

Update On The WIPO Arbitration And Mediation Center's Experience In The Resolution Of Intellectual Property Disputes¹

By The WIPO Arbitration and Mediation Center

As companies seek new streams of profit from their intellectual property (IP), commercializing and licensing IP assets has become an important global business model. Technology is increasingly protected on an international level, such as through the PCT or the EPO for instance. With the multiplication of international IP transactions, the number of IP-related disputes has likewise grown.

Although an IP dispute can be brought before a court, litigation is not always well equipped to take account of the particularities of IP disputes. Indeed, as IP rights are territorial, potentially lengthy and costly proceedings in all concerned jurisdictions under different laws are sometimes initiated with the risk of conflicting outcomes subject to different enforcement mechanisms.

As a result, IP owners and users are increasingly aware of the potential of alternative dispute resolution mechanisms (ADR) for resolving IP disputes. The advantages of using ADR in IP disputes are clear. ADR mechanisms allow the resolution of disputes in a single procedure avoiding the complexity of multi-jurisdictional litigation. The parties have greater control over the process. There is neutrality in relation to the mediator, arbitrator or expert, as well as to the law, language and institution. The parties can select arbitrators, mediators or experts with special expertise in the relevant legal, technical or business area. To a large extent, the parties can also keep the proceedings and results confidential. This is particularly important where—as is often the case in IP disputes—confidential information or trade secrets are at stake. 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 for the

Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the New York Convention), which requires all 142 Member States to recognize international arbitral awards without a review on the merits.

I. The Caseload of the WIPO Arbitration and Mediation Center

The WIPO Arbitration and Mediation Center² (the WIPO Center) administers proceedings under the following Rules:

- WIPO Mediation: a non-binding procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of the dispute.
- WIPO Arbitration: a neutral procedure in which the dispute is submitted to one or more arbitrators who make a binding decision on the dispute. The decision of the arbitrator(s) is internationally enforceable under the New York Convention.
- WIPO Expedited Arbitration: an arbitration procedure that is carried out in a short time and at reduced cost. The decision of the sole arbitrator is also internationally enforceable under the New York Convention.

■ WIPO Arbitration and Mediation Center article is made possible by the WIPO arbitration and Mediation Center, Geneva, Switzerland

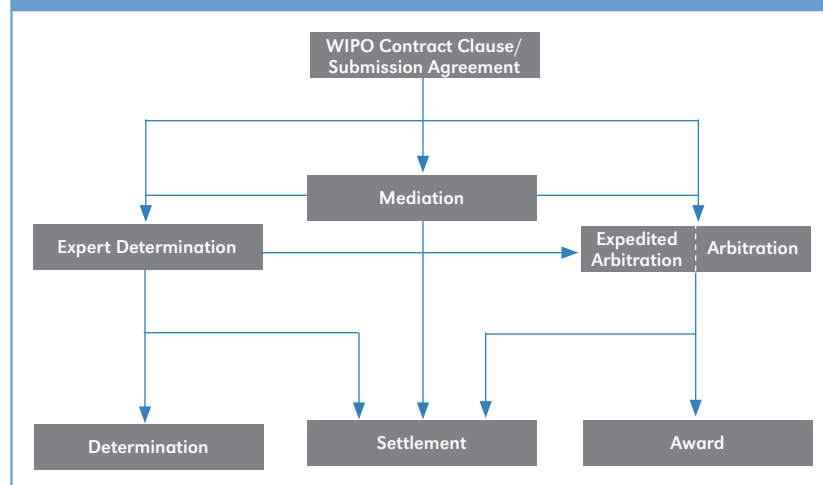
1. This article follows an article published by the WIPO Arbitration and Mediation Center in Volume XLII No. 1 (March 2007) of *les Nouvelles*, which provided a general description of the procedures administered by the WIPO Center.

