

An Update On International Trends In Technology, Media And Telecoms Dispute Resolution, Including Intellectual Property Disputes

By Ignacio de Castro, Leandro Toscano and Andrzej Gadkowski

Technology and intellectual property (IP) rights are key components of innovation and creative processes, and their efficient exploitation is fundamental to successful business. While the careful drafting of contracts will reduce the frequency of disputes, they may at times arise. Therefore, it is essential that disputes be managed and resolved efficiently. Parties to IP and technology transactions must anticipate appropriate mechanisms to prevent and resolve potential disputes in a time- and cost-effective manner in order to avoid lengthy and costly court proceedings.

The Survey Report on Technology, Media and Telecommunications Disputes¹ (TMT Survey), published by the School of International Arbitration (SIA) of Queen Mary University of London, highlights trends in the use of dispute resolution mechanisms in TMT matters, including IP. The TMT Survey covers types and size of disputes, in-house dispute resolution policies and preferences, dispute resolution mechanisms in practice, as well as the comparative strengths and rankings of institutional dispute resolution providers.

As previously featured in *les Nouvelles*,² the World Intellectual Property Organization Arbitration and Mediation Center (WIPO Center) conducted in 2013 the International Survey on Dispute Resolution in Technology Transactions³ (WIPO Survey), aimed at better understanding technology-related dispute resolution strategies and practices.

This article will highlight the main findings of the TMT Survey and the connection with trends and practices observed by the WIPO Survey and the WIPO Center's experience.

The WIPO Arbitration and Mediation Center

With offices in Geneva, Switzerland and in Singa-

1. Considered authoritative in the international arbitration community, the Queen Mary Survey, which for the first time focused on TMT, involved 343 written replies and 62 personal interviews. The TMT Survey Report is available at http://www.arbitration.qmul.ac.uk/media/arbitration/docs/Fixing_Tech_report_online_singles.pdf.

2. Judith Schallnau, "Survey results confirm growing trend in favor of ADR," *les Nouvelles*, *Journal of the Licensing Executives Society International*, June 2014.

3. The WIPO Survey report is available at <http://www.wipo.int/amc/en/center/survey/results.html>.

pore, the WIPO Center⁴ offers alternative dispute resolution (ADR) options to enable parties to efficiently settle their domestic or cross-border commercial disputes. The ADR options offered by the WIPO Center are mediation, arbitration, expedited arbitration, and expert determination. The WIPO Center is international and specialized in IP and technology disputes, including TMT disputes. It has a strong focus on controlling time and cost of its proceedings.

The WIPO Center's ADR services are used by multinational corporations, small and medium-sized enterprises (SMEs), research and development (R&D) centers, universities and inventors from around the world. The WIPO Center also collaborates with national IP offices and other IP stakeholders to promote the use of WIPO ADR.⁵

I. Types and Size of TMT Disputes

As indicated in the Survey Report, the term "TMT" (Technology, Media and Telecommunications) encompasses a wide range of products and services across a broad range of sectors. Cross-border TMT transactions are growing in number and complexity, and the international dimension of TMT projects often involves complex questions related to IP rights, such as patents, trademarks, copyrights—including software—or know-how.

According to the TMT Survey the most common types of TMT disputes encountered by respondents in the last five years are: disputes related to IP (50 percent), joint-venture/partnership collaboration (39 percent), licensing (37 percent), information technology (IT) systems development/implementation/integration (35 percent), confidentiality/non-disclosure agreements (NDAs) (20 percent), and outsourcing disputes (14 percent).⁶

The TMT Survey concluded that there are a variety of reasons for disputes arising in relation to

4. Further information on the WIPO Center is available at <http://www.wipo.int/amc>.

5. WIPO ADR Services for Specific Sectors are available at <http://www.wipo.int/amc/en/center/specific-sectors>.

6. TMT Survey, p. 9.

IP, IT systems development/implementation/integration, reputation management and outsourcing. This variety is connected to the diversity of industry sectors involved in the TMT Survey. For example, for IT suppliers, many disputes relate to the delivery of the contracted service. Common IT systems disputes are usually connected to delays, requirements, and failures to achieve business objectives.

