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Resolving the Bifurcation Dilemma in Commercial Ip Arbitration: An Analysis of Mixed Infringement and Validity Claims under Indian Jurisprudence

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ABSTRACT
There is a growing trend of commercialization of IP rights and a resulting conflict in which contractual rights, infringement claims and invalidity actions can occur simultaneously. The advantages of arbitration in commercial IP cases are its confidentiality, flexibility and decision maker specialism. When a patent or trademark is the subject of a challenge, and an arbitral tribunal is requested to rule on an infringement claim, problems can occur. The dilemma that arose in the aftermath is whether connected claims should be resolved in court or statutory body or in a combined arbitration and court proceeding, or whether the whole of the controversy should be heard in a single venue. This paper delves into the issue with a particular focus on Indian patent and IP law, including the Arbitration and Conciliation Act, 1996, the Patents Act, 1970 and the Trade Marks Act, 1999. It covers the rights in rem and rights in personam distinction, statutory allocation of jurisdiction and leading cases. It believes that automatic bifurcation or "massive arbitration" is not suitable. The paper suggests a coordinated case-management process which would ensure that cases between parties continued to be dealt with under the arbitration procedure, but would ensure that cases involving changes to the public status of an IP right would go to the proper statutory forum.

Keywords: Intellectual property; commercial arbitration; arbitrability; infringement; validity; bifurcation; rights in rem; rights in personam.

I. INTRODUCTION

IP rights have become more and more a focal point in business transactions on technology transfer, software, pharmaceuticals, media, entertainment, manufacturing, franchising and brand licensing. The commercial interest of patents, trademarks, copyright and designs translates to disputes rarely being able to be confined to one question of law. Where there is a dispute about a licence, it could include the payment of unpaid royalties, the definition of what is allowed for use, possible infringement of the licence, possible ownership of improvements and challenge to the validity of the registered right. Although the parties may have agreed to arbitrate their commercial relationship, the dispute could also involve issues requiring resolution under legislation which vests with the courts, the Controller or another statutory body.

The difficulty is particularly high if infringement and validity are pleaded together. An infringement claim typically involves determining if a defendant has violated another party's right to exclusive use and possession of an item, and the appropriate remedy. Validity challenge questions the lawfulness of the right's grant and/or its ongoing existence. The two questions are related - the basis for some infringement remedies could be diminished or eliminated if a patent or trademark is invalidated. However, the effect of the two determinations can be different in the legal field. An arbitral award is typically binding on the parties and those claiming through them, while a statutory order of any nature that impacts a register or the status of a right may have wider repercussions than the parties.

This tension results in the bifurcation dilemma. Separate claims can help to maintain statutory jurisdiction, but can also create additional litigation, duplicate evidence, delay, and disparate findings. Arbitration may take the pressure out of the matter but can lead to a private forum deciding what should be decided in the public forum. A proper balancing of party autonomy and commercial efficiency with statutory policy and third-party interests and the public nature of registered rights is therefore necessary.

This paper advocates for an issue-by-issue and principled approach. It does not imply that all infringement claims are arbitrable or that all disputes involving the validity of the claim necessarily are not arbitrable. Rather, it asks about what specific relief is desired; the statutory basis of each of the claims; the impact of the decision; and the statutes involved.

II. THE CONCEPT OF ARBITRABILITY AND THE NATURE OF IP RIGHTS

2.1 Arbitrability and party autonomy

Arbitrability is a question of whether a matter is subject to arbitration by law. It is separate from the existence, validity or scope of an arbitration agreement. An agreement to arbitrate a dispute that would otherwise be handled by a court or a statutory body cannot, of itself, give jurisdiction to the arbitration. However, a controversy involving an IP asset does not exclude it from arbitration.[1]

2.2 Rights in rem and rights in personam

A right in rem is one that may be asserted to anyone, a right in personam is a right against a specific person. The dimension of erga omnes may arise with respect to the registration-based IP rights: the grant, the validity, the cancellation or the rectification of the registration can have an impact on other competitors, licensees, future transferees and members of the public. A payment of royalties dispute, interpretation of a licence, confidentiality or contractual warranties or assignment performance dispute, on the other hand, may be limited to the parties.

In *Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd*., the Supreme Court affirmed that subordinate rights in personam, based on a right in rem, can be arbitrated. It is not a mechanical label. The court shall state the real issue or issues in the case and the effect of the relief. The claim can be issued as an infringement claim on the facts, on the basis of the contract between the assignor and assignee.[2] Similarly, a dispute under contract may be an invitation to a declaration which would have the effect of modifying the status of a registered right.

