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ALTERNATIVE DISPUTE RESOLUTION (ADR) AS A TOOL FOR INTELLECTUAL PROPERTY (IP) ENFORCEMENT

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INTRODUCTION

1. This paper provides an overview as to how Alternative Dispute Resolution (ADR) can be used as a tool for intellectual property (IP) enforcement.
2. It may at first sight seem somewhat counterintuitive that ADR, even in its broadest sense, as an alternative to traditional court, administrative and border control measures, and being generally consensual in nature, should have a role to play in the *enforcement* of IP. This is especially so when IP has traditionally been encountered in ADR when this is used to resolve contractual disputes over licences or other agreements which have an IP component as a result of such agreements containing an arbitration clause. One might therefore be forgiven for imagining that such disputes over agreements have little obviously to do with *enforcing* IP.
3. But in fact ADR has much to offer IP enforcement in that it allows disputes about IP, irrespective of the existence, at least initially, of any underlying agreement, to be resolved in ways in which national court, or other traditional or official enforcement systems cannot, or in ways in which, if they can, they do not necessarily do well.

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4. This paper starts in Section I by outlining the different sorts of ADR procedures that may be used for IP enforcement. It continues in Section II by discussing the legal and regulatory framework for ADR in the context of IP enforcement, concentrating on such framework in so far as it concerns arbitration, where it is the most developed. In Section III it considers the benefits and limitations of ADR as a tool for the enforcement of IP, again focussing on arbitration. It then concludes in Section IV with a number of examples of the current use of different types of ADR in IP enforcement.

I. THE TYPES OF ADR PROCEDURES THAT MAY BE USED FOR IP ENFORCEMENT (E.G., ARBITRATION, MEDIATION, EXPERT DETERMINATION AND OTHER ADMINISTRATIVE PROCEDURES BASED ON PARTIES' CONSENT)

a) Introduction

5. As an acronym for Alternative Dispute Resolution, which, by its very nature excludes traditional means of dispute resolution, ADR cannot be defined in a single all-inclusive and yet exhaustive manner. For example, although much ADR involves the use of private sector actors, and so does not directly involve official actors such as courts, intellectual property offices, or customs bodies, this is not always the case.¹ Moreover, although much ADR is to a degree consensual in nature, in the sense that the parties to the dispute will have agreed to its use at some point, either before or after the dispute arises, this is also not always the case.²

6. Thus it is useful initially to identify the "traditional" means of resolving IP disputes to which ADR can be seen as an "alternative", namely:

- Those which result, or which are capable of resulting, in a binding determination resolving the IP dispute and resulting from an adjudicative act made by any type of national (or regional) court or by a national (or regional) IP office or some other administrative tribunal.³ In some cases of IP infringement penalties under the criminal law

¹ See the opinion of Sloviter CJ in *Delaware Coalition For Open Government, Inc. v. The Honorable Leo E. Strine, JR and others* (US 3rd Circuit Court of Appeals, 23 October 2013) for a brief summary of the development of the law of arbitration, and observing that "Although modern arbitration is dominated by private actors, a number of jurisdictions offer alternative dispute resolution procedures as a supplement to civil litigation. See generally Yishai Boyarin, *Court-Connected ADR—A Time of Crisis, A Time of Change*, 50 FAM. CT. REV. 377 (2012). These procedures are sometimes called arbitrations, but unlike private arbitrations, they are usually non-binding, and can sometimes be initiated without the parties' consent. See Amy J. Schmitz, *Nonconsensual + Nonbinding = Nonsensical? Reconsidering Court-Connected Arbitration Programs*, 10 CARDOZO J. CONFLICT RESOL. 587, 588-89, 618 (2009)." For specific examples of ADR attached to public institutions see Section IV.b) below.

² For an example of a non-consensual ADR process, see the Opinion Service offered by the UK Intellectual Property Office, discussed further below at Paragraph 24 and Footnotes 18 to 20. This service provides, at the request of one party to a dispute or potential dispute, a non-binding but fully reasoned opinion by a patent examiner as to certain matters which are typically in issue in patent disputes (such as whether or not an accused product or process infringes and whether or not certain types of attack on the validity of the patent are well founded), and which opinions are then published by the Office.

³ Articles 41 through 50 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) set out the general obligations of the World Trade Organization (WTO) Member States as to the enforcement of IP, although this is not prescriptive as to the structure of the court system or indeed as any split as between the courts and administrative tribunals. Different countries split the jurisdiction to make such determinations differently as between their national courts and national IP offices, depending on the IP right in issue. Thus in some countries there are national patent infringement courts that lack any power to adjudicate on the validity of patents, although usually then, if such courts are informed of an attack on the validity of a patent in respect of which the infringement action is brought and consider it to be well founded they will stay such infringement action pending the determination as to the validity of such patent by the national IP office or a special court or tribunal that forms part of the IP office. In many other countries the national courts have the power to do anything that the national IP office can, and so can for example declare a patent invalid.

may also be available, typically from national courts.⁴

– The administrative acts of customs officials responsible for border control measures when applied in cases of alleged IP infringement, and which are in general open to review by national courts.⁵

7. This analysis supports the view that ADR encompasses many more different approaches to dispute resolution than the consensual and non-binding process otherwise known as mediation, and with which some have equated it. Thus the approach that is adopted in this paper is much broader and is limited only by the characterisation as set out above of the traditional means of resolving legal disputes, and which it excludes.

8. On this basis ADR can range from assisting the parties to achieve a negotiated resolution of their dispute, an exercise which may, but does not necessarily, involve any independent determination as to the substantive merits of the dispute (*i.e.* **mediation**), to various types of independent determination as to the merits of the dispute or certain aspects of it (such as **arbitration** or **expert determination**). Such independent determination may be either binding on the parties to it (as is arbitration and many expert determinations) or non-binding (as expert determination may sometimes be), although even a non-binding determination (here called **neutral evaluation**) may have considerable persuasive effect on the parties, and thus facilitate a negotiated settlement, depending on how widely it is disseminated, or by the nature of the body that undertakes it. Such independent determinations will typically, but not always, be made by, or the process by which they are made managed by, individuals or organizations in the private sector.⁶ Each of these types of ADR is outlined more fully below.

b) Arbitration

9. Arbitration has been defined as:⁷

A binding procedure in which the dispute is submitted to one or more arbitrators who make a final decision on the dispute. (Depending on the parties' choice, arbitration may be preceded by mediation or expert determination.)

10. The use of arbitration to resolve both national and international commercial disputes is well established, and although numerous disputes involving IP rights have been resolved through arbitration its benefits as a means of resolving such disputes are less widely recognised, as are its benefits, as between the parties to a dispute as to the scope and validity of IP rights, as a means of resolving such disputes. Indeed, there still remains some confusion as to the degree to which private bodies, as opposed to national courts and IP offices, can adjudicate on IP disputes – namely the question of arbitrability, which is discussed in detail below in Section II.d). This confusion arises as a consequence of a failure to distinguish between the *inter partes* effect of an arbitral award and the much more limited, and indeed

⁴ WTO Member States are obliged by virtue of Articles 61 of TRIPS to provide for criminal procedures and penalties to be applied in certain types of cases concerning certain types of IP right.

⁵ WTO Member States are obliged by virtue of Articles 51 through 60 of TRIPS to adopt border measures in relation to certain types of alleged IP infringement.

⁶ For examples of the involvement of courts or intellectual property offices, as organizations that are not in the private sector, in the making of independent determinations as to IP outside the traditional legal procedural framework within which they usually operate, one can instance, in Europe, the arbitration aspect of the patent mediation and arbitration center to be established under Article 35 of the Agreement on the Unified Patent Court of 19 February 2013, (OJEU C175 20.6.2013 p.1) and also the Opinion Service offered by the UK Intellectual Property Office (see Footnote 2 above and the discussion below at Paragraph 24 and Footnotes 18 to 20. Neither can one characterize the WIPO Arbitration and Mediation Center, which offers arbitration, mediation and expert determination services internationally, as a private sector organization.

⁷ WIPO Arbitration and Mediation Center - *Guide to WIPO Arbitration* (WIPO Publication No. 919E ISBN: 978-92-805-1815-3)

generally non-existent, effect of such an award, *erga omnes*. This means that in most countries an arbitral award in an IP dispute, and in contrast to a court determination as to such dispute,⁸ binds only the parties to the arbitration and can have no effect on the underlying validity of the IP right in issue and its effect on the world at large. Accordingly, but in the narrow sense only of considering the *erga omnes* effect, it is correct to say that in most jurisdictions these concerns as to arbitrability have, from the unrealistically narrow perspective with which such commentators see these things, some foundation. Thus it is in general only the parties to the arbitration which are directly affected by such an award. However this in almost every case is all that commercially is of interest to the parties, especially where they can keep the details of the arbitration award secret, as will usually be the case, subject to legal disclosure obligations such as for example those on listed companies.⁹

11. For the arbitration of a dispute to be able to take place the parties must first have agreed to submit the dispute to arbitration. An important distinction from the perspective of enforcement can be drawn between two ways in which this can be done.

12. The most common way of doing so is before any dispute arises, in the context of an existing relationship between the parties, as governed by an agreement between them in which the submission to arbitration will take the form of a clause in such agreement by which the parties will typically agree to refer “any dispute, controversy or claim arising under, out of, or related to” the agreement to arbitration. Many such disputes, for example relating to agreements under which IP is licensed, might relate to an issue that is not directly related to the validity or scope of the licensed IP, such as the interpretation of a change of control provision. However some disputes, such as those as to whether or not a particular article falls within the scope of a licensed patent and is thus the subject of a licence of that patent and on which royalties under the licence are accordingly due, could concern such scope or validity.¹⁰

13. The other way by which parties can refer a matter to arbitration is by means of submission agreement, entered into once a dispute has arisen, and which (unlike an arbitration clause referred to previously) specifies the nature of the dispute that is to be so referred. A submission agreement is the more interesting way of referring a matter to arbitration from the point of view of IP enforcement, as it does not require that there be any pre-existing relationship between the parties, it being the submission agreement itself that provides the relationship between them

⁸ As observed above in Footnote 3 some national courts which hear patent infringement actions (such as those in Germany below the level of the Federal Supreme Court) lack the jurisdiction to revoke a patent. They will thus tend to stay an infringement action pending such determination if they consider that such patent is likely to be revoked in the separate nullity proceedings commenced in the relevant intellectual property office.

⁹ Although it is clearly of benefit to an IP rights owner to keep out of the public domain a determination that its IP right is invalid or (to a lesser extent) that such IP right is not infringed by a particular activity, this is also in general of benefit to the alleged infringer, as it preserves a potential barrier to entry as against third party competitors of the alleged infringer but to which potential barrier the alleged infringer is itself no longer subject. Lest it be thought that preserving such confidentiality is not something that should be sanctioned or encouraged, on the basis that there is a public interest in requiring potential infringers to challenge the validity or scope of IP rights for the benefit of society generally in proceedings having *erga omnes* effect, regard should be had to the circumstances in which many negotiated settlements in IP disputes are reached. Thus it is not uncommon for negotiated settlements in IP disputes, where the alleged infringer has demonstrated to the IP rights holder, in the context of negotiations, (or in order to induce the IP rights holder to negotiate) that it has a strong case, to take the form of a royalty free licence of the IP right in issue or a non-assert agreement under such right. The result of this is that it is in general normally only the more finely balanced cases that are litigated through to trial, so it would be relatively rare for example for an attack on the validity of a patent involving a clear anticipation which could not be met by a suitable claim limitation not to result in a negotiated settlement and instead to be the subject of litigation that went to trial that resulted in the patent being held to be invalid on such ground.

¹⁰ As arbitrations are typically confidential it is not possible except in a general sense to provide examples drawn from arbitrations, except and to the extent that the arbitration is referred to in litigation. Some anonymised summaries of arbitrations drawn from the experience of the WIPO Arbitration and Mediation Center concerning IP rights, are set out in Appendix IV and are discussed in Section IV.a) below. Most of these arbitrations concern disputes which arose under agreements containing an arbitration clause, but of such examples it is not apparent from the summaries of those which involve a refusal to pay a licence fee (such as A(2)), whether or not such refusal reflects a dispute as to the scope or validity of the IP right in issue.

that provides for the arbitration. A submission agreement can thus be used to refer to arbitration any issue or set of issues that might be encountered in an IP infringement action, such as whether or not the use of a particular process infringes a particular patent or patents, whether the IP right in issue is valid, or the identity of the rightful owner of an IP right.

14. Whether an arbitration provision predates the dispute or postdates it, such provision should specify certain aspects of the arbitration, such as, at a minimum, the seat of the arbitration, its language, the number of arbitrators, and the identity of the arbitration institute the rules of which are to apply to it, and which institution will also manage the process of selecting the arbitrator or arbitrators.¹¹

15. The benefits, in general terms, of arbitration over litigation as a means of resolving commercial disputes, namely party autonomy, neutrality, finality, confidentiality, and ready international enforceability under the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention), are well recognized and need not be repeated here. There are however a number of benefits associated with arbitration over litigation, attributable primarily to the concept of party autonomy, and which are specific to the field of IP. These, namely the ability for the parties to tailor the composition of the arbitral tribunal to the specific needs of the dispute, to tailor the procedure that is adopted and the nature of the relief that may be available, and to provide the possibility of resolving multijurisdictional disputes in the one proceeding, are each more fully discussed below in Section III.

c) Expert Determination

16. Expert determination has been defined as:¹²

A procedure in which a technical, scientific or related business issue between the parties is submitted to one or more experts who make a determination on the matter. The determination is binding, unless the parties have agreed otherwise. (Depending on the parties' choice, expert determination may be preceded by mediation or followed by (expedited) arbitration.)

