Resolving Intellectual Property Rights Disputes

Through ADR

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Introduction

I
ntellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time. The Intellectual Property (IP) presents that its subject matter is the result of the mind or the intellect. Like Patents; Trademarks; Geographical Indications; Industrial Designs; Layout-Designs (Topographies) of Integrated Circuits; Plant Variety Protection and Copyright etc. IP can be owned, bequeathed, sold or bought. The major features that distinguish it from other forms are their intangibility and non-exhaustion. IP is the foundation of knowledge-based economy. It pervades all sectors of economy and is increasingly becoming important for ensuring competitiveness of the enterprises.

In past the true capability of arbitration and mediation has not been utilized as the IP owners and lawyers were more inclined towards traditional courts. But things has changed in past few years and parties are now more inclined towards this new way of resolving their disputes. The ADR got strength by the success of domain name dispute resolution procedures such as the Uniform Domain Name Dispute Resolution Policy (UDRP). With this now the owners of the trademarks can protect their marks on internet.

Alternative Dispute Resolution (ADR)

Alternative Dispute Resolution (ADR) means resolving disputes with more informal and speedy manner. The ADR has received widespread acceptance in both developed and developing countries. Informal methods, cost effectiveness and being less time-consuming has made ADR the first preference among the parties. An Alternative Dispute Resolution method includes arbitration, mediation, negotiation, and conciliation. Collaborative law is also added to it, since it is practiced internationally in a voluntary dispute resolution process that does not involve the court norms. The ADR methods mainly focus on problem solving but not on declaring winners and losers. Hence ADR is called as ‘win-win-strategy’.

In some countries like Australia Alternative dispute resolution is also known as External Dispute Resolution. Despite earlier resistance to ADR by both parties and their advocates, ADR has received widespread acceptance among both the general public and the legal profession in recent years. The rising popularity of ADR can be explained by the increasing caseload of traditional courts, the perception that ADR imposes fewer costs than litigation, a preference for confidentiality, and the desire of some parties to have greater control over the selection of the individual or individuals who will decide their dispute.

Techniques of ADR

WIPO’s Arbitration and Mediation Center

WIPO provides for the following ways for solving the disputes.

- **Mediation.** An informal procedure in which a neutral person, the mediator,
Resolving Intellectual Property Rights Disputes Through ADR

assists the parties in reaching a settlement of the dispute. 8

- **Arbitration.** A formal procedure in which the dispute is submitted to the arbitrator who make a binding decision on the dispute.
- **Mediation followed, in the absence of arbitration.**

Advantages of using ADR in resolving IP disputes 9
The advantages of ADR are increasingly recognized. They include the following:

- **A single procedure.** Court litigation in international IP disputes can involve a multitude of procedures in different jurisdictions with a risk of inconsistent results. Through ADR, the parties can agree to resolve in a single procedure a dispute involving a right that is protected in a number of different countries, thereby avoiding the expense and complexity of multi-jurisdictional litigation.10

- **Party autonomy.** Parties can decide between themselves how they want their dispute to be resolved. They are not require to follow the traditional way of litigation.

- **Neutrality.** ADR acts as a neutral umpire. Neither of the party can enjoy its home litigation advantages.

- **Expertise.** The best part of this untraditional way of resolving disputes is that the parties can choose the arbitrator who are expert in their field.

- **Confidentiality.** The best and most secure way to maintain the confidentiality is to resolve the disputes through ADRs. Being parties centric it gives immense importance to secrecy and confidentiality.

- **Finality and enforceability of arbitral awards.** Generally arbitral awards are not normally subject to appeal. They can be enforced immediately without and undue delay.

Limitations of using ADR
ADR is also not completely flawless11. It has some limitations.

1. There are some disputes that can only be solved by formal litigation.
2. The decision of the arbitrator is binding only on the parties concerned.
3. As ADR is totally cooperation based, non-cooperation by either of the parties makes it less appropriate.

Criticisms of ADR
Where whole world is going towards using arbitration as a viable option, there have been few criticism and apprehension on arbitrability of IP disputes. Some of the criticisms are:

1. **Arbitrability and Public Policy:**

The concept of arbitrability12 relates to public policy limitations upon arbitration as a method of settling disputes. Each state may decide, in accordance with its own economic and social policy, which matters may be settled by arbitration and which may not. In international cases, arbitrability involves the balancing of competing policy considerations. The legislators and courts in each country must balance the importance of reserving matters of public interest (such as human rights or criminal law issues) to the courts against the public interest in the encouragement of arbitration in commercial matters.13

Furthermore, the question of public policy might come up during the enforcement of an award passed by the arbitral tribunal in case of disputes involving two or more nations. Enforcement need not be given to the award by the nation in which the award is to be enforced.