2.3 The importance of remedies

The label of cause of action is frequently a clue to the remedy sought. An award may only define inter partes obligations through an award for payment of royalties or damages for breach of a license. An order

[1] The Arbitration and Conciliation Act, 1996 (Act 26 of 1996), ss. 7, 8 and 16.
[2] *Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd*., (2011) 5 SCC 532.

for cancellation of a registration, revocation of a patent or rectification of a register is of a different nature. Careful consideration should also be given to interim restraint orders: An order restricting the conduct of the contracting parties is not the same as an order that has a world-wide effect on rights.[3]

III. INDIAN STATUTORY FRAMEWORK

3.1 Arbitration and Conciliation Act, 1996

The Arbitration and Conciliation Act, 1996 does not contain a comprehensive catalogue of arbitrable and non-arbitrable IP disputes. Section 7 recognises arbitration agreements; Section 8 provides for reference to arbitration where an action is brought before a judicial authority in a matter covered by an arbitration agreement; Section 16 recognises kompetenz-kompetenz; Section 34 permits recourse against an award on specified grounds; and Section 48 contains grounds relevant to enforcement of certain foreign awards. The Act must be read with the substantive IP statutes and the judicial doctrine of non-arbitrability.

At the referral stage, courts should avoid conducting a full trial on the merits. Nevertheless, they must determine whether the dispute is prima facie arbitrable and whether the arbitration agreement covers the controversy. Where the dispute contains separable contractual claims and a non-arbitrable statutory issue, the court should identify whether a meaningful reference can be made without asking the tribunal to exercise a power it does not possess.[4]

3.2 Patents Act, 1970

The Patents Act 1970 is a good example of problems of mixed claims. Section 104 assigns jurisdiction for patent infringement actions, and also states that if a defendant files a counterclaim for revocation of the patent, the action, including the counterclaim, is to be transferred to the High Court for adjudication. Section 107 provides all the grounds for revocation of a patent under Section 64 as a defence in an infringement action. The provision is in response to the legislative principle that coordinated judicial determination is preferred when infringement and revocation are linked in the statutory litigation process.[5] This is a statutory mechanism that plays an important role in the bifurcation debate. If the determination of the issue is the statutory responsibility of the High Court, a party may not merely make a statutory revocation counterclaim an arbitral issue. Concurrently, another contractual uncertainty regarding a patent license, e.g., unpaid consideration, calculation of royalties, confidentiality, scope of the contract, etc., may be arbitrable if the relief sought remains inter partes and the contractual agreement for arbitration contains coverage for such disputes.

3.3 Trade Marks Act, 1999

The Trade Marks Act, 1999 also provides a distinction between the act of infringing the trade mark and the act of owning the trade mark. The rights arising from the registration are covered in sections 28 and 29, and rectification of the register is covered in section 57. Section 124 prescribes the procedure for treatment of a challenge to the validity in an infringement action, including where such action may be stayed while the validity is being determined. The provision shows that infringement and validity can be intertwined without being subject to a statutory procedure.

The statutory design does not mean that every trademark dispute is non-arbitrable. A disagreement about obligations under a trademark assignment or licence may be contractual. The question is whether the

[3] *Vidya Drolia v. Durga Trading Corporation*, (2021) 2 SCC 1.
[4] The Patents Act, 1970 (Act 39 of 1970), ss. 64, 104 and 107.
[5] The Patents Act, 1970 (Act 39 of 1970), ss. 104, 107 and 108.

tribunal is being asked to determine the parties' contractual rights or to make a determination that changes the registration or binds third parties.

3.4 Copyright and other IP rights

Copyright disputes may involve ownership, assignment, licensing, royalty accounting, infringement and statutory remedies. Contractual disputes about payment, scope of a licence or compliance with an assignment may be suitable for arbitration. Claims seeking relief that necessarily determines statutory status or affects persons beyond the parties require closer examination. The same analytical method applies to designs, geographical indications and other IP regimes, although the specific statutory allocation of jurisdiction must be checked separately.[6]

IV. JUDICIAL DEVELOPMENT OF ARBITRABILITY IN INDIA

4.1 Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd.

