanthi Thiagarajan. Thereafter, Shanthi Thiagarajan entered into an agreement with M/s. RPP Film Factory assigning the said rights to remake the film in Tamil. The agreement also allowed M/s. RPP Film Factory to further assign the rights to remake ‘Special 26’. When the appellant heard that the respondent, KE Gnanavelraja, was producing a film that was allegedly a remake of ‘Special 26’, she filed a suit and also an application for interim injunction. KE Gnanavelraja contended that in furtherance of the agreement between the appellant and M/s. RPP Film Factory, the latter had entered into an agreement with the respondent for remaking the film.

The court heard the application for interim injunction and refused to accede to the prayer of the appellant. On appeal, the Division Bench of the High Court rejected the appellant’s contentions. The court was of the view that the no *prima facie* case was established in the appellant’s favour in view of the agreement between the respondent and KE Gnanavelraja. Further, since the film remade in Tamil was due for release within a few weeks therefrom, the court was of the opinion that the balance of convenience was in the respondent’s favour and that the plaintiff could be monetarily compensated.

The court considered the agreement between the appellant and RPP Film Factory which contained an arbitration clause, to which KE Gnanavelraja was bound as an assignee. The court contemplated the possibility of an action of copyright infringement against an infringer not being an action *in rem* in all occasions, despite copyright being a right *in rem*. The court qualified this observation as only a *prima facie* view, which had to be decided in the suit. The court eventually dismissed the appeal.⁴⁰

The aforesaid descriptive analysis would reveal that courts have held the following factors as relevant to the question of arbitrability:

- Whether the dispute dealt with a right *in rem*? *Steel Authority* and *Indian Performing Right Society* are such examples where the court held that the right in dispute was a right *in rem* and so a dispute was not arbitrable while

³⁹ AIR 2018 Mad 81.

⁴⁰ The case of *Nuziveedu Seeds Ltd. v Monsanto Technology LLC*, 2018 SCC OnLine Del 8326, which concerns the Protection of Plant Varieties and Farmers’ Rights Act 2001 is likely to raise questions relating to arbitrability of disputes under the said Act but it appears that it is not an issue before the court. Hence, the case is not discussed here.

in cases such as *Euro Kids* and *Deepak Thorat*, the court decided that the issue did not pertain to a right *in rem*.

- Whether the defendant held independent rights *vis-à-vis* the plaintiff or whether the rights were derived from those held by the defendant which was a party to the arbitration agreement? In *R.K. Productions* for instance, the defendants were not treated as holding derivative rights from the defendant which was a party to the arbitration agreement. Contrarily, in *Tandav Film*, *Eros International* and *Shanthi Thiagarajan*, the defendants were considered to hold derivative rights and so the court held that the matter was arbitrable.
- Whether the relief claimed was a purely IP related relief such as infringement or whether the issue was styled as a contractual issue? In *Ministry of Sound*, *Impact Metals*, *Deepak Thorat* and *Uday Chand Jindal*, for example, the court styled the issue as a contractual issue while in cases such as *Mundipharma* and *Steel Authority*, the court classified the issue to be purely IP related issue.

III. ISSUES RELATING TO ARBITRABILITY IN IP DISPUTES

A. Four Approaches to Arbitrability of Intellectual Property Disputes

Often, courts world over have been called upon to decide whether disputes involving intellectual property rights are arbitrable. The general and widely-accepted position seems to be that wherever the dispute is against the state in relation to the nature, scope, extent or validity of such exclusionary rights, such a dispute is non-arbitrable. All other disputes involving intellectual property rights have been held to be arbitrable. There are of course exceptions to this: some jurisdictions are liberal in allowing arbitration of IP disputes while some considerably restrict arbitrability of IP disputes.

There are primarily four approaches to arbitrability of IP disputes.⁴¹ The first approach, although uncommon now, completely prohibits reference to arbitration of all kinds of disputes relating to intellectual property disputes or specific species of intellectual properties. South Africa is regarded

⁴¹ See, Therese Jansson, 'Arbitrability Regarding Patent Law –An International Study'(2011) 1 JurisdikPublikation 49-76, <http://juridiskpublikation.se/wp-content/uploads/2014/10/12011_Therese-Jansson.pdf> accessed 25 August 2018; Dario Moura Vicente, 'Arbitrability of Intellectual Property Disputes: A Comparative Survey'(2015) 31 Arbitration International 151.

as one of the jurisdictions that seems to make all disputes regarding patents non-arbitrable.⁴²