IP disputes are mainly related to infringement of trademarks, patents and copyright. Trade secrets and patent essentiality (Standard Essential Patents, or SEP) disputes were also mentioned by TMT Survey respondents.

The WIPO Center's experience shows that some 28 percent of the cases administered involved patent related issues, followed by information and communications technology (ICT) disputes (25 percent), trademarks (17 percent), copyright (9 percent) and other commercial areas, including franchising and distribution disputes (21 percent).⁷ See Figure 1.

Disputes related to IT/ICT contracts are increasingly being referred to WIPO mediation and arbitration. Such disputes have arisen out of outsourcing agreements, system integration agreements, patent licenses regarding ICT and telecommunications related agreements, and software agreements (such as software development, licensing, and maintenance agreements). The WIPO Center has also administered disputes related to the quality/performance of the delivered software, timely delivery, source code and escrow disputes, as well as reseller disputes, among others.

Respondents of the WIPO Survey indicated that among technology-related agreements, licenses most frequently gave rise to disputes. R&D agreements ranked second, followed by NDAs, settlement agreements of prior court litigation, assignments, and merger and acquisition (M&A) agreements.

Case Example: A WIPO Mediation of a Telecom Patent License Dispute

A European telecom company licensed U.S., European and Asian patents relating to telecommunication technology to a U.S. company involved in the development of wireless products. The license agreement contained a clause according to which any dispute arising out of or in connection with the agreement should be submitted to WIPO mediation, followed in the absence of settlement by WIPO arbitration. Four years after concluding their agreement, the parties disagreed on the scope of the applications for which the licensee could use the licensed technology and, as a result, the licensor alleged that the licensee had violated its patents by using the licensed technologies beyond the scope of the license. The European telecom company initiated a WIPO mediation. The WIPO Center suggested to the parties' mediator candidates with specific expertise in patents and telecommunication technology. With the mediator's assistance, the parties were able to settle their dispute within five months of the commencement of the mediation.

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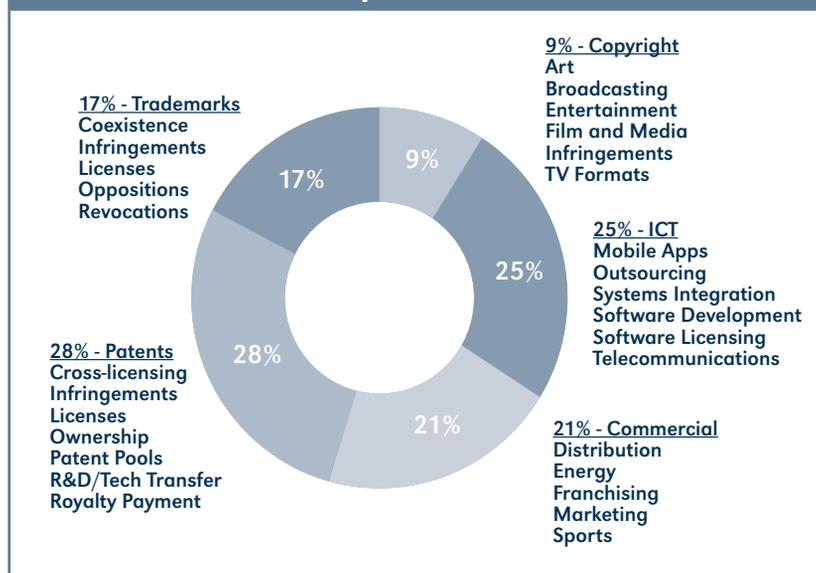
According to the TMT Survey Results, TMT disputes are high risk and high-value, particularly in Europe and North America. Many disputes have

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Figure 1: Types of Disputes In WIPO Mediation, Arbitration And Expert Determination Cases



7. Information on the WIPO Center's caseload is available at <http://www.wipo.int/amc/en/center/caseload.html>.

involved sums in excess of USD 100 million. Possible reasons for this include the commercial and legal maturity of these markets, the location of multi-national technology companies' headquarters and a more litigious business culture. Amounts in dispute in WIPO ADR cases have varied from USD 15,000 (e.g., software licensing disputes) to USD 1 billion (e.g., complex multijurisdictional patent disputes).

