Alternative Dispute Resolution
Mechanisms in Technology Transfer Transactions

Workshop on International R&D and Technology Transfer Contracts
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World Intellectual Property Organization

- WIPO’s Mission: To promote the protection of IP rights worldwide and extend the benefits of the international IP system to all Member States
- Member States: 184
- Treaties Administered: 24
- WIPO activities:
  - Norm-Setting
  - Economic Development (e.g. WIPO Innovation & Technology Transfer Section)
  - Services: e.g. Patent Cooperation Treaty, Madrid Protocol for Trademarks, Arbitration and Mediation Center
WIPO Arbitration and Mediation Center

- Established 1994 (Geneva)
- 2010 Singapore Office
- Promotion of time and cost-effective resolution of intellectual property disputes through mediation, arbitration and expert determination (since 2007)
- Global protection of intellectual property
- Patent disputes in multiple jurisdictions:
## Patent Litigation

<table>
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<tr>
<th>Country</th>
<th>Characteristic of Legal System</th>
<th>Average Length</th>
<th>Average Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>- Civil Law &lt;br&gt;- Unified Litigation &lt;br&gt;- No specialized courts</td>
<td>First Instance: 18-24 months &lt;br&gt;Appeal: 18-24 months</td>
<td>€80,000-150,000 (1st Inst.)</td>
</tr>
<tr>
<td>Germany</td>
<td>- Civil Law &lt;br&gt;- Bifurcated Litigation &lt;br&gt;- Specialized court for invalidity</td>
<td>First Instance: 12 months &lt;br&gt;Appeal: 15-18 months</td>
<td>€50,000 (1st Inst.)&lt;br&gt;€70,000 (App.)</td>
</tr>
<tr>
<td>Italy</td>
<td>- Civil Law &lt;br&gt;- Unified Litigation &lt;br&gt;- Specialized courts</td>
<td>First Instance: few months – 24 months &lt;br&gt;Appeal: 18-24 months</td>
<td>€50,000-150,000 (1st Inst.)&lt;br&gt;€30,000-70,000 (App.)</td>
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<td>Spain</td>
<td>- Civil Law &lt;br&gt;- Unified Litigation &lt;br&gt;- Commercial Courts</td>
<td>First Instance: 12 months &lt;br&gt;Appeal: 12-18 months</td>
<td>€100,000 (1st Inst.)&lt;br&gt;€50,000 (2nd Inst.)</td>
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<td>UK</td>
<td>- Common Law &lt;br&gt;- Unified Litigation &lt;br&gt;- Specialized courts &lt;br&gt;- Mediation promoted</td>
<td>First Instance: 12 months &lt;br&gt;Court of Appeal: 12 months &lt;br&gt;Supreme Court: 24 months</td>
<td>€750,000-1,500,000 (1st Inst.)&lt;br&gt;€150,000-1,500,000 (App.)&lt;br&gt;€150,000-1,500,000 (Supreme Court)</td>
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<td>China</td>
<td>- Civil Law &lt;br&gt;- Bifurcated Litigation &lt;br&gt;- Specialized courts</td>
<td>First Instance: 6 months &lt;br&gt;Appeal: 3 months</td>
<td>USD150,000 (1st Inst.)&lt;br&gt;USD50,000 (App.)</td>
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<td>Japan</td>
<td>- Civil Law &lt;br&gt;- Bifurcated Litigation &lt;br&gt;- Specialized courts</td>
<td>First Instance: 14 months &lt;br&gt;Appeal: 9 months</td>
<td>USD300,000 (1st Inst.)&lt;br&gt;USD100,000 (App.)</td>
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<tr>
<td>USA</td>
<td>- Common Law &lt;br&gt;- Unified Litigation &lt;br&gt;- Specialized court of appeals (CAFC) &lt;br&gt;- Jury trial available &lt;br&gt;- Mediation promoted</td>
<td>First Instance: up to 24 months &lt;br&gt;Appeal: 12 + months</td>
<td>Up to USD4,000,000 (1st Inst.)&lt;br&gt;USD150,000-250,000 (App.)</td>
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</table>

**Source:** This chart is based on figures provided in Patent Litigation - Jurisdictional Comparisons, Thierry Calame, Massimo Sterpi (ed.), The European Lawyer Ltd, London 2006.
What is Alternative Dispute Resolution (ADR)?

