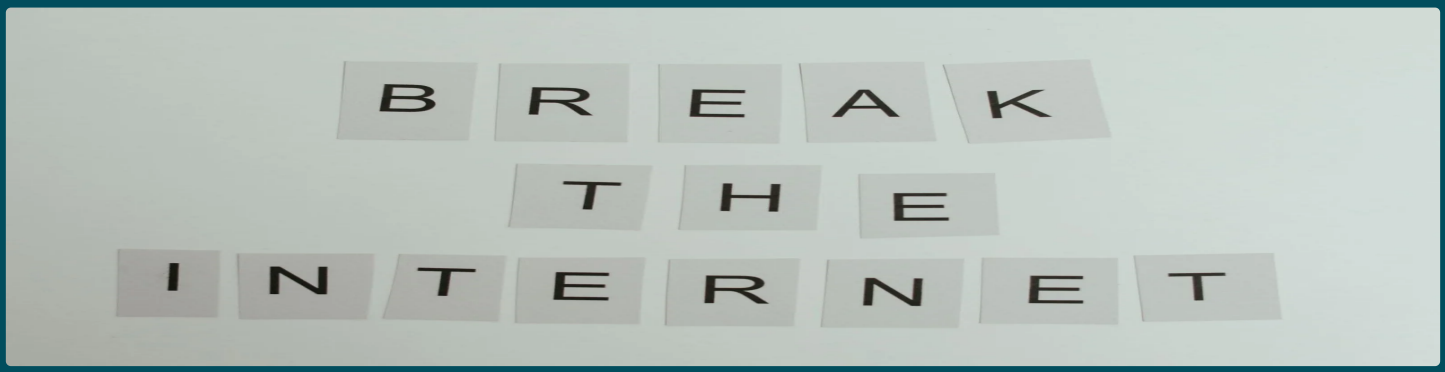
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INTELLECTUAL PROPERTY RIGHTS

Patents And Panels: Decoding Arbitrability of IP Infringement Over The Internet

Abstract This article examines the viability of arbitration as a legal recourse for Intellectual Property Disputes (IP Disputes) and explores the Indian legislative and judicial stance on the arbitrability of infringement actions. It advocates for the Arbitration and Conciliation Act, 1996 (Arbitration Act) and the primary IP legislations like the Copyright Act, 1957, Trademarks Act, […]

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Introduction

Arbitration has been an effective recourse for resolving commercial disputes in India. The arbitrability of IP disputes can either be decided by the country's IP legislation or its Arbitration Act. However, the arbitrability of **Intellectual Property disputes** (**IP disputes**) over the internet remains an undiscussed issue in Indian IP legislation.

In India, the Arbitration and Conciliation Act of 1996 (**Arbitration Act**) does not provide a definite list of arbitrable matters. Section 2(3) of the Arbitration Act does not provide an exhaustive list of arbitrable subject matter but merely states that certain disputes may not be submitted to arbitration. In the absence of legislative guidance, judicial precedents serve as the foundation for determining whether IP disputes are arbitrable in India.

This article examines how India can minimise losses from infringement of protected works by amending its primary IP legislations to align with the new-age *Internet Treaties* and to include *Technologically Enabled IP Restrictions* and *geo-blocking restrictions* while promoting the creation of an electronic *Rights Management Information* which contains the identity of the owner of the IP, the source code related to such IP and the terms of use of such IP in open access networks on the internet.

This article identifies three pertinent issues in examining the viability of arbitration as an effective recourse for IP dispute resolution:

1. *Whether arbitral awards bind parties other than inter partes to the dispute.*
2. *Whether arbitration limits a third party's right to oppose or challenge the award and approach a civil court for remedies against it.*
3. *How India can make arbitration a viable option for cross-border online infringement disputes.*

This article advocates for the adoption of best international practices from the Internet Treaties and comparative jurisdictions, such as Switzerland, Belgium, the European Union, the United States (U.S.), and Japan.

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Arbitration as a Dispute Settlement Mechanism in the Indian IP Regime

There is no clear ruling by the Courts on whether all IP disputes are arbitrable in India. The IP legislations almost exclusively confer jurisdiction on the **District Court** to deal with IP infringements as the forum of first instance. Primary IP legislations providing for civil litigation in the District Court of competent jurisdiction include:

- Section 104 of the Patents Act of 1970 (**Patents Act**)
- Section 134 of the Trademarks Act of 1999 (**Trademarks Act**)
- Section 62 of the Indian Copyright Act of 1957 (**Copyright Act**)

Section 55 of the Copyright Act classifies infringement of copyright in "*any work*" as a violation attracting civil action. The civil remedies available to a copyright owner include, but are not limited to, grant of an injunction against the infringer or on the

continuing infringement, damages decided by the civil courts and accounts of profit made by sale or misuse of the copyrighted work or any other remedy that the civil court is empowered by the law to safeguard the copyright owner's IP rights. These civil remedies are enforceable, subject to the caveat that the infringer had knowledge of the content being protected against unauthorised use.