2. The WIPO Center was established in 1994 to promote the time and cost-effective resolution of IP disputes through various ADR mechanisms, in particular arbitration, mediation and expert determination. The procedures offered by the WIPO Center are widely recognized as particularly appropriate for life science, technology, entertainment and other disputes involving intellectual property. As a resource institution the WIPO Center also helps to connect the practice of IP law with the potential opportunities offered by ADR. More specifically, it makes available model clauses and rules which parties may use as a basis for submitting their dispute to WIPO as an administering authority. In that capacity, one of the WIPO Center's principal functions is the appointment of neutrals whose expertise suits the particular conditions of the dispute.

- WIPO Expert Determination³: a procedure in which a difference is submitted to one or more experts who make a determination on the matter referred to it (or them). The determination is binding, unless the parties agreed otherwise.

In WIPO expedited arbitration, for time- and cost-efficiency purposes, only a sole arbitrator can be appointed and there is no possibility of a three-member Tribunal. As indicated in this diagram, 10 percent of the cases administered by the WIPO Center follow

Figure 1. WIPO Arbitration and Mediation Center Rules



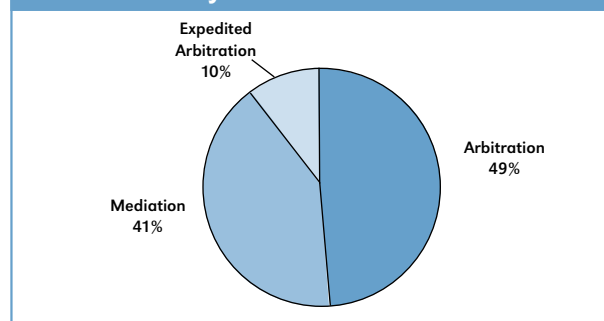
the WIPO Expedited Arbitration procedure and, as a result, a sole arbitrator is appointed in those cases. Out of the cases under the WIPO Arbitration Rules, the parties agreed to appoint a sole arbitrator in 71 percent of cases, whereas the appointment of a three-member Arbitral Tribunal had been agreed in the remaining 29 percent of cases.

The procedures offered by the WIPO Center are considered as particularly appropriate for technology, life sciences, entertainment and other disputes involving intellectual property. For this purpose, the WIPO Arbitration and

Over the last three years, the WIPO Center has experienced a 29 percent increase in the number of arbitration and mediation cases it administers. As of December 2008, the WIPO Center had administered over 70 mediations and over 110 arbitrations.

The following diagram shows the split in the cases administered by the WIPO Center among the different procedures:

Figure 2. Split in the Cases Administered by the WIPO Center



Expedited Arbitration Rules contain specific provisions particularly adapted to intellectual property disputes, concerning for instance technical evidence (experiments, site visits, agreed primers and models),⁴ expert appointment,⁵ and confidentiality.⁶ The WIPO Center's role is, however, not limited to intellectual property cases and indeed it also administers cases related to other technical areas.

WIPO arbitration and mediation cases have involved parties based in different jurisdictions including Austria, China, Denmark, Finland, France, Germany, India, Ireland, Israel, Italy, Japan, the Netherlands, Panama, Romania, Spain, Switzerland, the United Kingdom and the United States of America. Some of the recent cases filed with the Center involve parties based in China and India.

The subject matter of these proceedings includes patent infringement, patent licenses, telecommunications and software licenses, distribution agreements

3. This new WIPO procedure that was adopted in 2007, allows parties to consensually submit a dispute or difference to one or more experts for determination, which is binding unless the parties have agreed otherwise. Expert Determination is especially suitable where it is necessary to determine issues of a technical, scientific or related business nature, for example, the valuation of an intellectual property asset or the establishment of royalty rates, the interpretation of the claims of a patent or the extent of the rights that are covered by a license. Expert Determination may

be used on a stand-alone basis or in connection with arbitration, mediation or court litigation, thus allowing the parties to choose the option that best suits their needs. The WIPO Center provides recommended contract clauses for Expert Determination and combined procedures, which can be found on the WIPO Center's Web site, at <http://www.wipo.int/amc/en/expert-determination/contract-clauses/clauses.html>.