17. Whereas arbitration results at the end of the process in a binding award that is widely enforceable in most countries of the world under the New York Convention, as discussed in greater detail below in Section II, expert determination results at the end of the process in a decision, generally on a specific issue, which may be either binding or non-binding, but which, if binding, is generally enforceable within the framework of the contract that provides for such expert determination, thus rendering the issue of enforceability under the New York Convention irrelevant.¹³ Similar concepts are known to many national laws under various different names¹⁴ and under differing legal bases, with different scope for challenge when the outcome is

¹¹ There is no obligation to choose the rules of any particular arbitration institute when drafting an arbitration provision, but it is generally unwise not to do so, as the alternative, a so called "ad hoc" arbitration, imposes a significant administrative burden on the arbitrator or arbitrators that are eventually chosen and requires at the very least that a procedure for choosing the arbitrator or arbitrators be set out in the arbitration provision, whereas such selection procedures are set out in the rules of the arbitration institutes and the selection process managed by such institutes. Parties can of course agree to appoint their own arbitrator or arbitrators or establish a mechanism for so doing but still agree to the arbitration being conducted under a specific set of institutional rules.

¹² WIPO Arbitration and Mediation Center - *Guide to WIPO Arbitration* (WIPO Publication No. 919E ISBN: 978-92-805-1815-3)

¹³ The degree to which such determination can be challenged will be a matter for the relevant national law that applies to the contract, as applied by a court (or in some cases an arbitrator) having jurisdiction as a whole over the contract which provides within it for the expert determination. The variability of national law means that expert determination lacks the sort of international norm setting encountered in arbitration.

¹⁴ Such as "appraisal" in the USA, "Schiedsgutachten" in Germany and "bindend advies" ("binding advice") in the Netherlands.

expressed to be binding, but unlike arbitration there are few if any international norms in expert determination.

18. The attractions of expert determination were expressed by an Australian judge in the following terms:¹⁵

[86] Indeed, on a practical level, Expert Determination has apparently been attractive, largely because it is less expensive and speedier, avoids the rigours of the application of the rules of evidence and procedure and offers a finality which avoids delays, potential re-hearings and appeals, which is particularly suitable especially where an expert knowledge of the subject is required or where the parties may have a continuing relationship.

19. Although some arbitration institutes provide rules for expert determinations in addition to those for arbitrations,¹⁶ many such determinations take place in practice within a rather specific contractual framework that sets out the rules to be applied to the expert determination and the consequences, within the framework of the contract, of such determination. Expert determinations generally concern a specific issue identified in the contract under which they arise, and so do not lend themselves as readily as does arbitration to the use of generalised rules and procedures as published by such institutes. A typical issue addressed by expert determination, equally applicable to IP as to other areas of law, would be the valuation of an asset, such as, in the case of IP, the adjustment to the value of a patent portfolio under a contract for its sale or the royalty rate under an IP licence to reflect certain specified eventualities which it was not possible to quantify when the agreement was executed. However expert determination also, as with arbitration, can also address other IP issues such as those more traditionally considered to be the preserve of the courts, as outlined below.

20. The distinction between expert determination and arbitration can more clearly be seen by consideration of some other examples specific to IP, which show that the question of enforcement does not arise in the context of expert determination, because the issue of “enforcement” is inherent within the nature of the contract. Indeed, although the law as to expert determinations has been built up in areas other than IP, notably that concerning building construction, expert determination, although not necessarily so identified, is in fact already widely used in IP, even though this seems not to be widely appreciated.

21. Thus the resolution of disputes over domain names such as those under the Uniform Domain Name Dispute Resolution Policy (UDRP)¹⁷ can be seen to be a type of expert determination. By entering into the contract with the registrar of a particular domain which has adopted the UDRP, the applicant for a domain name voluntarily submits to the rules of the

¹⁵ *The Heart Research Institute Ltd v Psiron Ltd* [2002] NSW 646, in which, it having been established under Australian law that agreements to participate in ADR procedures are enforceable in principle provided the conduct required of the parties for participation in the process is sufficiently certain, the defendant was held not to be bound under the terms of a written agreement to participate in an expert determination procedure administered by a third party, owing to uncertainties as to certain of the terms of such third party procedure. The quotation is found in Kendall, John, et al – *Expert Determination* (4th Edition, Sweet & Maxwell, 2008), the only book known to the author to focus on the topic of expert determination under English law, but which also includes brief contributions on it from a number of other jurisdictions. It also devotes a chapter to the distinction between arbitration and expert adjudication, a topic that is also addressed, from a civil law perspective, in Sachs, Klaus – *The Interaction between Expert Determination and Arbitration in Arbitration of Merger and Acquisition Disputes* (Association Suisse de l'Arbitrage – ASA Special Series No 24, May 2005). For another common law perspective see also Kennedy-Grant, QC Tomás - *Expert Determination and the Enforceability of ADR Generally - A paper presented to the Arbitrators and Mediators Institute of New Zealand Inc. / Institute of Arbitrators and Mediators Australia Conference held in Christchurch on 5-7 August 2010* (available at <http://www.kennedygrant.com/docs/enforceability-ADR.pdf>).

¹⁶ See for example the WIPO Expert Determination Rules (available at www.wipo.int/amc/en/expert-determination/rules/) and the ICC Rules for Expertise (available at <http://www.iccwbo.org/products-and-services/arbitration-and-adr/expertise-icc-rules-for-expertise/>).

¹⁷ See the WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP) at <http://www.wipo.int/amc/en/domains/guide/#a>.

UDRP. These rules enable third parties to challenge, at very reasonable cost, the choice of domain name, for example on the basis that use of such domain name would be likely to infringe that third party's trade mark. A UDRP determination is automatically enforced within the context of that contract between the applicant and the registrar; thus a successful challenge under the UDRP will result in the original owner of the domain name being deprived of it, consistent with the terms of the contract into which it entered and under which it first acquired the domain name in issue. The UDRP procedure does not purport to oust the jurisdiction of national courts to determine whether or not use of a domain name infringes a trade mark. But trade mark infringement actions are costly and attempts to use them for domain names, in the context of the international and dematerialized nature of the internet, run into the practical difficulty of finding a national court with relevant jurisdiction over the trade mark in issue and the applicant for the domain name or over the domain name registrar. Thus in practice the availability of UDRP determinations renders the vast majority of such trade mark litigation otiose.

22. Another example of a type of expert determination concerning IP is provided by the rules of certain standards-related patent pools encountered in the ICT sector, for example, as to speech or video codecs (discussed more fully below in Section IV.e)), which provide for an expert determination, typically by a patent attorney appointed by the patent pool, as to whether or not a patent that a member of the patent pool submits for evaluation is in fact "essential" to the practice of the particular technical standard in respect of which the patent pool is established; the issue to be addressed being whether or not compliance with that technical standard makes it inevitable that the patent in issue will be infringed.

d) Neutral Evaluation

23. Although most forms of ADR, other than mediation, necessarily involve what might accurately be described as neutral evaluation, the term is used in this paper to describe the provision of non-binding opinions on certain issues. This can also occur within the context of mediation, where the parties engage an independent third party to provide a non-binding opinion on the strengths and weaknesses of each party's case, which concludes with a prediction of how it is likely that the dispute would be disposed of before a court or arbitral tribunal. Whilst the third party may opine on the likely outcome it has no power to make an enforceable determination as to the issue before it, although its opinion may well facilitate settlement discussions. Early neutral evaluation can also be of especial value where the subject matter is particularly complex, and the parties, in effect, require an indication of the range of possible outcomes if the dispute were to reach a court or tribunal.

24. An interesting example of the use of a type of neutral evaluation in IP other than in the context of mediation is provided by the UK Intellectual Property Office's Patent Opinion Service.¹⁸ Under this the UK Intellectual Property Office, for an extremely modest fee, will, within 3 months of a request, provide non-binding opinions on the infringement of patents that are in force in the UK and on certain aspects of their validity, at the request of a patentee or a third party, with others free to file observations, and the patentee able to seek a review of such opinion in certain circumstances. The process is based entirely on written submissions. Details of patents for which requests have been filed, as well the opinions themselves once issued, are published on the website of the UK Intellectual Property Office. Despite the apparent attractions of the service, its take-up has been somewhat disappointing, with only between 20 and 40 requests for opinions each year. Some possible reasons for this were raised in the context of a consultation on the service conducted by the UK Intellectual Property Office as a result of which

¹⁸ The UK IPO Patent Opinion Service was introduced by the Patents Acts 2004 as s 74A and 74B Patents Act 1977, and available since 1 October 2005. - See Appendix II. See also <http://www.ipo.gov.uk/types/patent/p-dispute/p-opinion.htm>. Details of opinions and of requests for opinions are published at <http://www.ipo.gov.uk/types/patent/p-dispute/p-opinion/p-opinion-advert.htm>.

the UK Government has indicated that it intends to legislate to extend the questions relating to patent validity that can be the subject of an opinion to align them more closely with the grounds upon which revocation of a patent can be sought.¹⁹ Legislation is also in the process of being enacted which would provide enabling powers for a similar service to be established for designs.²⁰

e) Mediation

25. Mediation has been defined as:²¹

An informal procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of the dispute. (Depending on the parties' choice, mediation may be followed, in the absence of a settlement, by arbitration, expedited arbitration or expert determination.)

26. Thus mediation is an exercise which does not necessarily involve any independent determination as to the substantive merits of the dispute, but seeks to identify, through discussions with the parties, a possible basis for settlement and then facilitates that settlement. Many arbitration institutes offer mediation services in addition to arbitration ones, and many arbitration clauses in agreements provide for mediation before some other adjudicative process as envisaged by that definition, which will typically be arbitration.²²

27. Mediation can be of enormous value in the resolution of IP disputes.²³ However, because of its wholly consensual nature, its flexibility and the variability of procedures employed and because, being essentially managed negotiation, it raises no especial legal issues, it is not discussed in detail in this paper.²⁴

¹⁹ See *Consultation on the Patents Opinions Service - Response document* (UKIPO 2013) (available at <http://www.ipo.gov.uk/response-2012-opinion.pdf>).

²⁰ See the Intellectual Property Bill introduced in the UK House of Lords on 9th May 2013 which would introduce, through a new section 28A of the Registered Designs Act 1949, a power to establish a non-binding opinions service for designs, similar to that which already exists for patents. The opinions service will cover UK registered designs and its scope may be extended to include, for example, other design rights such as the UK unregistered design right. This proposal was foreshadowed in the *Consultation on the Reform of the UK Designs Legal Framework - Summary of Responses* (UKIPO December 2012) (available at <http://www.ipo.gov.uk/response-2012-designs-summary.pdf>).

²¹ WIPO Arbitration and Mediation Center - *Guide to WIPO Arbitration* (WIPO Publication No. 919E ISBN: 978-92-805-1815-3).

²² 33% of the mediations and (expedited) arbitration cases filed with the WIPO Arbitration and Mediation Center included an escalation clause providing for WIPO mediation followed by WIPO (expedited) arbitration - see <http://www.wipo.int/amc/en/center/caseload.html>.

²³ For example, the WIPO Arbitration and Mediation Center reports a settlement rate of 69% in the disputes that are submitted to its mediation procedure - see <http://www.wipo.int/amc/en/center/caseload.html>. See also <http://www.wipo.int/amc/en/mediation/case-example.html> for several case examples of IP mediations that it has managed. These are also set out in Appendix IV to this Paper. A fuller description of the first of these examples can be found at <http://www.wipo.int/amc/en/mediation/scenario.html>.

²⁴ For a fuller treatment of the issue of IP mediation and of some of the procedures that can be employed in it see Cook, Trevor and Garcia, Alejandro – *International Intellectual Property Arbitration* (Wolters Kluwer 2010) at Chapter 11.

II. LEGAL AND REGULATORY FRAMEWORKS FOR ADR, IN THE CONTEXT OF IP ENFORCEMENT

a) Introduction

28. It is in the area of arbitration that legal and regulatory frameworks for ADR are the most developed, and thus this section of this paper focuses on the example of arbitration alone.

29. The first topic here discussed, that of applicable law and jurisdiction as applied to IP, is of general relevance to all forms of ADR, in that all of these (apart generally from those attached to national or regional public institutions) offer the scope to resolve IP disputes on an international basis, which national and regional courts and other public institutions cannot. As to the other two topics here discussed, namely the international enforceability of arbitration awards and national perspectives on the arbitrability of IP, these are by their nature specific to arbitration.

30. Indeed, as to the former, the very lack of a specific international enforcement regime for expert determinations constitutes a clear distinction between such a determination and an arbitral award, although explained above in Section I.c) this ought not cause any problem in practice in the case of most expert determinations as, given their generally specific nature as provided for in the contract under which they arise, they are “enforced” in the context of the continued performance of such contract.

31. As to mediation, its entirely consensual nature and flexibility would make it hard to identify any legal or regulatory frameworks that could ever apply to it, other than the support for it provided by national court systems which penalise those who refuse to avail themselves of it, and which preserve the confidentiality of the process as against third parties, or from the use, in subsequent legal proceedings between the same parties, of arguments or concessions made during the course of it.

b) The issue of applicable law and jurisdiction as applied to IP

32. IP rights are established by national (or occasionally regional) laws and so are generally only local (or regional) in effect, with IP rights usually existing in parallel in different jurisdictions, each with their own substantive IP laws and each with their own national courts and intellectual property offices in which those rights can be enforced or challenged. Those IP rights that come into existence automatically and without the formality of registration, such as copyright, have the scope automatically to subsist in parallel in all jurisdictions that are members of the WTO or (for copyright itself the Berne Convention for the Protection of Literary and Artistic Works). In contrast those IP rights that require registration, typically at a national intellectual property office, such as patents, can exist only in those jurisdictions in which such registration is sought. In each case however, there will be in existence, in different countries, numerous parallel IP rights, each national in scope, the enforcement of each of which is subject to different substantive and procedural laws.²⁵

²⁵ In the European Union (EU) the situation is yet further complicated by the fact that many types of IP right exist at a regional level as well as, or in place of, those at a national level. Thus in addition to the national systems there exist systems for the registration of trade marks, designs (as well as plant varieties) each having unitary effect throughout the EU. These “Community” IP rights (as they are currently called) can only be assigned for all of the EU, although they can be licensed for different territories within the EU. Such “Community” IP rights are enforced by a single action brought in one EU Member State and where this is the Member State of domicile of the defendant the national court of such Member State can grant relief with effect throughout the EU. These “Community” IP rights parallel those granted under national systems within the EU, by which EU Member States provide for the registration of trade marks and designs on a national basis and with only national effect, although the national laws relating to such rights (although not plant variety rights) are themselves the subject of a considerable degree of harmonization

33. The territorial nature of IP has important consequences from a procedural perspective for the resolution of the increasing number of disputes that involve an international dimension, and which must therefore, of necessity, concern parallel IP rights that subsist in multiple jurisdictions and are subject to a wide variety of different laws. This is because, by and large, national court systems are incapable of resolving such disputes on an international basis, an inability that results from the territorial nature of such rights, which leads to a reluctance on the part of such courts to opine on them.²⁶ Such reluctance is natural given that there is no international convention that facilitates the enforcement in one country of a judgment (whether or not it concerns IP) given in another country.²⁷ This means that the resolution of disputes over such parallel IP rights by means of litigation potentially involves the use of multiple courts, because most courts will only assume jurisdiction over locally subsisting IP rights. Even those few courts that are prepared to assume jurisdiction over disputes as to foreign IP rights will only do so in the most limited of circumstances, with the result that if the parties are determined to litigate international disputes over most types of IP they must do so in multiple jurisdictions. Arbitration provides an attractive alternative to this, in that it allows all such disputes to be resolved in the single proceeding, resulting in an award that can be enforced in any country that is a party to the New York Convention.

