TRADEMARK AND ARBITRATION: ANALYSING THE ARBITRABILITY OF TRADEMARK DISPUTES

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Abstract

This paper seeks to explore the tests of arbitrability of disputes developed by Courts in India and apply them to discern if trademark disputes can be resolved through arbitration. An examination of judicial opinion shows that there is no single, conclusive test of arbitrability, and the scheme of the legislation, the nature of rights involved, the nature of relief sought, existence of social welfare considerations has to be examined in order to make this determination. Applying these tests to trademark disputes, this paper argues that disputes relating to infringement, passing off and assignment are arbitrable, while those relating to the registration, validity of registration, etc. are not.

Keywords: arbitrability, trademark, right in rem, right in personam, erga omnes

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INTRODUCTION

Ever since the liberalisation of 1991 and the consequent unleashing of the free-market economy and competitive forces that come with it,[1] India has seen an explosion in the pace of development as well as the complexity of intellectual property in all forms, be it patents, copyrights or trademarks. Companies are investing considerable resources to

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[1] Pawan Budhawar and Arup Varma, Doing Business in India (1st edn, Routledge 2010) 548.

produce better products and to create values and associations for their brands, in order to capture the attention of the consumer in a marketplace where she is flooded with options.

As a result, there is an increased focus by companies in protecting their trademark rights in order to ensure that their mammoth advertising efforts are utilized and consumers do not confuse their brands with others competing for their attention. This is evident from the fact that the value of India's advertising industry in 2021 was a staggering Rs. 625 Billion ($8.40 Billion) and was expected to reach Rs. 700 Billion ($9.40 Billion) in 2022, witnessing a growth of over 11%.[2] This increased focus on trademark rights[3] was taken note of by the legislature, as far back as 1999, when it enacted the Trade Marks Act, 1999[4] ('**TM Act**') and repealed the Trade Marks and Merchandise Act, 1958[5] that had regulated trademarks in India for over four decades.[6] The Statement of Objects and Reasons clearly highlighted the need for a new law on trademarks due to the fast changing commercial practices and realities.[7]

The increased focus on asserting and protecting trademarks and the rights that accompany them has resulted in considerable rise in trademark litigation.[8] This has resulted in the overcrowding of the

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2 Press Trust of India, 'Indian Advertising Industry to Grow 10.8% to Rs 62,557 Crore by 2021 End' (*Business Today*, 6 February 2019) <https://www.businesstoday.in/latest/economy-politics/story/indian-advertising-industry-to-grow-108-to-rs-62557-crore-by-2021-end-286863-2021-02-06> accessed 8 October 2021.

3 Akhileshwar Pathak 'Changing Context of Trade Mark Protection in India: A Review of the Trade Marks Act, 1999' (2004) IIMA Working Papers <https://www.iima.ac.in/publication/changing-context-trade-mark-protection-india-review-trade-marks-act-1999 > accessed 12 January 2021.

4 The Trade Marks Act 1999 (TMA 1999).

5 The Trade Marks and Merchandise Act 1958.

6 George SK, 'Trademark Infringements in India' (2016) 3 Ct Uncourt 22.

7 Draft Trade Marks Work Manual under the Trade Marks Act, 1999 and Trade Marks Rules, 2002, ch 1.

8 S.S. Rana & Co. Advocates, 'India: Trademark Applications Cross 5 Million Mark!!' (*Mondaq,* 30 June 2021)

dockets of the authorities adjudicating such issues, be it the Civil Courts, Commercial Courts, the Intellectual Property Appellate Board ('**IPAB**') or the Registrar of Trade Marks. In fact, the President has recently abolished the IPAB,[9] due to the fact that the board has not led to the faster disposal of cases and has not been able to reduce the burden on the public exchequer.[10] This is likely to lead to increased burden on the dockets of the judicial authorities that will have to pick up this additional burden, thus increasing the time it takes to resolve such disputes. Given that trademark disputes are commercial disputes,[11] it is imperative that their resolution is done in an expeditious manner. In fact, that is the primary reason behind the enactment of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill 2015,[12] whose Statement of Objects and Reasons run as follows:

> "*The high value commercial disputes involve complex facts and question of law. Therefore, there is a need to provide for an independent mechanism for their early resolution. Early resolution of commercial disputes shall create a positive image to the investor world about the independent and responsive Indian legal system.*
>
> *6. The proposed Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill, 2015 shall ensure that the commercial cases are disposed of expeditiously, fairly and at reasonable cost to the litigant. The proposal to establish the*

<https://www.mondaq.com/india/trademark/1086040/trademark-applications-cross-5-million-mark> accessed 20 October 2021.

9 Tribunals Reforms (Rationalisation and Conditions of Service) Ordinance 2021, s 8.

10 Vibhuti Kaushika, 'India: Abolishment Of IPAB: Changes to The IP Regime' (*Mondaq*, 28 May 2021) <https://www.mondaq.com/india/trademark/1074448/abolishment-of-ipab-changes-to-the-ip-regime> accessed 11 October 2021.

11 The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act 2015, s 2(1)(c)(xvii).

12 The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill 2015, Bill No. 253 of 2015 as Introduced in the Lok Sabha.