4. Articles 49 to 51, *WIPO Arbitration Rules*.

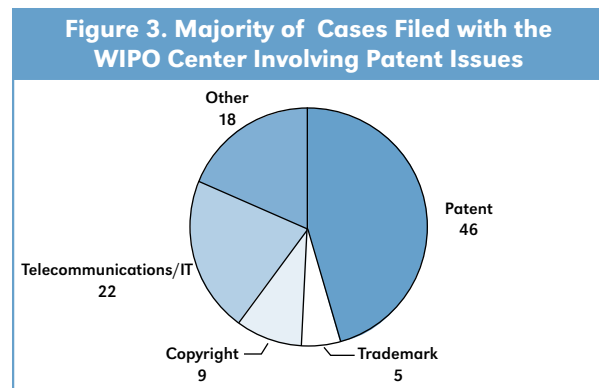
5. Articles 55, *WIPO Arbitration Rules*.

6. Articles 73 to 76, *WIPO Arbitration Rules*.

for pharmaceutical products, copyright issues, research and development agreements, trademark co-existence agreements, consultancy agreements, art marketing agreements, joint venture agreements, employment issues in an intellectual property context, consultancy, engineering disputes and domain name disputes.

Some of the largest disputes administered by the Center arise out of agreements in settlement of prior multi-jurisdictional patent litigation which provide that future disputes would be resolved through WIPO mediation and/or WIPO arbitration. In two of the largest patent arbitrations administered by the WIPO Center which involved a U.S. party and a European party, the WIPO Electronic Case Facility (WIPO ECAF) has been successfully used for communication and filing purposes by the parties, the arbitrators and the WIPO Center.⁷

As reflected in the following diagram, the majority of the cases filed with the WIPO Center involve patent related issues, followed by IT and telecommunications disputes, copyright and trademarks.



In the WIPO Center's experience, the arbitration procedures used in patent disputes tend to be more complex while expedited arbitration procedures would appear to be more suited for trademark coexistence disputes and software licensing disputes. For

example, a recent trademark expedited arbitration concerned a dispute that arose out of a trademark coexistence agreement between a European company and an Asian manufacturer. Both had registered a similar trademark for similar products, one using it for luxury goods, the other for fashion goods. A European trademark specialist was appointed as sole arbitrator and rendered an award six months after the commencement of the proceedings.

The increasing use of arbitration to resolve IP disputes demonstrates that the issue of arbitrability has become rather academic and of little, if not, no practical relevance today.

The arbitrability question had arisen in light of the public policy considerations related to the grant of IP rights. One of the arguments underlying arbitrability had been that as IP rights are created by the state and IP titles delivered by a national authority, a private arbitrator should not have the power to invalidate them.⁸ The arbitrability question could potentially arise when an arbitrator's jurisdiction is challenged and also at the enforcement stage under Article V(2) of the New York Convention.⁹

In practice, the arbitrability of IP disputes is generally a non-issue in most jurisdictions.¹⁰ Indeed, most IP disputes deal with contractual matters only. Even if invalidity were to be raised as a defense, the arbitrator would not have to declare the IP right invalid, but could merely take account of it in its determination of

9. Article V(2) New York Convention:

"2. Recognition and enforcement of an arbitral award may also be refused if the competent authority in the country where recognition and enforcement is sought finds that:

(a) The subject matter of the difference is not capable of settlement by arbitration under the law of that country; or
(b) The recognition or enforcement of the award would be contrary to the public policy of that country."

