

ARBITRABILITY OF TRADEMARK DISPUTE: A DILEMMA OR GREEN SIGNAL

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ABSTRACT

In overcoming the frustration caused by litigation the progression of arbitration from 'alternate' to the preferred mode of settlement of dispute has taken its way. The evolving jurisprudence of arbitrability of various areas of has always been a subject for discussion amongst the legal enthusiasts. Nonetheless arbitration has been used in various sectors by the parties to the dispute. However, the same is not in congruence with IPR especially trademark disputes. This is because of various decisions given by court that construe it ambiguous. The paper makes an attempt to draw a careful insight into arbitrability of trademark related dispute. The cycle of halting such arbitrability to giving it a green signal by the courts which has caused dilemma. The paper also gives a clear insight of such issue with a study of the recent case Golden Tobie (P) Ltd. v. Golden Tobacco Ltd.

Keywords: *Arbitrability, Trademark, Intellectual property, Trademark Dispute*

INTRODUCTION:

Intellectual Property has become an indispensable part of our everyday lives, business and economy. It protects creativity and uniqueness, allowing the owner to harness the same towards greater growth, and encouraging others to foster innovation. These rights include patents, trademarks, copyrights, industrial designs, geographical indication, trade secrets, semiconductor and integrated circuits, biological diversity, and plant varieties. The path to arbitrability of Intellectual Property Rights disputes has never been without challenges. From giving firm and rigid judgements against arbitrability to giving green signal to IPR disputes, the Indian Courts have come a long way from their anti-arbitration attitude in IPR disputes and has seen various oscillating cycles of disputes being arbitrable or not. It is to be noted that through dictums laid in cases like *Hero Electric Vehicles case, Vidya Drolia case and Golden Tobie case*, the Courts have established a principle that IPR disputes that emanates from right in rem (like registration/grant of trademark and patent) cannot fall within the surrounding of

arbitration because in addition to having erga omnes effect, it grants monopoly rights and are subjected to the functions of the Government. Whereas, certain disputes pertaining to IPR where right asserted by a Plaintiff is not a right that emanates from any statutory act but a right that emanates from an Agreement, can be resolved through Arbitration.

STATUS QUO OF TRADEMARK DISPUTE

The question over arbitrability has always been under constant discussion. The cycle from adamant judgements to green signaling of arbitrability of trademark disputes the Indian courts have taken a U-turn from anti-arbitration regime. The very reason why trademark disputes are not arbitrated (as stated by COURT *ad nauseam*) is due to the falling of it into the umbrella of right *in rem* and not right *in personam*. However, Delhi high court in the matter of [Golden Tobie \(P\) Ltd. v. Golden Tobacco Ltd¹](#) has brought into light a complete new view.

GOLDEN TOBIE (P) LTD. V. GOLDEN TOBACCO LTD: IN FULL LENGTH

BRIEF FACTS OF THE CASE:

The defendants have filed an application with the Delhi HC for referring the dispute to arbitration under Section 8 of Arbitration and Conciliation Act, 1996.

The plaintiff contend that the both the parties sought to a Master Long Term Supply Agreement. The agreement allowed the plaintiff exclusively to sell the items belonging to defendants both nationally and internationally. Both the parties agreed to enter the trademark license agreement.

However, the defendant terminated the trademark license agreement. The plaintiff had already incurred expenses on advertisement and huge capital on promotion. Later on the notice of termination was set aside and a freshly made agreement was signed between the concerned parties wherein the plaintiff got an exclusive right to manufacture the product, the same right being non-transferable.

¹ (2018 1 KLJ 128

The defendants claimed non-payment on the plaintiff's part thereby taking away right of selling as well as manufacturing of defendant's product. A suit was filed and was submitted for referring the matter to sole arbitrator.

JUDGEMENT:

It was held that the parties to the disputes can refer the matter to arbitration as per the arbitration agreement.

“ It is manifest from the facts of this case as narrated above that the dispute in question primarily relates to interpretation of the terms of the Agreement dated 12.02.2020 and the amendment agreement dated 29.08.2020 executed between the parties and as to whether the termination of the said agreements by the defendant and cancellation of the assignment of the trademark in favour of the plaintiffs is legal and valid. The right that is asserted by the plaintiff is not a right that emanates from the Trademark Act but a right that emanates from the Agreement dated 12.02.2020 and the amendment agreement dated 29.08.2020. The assignment of trademark is by a contract and not by a statutory act. It does not involve any exercise of sovereign functions of the State. It cannot be said that the disputes are not arbitrable.”

ANALYSIS AND FINAL WORDS:

The case has cleared up the smoke as to the regard of arbitrability of trademark disputes. Where the plaintiff sued the defendant for the wrongful termination. But citing the arbitration clause by the defendant in the licence agreement, argued for referring the dispute to a sole arbitrator.

The issue being right in rem was thus non-arbitrable according to the plaintiff.

The court singled out the plaintiff contentions. The court observed that the dispute arose out of the agreement between the parties was thus arbitrable. The rights were already in the contract hence it was arbitrable and was therefore under the arbitration.

The defendant in the instant case relied on the decision of the Supreme Court in *Vidya Drolia and Ors v Durga Trading Corporation*², which held that the disputes were arbitrable. The courts have established the principle that the dispute being in rem is not arbitrable . However

² AIR (2019) SC 3498

if any right has been construed by way of an agreement for the right so provided by it can be arbitrated. The court iterated that trademark disputes which arise out of the contractual obligations are arbitrable. These kinds of matter that are part of trademark agreement are within the scope of arbitration.

