

# IP Dispute Resolution: Arbitration and Mediation

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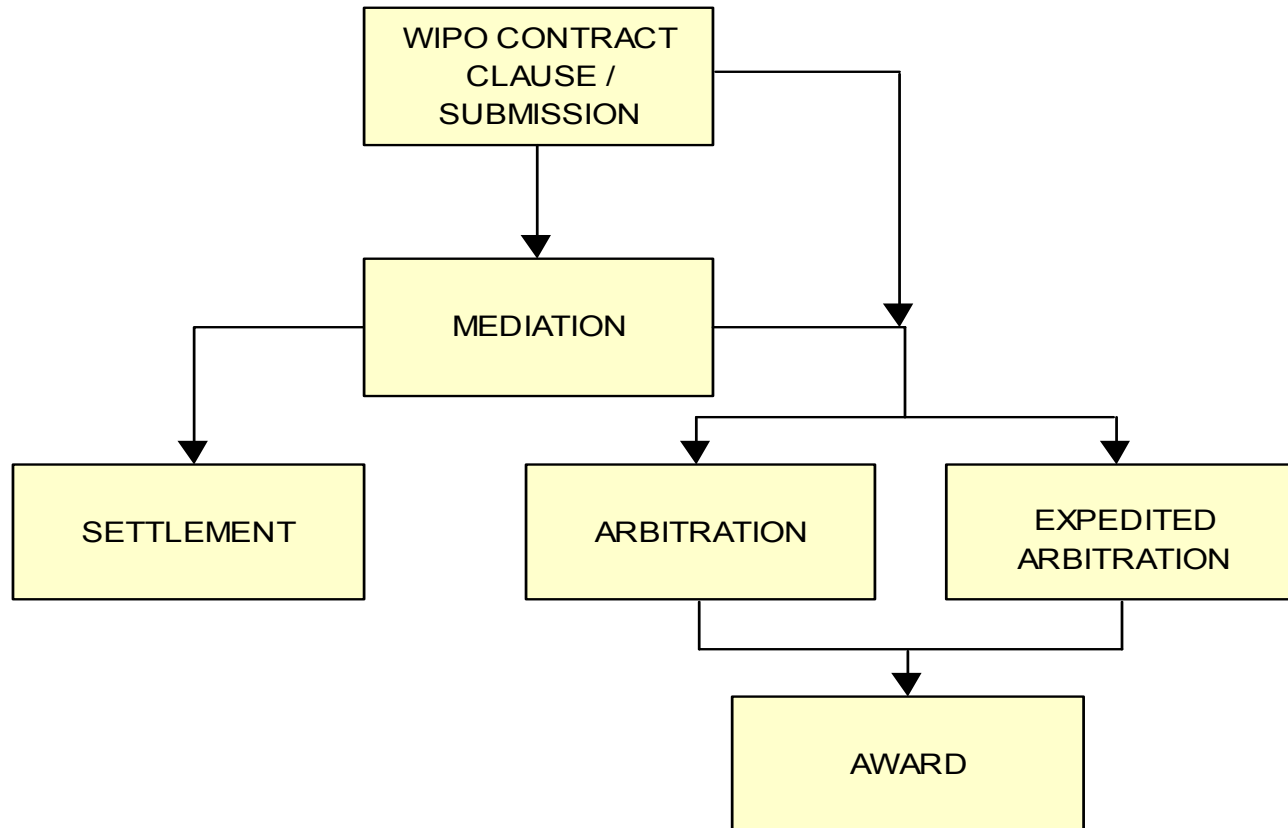
# Questions

- What is ADR?
- Why use ADR?
- How to submit a dispute to ADR?
- How does it work?
- Why the WIPO Arbitration and Mediation Center?