The second approach places a limited ban on arbitrability of IPR disputes or disputes relating to species of IPR. Here, the private law issues arising out of contract such as breach of IPR assignment or licensing agreements are made arbitrable while public law related disputes such as the scope of the grant of IPR or the validity of the grant of IPR by the state are non-arbitrable. Germany and Sweden seem to be typical examples of this approach.⁴³ Some jurisdictions such as Italy, Spain, Portugal and France allow arbitrability of licensing/ assignment issues even if a claim regarding validity or scope of the IPR grant by the State is ancillary to the main issue.⁴⁴

In the third approach, all disputes regarding IPR are made arbitrable. In respect of public law issues relating to scope and validity of IPR, decisions by the arbitral tribunal on those disputes bind only the parties (*intra partes*) to the dispute and not third parties. USA is a characteristic example of this approach.⁴⁵ Section 294(a) of the patents statute declares enforceable an agreement referring disputes relating to patent validity or infringement to arbitration.⁴⁶ Section 294(c) makes the award final and binding between the parties. However, there is another element to such arbitrations in USA. Section 294(d) provides that when an arbitral award is made, the patentee, his assignee or licensee shall give a written notice to the Director of US Patents and Trademarks Office, who shall enter the same in the record of the

⁴² Dario Moura Vicente, 'Arbitrability of Intellectual Property Disputes: A Comparative Survey' (2015) 31 Arbitration International 151, 153. Section 18(1) of the Patents Act 1978 (South Africa) provides: "(1) Save as is otherwise provided in this Act, no tribunal other than the commissioner shall have jurisdiction in the first instance to hear and decide any proceedings, other than criminal proceedings, relating to any matter under this Act." Although the common notion seems to be that South African Patents Act, 1978 does not permit arbitrability of patent disputes, sections 79(8) and 80(3) speak of arbitration of disputes relating to compensation in cases of acquisition by the State of inventions and patents. See, the Patents Act 1978 (South Africa), available at <http://www.cipc.co.za/files/9513/9452/7965/Patent_Act.pdf> accessed 25 August 2018.

⁴³ See, Therese Jansson, 'Arbitrability Regarding Patent Law –An International Study'(2011) 1 JurisdikPublikation 49, 60-65 <http://juridiskpublikation.se/wp-content/uploads/2014/10/12011_Therese-Jansson.pdf> accessed 25 August 2018.

⁴⁴ See, Therese Jansson, 'Arbitrability Regarding Patent Law –An International Study'(2011) 1 JurisdikPublikation 49, 59<http://juridiskpublikation.se/wp-content/uploads/2014/10/12011_Therese-Jansson.pdf> accessed 25 August 2018; Dario Moura Vicente, 'Arbitrability of Intellectual Property Disputes: A Comparative Survey' (2015) 31 Arbitration International 151, 155.

⁴⁵ See, Therese Jansson, 'Arbitrability Regarding Patent Law –An International Study'(2011) 1 JurisdikPublikation 49, 65 <http://juridiskpublikation.se/wp-content/uploads/2014/10/12011_Therese-Jansson.pdf> accessed 25 August 2018.

⁴⁶ See, 35 US Code § 294 - Voluntary arbitration, <<https://www.law.cornell.edu/uscode/text/35/294>> accessed 25 August 2018.

prosecution of the patent. Section 294(e) states that the award is unenforceable until the notice is given as per Section 294(d).⁴⁷ Similarly, disputes relating to validity, infringement and ownership in copyright and trademark disputes have also been held to be arbitrable in USA.⁴⁸ Hong Kong also seems to fall in this category.⁴⁹

Under the fourth approach, all IPR disputes are arbitrable with an effect *in rem*. The arbitral award passed, including those relating to scope and validity, have effect universally (*erga omnes*). This approach is typified by Swiss Law, which makes all disputes arbitrable.⁵⁰ If an award is passed on the scope or validity of an IP and if it is accompanied by a certificate of enforceability by a Swiss Court with jurisdiction, the decision is entered in the federal Intellectual Property Register.⁵¹

It appears that the Indian approach is somewhere between the first and the second approaches discussed above. In some cases, courts have held that IP disputes per se involved rights *in rem* and were not arbitrable⁵² while in certain cases, courts agreed that only some IP related issues were not arbitrable and that others were.⁵³

A substantial number of foreign investments in India are coupled with some level of IP licensing or technology transfer. Any dispute under such transactions also involves the use of IP rights. If a restrictive regime on IP disputes arbitration is continued to be followed, parties would seldom choose India as the seat of arbitration. Therefore, it is in the interests of

⁴⁷ *Ibid.*

⁴⁸ Gary Born, *International Commercial Arbitration*, vol I (Wolters Kluwer, 2014) 992.

