Resolution of Intellectual Property Disputes in India--Arbitration or Litigation?

The seemingly eternal debate in legal circles appears to be related to one fundamental issue: arbitration or litigation? That debate appears to have become amplified in India, with the governmental push given to arbitration by virtue of the Arbitration and Conciliation (Amendment) Act, 2015, which introduced a slew of reforms, including Section 29A, mandating a time limit of twelve months (extendable to eighteen months by consent of the parties) from the date that the arbitral tribunal enters upon the reference, for the award to be announced.

However, the question does remain open whether arbitration or litigation should be the preferred route in the case of intellectual property disputes. Both have their advantages and disadvantages, but which is more effective?

Typically, the enforcement of intellectual property has been done through litigation proceedings; proprietors of senior marks often pray for injunctions against alleged infringers at the first instance, and courts, considering the evidence on hand, the potential loss, as well as the balance of convenience, either grant the injunction or dismiss the application. This is the first and major step in enforcement actions, which helps ensure that further dilution and tarnishment is prevented.

While the speed of arbitration can be attractive, and the ability to pick the referee is heady, the fact remains that an award of an arbitral tribunal does not necessarily carry the same weight as a court order in India. Further, Indian courts are now able to tread that fine balance between upholding the validity of arbitration clauses, while ensuring that suitable cases are heard in court. In the event that declaration or rendition of accounts are among the reliefs prayed for, it may become necessary to ensure that such final orders are passed by the court by actively litigating the case.
One great advantage of arbitration is that settlements and awards can remain private. However, even in litigation, in the case of settlement, the terms of the settlement can be kept private between parties by submitting a memorandum of settlement to the court. This document may be referred to in the final court order, while terms remain in the private domain.

Indian courts are able to take decisions only after carefully reviewing evidence and hearing arguments. This process does take time, and while this period may feel dilatory to some, it can help prevent loss of time later on, preventing wastage of time and resources fighting incorrect decisions hastily made. To put this into context, Section 29A of the Arbitration and Conciliation (Amendment) Act, 2015, mandates a time limit of twelve months (extendable to eighteen months by consent of the parties) from the date that the arbitral tribunal enters upon the reference. However, many arbitration clauses have “step” clauses, involving an escalating series of steps before disputes are finally sent for arbitration, considerably increasing the time period before disputes are resolved. It may, therefore, be the prudent decision to move court.

The Indian Bench is rapidly gaining intellectual property expertise, up to date with the law as it stands in India, as well as international trends and decisions. Thus, ideally, they are able to able to take pragmatic decisions based on current trends, and future predictions. This encouraging development has meant that Indian intellectual property jurisprudence is steadily gaining currency around the world.

Parties will do well to gauge their contracts, and especially their dispute resolution clauses, before determining a strategy. Even in the event that parties approach court, courts will uphold valid arbitration clauses, and increasingly so. In the case of *Ministry of Sound International v M/s Indus Renaissance Partners*¹, the Delhi High Court had an opportunity to examine the arbitration clause in a trade mark/copyright license agreement. The dispute resolution clause allowed parties to seek injunctive relief in the case of any

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¹ *Ministry of Sound International v M/s Indus Renaissance Partners*, Delhi High Court (I.A. no. 2926/2008 in CS (OS) no. 241/2008) dated 7 January 2009
breach or threatened breach of any obligation of confidentiality or infringement of the other of any intellectual property, or commencing any proceedings where it was necessary to avoid any loss of a claim due to the rules on limitations of actions. Subject to these, disputes were to be submitted to arbitration in London at the London International Court of Arbitration, in accordance with the Arbitration Act, 1996, and the LICA rules. The defendants contended that the dispute should have been referred to arbitration and not to court. The plaintiffs in reply contended that the arbitration clause was subject to the clause related to breach of obligation of confidentiality of infringement of intellectual property, and therefore not arbitrable. The court, keeping in mind the ratio of *Sukanya Holdings Pvt Ltd v Jayesh H Pandya and Anr*, held that the arbitration clause was wide-ranging, and the intellectual property dispute was to be submitted to arbitration also. Therefore, the parties were referred to arbitration.