10. Today, only a few jurisdictions prohibit arbitration of IP disputes as such, as is still the case in South Africa (Section 18.1 Patents Act 1978). Many jurisdictions allow arbitration of any IP disputes, including validity issues, such as Switzerland (Article 177 Swiss Private International Law; Federal Office for Industrial Property, Ruling of December 15, 1975, accepting to execute arbitral awards on IP validity issues, in *Patent, Trademark, Model and Design Reporter*, 1976, p. 10), Belgium (Article 51 s. 1 Belgian Patents Act), the United Kingdom (Final Report on Intellectual Property Disputes and Arbitration, Julian Lew, *ICC Bulletin* Vol. 9/nr. 1, May 1998, p. 42-43), and the United States of America (35 USC Section 294). In France, a recent decision of the Paris Court of Appeal found that an arbitrator was competent to rule on a patent invalidity defense, as the arbitrator's ruling on invalidity would only have effect between the parties (Paris Court of Appeal (1st ch.), February 28, 2008, *Société Liv Hidravlika DOO v. SA Diebolt*).

7. The WIPO Center makes available to parties the WIPO ECAF, which allows parties and all other participants to submit and consult communications electronically in an online docket. The parties can choose whether or not they wish to use WIPO ECAF to enhance the efficiency of their proceedings. A detailed description of WIPO ECAF is provided on the WIPO Center's website at: <http://www.wipo.int/amc/en/ecaf/index.html>

8. B. Hanotiau, "L'arbitrabilité des litiges de propriété intellectuelle : une analyse comparative," 2003, 21 (1), *ASA Bulletin*, p. 3-15.

rights.¹¹ In any event, in most countries, an eventual invalidity finding by the arbitrator would only have inter partes effect, i.e. only the parties to the arbitration would be bound by an eventual invalidity finding, which would have no effect on third parties.

To date, the issue of arbitrability has never been raised in any of the arbitrations administered by the WIPO Center.

II. Settlement in WIPO Mediation and Arbitration

The WIPO Center has experienced an increase in party settlements occurring in different phases of dispute resolution processes.¹² This confirms a trend observed by several arbitration institutions and practitioners, as set out for example in a recent Price-WaterhouseCoopers (PWC) study on “International Arbitration: Corporate Attitudes and Practices.” According to the PWC survey, many disputes are settled during the arbitration procedure. Twenty five percent of participants in that survey reported achieving a settlement before receiving an arbitral award, while a further 7 percent reported settlements that were followed by an arbitral award by consent.

WIPO ADR mechanisms can be used and combined in flexible ways so as to allow parties to explore amicable settlement options throughout the procedure. The WIPO Center’s experience demonstrates that the majority of both WIPO mediation and arbitration cases actually result in settlement.

As shown in the following diagrams¹³, a total of 73 percent of the mediation procedures administered

by the WIPO Center have been settled. As for WIPO arbitration, 54 percent of cases have been settled prior to an award:

1. Settlement During Mediation

The WIPO Mediation Rules provide in Article 13 that the mediator shall promote the settlement of the issues in dispute between the parties. Indeed, mediation fosters the identification of the parties’ underlying commercial interests enabling them to find common ground for a settlement which can substantially increase the mutual gain and leave both parties as winners. A settlement agreement signed by both parties will have contractual force and can be enforced under the applicable contract law.

Most WIPO mediation cases are settled during the mediation meeting. A recent WIPO patent mediation case between a technology consulting company and a manufacturer illustrates this typical scenario. In this case the appointed mediator, an experienced patent mediator, conducted a two-day meeting towards the end of which he met with both parties’ decision-makers alone, without their lawyers being present. Until that moment, the parties had been discussing primarily the amount of damages or royalties payment. At that point, however, the mediator was able to ask questions designed to focus both directors’ attention on how each party could help the other solve its internal problems. As soon as the parties realized that their assumptions about the other were incorrect and that they were both willing to cooperate, one side made a suggestion which the other accepted in general terms. A formal settlement agreement was then signed which not only covered the royalty issue, but also included agreement on future consulting contracts.

The mediation was thus instrumental in transforming a hostile situation in which the parties were preparing to engage in prolonged and expensive litigation into one in which they were able to conclude an arrangement which suited the business interests of both parties

and ensured the profitable use of the technology in the service of those interests.

2. Settlement After Mediation

Even if no settlement is reached during the mediation meeting, the mediation can enable the parties to identify the issues at stake and to clarify their underlying interests.

