Arbitrability of Patent Disputes: American and Indian Perspective
By: Divyansh H Rathi

1. Arbitrability of Patent Disputes

Over the years, there has been an increased focus on the importance of intellectual property rights (IPR) and this has consequently led to general widespread awareness which in turn has brought about an escalation in number of related disputes being raised.

Disputes involving the intellectual property rights often involve parties based in different countries who carry out their businesses around the world. Thus, seeking remedy from the state run courts to settle IPR disputes often has proven to be a herculean task. This is due to the practice of simultaneous proceedings in different jurisdictions with application of different procedural standards and substantive laws to the same dispute\(^1\). This is coupled with potentially biased attitude of the judges.\(^2\) In such a scenario, arbitration of IPR related disputes becomes an interesting and imperative alternative to the conventional court proceeding. Arbitral procedures permit concentration of the proceedings in case of infringements that have occurred in different countries and allow parties a discretion to choose a single law to be applied to the merits of the dispute.

Arbitral procedure is more effective and efficient in ensuring confidentiality of the proceedings. Additionally, the expertise of the arbitrators also comes handy during the proceedings\(^3\).

This chapter will Firstly deal with arbitrability of patent disputes from an International perspective. Secondly, it will deal with arbitrability of the patent disputes under the USA’s legal regime. It will focus on finding as to how the legislature has responded to the issue of arbitrability of the patent issues in the USA and what are the issues that remain unresolved in patent arbitration in the USA perspective. Thirdly, the chapter will deal with arbitrability of the patent disputes under the Indian legal regime, critical analysis of the issues prevalent under the Indian patent arbitration regime. Fourthly, the chapter will deal with effective solutions for the USA and Indian patent arbitration regimes which will assist and promote patent arbitration.

---


\(^2\) Ibid.

\(^3\) Ibid.
1.1 Arbitrability of Patent Disputes: International Perspective

Under the modern legal system, there has been shift towards arbitration of IP disputes especially in relation to licensing and transmission of the registered IP rights.\(^4\)

The disputes in relation to claims for compensation or damages are usually referred to arbitration in most of the jurisdictions. More so, since they do not involve public interests, the right to compensation can be settled or even waived by its holder.

There are few jurisdiction which have been pro-active in allowing arbitration of disputes relating to registration of the IP rights. For example, under the Spanish law, Article 28 of “Ley de Marcas” contains a provision to this effect, which states that “interested parties may submit to arbitration of contentious issues that have arisen in the context of proceedings aimed at the registration of a trademark, in conformity with what is established in this article”. But this comes with an exception that “in no event issues concerning the occurrence of formal defects or absolute registration prohibitions be submitted to arbitration”\(^5\).

Article 48 of the “Portuguese Code of Industrial Property” provides for appeal to arbitral tribunal from administrative decisions concerning grant or refusal of all the IP rights governed by that code including patents and trademarks.

But the above stated approach has been rejected in majority of the jurisdictions by disapproving arbitrability of disputes concerning the validity of registered IP rights, such as those resulting from the patents, trademarks and designs as invalidation of such IP rights has been exclusively reserved to the national court system.\(^6\) For example, in Germany, jurisdiction to declare nullity of patents belongs to the Federal Patent Court\(^7\) although patent infringement claims were considered arbitrable as it formed a part of the private rights but the validity of patents have kept out from the purview of arbitration due to patent being a monopoly right. Also any agreement reached between parties in relation to validity of the patent rights will affect third parties.

\(^7\) German Patent Law (Patentgesetz): Section 65(1).
From the discussion of above stated international regimes one can arrive at a conclusion that there is a general consensus that issues relating to the validity of the intellectual property rights is reserved with the national courts or other specialized institutions enumerated.

1.2 Arbitrability of Patent Disputes: American Perspective

The American Constitution provides for stimulating progress of technology by securing for inventors exclusive rights to their discoveries for limited periods of time8. In accordance to the vision of the Constitution, Congress established “Patent and Trademark Office (PTO)”, to issue patents.9

To determine whether a patent has been infringed or not requires analysis of whether someone is:

(1) “without a proper license”,

(2) “makes, uses, or sells”

(3) “the patented invention”

(4) “within the USA or its territories”

(5) “during the term of the patent.”10

The remedies that have been traditionally granted for patent infringement are usually preliminary and permanent injunctions11, monetary damages for the loss of profits, an increase of damages of up to three times the amount assessed by the court and the attorney's fees.12 But, decision over past few years have brought to light the fact that, certain patent infringement actions have culminated in huge monetary awards and settlements.13

Increase in the ambit of patentability of subject matter subsequently led to increase in number of the patent infringement law suits, which has eventually led to the promotion of alternative dispute resolution mechanisms for patent disputes.

