

Efficient alternative dispute resolution (ADR) for intellectual property disputes

More and more rights holders are recognizing the benefits of using private neutral mechanisms that allow parties to settle their disputes. Ignacio de Castro, Deputy Director, WIPO Arbitration and Mediation Center, and Sarah Theurich, Legal Staff, WIPO Arbitration and Mediation Center, explain how it all works.

The challenges of enforcing intellectual property rights

In today's economy, intellectual property (IP) rights represent valuable business assets. The commercial exploitation of IP rights through international licensing, patent pooling, technology transfer and research and development agreements, branding, copyright and design strategies can trigger substantial benefits.

However, IP rights are only valuable as long as they can be efficiently enforced. Infringement of IP rights through copying or free-riding can cause loss of market shares and considerably tarnish the business reputation of the IP holder.

With the multiplication of international IP transactions, the number of IP-related disputes has likewise grown. Modern challenges such as digitization and globalization contribute to an increase in IP-related conflicts.

IP disputes can involve a variety of subject-matters, as well as large and small entities such as inventors, manufacturers, research institutes, pharmaceutical companies, software developers, fashion industries, joint venture partners, telecommunications companies, consultancy firms, employees and artists.

However, IP disputes have common features to the extent that they are often international, involving technical or specialized subject-matter and confidential issues. They also often arise out of long-term business relationships.

In times of economic recession it becomes even more important, and especially for SMEs, to consider cost- and time-efficient dispute resolution mechanisms and to develop an adequate IP dispute resolution strategy.

Why litigation may not always be the ideal means to solve an IP dispute

Although an IP dispute can be brought before a court, litigation may not always be well equipped to take account of the particular features of IP disputes. Indeed, to date, IP legislation has not yet been fully harmonized on a European or international level. As IP rights are territorial, potentially lengthy and costly proceedings in several jurisdictions under different laws are sometimes initiated with the risk of conflicting outcomes.

Table 13.1.1 indicates the particulars of national patent litigation in different jurisdictions. It shows the absence of specialized patent courts in many jurisdictions, as well as the considerable length and costs involved in patent court litigation.

What is alternative dispute resolution (ADR)?

In light of the potential risks involved in IP court litigation, IP holders are increasingly using alternative dispute resolution (ADR) procedures. These private neutral mechanisms allow parties to solve their disputes outside court in a private forum. ADR can only be used if all parties agree on submitting their dispute to ADR or if it is mandated by a competent court. Set out below is a description of some of the most common ADR methods which can also be combined with each other:

1. *Mediation* is a form of assisted negotiation. In this informal procedure, the parties ask a neutral intermediary, the mediator (or mediators), to assist them in reaching a settlement of the dispute. The mediator(s) will have the necessary skills and expertise to help the parties identifying the issues in dispute, their underlying interests and to determine a range of alternative options. Any settlement which they achieve is enforceable as a contract between the parties.
2. *Arbitration* is a procedure in which the dispute is submitted to one or more independent arbitrators who make a binding decision on the dispute. The decision of

Table 13.1.1 National patent litigation in different jurisdictions

<i>Country</i>	<i>Characteristics of legal system</i>	<i>Average length</i>	<i>Average cost</i>
France	Civil law Unified litigation No specialized courts	First instance: 18–24 months Appeal: 18–24 months	€80,000–150,000 (1st inst.)
Germany	Civil law Bifurcated litigation Specialized court for invalidity	First instance: 12 months Appeal: 15–18 months	€50,000 (1st inst.) €70,000 (App.)
Italy	Civil law Unified litigation Specialized courts	First instance: few months–24 months Appeal: 18–24 months	€50,000–150,000 (1st inst.) €30,000–70,000 (App.)
Spain	Civil law Unified litigation Commercial courts	First instance: 12 months Appeal: 12–18 months	€100,000 (1st inst.) €50,000 (2nd inst.)
UK	Common law Unified litigation Specialized courts Mediation promoted	First instance: 12 months Court of Appeal: 12 months House of Lords: 24 months	€750,000–1,500,000 (1st inst.) €150,000–1,500,000 (App.) €150,000–1,500,000 (House of Lords)
China	Civil law Bifurcated litigation Specialized courts	First instance: 6 months (in law) Appeal: 3 months, no limit when foreigners litigate	USD 150,000 (1st inst.) USD 50,000 (App.)
Japan	Civil law Bifurcated litigation Specialized courts	First instance: 14 months Appeal: 9 months	USD 300,000 (1st inst.) USD 100,000 (App.)
USA	Common law Unified litigation Specialized court of appeals (CAFC) Jury trial available Mediation promoted	First instance: up to 24 months Appeal: 12 + months	Up to USD 4,000,000 (1st inst.) USD 150,000–250,000 (App.)

