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ALTERNATIVE DISPUTE RESOLUTION

THEME: ADR MECHANISM IN INTELLECTUAL PROPERTY RIGHTS

SUB THEME: INTERNATIONAL PERSPECTIVE ON ARBITRABILITY OF PATENT ISSUES

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SASTRA DEEMED TO BE UNIVERSITY

ABSTRACT:

In recent times, the scope of Intellectual Property Rights have expanded and consequently the importance and awareness of this concept became widespread. It is pertinent to note that with growth, disputes regarding Intellectual Property Rights have increased and are mostly between parties who are based in different countries who carry their business globally. Thus, seeking remedy from one's own country to settle such disputes have mostly proven to be a hectic task due to the involvement of more than one law.

In order to promote innovative technologies, scientific studies and the economic development, almost all countries have framed their own legislation that governs issuance, regulation and dispute resolution of patents to innovative findings. Patent can be obtained in more than one country and when there is a dispute with respect to that difficulties like institution of simultaneous proceedings in different jurisdictions which has different procedural standards and different laws for the same dispute which can also be coupled with a potential bias on the attitude of the judges etc. are bound to arise.

In such a case, the use of alternate mechanism for dispute resolution particularly arbitration becomes helpful. The parties may select a single law to be used to the dispute, and it permits the concentration of the proceedings in cases of patent infringement that have taken place in multiple nations. Confidentiality can be better protected through arbitration procedures, and the proceedings will benefit from the arbitrators' experience. This paper deals with the arbitrability of patent disputes from an international perspective and in particular will focus on the USA's legal regime, its unresolved issues and the Indian legal regime with effective solutions for both which shall assist and promote patent arbitration.

KEY WORDS: Patent, USA, India, Arbitrability, Intellectual Property Rights

1. INTRODUCTION:

Patent conflicts are typically difficult and time-consuming affairs that involve questions of infringement, validity, and ownership of the patent in question. Recently, there has been a growing trend towards resolving patent disputes through arbitration. Arbitration is a private and confidential process that allows parties to resolve their disputes outside of the court system. On the other hand, the question of whether or not patent disputes can be settled through arbitration continues to be a contentious one, with various stakeholders expressing their concerns regarding the potential effects of arbitration on patent law.

The United States and India are two of the largest economies in the world. These countries have robust patent systems, which play an important role in fostering innovation and contributing to economic growth. The authority for distributing patents to inventors as well as businesses in the United States for their inventions is the United States Patent and Trademark Office (USPTO). On the other hand, the Indian Patent Office (IPO) is in charge of distributing patents in India. Both nations have a long tradition of resolving disagreements in a variety of fields, including those pertaining to intellectual property and technology, through the use of arbitration.

One kind of alternative dispute resolution is known as arbitration which enables parties to settle their disagreements outside of court with the help of a neutral third party, also known as an arbitrator. Arbitration is a confidential and private process that, in contrast to litigation, which is a public and adversarial form of dispute resolution and enables the parties to keep their existing business relationships and safeguards their proprietary information. Due to the parties' ability to avoid the lengthy court procedures and pre-trial discovery that frequently accompany litigation, arbitration may also be more expedient and cost-effective than other dispute resolution methods.

Arbitration in patent disputes brings up a number of significant legal and policy questions. One of the most important concerns is the "arbitrability of patent disputes," which is the question of whether or not disagreements regarding patents can be resolved through the process of arbitration. Some parties involved in the dispute argue that because patent disagreements frequently involve intricate legal and technical issues, they are most effectively settled in court, where the judges are equipped with the knowledge and resources necessary to arbitrate such conflicts. Others contend that arbitration can be an efficient method of resolving patent disputes, particularly in situations where the parties involved want to keep their existing business relationships and want to avoid the publicity and expense of going to court.

When considering the arbitrability of patent disputes from a global point of view, the World Intellectual Property Organization (WIPO) is an organization that plays an essential role. As a specialized agency of the United Nations, the World Intellectual Property Organization (WIPO) works to promote and preserve intellectual property rights all over the world. Regarding disagreements over patents, the Arbitration and Mediation Center

of the World Intellectual Property Organization (WIPO) offers a complete framework. The center provides specialist services to assist in the facilitation of the resolution of problems pertaining to intellectual property, particularly disputes linked to patents. It eliminates the need for parties to go through lengthy and expensive court proceedings by providing a forum that is both impartial and effective for them to resolve their issues through the use of arbitration or mediation.