II. Choice and Use of Dispute Resolution Mechanisms

Seventy-five percent of TMT Survey respondents indicated that they had a dispute resolution policy. Within such policy,⁸ mediation is usually the most encouraged mechanism, followed by arbitration. For arbitration, the three most important elements for respondents are: institution, seat, and confidentiality. Finally, court litigation is the least desirable method.

It is interesting to note that although arbitration was most preferred, litigation was the most used dispute resolution mechanism by TMT Survey respondents. As explained in the TMT Survey Report, this may happen because while arbitration is preferred, many disputes emerge more than five years after the contract is drafted, and sometimes it is not possible to introduce arbitration provisions in dispute resolution clauses in the contract negotiation phase.⁹ A statistical analysis of WIPO ADR experience confirms these explanations.

According to the TMT Survey, the decision whether to initiate litigation or arbitration is usually a Board issue, and is determined primarily by the legal costs (50 percent), the strength of legal position and arguments (44 percent), the parties' relationship (37 percent), and business convenience (34 percent).¹⁰

The results of the WIPO Survey showed that court litigation was the most common dispute resolution clause used by respondents of the Survey (32 percent), followed by (expedited) arbitration (30 percent) and mediation (29 percent). The use of mediation was either as a stand-alone dispute resolution mechanism (12 percent) or in combination with court litigation, (expedited) arbitration or expert determination (17 percent). Finding a business solution was an important factor for respondents choosing mediation.

WIPO Survey respondents generally signalled an increased use of mediation, which they perceived as particularly cost- and time-efficient mechanism, by itself or in combination with direct negotiations, (expedited) arbitration or court litigation. Some 40 percent of the mediation and arbitration cases filed with the WIPO Center are the result of an escalation clause providing

for WIPO mediation followed, in the absence of a settlement, by WIPO (expedited) arbitration.

Twenty-nine percent of WIPO Survey respondents also indicated that they had submitted a dispute to mediation before or during court litigation involving contractual patent, copyright and/or know-how issues. In recent years, the WIPO Center has observed an increase in the filing of mediation cases, including disputes referred to mediation by national courts.

Unilateral Request for WIPO Mediation

The WIPO Center is regularly contacted in relation to disputes where one party wishes to submit a dispute to mediation, but no mediation agreement exists between the parties, for example in infringement disputes or in cases pending before the courts. To facilitate submission of such disputes to WIPO mediation, a party may submit a unilateral Request for Mediation to the WIPO Center under the WIPO Mediation Rules. The WIPO Center may then assist the parties or, upon request, may appoint an external neutral to provide the required assistance. Effective from January 2016, this procedure has been used successfully by parties in a number of cases.

Ninety-four percent of WIPO Survey respondents indicated that negotiating dispute resolution clauses formed part of their contract negotiations. WIPO ADR cases are predominately based on contract clauses; however, an increasing number of cases are submitted to WIPO ADR procedures as a result of a submission agreement concluded after the dispute had arisen (e.g., non-contractual infringement of IP rights). To facilitate party agreement and avoid any ambiguity that might later complicate or delay the dispute resolution process, the WIPO Center provides recommended contract clauses and submission agreements for use by parties involved in contract negotiations.¹¹ It also offers access to an online Clause Generator¹² that proposes additional contractual elements based on WIPO case experience.