⁴⁹ Section 103D(1) of the Hong Kong Arbitration Ordinance states: “An IPR dispute is capable of settlement by arbitration as between the parties to the IPR dispute.” Further, the said law also affords protection to a third party licensee. Section 103E of the said Ordinance provides: “(2) The fact that an entity is a third party licensee in respect of the IPR does not of itself make the entity a person claiming through or under a party to the arbitral proceedings for the purposes of section 73(1)(b). (3) However, sub-section (2) does not affect any right or liability between a third party licensee and a party to the arbitral proceedings whether— (a) arising in contract; or (b) arising by operation of law.”

⁵⁰ Article 177 of the Swiss International Private Law Statute of 1989 states that any “dispute involving property may be the subject matter of an arbitration”. See, Dario Moura Vicente, ‘Arbitrability of Intellectual Property Disputes: A Comparative Survey’ (2015) 31 *Arbitration International* 151, 155. The term “property” in Article 177 could also translate as “economic interest”. See, Gary Born, *International Commercial Arbitration* vol I, (Wolters Kluwer, 2009) 778.

⁵¹ Therese Jansson, ‘Arbitrability Regarding Patent Law –An International Study’ (2011) 1 *Jurisdik Publikation* 49, 66-67 <http://juridiskpublikation.se/wp-content/uploads/2014/10/12011_Therese-Jansson.pdf> accessed 25 August 2018.

⁵² See, for instance, *Steel Authority* and *Indian Performing Right Society*, discussed in Part II of this Paper.

⁵³ See, for example, *EuroKids*, *Deepak Thorat*, *Ministry of Sound*, *Impact Metals*, *Deepak Thorat* and *Uday Chand Jindal*, discussed in Part II.

India's aspirations to become a hub of international arbitration to provide for arbitrability of IP disputes at least in respect of assignment of IP rights and other such private law rights.

B. Is Arbitration Excluded if a Specific Court is statutorily provided?

Many classes of disputes have been excluded from arbitration on the ground that the relevant statute specifically designates a particular court to decide disputes relating to the statute.⁵⁴ Similar provisions exist in IP law as well.⁵⁵ Can such provisions which confer jurisdiction on specific courts determine non-arbitrability of the subject matter? In *Eros International*, GS Patel, J. opined:

“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.”

GS Patel, J. concluded that the aforesaid provisions conferring jurisdiction on specific courts do not define arbitrability or non-arbitrability.

Jurisdiction is conferred by statute for all civil disputes, irrespective of the nature of their subject-matter or pecuniary value. Take the simple case of a contract for sale of goods. Disputes arise out of the contract and the buyer sues the seller for Rs. 1 lakh. By statute, a particular court of law is conferred with jurisdiction depending on the subject-matter and pecuniary value. Would this conferment of jurisdiction on a specific court mean that arbitration is excluded? If this argument is taken to its logical end, none of the disputes can be referred to arbitration.

Another argument against arbitrability on this ground would be that where a statute specifically reserves a subject matter to be referred to a specific court, it alone can have jurisdiction over the matter. However, this argument is not sustainable for the following reasons:

⁵⁴ See, for instance, tenancy matters, where the rent control laws designate small causes court and the civil court (junior division) as the courts having jurisdiction to decide eviction disputes (Section 33 of the Maharashtra Rent Control Act 1999).

⁵⁵ See, for instance, section 62 of the Copyright Act and section 134 of the Trade Marks Act.

- Consider a hypothetical scenario where the legislature enacts a law allocating disputes to specific courts based on subject-matter instead of pecuniary value. Would disputes that were arbitrable till now cease to be so because of such conferment? There appears no legitimate reason as to why conferment of jurisdiction on specific courts should make those disputes non-arbitrable.
- There should be some legitimate reason why the legislature is deemed to have reserved certain subject matter for determination by specific courts to the exclusion of arbitrators.
- Conversely, it is possible that a particular class of disputes may not be arbitrable even if no specific court is afforded jurisdiction specifically. Consider the case for a suit for declaration of title over a land worth Rs. 1,00,000/-. No special law confers jurisdiction on a particular court to decide the subject-matter. Yet, since it is an action *in rem*, the dispute cannot be arbitrated.