The World Intellectual Property Organization (WIPO) is involved in more aspects of patent arbitrability than just providing a mechanism for conflict resolution. It also contributes to the creation of international norms and standards in the field of intellectual property, particularly patents, which are important for protecting intellectual property. In this context, the operations of the World Intellectual Property Organization (WIPO) help foster harmonization and coherence in patent laws and procedures across different jurisdictions, which in turn makes the resolution of patent disputes through arbitration easier. By providing services for the resolution of disputes and by contributing to the establishment of global intellectual property norms, the World Intellectual Property Organization (WIPO) plays an important part in the promotion of the arbitrability of patent issues in an international environment.

In the following research paper, both the American and Indian points of view on the arbitrability of patent issues are investigated. In this paper, the legal frameworks pertaining to the arbitrability of patent issues in both United States and India are analyzed, along with the benefits and drawbacks of using arbitration in each nation. In addition to this, the paper provides a comparative analysis of the American and Indian points of view, illuminating the parallels and divergences that exist between the American and Indian legal systems. The paper also provides case studies of patent disputes that were resolved through arbitration in the United States and India and conducts an analysis on the impact that arbitration has on patent disputes.

This research paper intends to provide insights into the potential benefits and drawbacks of arbitration in the context of patent law by examining the American and Indian perspective on the arbitrability of patent disputes. This paper may be of interest to legal practitioners, policymakers, and scholars who are interested in understanding the current trends and developments in patent law and arbitration.

2. ARBITRABILITY OF PATENT ISSUES- INTERNATIONAL PERSPECTIVE

There has been a shift towards usage of arbitration for the disputes regarding Intellectual Property in the modern legal era mostly pertaining to licensing and transfer of registered Intellectual Property Rights. In many jurisdictions, parties to a conflict over a claim for compensation or damages will typically submit their disagreement to a process known as arbitration. In addition, since these matters does not concern public interests, the holder of the right to compensation has the ability to negotiate a settlement or even give up the right entirely.

There are only a limited number of jurisdictions that started to permit arbitration in disputes pertaining to the registration of IP rights. Under Spanish law, for example, "*Article 28*[1]*" of the "Ley de Marcas"* 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."* However, there is a caveat attached to this rule, which states *"in no event problems concerning the occurrence of formal defects or absolute registration prohibitions be submitted to arbitration."*

According to "Article 48"[2] of the "Portuguese Code of Industrial Property," decisions regarding the grant or rejection of IP rights may be appealed to an arbitral tribunal. Included in this are patents and trademarks. However, the issue of the validity of patents, copyright, trademarks etc., has been kept solely for national courts and is therefore not amenable to arbitration in the vast majority of jurisdictions. Despite the belief that patent infringement claims were arbitrable because of the fact that only private rights are involved, the issue of validity has been excluded from arbitral scope because they are monopoly rights. In Germany, for example, the Federal Patent Court is responsible for declaring patents invalid[3]. Moreover, any agreement the parties reach regarding the legality of the patent rights will affect the rights of third parties in some manner.

Therefore, the inference of the aforementioned international legislations shows that the validity of IP rights is a matter reserved for national tribunals or for other enumerated specialized institutions.

3. ARBITRABILITY OF PATENT ISSUES: AMERICAN PERSPECTIVE

The Constitution of America was devised to promote technological advancement by granting inventors limited exclusive rights to their discoveries. In accordance with this objective, Congress created the Patent and Trademark Office to grant patents for new inventions. To decide whether there is a patent infringement, the question of whether the patented invention was manufactured, used, or sold in the United States or its territories during the term of the patent must be determined[4]. Preliminary and permanent injunctions, monetary compensation for lost earnings, an increase in damages up to three times the amount determined by the court, and attorney's fees are some of the traditional remedies for patent infringement[5]. Nevertheless, recent rulings have demonstrated that some patent infringement cases have led to significant monetary judgments and settlements[6].