> *Commercial Courts and the Commercial Division of the High Court shall, —*
>
> *(i) accelerate economic growth;*
>
> *(ii) improve the international image of the Indian justice delivery system; and*
>
> *(iii) improve the faith of the investor world in the legal culture of the nation.*"[13]

In light of this background, it is essential to explore the possibility of alternative dispute resolution mechanisms for trademark disputes, in order to increase the speed of resolution, whilst ensuring that the disputes are adjudicated by an impartial authority with the requisite expertise that is following a fair procedure.

Arbitration as a Possible Alternative

Arbitration meets the above-mentioned criteria, and thus has the potential to serve as a possible alternative for resolving trademark disputes. It has, as an alternative dispute resolution mechanism, received endorsement from all organs of the State, and that is evident from the fact that the legislature chose to overhaul the entire framework governing arbitrations in India[14] in 1996, by enacting the Arbitration and Conciliation Act, 1996[15] ("**the Act**"), in order to make arbitration an attractive alternative. The introduction of the Act was an indicator of the marked change in the Indian legal system's outlook and trust towards arbitration as a means to resolve disputes.

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13 Ibid, s 6. See also Ambalal Sarabhai Enterprises Ltd. vs. K.S. Infraspace LLP (2020) 15 SCC 585 (emphasis added).

14 The Arbitration Act 1940; The Arbitration (Protocol and Convention) Act 1937; The Foreign Awards (Recognition and Enforcement) Act 1961.

15 The Arbitration and Conciliation Act 1996.

Based on the UNCITRAL Model Law[16] and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards,[17] it replaced the earlier regime[18] governing arbitrations in India. The idea was to encourage the use of arbitration as a resolution process in a wide array of disputes between private parties by providing for a wide latitude to party autonomy and minimal Court intervention/supervision, whilst ensuring flexibility and fairness. It was designed to enable the arbitrator to apply mediation and conciliation during proceedings as a possible method of resolving disputes.

Given these marked advantages that arbitration has and despite the fact that companies are adopting arbitration as a means to resolve a wide variety of their disputes, why are they not referring trademark disputes for arbitration?

THE ISSUE OF ARBITRABILITY

From a procedural standpoint, there is nothing preventing arbitration from being a possible method for resolution of trademark disputes. It provides for a fair, impartial procedure that allows parties to present arguments and evidence in support of their case, and the arbitral tribunal in bound to make a reasonable decision within the four corners of the law pertaining to the dispute. However, the real question is whether such disputes are by their very nature, or out of public policy considerations, or due to the existing statutory framework,[19] not amenable to arbitration?

It is due to the uncertainty around this question that we are witnessing the hesitancy in referring trademark disputes for arbitration. This

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16 Model Law on International Commercial Arbitration, 1985 (United Nations Commission on International Trade Law [UNCITRAL]) UN Doc A/40/17, Annex I.

17 Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 330 UNTS 3 (New York Convention).

18 The Arbitration Act 1940.

19 TMA 1999.

question arises because the Act impliedly prohibits the resolution of certain nature of disputes through arbitration, deeming that the same are inarbitrable. Section 34 of the Act,[20] for example, which deals with the narrow grounds of challenge to an arbitral award, creates the possibility of certain types of disputes being inarbitrable. Sub-section 2(b)(i) clearly provides for setting aside an award where the "subject-matter of the dispute is not capable of settlement by arbitration under the law for the time being in force".[21]

In fact, the question of arbitrability can be raised at six different occasions during the life of an arbitration proceeding, out of which four relate to domestic arbitrations and two to international ones.[22]

However, there is no particular list of disputes which are not considered as arbitrable. As a result, this question has been left entirely for the Courts to determine. In order to deal with such questions, the Courts have evolved certain tests in order to determine whether a particular type of dispute is considered arbitrable under the Act or not.

Nevertheless, the tests evolved are not consistent and have often been criticised as being incomplete.[23] As a result, one needs to carry out an exhaustive exercise to cull out the main principles governing the arbitrability of disputes.

TESTS OF ARBITRABILITY

The question of arbitrability is concerned with whether the very subject matter of the dispute is suitable for resolution through arbitration? Can such a class/nature of disputes be resolved by a

20 TMA 1999, s 34.
21 TMA1999, s 34(2)(b)(i).
22 India Cements Capital Ltd. v William 2015 SCC OnLine Ker 24805; O.P. Malhotra & Indu Malhotra, *Law and Practice of Arbitration and Conciliation*, (2nd edn, Lexis Nexis 2006).
23 Ajar Rab, 'Defining the Contours of the Public Policy Exception - A New Test for Arbitrability in India'

private forum chosen by the parties, such as the arbitral tribunal, or can it only be resolved by public courts exercising the judicial powers of the sovereign?

Any analysis of the question regarding arbitrability of disputes starts at *Booz Allen and Hamilton Inc. v SBI Home Finance Ltd.*,[24] where the Supreme Court was considering the arbitrability of mortgage disputes. In the course of its analysis, the Supreme Court laid down certain tests that should be adopted in order to determine the answer. The Court ruled that while most civil and contractual private disputes are amenable to arbitration, certain type of disputes may be removed from the jurisdiction of the tribunal for a variety of reasons:

> "*35. Arbitral tribunals are private fora chosen voluntarily by the parties to the 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. Adjudication of certain categories of proceedings are reserved by the Legislature exclusively for public fora as a matter of public policy. Certain other categories of cases, though not expressly reserved for adjudication by a public forum (courts and Tribunals), may by necessary implication stand excluded from the purview of private fora. Consequently, where the cause/dispute is inarbitrable, the court where a suit is pending, will refuse to refer the parties to arbitration, under Section 8 of the Act, even if the parties might have agreed upon arbitration as the forum for settlement of such disputes.*

[24] (2011) 5 SCC 532.