WIPO ADR for FRAND

The WIPO Center makes available model submission agreements that may be tailored by parties to address standards-related disputes involving telecom patents in multiple jurisdictions. Developed in consultation with patent law, standardization and arbitration experts from a number of jurisdictions, the WIPO model submission agreements are designed to enable cost-and time-effective determi-

8. TMT Survey, p. 18.

9. TMT Survey, pp. 22-23.

10. TMT Survey, p. 23.

11. WIPO model ADR clauses are available at <http://www.wipo.int/amc/en/clauses>.

12. The WIPO Clause Generator is available at <http://www.wipo.int/amc-apps/clause-generator/>.

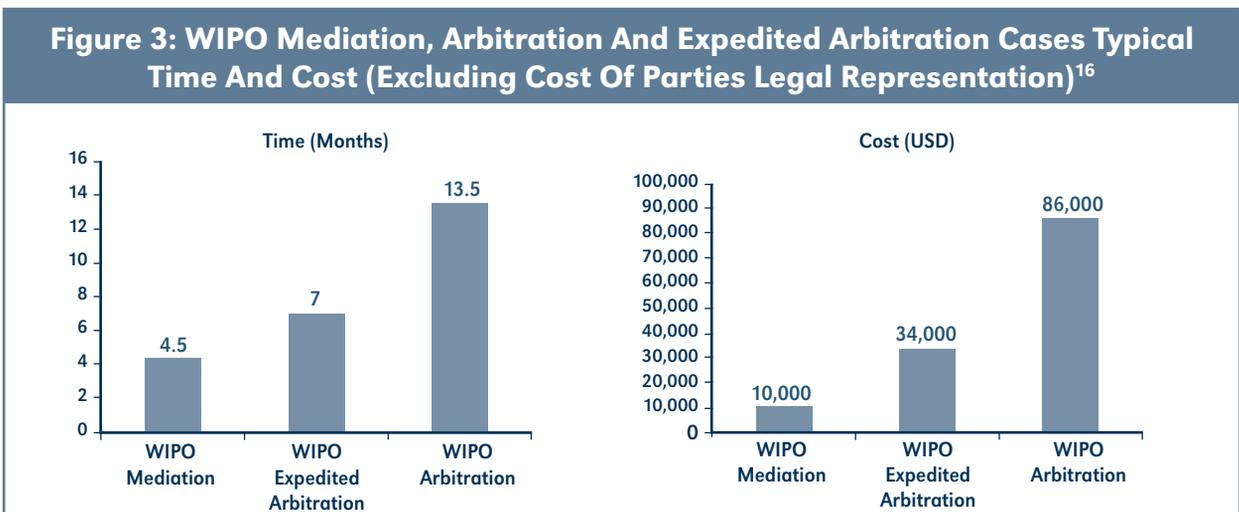
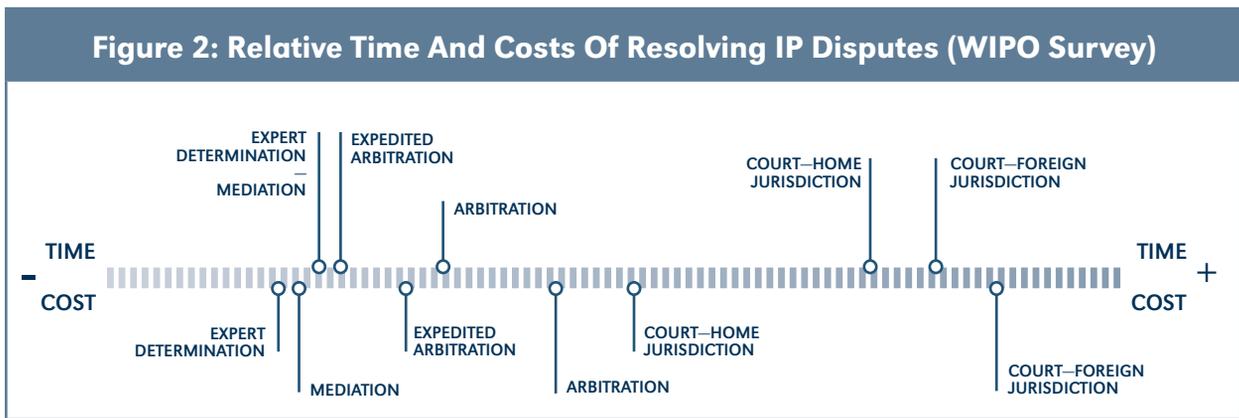
nation of fair, reasonable and non-discriminatory (FRAND) licensing terms. In this regard, the WIPO Center collaborates with standardization bodies such as the European Telecommunication Standards Institute (ETSI) and the Institute of Electrical and Electronics Engineers (IEEE). To facilitate the submission to WIPO ADR of FRAND-related disputes, the WIPO Center has published the *Guidance on WIPO FRAND ADR*.¹³