- A range of procedures to resolve disputes out-of-court in a private forum with the assistance of an independent intermediary (e.g., mediator, arbitrator, expert)

- Mediation
- Arbitration
- Expert Determination

- Combined with court proceedings, i.e. encouraged by courts (European Mediation Directive)
- Consensual (parties need to agree to use ADR, e.g. contract clause or submission agreement)
Mediation, Arbitration, Expert Determination

- **Mediation**: an informal procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of their dispute, based on the parties’ respective interests. The mediator cannot impose a decision. The settlement agreement has the force of a contract.

- **Arbitration**: a procedure in which the parties submit their dispute to one or more chosen arbitrators, for a binding and final decision (award) based on the parties’ respective rights and obligations and enforceable as an award under arbitral law.

- **Expert Determination**: a procedure in which the parties submit a specific matter (e.g. technical question) to one or more experts who make a determination on the matter, which can be binding unless the parties have agreed otherwise.
WIPO Caseload: Types of Procedure

- Mediation: 51%
- Arbitration: 31%
- Expedited Arbitration: 18%
WIPO Caseload: Subject Matter

- Patents: 44%
- Copyright: 7%
- Trademarks: 9%
- IT Law: 17%
- Other: 23%
WIPO Caseload: Business Areas

Information Technology: 28%
Pharmaceuticals: 16%
Other: 22%
Mechanical: 17%
Entertainment: 10%

- 2% Chemistry
- 2% Luxury Goods
- 3% Life Sciences
Use of ADR in Technology Transfer

- **Research**
  - Intellectual property rights:
    - Inventorship
    - (Co-) Ownership
    - Access rights background/ foreground (including licensing)
    - Patent infringement
  - Confidentiality (Non-Disclosure Agreements)
  - Project-management
    - Compliance with work plan
    - Payment modalities

- **Exploitation**
  - Control and use of research results (including licensing)
  - Technology valuation (foreground IP – determining conditions for use)
  - Manufacturing, marketing, distribution obligations
  - Payment of royalties
ADR in R&D and Technology Transfer Agreements

**Consistency**

**Agreements involving multiple parties**
Options

WIPO Contract Clause/Submission Agreement

Negotiation

Mediation

Expert Determination

Determination

Settlement

Expedited Arbitration

Award

Arbitration
WIPO Mediation and Arbitration Cases related to R&D and Technology Transfer

**Parties involved**
- Large companies
- SMEs
- Research organizations
- Universities
- Start/ups Spin-offs

**Domestic/International Disputes**
- Europe, North America, Asia

**Subject matter**
- R&D collaboration agreements
- Patent license agreements
- License option agreement
- Patent infringement
- Illegal use of Design

**Remedies**
- Damages
- Payment of royalties
- Delivery of products
- Continuation of R&D activities
- Re-negotiation agreement
Why ADR in Technology Transfer and R&D Collaborations?

- **International**
  - Cross-border dimension technology transfer, R&D projects, different national laws

- **Neutral Expertise**
  - Complex questions related to IP and technical issues
  - Experienced neutral (e.g. technical expert)

- **Efficiency**
  - Large investments in time and money for development and marketing (e.g. of pharmaceuticals), high competitive pressure, short market cycles
  - Need for time- and cost-effective procedures

- **Confidentiality**
  - New technology developments, patentability (existence, content, outcome of ADR procedure is confidential)

- **Preserving Party Relationships**
  - Long-time collaborations

- **Business Solution**
  - Reconcile diverging commercial expectations instead of limiting solution to legal consequences of contract
Mediation followed by Arbitration

- Try mediation before arbitration, at least until
  - lapse of time period
  - termination

- Combining the benefits
  - arbitration well-prepared

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

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

- Commencement
- Appointment of Mediator
- Initial Conference
- Meetings
- Conclusion
Commencement and Appointment of the Mediator

- Request for mediation
  - Commencement (Arts. 3-5)
  - Administration fee (Art. 21) (Art. 6-7)

- Appointment of mediator
  - Parties, or Center after consultation with parties (Art. 6)
  - Impartiality and independence (Art. 7)
Preparatory (Telephone) Conference

Agreement on:

- Timetable of Mediation
- Documents to be submitted
- Participants in Mediation Meeting
- Party Representation (representatives with decision making power)
Mediation Sessions

- Evaluating alternatives to settlement (Risk and cost of litigation)
- Identifying issues
- Exploring the parties’ interests
- Settlement options
- Meetings with both parties and Caucus (Art. 11)
- Form: evaluative, facilitative
Conclusion of the Mediation - Art. 18

- Termination
  - Settlement agreement
  - Withdrawal by one or both parties
  - Decision of the mediator
Example WIPO Mediation Patent Dispute