> *36. The well recognized examples of non-arbitrable disputes are: (i) disputes relating to rights and liabilities which give rise to or arise out of criminal offences; (ii) matrimonial disputes relating to divorce, judicial separation, restitution of conjugal rights, child custody; (iii) guardianship matters; (iv) insolvency and winding up matters; (v) testamentary matters (grant of probate, letters of administration and succession certificate); and (vi) eviction or tenancy matters governed by special statutes where the tenant enjoys statutory protection against eviction and only the specified courts are conferred jurisdiction to grant eviction or decide the disputes.*"[25]

What is evident from the above list[26] is that besides certain disputes being excluded from the jurisdiction of an arbitral tribunal on the public policy considerations by the Legislature, disputes that are impliedly excluded are those that are not strictly private in nature but have a public element to them as well. In other words, the rights involved in inarbitrable disputes are not just '*rights in personam'*, but also are '*rights in rem'*. *Rights in rem* refer to rights of a person against the world at large such as title to immovable property, etc., whereas *rights in personam* refer to the rights of a person against another specific person, such as contractual rights.[27] The Supreme Court considered the distinction between *rights in rem* and *rights in personam* to be the dividing line between what was arbitrable and what was not.[28] Disputes arising out of the former are generally considered amenable to and suitable for arbitration, while those arising out of the latter are not.

Why did the Court hold that disputes arising out of/involving *rights in rem* are not fit for arbitration? The reasons are manifold. There is an inherent limitation of jurisdiction of an arbitral tribunal that stems

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25 Ibid at [35-36] (emphasis added).
26 Ibid.
27 Vidya Drolia v Durga Trading Corpn. (2021) 2 SCC 1.
28 Booz Allen (n 24) 546-547.

from the fact it is a private forum which is a creature of the contract of the parties, and thus obtains its jurisdiction by agreement of the parties. Its jurisdiction thus extends to only those parties that have expressly submitted to its jurisdiction by way of agreement. Its awards, therefore, bind only these parties, and cannot bind a third party. Therefore, when disputes are restricted to *rights in personam*, then the arbitral tribunal is able to effectively resolve the disputes as its awards are binding on the parties to the dispute, and hence binds all those parties whose rights and liabilities are involved.[29] For example, disputes arising out of simple contractual matters involving two parties will be related to *rights in personam* of each of the respective parties. If both have submitted to arbitration, then its award will bind each party and thus, resolve the outstanding dispute arising out of the *right in rem*. In contrast, this limitation on the binding nature of arbitral awards prevents an arbitral tribunal from adjudicating and resolving disputes arising out of *rights in rem*.[30] For example, the right related to ownership of property is a *right in rem*. When a person is the owner of a property, his right over that property is superior to that of anyone else. If a dispute regarding the same arises, and is referred to arbitration, then it will never be resolved completely. The award will only bind those parties that have submitted to the arbitral tribunal's jurisdiction, but not the others. The arbitral award pertaining to the ownership of a particular property will not be binding on the rest of the world, and will thus fail to fully give effect to the person's *right in rem*.[31]

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29 Ibid.

30 Prachi Gupta, 'India: The Conundrum Of Arbitrability Of Intellectual Property Rights Dispute In India: An Analysis' (*Mondaq*, 15 July 2022)<https://www.mondaq.com/india/arbitration--dispute-resolution/1212264/the-conundrum-of-arbitrability-of-intellectual-property-rights-disputes-in-india-an-analysis > accessed 20 August 2022.

31 Vidya Drolia (n 27); See also Stavros Brekoulakis, 'The Effect of An Arbitral Award and Third Parties in International Arbitration: Res Judicata Revisited (2005) 16 ARIA 9.

The second reason is that certain matters involve remedies that an arbitral tribunal is not empowered to provide.[32] As noted above, an arbitral tribunal is a creature of agreement and not statute. It does not exercise the judicial powers of the State, only its awards that are private in nature are executed as a decree of the Court by creating a legal fiction. From a public policy perspective as well, there is a limit to its judicial powers.[33] For example, in criminal matters, a Court would have to impose punishments, which an arbitral tribunal cannot to do. Imposing coercive punishments is exclusively within the sovereign powers of the State, and the constitutional framework confers this power on the Courts, not private bodies.

The underlying logic behind the '*rights in rem-rights in personam*' distinction propounded by the Supreme Court in *Booz Allen*[34] is that the decision of an arbitral tribunal cannot have an *erga omnes* effect,[35] i.e., it cannot have a binding effect on all.[36] Disputes involving *rights in personam* can be resolved without such a consequence, but those involving *rights in rem* cannot.

However, while this distinction has been vital in resolving the questions around arbitrability, it has often been criticised as an incomplete test that looks at the issue from just one angle, thus severely curtailing the range of disputes that can be and are arbitrated in other jurisdictions. While there is no controversy regarding the accuracy of

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32 David St. John Sutton & Judith Gill, *Russell on Arbitration*, (22nd Ed., Sweet & Maxwell 2003).

