IP DISPUTES: A DISCUSSION ON ENFORCEABILITY

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ABSTRACT

Intellectual Property, by its definition, is of a proprietary nature, 'belonging' to an entitled individual or organization who enjoys ownership rights over the said property. Accordingly, the disputes that arise concerning intellectual property, surround such breach of rights which may often include tortious liability in terms of trespass to chattel and mischief. Thus, the effectiveness of a procedure such as arbitration (which is designed to settle disputes concerning two individual entities), when the question of law in case of IP Disputes is that of individual rights being exerted to the exclusivity of all others, becomes a technical question of enforcement.

International Arbitration has gained a proper social status in terms of Alternative Dispute Resolution mechanisms. The aspects of 'voluntariness' and 'party-autonomy' form the core tenets on the basis of which disputes are adjudicated to be arbitrable in order for the process to be deemed tenable. Accordingly, it becomes increasingly important to understand the functionality of IP disputes and various jurisdictions' notions on whether such disputes are ultimately enforceable. While this paper shall not focus on whether the overall subject-matter of 'intellectual property' is in itself arbitrable, it shall explore the discourse in terms of whether an arbitrated award concerning intellectual property can be enforced effectively.

APPROACHES TO ENFORCEABILITY

When it comes to arbitral awards, the New York Convention and the UNCITRAL Model Law ensure that an award is internationally enforceable. However, the uniqueness of IP Disputes make it so that there is a dichotomy as to whom it can be enforced again. At its core, an Arbitral Award is limited to the parties to the dispute, i.e., the award rendered is generally *inter partes* only. However, IP breaches are intrinsically a violation *erga omnes* as an IP right is a right exclusive to the holding party. Hence, an exploration of the various jurisdictions which render an IP Dispute Arbitrable, provides us with an understanding as to how an award in an IP Dispute is rendered enforceable.

COMMON LAW JURISDICTIONS ON IP ARBITRATION

The United States of America[1]

The US is generally considered as one of the most arbitration-friendly jurisdictions when it comes to IP Arbitration. This is further evidenced by Federal Statute 35 U.S.C. 294 that expressly allows for Arbitration of patent validity and infringement. Similarly, judicial precedents have also established that disputes concerning copyrights[2] and trademarks[3] also fall under the ambit of arbitrability. However, it is noteworthy that both the Federal Statutory Provision and the Judicial precedents make it abundantly clear that an award so rendered and the entire dispute settlement process, by it's very nature is *inter partes,* i.e., any rendered award can only be recognized and enforced against the parties to the Arbitration and not towards any other third-parties.

Singapore[4]

In terms of Arbitration and Alternate Dispute Resolution, Singapore is regarded as a pioneer. Housing the International Chambers of Commerce (ICC) and the Singapore International Arbitration Centre (SIAC), along with the specialized International Commercial Court (SICC), Singapore is regarded as a leading authority when it comes to International Arbitration. Hence, it comes as no surprise that Singapore already introduced the Intellectual Property (Dispute

[1] Matthew R Reed et al, "Arbitrability of IP Disputes" in John VH Pierce & Pierre-Yves Gunter (eds.), The Guide to IP Arbitration (Law Business Research Ltd 2021), p. 29.
[2] Packeteer, Inc. v. Valencia Systems, Inc., 2007 WL 707501, 82 U.S.P.Q.2d 1216 (N.D. Cal. 2007).
[3] Boss Worldwide LLC v. Crabill, 2020 WL 1243805 (S.D.N.Y 2020).
[4] ibid (n. 1)

Resolution) Act in 2019 which amended the provisions of both the Domestic Arbitration Act and International Arbitration Act of Singapore to incorporate arbitration of IP Disputes. However, it is noteworthy that even in Singapore, such awards rendered and such disputes themselves, are regarded as *inter partes*.

Hong Kong[5]

Second to Singapore, Hong Kong is widely regarded as an emergently established destination for arbitrated dispute resolution. Hence, similar to Singapore, Hong Kong also amended its Arbitration Ordinance in 2017 which confirmed the Arbitrability of IP Disputes while maintaining the stance that such resolutions are only enforceable *inter partes.*

United Kingdom of Great Britain & Northern Ireland[6]

Unlike the previous jurisdictions, the United Kingdom does not have a statutory framework which establishes IP Disputes as arbitrable. However, judicial precedents declare them to be so. Furthermore, the Patents Act, though allowing Patent Disputes to be arbitrated, again stresses upon the *inter partes* nature of the resolution so reached.

CIVIL LAW JURISDICTIONS ON IP ARBITRATION

Switzerland[7]

The Swiss legal system allows the most liberal stance across all jurisdictions in terms of IP Arbitrations. It iterates that in the event that an arbitral award on patent validity is declared enforceable by a Swiss Court, the same is given an *erga omnes* effect by the IP office recording this enforcement.

Germany[8]

Germany bifurcates this discussion into two parts – infringement and validity. While it deems infringement of IP Disputes as arbitrable, it does not extend this to a dispute on 'validity' of the Intellectual Property. Hence, like it's common law counterparts, it deems a question on validity

[5] ibid (n. 1), p. 33.
[6] ibid (n. 1), p. 28.
[7] ibid (n. 1), p. 35.
[8] ibid (n. 1), p. 37.

as having an *erga omnes* effect and therefore accepts only those awards where *inter partes* disputes are settled.

Japan[9]

Since 2000, Japan has followed the precedent of the *Kilby* case. It essentially holds that while infringement claims may be arbitrated, claims as to validity remain in contested territory.