- Consulting contract European technology consulting company (patent owner) and Asian manufacturer
- Failure to negotiate patent license
- WIPO Mediation Request
- Appointment of mediator (patent, mediation and technology expertise)
- Two-day mediation session
- Result: license, agreement on future consulting contracts
WIPO ARBITRATION

- Request for Arbitration
- Answer to Request for Arbitration (30 days)
- Appointment of Arbitrator(s)
- Statement of Claim (30 days)
- Statement of Defense (30 days)
- Further Written Statements and Witness Statements
- Hearings
- Closure of Proceedings (9 months)
- Final Award (3 months)

WIPO EXPEDITED ARBITRATION

- Request for Arbitration and Statement of Claim
- Answer to Request for Arbitration and Statement of Defense (20 days)
- Appointment of Arbitrator
- Hearing (maximum 3 days)
- Closure of Proceedings (3 months)
- Final Award (1 month)

- One Exchange of Pleadings
- Shorter Time Limits
- Sole Arbitrator
- Shorter Hearings
- Fixed Fees
Basic Arbitration Principles

- Voluntary process agreed by the parties
- Binding procedure
- Guaranty of due process
- Cost-effectiveness and expeditious procedure
- Final, no appeal
- Enforceability of the award
  - New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958
  - 145 Member States (all EU Member States)
  - International arbitral awards to be recognized and enforced like final national court judgments (limited grounds to reject enforcement)
WIPO Arbitration Rules

- Parties choice re. appointment arbitrator(s) (Arts. 16-17)
- Confidentiality provisions (Arts. 73-76)
- Interim measures (Art. 46)
- Types of evidence common in IP disputes
- Option to use WIPO ECAF
### WIPO Electronic Case Facility (ECAF)

**Case:** WIPOA20020  
**Licensing v. AB Technics Inc.**

#### Case File

Only documents to be recorded as part of the case file should be submitted in the Case File. Only first-level submissions will trigger an email notification to users. Display issues from variations in browsers may be resolved by adjusting the text size in the browser menu.

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Example WIPO Arbitration
R&D Biotech/Pharma Dispute (I)

- European biotech company held several patents for the extraction and purification of a compound with medical uses
- License and development agreement with a large pharmaceutical company with expertise in the medical application of the substance related to its patents
- Development agreement contained a clause referring to WIPO Arbitration Rules
- Biotech company filed request for arbitration alleging that the pharmaceutical company had deliberately delayed the development of a biotech compound
Example WIPO Arbitration
R&D Biotech/Pharma Dispute (II)

- Parties chose one out of the Center’s list of proposed candidates with experience in biotech/pharma
- Written submissions
- Three-day hearing in Geneva for examination of witnesses
- On the last day, following a suggestion made by the arbitrator, the parties held a private meeting and agreed to settle their dispute
- Continued to cooperate towards the development and commercialization of the biotech compound
Mediation followed by Arbitration

- Try mediation before arbitration, at least until
  - lapse of time period
  - termination
- Combining the benefits
  - arbitration well-prepared

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WIPO Arbitration Clause

Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. The arbitral tribunal shall consist of [a sole arbitrator] [three arbitrators]. The place of arbitration shall be [...]. The language to be used in the arbitral proceedings shall be [...]. The dispute, controversy or claim shall be decided in accordance with the law of [...].
Related Contracts involving the same or different parties

- Consolidation of related disputes requires consent – careful drafting of clauses in the related contracts to allow consolidation
- Define the related contracts
- Provide in each of the related contracts for the same arbitrator to be appointed who is to have the power and jurisdiction to hear all related disputes – e.g. the tribunal in the arbitration first filed
Problematic Dispute Resolution Clauses

- “Arbitration in Geneva.”
- WIPO Arbitration with a sole arbitrator, place of arbitration Geneva, no applicable law.
- Patent and Know-How Licence Agreement: disputes relating to the Licensed Patents shall be referred to arbitration under the WIPO Rules and all disputes relating to contractual issues shall be referred to arbitration under the AAA Rules.
- WIPO Arbitration with three arbitrators: amount in dispute USD 60,000
WIPO Case Results: Settlement

**Mediation**
- Settled: 73%
- Not Settled: 27%

**Arbitration**
- Settled: 58%
- Not Settled (Award): 42%
Emerging Trends

- WIPO International Survey on Dispute Resolution in Technology Transactions
- Project aiming at identifying trends in dispute resolution concerning technology and licensing transactions with a view to WIPO Center taking account of stakeholders’ evolving needs
Additional Information

- WIPO International Survey on Dispute Resolution in Technology Transactions
  http://www.wipo.int/amc/en(center/survey/
- arbiter.mail@wipo.int
- Thank you