A GAME CHANGER FOR TRADEMARK DISPUTES IN INDIA: DELHI HIGH COURT ALLOWS ARBITRATION

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ABSTRACT

A large rise in the number of patent applications has been submitted as a result of India's recent enhancement of its intellectual property (IP) law. Unfortunately, this expansion has resulted in an increase in IP-related lawsuits, which has put a strain on the legal system. Allowing patent disputes to be settled through arbitration is one potential fix for this issue. While there is no explicit regulation regarding mediation in IP disputes. This article is based on the recent pro-arbitration ruling by the Delhi High Court in trademark disputes might revolutionise the process by offering a speedier and less expensive alternative to litigation. The ruling also outlined a four-part rule for evaluating when a disagreement cannot be resolved by arbitration. Mediation may save huge sums of money that would otherwise be squandered in court fights and be cost-effective.

Keywords: intellectual property, patent applications, arbitration, trademark disputes, Delhi High Court, fourfold test, arbitration, mediation

Introduction

Intellectual Property (IP) law refers to the legal framework that governs the creation, ownership, use, and protection of various forms of intellectual property, such as patents, trademarks, copyrights, and trade secrets. The objective of IP law is to provide incentives to innovators and creators to develop new ideas and creations, while also ensuring that these ideas and creations can be used and enjoyed by others without infringement. In India, the development of IP law can be traced back to the colonial era, when the British introduced the Indian Patents and Designs Act of 1911. This act provided protection for inventions and industrial designs, but it was limited to only a few areas of technology and had strict limitations on the duration of protection.

After India gained independence in 1947, the country began to develop its own IP laws, which were largely based on the British system. The Indian Patents Act of 1970 represented a significant departure from the British system, as it abolished product patents and replaced them with process patents. This was done in order to promote indigenous innovation and development, and to prevent the monopolization of essential medicines and other products. In the decades that followed, India continued to refine its IP laws, including the passage of the Trade Marks Act of 1999, the Copyright Act of 1957 (amended in 2012), and the Geographical Indications of Goods (Registration and Protection) Act of 1999. These laws provided protection for various forms of intellectual property, including trademarks, copyrights, and geographical indications. India has made significant strides in the field of intellectual property (IP) over the years. In the past, India was often criticized for its weak IP protection and enforcement mechanisms. However, in recent years, the country has taken several measures to strengthen its IP regime, including modernizing laws, streamlining procedures, and enhancing the capacity of IP offices. These efforts have led to a steady increase in the number of patent applications filed in the country. As of 2023, India has become one of the top destinations for filing patent applications, with over 60,000 (To be extracted 66440)[1] applications filed in the previous year alone. However, this rapid growth has also led to a rise in IP-related disputes, which are currently overburdening the court system. One possible solution to this problem is to allow patent disputes to be resolved through arbitration, which can provide a faster, cheaper, and more specialized alternative to litigation.

[1] https://www.ipindia.gov.in/writereaddata/Portal/Images/pdf/Final_Annual_Report_Eng_for_Net.pdf

Can Trademarks be resolved in arbitration?

In recent years, the Indian legislature has taken a number of steps to support alternative dispute resolution techniques including mediation. Although there is no specific law allowing mediation in IP disputes, Section 12-A2 of the Commercial Courts Act, 2015 (the "Act") is a crucial clause in this situation. Important to note is that the term of "commercial disputes" in the aforementioned Act includes intellectual property rights pertaining to both registered and unregistered trademarks, copyrights, patents, designs, domain names, geographical indications, and semiconductor integrated circuits. The overall enigma of arbitrability of IPR cases may be observed via diverse postures and judgements of different Courts throughout India.

The Hon'ble Delhi High Court passed a judgment dated September 11, 1990, in *Mundipharma Ag vs. workhardt Ltd ILR 1991 Delhi 606*[2] stating that the copyright disputes do not fall within the ambit of arbitration as remedies for such infringement are statutory which are to be exclusively granted by the Civil Courts. However, together the court took a different stand in *Hero Electric Vehicles Private Limited and Anr. v. Lectro*[3] E- Mobility Private Limited and Anr, the Delhi High Court vide its judgement dated March 2, 2021, gave a pro-arbitration judgement by holding the view that if the dispute is regarding the enforcement of trademark against the particular group is contrary to enforcement of such rights against the world, then such cases are arbitrable.