Therefore, the argument that specific courts have been granted jurisdiction to decide on IP related disputes cannot be a reason for declaring such disputes as non-arbitrable in the absence of public policy reasons in support thereof. It is important to distinguish between two aspects here: one, statutes, including IP statutes may designate particular courts to deal with certain disputes. Such designation, *per se*, cannot exclude arbitration of such disputes. However, there might be public policy reasons as to why certain courts are granted the jurisdiction to decide certain matters: for instance, the issue relating to validity of a registered trademark even in a case of infringement of trademarks can be decided only by the Intellectual Property Appellate Board.⁵⁶ There is a basis for grant of such a power on a specific court: registration of a trademark grants exclusivity to use the trademark⁵⁷, in opposition to the rest of the world. A dispute regarding such exclusivity can be decided only by a public forum.

⁵⁶ Section 125(1) of the Trade Marks Act 1999 provides: “(1) *Where in a suit for infringement of a registered trade mark the validity of the registration of the plaintiff’s trade mark is questioned by the defendant or where in any such suit the defendant raises a defence under clause (e) of sub-section (2) of section 30 and the plaintiff questions the validity of the registration of the defendant’s trade mark, the issue as to the validity of the registration of the trade mark concerned shall be determined only on an application for the rectification of the register and, notwithstanding anything contained in section 47 or section 57, such application shall be made to the Appellate Board and not to the Registrar.*”

⁵⁷ *Patel Field Marshal Agencies v P.M. Diesels Ltd.*, (2018) 2 SCC 112: MANU/SC/1509/2017, para 23.

Therefore, mere conferment of jurisdiction on a particular court cannot be determinative of non-arbitrability, unless public policy reasons exist to refrain from referring a category of disputes to arbitration.⁵⁸

C. Nature of Actions in IP Law and Infringement

The civil law remedies under IP Law include remedies against the State regarding the grant of monopolies, disputes relating to licensing/ assignment of IP rights, and other actions. These remedies are enforced under special laws. Despite specific statutes affording recognition to these remedies, violations of intellectual property rights are nothing but violations of property rights. It is to be noted that IPR violations were classified as torts.⁵⁹

In cases of immovable property, disputes under licence agreements are arbitrable. So it is perplexing why disputes relating to intellectual property, which are nothing but incorporeal property are not arbitrable. IP Laws are a part of the general body of laws.⁶⁰ Before being considered as a specialised subject, infringements/ violations of IP rights were considered to be injuries caused to incorporeal property under tort law.⁶¹ Tortious acts which arise in relation to a contract are arbitrable.⁶² If so, there is no reason why infringement actions which have a nexus with the contract cannot be arbitrated.

Issues arising from licence agreements are disputes relating to the scope of licensing rights granted under the licensing agreement and the breach thereof by the licensee. Although such actions may be styled as “infringements”, these concern the extent to which the licensee can exercise his contractual

⁵⁸ See, section 103D (4) of the Hong Kong Arbitration Ordinance, which clarifies: “*For the purposes of sub-section (1), an IPR dispute is not incapable of settlement by arbitration only because a law of Hong Kong or elsewhere— (a) gives jurisdiction to decide the IPR dispute to a specified entity; and (b) does not mention possible settlement of the IPR dispute by arbitration.*”

⁵⁹ See, for instance, Francis Hilliard, *The Law of Torts or Private Wrongs* vol II (Little, Brown & Co 1861) 18; AM Wilshire, *The Principles of the Law of Contracts and Torts* (Sweet & Maxwell 1922) vi; Charles Adams, ‘Indirect Infringement from a Tort Law Perspective’ 42 University of Richmond Law Review 635, 637 (2008).

⁶⁰ David D Caron, ‘The World of Intellectual Property and the Decision to Arbitrate’ (2003) 19 Arbitration International 441-449, 442; William W Park, ‘Irony in Intellectual Property Arbitration’ 19 Arbitration International 451-455, 451.

⁶¹ Francis Hilliard, *The Law of Torts or Private Wrongs* vol II (Little, Brown & Co 1861) 18; AM Wilshire, *The Principles of the Law of Contracts and Torts* (Sweet & Maxwell 1922) vi; Charles Adams, ‘Indirect Infringement from a Tort Law Perspective’ 42 University of Richmond Law Review 635, 637 (2008).