# ADR

- Arbitration
  - ▶ Parties agree to submit a dispute to a private tribunal for final and binding resolution
- Mediation
  - ▶ Parties agree to submit a dispute to a neutral person who helps them to reach a negotiated settlement

# ADR Options



# Mediation and Arbitration Benefits and Limitations

- Benefits
  - ▶ International
  - ▶ Efficient
  - ▶ Competent
  - ▶ Confidential
- Limitations:
  - ▶ Contractual basis

# International

- IP is increasingly exploited in contractual arrangements
- IP is protected and marketed across borders
  - ▶ Protection mechanisms are territorial
- IP disputes can concern a multitude of states
  - ▶ Parallel court proceedings?
- In ADR, Parties can designate a single forum for resolving the dispute
  - ▶ Comprehensive and consistent resolution
  - ▶ Neutrality

# Arbitration Example

- US software producer and Asian hardware manufacturer hold similar trademark in different countries
- Legal action in different jurisdictions - Mutual blocking
- Worldwide trademark coexistence agreement
  - WIPO arbitration clause
- Dispute about scope of obligations under agreement
  - Relating to various Asian and European countries
- Arbitration
  - Comprehensive resolution of dispute
  - Final and enforceable result (award)
  - No need for parallel litigation in multiple jurisdictions
  - Neutral forum (no “home court advantage”)

# Competent

- IP disputes tend to be highly technical
  - ▶ Law
  - ▶ Technical background (patents, software, etc.)
- Party control selection of mediator or arbitrator(s)
  - ▶ Choice of neutral with expertise in the relevant legal, technical or business area
- WIPO Center:
  - ▶ 1000 candidates from 70 countries
  - ▶ Broad range of ADR, IP and technical backgrounds



# Efficient

- No need to wait for allocation of court time
- Efficiency of the process
  - ▶ Party control (short deadlines)
  - ▶ WIPO Expedited Arbitration Example:
    - ▶ Both parties need quick result
    - ▶ Short deadlines for written submissions
    - ▶ Sole arbitrator, one day hearing
    - ▶ Award within 5 weeks
- Comprehensive dispute resolution
  - ▶ One procedure, one law, one language, same lawyers, expert neutral(s), final result (award or settlement)

# Confidential

- Private procedure
- WIPO Arbitration and Mediation Rules
  - ▶ Require all participants to preserve confidentiality regarding
    - Existence
    - Disclosures
    - Result
  - ▶ Specific provision on protection of trade secrets in arbitral proceedings (Art. 52 WIPO Arbitration Rules)
    - Example: to protect sensitive information on production process

# Limitations

- Contractual basis of arbitration and mediation
  - ▶ No obligation to participate without a contract
  - ▶ Bad faith infringer?
- Outcome binding only *inter partes*
  - ▶ No public precedent
  - ▶ No general declaration of (in)validity
  - ▶ No direct office action (registration, cancellation)
- *Inter partes* effect mostly sufficient