The expansion of patentable subject matter has resulted in a rise in patent infringement lawsuits, which has spurred the development of ADR mechanisms for patent disputes. In the United States, litigating patent disputes frequently entails extensive and protracted proceedings that take years to resolve, incurring significant litigation costs along the way. This conventional dispute resolution procedure can be onerous for parties, particularly

[1] Ley Dey Marcus, art. 28.
[2] Portuguese Code of Industrial Property, art. 48.
[3] German Patent Law (Patentgesetz), Section 65(1).
[4] 35 USC, S. 284.
[5] *Ibid*, 4.
[6] Polaroid Corp. v Eastman Kodak Co., 16 U.S.P.Q.2d (BNA) 1481 (D. Mass. 1990).

when multiple patent disputes are pending in multiple jurisdictions due to unfamiliarity with foreign legal regimes.

However, these obstacles have been eliminated by the specialized arbitration regime for patent disputes created by the World Intellectual Property Organization. The organization offers neutral, international, time- and cost-efficient arbitration, as well as a streamlined arbitration procedure. This allows private parties to effectively resolve their domestic or international intellectual property and technology disputes outside of court.

3.1 ISSUES AND SOLUTIONS IN THE LEGISLATIVE REGIME

The Congress in 1982 passed a series of legislations that authorized that the use of contracts should contain a stipulation mandating the usage of arbitration for resolving patent disputes. These acts authorized the arbitration as a method of dispute resolution. In 1984, two federal laws were passed that extended the role of arbitration with this regard.

The "Patent Law Amendments Act of 1984" removed subsection (a) of 35 U.S.C. 135 and encouraged parties involved in patent disputes to resolve their disagreements through the use of arbitration. Sub-section (a) of 35 U.S.C. § 294 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*". This provision allows the use of voluntary arbitration in matters pertaining to patent issues. Due to the fact that this clause expressly provides for arbitration of patent validity and infringement disputes, it deviates from the general consensus among other legal jurisdictions, which considered patent validity disputes to be non-arbitrable due to the decision of such rights affecting third parties.

In addition, subsection (c) of section 294 of the 35 Code of the USA states 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."* By noting that the award only has an effect between the parties to the arbitration, this subsection ended the debate regarding the impact of judicial award on third parties. Specifically, this subsection said that the award only has an effect on the parties to the arbitration. This essentially means that if the arbitral tribunal decides to uphold the validity of the patent, the party who questioned the award would be precluded from challenging the validity of the patent in the United States of America as well as in any other foreign jurisdictions where it may be applicable. This is the case whether or not the arbitral tribunal decides to uphold the validity of the patent. In spite of the fact that the article indicates that the arbitration is final and binding exclusively between the parties, third parties are still permitted to question the legitimacy of the patent, and the state maintains the ability to either issue, invalidate, or refuse to award the patent.

When it is permissible for disputes regarding the validity of patents to be decided by an arbitrator, one of the most important issues that arises is the stage of recognition and enforcement of the arbitral award rendered in the United States and sought to be enforced in a foreign jurisdiction where the law provides non-arbitrability of the patent validity dispute. This is a crucial issue because it raises the question of how the award can be

recognised and enforced in the foreign jurisdiction. This issue is complicated by the fact that the law of the land prohibits patent validity disputes from being brought before arbitrators. An award of this kind may be contested in accordance with the provisions of "Article V(1)(a)[7]" of the "New York Convention," which states that the award may be challenged if it is *"not valid under the law to which the parties have subjected it"*. In addition, recognition and enforcement can be denied in accordance with Article V(2), which states that recognition and the ability to execute the award can be denied on the grounds that it is "contrary to public policy".

At the time that the arbitration agreement is being drafted, the challenge to the judgment that is permitted by Article V(1)(a) of the "New York Convention" can be avoided by selecting the law of the United States patent law as the applicable law. However, in accordance with Article V(2)(b)[8], it is possible for the judgment to be denied enforcement on the grounds that it is against public policy.

When a patent right is simultaneously infringed in multiple jurisdictions, an additional germane problem relating to the inter-party applicability of a patent arbitration award becomes apparent. The arbitral award regarding the validity of patent disputes is only binding against whom the award was rendered. This results in numerous arbitral proceedings against those who violate patent rights, which defeats the purpose of resolving patent rights disputes as quickly and effectively as feasible. However, the courts in the United States have taken a position against the arbitrability of patent validity claims, which has resulted in the public enforcement of patent rights being kept separate from the private enforcement of patent rights.

