

SAMVĀD: PARTNERS

Eros International Media Limited (“Plaintiff”) Vs Telemax Links India Pvt. Ltd. (“Defendant1”) and Ors.

Decision Pronounced: 12th of April, 2016

Bench: G.S Patel

The facts of the case are as follows:

- The plaintiff produces distributes and exhibits feature films through various media and in various modes. It owns copyright in several feature films. They also obtain assignments or exclusive licenses and exploits such copyright obtained through various media including mobile phone, tablets, desktops and portable storage devices.
- The Defendant No. 1, approached the plaintiff for a license of their content. Subsequently an agreement (term sheet) was executed between the plaintiff and Defendant No.1 on the 13th of June, 2012. Defendant No. 1 offered a sum of Rs. 1.5 Crores as a non-refundable minimum guarantee amount for the grant of content marketing and distribution rights by the plaintiff. It may also be noted that the term sheet was executed in consequence of the plaintiff's email to the defendant No.1 that they had infringed upon the Plaintiff's copyright.
- The term sheet which preceded the execution of the deal contemplated the execution of Copyright license agreement in the form of a Long Form Agreement within 10 days of execution of the term sheet which would override the terms and conditions set out in the term sheet. The term sheet also contained an arbitration clause which stated that “*any dispute arising out of or in connection with the term sheet shall be referred to and resolved by consultation with the parties, failing which the same shall be referred to the arbitration of a sole arbitrator*”.
- Due to circumstances unknown, the Long Form Agreement was not executed and the plaintiff filed a suit for copyright infringement against Defendant 1 and Defendants 2 to 8 (who are sub-licensees of Defendant 1) for injunction and damages. Consequently, Defendant 1 filed an application under section 8 of the Arbitration and conciliation Act, 1996 praying that the matter be referred to arbitration.

Issues:

Whether copyright related disputes can be referred to an arbitrator?

Plaintiff's arguments:

- That the term sheet was not binding due to non-execution of the Longform agreement and thus Defendant No. 1 infringed upon the copyrighted material of the plaintiff.
- That disputes with respect to trademark and copyright infringement are non-arbitrable and are to be presented before a court of competent jurisdiction for enforcement of remedy.
- That the present dispute was not contractual in consequence of the fact that in deciding the plaintiff's claim for damages, the adjudicating authority must decide whether Defendant 1 infringed upon the plaintiff's copyright. Since remedy for copyright infringement is a statutory remedy, the finding of copyright infringement can only be given by a Court and not an arbitrator.
- That an action of copyright infringement was a right in rem and not a right in personam.

Defendant No. 1's arguments:

- That the dispute is contractual and is solely based on the term sheet entered into by the parties and that there only exists a question pertaining to the arbitrability of the dispute which arose from the term sheet.
- That the Supreme Court's decision in **Booz Allen & Hamilton v SBI Home Finance Limited** held that all civil disputes are, by definition, arbitrable except those that are specifically excluded. Non-arbitrable disputes include disputes relating to rights and liabilities that give rise to or arise from criminal offences; matrimonial disputes relating to divorce, judicial separation, restitution of conjugal rights; guardianship matters; insolvency and winding up matters; testamentary matters such as those for grant of probate, Letters of Administration and Succession Certificates; and eviction or tenancy matters governed by special statutes where jurisdiction is specifically conferred on designated Courts.
- That the remedies sought by the Plaintiff are not in rem but in personam between the plaintiff and defendant as the dispute arose as a result of the execution of the term sheet by the plaintiff and the defendant. Therefore *"ousting arbitrability, in the face of an arbitration clause, is not something to be lightly assumed. It must be done in limited cases which are clearly non-arbitrable"*.

Counter arguments by the plaintiff:

- That the issue in this case is inherently non arbitrable as it pertains to a case of copyright infringement. He further added that for invoking the remedy in case of copyright infringement, the parties must go to the competent court as only a court of competent jurisdiction can determine copyright infringement. He stated that in case of copyright infringement *“That finding, whether it translates into a specific relief or not, is one that is only within the remit of a Court. It can never be done by an Arbitrator.”*
- That actions brought about in case of a Patent or Trademark related dispute are actions in rem as a result of which such disputes would be non-arbitrable.

Held:

The Court rejected the submission of the plaintiff that Intellectual Property laws provide for statutory remedies and therefore can only be brought before a court, and the court held that Intellectual property statutes do not oust the jurisdiction of the arbitral tribunal. The court added that IP laws can be either in rem or in personam. The defendant’s section 8 application was thus accepted and the matter was subjected to arbitration.

Rationale:

- The Court observed, *“Unless specifically barred, what a Civil Court can do, an arbitrator can do... The relief that the Plaintiff seeks today, a decree in damages and injunction, are both reliefs that an arbitrator can well grant.”*
- That in a matter of commercial disputes if parties have decided to resolve the dispute arising from a contract to a private forum, such actions are always in personam, on a party seeking relief against other party and not against the world at large.
- The court stated that an action in rem is the plaintiff’s **entitlement** to bring about an action against a third party. But the moment an action of infringement is brought about against a third party, it becomes a right in personam. *“That where there are matters of commercial disputes and parties have consciously decided to refer these disputes arising from that contract or a private forum, no question arises of those disputes being non-arbitrable. 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.”*. *“I do not think the world of domestic and international commerce is prepared for the apocalyptic legal thermonuclear devastation that will follow an acceptance of the plaintiff’s submission”*.

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