Cost and time were the principal considerations for WIPO Survey respondents when negotiating dispute resolution clauses, both in domestic and international agreements. Respondents also indicated that they spent more time and incurred significantly higher costs in court litigation—in particular, in a foreign jurisdiction—

than in arbitration and mediation.¹⁴ See Figure 2.

The WIPO Center makes every effort to ensure that arbitrators and mediators appointed in WIPO cases share its commitment to control the time and cost of WIPO ADR proceedings. It sets the neutrals' fees, after consultations with the parties and the neutrals, and administers the financial aspects of the proceedings, to ensure that the case stays on track. The WIPO Center liaises with parties and neutrals to ensure optimal communication and procedural efficiency,¹⁵ and makes available to parties online case administration tools, such as an online docket and videoconferencing facilities.

Although every case presents different characteristics, the below graph provides an indication of typical time and cost spent in WIPO mediation, arbitration



13. The WIPO FRAND model submission agreements and the *Guidance on WIPO FRAND ADR* are available at <http://www.wipo.int/amc/en/center/specific-sectors/ict/frand/>.

14. WIPO Survey respondents mentioned arbitration under expedited rules as a means to control the costs of arbitration.

15. The WIPO Center assists parties in the selection of mediators, arbitrators and experts in a case under the WIPO Rules, from the WIPO Center's database of over 1,500 neutrals with expertise in IP and technology disputes.

16. Pursuant Article 25 of the WIPO Mediation Rules, unless the parties agree otherwise, the administration fee, the fees of the mediator and all other expenses of the mediation shall be borne in equal shares by the parties. Pursuant Article 66(c) of the WIPO Expedited Arbitration Rules and Article 73(c) of the WIPO Arbitration Rules, the arbitral tribunal shall, subject to any agreement of the parties, apportion the costs of arbitration and the registration and administration fees of the WIPO Center between the parties in the light of all the circumstances and the outcome of the arbitration.

and expedited arbitration procedures. See Figure 3.

With regards to the choice of dispute resolution provider, the TMT Survey Report shows that geography is a determining factor.¹⁷ WIPO Survey respondents also indicated that the choice of arbitral institution broadly corresponds to the location of respondent headquarters. For example, respondents based in Asia predominantly chose arbitral institutions in Asia. By comparison, given its international neutrality the WIPO Center is selected by respondents from all regions.¹⁸

Case Example: A WIPO Mediation in the Area of Research and Development

A major European research institute and a French company entered into a license agreement related to a technology in the area of building materials with an application for patent filed with the European Patent Office (EPO). The parties included in their contract a multi-tier dispute resolution clause providing for WIPO mediation, followed by court litigation. Three years after the conclusion of the agreement the company alleged the invalidity of the agreement and requested a refund of royalty payments in light of the rejection of the patent application by the EPO. The research institute commenced mediation proceedings.