---

9 Ibid.
In the USA, litigation of the patent disputes involves long protracted proceedings which take years to resolve and parties incur heavy litigation costs in the process, ultimately, leading to frustration of the conventional dispute resolution process. Parties face considerable difficulty wherein multiple patent disputes are pending across different jurisdictions because of lack of familiarity with the foreign legal regimes. But such difficulties have been overcome by arbitration of patent disputes under specialized regime of World Intellectual Property Organization (WIPO), which provides for neutral, international, time and cost effective arbitration along with provision for expedited arbitration procedure. This enables private parties to efficiently settle their domestic or cross-border IP and technology disputes out of court\(^\text{14}\).

### 1.2.1. Legislative Regime for Patent Arbitrability: Issues and Solutions

In 1982, Congress enacted a series of legislative acts which provided that the contracts may contain a provision requiring use of arbitration to resolve any patent dispute. In 1984, this was followed by two federal laws which further expanded the role of arbitration in the resolution of patent disputes.\(^\text{15}\)

Firstly, “Patent Law Amendments Act of 1984” replaced subsection (a) of 35 U.S.C. § 135 and promoted use of arbitration in resolution of patent matters.\(^\text{16}\)

Sub-section (a) of 35 U.S.C. § 294 provides for voluntary arbitration in relation to patent dispute and states that “A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract. In the absence of such a provision, the parties to an existing patent validity or infringement dispute may agree in writing to settle such dispute by arbitration. Any such provision or agreement shall be valid, irrevocable, and enforceable, except for any grounds that exist at law or in equity for revocation of a contract”.

This clause explicitly provides for arbitration of disputes relating to patent validity and infringement. With the American legal regime providing for arbitration of validity of patents, it was a departure from general agreement among other legal jurisdictions which considered

---


\(^{16}\) Ibid, 605.
disputes relating to patent validity as non-arbitrable since decision of such rights affecting third parties.

Further, sub-section (c) of 35 U.S.C. § 294 provides that “An award by an arbitrator shall be final and binding between the parties to the arbitration but shall have no force or effect on any other person”. This sub-section settled the issue of effect of arbitral award relating to the third parties, with providing for only inter party effect of the award. This essentially means that wherein the validity of the patent is upheld by the arbitral tribunal then, the party who challenged the award will be precluded from challenging the validity of the patent in the USA and other foreign jurisdictions. But, as the provision states that it is final and binding between the parties only, the third parties to the arbitration can still challenge the validity of the patent. Thus, the state continues to wield the power to grant, invalidate or refuse to grant the patent.

A critical issue that arises by allowing arbitrability of validity of patent disputes come forward at the stage of recognition and enforcement of the arbitral award which has been rendered in the USA and is sought to be enforced in a foreign jurisdiction wherein the law of the land provides non-arbitrability of the patent validity dispute. Such an award can be challenged under Article V(1)(a) of “New York Convention”, as award was “not valid under the law to which the parties have subject it”. Also, recognition and enforcement can be refused under Article V(2), which provides that recognition and enforceability of the award can be refused for it being “contrary to the public policy”.

The challenge to the award under Article V(1)(a) of “New York Convention” can be avoided at the time of drafting the arbitration agreement by making choice of law of the USA patent law but the award can still be refused enforcement under Article V(2)(b) for being contrary to public policy.

Another pertinent issue which arises due to inter party applicability of patent arbitration award is when a patent right has been infringed simultaneously in more than one jurisdiction. Then, the arbitral award passed on validity of the patent disputes in the USA, the award is binding only against the patent infringer, against whom the award has been passed. This leads to multiple arbitral proceedings against the patent right violators, which defeats the purpose of quick and efficient dispute resolution of patent right.