33 The Arbitration and Conciliation Act 1996, s 34(2)(b)(ii); See also Priyadarshini, 'India: Role of Public Policy Under the Arbitration and Conciliation Act, 1996, For Setting Aside An Arbitral Award' (*Mondaq*, 18 March 2020) <https://www.mondaq.com/india/arbitration--dispute-resolution/903068/role-of-public-policy-under-the-arbitration-and-conciliation-act-1996-for-setting-aside-an-arbitral-award> accessed 28 March 2020.

34 Booz Allen (n 24).

35 Prachi Gupta (n 30); Vidya Drolia (n 27).

36 Vidya Drolia (n 27); Rab, 'Defining the Contours of the Public Policy Exception' (n 23).

the above distinctions created in *Booz Allen*,[37] fresh question of arbitrability is raised when disputes involve subordinate *rights in personam* that are derived from *rights in rem*. While the Supreme Court left open the question around this class of disputes in *Booz Allen*,[38] there is considerable judicial and academic opinion that such disputes come within the purview of the arbitral tribunal. This test can be termed the 'Test of Relief Sought'[39], wherein the arbitrability of the dispute is not looked at from the perspective of the nature of rights involved, but whether the arbitral tribunal is capable of giving the relief sought. The distinction brought about by *Booz Allen*[40] confuses the concept of right in rem and the *erga omnes* effect.[41] Disputes centred around subordinate rights derived from *rights in rem* do not necessarily involve the arbitral award having an *erga omnes* effect. This fine distinction is more accurately dealt with by the test of relief sought.[42]

This test, though not by that name, finds support from the law as it stands in the United Kingdom today, a jurisdiction considered to be arbitration friendly. No bar is placed on such disputes being resolved by means of arbitration.[43] For example, the following passage from *Mustill & Boyd*[44] is instructive of the position that law has come to take in respect of such disputes:

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37 Booz Allen (n 24).

38 Ibid.

39 Ajar Rab, 'Redressal Mechanism under the Real Estate (Regulation and Development) Act 2016: Ouster of the Arbitration Tribunal?' 10 NUJS L. Rev. 1 (2017).

40 Booz Allen (n 24).

41 Rab (n 23).

42 Rab (n 39).

43 Shardool Kulkarni & Malcolm Katrak, 'Disputes Seeking Declaration of Title in Immovable Property: Arbitrability of Rights in Personam Arising From Rights in Rem Contextualised' (NLSIU International Seminar on Enforcement Trends of Arbitral Awards, Bangalore, July 2018).

44 Michael J. Mustill and Stewart C. Boyd, *Mustill & Boyd: Commercial Arbitration* (2nd edn. Companion Volume, Butterworths Law 2001).

> "*Many commentaries treat it as axiomatic that 'real' rights, that is rights which are valid as against the whole world, cannot be the subject of private arbitration, although some acknowledge that subordinate rights in personam derived from the real rights may be ruled upon by arbitrators.*"[45]

In India, this test has been tacitly acknowledged by the decision of the Bombay High Court in *Eros International Media Ltd. v Telemax Links India Pvt. Ltd.*[46] involving intellectual property rights. It is pertinent to note that this decision explicitly took note of the Supreme Court's decision in *Booz Allen.*[47] The dispute arose out of a contract by which the Plaintiff had licensed its copyright in films produced by it to the Defendant in order to commercially exploit the same. The Court had to decide if the dispute around copyright infringement and damages was an arbitrable one or not. Arguments against in-arbitrability were based on the fact that such disputes arising out of *rights in rem* could not be adjudicated by way of arbitration. The Court held that the dispute was commercial in nature arising out of a contract, and the relief sought was only against the Defendant. Given that the relief/remedy sough was not against the world at large, the Court held the dispute arbitrable.[48]

In such cases, the arbitral award does not have an *erga omnes* effect, even though it is dealing with issues pertaining to *rights in rem*. A similar finding was made by the Bombay High Court in *Prakash Cotton Mills Pvt. Ltd. v Vinod Tejraj Gowani*,[49] where the Court was dealing with arbitrability of dispute as to title of immoveable property. It was undoubtedly a dispute involving a *right in rem*, but the Court held that

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45 Ibid.
46 2016 SCC OnLine Bom 2179.
47 Booz Allen (n 24).
48 Eros International (n 46).
49 2014 SCC OnLine Bom 1137.

the same was nonetheless amenable to arbitration as the relief regarding the title had only been sought against the Respondents. It was held that since the relief was sought against specific persons and not against the world at large, the dispute was really regarding a *right in personam* derived from a *right in rem*, and hence the award of the arbitral tribunal would not have an *erga omnes* effect.[50]

The test of relief[51] sought adds another dimension to the *right in personam-right in rem* distinction,[52] and also furthers the objective of encouraging arbitration as a means of dispute resolution, without affecting public policy considerations. It enables the resolution of inter-parties' commercial disputes through arbitration, without disturbing the accepted principles that only statutory tribunals and Courts can adjudicate rights against the world at large.