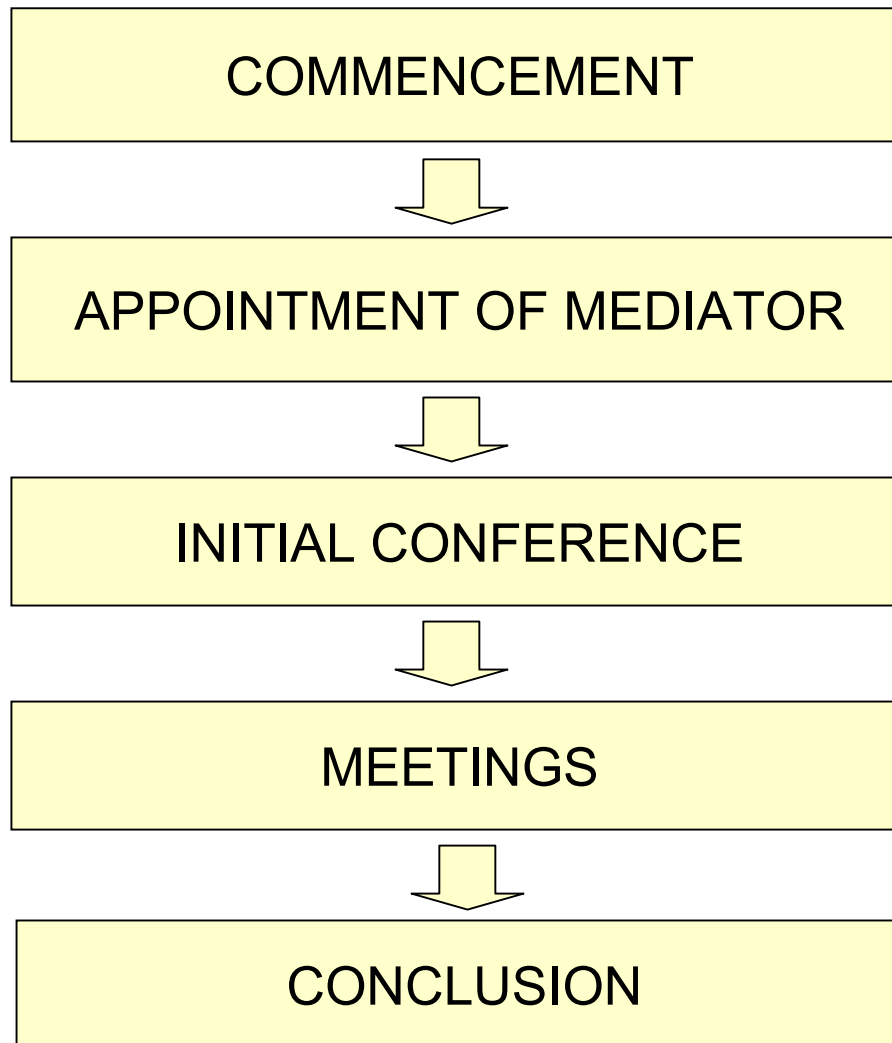
# Mediation Elements

- Non-binding / party control
  - ▶ Procedure: Parties can cease to participate after first session with the mediator
  - ▶ Outcome: Not imposed but developed by the parties
- Based on interests of the parties
  - ▶ Value creation
- Fast and efficient

# WIPO Mediation 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 submitted to mediation in accordance with the WIPO Mediation Rules. The place of mediation shall be [Geneva]. The language to be used in the mediation shall be [English]

# Mediation Process



# WIPO Mediation Example 1

- R&D company holding patents disclosed patented invention to manufacturer during consulting contract.
- Contract did not transfer or license patent rights to manufacturer.
- Manufacturer started selling products which R&D company alleged included patented invention.
- R&D threatened infringement court proceedings.

# WIPO Mediation Example 1

- Negotiation patent license failed.
- Parties submitted dispute to WIPO Mediation Rules.
- WIPO Center suggested mediator.
- Mediator appointed.
- Two-day meeting.
- Agreement on royalties and future consulting contracts.



# WIPO Mediation Example 2

- Competitors
- Repeated patent disputes
- Settlement agreement
  - with WIPO Med-Arb Clause
- New patent disputes
  - 3 mediations
  - 2 co-mediators
  - 7 months
  - Settlement Agreement

# Arbitration Elements

- Contractual - arbitration agreement
- Private arbitral tribunal
- Quasi-judicial process
- Binding
  - Procedure: “exclusive” jurisdiction
  - Final award / no appeal
- International enforceability of arbitral awards
  - ▶ New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958)
  - ▶ 133 Member States

# 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 [three arbitrators][a sole arbitrator]. The place of arbitration shall be [specify place]. The language to be used in the arbitral proceedings shall be [specify language]. The dispute, controversy or claim shall be decided in accordance with the law of [specify jurisdiction].

# WIPO Arbitration Clause

- Clear submission
  - Contractual and related non-contractual claims
  - Exclusive (no litigation)
  - Final award
  - Applicable rules (institutional or *ad hoc*)
- Recommended elements
  - Number of Arbitrators
  - Language
  - Law applicable to the merits (governing substantive law)
  - Place of arbitration
- As clear, precise and simple as possible