But the courts in the USA have taken a stance against the arbitrability of patent validity claims, thereby segregating the public enforcement and private enforcement of the patent rights.
This position is evidently clear from the case, “Beckman Instruments, Inc. v Technical Development Corp.”\(^{17}\), the USA Court of Appeal of Seventh Circuit while dealing with defendant’s contention in the cross-appeal that the district court had erred in refusing to stay the proceedings pending arbitration under the applicable clause of the licensing agreement. The Bench agreed with the view taken by the district court that the contract did not expressly provide for arbitration of patent validity claims. Also, Court of Appeal agreed with district court that the questions relating to patent validity are inappropriate for arbitral proceedings and should be decided by a court of law, given the great public interest in challenging invalid patents.

Similar stance was taken in “Ballard Medical Prods. v H. Earl Wright”\(^ {18}\), wherein the USA Court of Appeal dealt with the issue of limits of arbitral tribunal’s power to deal with the claims against validity of patent. The Court of Appeal concurred with the opinion of the district court, which had stated that, “It is one thing to say that arbitrators should consider public policy in doing their job and quite another to say that arbitration boards constitute some sort of roving Patent Office empowered to pass upon the validity of patents and enforce the patent laws wherever they may find them”. The district court further added that, “Had arbitrators in this case taken it upon themselves to invalidate Wright's patents, Wright might have very well have been able to petition this court to vacate the award under 9 U.S.C. § 10 (a)(4) on the grounds that the arbitrators had exceeded their powers.”

The district court’s opinion and concern is not appropriate because by giving powers to private arbitral tribunal to decide upon the issue of validity of the patents does not mean inherently giving the private tribunal the powers of a statutory body to decide upon a statutory right. The arbitral tribunal has been given the power to decide upon the challenge to the validity of patent only has inter party effect, it does not affect rights of public at large. Even if the arbitral tribunal invalidates the patent it only affects right and obligations of the parties to the dispute. The state continues to have power to grant, invalidate or refuse to grant the patent.

With regard to enforceability of the arbitral awards passed in patent arbitration, provision has been made to file notice of the award with Director of USA Patents and Trademarks Office

\(^{17}\) 433 F.2d 55 (7th Cir. 1970).
\(^{18}\) 823 F.2d 527 (Fed. Cir. 1987).
A separate notice has to be prepared for each patent involved in such proceedings. Such notice shall set forth “names and addresses of the parties”, “the name of the inventor”, “the name of the patent owner”, “shall designate the number of the patent” and “shall contain a copy of the award” so that the Patent Office can check if the award raised any public policy issues.

A critical issue which arises due to disclosure of the award to USPTO is of “confidentiality” of the arbitral proceedings. Parties take the route of arbitration in relation to a patent dispute due to private and confidential nature of the proceedings, as it does not require disclosure of confidential information, as would have been required in the court proceedings. It protects the parties to arbitration from harm caused due to unauthorized disclosure of sensitive information because public disclosure of the mere existence of an intellectual property dispute can cause substantial commercial harm to a party.

Effective and efficient solution to deal with the issue of confidentiality remains with the parties, to settle this issue with help of a properly drafted “confidentiality clause” in the arbitration agreement. Apprehensions in this regard can be discussed and settled during the first procedural hearing before the arbitral tribunal. Also changes should be brought in the law mandating that the awards submitted with USPTO should not be disclosed as public record so as to maintain the confidentiality of the arbitration proceedings.

Procedural flexibility of the arbitral proceedings puts certain measures in place which prevents a party from having access to or misusing the confidential information of its adversary. International arbitration usually involves a limited degree of document disclosure which would, in itself, limit amount of information that an opposite party may access.

The next issue that requires emphasis while dealing with arbitrability of the patent disputes, is of scope of the arbitration agreement, whether patent infringement claim can be said to be

---

“related to” the “interpretation or performance” of license agreement. There have been instances wherein the court has made narrow interpretation of the arbitration clause contained in the license agreement of patent on the basis of the narrow wording of such agreement and has desisted from giving broad interpretation to narrowly worded agreements.

In “Conteyer Multibag Systems N.V. v Bradford Co”\(^{23}\), the court stated that, “the Patents, alleged to have been infringed…were purportedly licensed to [the licensee] pursuant to the license agreement” and, therefore, “arise out of or are connected” to the license agreement”

In “Verinata Health, Inc. v Ariosa Diagnostics Inc”\(^{24}\), the parties’ arbitration agreement stated that it “shall not apply to disputes relating to issues of scope, infringement, validity and/or enforceability of any intellectual property rights”. Licensor sued for patent infringement and the licensee moved to compel arbitration of its counterclaim seeking a declaratory judgment of non-infringement. The Court of Appeals upheld the district court’s decision that the counterclaims were non-arbitrable, adding that “the pertinent language of the arbitration provision is unambiguous and makes clear that “disputes relating to issues of patent scope and infringement are not subject to mandatory arbitration”.