The parties appointed a mediator experienced in licensing agreements and specialized in patent law from the list of candidates provided by the WIPO Center. The mediator conducted a preparatory telephone conference with the parties including an explanation of mediation principles, the submission of documents, as well as details of the mediation meeting. A one-day mediation session took place in Munich, Germany. At the end of the session the parties concluded a settlement agreement, which included options for the amendment of the license agreement and payment of royalty rates, based on future decisions on the patent application, and the additional option to conclude a research and development agreement between the parties. The mediation settled within less than three months after

17. Respondents with experience in IP disputes named the International Court of Arbitration (ICC) (59 percent) as the most used institution followed by the WIPO Center (55 percent). Where respondents expressed a preference for an institution, the WIPO Center ranked first (TMT Survey, pp. 31-34).

18. Parties to WIPO ADR cases so far have been based in different jurisdictions, including: Algeria, Australia, Austria, Belgium, Belize, Brazil, Canada, China, Colombia, Cyprus, Denmark, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Lebanon, Malaysia, Malta, Mexico, Morocco, Netherlands, Nigeria, Norway, Panama, Philippines, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Singapore, Spain, Switzerland, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, United Kingdom and United States of America.

its commencement and enabled further extended collaboration between the parties.

III. Settlement of Disputes

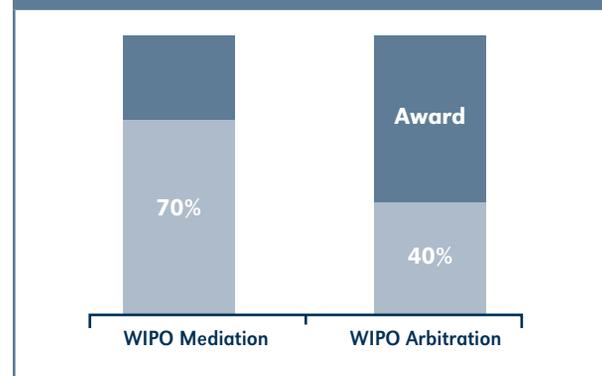
Like any other types of disputes, not all TMT disputes progress to a binding decision. According to the TMT Survey results, 41 percent of respondents' disputes were settled via an amicable settlement through direct negotiation or mediation, before litigation, arbitration, or other formal adjudicative proceedings were started. Some sectors had a higher success rate; for example, 81 percent in the Telecoms sector, and 78 percent in the IT sector.¹⁹

When asked about trends, WIPO Survey respondents indicated that they observed an increasing use of out-of-court dispute resolution mechanisms and willingness to settle disputes in order to avoid costs and to be able to refocus on their business.²⁰

In this regard, WIPO ADR procedures stimulate positive opportunities for party settlement. For example, the WIPO Mediation Rules allow the mediator to promote the settlement of the issues in dispute between the parties in any manner that the mediator believes to be appropriate.²¹ Some 70 percent of WIPO mediation procedures settle. See Figure 4.

Even in arbitration, where parties refer their dispute to a decision maker, 40 percent of WIPO cases have settled before any formal decision was issued. Arbitrators appointed under the WIPO Rules can suggest that

Figure 4: Settlement Rates In WIPO Mediation And Arbitration Cases



19. TMT Survey, p. 22.

20. The WIPO Center regularly provides procedural guidance to parties in order to facilitate their direct settlement, or the submission of their existing dispute to WIPO ADR. The WIPO Center has assisted parties in some 300 "Good Offices" requests (some of these are followed by WIPO ADR proceedings) that have involved parties based in different jurisdictions from all regions of the world.

21. WIPO Mediation Rules, Article 14(a).

22. WIPO Arbitration Rules, Article 67(a).

parties explore settlement at such times as they may deem appropriate.²² If the parties agree on a settlement of the dispute before the award is made, arbitrators may terminate the arbitration and record the settlement in the form of a consent award, if requested by the parties.²³

In multi-tiered procedures, where typically there is an initial mediation phase followed, in the absence of a settlement, by (expedited) arbitration, the WIPO Center's experience shows that settlement also materializes during the arbitration phase due to different factors, including the narrowing of the areas in dispute in the mediation phase and the escalation of costs and time.