⁶² See, *Renuagar Power Co. Ltd. v General Electric Co.*, (1984) 4 SCC 679; AIR 1985 SC 1156. Also see, *Afcons Infrastructure Ltd. v Cherian Varkey Construction Co. (P) Ltd.*, (2010) 8 SCC 24 (holding that tortious actions are suitable for resolution by alternative dispute resolution processes).

right *vis-à-vis* the IPR licensed. A dispute regarding an IPR can be compared with those relating to licensing⁶³ of immovable property or bailment⁶⁴ of moveable property. The transfer in those cases is of a specific right (easements) or of possession for a specific purpose (bailment). Although the owner holds the ownership of immovable or moveable property, which is a right *in rem*, a licence or a bailment respectively is a contractual transaction between the owner and the other party. Consequently, an action regarding the scope of contractual rights or a breach of a contractual term cannot be stated to be a pure action *in rem*.⁶⁵

These two concepts- actions *in rem* and actions *in personam* as grounds for classification of actions into non-arbitrable and arbitrable respectively require a deeper analysis. Notice the contradictory views of High Courts on whether IP related disputes are actions *in rem* or *in personam*: In *Eros International Media Ltd. v Telemax Links India (P) Ltd.*,⁶⁶ a Single Judge of the Bombay High Court held that an infringement action was an action *in personam*.⁶⁷ Another Single Judge of the Bombay High Court in *Indian Performing Right Society Ltd. v Entertainment Network (India) Ltd.*⁶⁸ disagreed with the former view and distinguished it.⁶⁹

The classification of actions into those *in rem* and those *in personam* for the purpose of determining arbitrability is ripe for disputation since there are a lot of grey areas in the classification. Considerable confusion arises in this classification, whose antiquity can easily be traced to Roman law, if not earlier.⁷⁰ More than a century back, the various usages of this classification was identified and the need for differentiating these usages was felt.⁷¹

The confusion in respect of intellectual property claims arises because of the dual nature of the right to remedies in certain cases. Suppose there is a non-exclusive technology licensing agreement where a patented technology is licensed for a limited period. The agreement provides that the licensor shall be entitled to damages if the licensee violated the terms of the agreement. It is

⁶³ Indian Easements Act 1882, s 52.

⁶⁴ Indian Contract Act 1872, s 148.

⁶⁵ The distinction between rights *in rem* and *in personam* has been criticised as regards personal actions based on contract where the plaintiff is also the holder of the right *in rem*. See, Shalev Ginossar, 'Rights in Rem - A New Approach' (1979) 14 Israel Law Review 286, 290.

⁶⁶ 2016 SCC OnLine Bom 2179: (2016) 6 Arb LR 121.

⁶⁷ Para 17.

⁶⁸ 2016 SCC OnLine Bom 5893.

⁶⁹ Paras 133-135.

⁷⁰ *Salmond on Jurisprudence* (PJ Fitzgerald ed, 12th edn, 2016) 237.

⁷¹ Walter Wheeler Cook, 'The Powers of Courts of Equity, Part I' (1915) 15 Columbia Law Review 37, 39 <https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=11652&context=journal_articles> accessed 5 September 2018.

true that like real property, the right of the owner of intellectual property is a right *in rem*. At the same time, the right of the owner as licensor against the licensee is also a right *in personam*. This dual nature of the right to remedies seems to create confusion in order to determine arbitrability. The ultimate reason why the classification of *in rem* and *in personam* was recognised to determine arbitrability was to ensure that the rights of third parties who might have an interest over the subject in issue do not get trampled upon.⁷²

But whether actions involving rights *in rem* will affect third parties cannot be taken as granted. To give an example, a two-wheeler negligently rammed a car causing damage to the latter. The car owner's right over his property is a right *in rem* but there is no reason why the dispute regarding the liability to compensate that arises owing to the incident (damage to the car) cannot be arbitrated.⁷³

Now, coming back to 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.⁷⁴

D. Arbitrability of Disputes under IP Licensing/ Assignment Agreements

Frequently, owners of intellectual property rights may not want to exploit the rights by themselves. They licence or assign the said rights through contractual instruments called licensing or assignment agreements. These agreements have received statutory recognition under various intellectual property laws.⁷⁵ Such laws go a step further and regulate the licensing/ assignment

⁷² *Booz Allen and Hamilton Inc. v SBI Home Finance Ltd.*, (2011) 5 SCC 532, para 28.

⁷³ *See, Afcons Infrastructure Ltd. v Cherian Varkey Construction Co. (P) Ltd.*, (2010) 8 SCC 24, para 19.

⁷⁴ The concept of rights *in rem* and *in personam* are more nuanced than what was analysed in *Booz Allen*. *See*, for instance, Thomas W Merrill and Henry E Smith, 'The Property/ Contract Interface' (2011) 101 Columbia Law Review 773-852.