The issue of interpretation as to whether patent infringement claim can be said to be “related to” the “interpretation or performance” of license agreement has been resolved by the courts by simply interpreting the provisions of the license agreements. Where an arbitration agreement does not provide any restriction application to the patent disputes arising out of the contract, the courts have given broad interpretation to such agreement. Where the parties have drafted narrowly worded dispute resolution provisions in the license agreements, the courts have interpreted such agreements according to the intent of the parties to exclude certain arbitrability of specific disputes.

1.2.2. Changes in Institutional Arbitration Regime

In view of the changes brought in the legislative regime related to patent arbitration, “American Arbitration Association (AAA)” revised its rules to include guidelines for voluntary

\(^{24}\) 830 F.3d 1335, 1337 (Fed. Cir. 2016).
arbitration of patent disputes. The rules provide that arbitration proceedings shall be private and the result of the proceedings shall be final and binding.

AAA administers patent infringement disputes under its Supplementary Patent Rules (where parties desire a final binding Award) and National Patent Board Rules (where parties desire a non-binding decision).25

“International Institute for Conflict Prevention and Resolution (CPR)” maintains rules for non-administered arbitration of patent and trade secret disputes. AAA and CPR rules address many same procedural and logistical issues addressed in the standard commercial arbitration rules, including proposed arbitration clauses, procedures for selecting arbitrators, jurisdiction of the tribunal, procedures to commence the arbitration, protocols for the hearing and the nature of the award.26

Specifically, AAA and CPR patent rules address issues, such as infringement contentions, invalidity contentions, core technical discovery and patent claim construction.27

“American Arbitration Association (AAA)” provides for a specific rule for handling patent disputes involving parties from different nations.28 The rule provides for a neutral arbitrator and a neutral location for a hearing as companies that are based in different countries may consider pre-dispute and post-dispute arbitration agreements as an option to litigation. These agreements are especially important because in contracts involving an agreement to arbitrate, companies from different nations may also include provisions for the protection of trade secrets.

Ability of the parties, drafting an arbitration agreement, to make decisions on choice of law and location of the proceeding simplifies resolution of an international dispute. Pre-dispute agreement on choice of law would mean that parties to agreement would know what rules to

---

26Ibid.
27Ibid.
follow and any resulting dispute over interpretation of those rules could be resolved by a neutral arbitrator.  

Agreement between the parties to choose a neutral arbitrator eliminates the reluctance of the parties to get the dispute adjudicated before a foreign tribunal, due to lack of familiarity with the legal regime.  

This issue came to forefront in the series of patents involving “Honeywell, Inc. v Minolta Camera Co.” wherein it was indicated by the parties that they have certain level of distrust regarding court proceedings in a foreign country. Such fear and reluctance gets eliminated when route of international arbitration is chosen by the parties in the patent disputes.

The American legal system’s approach has been pro-active towards arbitrability of the patent disputes as it provides for significant benefits over litigation. It provides for certain mechanisms like avoidance of jury driven awards, freedom to choose well qualified arbitrators who can deal with technicalities of patent regimes and issues of law and technology and last, but not the least, confidentiality of the process and privacy of award. One of the new additions to the list of benefits is the emergency arbitration process. It is very efficient in providing interim relief to the applicant even before appointment of arbitral tribunal.

Arbitration of patent disputes reposes confidence in the companies that the dispute will be resolved in accordance with the law and procedure agreed by the parties to the contract. Since the procedure is to a certain extent confidential and no appeal lies on the substantive issues, it ensures the parties to resume their cordial business relations as soon the dispute is resolved without negative publicity of the dispute involving the companies as would have been the case with litigation of patent disputes.

---


30 Ibid.


1.3 Arbitrability of Patent Disputes: Indian Perspective

1.3.1. Legislative Background

In India, the “Patents Act, 1970” and rules drafted under it governs the recognition and enforcement of the patent rights. The “Patents Act” provides that the suits for patent infringement are to be filed in the district courts. If the defendant has sought to challenge validity of the patent during an infringement action, the case must be transferred to a high court. But the High Courts of Delhi, Bombay, Calcutta and Madras have exercised original jurisdiction for patent infringement actions which are within their pecuniary jurisdiction. Thus, an infringement action can be brought directly before these high courts provided that the applicable pecuniary thresholds are satisfied.

