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Jurisdictional Quandary in IP Disputes: Balancing Value and Adjudicating Courts in India

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Abstract

This paper examines the jurisdictional challenges arising in Intellectual Property (IP) disputes within the Indian legal system. It is crucial to establish a reliable system for resolving such disputes since Intellectual Property Rights (IPRs) include a broad range of issues connected to patents, trademarks, copyrights, and trade secrets. Specialised courts for addressing commercial issues, including those concerning IP rights, were formed under the Commercial Courts Act of 2015. The case in question raised concerns about the proper court to decide a case and the threshold amount to establish jurisdiction. The article makes the case that such undervaluation defeats the goal of the Commercial Courts Act and the special provisions for IPR statutes. Harmonious interpretation of the law is required to advance rather than undermine the legislation's stated goal. To ensure a fair and equitable approach to jurisdictional concerns, it is necessary to assign a "specified value" to intellectual property lawsuits. This research delves into the pivotal case of Vishal Pipes Limited vs. Bhavya Pipe Industry to illuminate the difficulties and repercussions of undervaluing cases and jurisdictional decision in intellectual property (IP) problems. The abstract's takeaway is that India's IP dispute resolution system can only function as long as there is a healthy equilibrium between value and adjudicating courts. Correctly assigning a 'specified value' to IP claims would avoid arbitrary and whimsical values, ensure that IP litigations are handled by the competent adjudicating courts, and protect the integrity of the legal system regulating IP disputes in the nation.

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Keywords: Commercial Court Act (CCA), IP Disputes, Undervaluation, Specified Value, Jurisdiction.

Introduction:

Due to the rising importance of intellectual assets across businesses, intellectual property (IP) conflicts have become more widespread in India. Trademark infringement and challenges to the validity of patents are only two examples of the wide range of problems that might lead to legal conflict. For the purpose of this study, we will narrow in on trademark infringement cases as a means of investigating the jurisdictional conundrum that arises therein. In light of the precedent established by **Vishal Pipes Limited vs. Bhavya Pipe Industry**², the primary goal is to find a middle ground between the monetary value of the dispute and the choice of adjudicating courts.

Understanding the Jurisdictional Quandary:

Intellectual property (IP) conflicts include a wide range of issues, from ownership and infringement to licensing and passing off. In the business world, trademark disputes are common, and resolving them quickly is crucial to protecting brand owners and customers. However, it has always been difficult to determine which court has jurisdiction over an intellectual property issue.

The jurisdictional dilemma in IP disputes stems from the interplay of many elements, including the scope of courts' geographical jurisdiction, the amount of money necessary to establish jurisdiction, and the need for specialized skill in adjudication. District courts or high courts were often involved in intellectual property issues, depending on variables such as the location of the defendant or the site of the violation. The resulting adjudication procedure was frequently disjointed and time-consuming as a consequence.

The Impact of the Commercial Courts Act, 2015:

The purpose of the **Commercial Courts Act, 2015**³ (hereinafter CCA) was to create a system of courts dedicated only to the adjudication of business disputes. The Act created Commercial

² Vishal Pipes Limited V. Bhavya Pipe Industry, 2022 SCC Online Del 1730. [hereinafter "Vishal Pipes Ltd."]

³ Commercial Courts Act, 2015, Acts of Parliament, 2015 (India). [hereinafter "CCA,2015"]

Courts with "specified value"⁴ jurisdiction and defined terminology like "commercial dispute" to guarantee its clear and uniform implementation.

The fundamental goal of the CCA was to establish a distinct and streamlined legal system for dealing with business disputes, relieving pressure on the Civil Courts and facilitating the more expeditious settlement of such cases. The Act aims to simplify the adjudication process and advance corporate interests by giving Commercial Courts sole authority over certain issues.