Figure 4. WIPO Mediation

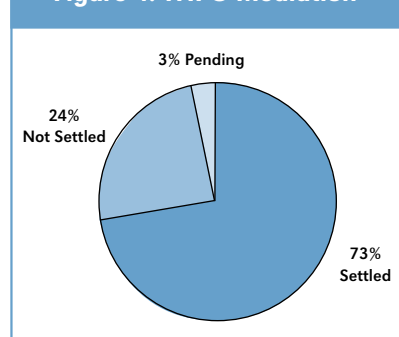
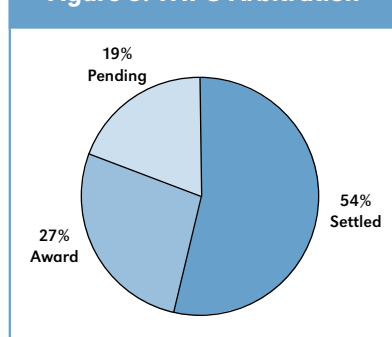


Figure 5. WIPO Arbitration



11. Sophie Lamb, Alejandro Garcia, “Arbitration of Intellectual Property Disputes, Arbitrability and Public Policy,” in *Global Arbitration Review, The European and Middle Eastern Arbitration Review* 2008, <http://www.globalarbitrationreview.com/handbooks/3/sections/5/chapters/66/arbitration-intellectual-property-disputes>

12. http://www.pwc.co.uk/eng/publications/international_arbitration_2008.html

13. Status as of as of December 2008.

A better understanding of their dispute and business relationship can therefore assist further negotiations between the parties, which may result in a settlement after the mediation.

In a recent WIPO pharma patent license mediation, a European university holding several pharmaceutical patent applications and a European pharmaceutical company requested the assistance of a mediator to help them reach an agreement on the terms of a license. The mediator, an experienced lawyer who had worked in the pharmaceutical industry for many years, conducted a one-day meeting session which allowed the parties to identify the issues and deepen their understanding of the legal circumstances and the broader relationship. On this basis, the parties continued direct negotiations amongst themselves after the mediation meeting and reached a settlement agreement.

3. Settlement During Arbitration

Parties can include dispute resolution clauses in their IP agreements providing for mediation followed by arbitration in order to maximize chances of solving any disputes.¹⁴ The parties thereby agree to initiate arbitration if the mediation does not result in a settlement after a fixed period of time. In the

WIPO Center's experience, even if the parties are unable to reach a settlement during the mediation, they are better prepared for the arbitration and the issues in dispute tend to be better defined or narrower in scope.

In the course of arbitration, the parties or the arbitral tribunal will sometimes realize that there is still potential for settlement. Especially where the communication between the parties and the tribunal is good and where party representatives with decision-making power are present during the arbitration hearings, settlement options may be explored.

Article 65 of the WIPO Arbitration Rules (Article 58 in the WIPO Expedited Rules), allows the arbitral tribunal to suggest that the parties explore settlement at such times as it deems appropriate. If the parties agree on a settlement of the dispute before the award is made, the arbitral tribunal terminates the arbitration and can record the settlement in the form of a consent award if this is jointly requested by the parties. Incorporating a settlement in a consent award has the advantage of making it enforceable under the New York Convention.

In some WIPO arbitrations, the parties presented the arbitral tribunal with a settlement and asked that it be recorded in a consent award. In other WIPO cases, the arbitral tribunal encouraged settlement and presented a preliminary view to the parties.

A WIPO IT patent arbitration illustrates the latter scenario. In that case, an Asian company and a European software developer were involved in a WIPO arbitration over a license agreement. After reviewing the parties' pleadings, the sole arbitrator suggested to convene a conciliation conference which was subsequently organized with the parties' agreement. At the conciliation conference, the sole arbitrator communicated to the parties his provisional conclusions on the matter referred to arbitration. No written record was provided to the parties of the views so communicated. Although the parties did not immediately settle the case, they were able to do so after further discussions in the weeks that followed.