Examining the significance of recent judgment for resolving trademark disputes in arbitration

In a very recent case of ***M/S Liberty Footwear Company vs M/S Liberty International on 10 January 2023, No 2023/DHC/000153***[4] The court has issued a permanent injunction to prevent the Defendant and its associates from using the trademark "LIBERTY INTERNATIONAL," as well as any other mark similar to the Plaintiff's registered trademark "LIBERTY," for goods falling under Class 25 or any allied goods, to prevent infringement of the Plaintiff's trademark. The agreement between both parties already had an arbitration clause but it being a trademark case argued that it cannot be taken into arbitration.

The Delhi High Court allowed the application filed by the defendant under section 8 of the Arbitration Act concerning a trademark dispute on Plaintiff's 'LIBERTY' mark infringement.

[2] *Mundipharma Ag vs. workhardt Ltd ILR 1991 Delhi 606*
[3] Hero Electric Vehicles Pvt. Ltd. v. Lectro E-Mobility Private Ltd, 2021 SCC OnLine Del 1058
[4] https://www.livelaw.in/pdf_upload/liberty-footwear-company-versus-liberty-international-453618.pdf

The Court propounded a fourfold test for determining when the subject matter of a dispute in an arbitration agreement is not arbitrable.

The fourfold test for determining when a dispute is not arbitrable. The four criteria are:

- if the dispute relates to actions in rem(Depends on the nature)
- if it affects third-party rights with erga omnes effect,
- if it relates to inalienable sovereign and public interest functions of the state,
- If it is non-arbitrable as per mandatory statute(s).

These tests are not mutually exclusive and should be applied holistically and pragmatically to determine whether a dispute is non-arbitrable.

By applying the above test the court stated that Actions in rem refer to actions determining the title to the property and the rights of the parties, not just among themselves but also against any other parties at any time claiming an interest in that property. Actions in personam, on the other hand, refer to actions which determine the rights and interests of the parties themselves in the subject matter of the case. While conflicts in rem cannot be arbitrated privately since they must be decided by the courts and public tribunals, rights in personam are subject to arbitration. Nonetheless, disagreements involving inferior rights in personam resulting from superior rights in rem are considered to be arbitrable.

Lastly, the court held that the defendant's application under Section 8 of the Arbitration Act is allowed, and the disputes between the parties should be referred to arbitration. The disputes revolve around whether the defendant, who is a partner in the plaintiff firm, can use the plaintiff firm's trade marks for his own business, and whether there is an understanding between partners allowing the use of the plaintiff firm's trade mark by family members. The arbitrator can consider the Partnership Act, The Trade Marks Act, Partnership Agreement and trademark registration,

This decision of the court can play a huge role in the upcoming trademark cases as through arbitration and mediation the procedure can go by quickly and not only that It should be emphasised that one of the many advantages of mediation is that it saves parties significant sums of money that would otherwise be lost in court battles. So, it may be argued that the reimbursement of Court expenses is consistent with the goal of mediation and will undoubtedly

serve as a motivator for the parties to choose mediation[5].

Conclusion

As a result of India's major advancements in bolstering its intellectual property framework, the nation has seen a constant rise in the number of patent applications submitted. Yet this expansion has also led to an increase in IP-related lawsuits, which are presently overtaxing the legal system. Arbitration has become a practical alternative to litigation to solve this issue. Notwithstanding contradictory rulings on the subject of whether trademark disputes can be arbitrated, a recent ruling in the matter of M/S Liberty Footwear Company vs. M/S Liberty International on January 10, 2023, established four-part criteria to assess whether a dispute can be arbitrated. This ruling offers a framework for assessing when conflicts should be brought to arbitration, which might completely alter how issues involving trademarks are resolved in the future. In general, India's initiatives to support other dispute resolution processes like arbitration would surely assist lighten the load on the court system and offer a faster, less expensive, and more specialised settlement of IP issues.

[5] https://www.mondaq.com/india/trademark/1234290/a-positive-trend-towards-settlement-of-trademark-disputes-through-mediation