This table has been developed by the WIPO Arbitration and Mediation Center, based on figures provided in 'Patent Litigation, Jurisdictional Comparisons, The European Lawyer Ltd, London 2006', as well as insight and experience from patent practitioners in the jurisdictions concerned.

the arbitrator(s), the arbitral award, is normally final and not subject to appeal. The award is internationally enforceable under the New York Convention for the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the New York Convention).¹

3. *Expert determination* is a procedure in which a specific matter is submitted to one or more experts who make a determination on the issue referred. It is particularly appropriate for issues of a scientific or technical nature, for instance the determination of a royalty rate.

What are the benefits of ADR for solving IP disputes?

A single procedure

ADR mechanisms allow the resolution of IP disputes in a single procedure, which avoids the complexity of multiple court actions in the jurisdictions concerned.

For example, in a patent case between a European and an Asian party, involving patents in France, Germany, Japan, the UK and the United States, the parties can solve their dispute in a single international arbitration or mediation procedure, instead of going through court proceedings in these countries.

Party autonomy

ADR procedures are flexible and allow the parties to have full control of the dispute resolution process. The parties can adapt ADR procedures to their specific needs by further reducing timelines, for instance. The parties also have the power to choose a mediator, arbitrator or expert that is qualified in the subject-matter in dispute. The parties can also agree the applicable law, language and location of proceedings.

Cost and time efficiency

Economically viable and speedy dispute resolution is essential in new technological sectors. ADR mechanisms allow parties to save considerable costs that the parties would otherwise undergo in multi-jurisdictional litigation. Further, ADR mechanisms often provide for short timelines which the parties can further reduce. Specific accelerated mechanisms exist to provide for even faster solutions, such as ‘expedited arbitration’.

In a recent *IT WIPO expedited arbitration* between an Asian bank and a US software developer, the parties had agreed on reduced timelines, stipulating for instance that a hearing be held within 60 days after the filing of the arbitration request and that the arbitrator render a decision within 10 days after the conclusion of such hearing. Prior to appointment, the WIPO Arbitration and Mediation Center made sure that the sole arbitrator would be able to make available sufficient time for this case so as to respect the parties’ desire for a time-efficient procedure. In this case, a hearing was successfully conducted within the set deadline and an award was issued three months after the commencement of the arbitration.

Neutrality

ADR can provide a truly international forum that ensures the neutrality as to the intermediary (mediator, arbitrator or expert), the law, language and administering institution. It prevents ‘forum shopping’ and potential perception of national bias and allows the parties to focus on the settlement of the dispute.

Expertise

The parties can select arbitrators, mediators or experts with specific expertise in the relevant legal, technical or business area.

For instance, in a recent *WIPO trade mark mediation*, a dispute arose between a US company, two Italian companies and a Spanish company in relation to their similar trade marks. The parties started WIPO mediation and a European mediator with the requisite language skills and trade mark expertise was appointed. The mediator held a two-day mediation session at which the parties, with the assistance of the mediator, were able to draft and sign a settlement agreement covering all of the pending issues in dispute and to regulate the future use of their marks.

Confidentiality

To a large extent, the parties can also keep the proceedings and results of ADR procedures confidential. This is particularly important where – as is often the case in IP disputes – confidential information or trade secrets are at stake. Confidentiality helps the parties to concentrate on the settlement of the dispute and to maintain their long-term relationships.

Enforcement of arbitral awards

Arbitration has the net advantage that the awards are final and are normally not subject to appeal. Their enforcement across borders is greatly facilitated by the New York Convention, which requires all 144 Member States to recognize international arbitral awards without a review on the merits. This means that where an arbitrator concludes that one party must pay compensation to another, and they fail to do so, they can later be taken to the national court by the other party to have the award swiftly enforced.