[Footnote continued from previous page]

by virtue of EU law. The result is that within the EU for many types of IP both "Community" and national rights can exist in parallel within the same national jurisdiction. At present within the EU patents, even though secured through the route of the European Patent Office, are only national in effect, although once the Agreement on the Unified Patent Court of 19 February 2013, (OJ C175 20.6.2013 p.1) comes into effect it will also be possible to designate a patent secured through the European Patent Office as a unitary patent with European effect, and this will then have unitary effect throughout all those Member States of the EU (with the exception of Italy and Spain) which have ratified the Agreement on the Unified Patent Court at the date of such grant, and be enforced exclusively through actions brought in the Unified Patent Court.

²⁶ In *Voda v Cordis Corporation* (476 F.3d 887, 402 03 (Fed. Cir. 2007)(Gajarsa, J.)) the US Court of Appeals for the Federal Circuit, reversing the District Court, held by a majority that the District Court could not exercise supplemental jurisdiction in respect of the foreign patents (here in the UK, Canada, France, and Germany) of a US based plaintiff which had brought a patent infringement action against a US based defendant, observing that "[T]he foreign sovereigns at issue in this case have established specific judges, resources, and procedures to 'help assure the integrity and consistency of the application of their patent laws.' Therefore, exercising jurisdiction over such subject matter could disrupt their foreign procedures." Traditionally the English courts took a similar view, being reluctant to adjudicate disputes concerning the alleged infringement of foreign IP rights, but in *Lucasfilm Limited and others v Ainsworth and another* ([2011] UKSC 39, on appeal from [2009] EWCA Civ 1328) the UK Supreme Court, reversing the Court of Appeal, held that an English court could adjudicate as to whether or not a US copyright was infringed where it had personal jurisdiction over the defendant. One should distinguish this situation from that encountered in the *Celltech* cases outlined in Footnote 56 below in which an English court was called on to determine the scope of foreign patents as this was relevant to whether or not a product fell within the scope of a licence which conferred exclusive jurisdiction on the English courts. Within the EU and the special framework of the "Brussels I" Regulation (Regulation 1215/2012 of 12 December 2012, replacing Regulation 44/2001 of 22 December 2000 with effect from 10 January 2015) national courts have competence to adjudicate on national IP rights elsewhere in the EU (other than as to the validity of a registered IP right, as observed in Footnote 33 below) and are prepared to exercise this; see *Actavis Group HF v. Eli Lilly & Co.*, [2012] EWHC 3316 (Pat)(High Court 2012), [2013] EWCA Civ 517 (Court of Appeal, 2013) in which an English court held, there being no challenge to validity, that it would hear an application for a declaration of non-infringement not only of the UK designation of a European patent but also the corresponding French, German, Italian and Spanish designations, observing (at first instance) that it was "unimpressed by the [patentee's] argument that foreign law is difficult and expensive to prove because it is treated as a question of fact. ..."

²⁷ The Hague Conference On Private International Law has been working for over 20 years on the "Judgments Project" concerning the recognition and enforcement of judgments, but this ambitious project has to date only resulted in the Hague Convention of 30 June 2005 on Choice of Court Agreements, which is however not yet in force. Even this relatively modest instrument by Article 2(2) expressly excludes from its scope at (n) "the validity of intellectual property rights other than copyright and related rights" and at (o) "infringement of intellectual property rights other than copyright and related rights, except where infringement proceedings are brought for breach of a contract between the parties relating to such rights, or could have been brought for breach of that contract." It was established at a relatively early stage of the "Judgments Project" that IP presented a very special set of challenges to the recognition and enforcement of judgments – see *Report of the experts meeting on the intellectual property aspects of the future Convention on jurisdiction and foreign judgments in civil and commercial matters* (Geneva, 1 February 2001) at <http://www.hcch.net/upload/wop/jdgmppd13.pdf>.

34. The territorial nature of IP is also reflected in the fact that the different laws of different territories will each apply to the same sort of IP, depending on the territory in which such IP subsists, with the consequence that a potential infringement of the same type of IP right that takes place in multiple territories (as most in practice do) will be subject to multiple different IP laws. There remain significant substantive differences as between such laws despite the network of international conventions that govern IP, and the limited measure of harmonisation of the substantive laws governing most forms of IP that now exists by virtue of the TRIPS Agreement. Important differences of detail can even exist where, on a regional basis, a considerable degree of yet further harmonisation has been achieved, as within Europe under the European Patent Convention. Here, despite having precisely the same “black letter” law on at least matters of patent validity, different courts, with different legal traditions and working within different procedural frameworks, can sometimes apply this same law in different ways, resulting sometimes in different outcomes. This is not however an impediment to arbitration. Indeed, international IP arbitration typically involves consideration not only of the laws of the arbitration agreement itself and of the seat of the arbitration, as is traditional in international arbitration, but also the law applicable to the substance of the dispute, namely the law or laws by which the substance of the dispute, namely the infringement and/or validity of the IP right in issue is to be determined.

35. Thus international IP arbitration potentially involves three types of applicable law, as recognized in Article 59 of the WIPO Rules:²⁸

Article 59 - Laws Applicable to the Substance of the Dispute, the Arbitration and the Arbitration Agreement

(a) The Tribunal shall decide the substance of the dispute in accordance with the law or rules of law chosen by the parties. Any designation of the law of a given State shall be construed, unless otherwise expressed, as directly referring to the substantive law of that State and not to its conflict of laws rules. Failing a choice by the parties, the Tribunal shall apply the law or rules of law that it determines to be appropriate. In all cases, the Tribunal shall decide having due regard to the terms of any relevant contract and taking into account applicable trade usages. The Tribunal may decide as amiable compositeur or *ex aequo et bono* only if the parties have expressly authorized it to do so.

(b) The law applicable to the arbitration shall be the arbitration law of the place of arbitration, unless the parties have expressly agreed on the application of another arbitration law and such agreement is permitted by the law of the place of arbitration.

(c) An Arbitration Agreement shall be regarded as effective if it conforms to the requirements concerning form, existence, validity and scope of either the law or rules of law applicable in accordance with paragraph (a), or the law applicable in accordance with paragraph (b).

36. The applicable laws under (b) (the seat of the Arbitration) and to the Arbitration Agreement referred to at (c) are familiar concepts in international arbitration. However (a) addresses the law that applies to the “substance of the dispute” – *i.e.* which national or regional system of IP law applies, recognising that in the context of a dispute in relation to IP rights in multiple jurisdictions this potentially involves the application of multiple different applicable IP laws.

37. The TRIPS Agreement and the Paris Convention for the Protection of Industrial Property are silent on the issue of applicable law for IP disputes, but the Berne Convention addresses it for copyright disputes at Article 5(2) by providing that “the extent of protection, as well as the

²⁸ See <http://www.wipo.int/amc/en/arbitration/rules/>

means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.”²⁹

38. Within the EU Article 8 of the “Rome II” Regulation³⁰ now provides a mandatory applicable law in the EU for the infringement of IP rights:³¹

Article 8 - Infringement of intellectual property rights

1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.

2. In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.

3. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14.

39. Although Article 8(3) precludes contracting out of Article 8 of the Rome II Regulation, it is suggested that the better view is that it does not purport to interfere with party autonomy to resolve the matter *inter partes* in the context of an arbitration of an IP dispute which is in effect addressed within the framework of a contract, as by virtue of Article 8(1) such contractual obligations are outside the scope of the Rome II Regulation.

c) The international enforceability of arbitration awards

40. Of the various forms of ADR discussed in this paper only arbitration can be said to have an established international regulatory framework, which in terms of international treaties takes the form of the New York Convention, and allows for the foreign arbitral awards to be enforced locally.³² In contrast there is no international convention that allows for foreign court orders to be enforced locally.³³

41. It has in practice been the experience of the WIPO Arbitration and Mediation Center that most arbitral awards are implemented voluntarily.³⁴ However, where enforcement proves to be necessary, parties must rely on national courts in those countries where they seek enforcement

²⁹ Article 6bis(3) of the Paris Convention makes similar provision for moral rights.

³⁰ Regulation (EC) No 864/2007 of 11 July 2007 on the law applicable to non-contractual obligations (“Rome II”)(OJ L 199 31.7.2007 p. 40).

³¹ Although Article 8 of the “Rome II” Regulation does not apply to “unfair competition” which is instead addressed by Article 6, misuse of trade secrets is treated in many legal systems as a type of unfair competition, as are proceedings brought in respect of rights in unregistered trade marks.

³² <http://www.newyorkconvention.org>

³³ Within Europe the “Brussels I” Regulation and the Lugano Convention establish rules of jurisdiction and allow a judgment of the court of one Member State to be enforced in another Member State. However as an exception to the general rules as to this the “Brussels I” Regulation (by Article 24(4) of Regulation 1215/2012 of 12 December 2012, replacing Article 22(4) of Regulation 44/2001 of 22 December 2000 with effect from 10 January 2015) and the Lugano Convention (by Article 22(4)) expressly confer exclusive jurisdiction, in “proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered” on the courts of the State subject to the Regulation or bound by the Convention “in which the deposit or registration has been applied for, has taken place or is, under the terms of an EU instrument or an international convention, deemed to have taken place” - see Case C-4/03 *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG* [2006] ECR I-6523.

³⁴ WIPO Arbitration and Mediation Center - *Guide to WIPO Arbitration* (WIPO Publication No. 919E ISBN: 978-92-805-1815-3).

of the arbitral award. If a national court recognizes the award, it will grant a title (*exequatur*) which can be enforced in the same way a final judgment rendered by such court. Domestic awards, namely those rendered under the arbitral law of the country in which enforcement is sought, are enforced in accordance with the national law of the country concerned. Parties can rely on the uniform international legal framework established by the New York Convention to enforce foreign arbitral awards, being those which it is sought to enforce in a state other than the state of the place of arbitration. A court which is requested to enforce an award pursuant to the New York Convention cannot usually examine the merits of the award, and can only refuse recognition and enforcement on the basis of one or more of the following grounds set out in Article V of the Convention:

1. Recognition and enforcement of the award may be refused, at the request of the party against whom it is invoked, only if that party furnishes to the competent authority where the recognition and enforcement is sought, proof that:
 - (a) The parties to the agreement referred to in article II were, under the law applicable to them, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made; or
 - (b) The party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or
 - (c) The award deals with a difference not contemplated by or not falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be recognised and enforced; or
 - (d) The composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place; or
 - (e) The award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the law of which, that award was made.
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.

42. It would be by reference to Article V.2(a) of the Convention that any issue as to the arbitrability of IP rights would arise in most countries³⁵ were an attempt to be made to enforce an award holding that a registered IP right was invalid in such a way as to seek to give it *erga omnes*, as opposed to *inter partes* only, effect.

³⁵ Belgium and Switzerland are exceptions, as explained below, in paragraph 43 and Footnotes 38 and 39 below.

d) National perspectives on the arbitrability of IP

43. Again of the various forms of ADR discussed in this paper it is the enforcement of arbitration awards that has been subject most to scrutiny from the point of view of national and regional law, although out of the substantial body of case law that this has attracted little concerns IP. Moreover the IP laws of most national jurisdictions are silent as to the relationship between IP and arbitration. A few national or regional laws specifically recognise IP arbitration. Thus the USA recognizes that disputes in relation to US patents can be arbitrated, albeit only with *inter partes* effect.³⁶ In the EU, the Agreement on the Unified Patent Court also recognizes that patent disputes can be arbitrated as it provides for the establishment of a patent mediation and arbitration center to “provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement.”³⁷ Belgian law goes further, not only expressly providing for patent arbitration but also expressly recognizing that it can have *erga omnes* effect.³⁸ Swiss law goes even further, extending this approach to IP rights generally.³⁹

44. However, and although characterized by the WIPO Arbitration and Mediation Center as “generally a non-issue in most jurisdictions”⁴⁰ the issue that has engaged many legal commentators in the context of IP arbitration has been that of the arbitrability of IP. This topic has been the subject of much legal discourse, in which some authors have questioned the extent to which disputes concerning IP rights can properly be the subject of arbitration.⁴¹ This matters because if the IP right the subject of the arbitration cannot properly be the subject of an arbitration award then that award cannot be enforced under Article V.2(a) of the New York Convention. This issue is seen by such writers as especially problematic where such IP rights are, as in the case of patents, registered by or with a national IP office and are thus, in effect, a state granted monopoly. What right, such writers ask, does a private tribunal have to determine the scope or validity of what is in effect a privilege granted by the state, especially if that private tribunal determines the IP right in issue to be invalid?⁴² What power can a private tribunal have to impose its own assessment on an organ of the state, which may well previously have formed

³⁶ 35 U.S.C. 294 (Voluntary arbitration) – set out in Appendix III to this Paper.