However, there is a third dimension to the test of arbitrability that needs to be considered, the public policy-social welfare consideration, by virtue of which certain disputes satisfying the above two tests may still not be arbitrable. This test predates the one created by *Booz Allen*[53] and the judgements that followed, with the Supreme Court using it to deny jurisdiction to an arbitral tribunal in *Natraj Studios (P) Ltd. v Navrang Studios*.[54] In the said case, the dispute was between a landlord and a tenant, and the same was regulated by the Bombay Rent Act.[55] The Court held that this dispute is not amenable to arbitration on the grounds of public policy, as the Bombay Rent Act[56] sought to achieve a particular social objective and setup/prescribed a specific machinery

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50 Ibid.
51 Rab (n 39).
52 Vidya Drolia (n 27).
53 Booz Allen (n 24).
54 (1981) 1 SCC 523.
55 Bombay Rents, Hotel and Lodging House Rates Control Act 1947. Section 5, 5A and 28 are relevant in the said case.
56 Ibid.

for the same. Therefore, the parties could not be allowed to contract out of the statute.

This position has been very well accepted now and has been approved by the Supreme Court in a number of decisions by way of dicta.[57] This position has been adopted in India despite the fact that the issues in dispute might otherwise be totally amenable to arbitration and rights involved may be capable of being alienated by the person. Typically, in such cases, the parties should have the freedom to enter into a contract providing for arbitration as a means of dispute settlement. However, the legislature in public interest, or in order to correct a specific social problem, or to balance unequal bargaining power, grants special protection to individuals involved in these kinds of disputes.[58] This is done as the concerned parties may not always make an informed decision based truly on free choice when referring their dispute to arbitration. For example, consumer disputes though involving *rights in personam* and being otherwise amenable to arbitration, have to be necessarily resolved through the machinery provided by the Consumer Protection Act, 1986[59] and cannot be referred to arbitration. The legislation is a welfare measure and impliedly bars arbitration as consumers are typically unaware of arbitration as an alternative forum for dispute resolution and may lack the understanding of the arbitral process. Similarly, labour disputes and tenancy disputes are barred from being arbitrated as labourers and tenants typically have unequal bargaining power and thus may not be able to exercise the choice to enter into an arbitration agreement freely. Therefore, despite such disputes involving *rights in personam* that may otherwise be amenable to

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57 Booz Allen (n 24); A. Ayyasamy v A. Paramasivam (2016) 10 SCC 386; Emaar MGF Land Ltd. v Aftab Singh (2019) 12 SCC 751.

58 Rab (n 23).

59 The Consumer Protection Act 1986.

arbitration, these individuals or groups have been given judicial protection because of a social objective.

These tests for determining whether a dispute can be the subject-matter of arbitration were succinctly summarised, after a comprehensive discussion, in *Vidya Drolia v Durga Trading Corporation*[60] as follows:

> *"76. In view of the above discussion, we would like to propound a fourfold test for determining when the subject matter of a dispute in an arbitration agreement is not arbitrable:*
>
> *76.1. (1) when cause of action and subject matter of the dispute relates to actions in rem, that do not pertain to subordinate rights in personam that arise from rights in rem.*
>
> *76.2. (2) when cause of action and subject matter of the dispute affects third party rights; have erga omnes effect; require centralized adjudication, and mutual adjudication would not be appropriate and enforceable;*
>
> *76.3. (3) when cause of action and subject matter of the dispute relates to inalienable sovereign and public interest functions of the State and hence mutual adjudication would be unenforceable; and*
>
> *76.4 (4) when the subject-matter of the dispute is expressly or by necessary implication non-arbitrable as per mandatory statute(s).*
>
> *76.5 These tests are not watertight compartments; they dovetail and overlap, albeit when applied holistically and pragmatically will help and assist in determining and ascertaining with great degree of certainty when as per law in India, a dispute or subject matter is non-*

[60] Vidya Drolia (n 27).

> *arbitrable. Only when the answer is affirmative that the subject matter of the dispute would be non-arbitrable."*[61]

In order to determine whether any of these conditions apply to trademark disputes, and hence determine whether they are amenable to arbitration, an examination of the nature of trademark disputes as well as the statutory scheme governing them has to be examined.

TYPES OF TRADEMARK DISPUTES

What follows from the above discussion is that the question of arbitrability will essentially depend on whether the various types of disputes arising in the trademark regime fall within one of the excluded categories or not. For that we shall first delineate the types of disputes, the nature of rights involved, and the mechanism with which the TM Act has dealt with each of them. While doing so, in order to ease our analysis, we have categorised the disputes that have to be adjudicated by the Registrar of Trade Marks into one category, and all other disputes into another category:[62]

Category A Disputes

(a) Adjudication as to trademark registration application and oppositions thereto;
(b) Disputes as to validity of registration of trademark;
(c) Adjudication as to cancellation of registration due to non-use;
(d) Adjudication as to cancellation, variation, correction, alteration of registration, or adaptation of entries in register etc.; and
(e) Adjudication of registration of registered user and issues arising therefrom

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61 Vidya Drolia (n 27) at 76.

62 For the purpose of this article, we are not delving into 'Offences, Penalties and Procedure' covered by Chapter XII of the TM Act as these are criminal in nature, and hence, are within the exclusive domain of Courts created under the sovereign power of the State. The arbitration of such disputes is undoubtedly impermissible.

Category B Disputes

(a) Suits for trademark infringement

(b) Suits for passing off

(c) Disputes arising out of assignment of trademarks

NATURE OF TRADEMARK DISPUTES

Let us first take up Category A Disputes. These disputes all relate, in some way or the other, to the registration of a proprietor's trademark. At the core of all these decisions to be taken are the following considerations:

A decision around these issues will have a direct impact on the register of trade marks, i.e., whether some change has to be made to the register or not. If a registration application is accepted, then the register will be modified, and an entry will have to be made to it. If the opposition to the registration application is successful, then the register will not be modified. If the validity of the trademark is impeached, then the register will have to be amended and that particular entry removed. If any sort of cancellation or variation has to be made to the registration, then again, the register will have to be altered. This fact is central to any adjudication regarding issues covered in Category A.