⁷⁵ *See*, for instance, Section 70 of the Patents Act 1970 (empowers the registered grantee or the proprietor of a patent to license the patent right); Section 37 of the Trade Marks Act

requirements. For instance, The Patents Act 1970 requires licensing of patents to be in writing in the “form of a document embodying all the terms and conditions governing their rights and obligations and duly executed.”⁷⁶

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. For instance, in *Soci te  Liv Hidravlika D.O.O. v S.A. Diebolt*,⁷⁷ the Paris Court of Appeal held that where an issue regarding validity of the patent is before the arbitrator incidentally in a contractual dispute, the arbitrator can rule on the incidental issue which will bind the parties alone, even though third parties could claim nullity of the patent notwithstanding the ruling in favour of validity in that case by the arbitrator.

In the context of trademarks, disputes regarding enforcement of negative covenants not to use the licensed trademarks subsequent to expiry of franchise agreements are arbitrable.⁷⁸ What follows from the above proposition is that disputes regarding enforcement of negative covenants not to use the licensed trademarks subsequent to expiry of a licence or assignment agreement are arbitrable since under franchise agreements as dealt with in *Deepak Thorat* and *Euro Kids International* assigned the right to use the trademark to the franchisees. Therefore, there is nothing wrong in such disputes being agreed to be arbitrated.

E. Subsequent Assignees as Persons Claiming under the Party to the Arbitration Agreement

Contrast the decision of the Division Bench of the Madras High Court in *Shanthi Thiagarajan v KE Gnanavelraja*⁷⁹ with that of another Division Bench of the same High Court in *R.K. Productions (P)Ltd. v N.K. Theatres*

1999 (recognizing the right of a trademark proprietor to assign the trademark; Section 30 of the Copyright Act 1957 (empowering the copyright holder to license any interest in the copyright); Section 22(1)(a) of the Designs Act 2000; Section 16(1)(c) of the Protection of Plant Varieties and Farmers’ Rights Act 2001; and Section 20 of the Semiconductor Integrated Circuits Layout-Design Act 2000.

⁷⁶ Patents Act 1970, s 68. See also, section 42 of the Trade Marks Act 1999 which lays down certain conditions for assignment of trademarks, irrespective of whether they are registered or not.

⁷⁷ 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.

⁷⁸ See, *Deepak Thorat* and *Euro Kids International* cases discussed in Part II of the Paper.

⁷⁹ AIR 2018 Mad 81.

(P)Ltd.⁸⁰ In both the cases, the parties to the subsequent assignment agreements were also impleaded and injunction was sought against those persons as well. While in *R.K. Productions*, the High Court sought to apply *Sukanya Holdings*, the Division Bench in *Shanthi Thiagarajan* held, albeit *prima facie*, that the subsequent assignees were also bound by the assignment agreement under which the arbitration clause sought to be invoked existed.

It is submitted that the view of the Division Bench in *Shanthi Thiagarajan* is on the right track considering that the subsequent assignees claim their rights through the original assignee who was a party to the arbitration agreement. So is the case of *Tandav Film*, where the Bombay High Court decided on similar lines.⁸¹

Section 8(1) of the 1996 Act was amended by the Arbitration and Conciliation (Amendment) Act 2015, which enabled a party to the arbitration agreement or “any person claiming through or under him” to apply to a judicial authority before which an action is brought in a matter that is the subject of the arbitration agreement. The amendment, as is well-known, was pursuant to the 246th Report of the Law Commission of India, which observed that “party” should also include “any person claiming through or under” the party to the arbitration agreement.⁸² However, the Government did not accept the Law Commission’s recommendation to modify the definition of the party but sought to include the phrase in Section 8 of the 1996 Act. Even so, the legislative intent is to cover situations such as those in *RK Productions* and *Shanthi Thiagarajan*. The Supreme Court recently considered the expression “claiming under” in *Cheran Properties Ltd. v Kasturi and Sons Ltd.*⁸³, where it held:

“29... The expression ‘claiming under’, in its ordinary meaning, directs attention to the source of the right. The expression includes cases of devolution and assignment of interest (*Advanced Law Lexicon* by P. Ramanatha Aiyar). The expression “persons claiming under them” in Section 35 widens the net of those whom the arbitral award binds. It does so by reaching out not only to the parties but to those who claim under them, as well. The expression “persons claiming under them” is a legislative recognition of the doctrine that besides the parties, an arbitral award binds every person whose capacity or position is

⁸⁰ 2012 SCC OnLine Mad 5029; (2014) 1 Arb LR 34.