³⁷ Article 35 of the Agreement on the Unified Patent Court of 19 February 2013, OJEU C175 20.6.2013 p.1, which, having provided for the establishment of a patent mediation and arbitration center to “provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement” but which, at Article 35(2) states “However, a patent may not be revoked or limited in mediation or arbitration proceedings” but which can only in context be referring to its *erga omnes* status. Article 35 of the Agreement on the Unified Patent Court provides for the establishment of a patent mediation and arbitration center to “provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement.” The Centre is to establish Mediation and Arbitration Rules and to draw up a list of mediators and arbitrators to assist the parties in the settlement of their disputes.

³⁸ Article 51(1) Belgian Patents Act.

³⁹ Decision of the Swiss Federal Office of Intellectual Property dated 15 December 1975.

⁴⁰ WIPO Arbitration and Mediation Center – *Update on the WIPO Arbitration and Mediation Center's Experience in the Resolution of Intellectual Property Disputes* (LES Nouvelles 2009, pages 49-54).

⁴¹ See Werner, Jacques, *Intellectual Property Disputes and Arbitration – A Comment on a Recent ICC Report*, (The Journal of World Intellectual Property 1998 pages 841–886) observing at p. 842 that “the arbitrability issue ... is the key question in the field” and Hanotiau, B.B – *L'arbitrabilité des litiges de propriété intellectuelle: une analyse comparative* - (ASA Bulletin 2003(21)(1) pages 3-15). For further references and for a fuller treatment of this subject see Cook, Trevor and Garcia, Alejandro – *International Intellectual Property Arbitration* (Wolters Kluwer 2010) at Chapter 4. For an extensive treatment of the subject of arbitrability generally see Mistelis, Loukas and Brekoulakis, Stavros (ed) – *Arbitrability – International and Comparative Perspectives* (Wolters Kluwer 2009) and especially Chapter 13 of this – *Mantakou, Anna – Arbitrability and Intellectual Property Disputes*.

⁴² Some legal systems also provide for express consequences for third parties when an IP right is adjudged valid in court proceedings. Thus in the UK although a patentee that successfully resists an attack on the validity of its patent cannot prevent a subsequent challenge by a third party on the same grounds as those which originally failed, it is entitled by s 65(1) Patents Act 1977 to a “certificate of contested validity” which allows it to recover legal costs on an enhanced basis if it prevails again in resisting such challenge, although given the increased flexibility as to the recovery of legal costs this provision is of less importance than it used to be.

the view, *prima facie*, that the IP right in issue was valid and thus confer *erga omnes* effect on its assessment?⁴³

45. This is, in and of itself, and as far as it goes, a sound objection, even though as observed above both Switzerland, as to all IP rights, and Belgium, as to patents expressly recognize in their IP statutes that arbitral awards have *erga omnes* effect. However, whilst it may be perfectly correct to observe that arbitral awards as to IP rights, cannot, apart from these few exceptions, have *erga omnes* effect, as against the world at large, that should have no bearing whatsoever on their *inter partes* effect, as between the parties.

46. The soundness of the assertion that the *erga omnes* status of an award is an irrelevant distraction as to its *inter partes* effect can be tested by considering the analogy of two types of agreement. One provides for a royalty free paid-up licence from the IP right holder. The other provides for the other party to undertake to the right holder not to infringe the IP right. Such agreements are everyday occurrences in the world of IP, and are the manner in which many IP disputes are resolved between the parties without any recourse to any court system or to any form of ADR.⁴⁴ Neither such agreement affects the *erga omnes* status of the IP right as against the world at large, but both affect its status as between the parties to it. This reflects the fact that the parties are, subject only to considerations as to competition law, and which are in practice very limited in the nature of the control that they impose on contractual freedom,⁴⁵ free to negotiate between themselves whatever terms they wish in an agreement relating to IP. But the former agreement is, as between the parties, the same in effect as a determination that the IP right in issue is invalid, whereas the latter agreement is, as between the parties, equivalent to a determination that the IP right in issue is valid and infringed. Thus an agreement that establishes an arbitration to determine the question of whether or not an IP right is valid and

⁴³ The point is especially starkly expressed in some national statutes such as the South African Patents Act 1978, Article 18(1) of which provides "Save as is otherwise provided in this Act, no tribunal other than the commissioner shall have jurisdiction in the first instance to hear and decide any proceedings, other than criminal proceedings, relating to any matter under this Act." The same criticism might be levelled at Article 35(2) of the Agreement on the Unified Patent Court of 19 February 2013, OJEU C175 20.6.2013 p.1, stating that "However, a patent may not be revoked or limited in mediation or arbitration proceedings" but which can only, for example in the context of Article 35(1), which provides for the establishment of an arbitration and mediation centre, expressly for the purpose of providing "facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement" be referring to the *erga omnes* status of an award as to the validity of a patent.

⁴⁴ Such agreements typically arise in the following circumstances. An infringer will often be unaware of the IP right in issue or that it may be infringing it and once it is drawn to its attention will, if it considers the case against it to be strong, prefer to negotiate a settlement with the IP owner whereby it stops the action complained of, and agrees to pay back damages at a level that it determines to be more favorable to it than the damages which a court might award. The situation can also arise however where for example an alleged infringer decides to investigate the validity of the IP right in issue, and discovers a strong potential challenge to that validity such as, for example, if the IP right in issue were a patent, was an item of potentially novelty destroying prior art which did not appear in the patent office search. Before proceeding with fighting the action and deploying this strong challenge to validity in the context of such action, it draws the attention of the rights owner to it. Such rights owner will often, if it agrees as to the strength of such challenge, agree to grant a royalty free licence to the alleged infringer, or agree not to sue it or its customers, in exchange for such alleged infringer not disclosing such prior art in public, and as would happen if the infringement proceedings were to continue.

⁴⁵ For example most competition laws will regard a tying agreement, under which restrictions are accepted by one party on goods that do not fall within the scope of the IP rights that are licensed, as *prima facie* anticompetitive. In contrast agreements which impose restrictions on goods which are within the scope of the licensed IP rights do not generally present problems under most competition law laws. However recently certain such types of IP agreement have been challenged under competition law and not been excluded from having the potential for being unlawful under competition law, namely those under which so called "reverse" payments are made in settlement of patent infringement disputes that may sometimes be entered into on the imminent market entry of a generic version of a pharmaceutical. These agreements will typically delay market entry for some period beyond the expiry date of the earliest patents that protect the pharmaceutical in issue but before the expiry date of later patents that protect that pharmaceutical, with a "reverse payment" made from the patentee to the prospective market entrant. As to this see, in the USA, *Federal Trade Commission v. Actavis, Inc., et al* (US Supreme Court 17 June 2013), and the views (as yet untested in the EU Court of Justice) of the European Commission, as to which see Sean-Paul Brankin - *An EU Competition Law Perspective on Reverse Payments* (WIPO Magazine February 2010) - see http://www.wipo.int/wipo_magazine/en/2010/01/article_0004.html.

infringed can be treated conceptually as a contract which can provide for one or other of these two alternative agreements, depending on the nature of the arbitration award.

47. Such national case law as there has been on the subject of the arbitrability of IP, much of which is now of some age, does not seem clearly to have drawn this distinction, although by its nature, one would hardly expect to encounter a challenge to the scope to declare an IP right invalid in the context of enforcing an award in respect of that IP right.⁴⁶ The trend, in those few more recent cases in which the arbitrability of IP has been challenged, has been to uphold the arbitrability of IP.⁴⁷

48. The distinction between the *inter partes* effect of an arbitration award as to the validity and scope of an IP right, and the lack of any *erga omnes* effect of such award, is expressly recognised, as observed above, in US law. Such an express statement is one which could usefully be incorporated in other national laws, to the extent that they are not prepared to go as far as those few countries that recognise the *erga omnes* effect of arbitral awards. To do so would lay to rest for once and all any concerns, no matter how misplaced, as to arbitrability.⁴⁸

III. BENEFITS AND LIMITATIONS OF ADR AS AN IP ENFORCEMENT TOOL

a) Introduction

49. As with Section II, this section focuses on arbitration, in this case as it is arbitration that provides the most appropriate comparison with litigation and of the various forms of ADR it is only arbitration which permits of such a comparison, as of the various forms of ADR discussed in this paper it is only through the use of arbitration by which an enforceable determination as to any type of dispute as between the parties can be made.

50. Indeed, in reviewing the benefits of the other forms of ADR, where these are available, over litigation, many of the benefits of such other forms of ADR, namely cost, speed, and simplicity, apply to some degree as much in comparison to arbitration as they do in comparison to litigation.

51. Certain types of expert determination, such as those relating to domain names, provide, as discussed in Section I.c) above, not only provide such benefits of cost, speed, and simplicity but in addition offer ready, easy and automatic enforceability by virtue of the contracts under which a domain name is acquired, and so will in general also provide a more effective enforcement mechanism than any amount of litigation. Although certain other types of expert determination, such as those relating to the essentiality of patents to a standard in the context of patent pools, involve exercises which could equally be the subject of litigation (and indeed often are, where no patent pool is involved to manage patent licences as between the members of the pool and third parties), the costs of so doing would be such as to deprive the patent pool of any economic rationale.

⁴⁶ For the reasons explained above at Footnote 9, there is generally no benefit to one who demonstrates that an IP right is invalid to make that fact more widely known.

⁴⁷ See for example *Liv Hidravlika D.O.O v S.A. Diebolt* (Paris Court of Appeal 28 February 2008, JCP, E, 2008 1582) refusing to annul an award made in 2005 in an ICC arbitration by an arbitral tribunal sitting in France, which, in addition to awarding damages, had imposed upon the respondent (Liv Hidravlika D.O.O., a Slovenian company) a prohibition on use of a patent without the authorization of the claimant (S.A. Diebolt, a French corporation), backed up with a civil penalty ('astreinte') of EUR 2,000 per breach of the prohibition.

⁴⁸ It is however a clarification of which no account has been taken in formulating the somewhat unfortunately expressed Article 35 of the Agreement on the Unified Patent Court, as between many Member States of the EU, as discussed in Footnote 43 above.

b) Benefits and Limitations of Arbitration as an IP enforcement tool

52. As observed above the benefits, in general terms, of arbitration⁴⁹ over litigation as a means of resolving commercial disputes, namely party autonomy, neutrality, finality,⁵⁰ confidentiality,⁵¹ and ready international enforceability⁵² are well recognised, and so it is not proposed to discuss these in detail in this Paper. There are however a number of benefits associated with arbitration over litigation, attributable to the concept of party autonomy, and which are specific to the field of IP.

53. One benefit of arbitration of particular value in relation to IP lies in the ability that it provides for the parties to tailor the composition of the arbitral tribunal to the specific needs of the dispute. In the context of IP this can mean the use of specialist IP practitioners having familiarity with the relevant area of IP law, and, in patents, the scope to have tribunal members who are suitably technically or scientifically qualified. Although there is a trend internationally towards the development of specialist IP courts⁵³ this can often encounter resistance from court administrators, who fail to see why IP should be so favored over other areas of law, and from generalist judges, some of whom who are reluctant to see the range of cases that they hear reduced, or who are concerned about specialization within the courts as a matter of legal principle.⁵⁴ Indeed, even where there is specialization, it is often very specific in nature, and so may apply only to particular areas of IP, such as patents, as opposed to all IP.⁵⁵

⁴⁹ Excluded from the expression “arbitration” in this context is court mandated “arbitration” as to which see Amy J. Schmitz, *Nonconsensual + Nonbinding = Nonsensical? Reconsidering Court-Connected Arbitration Programs*, 10 CARDOZO J. CONFLICT RESOL. 587, 588-89, 618 (2009) noting, as to the USA, that “policymakers have adopted programs mandating parties to submit their disputes to court-connected arbitration hoping to garner efficiency benefits commonly associated with contractual Federal Arbitration Act (FAA) arbitration” but concluding that “mandatory nonbinding arbitration, however, is ill-equipped for this task because it lacks the consensual core and finality of FAA arbitration” and arguing that “instead, it often adds an inefficient layer to the litigation process and may harm those least able to protect themselves from coerced settlements or burdens of protracted litigation.”

⁵⁰ In some cases finality and the absence of an appeal route may be seen as a disadvantage. There is however nothing to stop the parties in such cases providing in the arbitration clause or the submission agreement for a two stage arbitration process. For an example of such a two stage process in a submission agreement see the proposed arbitration procedure at Appendix I to this Paper.

⁵¹ Arbitrations are not automatically confidential, but the rules of most arbitration institutes provide for varying degrees of confidentiality. The WIPO Arbitration Rules (see Section VII of the Rules at <http://www.wipo.int/amc/en/arbitration/rules/#conf2>) are particularly well developed in this respect, reflecting in part the fact that many IP disputes will involve confidential technical information, such as disputes concerning trade secrets, or those concerning allegations of infringement of a patented process where the accused process is conducted under conditions of confidentiality.

⁵² Such ready international enforceability of arbitral awards is provided for by the New York Convention 1958, as discussed in Section II.c) above. In contrast there is no such international convention providing for the international enforcement of court orders, although within Europe the Brussels I Regulation and the Lugano Convention allow judgments made by the courts of one Member State to be enforced in another Member State (although these prevent the courts of one Member State adjudicating as to the validity of IP that to subsist must be registered in the national IP office of another Member State.).

⁵³ See Zuallcobley et al - *Study on Specialized Intellectual Property Courts* (International Intellectual Property Institute and the United States Patent and Trademark Office 2012) at <http://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf> and also the reports published by the Intellectual Property and Entertainment Law Committee of the International Bar Association - *International Survey of Specialized Intellectual Property Courts and Tribunals*, (International Bar Association 2004, 2006, 2007).