When it comes to business conflicts, the CCA is the law of choice since it is both broad in scope and deep in detail. Comparing the Commercial Courts Act of 2015 to the Civil Procedure Code of 1908 is as easy as looking at Section 21 of the CCA. Section 15 of the Commercial Courts Act, 2015 specifically deals with pending cases before the Civil Courts, and it is evident from this section that the Legislature has made it mandatory to transfer jurisdiction to Commercial Courts, except in cases where the judgment has already been reserved, considering the overriding effect and prior jurisdiction of Civil Courts. Thus, the Legislature's intention is evident, conferring exclusive jurisdiction on Commercial Courts rather than Civil Courts, as stated in **Section 21** which provides an overriding effect.⁵

Before the enactment of this Act, litigants used to undervalue their suits deliberately to avoid paying the appropriate stamp duty and court fees. Even now, some litigants continue such practices. This practice of intentionally undervaluing commercial suits has faced criticism from various courts in the country. One such instance was an order passed on September 20, 2022, by the Hon'ble bench of Mathura Court, without delving into the merits of the case.

The key points to note about the CCA are as follows:

- I. **Enactment:** The Commercial Courts Act, 2015 came into effect on 31st December 2015.
- II. **Overriding Effect:** Section 15 of the CCA states that the Act will have an overriding effect and will take precedence over Civil Courts, except in cases where judgments have already been reserved.
- III. **Speedy Disposal:** One of the objectives of the CCA is to facilitate the speedy disposal of commercial matters.
- IV. **Jurisdiction:** Section 6 of the CCA specifies that Commercial Courts have exclusive jurisdiction to try all suits and applications related to a "commercial dispute" of a

⁴ CCA, 2015, *supra* note 2, § 12

⁵ *Id.*, at § 21.

“specified value.” The territorial jurisdiction of a Commercial Court extends to the entire territory of the State in which it is vested.⁶

- V. **Specified Value:** Ascertainment of the “specified value” of the commercial dispute is made mandatory and is a crucial factor in determining the jurisdiction of Commercial Courts.

The Commercial Courts Act, 2015 creates new types of courts with the exclusive purpose of hearing and resolving business disputes, and it defines "commercial disputes" in a broad way to include IP issues. After the passing of this Act, the Commercial Courts will be responsible for deciding any disputes involving intellectual property, including those involving ownership, registration, licensing, assignment, infringement, and more. With this simplified method, we can build a judicial body that is more adept at addressing business conflicts and ensuring that they are resolved quickly without resorting to time-consuming and archaic court processes.

The Delhi High Court widened the Act's application to include Intellectual Property disputes in a landmark decision in **Guinness World Records v. Sababbi Mangal**.⁷ In a departure from the jurisdictional provisions set forth in Sections 6 and 7 of the Act, the Court ruled that all cases involving Intellectual Property Rights under statutes such as the Patents Act, Copyright Act, Trademark Act, etc. must be heard by Commercial Courts, regardless of whether the value of the suit is greater than 1 Crore rupees. This ruling opened the door for more people to take advantage of a trial in the Commercial Courts.

Cases involving Trademark Infringement and Passing Off were resolved rigorously in accordance with the requirements of the Code prior to the Act's implementation. However, the Act amended the Code in a few key respects, dramatically altering the treatment of trademark infringement cases. In trademark infringement or passing off disputes, when the continuing use of the disputed trademark might hurt the aggrieved party requesting judicial intervention, the Act's major benefit is the fast disposition of cases.

Section 20 of the Commercial Courts Act increased the minimum monetary bar for jurisdiction to Rs. 1 crore in the context of trademark disputes. This apparently simple clause produced a jurisdictional gap, with many conflicts falling beyond the authority of commercial courts, leading to inconsistency in dispute resolution.

⁶ CCA, 2015, *supra* note, § 6.

⁷ Guinness World Records Limited v. Sababbi Mangal, 2016 SCC Online Del 973

The Delhi High Court has issued summary judgements in business disputes involving trademark infringement and passing off in instances like **SanDisk LLC v. Memory World and Ahuja Radios v. A Karim**⁸, using its authority under the business Courts Act. When a party has no reasonable chance of succeeding at trial and when there is no other basis for avoiding a decision on the claim, the court may grant a summary judgment and dismiss the case without taking testimony or otherwise documenting the facts. The court would issue a summary decree awarding a permanent injunction against the defendant in circumstances where the defendant had no intention of fighting the matter.

On May 3, 2018, the Government issued an ordinance to amend the Commercial Courts⁹, This Act may be cited as the Commercial Courts Act of 2015 (Commercial Division and Commercial Appellate Division of High Courts Act). There are now specialized business conflict courts and a commercial section within the High Courts, all thanks to the Commercial Courts Act. The purpose of this ordinance is to improve the settlement of business disputes by introducing major changes to the Commercial Courts Act.