The Indian courts consider IP rights and their legal enforcement a right *in rem,* which is why the courts disagree on whether IP disputes like copyright infringements are arbitrable. The Supreme Court of India in ***Booz Allen Hamilton v. SBI Home Finance*** [1] ousted two broad categories of disputes from the scope of arbitration: *firstly*, disputes concerning rights operating *in rem,* and *secondly*, an ouster by statute providing a forum with exclusive jurisdiction over the subject matter.

However, the Supreme Court also observed that this rule was not rigid but a flexible one. Owing to the lack of finality in the Apex Court's decision, High Courts have conflicting opinions over the arbitrability of IP disputes.

This conflict can be studied by examining the clash of opinions among the two benches of the Bombay High Court. A Single Judge Bench led by Justice Patel in ***Eros International Media Ltd. v. Telemax Links India Pvt. Ltd.***[2] affirmed the arbitrability of copyright infringement disputes arising out of a contract. Justice Patel opined that the right to seek remedy against unauthorised use of copyright and infringement of copyright was a right *in rem,* making copyright disputes arbitrable.

Judicial Uncertainty in Determining the Arbitrability of Infringement Disputes

In stark contrast to the decision in *Eros International's case*, a Single Judge Bench of the Bombay High Court presided by Justice R.D. Dhanuka in ***Indian Performing Rights Society (IPRS) Limited v. Entertainment Network***[3] held that copyright disputes were not arbitrable.

The High Court dismissed the arbitration petition filed by M/s. Radio Today Broadcasting Ltd. against IPRS, a Section 33 registered copyright society protecting artistic works of over 2500 members, finding that an arbitral award could not bind only the parties to the proceedings, especially when IP rights are considered to be a right *in rem*. This gives rise to a pertinent question:

> *Can an arbitral tribunal pass awards that operate against parties other than the parties to the proceedings?*

This question warrants understanding why IP disputes in India operate *in rem*. Since claims regarding the registration, ownership and the challenges to the validity of IP registrations are a state-governed process with Registrar as the first decider of the validity and oppositions to the grant of such right, the decisions in such disputes are traditionally considered non-arbitrable.

For example, the grant of patents and the exclusion of an invention from patent protection are important functions determining the extent of exercise of national sovereignty in times of emergencies by the government, like patenting policies on vaccination for battling the COVID-19 pandemic, without facing any legal challenges. Reasons like this make the grant of IP rights and their adjudication a **public policy concern** in India since it affects the rights of the public at large.

The uncertainty arising from the lack of a clear decision in *Booz Allen* was further exacerbated by the decision of the Supreme Court in ***Vidya Drolia v. Durga Trading Corporation***[4] wherein the Apex Court called for a case-by-case analysis of each dispute to determine its arbitrability, leaving High Courts to develop their own jurisprudence, changing and conflicting with every passing case and ultimately resulting in non-uniform judicial treatment of IP disputes as a whole.

The decision in *Vidya Drolia's case,* although not complete in its assessment of determining arbitrability of IP disputes, is a stepping stone in breaking away from the statutory limits placed on the arbitration of such disputes, *like* making the District Court the court of first instance for seeking civil remedies for infringement under the Copyright, Patents and Trademarks Act.

Vidya Drolia's case attempts to break away from the understanding that District Courts have *exclusive jurisdiction* over IP disputes, turning away from the decision in ***Mundipharma AG v. Wockhardt Ltd.***[5] wherein the Delhi High Court opined that actions against infringement of "*any right*" under the Copyright Act had to be instituted in the District Court (*or the court of first instance under the Copyright Act under Section 62*).

Arbitrability of IP Disputes: *Erga Omnes* or *Inter Partes*

IP rights are *erga omnes* in nature, however, arbitration proceedings are a consent-bound *inter partes* affair. Unlike India's Arbitration Act, Swiss and Belgian laws protect IP holders' economic interests by allowing faster and straightforward recourse against infringement by considering the claims, and the process of nullifying these IP rights is **statutorily arbitrable**.