The case ***Beckman Instruments, Inc. v Technical Development Corp***[9] from the United States Court of Appeals for the Seventh Circuit makes it clear that the position that a arbitral tribunal cannot decide on the question of patent validity claims due to the significant amount of public interest in challenging patents that are found to be invalid is correct. In the cross-appeal, the defendant argued that the district court erred in denying the request to postpone the proceedings pending arbitration in accordance with the licensing agreement's applicable provision. However, the lower court (the district court) determined that the contract did not expressly provide for the adjudication of patent validity claims; the higher court (the court of appeal) agreed with this conclusion. The Court of Appeal upheld the district court's ruling that concerns regarding the validity of patents should not be resolved through arbitration but rather by a court of law.

Similarly, in the case known as ***Ballard Medical Prods. v. H. Earl Wright***[10], the United States Court of Appeals dealt with the question of whether or not an arbitral tribunal has the authority to handle challenges to the validity of a patent. The Court of Appeal shared the view of the district court that the function of the arbitral tribunal is not to invalidate patents and enforce patent laws. This is a responsibility that falls solely under the purview of the Patent Office, which the Court of Appeal acknowledged. It is easy to understand why the district court came

[7] Newyork Convention. Art. V(1)(a).
[8] Newyork Convention. Art. V(2)(b).
[9] Beckman Instruments, Inc. v Technical Development Corp, 433 F.2d 55 (7th Cir. 1970).
[10] Ballard Medical Prods. v. H. Earl Wright, 823 F.2d 527 (Fed. Cir. 1987).

to the conclusion that arbitrators should not have the authority to declare patents unlawful because doing so could result in them going beyond the scope of their authority.

However, it is essential to keep in mind that the arbitral tribunal's power to decide on the validity of a challenge to a patent only has an impact between the parties involved in the dispute. This indicates that even in the event that the arbitral tribunal decides to invalidate the patent, it will only have an effect on the rights and responsibilities of parties involved in the issue. The state retains the authority to either grant, refuse to award, or invalidate the patent application. Therefore, the concerns expressed by the district court that granting powers to a private arbitral tribunal to decide on the validity of patents could have an effect on the general public are not necessarily appropriate in all cases. The authority of the arbitral tribunal is limited to deciding on the dispute that exists between the parties, and it does not impact the statutory rights that are held by the general public.

The next issue arises with regards to the enforceability of arbitral awards passed in an arbitration of a patent dispute. With respect to that, a provision has been made where notice of the award is to be filed with the director of the USA Patents and Trademarks Office.[11] In proceedings involving multiple patents, it is necessary to prepare a separate notice for each patent. It is essential to prepare a separate notice for each patent when there are proceedings involving multiple patents at the same time. This notice needs to include the names and locations of all of the parties involved, as well as the patent number, the name of the inventor, and the name of the person who owns the patent. In addition, a duplicate of the award needs to be included so that the Patent Office can examine it and determine whether or not it poses any issues related to public policy.

Nevertheless, the fact that the judgment was disclosed to the USPTO raises a significant concern regarding the *"confidentiality"* of the arbitral proceedings. Because of the private and confidential nature of the process, parties frequently opt for arbitration in patent disputes rather than going to court. This is because arbitration do not require the disclosure of sensitive information, which would be needed in judicial proceedings. A breach of confidentiality exposes parties to the risk of suffering damage as a result of the unauthorized disclosure of sensitive information. This is especially important in the context of intellectual property law, where even the public revelation of the existence of a conflict can result in significant financial loss for a party.

The parties themselves hold the key to an effective and efficient answer to the problem of maintaining confidentiality. They have the ability to resolve the matter with the assistance of a confidentiality clause in the arbitration agreement that has been carefully drafted. During the first procedural hearing, concerns in this regard can be addressed and possibly resolved if brought up. In addition, the law that states awards that have been submitted to the USPTO should not be disclosed as public records should be amended in order to preserve the confidentiality of the arbitration proceedings.

Arbitral proceedings provide procedural flexibility, which includes measures to prevent a party from obtaining or improperly using the confidential information of its adversary. The practice of international arbitration

[11] 35 U.S.C. § 294 (d).

typically includes the disclosure of a limited number of documents, which, in and of itself, restricts the amount of information that can be accessed by the opposing party.