IV. Is Arbitration Suitable for TMT Disputes?

The large majority of TMT Survey respondents (92 percent) indicated that arbitration is well suited for TMT disputes, and that they believe there will be an increase in its use (82 percent). Respondents selected arbitration as the preferred dispute resolution mechanism for TMT disputes. Notwithstanding this, they also stated that there are opportunities for improvements for international arbitration in the TMT sector, for example with regards to the duration and the cost of the procedures.²⁴

When asked about the future, 87 percent of respondents thought that it was likely that there would be an increased specialization of arbitrators to deal with TMT disputes.²⁵

Furthermore, TMT Survey respondents highlighted enforceability, ability to avoid a foreign jurisdiction, expertise of the decision maker, confidentiality/privacy, and forum neutrality as attractive features of international arbitration. Enforceability also ranked as a motivating factor to use arbitration among WIPO Survey respondents, placing a higher value for international transactions than they did for domestic transactions. Forum neutrality was also indicated as an important feature, in

23. WIPO Arbitration Rules, Article 67(b).

24. TMT Survey, pp. 25-29.

25. The members of the WIPO List of Neutrals range from highly specialized practitioners and experts with specialized knowledge in the areas of patents, trademarks, copyright, designs or other form of intellectual property and ICT that is the subject of the dispute, to seasoned commercial dispute resolution generalists. The WIPO Center also maintains specific lists of neutrals for specific types of disputes, for example for FRAND disputes.

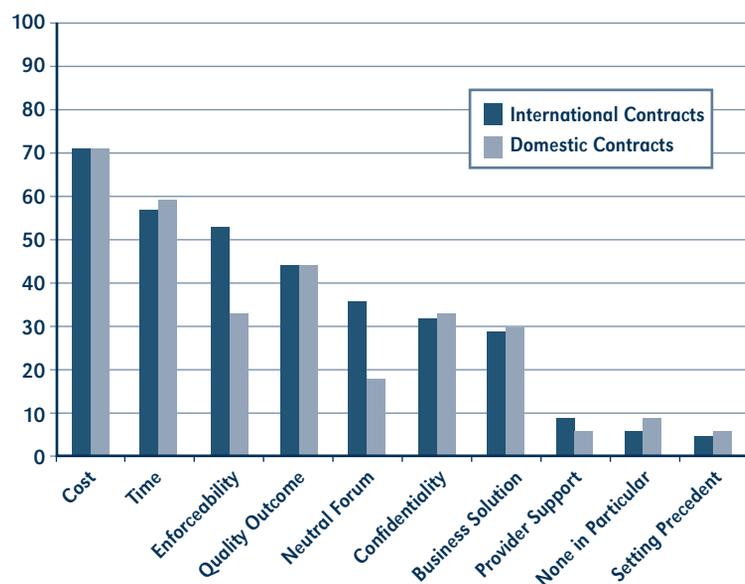
particular for international disputes. Across all dispute resolution mechanisms (including mediation, arbitration and court litigation), time and cost remained the prime concern. See Figure 5.

Case Example: A WIPO Arbitration of a Telecom Infrastructure Dispute

A company that provides wireless communication services and a company that sells, installs and maintains telecom infrastructures concluded an agreement for the purchase of infrastructure equipment for wireless communication networks. Both companies were based in the U.S. The purchase agreement provided that any dispute arising out of or in connection with the agreement would be resolved under the WIPO Arbitration Rules.

The seller delivered the equipment which was used by the purchaser despite alleged performance shortfalls. Several years after the delivery of the system, the purchaser filed a request for arbitration including, inter alia, claims for breach of contract and damages. The parties chose to appoint as sole arbitrator one of several candidates proposed by the WIPO Center, a lawyer with considerable experience with telecom infrastructure disputes. The sole arbitrator considered substantial documentary evidence, held a three-day hearing in California for the cross-examination of witnesses, and rendered a final award rejecting the claims.