For instance, Article 177(1) of the *Swiss Private International Law Act* allows any claim involving *an economic interest* to be submitted to arbitration. Further, Article 177(2) of the same act bars a State, or an organisation controlled by the State, from invoking its own law to contest its own capacity to arbitrate a dispute covered by an arbitration agreement contrary to India's approach of reserving adjudication over IP disputes as a State affair.

Coming to disputes related to patentability, Article 51(1) of the *Belgian Patent Law* grants an arbitral award revoking a patent, finality "*in respect to all parties*" and allows opposition by third parties unlike the Indian IP legislations which do leave unanswered another major question:

> *Does initiation of a private arbitration exclude third parties from availing civil remedies against an arbitral award in a consent bound proceeding between two parties?*

The Single Bench in *Eros International (Supra)* tried answering this question by holding that seeking a permanent injunction or damages in arbitration does not exclude the claimant from availing remedies that a civil court can order under the Copyright Act. [6] This still does not clarify *whether an arbitral award passed in accordance with the provisions of the Arbitration Act and the Code of Civil Procedure has the same effect as a final order of the civil court*.

Proposed Amendments to the Arbitration Act

To overcome these challenges to arbitrability of IP disputes, the Indian Arbitration Act can be amended in three ways:

1. Amend Section 2(3) to include an **exhaustive list of arbitrable matters** including IP disputes that can be arbitrated and remedies that can be sought exclusively from a civil court.
2. Amend Section 35 to explain the finality of an arbitral award to extend to challenges by *all interested or economically affected parties*.
3. Include a provision mandating **institutional arbitration** for IP disputes by or against government bodies or authorities.

Aligning India's IP Policy with the International IP Regime

Adopting the aforesaid suggestions will only serve as a preliminary solution to opening the floodgates of arbitration in IP disputes, but the demand for content-based IP benefits in the growing and already vast cyberspace cannot be sidelined.

Traditionally, India relies on the *notice and take down measures* under Rule 3(2)(ii) of the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 (**IT Intermediary Rules**) to address any grievance related to the content hosted by an intermediary including, but not limited to, social media platforms, search engines, Over the Top Platforms (OTT) and e-commerce websites.

This traditional method has become less effective in the age of *geo-blocking* and other *paracopyright protection* measures, such as *Technology Enabled IP Restrictions* (**TEIRS**) provided for in Section 1201 of the Digital Millennium Copyright Act (**DMCA**), to safeguard against unauthorised access from outside the country.

Important lessons can be learnt from the case of ***Wixen Music Publishing, Inc. v. Triller, Inc.***,[7] wherein Indian IP giant T-Series lost $50 million to unauthorised use and copyright infringement by Triller, an online short-video platform that used music owned by T-Series without permission for promoting the platform.

With the rise of digital awareness and the expansion of open-access networks that offer copyrighted material for free online, the risk of *content regeneration* and *artificial intelligence imaging* (**AI imaging**) has increased. These risks demand stricter laws punishing piracy of IP rights in public domains. This raises another pertinent question about *whether the Indian IP legislation provides remedies for protection against the regeneration and circulation of copyrighted content on online public domains*.

What India Can Borrow from the Internet Treaties

India's legal position in the enforcement and implementation of digital age IP protections can be assessed fairly by examining whether its domestic legislation aligns with the global protection standards.

The World Intellectual Property Organisation (**WIPO**) administers the international norms under the WIPO Copyright Treaty (**WCT**) and the WIPO Performances and Phonogram Treaty (**WPPT**), collectively known as the *Internet Treaties,* which address the risk of circumvention of online protection granted to creative works.

India, although a contracting party to the Internet Treaties, has failed to adopt technological measures against infringement of protected works under Article 11 of the WCT. These technological measures include maintaining an electronic "*right*

management information," which identifies the work, credits its owner/author, including the terms of use, and any code identifying the work enabling communication of protected works to the public.[8]

India's hesitation in adopting new-age **digital rights management** laws and technology has far-reaching economic implications for IP owners who cannot take effective legal action against infringement in foreign jurisdictions since their domestic law does not provide for such enforcement procedures.

India's reliance on conventional treaties like the Agreement on Trade-Related Aspects of Intellectual Property Rights (**TRIPS**) for IP protection, which does not protect against digital and technological circumvention, makes cross-border action against infringement ineffective. Issues like exhaustion of IP rights associated with Trademarks on the *first sale* and cross-border disputes arising from such a sale are excluded from institutional dispute settlement under Article 6 of TRIPS.

Countries like India need to move on from the minimum protection standards of conventional treaties like TRIPS and incorporate technologically enabled protection of IP in its primary IP legislations to align its policy with the global best practices. India should focus on the inclusion of arbitration as a mode of dispute settlement in domestic IP legislations, offering speedy legal recourse to IP owners.

