



Intra Legem

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Bombay High Court on Intellectual Property Rights & Arbitration

In a recent order of Eros International Media Limited vs Telex Links Pvt Ltd and Ors¹ ("**Order**"), the Bombay High Court has referred disputes in relation to copyright action to an Arbitrator. The matter emanated from suit filed by Eros International Media Limited ("**Eros**") against Telex Links Pvt Ltd ("**Telex**") & Ors, wherein Telex filed an application under Section 8 of the Arbitration and Conciliation Act, 1996, ("**Arbitration Act**") seeking to refer disputes to an Arbitrator on the basis on an Arbitration clause contained in the Term Sheet dated June 13, 2012 ("**Term Sheet**"). The Ld Single Judge² allowed the Application and the disputes between the parties were referred to an Arbitrator.

1. Notice of Motion No. 886 of 2013 in Suit No. 331 of 2013 in Suit No 331 of 2013

2. Justice Shri G S Patel

Brief Facts of the Dispute

Eros had entered into a Term Sheet with Telex for content marketing and distribution rights in respect of films of Eros. The Term Sheet also contemplated an exclusive licensing contract for audio-visual materials. The Term Sheet also contemplated an execution of a Long Form Agreement. The Long Form Agreement was never executed between the parties. The Term Sheet contained an Arbitration clause. Preceding the Term Sheet there were allegation by Eros, by way of correspondences, that Telex was infringing copyright of Eros. The other defendants claimed to have used the copyright protected material in



question under a sub license from Telex. Admittedly, the tenure of the Term Sheet had expired and none of the Defendants including Telex were using any of Eros' copyright-protected material at the time of passing of the Order.

The Suit, as stood, was an action against the Defendants, for damages suffered for infringements of Eros' copyright and for a possible permanent injunction against using the copyright of Eros.

The Term Sheet contained an Arbitration clause, which is reproduced herein below:-

"Arbitration: *in case of any disputes or differences arising out of or in connection with this Term Sheet the same shall initially be referred to and resolved by mutual consultation between the parties hereto failing which the same shall be referred to the arbitration of a Sole Arbitrator appointed mutually by Eros and Telex failing which the Sole Arbitrator will be appointed vide application to the Bombay High Court.... "*

Telex had filed an application under Section of 8 of the Arbitration Act to refer disputes to an Arbitrator in terms of the Arbitration Agreement. The Ld.

Single Judge allowed the application of Telex and referred the suit to arbitration in terms of the Arbitration Agreement contained in the Term Sheet.

Arguments of the Parties

Telex argued that the disputes arose under the Term Sheet, which contained an Arbitration clause. There was no specific bar to the arbitration of the disputes in question. It was also argued by Telex, that it was not a *simpliciter* suit for copyright infringement.

It relied upon the judgement of Booz Allen & Hamilton Inc vs SBI Home Finance Limited & Ors³, that it was a settled law that all civil disputes are, by definition, arbitrable except those few which are specifically excluded. Furthermore, the remedies sought by Eros were right in *Personam* and not in *Rem*.

The submission made on behalf of Eros were largely that the disputes between the parties were inherently non-arbitrable, irrespective of any agreement. That is to say that a party has to invoke a statutory right which is provided in the

3. AIR 2011 SC 2507



statue, in the present case being Section 62 of the Copyright Act, 1957, ("**Copyright Act**"), and Section 134 of the Trade Mark Act, 1999, ("**Trade Mark Act**"). Essentially, that the disputes in questions were in relation to right in *rem*. It was also submitted that to arrive at a conclusion for the damages, there must be a finding of infringement of copyright and such a finding can be only be within the realm of the Courts.

Eros also relied upon a judgment of Steel Authority of India vs SKS Ispat & Power Ltd & Ors⁴ stating that the judgment lays down a law that disputes in trade mark and copyright infringement and passing off are non arbitrable.

Rationale of the Order

The Ld Single Judge accepted the proposition of Telex, relying upon Booz Allen case, that it was a settled law that all civil disputes, unless specifically barred, can be decided by an Arbitrator.

Answering the argument of Eros, that a remedy provided by the Copyright Act and the Trade Mark Act were exclusive one, the Ld Single Judge reasoned that it is

not that the remedy was being taken away, once parties have agreed to go to particular forum to seek that remedy, in the present case being Arbitration, it should be given effect. It was concluded that unless specially barred an Arbitrator can do what a Civil Court can do. The reliefs in the suit were of damages and injunction, both reliefs can be granted by an Arbitrator. Further, that Arbitrator can certainly give his finding on infringement of copyright, the same being a finding of fact.

The Ld Single Judge observed that the Arbitration Agreement was quiet wide to cover the present disputes and differences between the parties.

The Ld Single Judge also noted that various commercial documents often deal with intellectual property right and such documents also contain Arbitration Agreement. If the proposition of Eros was accepted, in view of Sukanya Holdings (P) Limited v Jayesh H Pandya⁵ ratio that claims cannot be segregated from other disputes, no dispute arising out of such commercial documents could be ever referred to arbitration.

4. Notice of Motion (L) No. 2097 of 2014 in Suit No 673 of 2014

5. (2003) 5 SCC 531



The Ld Single Judge also distinguished the judgment of Steel Authority of India's case cited by Eros, by coming to a conclusion that in Steel Authority of India's case the matter of infringement and passing off did not arise out of the contract between the parties which contained an arbitration clause. After analysing the Section 62 of the Copyright Act and the Section 134 of Trade Mark Act, the Ld Single Judge concluded that these sections do not oust the jurisdiction of an arbitral panel nor do they confer any exclusivity to the statutes.

The Ld Single Judge made a relevant observation, "*as between two claimants to a copyright and trade mark in either infringement or passing off action, that action and that remedy can only ever be an action in personam. It is never an action in rem*".

The Ld Single Judge also fortified his findings from a decision of Supreme Court ("SC") in V. H. Patel & Co. & Ors. Vs Hirubhai Himabhai Patel & Ors⁶ wherein the Arbitrator had issued a permanent injunction in relation to trade marks. Though, the question before the SC was about arbitrability of dissolution of a partnership firm, however, SC did not raise any issue about the injunction granted by the Arbitrator in relation of the trade marks.

6. (2000) 4 SCC 368

Our View

This judgement broadly confirms the views of the various Courts and also the intent of the Arbitration Act that once the parties have chosen to resolve their disputes by a particular forum the same ought to be given effect, except in certain circumstances. Arbitration Agreement being a separate contract cannot be treated non-est just because a statute provides for a remedy, more so, when the statute does not oust the jurisdiction of the Arbitrator. It will be riveting to look, how this Order is considered, perhaps, this Order will reshape the way disputes in respect to Intellectual Property Rights emanating from a contract are adjudicated.

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