The key changes brought about by the ordinance are as follows:

- I. **Pecuniary value of commercial disputes:** Previously, commercial disputes were categorized as a specific class of disputes with a subject matter value not less than Rs. 1 crore. The ordinance has now lowered this pecuniary value to Rs. 3 lakhs, thus encompassing a wider range of disputes under the jurisdiction of commercial courts.
- II. **Commercial Courts at the district level:** The law recommends the creation of commercial courts at the district level due to the significant drop in the monetary value of business disputes.
- III. **Mandatory mediation before filing a suit:** A mandatory pre-institution mediation procedure, in accordance with norms specified by the Government, is now required of the plaintiff in business proceedings that do not seek urgent ad-interim reliefs.

⁸ SanDisk Llc v. Memory World, 2018 SCC Online Del 11243

⁹ The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts (*Amendment*) Ordinance, 2018. [Hereinafter “Amendment Ordinance,2018”]

- IV. **Commercial Appellate Courts:** Within 60 days after the date of the judgment or request, anybody who disagrees with the decision or request of a business court at a level lower than a regional judge must file an appeal with the business court.¹⁰

Vishal Pipes Limited vs. Bhavya Pipe Industry:

The case of Vishal Pipes Limited vs. Bhavya Pipe Industry brought the jurisdictional quandary into sharp focus. The case was listed before a non-commercial court. The non-commercial court did not grant an ex-parte order of injunction. Aggrieved by the refusal, Vishal Pipes Limited approached the Delhi High Court.

Vishal Pipes Limited has appealed a decision issued on January 28, 2022 by Additional District Judge (ADJ-03) in this matter. Vishal Pipes Limited sued Bhavya Pipe Industry in TM 1/2022 for trademark and copyright infringement, demanding a permanent injunction as well as passing off, delivering up, rendition of accounts, etc. The Additional District Judge, who was not a judge in the Commercial Court, did not issue an ex parte order and did not appoint a Local Commissioner to oversee the seizure of the counterfeit products. This was the result of the Commercial Courts Act, 2015 and the Trade Marks Act, 1999, both of which state that cases with a value of less than Rs. 3,00,000/- cannot be heard in those courts. Therefore, a Commercial Court judge is not assigned to preside over the matter by a District Judge.¹¹

The following issues came up for consideration before the Court:

1. Whether intellectual property rights (IPR) suits filed in District Courts, with a value below Rs. 3 lakhs, should be heard and decided by District Judges designated as Commercial Court judges under the Commercial Courts Act or by non-Commercial District Judges as regular civil suits?
2. Whether provisions of the Commercial Courts Act (CCA) apply to such disputes or not?

It was held that regardless of their valuations, all disputes concerning Intellectual Property Rights (IPR) should be presented before the district court judges specializing in commercial matters. If the value of the subject-matter IP is below 3 lakhs rupees, the court will assess the

¹⁰ Amendment Ordinance, 2018, *supra* note 8.

¹¹ Vishal Pipes Ltd., *supra* note 1, at 1-3.

correctness of the valuation. If it is determined that the valuation falls below 3 lakhs rupees, the case will be treated as a regular civil suit by the district commercial court. However, if the valuation is equal to or above 3 lakhs rupees, the case will be treated as a commercial suit under the provisions of the Commercial Courts Act.¹²

For those unfamiliar with it, the Commercial Courts Act offers a mechanism for the swift resolution of commercial disputes. To be recognized as a commercial dispute under this Act, the dispute must pertain to the subject matters specified within its provisions, with IP disputes being categorized as commercial disputes. The next consideration involves meeting the pecuniary threshold – only commercial disputes with a 'specified value' equal to or exceeding 3 lakhs rupees will be regarded as commercial disputes under the Commercial Courts Act. As per the IP legislation, district courts serve as the courts of first instance for IP disputes.¹³

Ruling

According to the Intellectual Property Rights (IPR) statutes, IPR suits must be filed exclusively in “District Courts having jurisdiction.” In light of this, is it possible for litigants and lawyers to avoid the requirements of the Commercial Courts Act (CCA) by intentionally undervaluing the suits below Rs. 3 lakhs? The legislature's intention in setting a lower threshold of Rs. 3 lakhs for “commercial disputes” should not be disregarded. Therefore, there seems to be no valid or justifiable reason to undervalue an IPR suit below Rs. 3 lakhs, unless done for ulterior motives.