Addressing Infringement Disputes over the Internet

The increase in global online interaction has posed challenges like online infringement of protected IP work and cross-border disputes. As previously discussed, enforcement action against violations of IP rights is heavily dependent on the domestic legislation of the country where such IP is registered.

Since a court cannot grant protection other than the protection provided for in the domestic legislation of the IP holder or owner, online IP disputes have seen an increased trend of **forum shopping**.

In cases like ***HK Media Limited and Anr v. Brainlink International Inc***.,[9] the Delhi High Court was faced with the issue of deciding the jurisdiction in the context of the violation of HT Media's trademark "*Hindustan*" and "*Hindustan Times*" by Brainlink Int. Inc., which owned the website and domain name *www.hindustan.com* in New York. The website also provided online news like HT Media and focused on Indo-American interests.

Noting the similarity in content, HT Media filed for the grant of a permanent injunction against Brainlink Int. Inc. for *passing off* HT Media's IP content as its own. In response to this legal action, Brainlink Int. Inc. filed a suit for non-infringement of HT Media's IP rights in a U.S. District Court. The Delhi High Court granted an anti-suit injunction against the continuance of the legal proceedings in the U.S. District Court.

This case raises an important issue:

> *Whether arbitration is an effective recourse for cross-border online IP disputes in the absence of a set of rules governing the procedure of dispute resolution?*

What India Can Learn from Japan

India can follow Japan's example in positioning itself as an arbitration-friendly jurisdiction. The International Arbitration Centre in Tokyo (**IACT**) deals with IP disputes with an international panel of arbitrators, focusing on international IP disputes, including online infringement.

IACT complements the Japan Intellectual Property Arbitration Centre (**JIPAC**), founded by the Japan Patent Attorneys Association and the Japan Federation of Bar Associations, offering specialised resolution services.

Currently, online IP disputes are decided based on the place of business of the infringer or simply the "*carrying on business*" requirement proposed in ***World Wrestling Entertainment Inc. v. Reshma Collection***[10] wherein the Delhi High Court dealt with a trademark infringement suit filed by a plaintiff incorporated under the laws of the State of Delaware.

The plaintiff, World Wrestling Entertainment Inc., argued that their website was accessible in Delhi, meaning that it carried on business within the jurisdiction of the Delhi High Court and could claim protection under the Indian IP legislation. Following this principle, an infringement action can be brought in any place where the protected work is accessible if the plaintiff, with a universally accessible work online, satisfies the court that any other forum chosen by the defendant would disadvantage the plaintiff's cause.

This rule is called the "*tighter version of the effects test*" and was propounded in ***Banyan Tree Holding (P) Ltd. v. A. Murali Krishna Reddy***.[11]

Adopting the EU Approach to Jurisdiction

A simple solution to determining the jurisdiction for instituting a claim or infringement action against online IP works would be to align India's policy with that of the European Union. The European Union relies on Article 7(2) of the *Brussels I Recast Regulation* for determining the jurisdiction in online infringement cases.

Article 7(2) states that the forum of the state where the infringement or harm from such infringement was caused shall have jurisdiction in cases of online infringement. If the spirit of this article is adopted in the Indian IP legislation and the Arbitration Act, then arbitration will emerge as a viable, cost-effective, speedy and specialised legal recourse to cross-border IP infringement.

Conclusion

With the evolution of new-age IP protection obligations under Article 11 and 14(2) of WIPO's Internet Treaties, these serve as a guiding principle for India to adopt technological blocking and restricting measures to protect IP from infringement and safeguard the economic interests of the IP holders with registered interests in the country.

The Arbitration Act and primary IP legislations like the Copyright Act, the Trademarks Act, the Patents Act and the IT Intermediary Rules need to move on from prolonged and conventional recourse by civil action and the *notice and takedown* method of initiating dispute resolution.

India can set up an independent **International Arbitration Centre for Intellectual Property Disputes**, like Japan's IACT, with jurisdiction to entertain IP disputes where the infringement or the damage from infringement has been caused within the territory of India and claims against unauthorised use of protected work by foreign persons, body corporates, intermediaries and websites.

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[9] HK Media Limited and Anr v. Brainlink International Inc., 2020 SCC Online Del 1703 (India).

[10] World Wrestling Entertainment Inc. v. Reshma Collection, 2014 SCC Online Del 2031 (India).

[11] Banyan Tree Holding (P) Ltd. v. A. Murali Krishna Reddy, 2009 SCC Online Del 3780 (India).

Related Practice Areas

Intellectual Property Disputes