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9. See Supra note 5.
10. www.wipo.int
11. See Supra note 5.
12. www.scholarship.law.berkeley.edu
13. ibid
Resolving Intellectual Property Rights Disputes Through ADR

if the award is against the public policy of that country. The foreign award can be set aside.

2. Uncertainty:
Where the dispute is already in existence the answers to the following crucial questions are known to the parties to the dispute: (1) who is claiming and who is defending? (2) What are the likely stakes? (3) For the likely controlling issues, who would have the better chance of winning in court? (4) How long is the litigation apt to take and how disruptive will it be to business? (5) What will be the other costs, notably counsel fees? (6) How do we think the other side is assessing the dispute?

Against this backdrop, the parties may decide to submit the dispute to arbitration.

They will do so if each party believes the procedure does not pose unacceptable risks and is likely to have lower costs.

However, the problem arises when deciding whether to arbitrate all future disputes as the risk involved in going for arbitration can not be concretely known in advance. Assessing the stakes is difficult to come by in advance. Estimating the chances of success is also problematic because at the time the agreement is signed, validity and scope have seldom been the subjects of comprehensive study or evidentiary development. However, questions relating to likely costs can be partially answered based on the normal procedural savings inherent in a well-structured arbitration, as compared with litigation. Guessing the adversary’s assessment of the dispute is wholly out of the realm of meaningful prediction until the contours of a particular dispute emerge.

Using ADR in resolving IP disputes- International scenario

United States

In US14 ADR started as early as in 1960 to solve civil disputes. Here it basically means a system which is unconventional and different from the traditional litigation. Mediation, arbitration and negotiation are the part of the rule of law.

Former president Abraham Lincoln once said “Discourage Litigation, persuade your neighbour to compromise whenever you can. Point out to them how the nominal winner is often a real loser - in fees, expenses, and waste of time”. Father of Indian nation Mahatma Gandhi once said “I realized that the true function of a lawyer was to unite parties.... A large part of my time during the 20 years of my practice as a lawyer was occupied in bringing about private compromise of hundreds of cases. I lost nothing thereby - not even money, certainly not my soul”. The statement reveals the importance of dispute settlement through compromise and by non-litigation methods.

United Kingdom15

“Alternative Dispute Resolution Procedures used to Resolve Construction Disputes in the UK” provides for the cost saving and faster mode of resolving disputes to the employers, bankers and other professionals. Not only it is cheap and fast but also helps in maintaining the confidentiality between the parties.”

Indian Scenario

ADR16 in India was existed even before the enactment of the new act ‘the arbitration and conciliation act 1996’. ADR was there in the old Arbitration act, 1940. The new act of 1996 was developed to accommodate the provisions of UNCITRAL MODEL. Section 89 of the civil procedure code, 1908 was also added and amended to include that the disputes can also be settled outside the court with the mutual consent of the parties.

ADR in IP Disputes in India:

Arbitration: The arbitrability of substantive IP laws claims in India is not well settled. When the Arbitration and Conciliation Act 1996 was enacted the use of arbitration in resolving IP dispute’s was not anticipated. The Arbitration and Conciliation Act 1996 as well as various


15. www.wipo.int

16. www.intelproplaw.com
Resolving Intellectual Property Rights Disputes Through ADR

IP Acts\textsuperscript{17} are silent regarding the enforceability of arbitral awards involving the findings of IP validity or Infringement.

Section 103 of the Patents Act, which is applicable in cases where the government wishes to use a patented invention, includes a clause that permits the court to refer any issue (including questions of patent validity) to arbitration. However, there are no recorded decisions of Indian courts concerning the objective arbitrability of substantive IP law.

The Arbitration and Conciliation Act 1996 does not provide appropriate structure/or encouraging arbitration as a viable option in IP disputes. Some of the short comings of the Act are:

**Delay:** owner of IP gets exclusive right to commercially exploit the product for a limited period. Therefore there is need for a dispute resolution mechanism which resolves the IP disputes without any delay. Arbitration is considered to be a viable option as it is speedier.

In India arbitration was introduced to reduce the burden of the courts as well as to resolve commercial disputes faster. But in practicality arbitration failed to serve its purpose, as it takes longer time than what was expected.