Another issue in the arbitrability of patent issues is the scope of the arbitration agreement. The question which arises is "*whether patent infringement claim can be said to be "related to" the "interpretation of performance" of license agreement?"* In some instances, the courts have given arbitration clauses in patent license agreements a limited interpretation based on the particular wording of the agreements, and they have refrained from giving broad interpretations to agreements that have limited language. This is because the agreements themselves contain limited language. The court ruled in the case of ***Conteyer Multibag Systems N.V. v. Bradford Co.***[12] that the purportedly infringed patents were licensed to the licensee in accordance with the license agreement and were therefore "related to" or "connected to" the agreement.

In the case known as ***Verinata Health, Inc. v. Ariosa Diagnostics Inc.***[13], the arbitration agreement between the parties stated that it would not extend to disagreements regarding the extent, validity, or enforceability of any intellectual property rights. The licensee wanted to force arbitration of its counterclaim for a declaratory judgment of non-infringement after the licensor had launched a lawsuit accusing the licensee of infringing on the licensor's patent rights. The decision of the district court that the counterclaims were not subject to arbitration was upheld by the Court of Appeals, which stated that "disputes relating to issues of patent scope and infringement are not subject to mandatory arbitration." Additionally, the Court of Appeals stated that the language of the arbitration provision that was pertinent was clear.

The question of "whether a patent infringement claim can be considered "related to" the "interpretation or performance" of a license agreement?" has been resolved by the courts by merely having the provisions of the agreement interpreted. Courts have a tendency to give broad interpretations to arbitration agreements when they don't impose any restrictions on the agreement's applicability to patent disputes that arise from the underlying contract. However, if the parties to a license agreement have drafted narrow conflict resolution provisions, the courts have interpreted such agreements based on the parties' intention to exclude certain arbitrability of specific disputes from certain types of disputes from being subject to arbitration.

4. ARBITRABILITY OF PATENT ISSUES: INDIAN PERSPECTIVE

4.1. LEGISLATIVE BACKGROUND

The recognition and enforcement of Patent rights in India is governed by the Patents Act, 1970. Any suit for disputes arising out of patents are to be initiated in the district courts according to section 104 of the Act. If the validity of the patent is challenged by the opposite party, such case shall be transferred to the High Court. Such

[12] Conteyer Multibag Systems N.V. v. Bradford Co., 2006 WL 2331174 (W.D. Mich. 2006).
[13] Verinata Health, Inc. v. Ariosa Diagnostics Inc., 830 F.3d 1335, 1337 (Fed. Cir. 2016).

have exercised original jurisdiction within their pecuniary limits. Therefore, an action against patent infringement shall also be directly brought before the high court when the pecuniary jurisdiction is satisfied.

Regarding the arbitrability of patent disputes, there is an uncertain and unsettled position combined with lack of judicial precedents. The Patent Act, through section 103(5) provides that while hearing issues involving the use of a patented invention by the Government, the High Court may order to refer to an arbitrator either the whole proceeding or any question of fact. Further, it is pertinent to note that both the Patents Act and the Arbitration and Conciliation Act are silent regarding the issue of arbitrability of patent disputes.

4.2. JUDICIAL PERPECTIVE

Public policy and judicial precedents majorly guide the arbitrability of disputes in general in India. But there is no clarity as to the arbitrability of patent disputes. One landmark judgment regarding the arbitrability of disputes is ***Booz Allen Hamilton v. SBI Home Finance***[14] where the Apex Court observed as follows: *"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".*

The Supreme Court also set out certain matters of dispute as non-arbitrable like criminal offences, family issues, insolvency, tenancy issues and testamentary matters etc. It was held 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".*

Based on the aforementioned opinions of the Supreme Court, it can be concluded that there is no absolute, general, or direct prohibition on the arbitrability of Intellectual Property issues, of which patent is a part. Nonetheless, it must be ensured that the requested remedy does not infringe upon the rights of third parties by examining the specific facts and circumstances of each case.

After this decision of the Supreme Court, various high courts have dealt with the question of arbitrability of IPR issues especially in copyright disputes on two instances which gives varying views. The Bombay High Court in the case of ***Eros International v. Telemax Links India Pvt Ltd***[15] dealt with the issue "whether copyright issues arising out of an agreement were open to arbitration if agreement between parties contained an arbitration clause?" In this case, the High Court agreed with the Supreme Court that sections 62 of the Copyrights Act, 1957, and 134 of the Trademarks Act, 1999, which state that issues can be brought before the district court,

[14] Booz Allen Hamilton v. SBI Home Finance, (2011) 5 SCC 532.
[15] Eros International v. Telemax Links India Pvt Ltd, 2016 (6) BomCR 321.

