

Dispute Resolution for SMEs

The WIPO Arbitration and Mediation Center

A European consulting company holding patents in various countries on three continents disclosed a patented invention to an Asian manufacturer in the context of a consulting contract. The contract neither transferred nor licensed any rights to the manufacturer. When the manufacturer started selling products which the consulting company alleged included the patented invention, the consulting company threatened to file patent infringement court proceedings in all jurisdictions in which the consulting company was holding patents.

The parties started negotiating a patent license with the help of external experts but failed to agree on the royalty as the multimillion dollar damages sought by the consulting company significantly exceeded the amount the manufacturer was willing to offer.

The parties submitted their dispute to mediation under the WIPO Mediation Rules, the WIPO Arbitration and Mediation Center suggested to the parties potential mediators with specific expertise in patents and the relevant technology. The parties chose one of those mediators, who conducted a two-day meeting in which the parties reached a settlement that not only covered the royalty issue, but also included agreement on future consulting contracts.

The mediation of the case was thus instrumental in transforming a hostile situation in which the parties were preparing to engage in prolonged and potentially expensive litigation into one in which they were able to conclude an arrangement which suits the business interests of both parties and ensures the profitable use of the technology in the service of those interests.

The above example shows the potential benefits of resolving disputes about intellectual property rights by means other than the courts. Intellectual property rights are only as strong as the means to enforce them. In that context, mediation and arbitration are, increasingly, being used to resolve disputes involving intellectual property rights. Intellectual property disputes have a number of particular characteristics that are not always well served by national court systems, but that can be addressed by mediation and arbitration. This tends to be true particularly for SMEs which have a particular interest in maintaining the viability of their intellectual property rights and in controlling the time and cost of any disputes that may arise in relation to such rights.

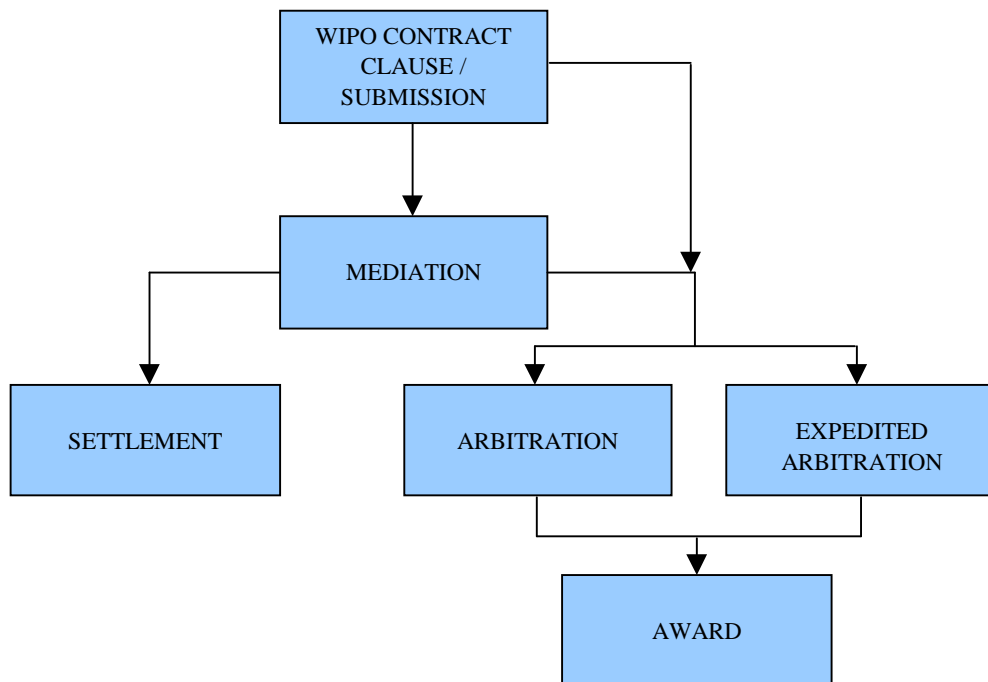
The WIPO Arbitration and Mediation Center

The WIPO Center was established in October 1994 to facilitate the resolution of commercial disputes involving intellectual property through private procedures as an alternative to court litigation. The WIPO Center believes that alternative dispute resolution procedures should be time- and cost-effective. In consultation with parties, mediators and arbitrators, the Center ensures that all fees charged in WIPO dispute resolution procedures are appropriate in light of the circumstances of the dispute and that due note is taken of the need for expeditious results.