In *Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd*., the Supreme Court explained the distinction between rights in rem and rights in personam and recognised that subordinate rights in personam arising from rights in rem may be arbitrable. Although the case did not establish a complete code for IP disputes, its reasoning supplies the foundational framework for distinguishing a public-law determination about the existence or status of a right from a private dispute about obligations connected with that right.[7]

4.2 A. Ayyasamy v. A. Paramasivam

In *A. Ayyasamy v. A. Paramasivam*[8], the Supreme Court considered the treatment of allegations of fraud in arbitration and discussed categories of disputes that may be excluded from arbitration. Its observations must be read in context and should not be treated as a categorical rule that any dispute involving alleged fraud or statutory wrongdoing is non-arbitrable. The central inquiry remains the nature of the dispute and whether the relief involves rights or functions that cannot be privately adjudicated.

4.3 Eros International Media Ltd. v. Telemax Links India Pvt. Ltd.

The Bombay High Court's decision in *Eros International Media Ltd. v. Telemax Links India Pvt*. Ltd. is an important authority on contractual copyright disputes. The dispute arose in a commercial relationship and the Court recognised that the presence of copyright allegations did not automatically make the matter non-arbitrable. Where the controversy is essentially between parties to a contract and the relief concerns their inter se obligations, arbitration may be appropriate. The decision supports a substance-over-form approach, but it should not be read as authorising arbitral tribunals to cancel registrations or determine every statutory issue.[9]

4.4 Vidya Drolia v. Durga Trading Corporation

In *Vidya Drolia v. Durga* Trading Corporation, the Supreme Court articulated a four-fold test for identifying non-arbitrable subject matters. In broad terms, a dispute may be non-arbitrable where it concerns actions in rem that do not pertain to subordinate rights in personam; affects third-party rights or has erga omnes effect and requires centralised adjudication; concerns inalienable sovereign or public-interest functions; or is expressly or by necessary implication excluded by statute. The Court emphasised a holistic and pragmatic application of the test.[10]

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[6] The Copyright Act, 1957 (Act 14 of 1957).
[7] *Booz Allen and Hamilton Inc. v. SBI Home Finance Ltd*., (2011) 5 SCC 532.
[8] *A. Ayyasamy v. A. Paramasivam,* (2016) 10 SCC 386.
[9] *Eros International Media Ltd. v. Telemax Links India Pvt. Ltd.,* 2016 SCC OnLine Bom 2179.
[10] *Vidya Drolia v. Durga Trading Corporation,* (2021) 2 SCC 1.

For mixed IP disputes, Vidya Drolia requires the decision-maker to examine the actual issue and its consequences. A private tribunal may decide a licence payment dispute even though the licence concerns a registered patent. It should not, however, issue an order that purports to revoke the patent or alter the public register if that function belongs to a statutory forum.

4.5 K. Mangayarkarasi v. N.J. Sundaresan

The Supreme Court's decision in *K. Mangayarkarasi v. N.J. Sundaresan*, 2025 INSC 687, is a significant recent development. The dispute concerned the use of a trademark in the context of assignment deeds containing an arbitration clause. The Court declined to treat the controversy as non-arbitrable merely because trademark infringement and statutory allegations were raised. It reaffirmed that disputes arising from contractual obligations and affecting the parties inter se may be referred to arbitration, subject to the distinction between private contractual rights and matters having an in-rem effect.[11]

The decision is important but must be applied with precision. It does not establish that every trademark validity challenge or every infringement action is arbitrable. Its significance lies in its insistence that courts examine the foundation of the dispute and the contractual relationship rather than relying solely on the presence of a trademark claim. It strengthens the case for referral of genuinely contractual disputes while leaving open the need to respect statutory jurisdiction over public-status determinations.[12]

V. THE BIFURCATION DILEMMA IN MIXED INFRINGEMENT AND VALIDITY CLAIMS

5.1 Why mixed claims arise

Mixed claims commonly arise in licensing, assignment, joint development, technology transfer and distribution arrangements. A licensee may allege that the licensor has breached exclusivity obligations and seek damages for competing use, while the licensor may allege infringement or the licensee may challenge the validity of the underlying right. A patent dispute may combine a claim for unpaid royalties with a defence that the patent is invalid. A trademark dispute may combine contractual restrictions on use with a challenge to the registration or ownership of the mark.

5.2 The case for bifurcation

Bifurcation can protect the statutory allocation of jurisdiction. The arbitral tribunal may decide contractual questions, while a competent court or authority determines validity, revocation or rectification. It can also prevent an arbitral award from having unintended consequences for third parties or the public register. Where the statutory scheme expressly requires a particular forum—as the Patents Act does for a revocation counterclaim joined to an infringement suit—the statutory route must be respected.