cannot be interpreted as excluding arbitration jurisdiction. In a commercial transaction where there is agreement between the parties to resolve dispute in a private forum, the question of non arbitrabiliy cannot stand. The 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".*

Subsequent to this case, the same Bombay high court in the case of ***The Indian Performing Right Society Ltd. v. Entertainment Network (India) Ltd.***[16] reached a conclusion that copyright infringements are non arbitrable because the relief claimed could not have been granted by the arbitrator because the right of the arbitrator would disentitle the Indian Performing Right Society Ltd from claiming royalties on their work. In the case of ***Ayyaswamy v. Paramasivam***[17], the apex court referred to the book titled "The Law & Practice of Arbitration and Conciliation", Third Edition, authored by Indu Malhotra and opined that disputes involving patents, trademarks and copyrights and non arbitrable. The court however did not make any decision as to the arbitrability of any subordinate rights with respect to patents.

In the case of ***Lifestyle Equities Cv v. Qdseatoman Designs Pvt Ltd.***[18]**,** the Madras High Court considered the opinion of the apex court in the case of Ayyaswamy and agreed with the petitioners argument that the observations regarding the non arbitrableness of IP disputes is a mere extract from a book and not the decision or ratio of the Supreme Court. The court while dealing with the issue in the case held 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".*

In light of the preceding decisions, it is clear that the arbitrability of patent disputes depends on whether the dispute involves a "right in rem" or a "right in personam." It is also possible to arbitrate patent disputes deriving from contractual agreements. As the central issue, there is no precedent in India regarding the arbitrability of patent disputes. Nevertheless, it is clear from the aforementioned cases that the validity of patents cannot be arbitrated.

The evaluation of the preceding cases poses the pertinent question of whether or not patent disputes can be arbitrated when the defendant contests the patent's validity or ownership. Such defenses raised by parties unwilling to partake in patent arbitration will have a negative impact on patent arbitration. Since the resolution of such disputes would have in rem consequences, only a court would be qualified to make a determination. Arbitral tribunals are ineffectual of resolving the dispute because the outcome can be deduced from court decisions.

[16] The Indian Performing Right Society Ltd. v. Entertainment Network (India) Ltd., 2016 SCC OnLine Bom 5893.
[17] Ayyaswamy v. Paramasivam, (2016) 10 SCC 386.
[18] Lifestyle Equities Cv v. Qdseatoman Designs Pvt Ltd., 2017 SCC OnLine Mad 7055.

4.3. NEED FOR A CLEAR POLICY

From the analysis of the Indian legal provisions and precedents gives an idea that patent disputes are not arbitrable in India. There is no clear policy on the arbitrability of patent issues neither in the intellectual property laws nor the Arbitration and Conciliation Act, 1996. However, while taking a closer look, it can be understood that precedents reveal that certain subordinate patent rights are arbitrable which are in the nature of *in personam* rights. One of the objectives of the National Intellectual Property Rights Policy, 2016 is about "strengthening of enforcement and adjudicator mechanisms for combating intellectual property rights infringements". A reference was further made to strengthen ADR methods for the resolution of IP issues.

It is required for the Parliament of India to propose legislative adjustments in both the patent laws and the arbitration laws that help in the clarification of arbitrable parts of patent issues. These amendments should be similar to the work that has been done in the United States and Hong Kong. In addition, in order to make it possible for patent disputes to be resolved through arbitration, certain changes need to be made to the way that three different kinds of disputes are handled.

To begin, the Arbitration and Conciliation Act of 1996 will be applied to commercial disputes between parties involving infringement of patents in a manner that is analogous to traditional commercial arbitration, which is characterized by the fact that the arbitral decision is binding only on the parties involved in the dispute. When a defense based on the invalidity of a patent is presented, the arbitral tribunal ought to continue with the decision-making process regarding the claim. The parties to the dispute are the only ones who should be bound by the decision of the arbitrator, which should influence their rights and duties towards one another.