III. Specific Performance as a Remedy in WIPO Arbitration and Mediation

Although monetary relief tends to be a common form of relief requested in WIPO cases, parties in IP disputes often seek specific performance as a remedy solely or in addition to financial compensation.

In light of the contractual relationship that has developed between parties, in many of these cases the

14. WIPO recommended contract clause for 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 arbitrators].]* 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.) <http://www.wipo.int/amc/en/mediation/contract-clauses/clauses.html>

request for monetary relief is preceded by a request for a declaration of non-performance of contractual obligations or of infringement of rights. It may be fair to presume that the true purpose of such claims is to clarify the parties' rights and obligations under the contract and its possible re-negotiation (e.g., amended or new licensing terms permitting a continued business relationship between the parties).

We have set out below some examples of the types of specific performance relief that have been requested in WIPO cases:

1. Preservation of confidentiality of evidence

In a WIPO expedited arbitration of a patent dispute, an Asian inventor filed a request for arbitration against a U.S. manufacturer with regard to the payment of royalties under their license agreement. The inventor requested a declaration that his patents had been infringed. During the evidentiary phase of the arbitration, the U.S. manufacturer alleged that there was a risk that the inventor could be negotiating a license with one of the competitors of the U.S. manufacturer. The arbitrator issued a protective order to prevent the inventor's access to certain documents disclosing the U.S. manufacturer's business secrets. In the final award, the arbitrator addressed issues of infringement of the asserted patents and whether those patents had been anticipated.

2. Provision of guarantee

In the WIPO IT patent arbitration mentioned in Section II.3. above, the Asian company obtained an interim order freezing the software developer's bank account from a court based in the software developer's domicile pursuant to Article 46(d) of the WIPO Arbitration Rules.

In the WIPO arbitration, the software developer requested the arbitrator to issue an interim award ordering the Asian company to discharge the freezing order, to refrain from initiating any further action in court without prior consent of the arbitrator, and to provide a bank guarantee in order to secure payment of the software developer's counterclaim. The arbitrator, while declining to undertake action in direct relation to the court case, ordered the Asian company to provide a bank guarantee in favor of the software developer. The Asian company provided the bank guarantee as ordered.

3. Production of documents

In a WIPO Arbitration of a pharma dispute, a European pharmaceutical company entered into

an exclusive patent license agreement with a U.S. pharmaceutical company. The license contained an obligation for the U.S. company to obtain regulatory approval with the U.S. Food and Drug Administration (FDA) for the pharmaceutical product.

The European company filed a request for WIPO arbitration in which it sought an award declaring that the U.S. company was in breach of the license agreement and that the European company had been entitled to terminate the same. The European company further requested that the U.S. company deliver its information related to the development of the pharmaceutical product and an assessment of damages.

In a partial final award on liability, the sole arbitrator ordered the U.S. company to enable the European company to know how far it has progressed developing and obtaining administrative approval by the FDA for the product. This included also the provision of information on progress and results of clinical trials. The sole arbitrator further ordered the U.S. company to provide reports on certain patent applications.

4. Entering into a contract and delivery of a specific good

In a WIPO software mediation case, a European airline had terminated its agreement with a U.S. software company concerning the development of a worldwide platform for the management of ticket sales. The software company asserted that, with the termination, the airline's rights in the application had lapsed and requested that the software be returned. The airline was of the position that it was entitled to retain the software application and initiated mediation. The mediation resulted in the conclusion of a new license between the parties.

IV. Conclusion

Disputes interfere with the successful use and commercialization of IP rights. Finding the right means for resolving them as fairly and efficiently as possible, without disrupting underlying business relationships, is therefore an important challenge for parties involved in IP transactions. The WIPO Center's experience demonstrates that mediation and arbitration leave ample space for the parties, with the help of the neutral(s) appointed, to settle their case and to obtain remedies tailored to the special circumstances of their relationship. ■