In the case of **Subhashini Malik v. S.K. Gandhi, (2016)**¹⁴, Clearly, the Delhi High Court has resolved that the injured party, as dominus litis (expert of the claim), has the discretion to choose the appropriate gathering and remedy. The undervaluing of intellectual property rights (IPR) proceedings under Rs. 3 lakhs has, however, led to a situation in which the aggrieved party not only has the right to choose the court in which the case will be heard, but also actively resists the mandatory provisions of the Commercial Courts Act (CCA).

the sake of uniformity and clarity, these cases shall continue to be listed before the District Judge (Commercial) even if their total worth is less than Rs. 3 lakhs and they are classified as non-commercial proceedings. However, they are exempt from the jurisdiction of the CCA's commercial courts. To ensure that the aforementioned protocol is adhered to, all pending

¹² Vishal Pipes Ltd., *supra* note 1, at 66.

¹³ *Id.* at 62-63.

¹⁴ Subhashini Malik v. S.K. Gandhi, 2016 SCC Online Del 5058

intellectual property rights (IPR) litigation now pending before various District Judges (non-Commercial) in Delhi would be moved to the corresponding District Judges (Commercial). The introduction of the Commercial Courts Act, 2015 categorized these suits as 'commercial disputes' under Section 2(c)(xvii) of the Act. The question of whether IP-related matters fall under the jurisdiction of Commercial Courts is not straightforward.¹⁵

According to Section 134 of the Trade Marks Act, 1999¹⁶, Section 62 of the Copyright Act, 1957¹⁷, and Section 104 of the Indian Patents Act, 1970¹⁸, such suits are generally to be instituted before the District Court, rendering District Judges/ADJs competent to handle such matters. For Commercial Courts to have jurisdiction in IPR matters, two conditions must be met: the matter must be a “commercial dispute,” and such disputes must have a “specified value” as defined in Explanation (i) of Section 2(c)(xvii) of the Commercial Courts Act, 2015. The determination of the 'Specified Value' is outlined under Section 12 of the same Act.

In Delhi, there are currently three classes of Courts dealing with IPR matters:

- i. District Judges/ADJs (Non-Commercial) - Suits valued below Rs. 3 lakhs.
- ii. District Judges/ADJs (Commercial) - Suits between Rs. 3 lakhs and Rs. 2 crores.
- iii. Commercial Division of the High Court (Original Jurisdiction) - Suits above Rs. 2 Crores.

With respect to cases valued at less than Rs. 3 lakhs, Justice Pratibha M. Singh ruled in **Vishal Pipes Limited v. Bhavya Pipe Industry (2022 SCC Online Del 1730)** that plaintiffs and attorneys cannot avoid the requirements of the Commercial Courts Act by doing so.

Key questions raised in this matter include:

- Can IPR suits be valued below 3 lakhs and be listed before Courts not notified as Commercial Courts?
- Can Commercial Courts entertain and adjudicate IPR matters valued less than Rs. 3 lakhs?
- Are the provisions of the Commercial Courts Act, 2015 applicable to such disputes?

¹⁵ CCA, 2015, *supra* note, § 2(c)(xvii)

¹⁶ Trademark Act, 1999, § 134, No. 47, Acts of Parliament, 1999 (India).

¹⁷ Copyright Act, 1957, § 62, No. 14, Acts of Parliament, 1957 (India).

¹⁸ Patent Act, 1970, § 104, No. 47, Acts of Parliament, 1970 (India).

The Hon'ble Court examined the object and purpose of enacting the Commercial Courts Act, 2015 and whether excluding certain IPR disputes from its purview aligned with the envisaged objectives. Consequently, civil suits that qualify as “commercial disputes” under Section 2(1)(c)(xvii) but do not meet the “specified value” criterion cannot benefit from the adjudication facilitated by the Commercial Courts Act, 2015.