Figure 5: Top Ten Priorities In Choice Of Dispute Resolution Clause (WIPO Survey)



Source of graphs: WIPO International Survey on Dispute Resolution in Technology Transactions

V. The Use of Technology in International Dispute Resolution

TMT Survey respondents favored the use of technology in international dispute resolution to make processes more efficient and to help to avoid unnecessary and costly delays. In this regard, 45 percent of TMT Survey respondents believed that online dispute resolution tools (e.g., e-case management software) could improve international dispute resolution.

In line with these trends, the WIPO Center makes available to interested parties online case administration options, including an online docket—WIPO Electronic Case Facility (ECAF)—and videoconferencing facilities, to offer time and cost efficient ADR proceedings. For example, WIPO ECAF allows parties, mediators, arbitrators and experts in a WIPO case to securely submit communications electronically into an online docket. Users receive email alerts of any such submission being made and may access and search the docket at any time. All case information filed in WIPO ECAF is protected and encrypted to ensure confidentiality.

When parties and neutrals in WIPO cases are based in different locations, they have occasionally agreed to hold meetings or hearings remotely via online tools, including videoconferencing facilities, or telephone. For example, in order to encourage the use of such online tools, the WIPO Center and the IP Office of Australia now make available online communication options, including WIPO ECAF and videoconferencing facilities.²⁶

Case Example: A WIPO IT Mediation Conducted by Telephone

An Asian and a U.S.-based start-up company entered into a license agreement on the use of mobile phone applications, which contained a dispute resolution clause referring to WIPO mediation followed, in the absence of a settlement, by WIPO arbitration.

A dispute arose between the parties regarding the authorized use of the application under the license, and in particular whether such use was to be made against payment or free of charge. Following the Request for Mediation, the WIPO Center proposed several candidates and appointed a mediator in accordance with the parties' choice. The mediator was an experienced French practitioner in technology-oriented cases. The mediation sessions took

place entirely through telephone conversations; either caucus telephone conversations or calls involving both parties.

Within two months after the appointment of the mediator, a settlement agreement was reached with the mediator's assistance, and a joint interest in further collaborations was expressed by the parties.

VI. Concluding Observations

Technology has implications in all business sectors. As Professor Loukas Mistelis, Director of the SIA stated in the TMT Survey Report, “[g]iven that disputes in a cross-border and cross-cultural context are inevitable, even when it comes to globalised market sectors, having a well defined but flexible policy relating to dispute resolution and becoming dispute-savvy is critical for all businesses.”²⁷

The TMT Survey results show that dispute resolution mechanisms need to be designed to accommodate disputes arising out of international transactions, in this case, related to the creation and commercialization of technology and IP rights. With short product and market cycles in this industry sector, of course, the time taken to resolve disputes is also of the essence.

The quality of the appointed mediator or arbitrator is vital to the success of ADR proceedings. Accordingly, neutrals' expertise to deal with the technical and complex nature of TMT disputes is key to ensure proper understanding of such disputes and the quality of the outcome of dispute resolution processes.

Furthermore, TMT transactions often involve commercially sensitive information, therefore confidential procedures are more suitable to resolve this type of disputes. It is also very important for actors in this sector to protect their reputation and to preserve relationships with current or future business partners.

ADR mechanisms are increasingly being considered and used by parties to domestic and international TMT and IP contractual and non-contractual disputes. The TMT Survey is an important tool to better understand the needs and experiences of actual and potential users of ADR mechanisms for IP and technology disputes. ■

Available at Social Science Research Network (SSRN): <https://ssrn.com/abstract=3164380>

26. See <https://www.ipaustralia.gov.au/ip-infringement/enforcing-your-ip/enforcing-your-ip-overseas>.

27. TMT Survey, p. 5.