5.3 The case against automatic bifurcation

Automatic bifurcation may create substantial inefficiency. The same witnesses, technical documents, prosecution history, licensing records and expert evidence may be required in both proceedings. The tribunal may need to pause its determination until the validity question is resolved, while the court may be asked to consider facts already examined in arbitration. Parallel proceedings can increase cost, delay commercial certainty and create the possibility of inconsistent factual findings.

There is also a risk that a party may raise a validity objection strategically to avoid an agreed arbitration process. A validity plea should not automatically defeat arbitration where the real dispute concerns contractual payment, assignment obligations or the scope of a licence. Courts should distinguish a genuine

[11] *K. Mangayarkarasi v. N.J. Sundaresan*, (2025) 8 SCC 299; 2025 INSC 687.
[12] *Ibid.*

request for statutory revocation or rectification from a validity allegation used only as a defence to a private contractual claim.

5.4 Why neither a single-forum nor a split-forum rule is sufficient

A blanket rule requiring all mixed claims to be litigated together would undermine arbitration agreements and could deprive parties of a commercially appropriate forum for contractual issues. Conversely, a blanket rule requiring all claims to be arbitrated would disregard statutory provisions and third-party interests. The correct solution is not to select one forum for every dispute, but to identify which issues are legally capable of private adjudication and whether they can be separated without distorting the remaining controversy.

VI. A PROPOSED ISSUE-SPECIFIC FRAMEWORK FOR INDIAN COURTS AND TRIBUNALS

A structured framework can reduce uncertainty and provide practical guidance at the referral, case-management and award-enforcement stages. The following considerations should be assessed cumulatively rather than as rigid, independent boxes:

6.1 Identify the source and character of each claim

The first step is to classify each claim according to its legal source. Claims based on a licence, assignment, royalty arrangement, confidentiality obligation or contractual warranty are ordinarily inter partes. Claims seeking grant, revocation, cancellation or rectification of a statutory right require examination of the relevant IP enactment and the forum designated by it.

6.2 Examine the precise relief sought

The decision-maker should ask whether the requested relief can be granted without changing the status of the IP right against the world. An award of contractual damages, an account of royalties or an order to comply with a licence may be confined to the parties. An order cancelling a registration or revoking a patent is different in character and should be pursued before the competent statutory forum.

6.3 Assess third-party and public effects

The tribunal should consider whether the proposed finding would bind or materially affect non-parties, alter a public register or determine the status of a statutory right. If the answer is yes, the matter is more likely to require a public forum. If the finding is expressly limited to the parties' contractual relationship and does not alter the register, arbitration may remain appropriate.

6.4 Determine whether claims are genuinely separable

Even where some issues are non-arbitrable, the remaining claims should not automatically be referred or retained without examining their practical relationship. The court should consider whether the contractual claims can be decided independently, whether the validity issue is logically prior, whether findings in one forum would prejudice the other, and whether a stay or sequencing order would be more efficient than parallel merits hearings.

6.5 Use coordinated case management

Where proceedings must continue in two forums, the tribunal and court should, within their respective powers, consider sequencing, limited stays, preservation of evidence, confidentiality protections and clear definition of issues. The tribunal may decide separable contractual issues or defer them where the validity determination is indispensable.[13] The court should avoid unnecessary duplication and should not permit

[13] Gary B. Born, *International Commercial Arbitration* (Kluwer Law International, 3rd edn., 2021).

the arbitration to become a substitute for statutory adjudication.

6.6 Preserve the limits of arbitral remedies

An award should state clearly whether its findings are confined to the parties and should avoid purporting to cancel, revoke or amend a statutory right. This limitation should be reflected in the terms of reference, pleadings, interim orders and final relief. It will also assist courts at the Section 34 or enforcement stage in determining whether the tribunal acted within the limits of arbitrability.

VII. COMPARATIVE PERSPECTIVE AND LESSONS FOR INDIA

Comparative approaches demonstrate that the relationship between IP validity and arbitration can be regulated in more than one way. Singapore provides a particularly relevant statutory model. Sections 26A to 26G of the International Arbitration Act 1994 expressly address IP disputes. Section 26B provides that an IP dispute is capable of settlement by arbitration as between the parties, whether the IP issue is the main or an incidental issue. Section 26C addresses the effect of an award, while Section 26G specifically permits patent validity to be put in issue in arbitral proceedings. The statutory model recognises party autonomy while framing the effect of the award in party-related terms.[14]

The United States also recognises arbitration of certain patent disputes through 35 U.S.C. Section 294. The provision permits arbitration of disputes relating to patent validity or infringement, subject to statutory conditions, and provides for the award to have effect between the parties and persons in privity. This illustrates that validity questions need not invariably be excluded from arbitration where legislation expressly authorises party-bound adjudication.