Referral to WIPO dispute resolution procedures is consensual. To facilitate party agreement, the Center provides recommended contract clauses such as those set out at the end of this article (for the submission of future disputes under a particular contract) and submission agreements (for existing disputes) in relation to:

- Arbitration under the WIPO Arbitration Rules;
- Expedited arbitration under the WIPO Expedited Arbitration Rules; and
- Mediation under the WIPO Mediation Rules followed, if a settlement is not achieved, by arbitration under the WIPO Arbitration or Expedited Arbitration Rules.

The following diagram illustrates the dispute resolution options offered by the WIPO Center:



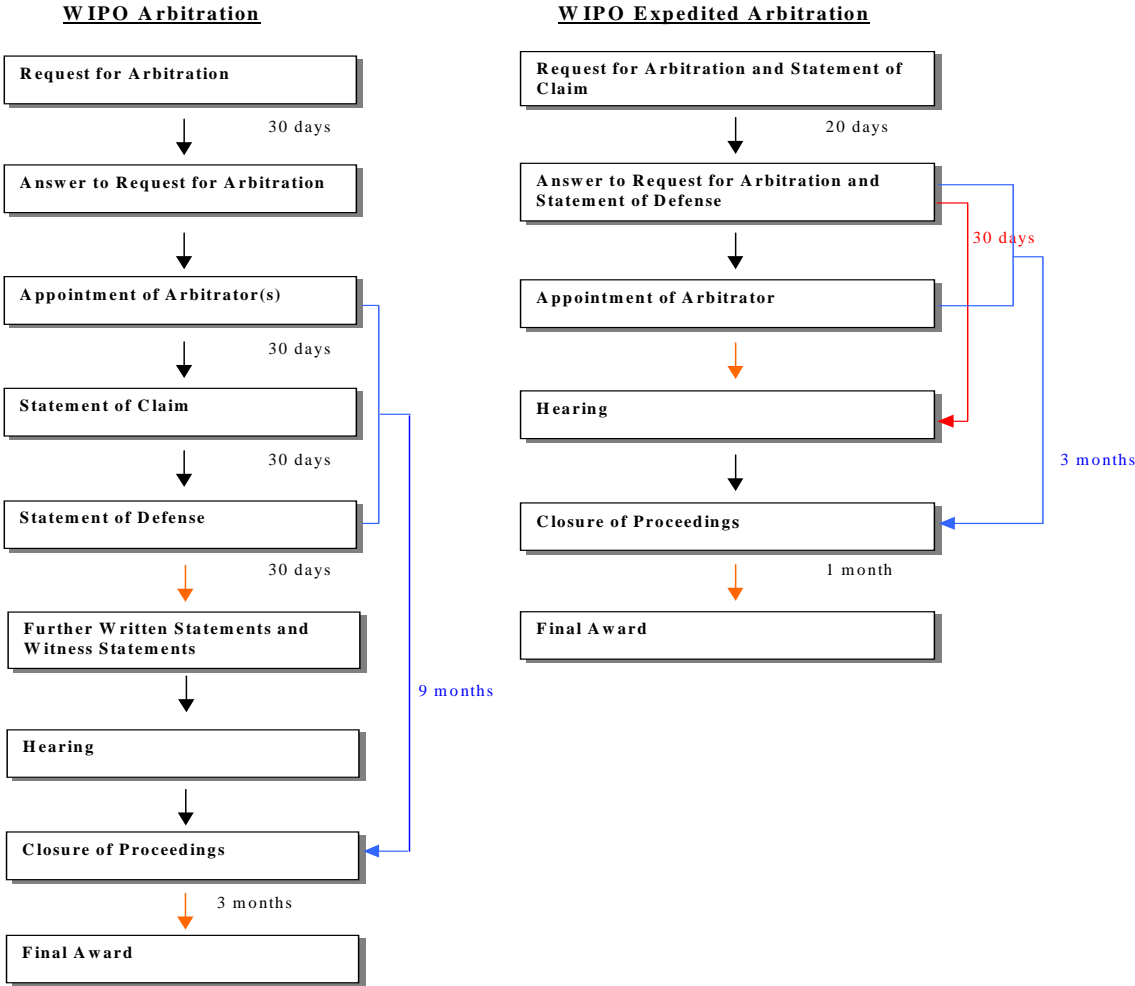
WIPO clauses can be found in a wide variety of contracts involving intellectual property, including patent, know how and software licenses, franchises, trademark coexistence agreements, distribution contracts, joint ventures, research and development contracts, technology-sensitive employment contracts, mergers and acquisitions with important intellectual property aspects, sports marketing agreements, and publishing, music and film contracts. WIPO clauses are found most frequently in licensing agreements entered into by parties from different jurisdictions.