But in relation to arbitrability of the patent disputes in India, the position is unsettled and this is coupled by lack of judicial precedents. The only reference to the process of arbitration in the “Patents Act” is under Article 103 (5), which provides that High Court, while hearing the disputes in relation to government’s use of patented invention, may order whole proceedings or any question or issue of fact to be referred to an arbitrator. Apart from this provision, the “Patents Act, 1970” as well as the “Arbitration and Conciliation Act, 1996” are both silent on the issue of reference of patent disputes to arbitration.

1.3.2. Judicial Perspective: Divergence of Views

The arbitrability of the disputes in India is largely guided by the public policy principles and judgments of the Supreme Court of India and various high courts. But they have not been able to present a clear picture on the arbitrability of patent disputes. One of the landmark cases in India on arbitrability of the disputes is “Booz Allen Hamilton v SBI Home Finance” wherein the Supreme Court of India summarized the principle of arbitrability of disputes and observed that, “Arbitral tribunals are private fora chosen voluntarily by the parties to the

---

33 Patent Act, 1970, s 104- Jurisdiction: No suit for a declaration under section 105 or for any relief under section 106 or for infringement of a Patent shall be instituted in any court inferior to a district court having jurisdiction to try the suit: Provided that where a counter-claim for revocation of the Patent is made by the defendant, the suit, along with the counter-claim, shall be transferred to the High Court for decision.


35 (2011) 5 SCC 532.
dispute, to adjudicate their disputes in place of courts and tribunals which are public fora constituted under the laws of the country. Every civil or commercial dispute, either contractual or non-contractual, which can be decided by a court, is in principle capable of being adjudicated and resolved by arbitration unless the jurisdiction of arbitral tribunals is excluded either expressly or by necessary implication”.

Supreme Court further went on to enumerate certain subject matters of dispute which are considered to be non-arbitrable such as criminal offences, disputes relating to family laws, insolvency and winding up, testamentary matters and tenancy disputes. The Supreme Court stated that, “Generally and traditionally all disputes relating to rights in personam are considered to be amenable to arbitration; and all disputes relating to rights in rem are required to be adjudicated by courts and public tribunals, being unsuited for private arbitration. This is however not a rigid or inflexible rule. Disputes relating to sub-ordinate rights in personam arising from rights in rem have always been considered to be arbitrable”.

From the views expressed by the Court, one can arrive at the conclusion that there is no blanket ban on the arbitrability of the intellectual property right disputes. However facts of each and every case should be carefully scrutinized to assess whether the remedy sought by the party affects rights of a third party.

The Supreme Court of India in the Booz Allen case while the discussing arbitrability of the disputes quoted a scholarly work of “Mustill and Boyd”, who in their 2001 “Companion Volume to the 2nd Edition of Commercial Arbitration”, laid down a general rule, “The conventional view is thus that, for example, rights under a patent licence may be arbitrated, but the validity of the underlying patent may not.....An arbitrator whose powers are derived from a private agreement between party, A and party, B plainly has no jurisdiction to bind anyone else by a decision on whether a patent is valid, for no-one else has mandated him to make such a decision, and a decision which attempted to do so would be useless”.36 However, the Supreme Court stopped short of stating anything further in relation to the arbitrability of the patent disputes specifically.

36 (2011) 5 SCC 532.
Subsequent to the decision of the Supreme Court of India, the different high courts in India dealt with the issue of arbitrability of IPR disputes, specifically copyright disputes, on two instances but ended up giving divergent views on the same.

In “Eros International v Telemax Links India Pvt Ltd”\(^\text{37}\), the question before the Bombay High Court was “whether copyright issues arising out of an agreement were open to arbitration if agreement between parties contained an arbitration clause”. The Bombay High Court’s view was consistent with the stand taken by the Supreme Court of India. High Court Bench was of the view that Section 62 of the “Copyright Act, 1957” and Section 134 of the “Trademarks Act, 1999”, which state that actions against infringement and passing off cannot be brought in a court lower than a district court and cannot be interpreted to exclude the jurisdiction of an arbitration panel. In the High Court’s opinion, it was clear that in a commercial transactions where the parties themselves agreed to refer their disputes to a private forum, the contention that the dispute is non-arbitrable could not stand. The Bombay High Court stated that, “Such actions are always actions in personam, one party seeking a specific particularized relief against a particular defined party, not against the world at large”.