⁸¹ See, Part II of the Paper.

⁸² Law Commission of India, Report No. 246: *Amendments to the Arbitration and Conciliation Act 1996* (August 2014) <<http://lawcommissionofindia.nic.in/reports/Report246.pdf>> accessed 14 August 2018.

⁸³ (2018) 16 SCC 413.

derived from and is the same as a party to the proceedings. Having derived its capacity from a party and being in the same position as a party to the proceedings binds a person who claims under it..." (Emphasis supplied)

A similar consideration would apply under Section 8 of the 1996 Act for the expression and such awards would bind the subsequent licensees also.⁸⁴ Therefore, the view that the subsequent assignees were totally unconnected to the original agreement cannot be a correct view. Their right is derivative and cannot exist independent of the original assignee. At the same time, whether the subsequent assignees would be bound by an arbitration clause between the assignor and the original assignee is a vexed question that has no easy answers.

F. Compulsory Mediation

Recently, the Commercial Courts Act 2015 (Commercial Courts Act) has been amended to bring in the concept of compulsory mediation.⁸⁵ Section 12A(1) of the Commercial Courts Act provides that a suit which does not contemplate urgent interim relief shall be instituted only after the plaintiff exhausts the remedy of pre-institution mediation as provided in the rules made by the Central Government. Further thereto, the Central Government published the Commercial Courts (Pre-Institution Mediation and Settlement) Rules 2018 (2018 Rules).⁸⁶ Under the 2018 Rules, the Central Government has notified the State Authority and District Authority under the Legal Services Authorities Act 1987 to whom applications for pre-institution mediation has to be submitted.⁸⁷ Section 12A(5) provides that the settlement arrived at under Section 12A would have the same status and effect as if the settlement is an arbitral award on agreed terms under Section 30(4) if the Arbitration Act.⁸⁸

⁸⁴ This is not to mean that *Sukanya Holdings* would have no application in a circumstance where the defendants are parties who do not claim under or through the assignee of the assignment agreement. See, for instance, *Ameet Lalchand Shah v Rishabh Enterprises*, 2017 SCC OnLine Del 7865.

⁸⁵ See, the Commercial Courts Act 2015, as amended by the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts (Amendment) Act 2018.

⁸⁶ The rules are available at <<https://goo.gl/XVLmX9>> accessed 27 August 2018.

⁸⁷ The notification dt. 3.7.2018 is available at <<https://goo.gl/nV93yr>> accessed 27 August 2018.

⁸⁸ Section 12A(5) provides: "*The settlement arrived at under this section shall have the same status and effect as if it is an arbitral award on agreed terms under sub-section (4) of section 30 of the Arbitration and Conciliation Act, 1996.*"

Since a settlement agreement has the same status as an arbitral award, the relevance of pre-compulsory pre-institution mediation is likely to arise in respect of disputes relating to intellectual property rights. Strictly speaking, in view of Section 12A (5), a settlement agreement in respect of a non-arbitrable dispute cannot be valid if the dispute between them cannot be arbitrated in the first place. However, after the amendments have been brought into force, courts have recognised settlement agreements in respect of IP disputes, thus indirectly affirming arbitrability of such disputes.

For instance, in *Reckitt Benckiser (India) (P) Ltd. v Surekhaben L. Jain*,⁸⁹ Reckitt Benckiser (India) P Ltd (“Reckitt”) filed a civil suit seeking permanent injunction against the defendants for the use of the certain trademarks on the ground that these marks were a colourable imitation/ substantial reproduction of Reckitt’s trademarks. During the course of the proceedings, the matter was referred to mediation and a settlement agreement was entered into between the parties. Among other things, the settlement agreement recognised Reckitt as the owner of its trademarks and that the defendants would not use the impugned trademarks. A decree was drawn up in terms of the settlement agreement.

Thus, it would be seen that the dispute did not pertain to contractual rights or rights *in personam* but were with regard to enforcement of rights *in rem*. Given that decrees were drawn up on the basis of settlement agreements meant that such a decree was binding on the parties. If such rights *in rem* could be subject matters of settlement between the parties, there is no reason why determination of such disputes could not be through arbitration. It is pertinent to note that Section 12A (1)⁹⁰ does not exclude non-arbitrable disputes from reference to pre-institution mediation. In fact, the provision makes it mandatory to refer the dispute to pre-institution mediation. The only exception is where the suit contemplates an urgent interim relief. Therefore, the Commercial Courts Act 2015 itself contemplates ADR processes in respect of disputes *in rem* as well. Thus, Section 12A (5) grants settlement agreements the same status as an arbitral award, which is binding on the parties and the parties claiming under the parties.⁹¹

Therefore, by enactment of Section 12A, it could be argued that the range of non-arbitrable disputes has been constricted to the extent that disputes

⁸⁹ 2019 SCC OnLine Del 11367.