France[10]

Traditionally, the French Courts outright rejected that IP Disputes were arbitrable. However, following the developments since 2011, with the introduction of Law No. 2011-525, France has accepted the arbitrability of IP Disputes concerning 'validity' inasmuch that it remains enforceable *inter partes*.

THE ALLURE OF ARBITRATION

Considering the fact that a majority of the legal systems around the world are still evolving to the concept of arbitrability of IP Disputes and with limited literature being available to encapsulate an arbitration on validity which is a right enforceable *erga omnes*, it brings us to an important question – Why do parties still prefer Arbitration over traditional litigation?

It is widely argued that the very effect of an *erga omnes* decision is what traditionally drives parties to arbitration. In the event that a litigation dispute over a 'validity claim' is lost, the party does not just lose enforcement over that specific counterparty, but rather on a national or even international level. Thus, an arbitration, which is primarily *inter partes,* allows the party to exercise and assert its rights against other third parties even if the present dispute is settled unfavourably.

Moreover, the tailored nature of the process allows for specialization in terms of adjudicators, with the possibility of appointing arbitrators who are well-versed with the technical specifications of the dispute at hand, which may lead to a well-rounded reasoning and a fairer dispute resolution mechanism rather than relying entirely upon the capacity of a solitary judge to understand and appreciate the facts of the case at hand. Lastly, it becomes a *prima facie* fairer

[9] ibid (n. 1), p. 45.
[10] ibid (n. 1), p. 36.

procedure as there is no perceived advantage to either party as being in their 'home ground'. Choosing a neutral location and appointing neutrally acceptable arbitrators, combined with the fact that it may be brought before a tribunal of international recognition, provides for a dispute resolution mechanism that is systemically advantageous to *inter partes* disputes.

THE ISSUE OF VALIDITY

The fundamental question of validity of an intellectual property is one that often pops up when there is a discussion with regards to infringement. Irrespective of which party brings the claim of infringement, the issue of validity is, more often than not, taken as a defence by the counterparty. Hence it brings us to the larger question with regards to IP Disputes in general – whether they present a *Jus in Rem* or a *Jus in Personam.*[11]

The Indian Courts in *Eros International Media Limited v. Telemax Links India Pvt. Ltd.*[12] reasons that IP Disputes in themselves can be distributed into two broad categories – the Intellectual Property (i.e., the Trademark, the Copyright or the Patent) and infringement of said intellectual property. It is an accepted and established premise that the issue of infringement is a *jus in personam*, and hence, *prima facie* arbitrable. However, the *"plaintiff's entitlement to bring said action"*[13] i.e., the validity of the mark, becomes a *jus in rem* and is hence, contrary to public policy, thereby rendering it nonarbitrable.

CONCLUSION

It is therefore fair to conclude that parties have an advantages procedural aspect when it comes to choosing arbitration for the purposes of settling disputes. However, the base question that this paper started out to address was as to whether in IP cases, arbitration is ultimately a valuable tool to utilize. To this question, the answer is simple, yet complicated. In order to understand whether arbitration would be efficient, one is compelled to understand the dispute at hand.

The case of *Vidya Drolia*[14] establishes four elements to determine whether a dispute is *prima facie* non-arbitrable:

[11]Pallavi Rao & Robin Grover, 'Arbitrability of IP Disputes – A Step Forward?', 28 August 2023, Cyril Amarchand Mangaldas, p. 3.
[12] (2016) 10 SCC 386.
[13] ibid.
[14] *Vidya Drolia v. Durga Trading Co.,* (2021) 2 SCC 1.

1. When the cause of action and subject matter of the dispute relate to actions in rem, that do not pertain to subordinate rights in personam that arise from rights in rem.

2. When the cause of action and subject matter of the dispute affects third party rights; have *erga omnes* effect; require centralised adjudication, and mutual adjudication would not be appropriate and enforceable.

3. When the cause of action and subject matter of the dispute relate to inalienable sovereign and public interest functions of the State and hence mutual adjudication would be unenforceable.

4. When the subject matter of the dispute is expressly or by necessary implication non-arbitrable as per mandatory statute(s).

If one is to contest whether the dispute is with regards to a claim of infringement, arbitration is undoubtedly the way to go as it reduces the material nature of the dispute to be within an *inter partes* scope and does not require the infringement to be claimed to other third-parties at large.

However, if the question is of validity, which is invariably unavoidable when it comes to an infringement claim, arbitration, in its present form requires further jurisprudence to emerge in order to provide a sustainable framework to settle disputes. The second element of the *Vidya Drolia* test invalidates this as non-arbitrable as it shall have an *erga omnes* effect. If a party wishes to arbitrate a claim of 'validity' which requires that the ultimate award be enforced and recognized against all future claims *erga omnes*, then at present, the best format available would be a Hybrid Dispute Resolution Model.

Essentially, if the question of law is of such nature as to require the party to acquire *erga omnes* adjudication, it must choose *Lit-Arb-Lit*. This essentially acts as a dual layer of dispute resolution, guaranteeing effectiveness of the process. If the parties were to raise claims on validity and infringement, the latter may be adjudicated by an arbitral tribunal while the former is settled in a court of law. *In Arguendo*, if the jurisdiction of the court so allows for a progressive dispute resolution approach that the subject of 'validity' may also be arbitrated, the court may grant a consent award as its final judgement, thereby providing an *erga omnes* effect to the judgement against potential disputes arising in the future.

The ultimate goal of dispute resolution is to ensure avoidance of future disputes of similar

nature to arise, leading to multiplicity of proceedings and unnecessary revisitation of settled matters of law. Hence, at present, when the evolving jurisprudence for IP Disputes is incomplete with regards to the status of 'validity claims', the present model would offer the best chance at enforceability while also ensuring the preservation of arbitration as an efficient process.