⁵⁴ See Wood, Hon. Diane P. in *Keynote Address: Is It Time To Abolish the Federal Circuit's Exclusive Jurisdiction in Patent Cases?* <http://www.ipo.org/wp-content/uploads/2013/10/Wood-Keynote-Address.pdf> and observing “Even though these cases are complex, there is great value in obtaining the views of a number of judges, and there is great value in using generalist judges. Law, in the final analysis, governs society. It should not be an arcane preserve for specialists, who never emerge to explain, even to their clients, what the rules are or why one side or the other prevailed. It is the responsibility of the parties to present their cases in a comprehensible form to the tribunal just as it is the responsibility of the judges to delve into the record, apply fair rules of procedure, consider burdens of proof, and come to sound results. Patent cases are no worse (and no better) than cases arising in many other areas. While there may be some gains from specialization, and while many of the civil law nations have opted

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54. Yet another benefit of arbitration for IP disputes is that it enables the parties to tailor the procedure that is adopted and the nature of the relief that may be available to their needs. Thus they may for example choose to specify the permissible scope of discovery, make provision for protective orders as to discovery, make provision for site visits and their conduct, and for the conduct of experiments. They can also specify, in the event that liability is established, the approach to be taken to the issue of financial relief, and whether or not the arbitral tribunal has the power to grant an injunction (or alternatively a civil penalty for breach of the order) and the parameters to be applied in deciding whether or not to do so. Indeed the WIPO Arbitration Rules are specifically tailored to IP disputes.

55. Yet another, and perhaps in the long term the most significant benefit of arbitration for IP disputes, lies in the ability that it provides to resolve multijurisdictional disputes in one single proceeding. The combination of the national or regional nature of IP rights with the increasingly international nature of trade and the international spread of technology has meant that it has become increasingly rare for IP disputes to be confined only to one country. The result has been an increasing number of disputes in IP about the same allegedly infringing subject matter, determined under increasingly harmonized, but subtly different, applicable laws, before different courts, with considerable variations in procedure as between these courts. Such disputes often take place in parallel, and in addition to the obvious multiplication of costs associated with multiple parallel proceedings, the cost and difficulty of effectively managing multijurisdictional IP litigation in such circumstances increases exponentially with the number of such parallel litigations, as it is necessary to ensure that positions taken in litigation in one jurisdiction are not inconsistent with those taken in another.

56. Although national courts, when so obliged by the terms of an agreement which they are called on to construe, may in effect be forced to consider the scope of foreign IP rights,⁵⁶ as observed in Section II.b) above⁵⁷ national courts have generally been reluctant to opine on the infringement of foreign IP rights. They have been even more reluctant to opine on the validity of such rights, which is a natural corollary of the *erga omnes* effect of most court decisions, in contrast to the generally *inter partes* effect of arbitral awards, as discussed in Section II.d) above. In contrast, arbitration allows parties to determine the infringement and validity of multiple parallel IP rights in different countries in a single proceeding, producing an award with *inter partes* effect and which would not purport to have *erga omnes* effect.⁵⁸ In an arbitration concerning parallel IP rights in different jurisdictions, each the subject of differing applicable laws, it would be open to the parties to the arbitration, should they so wish, to specify that a

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for this approach, there are losses too. Traditionally, we have found that the costs of specialization are not worth its benefits. I remain convinced that this continues to be true, at least in our legal culture.”

⁵⁵ For example although, in England & Wales, the Intellectual Property Enterprise Court, does specialize in all areas of IP, as do its judges or in general its deputy judges, in the High Court the only IP specialization within the Chancery Division is in the Patents Court, and most Judges of the Chancery Division who are not members the Patents Court have had little or no experience of any form of IP when they join the Chancery bench, a large proportion of the workload of which concerns forms of IP other than patents.

⁵⁶ For an example of a determination by a national court as to the scope of the claims of certain US and German patents in the context of a dispute over whether or not a product fell within the scope of a licence, which licence conferred jurisdiction on the English courts but lacked an arbitration provision, see the series of cases reported as *Celltech (Adair's) US Patent* [2002] EWHC 2167; [2003] FSR 25 (Patents Court); [2003] EWCA Civ 1008, [2004] FSR 3 (Court of Appeal); *Celltech R&D Ltd v Medimmune Inc* [2004] EWHC 1124 and *Celltech R&D Ltd v Medimmune Inc* [2004] EWHC 22 (Patents Court); [2004] EWCA Civ 1331; [2005] FSR 21 (Court of Appeal).

⁵⁷ See in particular the discussion at Footnote 26 above.

⁵⁸ However, the rules or constitutions of certain arbitration institutes preclude them from offering the prospect of such a benefit. Thus the patent mediation and arbitration center to be established under Article 35 of the Agreement on the Unified Patent Court of 19 February 2013, OJEU C175 20.6.2013 p.1, provides for the establishment of a patent mediation and arbitration center to “provide facilities for mediation and arbitration of patent disputes falling *within the scope of this Agreement*” (emphasis added). This would appear to limit the jurisdiction of this arbitration center so as to preclude its being able to offer the benefits of arbitration to prospective users for disputes which involve intellectual property rights outside those countries with the EU that ratify the Agreement on the Unified Patent Court.

single applicable law is to be applied to the dispute. Alternatively they could leave the dispute to be determined in accordance with different applicable laws for each country in which the infringement in issue is alleged to have taken place. Such proceedings, which would be hardly conceivable for any one national court to conduct, have indeed occurred in practice before arbitrators, as discussed below in Section IV.a).

57. Arbitration of IP does however have its limitations, the most important of which results from its consensual nature which inevitably imposes some constraints on the suitability of the process, for example in relation to deliberate and intentional acts of infringement, as opposed to the civil law courts, the criminal law courts, and border measures. Moreover the uncertain status under the New York Convention of interim awards and their differing treatment in different countries can mean that arbitration can be less well suited than litigation to IP disputes that are likely to involve requests to grant interim remedies. This is not however an issue that is limited to IP, and recognizing this, the rules of most arbitral institutions address this by leaving parties free to seek interim relief as appropriate. Thus Rule 46(d) of the WIPO Arbitration Rules⁵⁹ provides that “A request addressed by a party to a judicial authority for interim measures or for security for the claim or counter-claim, or for the implementation of any such measures or orders granted by the Tribunal, shall not be deemed incompatible with the Arbitration Agreement, or deemed to be a waiver of that Agreement.”

IV. CURRENT USE OF ADR FOR IP ENFORCEMENT

a) Infringement claims in contractual and (initially) non-contractual disputes

58. ADR, and in particular arbitration, can, as explained above, be employed in the context of disputes as to whether or not an IP right is infringed. This will involve in both contractual and non-contractual disputes an assessment under the applicable law or laws, or the law or laws that the parties choose, as to the protective scope of the IP right or rights in issue. It may also extend, particularly in the context of non-contractual disputes that are the subject of a submission agreement, to issues as to the validity, as between the parties, of the IP right or rights in issue, as well as any particular defences under the relevant applicable law or laws.

59. As mediations are almost invariably, and arbitrations are typically, confidential it is not possible except in a general sense to provide examples drawn from these, except and to the extent that an arbitration may be referred to in litigation.⁶⁰ An instructive set of examples of the use of both mediation and arbitration in the resolution of IP disputes is provided by the anonymised outlines published by the WIPO Arbitration and Mediation Center and also annexed to this Paper with their kind permission.⁶¹ Of the arbitrations there outlined particular attention should be drawn to examples A14 and A16, which show the use of arbitration to resolve multijurisdictional patent disputes under a submission agreement where there was no pre-existing contract between the parties before the dispute arose. Also, as to the issue of applicable law, discussed above in Section II.b), it should be noted that in the second of these two cases a single applicable patent law was chosen despite there being several national

⁵⁹ See <http://www.wipo.int/amc/en/arbitration/rules/#cond2>.

⁶⁰ A recent example of an arbitration that was also the subject of litigation is provided by *Sanofi-Aventis Deutschland GmbH v Genentech, Inc and Biogen IDEC Inc* (CAFC, 10 May 2013). This involved a determination as to the scope of the claims of a US patent in the context of a dispute over whether or not a product fell within the scope of a licence, under an arbitration provision in that licence agreement. The US Court of Appeals for the Federal Circuit refused to grant an injunction in favor of the licensee preventing the patent owner from proceeding with the arbitration, notwithstanding that a US court had placed a different construction on the claim of the US patent than that adopted by the arbitrator.

⁶¹ See Appendices IV and V, copying the lists at <http://www.wipo.int/amc/en/arbitration/case-example.html> and <http://www.wipo.int/amc/en/mediation/case-example.html>.

designations of the European patent in issue, each with potential differences of detail in their substantive laws, despite all such countries being party to the European Patent Convention.

b) Mediation and other ADR attached to public institutions (courts, IP Offices, etc.)

60. Courts and IP Offices in many jurisdictions encourage the use of ADR, including the ADR services that they themselves provide.⁶² Some courts apply legal costs sanctions as against those who unreasonably refuse to participate in ADR. Many courts and IP offices, such as the UK Intellectual Property Office⁶³ and the EU Office for Harmonisation in the Internal Market (OHIM)⁶⁴ themselves offer mediation services.

61. As another example of ADR attached to public institutions one can instance the patent opinion service offered by the UK Intellectual Property Office and discussed above in Section I.d) as an instance of neutral evaluation.

c) Mediation and ADR pledges

62. Although most arbitration institutes provide mediation services many other bodies and individuals will also do so. Such mediation services tend not to be specific to IP disputes but

⁶² In the context of IP, many national or regional courts or IP offices encourage the resolution of disputes by ADR. Indeed some will provide their own ADR services, such as the United States Court of Appeals for the Federal Circuit Appellate Mediation Program – see <http://www.ca9.uscourts.gov/mediation/> and the IP Mediation Service offered by the UK Intellectual Property Office – see <http://www.ipo.gov.uk/ipenforce-mediation.htm> and Footnote 63 below. The Intellectual Property Office of Singapore (IPOS) collaborates with the WIPO Arbitration and Mediation Center in offering a joint dispute resolution procedure to facilitate the mediation of IP disputes pending before IPOS – see <http://www.wipo.int/amc/en/center/specific-sectors/ipos/mediation/>. A similar collaboration is in place between the Brazilian National Institute of Industrial Property (INPI-BR) and the WIPO Arbitration and Mediation Center – see <http://www.wipo.int/amc/en/center/specific-sectors/inpibr/>. The courts of many countries also offer facilities for hearing small claims”, which, especially if requiring the consent of the parties, can be seen as a type of ADR. See for example the discussion of various alternative approaches to resolving small IP claims in *Copyright Small Claims - A report of the Register of Copyrights* - United States Copyright Office, September 2013 <http://www.copyright.gov/docs/smallclaims/usco-smallcopyrightclaims.pdf>. In the case of a number of EU Member States, Article 35 of the Agreement on the Unified Patent Court of 19 February 2013, OJEU C175 20.6.2013 p.1, provides within the framework of the new court system that it establishes, a patent mediation and arbitration centre to “provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement,” and which is to establish Mediation and Arbitration Rules and to draw up a list of mediators and arbitrators. Indeed the European Commission – Directorate General for Justice, in its *EU Justice Scoreboard* (COM (2013) 160 final), see - http://ec.europa.eu/justice/effective-justice/files/com_2013_160_en.pdf, derived from data set out in the study commissioned from Dubois, Eric; Schurrer, Christel and Velicogna, Marco - *The functioning of judicial systems and the situation of the economy in the European Union Member States* (15 January 2013) - see http://ec.europa.eu/justice/effective-justice/files/cepej_study_justice_scoreboard_en.pdf, treats ADR (which it divides into Judicial Mediation, Non Judicial Mediation, Conciliation and Arbitration) as an adjunct to the traditional national court systems in Europe and is not explicit (except in so far as implicit in the distinction that it makes between “judicial mediation” and “non-judicial mediation”) as to the role of private actors in ADR.

⁶³ See *Mediation of Intellectual Property Disputes and IPO Mediation Service* (UK IPO, March 2013) available at <http://www.ipo.gov.uk/mediation.pdf>. The mediation service was established in 2006 but was little used, with only around 20 mediations conducted under its auspices since its introduction to 2012, compared with 10,000 small claims mediations in the year to April 2010 alone conducted in England & Wales by Her Majesty's Court and Tribunal Services relating to a wide range of non-IP disputes - see *Call for Evidence on the Intellectual Property Office Mediation Service* (UK IPO, 2012) para 1.6; available at <http://www.ipo.gov.uk/c4e-mediation.pdf> and *Response to the Call for Evidence on the IPO Mediation Service* (UK IPO, 2012), summarizing the results of that consultation and foreshadowing certain changes to the IPO Mediation Service, the results of which have yet to be seen, available at <http://www.ipo.gov.uk/c4e-mediation-response.pdf>.

⁶⁴ OHIM mediation is only available when proceedings have already reached the appeal before the Boards of Appeal stage. It appears that by 2012 no mediation has yet been conducted by OHIM. <http://oami.europa.eu/ows/rw/pages/CTM/regProcess/mediation.en.do> - see *Call for Evidence on the Intellectual Property Office Mediation Service* (UK IPO, 2012) para 3.20; available at <http://www.ipo.gov.uk/c4e-mediation.pdf>.

many industry bodies also offer services which have particular application to IP disputes.⁶⁵ Some anonymised examples of IP mediations managed by the WIPO Arbitration and Mediation Center are outlined in Appendix IV to this paper.

63. Many major industrial companies subscribe to ADR Pledges. The following is one such pledge, the so called “21st Century Pledge” promulgated by CPR in the USA (obliging over 4,000 operating companies and 1,500 law firms to explore alternative dispute resolution options before pursuing litigation).⁶⁶

“Our company believes the costs, delay and damage to relationships resulting from adversarial litigation practices have risen to levels that are unsustainable in the present day global business arena. Alternative dispute resolution (ADR) practices developed over the last 30 years have encouraged more cost-effective and collaborative solutions.

Nevertheless, we recognise innovation and advancement need to continue. We believe it is a priority to explore the use of cost-efficient, sustainable, dispute resolution; We believe that our businesses can and should engage in a systematic and collaborative approach to dispute management and resolution with domestic and global customers, suppliers, partners and competitors;

We believe that outside counsel can be an integral part of our dispute management team and law firms schooled in ADR can better serve our legal needs;

We believe that disputes can be resolved using ADR methods so that the outcome enhances both the company’s short and long term well-being, as well as sustaining its vital business relationships. In recognition of the foregoing, we subscribe to the following statement of principle on behalf of our company and its global subsidiaries”.