In the case of *Enercon (India) Ltd And Ors v Enercon Gmbh And Anr*, the Supreme Court of India had examined agreements pertaining to the business relationship between the respondent, who held the patent for technology related to wind turbine generators, and the appellants, who were to manufacture and sell the wind turbine generators. One of the agreements was a Technical Know-How Agreement, under which the appellants were the licensees and the respondents were the licensors. There was also a Supplemental Technical Know-How agreement. Later on, an Intellectual Property License Agreement (IPLA) was also initialled. Following disputes, respondents invoked the arbitration clause contained in the IPLA, however, the appellants claimed that there was no concluded contract between the parties. Court held inter alia that in the absence of a “fundamental legal impediment”, it would be up to the arbitral tribunal to determine the validity of the contract itself. Further, it was held that a “common sense approach has to be adopted to give effect to the intention of the parties to arbitrate. In such a case, the court ought to adopt the attitude of a reasonable business person, having business common sense as well as being equipped with the knowledge that may be peculiar to the business venture. The arbitration clause cannot

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2 *Sukanya Holdings Pvt Ltd v Jayesh H Pandya and Anr*, Supreme Court of India (Appeal (Civil) 1174/2002) dated 14 April 2003

3 *Enercon (India) Ltd & Ors v Enercon GMBH*, Supreme Court of India, (Civil Appeals 2086 and 2087 of 2014) dated 14 February 2014
be construed with a purely legalistic mindset, as if one is construing a provision in a statute”. Further, it was re-emphasised that the law of the seat of the arbitration (i.e India) was to apply to the arbitration proceedings; consequently, anti-suit injunction was granted, restraining the respondents from continuing concurrent proceedings in England.

Often, even with a submission to arbitration, in the end, some parties may feel that the court system is a guiding hand that they can seek. They may feel that a court order has more force than an arbitral award. Further, while an arbitrator has been granted the power to make necessary interim orders under Section 17 of the new Act, which are deemed to be orders of the court (and enforceable under the Code of Civil Procedure), such orders may not be enough to gain compliance from other parties. For instance, in the event of the passing of the equivalent of an Anton Piller order for search and seizure (known in India as a Local Commission), police protection for the person carrying out the order may be necessary. However, while a certified copy of a court order is enough to secure such police protection, an interim order of an arbitral tribunal may not be. Further, even the parties to the arbitration themselves may not comply.

In India, the arbitration ecosystem is slowly developing. The introduction of the sweeping reforms of the new Arbitration Act, along with a growing realisation that arbitration systems need to be strengthened as one aspect of making India more business friendly, are all steps in the right direction. Some introductions, however, may be overzealous and therefore counterproductive. The introduction of the time limit to a maximum of eighteen months, not extendable even at the option of the parties, is not conducive to thorough discovery, submissions, and then examination of merits (which will happen in courts as part of the due process of law). Further, the Fourth Schedule, with model fees for arbitrators, appears grossly inadequate, especially in cases where expert arbitrators (as in intellectual property matters) are required; this could have a dampening effect on sought after arbitrators taking on arbitrations. Still, the new act has brought hope and a sense of dynamism.
Ultimately, parties must check the arbitration clauses in their contracts: is the arbitration clause applicable to all disputes arising out of the contract, or only to some? Accordingly, arbitration or litigation will move forward. As discussed above, courts of record are now creating a more sophisticated arbitration jurisprudence, and are able to create increasing confidence in Indian arbitration. Meanwhile, intellectual property jurisprudence is also becoming more refined. All this will ultimately assist in the resolution of IP disputes as well, since it will encourage the inclusion and the exercise of arbitration clauses in contracts.

Any dispute resolution strategy must therefore look into the specific circumstances of each case. Lawyers must tailor the strategy to the client’s specific requirements. Ultimately, the speedy resolution of disputes will provide a fillip to agreements encouraging licensing and trade in IP rights and ultimately, the most effective monetisation of IP rights.

Isha Mital for Chadha & Chadha Intellectual Property Law Firm