

ADR as a Tool for Intellectual Property (IP) Enforcement

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Alternative Dispute Resolution (ADR) as a Tool for Intellectual Property (IP) Enforcement

- Paper WIPO/ACE/9/3
 - The types of ADR procedures that may be used for IP enforcement
 - Legal and regulatory frameworks for ADR, in the context of IP enforcement
 - Benefits and limitations of ADR as an IP enforcement tool
 - Current use of ADR for IP enforcement



Types of Alternative Dispute Resolution (ADR) Procedure

- Arbitration
- Expert Determination
 - Binding
 - Eg Domain name disputes
 - Non-binding
- Neutral Evaluation
- Mediation



Types of Alternative Dispute Resolution (ADR) Procedure

- Arbitration
 - “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.)”
- Well established and widely recognised as a means of resolving national and international commercial disputes
- Well established international norms
- Ready enforceability internationally under the New York Convention



Types of Alternative Dispute Resolution (ADR) Procedure

- Arbitration and IP
 - Typical disputes concerning IP rights that are arbitrated arise under already existing contractual arrangements that contain an arbitration clause
 - eg a patent licence, where for example there may be dispute as to whether the patents cover a particular product so that royalties are payable under it
 - But other IP disputes can also be arbitrated where made the subject of a submission agreement
 - Thus any infringement dispute, including one involving parallel IP rights in multiple jurisdictions, could be made the subject of an arbitration



Types of Alternative Dispute Resolution (ADR) Procedure

- Expert determination
 - “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.)”
- Binding expert determination is common in resolving specific predefined issues within a contractual framework that take effect within such framework
- Few or no international norms



Types of Alternative Dispute Resolution (ADR) Procedure

- Binding expert determination and IP
 - UDRP for Domain Names
 - Effective by reason of the contract that a domain name registrant signs with a domain name registrar
 - Patent pools for standards essential patents
 - Determination of whether or not a patent is essential to the standard
 - Effective by reason of its effect, within the context of the contract establishing such patent pool, on whether or not account is taken of the patent in apportioning the royalties paid to the members of the patent pool.



Types of Alternative Dispute Resolution (ADR) Procedure

- Neutral evaluation (non-binding)
 - In the context of mediation – private to parties
 - But if provided by an official body as of right and on request may facilitate the cost-effective resolution of disputes, especially where published
 - eg UK IPO “opinion” service for patents
- Mediation
 - “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.)”



Legal and regulatory frameworks for ADR, in the context of IP enforcement

- Arbitration
 - Applicable law and jurisdiction as applied to IP
 - National (or regional) nature of IP rights
 - Multinational nature of most IP disputes
 - Requiring that court proceedings take place in multiple jurisdictions
 - The international enforceability of arbitration awards
 - Under the New York Convention
 - National perspectives on the “arbitrability of IP”
 - The *in personam* (*inter partes*) effect of arbitral awards
 - The lack of any *in rem* effect of arbitral awards
 - At least in most jurisdictions



National perspectives on the “arbitrability of IP”

- Inability of arbitration to affect the *in rem* nature of IP right emphasized by statute in some jurisdictions
 - South Africa (Article 18(1) Patents Act 1978)
 - USA (35 USC 294 expressly permits of *in personam* jurisdiction of arbitration but precludes any *in rem* effect)
 - Agreement on the Unified Patent Court 2013 (Article 35)
- But *in rem* effect of arbitration awards under IP disputes in some jurisdictions is expressly recognised or authorized by statute
 - Belgium (Article 51(1) Patents Act)
 - Switzerland (Communication of 15 December 1975 of Federal Office of IP)

Benefits of ADR as an IP enforcement tool

- Arbitration
 - Benefits not specific to IP arbitrations
 - Party autonomy
 - Neutrality
 - Finality
 - Confidentiality
 - Ready international enforceability
 - Benefits of specific value to IP arbitrations
 - Tailoring the composition of the tribunal to the needs of the dispute
 - Tailoring the procedure that is adopted and the nature of the relief available to the parties' needs
 - Scope to resolve multijurisdictional disputes in one proceeding

The importance of being able to resolve multijurisdictional IP disputes in one proceeding

- International trade is borderless
- IP laws are national or regional
 - IP is enforced on a national or regional basis
 - Few courts are prepared to adjudicate on foreign IP rights
 - Judgments are not enforceable abroad
- IP disputes frequently occur in multiple jurisdictions
 - Each applying different applicable laws
 - Generally depending on where some infringement takes place
- Resolution through judicial methods involves
 - Multiple lawsuits in multiple jurisdictions
 - Each with greatly differing procedures
 - At great overall expense and delay
 - With variable outcomes

Limitations of ADR as an IP enforcement tool

- **Arbitration**
 - Requires the parties' agreement
 - Either in their original contract, or
 - If no contract, then after a dispute has arisen
 - Is less suited than litigation to disputes involving the grant of interim relief
 - Of IP disputes in most jurisdictions can affect only the rights of the parties to the arbitration
- **Expert determination**
 - Requires the parties' agreement, but absent this they do not get the benefits of the contract under which the expert determination arises
 - eg the domain name that they wish to register

Current use of ADR for IP enforcement

- **Infringement claims in contractual and (initially) non-contractual disputes**
 - WIPO Center mediation examples in Appendix IV
 - WIPO Center arbitration examples in Appendix V
 - Examples A14 and A16 follow
- **Mediation and other ADR attached to public institutions (courts, IP offices, etc.)**
 - Numerous mediation services
 - Neutral evaluation - Patent opinion service of the UK IPO
- **Mediation and ADR pledges**
 - WIPO Center mediation examples in Appendix IV
 - Industry bodies

Current use of ADR for IP enforcement

- Self-regulatory mechanisms (including online enforcement tools)
 - UDRP
 - Online dispute resolution on internet platforms such as online marketplaces, eg as to disputes arising under Notice and Takedown Procedures
 - Independent Review Program under the Memorandum of Understanding between various US-based IPR owners and ISPs of 6 July 2011
- Other
 - Self-regulation of trade fairs
 - Expert determination and arbitration to resolve disputes in the context of standard setting and standards essential patents

Patent Infringement Arbitration Example A14 (1)

- 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.

Patent Infringement Arbitration Example A14 (2)

- 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.

Patent Infringement Arbitration Example A16 (1)

- 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.

Patent Infringement Arbitration Example A16 (2)

- 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.

Alternative Dispute Resolution (ADR) as a Tool for Intellectual Property Enforcement

- Increasingly international nature of IP disputes
 - Need for cross border solutions
- Increasingly technical and specialized nature of IP disputes
 - Need for specific expertise of "neutral"
- Cost consciousness
 - Need for tailored ADR solutions
- Growth of complex long term business relationships
 - Need to co-exist, and for mechanisms to preserve relations
- Increasing
 - Popularity of IP ADR
 - Availability of IP ADR
 - Recognition of IP ADR



Thank you

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