“Our company pledges to commit its resources to manage and resolve disputes through negotiation, mediation and other ADR processes when appropriate, with a view to establishing and practicing global, sustainable dispute management and resolution processes.”

64. This pledge does not define what is here meant by “ADR”, and even though CPR offers a range of arbitration and mediation services, the emphasis in the pledge is clearly on negotiation and mediation in appropriate circumstances.

d) Self-regulatory mechanisms (including online enforcement tools)

65. To the extent that certain acts which may potentially involve the infringement of IP rights require the use of facilities provided by third parties, such as domain names registrars, or those who manage physical or electronic marketplaces, contractual provisions may impose ADR regimes on the users of such facilities that serve to enforce such IP.

66. Thus the most prominent self-regulatory mechanism employed in the enforcement of IP is that provided by the UDRP, the use of which largely obviates the need for trade mark owners to have recourse to trade mark litigation in order to establish their rights in relation to domain names, and which, as discussed in Section I.c), is a form of expert determination, conducted on-

⁶⁵ For example, the UK Anti Copying in Design (ACID) offers a ‘Mediate to Resolve’ service to its members and also to non-members - see <http://www.acid.eu.com/mediate/>.

⁶⁶ For more about CPR, see <http://www.cpradr.org/About.aspx> and for further details of the “21st Century Pledge” <http://www.cpradr.org/About/CPRPledges.aspx>. The CPR Pledge was recently adopted by CEDR in the UK, as to which see <http://www.cedr.com/news/?item=21ST-CENTURY-ADR-PLEDGE-LAUNCHED-IN-UK-AT-EVENT-AT-BP-HEADQUARTERS>.

line, that is not only considerably cheaper than litigation but provides scope for remedies that litigation may not be able to offer.

67. ADR has application to disputes as to internet platforms such as online marketplaces, thereby lending itself to online dispute resolution,⁶⁷ and has potential to be used in relation to IP disputes associated with internet platforms, for example under Notice and Takedown (NTA) Procedures such as those which national legislation will generally require as a condition for allowing internet service providers to place reliance on the “safe harbours” these afford to the operators of such internet platforms against liability for certain types of IP infringement.⁶⁸ One particular issue which can arise under such NTA procedures which has the potential to be addressed by online ADR is where there is a genuine dispute between the IP rights holder and the party responsible for placing the material in issue on the internet platform that manages the procedure as to whether or not the material in issue is infringing.⁶⁹ In the USA the Memorandum of Understanding between various US-based IPR (predominantly copyright) owners and ISPs of 6 July 2011 provides for, in Attachment C to it as amended, an Independent Review Program which “is intended to provide an alternative, fast, efficient and low-cost means for Subscribers and Copyright Owners to obtain independent resolution of genuine disputes that may occur in connection with the Copyright Alert program outlined in the Agreement [set out in the Memorandum of Understanding].”⁷⁰ On analysis of the Independent Review Program that this envisages it can be seen to constitute a type of expert determination.

e) Other

68. There are numerous other examples of the use of ADR for IP enforcement. One is the self-regulation of trade fairs.⁷¹ Another is the regulation of trading names.⁷² Another rapidly

⁶⁷ See Wang, Faye Fangfei – *Online Dispute Resolution – Technology, Management and Legal Practice from an International Perspective*, (Chandos Publishing 2009) and in particular Chapter 4.

⁶⁸ See for example, in the USA as to copyright, the Digital Millennium Copyright Act (DMCA), and in the EU, in relation to all types of IP right, Articles 13 to 15 of Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market (Directive on electronic commerce) (OJ L 178 17.7 2000, p 1).

⁶⁹ See for example the resolution on “Responsibility for Online Intermediaries” of the International League for Competition Law (LIDC) at <http://www.ligue.org/documents/2011-resolutionB.pdf> recommending that “... such notice and takedown system should provide for a timely process by which the takedown of allegedly infringing content, or removal of reference to allegedly infringing material, can be contested by interested parties who identify themselves.”

⁷⁰ The Memorandum of Understanding is at <http://www.copyrightinformation.org/wp-content/uploads/2013/02/Memorandum-of-Understanding.pdf> and its second amendment, replacing the Independent Review Program at Attachment C to it, is at <http://www.copyrightinformation.org/wp-content/uploads/2013/02/CCI-MOU-Second-Amendment.pdf>. See also Christie, Andrew – *Voluntary Mechanisms for Resolving IP Disputes* – WIPO/ACE/8/10, 2 September 2012, discussing the Memorandum of Understanding and other voluntary mechanisms.

⁷¹ See for example the ASSICOR SELF-REGULATORY DESIGN CODE OF PRACTICE approved on the 19th December 2000, further modified on the 19th December 2002, 20th November 2002, 20th November 2006 and 23rd April 2008 at http://www.vicenzaftera.it/uk/regulations/SELF_REGULATORY_DESIGN_CODE_OF_PRACTICE.pdf. The aims of this code of practice are “... to protect designers, manufacturers, traders and consumers of design products from unfair competition which damages the originality of ideas and creative worth of products, with a particular focus on counterfeit goods. The code of practice penalizes all activity which is in disagreement with the above-mentioned aims, which is not prosecutable under current Italian legislation; the regulations of the code of practice wish to provide a foundation for self-regulation within the design sector.” This code provides for the establishment of a Jury one role of which “during exhibitions organized by subscribing trade show organizations, [is to] guarantee, on the express request of the organization or the company, a watch-dog service to resolve, via the in-situ presence of an appropriate assessment committee, any disputes which might take place during the exhibition itself, connected to the disciplinary measures outlined in the present code of practice.” The code further provides that “The assessment committee shall carry out not only the afore-mentioned duty, but also, on the request of interested parties, a product description and assessment service, according to the procedures and aims outlined in the regulations” that “The trade fair organizations which wish to take advantage of the trade show watch-dog service shall oblige its exhibitors to subscribe to the complete acceptance of the regulations of the present code of practice and the implementation regulations and the decision made by the assessment committee whilst carrying out its duties ...” and that “Furthermore, trade show participants shall be committed to resolving definitively any possible

[Footnote continued on next page]

developing area, as already identified in Section I.c) above is the use of expert determination and of arbitration to resolve disputes in the context of standard setting organizations and standards essential patents.

69. Expert determination has found application in the context of patent pools of standards essential patents where it is used in order to provide a mechanism for determining whether or not patents submitted to the pool by members of the pool are in fact essential to the relevant technical standard. This determination is important as it will in general have a large part to play in determining how the royalties received by the pool as a result of licensing out the pooled patents are to be split as between the members of the patent pool. Absent such a mechanism there would be a likelihood of massive over-declaration of allegedly standards essential patents, as is the case for example with patents declared essential to the 2G and 3G mobile telephony standards, very few of which patents are also the subject of patent pools.⁷³ A number of such pools relate to voice and audio compression technologies. A published example of such a mechanism is provided by the W-CDMA Patent Licensing Program, a patent pool, which offers licenses of “certified essential patents” as explained in its “Frequently Asked Questions” paper:⁷⁴

Who decides which patents are certified “essential”?

“There is a two-stage process for certifying a patent as essential. Initially, a patent is evaluated by an Evaluation Panel (comprising a Lead Evaluator and two Assistant Evaluators; all three are patent attorneys) established by an independent International Patent Evaluation Consortium (IPEC), currently grouping together sixteen patent law firms in Asia (China, Japan and Korea), Australia, Europe (France, Germany, Italy and UK), Russia and the United States. IPEC declares that the patent is essential based on an agreed Evaluation Methodology. Other patent law firms will join as more patent jurisdictions are included in the Programme.

“The second stage is to subject the IPEC declared essential patent to an “objection process” by the licensors; this provides the opportunity for the other licensors to

[Footnote continued from previous page]

disputes which the committee has expressed judgment ... , making use of the settlement help desks set up at the Italian Chambers of Commerce.” By requiring any trade fair organization that wishes to avail itself of this facility to “oblige its exhibitors to subscribe to the complete acceptance of the regulations of the present code of practice and the implementation regulations and the decision made by the assessment committee whilst carrying out its duties” exhibitors are contractually bound to comply with such determinations and with any contractually imposed consequences, such as expulsion from the trade fair, and thus, as with other expert determinations, the question of enforcement does not arise because the enforcement is inherent within the contract.

⁷² For example in the UK the Company Names Adjudicator, based at the UK Intellectual Property Office, and introduced by Sections 66 to 74 of the Companies Act 2006, anyone can file an objection with the Company Names Adjudicator to a new company name if it is the same as that associated with the complainant and in which the complainant has goodwill in a business associated with the name or that the new company name is sufficiently similar to such a name such that its use in the UK would be likely to mislead by suggesting a connection between the company and the complainant. If the Company Names Adjudicator upholds a complaint then he can order that the respondent company change its name.

⁷³ As to patents declared to be essential to the 3G mobile telephony standard, see Goodman, David and Myers, *3G Cellular Standards and Patents* (IEEE WirelessCom 2005, 13 June 2005), available at <http://eeweb.poly.edu/dgoodman/wirelesscom2005.pdf> observing that a preliminary evaluation of one patent from each of 887 declared patent families in 2004 suggested that approximately 21% of the declared patents were actually essential to the 3G standard. The same authors have undertaken similar exercises subsequently on other mobile telephony standards. See also the critique by Martin, Donald L. and De Meyer, Carl, *Patent Counting, a Misleading Index of Patent Value: A Critique of Goodman & Myers and its Uses* (December 4, 2006), available at SSRN: <http://ssrn.com/abstract=949439> or <http://dx.doi.org/10.2139/ssrn.949439> which does not challenge this statistic but rather challenges certain conclusions that might be drawn from it as to the comparative value of the patent portfolios under consideration.

⁷⁴ 3G Licensing / W-CDMA Technology “Frequently Asked Questions” (16 April 2008), available at <http://wirelessledger.com/faq.pdf>. See also Lanz, Christoph, *The Fight Against Counterfeiting and limitations at Trade Fairs: The Panel of BASELWORLD*, WIPO/ACE/8/11.

question the essentiality result. Following a successful outcome of the “objection process” the patent is certified as a W-CDMA Essential Patent. The certified W-CDMA Essential Patents are then integrated into the W-CDMA Patent Licensing Programme.

IPEC is under exclusive contract to 3G Licensing.”

70. Arbitration has also found application in the ICT sector, and is being increasingly proposed as a mean of resolving disputes as to the determination of “[Fair] Reasonable and Non-Discriminatory” ([F]RAND) royalty rates for standards essential patents. Certain standard setting organizations⁷⁵ already provide for arbitrations under their rules. Arbitration has also been suggested as a way of determining FRAND royalty rates for standards essential patents within the context of commitments offered to competition authorities in an effort to resolve antitrust proceedings.⁷⁶ The WIPO Arbitration and Mediation Center makes available tailored model submission agreements that parties may use to refer a FRAND dispute to WIPO (Expedited) Arbitration⁷⁷.

[Appendix I follows]

⁷⁵ Namely those standard setting organizations for Digital Video Broadcasting (DVB), as to which see Article 14.7 of The Statutes of the DVB Project - 20th October 2011, available at http://www.dvb.org/resources/public/documents_site/dvb_mou.pdf, as to which see also Eltzroth, Carter – “*IPR Policy of the DVB Project: Commentary on Article 14 MoU DVB*” 31 December 2007, available at http://www.dvb.org/resources/public/documents_site/dvb_ipr_commentary.pdf. BluRay, as to which see Article 16(5) of Blu-Ray Disc Association Bylaws – Version 2.0 rev updated as of October 1, 2010 available at http://www.blu-raydisc.com/Assets/Downloadablefile/BDA_Bylaws_%28v2.0%29-18618.pdf and OMA, as to which see the Open Mobile Alliance Use Agreement, available at <http://openmobilealliance.org/about-oma/policies-and-terms-of-use/use-agreement/>.

⁷⁶ For example, arbitration has been identified by the U.S. Federal Trade Commission (FTC) as a means to facilitate the adjudication of FRAND licensing terms in the matter of Motorola Mobility and Google Inc Motorola Mobility LLC and Google Inc., FTC File No. 121 0120, available at <http://www.ftc.gov/sites/default/files/documents/cases/2013/07/130724googlemotorolado.pdf>. See also the Arbitration Procedure per Case COMP/C-3/39.939 – Samsung Electronics enforcement of UMTS Standard Essential Patents – Commitments offered to the European Commission – set out at Appendix I. Such commitments were made public in October 2013 by the European Commission in the course of seeking third party views on their adequacy.

⁷⁷ Available at <http://www.wipo.int/amc/en/center/specific-sectors/ict/frand/>.