⁹⁰ Section 12A(1) reads: “A suit, which does not contemplate any urgent interim relief under this Act, shall not be instituted unless the plaintiff exhausts the remedy of pre-institution mediation in accordance with such manner and procedure as may be prescribed by rules made by the Central Government.”

⁹¹ Section 35 of the 1996 Act reads: “Subject to this Part an arbitral award shall be final and binding on the parties and persons claiming under them respectively.”

regarding enforcement of IP rights *in rem* (mainly infringement actions) can be resolved through non-court/consensual processes but the same would be binding on the parties and those claiming under them.

IV. CONCLUSION AND WAY FORWARD

While we are still grappling with the possibility of arbitrability of IP disputes under licensing agreements, many jurisdictions have found solutions to balance the sanctity of arbitration agreements and the public policy concerns that are central to the question of arbitrability of IP disputes. Some jurisdictions have made all disputes relating to IP, including validity thereof arbitrable⁹² but have restricted operation of the latter determinations as judgments *in personam*, that is, those affecting only the parties to the disputes and not the world at large.⁹³ Some jurisdictions have afforded an additional layer of protection: they have allowed arbitrability of validity related questions if they are incidental to deciding the dispute and have regarded determinations on such questions as judgments *in personam*.

For a long time, parties in India⁹⁴ and world over have agreed that transactions involving intellectual property would be arbitrated.⁹⁵ A substantial number of transactions in international and domestic commerce contemplate licensing or transfer of some intellectual property and contain arbitration clauses to resolve disputes arising therefrom. If disputes involving IP rights in all these disputes are to be resolved in courts, it will not only amount to undermining the arbitration agreement between the parties, which they consciously entered into, but it would also amount to substantial delay in deciding those disputes, and flood the already crowded court docket.

⁹² See, Chandni Ghatak, 'Arbitrability of IP Disputes in India: Lessons from Hong Kong' (*IndiaCorpLaw*, 10 March 2019) <<https://indiacorplaw.in/2019/03/arbitrability-ip-disputes-india-lessons-hong-kong.html>> accessed 14 April 2020 (analysing the Hong Kong Arbitration Law on the subject).

⁹³ See, Part III of this paper.

⁹⁴ See, for instance, (*Firm*) *Gulab Singh-Jabri Mal v Dharmpal-Dalip Singh*, 1936 SCC OnLine Lah 16; *K.M. Oosman and Co. v K. Abdul Malick Sabib*, 1949 SCC OnLine Mad 101; *Dharam Dutt Dhawan v Ram Lal Suri & Sons*, 1953 SCC OnLine P&H 61 (where the copyright licensing agreement executed in 1937 contained an arbitration clause).

⁹⁵ Disputes arising out of intellectual property rights are the fifth most common types of international arbitration disputes. See, L Mistelis and C Baltag, *International Arbitration: Corporate Attitudes and Practices* (2008) 9<http://www.arbitration.qmul.ac.uk/media/arbitration/docs/IAstudy_2008.pdf> accessed 29 August 2018; Also see, Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration, Arbitration in Context Series*vol2 (2010) 49-50; Pinsent Masons LLP, *Pre-empting and Resolving Technology, Media and Telecoms Disputes* (2016) <http://www.arbitration.qmul.ac.uk/media/arbitration/docs/Fixing_Tech_report_online_singles.pdf> accessed 7 September 2018.

Given the enormous amount of investment and the need for settlement of disputes arising therefrom in an efficient manner, it would do well for India to consider liberalisation of arbitrability of IP disputes in the immediate future. The narrow range of non-arbitrable IP disputes in international hubs of arbitration would make it difficult for India to aspire to become such a hub with the extant constricted regime of arbitrability of IP disputes. At the same time, arbitration should not be used to bulldoze the rights of stakeholders who may not be parties to the arbitration agreement. The need to find this balance is an immediate concern which the courts will do well to address. Given that Section 12A allows parties to resolve IP disputes through mediation and grants settlement agreements entered into through mediation the status of arbitral awards, there is no reason why the traditional position that disputes involving rights *in rem* are non-arbitrable should be maintained.