This was followed by another case of the Bombay High Court “The Indian Performing Right Society Ltd v Entertainment Network (India) Ltd”\(^\text{38}\), wherein the High Court Bench arrived at the conclusion that dispute relating to copyright infringement was non-arbitrable as the relief acclaimed in the case could not have been granted by the arbitrator. High Court Bench was of the view that pronouncement of scope of right by the arbitrator would have had the effect of disentitling The Indian Performing Right Society Ltd to claim royalties on their work.

The Supreme Court of India in “Ayyaswamy v Paramasivam”\(^\text{39}\) while relying on a book titled “The Law & Practice of Arbitration and Conciliation”, Third Edition, authored by Indu Malhotra came to a conclusion that, following categories of disputes are generally treated as non-arbitrable namely patents, trademarks and copyrights. But the Supreme Court Bench did not make any further conclusive statement on the arbitrability of sub-ordinate rights in relation to the patents, whether such rights are arbitrable or not.

\(^{37}\) 2016 (6) BomCR 321.
\(^{38}\) 2016 SCC OnLine Bom 5893.
\(^{39}\) (2016) 10 SCC 386.
The opinion of the Supreme Court in “Ayyaswamy v. Paramasivam”40 was considered by Madras High Court in “Lifestyle Equities Cv v Qdseatoman Designs Pvt. Ltd.”41 The High Court Bench agreed with the counsel for Lifestyle Equities that observations of the Supreme Court Bench in “Ayyaswamy case” regarding list of disputes which may not be arbitrable as adumbrated therein is not the ratio or conclusion of the Supreme Court of India, but a mere extract from a book titled 'The Law and Practice of Arbitration and Conciliation’.

High Court Bench went further to deal with the issue at hand whether the IP disputes were arbitrable or not. Madras High Court while taking into consideration the previous decisions of Supreme Court and high courts, enunciated that, “A judgment “in personam” refers to a judgment against a person as distinguishable from a judgment against a thing, right or status. A judgment “in rem” refers to a judgment against a thing, right or status or condition of property which operates directly on the property itself. To make this illustrative, it can be said that a patent license issue may be arbitrable, but validity of the underlying patent may not be arbitrable”.

From the discussion of the above judgments, a conclusion can be arrived at that the question of arbitrability of the patent disputes in India is to be decided on the basis whether the dispute is “right in rem” or “right in personam”. Further it can be stated that, disputes relating to patent infringement arising out of contractual agreements are arbitrable.

There has not been any precedent in Indian context having arbitrability of patent dispute at the centre of controversy. It can be derived from the above stated cases that the questions relating to the validity of the patent disputes are inherently non-arbitrable.

Assessment of the above stated cases, raises a pertinent question that defences raised in an infringement suit such as questioning the validity or ownership of patent can inhibit and prevent arbitrability of the patent disputes. Raising of such defences by the reluctant parties to the patent arbitration, will become detrimental to the arbitration of patent disputes. Since resolution of such disputes would lead to in rem repercussions, then only a court would be the appropriate authority to adjudicate upon the dispute. Arbitral tribunals would not be capable to decide the dispute, as this can be deduced from the rulings of the courts.

40 Ibid.
41 2017 SCC OnLine Mad 7055.
1.3.3. Arbitrability of Patent Disputes: Need to have a clearly laid Policy

Perusal of the Indian statutory law and the case laws at first glance gives an impression that arbitrability of the patent disputes is prohibited in India. But a closer look at the case law reveals that certain subordinate patent rights which are in *personam* rights are considered to be arbitrable.

But neither the “Arbitration and Conciliation Act, 1996” nor the intellectual property laws, policies have clarified and laid down a clear proposition on the arbitrability of the patent disputes. This has led to lack of statutory clarity in relation to patent arbitrability. National Intellectual Property Rights Policy, 2016, stated that one of its objectives was ‘strengthening of enforcement and adjudicator mechanisms for combating intellectual property rights infringements’. It further made a reference to strengthening of ADR methods in the resolution of IP cases.42

Parliament of India should bring legislative amendments in the arbitration and patent laws providing clarification on arbitrable aspects of patent rights as has been done by the USA43 and Hong Kong44. Legislative amendments can provide clarity on the controversial aspects of arbitrability of patent disputes like concerning scope of counterclaims such as exclusion or inclusion of counterclaims challenging the validity of patents. Legislative clarity will encourage patent arbitration.