APPENDIX I

ARBITRATION PROCEDURE PER CASE COMP/C-3/39.939 – SAMSUNG ELECTRONICS ENFORCEMENT OF UMTS STANDARD ESSENTIAL PATENTS – COMMITMENTS OFFERED TO THE EUROPEAN COMMISSION

ARBITRATION PROCEDURE:

The arbitration procedure shall be conducted as follows (unless the Parties mutually agree to follow a different arbitration procedure):

- a. The dispute shall be finally settled under the rules of arbitration of the ICC, unless the Parties mutually agree that the arbitration tribunal will be the patent mediation and arbitration centre as established under Article 35(1) of the Agreement on a Unified Patent Court.
- b. The first arbitral panel shall be made up of three (3) arbitrators, each with at least ten (10) years' relevant experience in the telecommunications sector and/or in IP licensing. The president of the first arbitral panel shall be a qualified practising lawyer who has experience in the telecommunication sector in either patent licensing or patent litigation. Legal qualification is not an absolute requirement for the other arbitrators. Each Party may select one arbitrator, and the president shall be selected by the two party-appointed arbitrators from a list of names nominated by the Parties, or failing agreement, the president shall be appointed by the ICC.
- c. The arbitration will be conducted in English.
- d. The seat of the arbitration will be in an EEA jurisdiction in which national laws permit Parties to agree to make an arbitration decision subject to appeal to a second arbitral tribunal.
- e. The arbitration will be conducted in strict confidence and the arbitral proceedings and decision shall be confidential. Each Party shall maintain the confidentiality of the arbitral decision and the confidential documents submitted in the course of the arbitration by the other Party, unless such documents are used in the proceedings for any appeal of the arbitration decision pursuant to Clause 8.f. below or disclosure is required by law or pursuant to an order by a court, tribunal, or a governmental authority.
- f. The first tribunal's decision shall be subject to a de novo appeal on issues of fact and law in accordance with the following procedure:
 - i. Either Party may appeal the first arbitral tribunal's decision to a second arbitral tribunal within sixty (60) days of notification of the decision to the Parties.
 - ii. Unless the Parties agree otherwise, the second arbitral panel shall be chosen in accordance with the procedure and requirements set out at Clause 8.b above, but no member of the first arbitral panel shall serve as a member of the second arbitral panel or otherwise be involved in the appeal in any capacity.
 - iii. The Parties can agree to limit the issues to be considered on appeal.
 - iv. Subject to Clause 8.f.iii above, the Parties agree expressly that the second arbitral tribunal shall have full authority to revisit the issues decided by the first arbitral tribunal, and that the first arbitral tribunal's decision shall be final and binding except to the extent to which issues therein are appealed with sixty (60) days. For the avoidance of doubt, any issues in the first arbitral tribunal's award that are not

appealed within sixty (60) days shall be final and binding, and in any event, the second arbitral tribunal's decision shall be final and binding on the Parties.

v. The appeal shall be treated as a separate arbitration for the ICC's purposes. The seat of the arbitration shall be in the same jurisdiction as the first arbitration.

g. Any procedural rules governing the arbitration procedure not set out in these Commitments will, at each instance, be decided by the arbitral panel, in accordance with the ICC Rules of Procedure or, as applicable, the patent mediation and arbitration centre as established under Article 35(1) of the Agreement on a Unified Patent Court.

[Appendix II follows]

APPENDIX II

SECTIONS 74A AND 74B PATENTS ACT 1977 (UK)

OPINIONS BY PATENT OFFICE

Opinions as to validity or infringement

74A.-(1) The proprietor of a patent or any other person may request the comptroller to issue an opinion –

- (a) as to whether a particular act constitutes, or (if done) would constitute, an infringement of the patent;
 - (b) as to whether, or to what extent, the invention in question is not patentable because the condition in section 1(1)(a) or (b) above is not satisfied.
- (2) Subsection (1) above applies even if the patent has expired or has been surrendered.
- (3) The comptroller shall issue an opinion if requested to do so under subsection (1) above, but shall not do so –
- (a) in such circumstances as may be prescribed, or (b) if for any reason he considers it inappropriate in all the circumstances to do so.
- (4) An opinion under this section shall not be binding for any purposes.
- (5) An opinion under this section shall be prepared by an examiner.
- (6) In relation to a decision of the comptroller whether to issue an opinion under this section –
- (a) for the purposes of section 101 below, only the person making the request under subsection (1) above shall be regarded as a party to a proceeding before the comptroller; and
 - (b) no appeal shall lie at the instance of any other person.

Reviews of opinions under section 74A

74B.-(1) Rules may make provision for a review before the comptroller, on an application by the proprietor or an exclusive licensee of the patent in question, of an opinion under section 74A above.

- (2) The rules may, in particular –
- (a) prescribe the circumstances in which, and the period within which, an application may be made;
 - (b) provide that, in prescribed circumstances, proceedings for a review may not be brought or continued where other proceedings have been brought;
 - (c) make provision under which, in prescribed circumstances, proceedings on a review are to be treated for prescribed purposes as if they were proceedings under section 61(1)(c) or (e), 71(1) or 72(1)(a) above;

(d) provide for there to be a right of appeal against a decision made on a review only in prescribed cases.

[Appendix III follows]

APPENDIX III

35 U.S.C. 294 VOLUNTARY ARBITRATION (USA)

- (a) A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract. In the absence of such a provision, the parties to an existing patent validity or infringement dispute may agree in writing to settle such dispute by arbitration. Any such provision or agreement shall be valid, irrevocable, and enforceable, except for any grounds that exist at law or in equity for revocation of a contract.
- (b) Arbitration of such disputes, awards by arbitrators, and confirmation of awards shall be governed by title 9, to the extent such title is not inconsistent with this section. In any such arbitration proceeding, the defenses provided for under section 282 of this title shall be considered by the arbitrator if raised by any party to the proceeding.
- (c) An award by an arbitrator shall be final and binding between the parties to the arbitration but shall have no force or effect on any other person. The parties to an arbitration may agree that in the event a patent which is the subject matter of an award is subsequently determined to be invalid or unenforceable in a judgment rendered by a court of competent jurisdiction from which no appeal can or has been taken, such award may be modified by any court of competent jurisdiction upon application by any party to the arbitration. Any such modification shall govern the rights and obligations between such parties from the date of such modification.
- (d) When an award is made by an arbitrator, the patentee, his assignee or licensee shall give notice thereof in writing to the Director. There shall be a separate notice prepared for each patent involved in such proceeding. Such notice shall set forth the names and addresses of the parties, the name of the inventor, and the name of the patent owner, shall designate the number of the patent, and shall contain a copy of the award. If an award is modified by a court, the party requesting such modification shall give notice of such modification to the Director. The Director shall, upon receipt of either notice, enter the same in the record of the prosecution of such patent. If the required notice is not filed with the Director, any party to the proceeding may provide such notice to the Director.
- (e) The award shall be unenforceable until the notice required by subsection (d) is received by the Director.

[Appendix IV follows]

APPENDIX IV

WIPO MEDIATION CASE EXAMPLES

(from the list of examples at <http://www.wipo.int/amc/en/mediation/case-example.html>)

Set out below are examples of mediations conducted under the WIPO Rules. The WIPO Arbitration and Mediation Center also makes available a summary overview of its caseload. These examples have been prepared while respecting the confidentiality of WIPO proceedings.

M1. A WIPO PATENT MEDIATION

A technology consulting company holding patents on three continents disclosed a patented invention to a major 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 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 eventually reached a settlement that 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 suits the business interests of both parties and ensures the profitable use of the technology in the service of those interests.

The Center, together with the mediator, has prepared a more detailed, step-by-step description of the development of this WIPO mediation.

M2. A WIPO COPYRIGHT MEDIATION

A Dutch company concluded a copyright license with a French company regarding the publication of a technical publication. The license agreement includes a WIPO mediation clause. The licensee became insolvent and defaulted on the royalties due under the license. When the licensor requested the mediation procedure, the Center, after consultation with the parties, and with approval of the court appointed liquidator, appointed an intellectual property specialist as the mediator. Following two meetings between the parties and the mediator, a settlement agreement was concluded.

M3. A WIPO COPYRIGHT MEDIATION FOLLOWED BY EXPEDITED ARBITRATION

A publishing house entered into a contract with a software company for the development of a new web presence. The project had to be completed within one year and included a clause submitting disputes to WIPO mediation and, if settlement could not be reached within 60 days, to WIPO expedited arbitration. After 18 months, the publishing house was not satisfied with the

services delivered by the developer, refused to pay, threatened rescission of the contract and asked for damages. The publishing house filed a request for mediation. While the parties failed to reach a settlement, the mediation enabled them to focus the issues that were addressed in the ensuing expedited arbitration proceeding.

M4. A WIPO MEDIATION OF AN IT/TELECOM DISPUTE

A software developer based in the United States licensed software applications to a European provider of telecommunications services. The agreement included a clause submitting disputes to WIPO Mediation, followed, in the absence of a settlement, by WIPO expedited arbitration.

A controversy arose as to whether the licensee was entitled to let certain affiliated parties have access to the software, and whether additional license fees were due in respect of those third parties. The dispute was submitted to WIPO mediation.

Taking into account the criteria identified by the parties, the Center proposed as mediator several candidates with experience in the area of software licensing and appointed a mediator in accordance with the parties' preferences.

Mediation sessions were held at a location that was convenient to both parties. The parties developed a mutually acceptable framework for the mediation process and solved a number of the issues in dispute. Using some of the options developed during the mediation, direct negotiations between the parties continued after the termination of the mediation to solve their remaining issues. The WIPO expedited arbitration was not initiated.

M5. A WIPO MEDIATION OF A BIOTECH DISPUTE

A French and a German company entered into a collaboration agreement for the development of a human antibody for the treatment of a major disease. Two years later, a US corporation acquired the French company. Alleging that the US corporation shortly thereafter caused certain payments required under the collaboration agreement to be withheld, the German entity filed an action for breach of contract against the US corporation in a district court in the United States. The US corporation filed counterclaims of rescission and breach of contract against the German company. After more than one year of court proceedings, the parties accepted the suggestion of the judge to submit their dispute to mediation and filed a joint request for mediation with the Center.

When the parties could not agree on the name of the mediator, the Center submitted for consideration of the parties a list of five possible candidates, meeting criteria set forth by the disputants in their mediation agreement. After some discussion, the parties agreed on one of the nominees proposed by the Center, an American intellectual property lawyer with considerable mediation experience.

The mediator conducted meetings with the parties in the United States. As a direct consequence of the facilitative role played by the mediator in the course of the case, the parties settled their dispute six months after the commencement of the mediation.

M6. A WIPO IT MEDIATION

A European airline entered into an agreement with a US software company concerning the development of a worldwide platform for the management of ticket sales. This was followed by

a professional services agreement, which contained a more detailed description of the project as well as the support services to be delivered by the software company. The latter agreement included a WIPO mediation followed by WIPO expedited arbitration clause. The airline paid several million USD for the application. Some years later, the airline terminated the agreement. In response, the software company asserted that, with the termination, the airline's rights in the application had lapsed and requested the software to be returned. The airline was of the position that it was entitled to retain the software application and initiated mediation. The result of the mediation was a new license between the parties.

M7. A WIPO MEDIATION OF A TRADEMARK COEXISTENCE DISPUTE

After a dispute arose between them, a North American company requested mediation with two Italian companies and one Spanish company on the basis of an agreement which the parties had reached for mediation under the WIPO Mediation Rules. The goal of the mediation was to help the parties avoid confusion and misappropriation of their similar trademarks and to regulate future use of their marks. Although Italian was agreed as the language of proceedings, any settlement agreement would be recorded in both Italian and English.

The Center suggested to the parties potential mediators with specific expertise in European trademark law and fluency in Italian and English. The parties selected an Italian mediator with a trademark practice. The mediator conducted an initial telephone conference with the lawyers of the parties in which he scheduled the mediation timing, and agreed on the procedure.

Two months later, the mediator met with the parties in a two-day session in Milan. The meeting was held in joint session with the exception of two brief caucuses. At the end of the second day 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.

M8. A WIPO MEDIATION OF A PHARMA PATENT LICENSE

A European university holding pharmaceutical patent applications in several countries negotiated a license option agreement with a European pharmaceutical company. The pharmaceutical company exercised the option and the parties started to negotiate a license agreement. After three years of negotiations the parties were unable to agree on the terms of the license. At that point the parties submitted a joint request for WIPO mediation.

As requested by the parties, the Center appointed as mediator a lawyer who had worked in the pharmaceutical industry for many years and had considerable licensing experience. The parties requested that the mediator help them reach an agreement on the terms of the license.

The one-day meeting session allowed the parties to identify the issues and deepen their understanding of the legal circumstances. On this basis, the parties continued direct negotiations amongst themselves and reached a settlement agreement.

M9. A WIPO MEDIATION OF A TELECOM PATENT LICENSE DISPUTE

A European telecom company licensed US, European and Asian patents relating to telecommunication technology to a US 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 Center suggested to the parties potential mediators 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.

M10. A WIPO MEDIATION IN THE AUTOMOTIVE SECTOR

A US based manufacturer of automotive components concluded a settlement agreement in the form of a patent license with one of its European competitors. This agreement contained a dispute resolution clause referring to WIPO Mediation to be followed, in the absence of settlement, by WIPO Arbitration with a three-member tribunal.

Two years after the conclusion of the settlement agreement, the US company submitted a request for mediation alleging infringement of its US patents and claiming royalty payments for the licensed automotive parts technology. The request specified the preferred qualifications of the appropriate mediator and the WIPO Arbitration and Mediation Center provided to the parties a list of candidates with specific expertise in patents and the relevant technology.

The parties selected one of the recommended mediators who convened a two-day meeting. The meeting involved various caucus sessions and the parties engaged in a continuous exchange of proposals and discussions. Such negotiations related to the amount of royalty payments sought by the US company and the renegotiation of the terms of the license relating to royalty payments.

At the end of the hearing the parties agreed on a term sheet laying down the terms of a final agreement, which enabled the parties to efficiently continue their business activities in this market.

M11. A WIPO MEDIATION OF A SOFTWARE/IT DISPUTE

A public research center based in Europe and a technology company also based in Europe signed a research and development agreement aimed at developing technological improvements to a phonetic recognition software. The agreement included a mediation clause under the WIPO Rules.

After several years, the technology company stopped complying with the agreed payment schedule alleging that the research center had not met the targets set and took unilateral decisions, including hiring other research groups outside the relationship while the contract with the research center was still in force.

The research center initiated mediation claiming damages. The Center proposed as mediator a lawyer with experience in technology contracts. After several months of intense negotiations facilitated by the mediator, the parties concluded a settlement agreement.

[Appendix V follows]

APPENDIX V

WIPO ARBITRATION CASE EXAMPLES

(From the list of examples at <http://www.wipo.int/amc/en/arbitration/case-example.html>)

Set out below are examples of arbitrations conducted under the WIPO Rules. The WIPO Arbitration and Mediation Center also makes available a summary overview of its caseload. These examples have been prepared while respecting the confidentiality of WIPO proceedings.