Any decision around these issues has a direct bearing on the nature and extent of rights the proprietor of a trademark can claim and assert. As noted above, the decision has a direct impact on the entries in the Register. The exact entries determine the rights the proprietor can claim. Is the mark registered in the first place? What is the exact description of the mark? Till when is it valid? For what class of goods is it valid? These questions are essentially determined with reference to the entries in the register. Therefore, when the decision is taken regarding these disputes/issues, it has a direct impact on the nature of rights that a proprietor of a mark can assert.

Let us analyse the first consideration that Category A Disputes result in a decision that will alter/not alter the Register of Trade Marks. Given that the register is the central repository of information regarding trademarks, its custody cannot be in the hands of any private party. Public policy dictates that its guardian be an authority appointed under the sovereign powers of the State. What then follows is that only the decision of an official authority (the Registrar of Trade Marks) can result in any amendment of the register. Private adjudicatory bodies like an arbitral tribunal cannot have the power to make decisions affecting the register, as their source of power is agreement between two private parties. Coming to the second consideration as noted above, any decision on these questions has a direct impact on the nature of right(s) the proprietor can claim with respect to her mark against the world at large. The decision affects his *right in rem*, as the proprietor of a trade mark claims certain rights therein against everyone, much like the owner of immoveable property. These decisions, by varying the nature of the right she can claim, impact her right in rem. Can such decisions be permitted to be taken by private adjudicatory bodies? No. These situations are clearly covered by the decision in *Booz Allen*,[63] where the Supreme Court expressly held that issues involving *rights in rem* cannot be decided by arbitration. If an arbitral tribunal takes such decisions, it will have an *erga omnes* effect, i.e., it will create rights/liabilities in favour of one party against those parties that have not submitted to the tribunal's jurisdiction. This is clearly impermissible. Moreover, the rights involved in Category A Disputes are not secondary rights derived from *rights in rem* sought to be enforced against a specific person. They are the very *rights in rem* themselves. A combined consideration of the two aforesaid factors points clearly to the conclusion that Category A Disputes (as delineated

[63] Booz Allen (n 24) at 38-39.

above) are not amenable to arbitration, and the Registrar of Trade Marks is the sole authority to decide such disputes/issues. If arbitral tribunals are given the authority to decide such disputes, it will lead to incongruous results, as their decisions bind only the parties that have submitted to its jurisdiction, and no one else. Is it possible to have a situation where a registration is valid as against one party but not against the other? Or can the subsequent alteration in the description of the mark be applicable against one party while the unaltered version is applicable against the rest? Clearly such a course would be highly illogical and imprudent. The sequitur to this is that such disputes/issues are beyond the pale of arbitrability.

Now let us turn to Category B Disputes. These disputes relate to the assertion of a proprietor's right in his mark, whether registered or not. The form that an action for infringement, passing off or violation of the terms of the assignment takes is that the proprietor enforcing his right impleads the party that has committed the act complained of. There are two features worth noting about such disputes:

While the right from which the dispute arises is a right in rem, it is sought to be enforced against a particular person. The action complained of is not that of the world at large, but that of a specific person. It is the act of that individual that is alleged to be violating the right of the person. It is her action that the proprietor seeks remedy against. Therefore, it can be said that the right sought to be enforced is the secondary *right in personam* against the Defendant that is sought to be enforced, and the said right has been derived from the *right in rem* that the proprietor has in respect of her trademarks.

This is a dispute between two parties and the relief sought is against a specific party. The proprietor in such cases is not seeking relief or a declaration against the world at large. She is seeking damages,

injunction and/or other reliefs against a particular person who has committed the act complained of. Therefore, whatever order is made by the adjudicating authority in this dispute, it will bind only the Defendant. This is similar to the situation in *Prakash Cotton Mills*[64] where the Bombay High Court dealt with the arbitrability of a dispute in which the Plaintiff sought a declaration against a particular person in respect of title to immoveable property. The Court observed that because the Plaintiff was not seeking relief against the world at large, but only against the Defendant, the dispute was arbitrable despite involving *rights in rem*.[65]

Do these two features mean that such disputes are arbitrable? We think so. In fact, Category B Disputes do not have features that render them inarbitrable. While these disputes arise out of *rights in rem*, they are really being enforced against a person. The *right in rem v right in personam* test propounded in *Booz Allen*[66] is not considered the sacrosanct test to determine the arbitrability of a dispute. While it is considered to be a good starting point, further judicial and academic opinion have demanded that the analysis be extended to the nature of relief sought, i.e., one should apply the 'Test of Relief Sought'[67] to see whether the decision of the arbitral tribunal in a particular dispute will have an *erga omnes* effect. In the case of Category B Disputes, the decisions of the arbitral tribunal have no *erga omnes* effect, as the relief is sought only against the Defendant and the order is only intended to bind the Defendant's behaviour and settle the rights of the parties to the dispute. The arbitral tribunal's decision does not in any manner affect the rights of a third party, unlike in the case of Category A Disputes.