The second case in which arbitration must be permitted is one in which a party has submitted an application to the Patent Office for the registration of a patent, and in which an objection has been lodged against the registration of the patent. To put it another way, the Patent Act of 1970 needs to be changed so that it permits the use of arbitration to determine which party has the legal right to register a patent. The matter of whether or not the patent ought to be awarded will, once that has been decided by the arbitrator, be taken up by the Patent Office for consideration and decision. As a result, there is no requirement for the award to be made public, which helps to maintain the confidentiality of the procedure. The adoption of such an arbitration system in India would safeguard the confidentiality of arbitral proceedings, in contrast to the limits of the system in the United States, which requires depositing the award with the Patent Office, which makes the award a public document. In India, adopting such an arbitration system would protect the confidentiality of arbitral procedures.

Thirdly, the law needs to be changed so that disputes that arise from the denial of patent applications owing to flaws in the applications can be settled by arbitration. In this case, the dispute is between the party and the patent office, and it pertains to the patent office's decision to refuse to award the patent. The question of whether the reasons for rejecting the patent on the grounds that they are invalid or not will be decided through the process of arbitration. The decision to award or refuse a patent in accordance with the decision of the arbitral tribunal

will then be made by the Patent Office, taking into account any faults in the patent application that may have been present.

In addition, during the process of arbitration for disputes involving patent infringement, provisions shall be made for the involvement of the Patent Office, non-governmental organizations (NGOs), individuals, and trade associations, etc. as "amicus curiae." This is so that they can assist the tribunal on the technical aspects of patent law and ensure that the law is applied uniformly. With the help of their experience and knowledge, the amicus curiae will contribute, through their papers, to a better understanding of the factual and legal issues at hand. Additionally, an efficient procedural safeguard along the lines of the American Arbitration Association shall be adopted by the creation of a "Arbitration Appellate Board System." This system will serve as an optional protection that parties to patent disputes can use to obtain a complete review of the award when challenges to the execution of the award and set aside procedures are brought before national courts on limited grounds.

The Arbitration and Conciliation (Amendment) Act, 2019, on the other hand, includes a provision for the establishment of the "Arbitration Council of India (ACI)" with the intention of establishing India as a central location for international arbitration. ACI's operations include the promotion of arbitration, conciliation, mediation, and other alternative dispute resolution mechanisms. This goal is intended to be accomplished through the accreditation of arbitrators, the grading of arbitral institutions, and the development of policies for the establishment and maintenance of uniform professional standards for all ADR disputes. After the ACI has been effectively implemented, it is critical that appropriate regulations for the arbitrability of patent issues be drafted. This is an extremely significant step.

The ACI should be responsible for developing precise laws for various types of intellectual property rights such as patents, trademarks, copyrights, and others. Guidance can be drawn from the approach followed by the American legislation[19], which specifically allows for the arbitrability of patent issues involving both the validity and infringement of patent rights. In addition, the Swiss legislature[20] has authorised patent infringement cases to be arbitrated.

As intellectual property rights, such as patents, are a significant component of commercial agreements, dispute resolution provisions and processes should be carefully crafted and chosen. Legislators and courts in India must make significant efforts in promoting the arbitrability of patent issues by establishing an effective, efficient, and competent arbitral tribunal for the settlement of patent disputes. In this day and age of rapid advancement in science and technology, failing to create methods for patent arbitrability undermines the usefulness of patent rights.

[19] 35 U.S.C § 294(d).
[20] Swiss Federal Act, 1989, art 193.2.

5. CONCLUSION

The issue of arbitrability of patent disputes has been of great interest to legal scholars and practitioners in both the United States and India. Even though there isn't a one-size-fits-all answer to this problem, it is clear that the legal systems of both countries have changed over the years to make patent disputes easier to solve.

In the United States, judges have, for the most part, agreed that patent disputes can be settled by arbitration. The Federal Arbitration Act, which favours arbitration as a way to settle conflicts, is the basis for this point of view. But some patent disputes, like those that involve problems of public interest, may not be able to be settled by arbitration. On the other hand, Indian law has always been less sure that patent issues can be settled through arbitration. The Indian Constitution makes it clear that rights can't be given to other people or fought over. In recent years, however, a number of court decisions and changes to the law have made this view less extreme. These changes have acknowledged that arbitration could be a good way to settle property disputes.

Overall, it is clear that the question of whether patent disputes can be settled by arbitration needs a nuanced method that takes into account the specifics of each case. The American and Indian law systems have changed over time to make it easier to solve these kinds of problems. In the end, deciding whether to arbitrate or go to court over a patent dispute should be based on a careful analysis of the parties' interests, the specific issues at stake, and the possible pros and cons of each method.