A1. A WIPO SOFTWARE TRADEMARK ARBITRATION

A North-American software developer had registered a trademark for communication software in the United States and Canada. A manufacturer of computer hardware based elsewhere registered an almost identical mark for computer hardware in a number of Asian countries. Both parties had been engaged in legal proceedings in various jurisdictions concerning the registration and use of their marks. Each party had effectively prevented the other from registering or using its mark in the jurisdictions in which it holds prior rights. In order to facilitate the use and registration of their respective marks worldwide, the parties entered into a coexistence agreement which contains a WIPO arbitration clause. When the North-American company tried to register its trademark in a particular Asian country, the application was refused because of a risk of confusion with the prior mark held by the other party. The North-American company requested that the other party undertake any efforts to enable it to register its mark in that Asian country and, when the other party refused, initiated arbitration proceedings.

Following proposals made by the Center, the parties appointed a leading IP lawyer as sole arbitrator. In an interim award the sole arbitrator gave effect to the consensual solution suggested by the parties, which provided for the granting by the hardware manufacturer of a license on appropriate terms to the North-American company, including an obligation to provide periodic reports to the other party.

A2. A WIPO PHARMA PATENT LICENSE ARBITRATION

A French pharmaceutical research and development company licensed know-how and patented pharmaceuticals to another French company. The license agreement includes an arbitration clause that provides that any dispute will be resolved under the WIPO Arbitration Rules by an arbitral tribunal consisting of three members in accordance with French law. Faced with the licensee's apparent refusal to pay the license fee, the R&D company initiated arbitration proceedings.

A3. A WIPO COPYRIGHT MEDIATION FOLLOWED BY EXPEDITED ARBITRATION

A publishing house entered into a contract with a software company for the development of a new web presence. The project had to be completed within one year and included a clause submitting disputes to WIPO mediation and, if settlement could not be reached within 60 days, to WIPO expedited arbitration. After 18 months, the publishing house was not satisfied with the services delivered by the developer, refused to pay, threatened rescission of the contract and asked for damages. The publishing house filed a request for mediation. While the parties failed

to reach a settlement, the mediation enabled them to focus the issues that were addressed in the ensuing expedited arbitration proceeding.

Following the termination of the mediation, the publishing house initiated expedited arbitration proceedings. The Center appointed a practicing judge as sole arbitrator who had been agreed by the parties. The arbitrator conducted a one-day hearing in Hamburg (Germany), in the course of which the parties expressed their desire to settle their case, asking the arbitrator to prepare a settlement proposal. The parties accepted the arbitrator's proposal and requested the arbitrator to issue a consent award. In addition to confirming the terms of the settlement, the consent award made reference to a press release to be published by the parties announcing the settlement of their dispute.

A4. A WIPO EXPEDITED ARBITRATION RELATING TO AN ARTISTIC PRODUCTION FINANCE AGREEMENT

A producer of artistic performances entered into an agreement with an insurance company to finance arbitration proceedings. The finance agreement includes a WIPO expedited arbitration clause. The producer brought arbitration proceedings against an Asian entity in Singapore. The producer claimed the costs of the Singapore arbitration under its finance agreement. Faced with the financing company's apparent refusal to make such payment, the producer filed WIPO expedited arbitration proceedings indicating that, as a result of the deadline imposed by the arbitral tribunal in Singapore, it required that a final award be issued within six weeks after the commencement of the WIPO expedited arbitration. Following consultations with the parties, the WIPO Center appointed a sole arbitrator. After a one-day hearing in Frankfurt (Germany), the sole arbitrator issued a timely arbitral award within five weeks.

A5. A WIPO ARBITRATION OF A BIOTECH/PHARMA DISPUTE

A French biotech company, holder of several process patents for the extraction and purification of a compound with medical uses, entered into a license and development agreement with a large pharmaceutical company. The pharmaceutical company had considerable expertise in the medical application of the substance related to the patents held by the biotech company. The parties included in their contract a clause stating that all disputes arising out of their agreement would be resolved by a sole arbitrator under the WIPO Arbitration Rules.

Several years after the signing of the agreement, the biotech company terminated the contract, alleging that the pharmaceutical company had deliberately delayed the development of the biotech compound. The biotech company filed a request for arbitration claiming substantial damages.

The Center proposed a number of candidates with considerable expertise of biotech/pharma disputes, one of whom was chosen by the parties. Having received the parties' written submissions, the arbitrator held a three-day hearing in Geneva (Switzerland) for the examination of witnesses. This not only served for the presentation of evidence but also allowed the parties to re-establish a dialogue. In the course of the hearing, the arbitrator began to think that the biotech company was not entitled to terminate the contract and that it would be in the interest of the parties to continue to cooperate towards the development of the biotech compound.

On the last day of the hearing, the parties accepted the arbitrator's suggestion that they should hold a private meeting. As a result of that meeting, the parties agreed to settle their dispute and continued to cooperate towards the development and commercialization of the biotech compound.

A6. WIPO EXPEDITED ARBITRATION OF A PATENT LICENSE DISPUTE

An Asian inventor held several US and European patents over components used in sports goods. The Claimant entered into an exclusive license agreement over the patents with a US manufacturer. The license agreement provided for the use of WIPO Expedited Arbitration to resolve disputes regarding possible infringement of the patents.

A dispute arose between the parties regarding the payment of royalties under their license agreement. As a result, the inventor filed a Request for Arbitration and Statement of Claim with the Center requesting a declaration that his patents had been infringed. The parties did not agree on the identity of the sole arbitrator for this case. As a consequence, and in order to cover the full spectrum of patents at stake, the Center appointed as sole arbitrator an English patent lawyer with very substantial experience in US patent law.

Following several evidentiary motions, motions for the protection of business secrets and for the examination of samples of the products, the arbitrator held a hearing in California for the examination of witnesses. In the final award the arbitrator addressed issues of infringement of the asserted patents and whether those patents had been anticipated.

A7. A WIPO ARBITRATION OF AN IT/TELECOM DISPUTE

An Asian company and a European software developer negotiated to form a joint venture company and entered into a license agreement to provide a mobile payment service in a number of Asian countries. Prior to the joint venture's formation, a dispute arose between them concerning performance of the license agreement. The Asian company submitted a request for arbitration under the WIPO Arbitration Rules on the basis of the license agreement, and also obtained an interim order freezing the European developer's bank account from a court based in the European developer's domicile (Article 46(d) of the WIPO Arbitration Rules).

In the WIPO arbitration, the European 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 European 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 European developer. The Asian company provided the bank guarantee as ordered.

At the suggestion of the arbitrator and with the consent of the parties, having reviewed the further pleadings in the case, the arbitrator convened a conciliation conference in Geneva (Switzerland), at which he 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. The European developer agreed to pay a certain amount and to return the bank guarantee to the Asian company, which in turn agreed to transfer relevant intellectual property rights to the developer.

A8. A WIPO EXPEDITED ARBITRATION OF A TRADEMARK COEXISTENCE DISPUTE

A European company had registered a trademark for luxury goods in different countries. An Asian manufacturer started to sell fashion products under a similar registered trademark. The Asian company filed a court case and administrative cancellation proceedings in two European

countries alleging non-use by the European company of its trademark. After the court case went to appeal, the parties settled their dispute by concluding a trademark coexistence agreement which included a WIPO expedited arbitration clause. When the European company used its trademark in a trade fair, the Asian company initiated WIPO expedited arbitration proceedings claiming infringement of the coexistence agreement.

Following consultations between the parties and the Center, a European trademark specialist was appointed as sole arbitrator. After two rounds of pleadings, the arbitrator conducted a one-day hearing in Munich (Germany) and issued an award six months after the commencement of the proceedings. Finding partial infringement of the coexistence agreement, the arbitrator granted the primary remedy claimed and ordered the European company to refrain from such infringing behavior.

A9. A WIPO PATENT LICENSE ARBITRATION

A European inventor holding patents in Australia, Canada, Europe and the United States licensed patent rights and know-how to an Asian company. The license contained a WIPO arbitration clause providing for a three-member tribunal.

The parties disagreed on who should pay the renewal fees of the patents. Eventually the Asian company terminated the license whereupon the European inventor filed a request for arbitration, claiming damages and requesting a declaration that he was free to use the patents.

The three arbitrators appointed possessed substantial IP expertise and the necessary language skills allowing them to consider evidence in different languages.

Following a series of evidentiary exchanges, the tribunal rendered an award 14 months after commencement of the arbitration. Finding that the Asian company had not been entitled to terminate the contract as it did, the tribunal ordered it to pay damages and to return to the inventor the prototypes, plans and documents that had been communicated in the context of the license.

A10. A WIPO ARBITRATION RELATING TO AN ARTIST PROMOTION DISPUTE

A European art gallery concluded an exclusive cooperation agreement with a European artist in order to promote the artist in the international market. The agreement contained a WIPO arbitration clause providing for a three-member tribunal. Three years after the signing of the agreement, the parties' relationship began to deteriorate and the artist sent a notice terminating the agreement. At that point, the art gallery initiated WIPO arbitration proceedings.

Following consultations between the parties and the Center, the Center appointed three arbitrators experienced in art law issues.

After studying the parties' pleadings, the tribunal considered that there was potential for settlement. With the agreement of the parties, the tribunal issued a preliminary case assessment encouraging the parties to resume settlement negotiations which the parties had attempted at an earlier stage. The parties reached a settlement and asked the tribunal to render a consent award, incorporating the parties' settlement agreement. The terms of the settlement included the termination of the cooperation agreement and the provision of a number of works by the artist to the gallery in final settlement.

A11. 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 United States. 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.

A12. A WIPO EXPEDITED ARBITRATION RELATING TO A BANKING SOFTWARE DISPUTE

A US company providing data processing software and services and an Asian bank concluded an agreement regarding the provision of account processing services. The parties agreed that the US company was to be the exclusive service provider for certain of the bank's affiliates in North America and Europe. The agreement stated that any dispute arising out of or in connection with the agreement would be resolved under the WIPO Expedited Arbitration Rules and that the sole arbitrator will be selected from a panel of persons having experience of information technology.

Four years after the conclusion of their agreement, the US company alleged that the bank had violated the agreement by using processing services offered by third parties in the countries covered by the agreement. When the parties failed to settle the dispute, the US service provider commenced WIPO expedited arbitration proceedings claiming infringement of the agreement and substantial consequential damages.

The parties agreed upon a sole arbitrator who held a two-day hearing in New York City. Three months after the request for expedited arbitration, the arbitrator rendered a final award finding partial infringement of the agreement and granting damages to the US service provider.

A13. A WIPO BROADCAST RIGHTS DISTRIBUTION AGREEMENT ARBITRATION

A TV distribution company requested arbitration in a dispute against an international sports federation based on the WIPO Arbitration Rules pursuant to a broadcast rights distribution agreement. The agreement related to the exclusive broadcast distribution of sports competitions to television audiences in Asia and the Pacific regions. The dispute resolution clause provided that the dispute be decided by a sole arbitrator, the place of arbitration be Geneva, Switzerland, and the law applicable to the substance of the dispute be Swiss law. The TV distribution company claimed damages for breach of contract.

Following consultations between the parties and the Center, the Center appointed a sole arbitrator experienced in media and sport issues. The sole arbitrator considered documentary evidence, held a hearing for the examination of witnesses, and rendered a final award rejecting the claims within a year of the commencement of the arbitration.

A14. A WIPO MEDICAL DEVICE RELATED PATENT ARBITRATION

Following litigation in several jurisdictions regarding the alleged infringement of European and US patents protecting medical devices, a European company and an American company signed a settlement agreement including a WIPO arbitration clause.

Given the importance of the patents in dispute for the parties, they amended the standard WIPO arbitration clause as follows: the clause provided that infringement claims of US patents should be heard by a sole US arbitrator, and those relating to European patents by a sole European arbitrator. The clause further provided, that the awards issued by the European and US arbitrator could be subject to review through an appeal panel of three arbitrators.

A year after the signing of the settlement agreement, the European company commenced WIPO arbitration proceedings, claiming infringement of its US and European patents. From a list of candidates submitted by the Center, the parties agreed on a patent law specialist from the US and a patent law specialist from Europe to consider the allegations of infringement of the US patents and the European patents respectively. The parties agreed on a procedural order setting out the procedural steps, including the use of the WIPO Electronic Case Facility, the timetable for the proceedings, the scope of discovery, a protective order, the preliminary claim construction of the US and European patents, and a hearing schedule.

The US arbitrator and the EU arbitrator issued their awards within eighteen months following their appointment. The parties agreed not to use the appeal procedure.

A15. A WIPO EXPEDITED ARBITRATION OF A SOFTWARE DISPUTE

A software developer based in the United States and a European company concluded an on-line license agreement permitting use of the European company's security software for internet distribution of the developer's software. The license agreement contained an arbitration clause providing that all disputes should be resolved under the WIPO Expedited Arbitration Rules. Several years after the conclusion of the agreement the software developer submitted a request for Expedited Arbitration to the WIPO Center. He alleged that the European company's security application had not prevented third parties from unauthorized access to his software and claimed substantial damages for breach of contract.

The parties chose one of the candidates proposed by the WIPO Center as sole arbitrator. Because of the geographical distance between them and in order to avoid cost expenditure for travel, the parties agreed to hold the hearing through a videoconference, including witness examinations. Following post-hearing submissions, the arbitrator rendered a final award.

A16. A PATENT INFRINGEMENT DISPUTE SUBMITTED TO WIPO ARBITRATION

Following litigation in several jurisdictions, two American companies agreed to submit to WIPO Arbitration a dispute related to the alleged infringement of a European patent concerning consumer goods. The submission agreement provided that the national patent law of a particular European country would apply and that the patent litigation timelines of that country should be followed. The three member tribunal was asked to decide whether the manufacture and sale of certain products infringed the patent.

The submission agreement, and compliance with the procedural timetable in the subsequent arbitration process, reflected the parties' mutual interest to resolve the dispute in a time- and cost-efficient manner. The parties accepted the Center's recommendation to appoint three arbitrators with substantial expertise in arbitration and in the relevant national patent law.

Further to the exchange of written submissions, the arbitral tribunal held a one-day hearing in Geneva for further statements and for the examination of expert witnesses. In accordance with the time schedule agreed by the parties, the final award was rendered within five months of the commencement of the arbitration.

[End of Appendixes and document]