

Role Of ADR Mechanisms In Solving Intellectual Property Related Issues: An Assessment

Natasha K*

Introduction

The alternative methods of dispute resolution have eventually secured an enormous popularity and utility in the commercial and commerce sector. One of the most developed methods is the arbitration, most of the parties correlated with the commercial transaction currently desire to opt for arbitration for the settlement of any kind of dispute. Arbitration in specific works especially well in the areas of commercial and international disputes as a quasi-judicial system developed to counter the obstacles of litigation and an over-burdened judiciary.

Over the times, the law of arbitration in India from the 1940 Act to 2015 Amendment Act has grown a lot thereby diminishing the contribution of courts and affording friendly and effective rules for improved and unbiased arbitration.

* *Student of IX Semester, B.A.,LL.B. (Hons), School of Legal Studies, CMR University*

Intellectual Property Disputes are predominantly commercial in nature and regularly have international dimensions because of people defending their Intellectual Properties or licensing them in numerous jurisdictions. Disputes relating to intellectual property protection are

steadily intensifying in the Indian legal system. Intellectual property protection is open for a limited period for the intellectual property creator who has to implement it in an effective manner. Due to the excessive delays in the judicial system, there is a need to look for other mechanisms for splitting the onus of the judiciary. This is especially pertinent because the aggrieved person has limited rights and the only remedy available is that which is stipulated under substantive legislations. Alternative dispute resolution measures are gaining notoriety for imposing the protection of intellectual property.

ADR Mechanisms & IPR – A Connection

Ideally IPR related issues are concerned with filing infringement suits against another person who may have used a similar looking product as administered by the original creator. The methods in ADR were founded on the understanding that private methods of dispute resolution could

resolve disputes more efficiently, including reduction of time taken and cost incurred, as compared to resolution through court-based adjudication. These alternatives ranged from completely private such as negotiation, to adjudication through arbitrator's outcome of which were enforced through state-based mechanisms.¹ The rising value of

intellectual property in a knowledge-based economy strengthens the need for effective implementation mechanisms. "Information" has become at least as important economically as quantifiable assets like capital, land, or labour, and means to shield intangible assets are more than ever key reasons for economic success.² At the same time, the exploitation of such intellectual property assets has become gradually international. Court litigation in international IP disputes still includes a variety of procedures in different jurisdictions with a threat of erratic outcomes. Arbitration and mediation allow parties to circumvent such issues and settle their disputes in a single unbiased forum. It is therefore not astonishing that parties

¹ 47, Blackman and McNeill, *Alternative Dispute Resolution in Commercial Intellectual Property Disputes*, 1711-1714, (1998).

²Wipo.int.2022[online]Available at:<https://www.wipo.int/edocs/mdocs/sme/en/wipo_ip_bis_ge_03/wipo_ip_bis_ge_03_9-main1.pdf>

progressively look for private and internationally efficient means of settling IP disputes.

Countries attempt to network the resolution of private disputes into ADR to release burden from the national court systems by making, or at least encouraging, parties to engage in mediation or other forms of ADR prior to pursuing judicial remedies.

Need for Outside Court Settlement in IPR issues

Since there are so many issues coming up in a globalized world with

respect to IPR, it becomes pertinent to note and understand that ADR can be the way forward to help and adjudicate upon matters wherever possible.

The following are the major reasons why IPR issues can be solved through ADR:

- **Speedy mechanism:** Through ADR, the parties can accede to settle in a single procedure. A dispute encompassing intellectual property that is safeguarded in a large number of different countries, thereby averting the expense and intricacy of multi-

jurisdictional litigation, and the probability of inconsistent results.

- **Flexibility of remedies:** Because of its private nature, ADR offers parties the prospect to implement better control over the way their dispute is solved which otherwise would not have been the case in court litigation. In disparity to court litigation, the parties themselves may pick the most suitable decision-makers for their dispute. In addition, they may prefer the applicable law, place and language of the procedures. Increased party autonomy can also result in a speedier process, as parties are permitted to develop the most efficient procedures for their dispute.
- **Confidentiality:** ADR proceedings are private. Accordingly, the parties can agree to keep the proceedings and any results as a secret. This allows them to focus on the merits of the dispute without concern

about its public impact and may be of special importance where commercial reputations and trade secrets are involved.

Possible ADR Methods

Mediation: Mediation is an appealing choice for parties that place a premium on the protection or augmentation of their relationship, seek to maintain control over the dispute settlement process, value secrecy, or want to reach a quick settlement without harm to their reputations. Parties to contracts involving the manipulation of intellectual property often share these goals when a dispute occurs. Common examples of such contracts comprise of patent, know-how and trademark licenses, franchises, computer contracts, multimedia contracts, distribution contracts, joint ventures, research and development contracts, mergers and acquisitions where intellectual property assets assume importance, sports marketing agreements, and publishing, music and film and books contracts.

Arbitration: Intellectual property rights are only as robust as the means to implement them. In that context, arbitration is, progressively, being used to settle disputes concerning intellectual property rights. Intellectual property disputes have a number of particular traits and attributes that are not always well served by national court systems, but that can be tackled by arbitration.

International Perspective

The WIPO Arbitration and Mediation Center, established in the year 1994 offers time- and cost-efficient alternative dispute resolution options, such as mediation, arbitration, expedited arbitration, and expert willpower to enable private parties to settle their domestic or cross-border commercial clashes. The WIPO Center is international and concentrated in IP and technology disputes. WIPO ADR is specialized, flexible and confidential. Its consensual nature often results in a less adversarial process, allowing the parties to begin, continue, or enhance profitable business relationships with each other³.