**Lack of expertise**

IP disputes involve highly complex issues especially patents. Patents disputes are very complicated because they involve difficult validity, enforceability, infringement, and damages issues. Most judges do not have technical expertise or experience with patent law. The submission of complex questions to judges is particularly problematic is highly technical intellectual infringement cases.

In India, most of the arbitrators are retired judges or belong to the legal fraternity. The institutions like ICA, ICADR etc have mostly judges or lawyers in there panel. The people from other specialized fields such as CA, engineers etc are very few who work as arbitrators. They should be encouraged as they can provide specialized perspective to the disputes. Therefore, the problem of specialized arbitrators still subsists in India leading to poor quality of arbitral awards. It can be said that if such conditions subsist arbitration of IP disputes will not be a prudent option.

**Recognition and Enforceability of Award:**

For arbitration to be used as an option for resolving IP disputes the award of the arbitral tribunal should be enforceable and recognized. Many nations have enacted modern national arbitration laws that favor the arbitral resolution of commercial disputes, and that strictly limit the reasons for which a court may refuse to enforce even a domestically-rendered arbitral award.\textsuperscript{18}

In India, the domestic arbitration awards are final and binding on the person between whom it is made. However, there are grounds on which the enforcement of the arbitral awards may be refused.

Similarly, foreign awards are binding and final on the person between whom it is made. However, there are grounds on which the enforcement of the arbitral awards may be refused. One of the grounds is award being contrary to the “public policy.” The Act does not define “public policy” therefore the courts have full discretion, which has led to excessive judicial interference with arbitration process and awards. Courts intervention has led to the ambiguity. Instead of advancing the whole object of ADR the Supreme Court decision are set back. The Act was enacted with an objective to reduce judicial intervention which is clearly not the case.

**Interim Relief:**

For intellectual property, the availability of immediate legal remedies is vital. Therefore, interim reliefs play a very crucial role in IP disputes, they include all legal remedies that are available to define and protect the rights


\textsuperscript{18} www.intelprolaw.com
of parties on the temporary basis, prior to a final arbitral decision. If a timely remedy is not available to define and enforce the exclusivity of intellectual property, much of the value of the property will evaporate.

**Conclusion**

ADR especially arbitration and mediation are clearly superior to litigation for the resolution of most IP infringement disputes. ADR is less costly, less time consuming, of higher quality, more private, and more flexible.

The benefits of resolving business disputes in arbitration rather than in court are widely understood. Arbitration has been a widely used dispute resolution mechanism in international commerce for a long time. It satisfies the parties demand for an amicable, inexpensive, expeditious way to settle their dispute, providing them with a neutral forum, a competent tribunal of their own choice familiar with the subject-matter, and with a procedure that preserves privacy and confidentiality. The arbitral process is designed to be efficient and relatively quick from start to finish. The disputing parties can customize the procedures that they consider appropriate to their circumstances; experts in the field can be designated to serve as arbitrators; and privacy of the arbitration can be the subject of a confidentiality agreement.

Mediation is the option most likely to help more parties walk away with a faster resolution and more capital left to invest elsewhere. More importantly, mediation, with its non-adjudicative, constructive methods will help commercial entities create new opportunities to co-exist and grow their respective businesses, leaving an open universe of possibilities for the future without disabling one or both parties indefinitely.19

However, one of the weakest link in the chain of international arbitration is that after the passing of award by the arbitral tribunal, a state court at the place where enforcement is sought may refuse recognition of the award on the ground that the subject matter of the disputes is inarbitrable under the national law.

The arbitration should be institutionalized. The institution should provide congenial environment, infrastructure, special assistance, etc. institutionalized is the need of the hour, as it will inspire confidence amongst people. People will consider arbitration or any other ADR mechanism before heading towards the courts.

Separate provisions should be made within the IP Act’s recommending the use of ADR for resolution of the disputes. Moreover, recognition should be given to the interim relief granted by the arbitral tribunal in IP disputes. The grounds for refusal of foreign award as well as domestic awards should be interpreted strictly, with the intention of making arbitral awards final and binding. Further more, the judiciary must suggest the parties to opt for the various ADR mechanisms available for bringing their disputes to an end.

Mediation in India is at a pre mature stage. It has been introduced very recently, but looking at the success rate it can be said turn out to be a very fruitful mechanism for resolving IP disputes in the coming years.

**Bibliography**