WIPO Expedited Arbitration

WIPO Expedited Arbitration may be of particular interest to SMEs. WIPO Expedited Arbitration is a form of arbitration that is carried out in a shortened time frame and, therefore, at a reduced cost. To achieve those objectives, the WIPO Expedited Arbitration Rules provide for:

- A sole arbitrator rather than a three-member tribunal;
- Shortened time periods for each of the steps involved in the proceedings;
- A shorter hearing; and
- Fixed fees (including the arbitrator's) in the case of disputes of up to US\$10 million.

The following diagram compares the principal steps in WIPO Arbitration to those in Expedited Arbitration.



Disputes Submitted to WIPO Mediation and/or Arbitration

WIPO arbitrations and mediations have been conducted in the English, French and German language and have involved parties from Austria, China, France, Germany, Hungary, Ireland, Israel, Italy, Japan, the Netherlands, Panama, Spain, Switzerland, the United Kingdom and the United States of America. The Center has issued, in several languages, a new version of its publication containing the WIPO Mediation Rules, WIPO Arbitration Rules, and WIPO Expedited Arbitration Rules, including a simplified schedule of fees. Interested parties may order this brochure free of charge by contacting *arbitr.mail@wipo.int*.

The subject matter of the cases which the Center has administered includes both contractual disputes, such as trademark co-existence agreements, patent licenses, software licenses, distribution agreements for pharmaceutical products and research and development agreements, and non-contractual disputes, such as patent infringement.

One example of a WIPO mediation case concerned a publishing house that entered into a contract with a software company for the development of a new web presence. The project

was to be completed within one year and included a clause submitting disputes to mediation and, if settlement could not be reached within 60 days, to expedited arbitration in accordance with the WIPO Rules. After 18 months, dissatisfied with the developer's services, the publisher refused to pay, threatened rescission of the contract and asked for damages, leading to a WIPO mediation.

In recent expedited arbitration proceedings governed by the WIPO Rules, the sole arbitrator appointed by the Center issued a final award six weeks after the proceedings were commenced.

In these and other cases submitted to it, using its list of over 1,000 independent intellectual property and alternative dispute resolution specialists from over 70 countries, the Center appoints arbitrators and mediators with specific expertise in the technical and legal issues at stake. Many of these WIPO neutrals have attended WIPO-organized dispute-resolution workshops. The next such event will take place on October 20 and 21 of this year in Geneva, when prominent arbitrators will teach the WIPO Workshop for Arbitrators. In June 2004, the Center will hold in Geneva its popular annual Workshop for Mediators in Intellectual Property Disputes. Information on these workshops is available at <http://arbiter.wipo.int/events/index.html>.

The Center's web site, <http://arbiter.wipo.int>, which regularly receives over one million hits per month, presents full information on the Center's activities in the area of intellectual property arbitration and mediation, including programs and registration forms for the Center's workshops. In addition to arbitration and mediation, the Center's site also offers full information about WIPO's domain name dispute resolution services.

Recommended WIPO Dispute Resolution Clauses

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 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].”

WIPO 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 referred to and finally determined by arbitration in accordance with the WIPO Expedited Arbitration Rules. The place of arbitration shall be ... The language to be used in the arbitral proceedings shall be ... The dispute, controversy or claim shall be decided in accordance with the law of ...”

For further models of clauses or information, please contact arbiter.mail@wipo.int or visit the WIPO Arbitration and Mediation Center web site at <http://arbiter.wipo.int>, where are made available, among other useful tools, guidelines and downloadable publications. Information is available in English, French and Spanish.