Prior to this judgment, the Plaintiff had the discretion to choose in which court to institute the suit. However, this absolute discretion resulted in the habitual undervaluation of IP matters, bench hunting, and forum shopping. Recognizing the current state of affairs, the Hon'ble High Court made further observations.¹⁹

<u>DIRECTIONS OF HON'BLE BENCH OF DELHI HIGH COURT</u>	
<u>1.</u>	<u>All IPR suits to be instituted before District Courts, which would therefore, first be instituted before the District Judge (Commercial).</u>
<u>2.</u>	<u>Examination of Specified Value and Suit Valuation to ensure non-arbitrariness or unreasonableness (i.e., a measure to check for undervaluation)</u>
<u>3.</u>	<u>Passing of Appropriate orders by Commercial Court into:</u>
	<u>a. Amendment of Plaint by plaintiff and pay requisite fees, or to</u> <u>b. Proceed with the suit as non-commercial suit</u>
<u>4.</u>	<u>If the IPR suit is below 3 Lakhs and continue as non-commercial then it has to be continued to be listed before District Judge (Commercial), but may not be subjected to the provisions of Commercial Courts Act, 2015</u>
<u>5.</u>	<u>All pending IPR suits before different District Judges (non-Commercial) to be placed before District Judges (Commercial).</u>

It can be deduced that the primary purpose of the Commercial Courts Act, 2015, was to facilitate the prompt and effective resolution of commercial matters, which are crucial for the economic growth of the nation-Addressing malpractices like forum shopping and

¹⁹ Ancy Jacob and Upasna Rana, Listing Of IPR Matters: Before District Judge (Commercial) Or District Judge (Non-Commercial), mondaq , <https://www.mondaq.com/india/trademark/1208964/listing-of-ipr-matters-before-district-judge-commercial-or-district-judge-non-commercial>

undervaluation of IP suits is imperative, and this ruling serves as a safeguard for genuine litigants

4. Striking a Balance between Value and Adjudicating Courts:

The Vishal Pipes Limited vs. Bhavya Pipe Industry case highlights the importance of striking a balance between the value of the dispute and the selection of the adjudicating court in IP cases. The dichotomy between the specialized expertise of commercial courts and the monetary thresholds for jurisdiction creates a conundrum for litigants, leading to forum shopping and delays in the resolution of disputes.

To address this issue, several measures can be adopted:

A. Revisiting Pecuniary Jurisdiction: To guarantee that all cases, regardless of their value, are heard in specialized courts, it is essential to reevaluate the minimum monetary threshold for commercial courts in IP disputes. There has to be a standard monetary threshold that accounts for the nuanced nature of intellectual property disputes.

B. Training and Capacity Building: Adjudication in business courts may be improved by providing judges with particular training on intellectual property laws and their enforcement. The complexities of intellectual property (IP) conflicts may be better understood and the decision-making process can be streamlined via capacity development activities.

C. Fast-Track Procedures: By instituting fast-track processes for IP disputes, cases may be resolved more quickly, lightening the load on the judicial system and allowing for prompt justice delivery. This is of utmost significance in situations involving trademark infringement or passing off, when prompt action is required to avoid additional damage.

D. Alternative Dispute Resolution (ADR) Mechanisms: By encouraging alternative dispute resolution (ADR) processes like mediation and arbitration in IP disputes, we may promote cost-effective conflict settlement while relieving the burden on the court system.

Conclusion

Significant obstacles exist in India's legal system because of the jurisdictional problem in intellectual property issues, especially in the area of trademarks. By creating specialized courts for business concerns, including IP disputes, the business Courts Act, 2015 ushered in welcome reforms. Nonetheless, jurisdictional requirements and how to interpret them remain a major problem. The Vishal Pipes Limited v. Bhavya Pipe Industry case represents a watershed

moment in the evolution of how jurisdictional determinations are made in IP lawsuits. Striking a balance between the value of the dispute and the selection of adjudicating courts is essential to ensure effective and efficient resolution of IP disputes in India. By revisiting pecuniary thresholds, enhancing judicial expertise, and promoting ADR mechanisms, India can build a robust and comprehensive framework for IP dispute resolution, safeguarding the rights of creators and innovators while fostering an environment of innovation and creativity.