The WIPO Arbitration and Mediation Center recommends rules for the following procedures:

- Mediation: a non-binding procedure in which a impartial intermediary, the mediator, backs the parties in attaining a settlement of the dispute.
- Arbitration: a neutral practice in which the dispute is submitted to one or more arbitrators who make a binding decision on the dispute.

³ Wipo.int.2022. *ADR Advantages*. [online] Available at: <<https://www.wipo.int/amc/en/center/advantages.html>>

- Expedited arbitration: an arbitration procedure that is carried out in a short period of time and at reduced cost.
- Mediation followed, in the absence of a settlement, by arbitration: a procedure that combines mediation and, where the dispute is not cleared through the mediation, arbitration.

Scope in India

A civil court while operating under Section 89 could refer the disputing parties to arbitration, conciliation, judicial settlement or mediation.⁴ A mandatory duty has been imposed on the court to make its best endeavour, in every matter, to refer it to one of listed methods of alternate dispute resolution. Considering arbitration is an adjudicatory process, all parties involved have to provide their consent for reference, before such a reference could be made⁵

The court began with a clear articulation that there could not be an outright principle to the effect that all differences relating to intellectual property are in arbitrable. It went on to examine and rightly so, that the present matter occurred from a contract and the dispute even though pertaining to

⁴ Section 89 of the Civil Procedure Code

⁵ Afeons Infrastructure Ltd v. Cherian Varkey Construction Co Ltd (2010) 8 SCC 24.

copyright infringement came from the operation of a contract, and therefore clearly concerned an in personam right.

It thus elicited an appropriate conclusion, namely that even in instances where rights in rem are in focus, if disputes concerning them arose under or in relation to a contract, such disputes could be arbitrated offered the parties to the contract had submitted into a valid arbitration agreement.

In India, generally, disputes with intellectual property as subject matter are considered to be in arbitrable. This however is not an inflexible rule. A series of commercial transactions can happen around intellectual property involving sale and assignment. Such transactions mostly would be pursuant to a contract, and it is equally possible for such agreements to contain an arbitration agreement. Disputes under or in relation to such contracts are typically concerned to arbitration.

Considering a very significant judgment in the case of *Booz Allen Hamilton v. SBI Home Finance Ltd*⁶, though the Hon'ble Supreme Court

⁶ *Booz Allen Hamilton v. SBI Home Finance Ltd* (2011) 5 SCC 532

set down that normally rights in rem have to be decided by the courts of law and not by arbitral tribunals, this has been highlighted to be ‘not however a stiff or inflexible rule.’ It was in particular noted that ‘Disputes relating to sub-ordinate rights in personam arising from rights in rem have always been considered to be arbitrable.

In a landmark judgment of *Bawa Masala Co. v. Bawa Masala Co. Pvt.*

*Ltd. and Anr*⁷, where a number of legal disputes were already resolved through a process of alternate dispute resolution, the Delhi High Court passed orders for adoption of a process known as early neutral evaluation, in an intellectual property-based litigation suit. The Court in this case, under the umbrella of Section 89 of the Civil Procedure Code, 1908 mooted for the inclusion of such procedures for amicable settlement of disputes.

In the case of *Suresh Dhanuka v. Sunita Mohapatra*⁸ the apex court raised no objection to request for arbitration in a matter that was covered under the deed of assignment.

⁷ *Bawa Masala Co. v. Bawa Masala Co. Pvt. Ltd. and Anr.* AIR 2007 Delhi 284

⁸ *Suresh Dhanuka v. Sunita Mohapatra* AIR 2012 SC 892

In a later judgment, the Hon'ble Delhi High Court in the case of *Ministry of Sound International v. M/S Indus Renaissance Partners*⁹ held that disputes pertaining to IPR can be arbitrated upon on premise that there is no absolute bar on arbitration involving questions relating to IPR.

Although, the Bench came to the inference that the agreement in question-related to permitting use of the mark, names etc. (which were

fundamentally IPR matters), a contract granting for arbitration is a commercial document that must be construed with a conventional sense approach rather than with doctrinaire or legalistic interpretation.

The Arbitration Act defines 'international commercial arbitration' to signify and include any dispute of commercial nature occurring between the Indian party and international party. Though the term 'commercial' is not defined in the Arbitration Act, the definition of the term 'commercial dispute' finds its place in the Commercial Act.

⁹ Ministry of Sound International v. M/S Indus Renaissance Partners I.A. NO. 2926/2008 IN CS (OS) NO. 241/2008

This definition includes IPR disputes and therefore, IPR disputes can be said to be arbitral in nature. In adjunct, Section 10 of the Commercial Act, 2015 provides for arbitration of commercial dispute of specified value without specifically ousting arbitration of IPR disputes from its purview.

Conclusion and Suggestions

However, it is an understood position globally that the sensation of arbitration/mediation of IPR disputes has progressed worldwide where parties are progressively moving towards ADR, in including arbitration or for that matter even mediation, for determining and solving their IPR disputes. The number of IPR arbitrations being administered by WIPO is growing exponentially and rather rapidly and WIPO has framed special rule for arbitration of IPR disputes. Some of the territories, like USA, Hong Kong, Switzerland and Israel have taken a step further and outlined a special legislation for arbitrability of IPR disputes in order to set the debate of arbitrability of IPR disputes to rest. I believe that including IPR as its own pros and cons, but at the end of the day everyone wants to have a speedy and equitable relief with respect to a dispute.

A few recommendations that can be made from my side to promote ADR

mechanisms are as follows:

- A clear mention of IPR disputes in the statutory laws that are present which will lessen the confusion that is existing at present.
- Few IP matters that have the scope of being resolved by ADR must be compelled to do so which will also in turn relieve the courts of additional cases.