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64 Prakash Cotton Mills (n 49).
65 Ibid at 54.
66 Booz Allen (n 24).
67 Rab (n 39).

This is in line with the discussion in *Eros International Media*[68] dealing with secondary *rights in personam* derived from intellectual property rights that are *rights in rem*.

At this stage, it is necessary to refer to two contradictory decisions of the Hon'ble Bombay High Court in *Steel Authority of India Ltd. v SKS Ispat and Power Ltd.*[69] and *Deepak Thorat v Vidli Restaurant Ltd.*[70] In the former, the High Court chose not to refer the disputes pertaining to infringement and passing off for arbitration on three grounds, namely, that such disputes cannot be decided in arbitration proceedings for they involve *rights in rem*, the disputes do not arise out of the contract which contained the arbitration clause, and certain parties to the suit were not parties to the arbitration agreement. Not only did the High Court not consider the issue of arbitrability of disputes pertaining to infringement and passing off in detail, but the other two factors also formed the basis for its refusal to refer the disputes to arbitration.[71] On the other hand, in the latter, while the Court was dealing with trademark disputes arising out of a trademark licensing agreement, it noted that there was no bar on the arbitrating such disputes since they do involve seeking relief against the world at large, but only against a particular party.[72] In fact, the Hon'ble Delhi High Court also reached a similar conclusion in *Golden Tobie (P) Ltd. v Golden Tobacco Ltd.*,[73] *Hero Electric Vehicles Private Ltd. v Lectro E-Mobility Private Ltd.*[74] and *Vijay Kumar Munjal v Pawan Munjal*,[75] where it held that disputes arising out of trademark licensing agreements are arbitrable. The decisions in

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68 Eros International (n 46).
69 2014 SCC OnLine Bom 4875.
70 2017 SCC OnLine Bom 7704.
71 Steel Authority (n 69) at 4.
72 Deepak Thorat (n 70) at 8-9.
73 2021 SCC OnLine Del 3029.
74 2021 SCC OnLine Del 1058.
75 2022 SCC OnLine Del 499.

Deepak Thorat,[76] *Golden Tobie*,[77] *Hero Electric*,[78] and *Vijay Kumar Munjal*[79] are in line with the evolving jurisprudence of arbitrability, wherein the Courts have moved beyond the simple *rights in rem* versus *rights in personam* test, to one where they assess the nature of relief sought and consequently assess the competence of an arbitral tribunal to grant that relief.

Now that it is established that Category B Disputes, while arising out of *rights in rem*, really seek relief in personam and do not have an *erga omnes* effect, and are hence arbitrable on that count, what requires consideration is whether public policy-social welfare dictates that such disputes be decided by a centralised authority vested with the sovereign powers of the State to adjudicate disputes. This test, as discussed before, was put forth by the Supreme Court in *Natraj Studios*.[80] There is no specific public policy-social welfare objective that is permeating the entire scheme of the legislation. It is not designed to protect any particular class of persons due to their vulnerable status in the society, nor is it designed to empower a particular class due to historic exploitation, discrimination, etc. This is in contrast to legislation like Rent Acts that are designed to balance the scales in favour of the tenant, or labour legislation designed to protect the employee. The Act is to create a framework for regulation of rights and liabilities arising out of trademarks and the disputes therefrom. It is essentially commercial in nature and is designed to regulate the behaviour of commercial entities.

Moreover, the TM Act confers jurisdiction for Category B Disputes not on a specialised body like the Registrar of Trade Marks, but on the

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76 Deepak Thorat (n 72).
77 Golden Tobie (n 73).
78 Hero Electric Vehicles (n 74).
79 Vijay Kumar Munjal (n 75).
80 Natraj Studios (n 54).

District Courts having jurisdiction as per the provisions of the Code of Civil Procedure, 1908[81] ('**the Code**').[82] However, since the enactment of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015 ('**the CCA**'), the jurisdiction to hear such suits has been shifted from District Courts to specialised Commercial Courts.[83] Does this render Category B Disputes inarbitrable, in light of the fact that the CCA creates a specialised forum for dealing with such disputes? The answer lies in decoding the nature and function of Commercial Courts.

Commercial Courts are simply replacements for Civil Courts with certain changes designed to achieve a very specific purpose, i.e., the faster resolution of commercial disputes.[84] There are two reasons for reaching this conclusion:

First, Commercial Courts are not specialised tribunals conferred with special powers to decide disputes arising out of special rights conferred on the parties by virtue of the TM Act read with the CCA. Commercial Courts do not have any special powers, and are supposed to apply the same law as before. Their jurisdiction stems from the fact that certain disputes have been shifted from Civil Courts to them. The procedure adopted by Commercial Courts is largely similar, with certain changes designed to help achieve the above stated purpose, which by itself is not enough to state that they are not mere replacements of Civil Courts.

And second, a perusal of the language of Section 11 of the CCA[85] points to the fact that the legislature also intended that Commercial

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81 Code of Civil Procedure 1908.