Further amendments should be made to allow arbitrability of patent disputes relating to three type of disputes. Firstly, commercial disputes between parties involving infringement of patents. Provision should be made to allow arbitration of such disputes between the parties. The “Arbitration and Conciliation Act, 1996” should be made applicable to such disputes. Arbitration of patent infringement suits should proceed on lines similar to conventional commercial arbitration. The arbitral award should be binding only upon the parties to the dispute. Wherein, a defence is raised as to invalidity of patent, the arbitral tribunal should

42Department for Promotion of Industry and Internal Trade, *National Intellectual Property Rights Policy, 2016,* (Objective 6.10.3) 17.
44Hong Kong Arbitration (Amendment) Ordinance, 2017, Part 11A.
proceed to decide such claim. The arbitral award should be binding only upon the parties to the dispute and affecting rights and obligations of the parties towards each other.

Secondly, the important aspect of arbitrability of patent disputes arises when a party files for registration of a patent with the Patent Office and an objection is raised to such patent. Amendment should be made in the “Patent Act, 1970” allowing arbitration of such objection, where the arbitrator will decide which party has the right to get the patent registered. Once the arbitral tribunal has made the decision as to who has right over the patent, the Patent Office should proceed to decide whether the patent should be granted or not. This preserves the confidentiality of the proceeding as well because there is no need to publish the award. Adoption of such system of arbitration in India would preserve confidentiality of arbitral proceedings in contrast to the limitations of the USA system of deposition of the award with the Patent Office, which makes the award a public document.

Thirdly, amendment should be made to provide for arbitration of dispute which arises when a party submits to the Patent Office, an application for registration of the patent and the Patent Office citing certain defects in the application rejects the patent application. Now, the dispute arises between a party and the Patent Office involving refusal to grant of the patent. The arbitral tribunal will rule whether the grounds taken by the Patent Office rejecting the application are valid or not. The award passed by the arbitral tribunal will be binding on the Patent Office. The Patent Office will proceed to grant or refuse to grant patent in accordance with the decision of the arbitral tribunal, considering whether there existed any defects in the patent application.

Provision can be made to allow intervention by the Patent Office and other non-governmental organizations, individuals, trade associations, as “amicus curiae” in the dispute involving infringement of patent to assist the tribunal on technical aspects of patent law and allow uniform application of patent law. The amicus curiae briefs will assist the arbitral tribunal in determining the factual and legal issue related to arbitration by the Patent Office bringing its expertise and knowledge.

Another effective procedural safeguard that can be adopted by arbitral institutions in India is of “Arbitration Appellate Board System” on lines rules of “American Arbitration Association (AAA)”. It will act as an optional safeguard, which can be adopted by the parties to the patent
disputes to get comprehensive review of the award done as challenges to enforcement of award and set aside proceedings before national courts is done on restricted grounds.

However, the “Arbitration and Conciliation (Amendment) Act, 2019” aims at making India an international arbitration hub and it provides for establishment of “Arbitration Council of India (ACI)”. ACI has been tasked with promotion of arbitration, mediation, conciliation and other alternative dispute redressal mechanisms by framing policies for grading arbitral institutions and accrediting arbitrators, making policies for the establishment, operation and maintenance of uniform professional standards for all alternate dispute redressal cases.

There is a need that after the ACI comes into operation, it should look into establishment of effective rules for arbitrability of patent disputes.

The ACI should be tasked with providing specific rules for different aspects of intellectual property rights like patents, trademarks, copyrights and more. Guidance can be taken from approach taken by the American legislature\(^{45}\) which has explicitly allowed arbitrability of patent disputes both in relation to validity and infringement of the patent rights. Also, guidance can be taken from Swiss legislature\(^{46}\) which has permitted arbitration of patent infringement claims.

Since intellectual property rights like patents form a critical limb of commercial agreements for businesses, dispute resolution clauses should be carefully drafted and mechanisms should be chosen carefully. Legislature and courts in India are required to make immense strides in promotion on arbitrability of the patent disputes by providing an effective, efficient, competent arbitral tribunal for resolution of patent disputes. In the present age of growth of research and technology, failure to provide mechanisms for patent arbitrability weakens effectiveness of patent rights.

\(^{45}\) 35 U.S.C § 294(d).

\(^{46}\) Swiss Federal Act on Private International Law, 1989, art 193.2.