The United Kingdom generally approaches arbitrability through the broad commercial scope of arbitration, subject to public policy, statutory interpretation and the effect of the award. The comparison should not be overstated: statutory schemes differ, and a rule adopted in one jurisdiction cannot simply be transplanted into India. Nevertheless, Singapore and the United States demonstrate the value of expressly clarifying whether validity can be considered in arbitration and how far an award may operate.

India may draw two lessons. First, legislation can expressly recognise the arbitrability of certain IP disputes without giving arbitral awards erga omnes effect. Secondly, the law should clearly distinguish between an arbitral finding relevant to contractual liability between parties and a statutory order that changes the public status of an IP right.

VIII. CHALLENGES AND REFORM PROPOSALS

The present Indian framework leaves important questions to judicial interpretation. The absence of a specific statutory provision addressing mixed IP claims may produce uncertainty at the referral stage and encourage inconsistent pleading strategies. The problem is compounded where the dispute involves technical evidence, multiple IP rights, foreign parties or urgent interim relief.[15]

First, Parliament may wish to introduce an explanatory provision in the Arbitration and Conciliation Act, 1996 to provide that disputes relating to IP transactions, contractual exploitation, infringement, and compensation – can be arbitrated between the parties, with the IP statute being the applicable law and the

[14] International Arbitration Act 1994 (Singapore), ss. 26A–26G.

[15] Nigel Blackaby, Constantine Partasides, Alan Redfern and Martin Hunter, *Redfern and Hunter on International Arbitration* (Oxford University Press, 6th edn., 2015).

limits of third-party effect. This should not be formulated as a blanket delegation of statutory authority to private tribunals.

Second, the law or rules could provide that validity may be an incidental or inter partes issue when appropriate in deciding contractual liability; and that any order concerning a statutory right that is issued to revoke, cancel or correct a statutory right shall remain within the jurisdiction of the designated body. This would have to be delicately drafted to prevent any conflicts with the existing statutory provisions, especially the patent revocation procedure.

Third, a standard case-management process should be established for mixed claims by courts. The court at Section 8 shall state the issues arising from the contract and the issues arising from the statute of law, the reliefs and any parties which are affected. There should be a case-by-case approach to whether to record reasons for referral, retention, sequencing or stay, as opposed to an automatic all-or-nothing approach, where only part of the dispute is not arbitrable.

Fourthly, arbitration provisions in IP transactions should include well drafted provisions for the issue of validity, infringement claims, interim relief, confidentiality, expert evidence, and the impact of a statutory proceeding. Parties should also clarify whether the validity can be determined incidentally for the purpose of granting inter partes contractual relief, subject to mandatory law.

Last, arbitral institutions may have rules or guidance on IP-related disputes, such as rules for technical experts, procedures to protect trade secrets, confidentiality rings, document management and coordination with court proceedings. These measures would make the statutory rights more efficient without giving private people any less public rights.[16]

IX. CONCLUSION

The bifurcation dilemma in commercial IP arbitration is the result of the conflict between private contractual autonomy and the statutory nature of intellectual property rights. It is possible for infringement and validity claims to come from the same commercial relationship, but they do not necessarilly belong to the same jurisdiction. While Indian law does acknowledge the arbitrability of a right to enforce a subordinate right, it also maintains a role for courts and statutory authorities in rights in rem, third party effects, and statutory functions.

As the decisions in Booz Allen, Eros International, Vidya Drolia and K. Mangayarkarasi showed, a mere existence of the IP claim does not debar arbitration. Simultaneously, it would be wrong to delegitimize all cases of validity or registration disputes to a private forum. The governing law, the nature of the relief sought and the impact of the proposed decision continue to be the key factors.

An automatic bifurcation rule would promote piecemeal litigation, and no single forum rule would create the danger of destroying the statutory jurisdiction. India needs to have an issue-centric, coordinated approach. Such a system should allow for the arbitration of contractual and inter partes cases to be separated, allow for case-management and sequencing of cases to avoid duplication, and leave statutory determinations to competent authorities where necessary. Enforcement of commercial certainty with clear legislative guidance based on comparative experience would serve to maintain the integrity of the Indian IP system.

[16] Utkarsh Srivastava, “Putting the Jigsaw Pieces Together: An Analysis of the Arbitrability of Intellectual Property Right Disputes in India” 33(4) *Arbitration International* 631-646 (2017).