Preserving long-term relationships

ADR mechanisms, and especially mediation, help the parties to preserve their long-term relationships. Underlying business interests can be taken into consideration and viable long-term solutions can be adopted. The nature of ADR can indeed help to achieve settlement. The benefit of the less confrontational nature of ADR procedures is illustrated by the settlement figures in WIPO administered cases. A total of 73 per cent of WIPO mediation cases have been settled. Even in WIPO arbitration, 54 per cent of cases have been settled prior to an award.

How does the WIPO Arbitration and Mediation Center assist IP holders to solve their disputes?

The WIPO rules

The WIPO Center makes available WIPO mediation, arbitration, expedited arbitration and, since 2007, expert determination rules.

These rules contain specific provisions particularly adapted to intellectual property disputes, concerning for instance technical evidence (experiments, site visits, agreed primers and models), expert appointment, and confidentiality.

WIPO ADR clauses and submission agreements

In order to facilitate the conduct of cases, the WIPO Center makes available model mediation, arbitration and expert determination clauses in different languages which parties may use as a basis for submitting their dispute to WIPO as an administering authority.² ADR clauses determining the resolution of future disputes can be included in IP contracts, such as patent licences, trade mark coexistence agreements, copyright assignment agreements, technology transfer agreements, research and development agreements, and joint venture agreements. Most of the WIPO mediation and arbitration cases are the result of ADR clauses. However, at times, existing disputes have been submitted to WIPO mediation through a submission agreement.

The WIPO Center regularly assists and advises parties in the drafting of ADR contract clauses and submission agreements.

The following clause is commonly used in IP agreements:

Mediation Followed, in the Absence of a Settlement, by [Expedited] Arbitration

'Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be submitted to mediation in accordance with the WIPO Mediation Rules. The place of mediation shall be [specify place]. The language to be used in the mediation shall be [specify language].

If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within [60][90] days of the commencement of the mediation, it shall, upon the filing of a Request for Arbitration by either party, be referred to and finally determined by arbitration in accordance with the WIPO [Expedited] Arbitration Rules. Alternatively, if, before the expiration of the said period of [60][90] days, either party fails to participate or to continue to participate in the mediation, the dispute, controversy or claim shall, upon the filing of a Request for Arbitration by the other party, be referred to and finally determined by arbitration in accordance with the WIPO [Expedited] Arbitration Rules. [The arbitral tribunal shall consist of [a sole arbitrator][three arbitra-

tors].)* The place of arbitration shall be [specify place]. The language to be used in the arbitral proceedings shall be [specify language]. The dispute, controversy or claim referred to arbitration shall be decided in accordance with the law of [specify jurisdiction].’

(* *The WIPO Expedited Arbitration Rules provide that the arbitral tribunal shall consist of a sole arbitrator.*)

Administering authority

As an administering authority, the WIPO Center assists with the selection of qualified neutrals, liaises with parties and the neutrals to ensure optimal case communication and procedural efficiency, monitors the procedure so as to expedite the progress of the arbitration, deals with all financial aspects of the case, deals with any challenges to the neutrals, and provides meeting and support services.

WIPO neutrals

The WIPO Center holds a list of over 1,500 WIPO neutrals from over 70 nationalities that combine dispute resolution experience with intellectual property expertise.

Tailored WIPO dispute resolution services

The WIPO Center also works with IP owners and users and their representative organizations to facilitate or establish specially tailored ADR schemes that respond to the particular features of their dispute.

For example, the WIPO Center has recently developed the ‘WIPO Expedited Arbitration Rules for AGICOA’, a special ADR scheme for certain copyright related disputes (www.wipo.int/amc/en/arbitration/agicoa/).

Notes

- 1 www.wipo.int/amc/en/arbitration/ny-convention.
- 2 The recommended WIPO clauses are available at: www.wipo.int/amc/en/mediation/contract-clauses/index.html.

The WIPO Arbitration and Mediation Center (the WIPO Center) was established in 1994 as part of the World Intellectual Property Organization in Geneva, Switzerland. Its role consists in the promotion of the time- and cost-effective resolution of disputes involving intellectual property through various ADR mechanisms. Further information on the WIPO Center is available at: <http://www.wipo.int/amc/>.