82 TMA 1999, s 134.

83 CCA 2015, s 3.

84 Priya Misra, 'Commercial Courts: Fast Track or Off the Track?' (2017) 52(38) Economic & Political Weekly 22-25.

85 "11. Bar of jurisdiction of Commercial Courts and Commercial Divisions—Notwithstanding anything contained in this Act, a Commercial Court or a Commercial

Courts serve as mere replacements to Civil Courts. It contemplates that the bar that is applicable on a civil court in respect of a commercial dispute shall continue to apply in the case of a commercial court, regardless of any provision in the Act. If Commercial Courts were supposed to be a specialised and exclusive body vested with special powers to adjudicate commercial disputes, then its jurisdiction would have had overriding effect on the jurisdiction of other bodies, and not the other way round. To the contrary, their jurisdiction in respect of commercial disputes is the same as what used to be of Civil Courts, and the disabilities to that jurisdiction have also been applied to Commercial Courts. The conclusion then is irresistible that the legislature intended that Commercial Courts are mere replacements of Civil Courts.

Given this position, what does it mean for the arbitrability of Category B Disputes over which Commercial Courts have jurisdiction. Does a mere replacement of the civil court by another body to adjudicate a certain class of disputes render those disputes inarbitrable, especially when that other body is not conferred with special powers?

We think not. If that were the case, all commercial disputes would be rendered inarbitrable, thus dwindling down the scope of arbitration to a nullity. Nearly no dispute of a mercantile nature will remain arbitrable for the mere reason that the jurisdiction over such disputes has been shifted from Civil Courts to Commercial Courts. Moreover, the objective behind shifting the jurisdiction to Commercial Courts is to fasten the rate of disposal of such disputes. Arbitration helps achieve that very objective. To hold that the CCA renders disputes covered by it inarbitrable would be contradictory to that very objective! There is

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Division shall not entertain or decide any suit, application or proceedings relating to any commercial dispute in respect of which the jurisdiction of the civil court is either expressly or impliedly barred under any other law for the time being in force."

nothing in the scheme of the CCA that impliedly excludes the jurisdiction of an arbitral tribunal. What then follows is that the mere conferment of jurisdiction *vis-à-vis* Category B Disputes on Commercial Courts does not, *ipso facto*, render them inarbitrable.

All considerations thus point towards the fact that Category B Disputes are arbitrable. But what happens in cases where these disputes are intertwined with a challenge to the validity of the registration itself, or where the Defendant as a way of defence raises a challenge to the validity of the registration? In such cases, the adjudication of the dispute will involve a decision on matters that are arbitrable and matters that are inarbitrable. Can the cause of action be split up between arbitrable and non-arbitrable disputes, with the former being adjudicated by the arbitrable tribunal and the other by the authority designated by the statute? Such a course is clearly impermissible.[86] However, in the case of trademark disputes, the answer for such a situation is provided by Section 124 of the TM Act which runs as follows:

> "***124. Stay of proceedings where the validity of registration of the trade mark is questioned, etc.—***
>
> *(1) Where in any suit for infringement of a trade mark—*
>
> *(a) the defendant pleads that registration of the plaintiff's trade mark is invalid; or*
>
> *(b) the defendant raises a defence under clause (e) of sub-section (2) of section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark, the court trying the suit (hereinafter referred to as the court), shall,—*

[86] Sukanya Holdings Pvt. Ltd. v Jayesh H. Pandya & Ors. (2003) 5 SCC 531.

(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the Registrar or the Appellate Board, stay the suit pending the final disposal of such proceedings;

(ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the Appellate Board for rectification of the register.

(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b) (ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.

(3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.

(4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order in so far as it relates to the issue as to the validity of the registration of the trade mark."[87]

[87] TMA 1999, s 124.

It clearly contemplates that the entire proceedings in the suit shall be stayed for the time being and the Appellate Board shall decide on the challenge raised by the Defendant in a time bound manner. The proceedings in the suit will thereafter be subject to the decision of the Appellate Board. This mechanism can be made equally applicable to Category B Disputes being decided by an arbitral tribunal. The arbitral tribunal will not have to deal with questions beyond its competence and its ultimate decision will be subject to the decision regarding the challenge raised by the Defendant. Therefore, even in cases where validity of the Plaintiff's trade mark registration is questioned as a ground of defence, the arbitral tribunal's competence to adjudicate a Category B Disputes is not taken away.

All in all, there is no feature about Category B Disputes, be it the nature of rights involved, the nature of relief sought, public policy or social welfare considerations or the fact that special Courts have been designated to hear such disputes, that render them inarbitrable.

CONCLUDING THOUGHTS

Speedy and efficacious resolution of trademark disputes is essential to a free-market economy that is growing at unprecedented rates. Numerous steps have been taken in furtherance of that aim, and we believe that it is time that the doors of arbitration be opened for resolving these disputes. Our analysis shows that barring those disputes/issues that are within the exclusive domain of the Registrar of Trade Marks (termed here as Category A Disputes), all other disputes (Category B Disputes) are in fact arbitrable. None of the tests propounded by the Courts render such disputes inarbitrable. Arbitration can thus serve as a useful mechanism of resolving these disputes in a time bound and flexible manner. Whether the parties to the dispute agree to submit the same to arbitration is a matter of

practical concern, but this article highlights that there is no bar to them doing so. The decision of the Bombay in *Deepak Thorat*[88] and of the Delhi High Court in *Golden Tobie*,[89] *Hero Electric*,[90] and *Vijay Kumar Munjal*[91] are a step in the right direction. We believe that this conclusion can be widened to include other disputes as well, including trademark infringement and passing off, i.e., Category B Disputes.

88 Deepak Thorat (n 72).
89 Golden Tobie (n 73).
90 Hero Electric Vehicles (n 74).
91 Vijay Kumar Munjal (n 75).