## WIPO ARBITRATION

**Request for Arbitration**



**Answer to Request for Arbitration (30 days)**



**Appointment of Arbitrator(s)**



**Statement of Claim (30 days)**



**Statement of Defense**



**Further Written Statements and Witness Statements**



**Hearings**



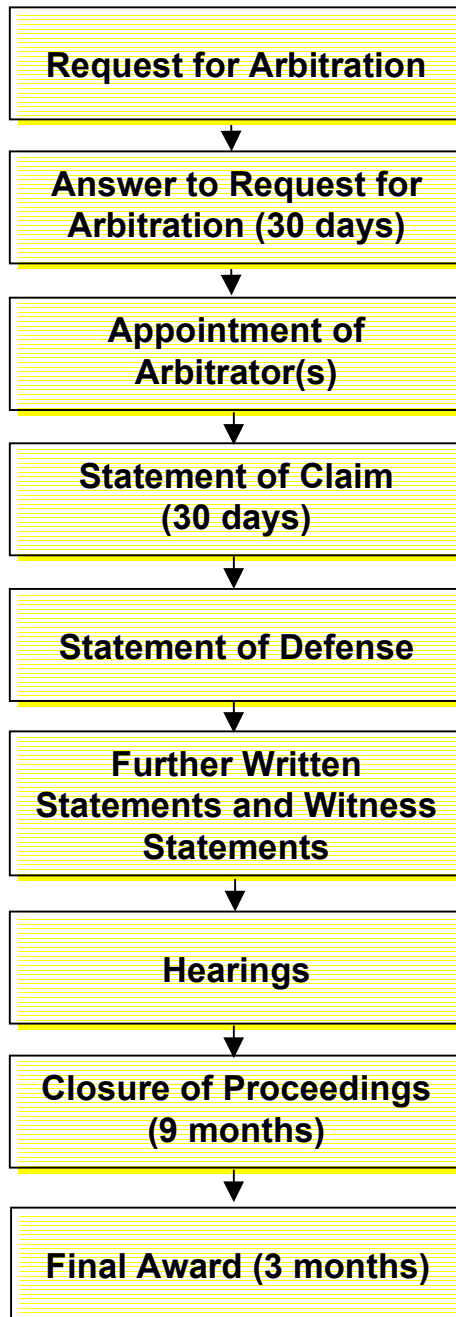
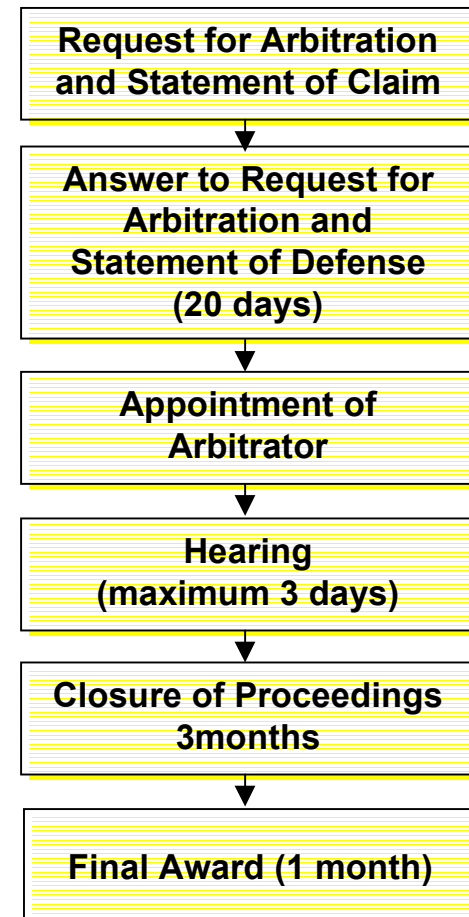
**Closure of Proceedings (9 months)**



**Final Award (3 months)**

# Arbitration - Example

- Exclusive R&D and licensing agreement biotech entity and pharmaceutical co.
- Alleged delays in development and regulatory approval process for biotech compound.
- R&D entity terminates agreement and starts WIPO arbitration proceedings
- Arbitrator biotech-pharmaceutical expert
- Two-day hearing
- Settlement agreement

**WIPO ARBITRATION****WIPO EXPEDITED ARBITRATION**

- One exchange of pleadings
- Shorter time limits
- Sole arbitrator
- Shorter hearings
- Fixed arbitrator's fees (up to USD 10 million)

# WIPO Schedule of Fees

(All amounts are in United States dollars)

	Amount in dispute	Expedited Arbitration	Arbitration
<b>Registration Fee</b>	Any Amount	\$1,000	\$2,000
<b>Administration Fee *</b>	Up to \$2.5 M	\$1,000	\$2,000
	Over \$2.5 M and up to \$10 M	\$5,000	\$10,000
	Over \$10 M	\$ 5,000 +0.05% of amount over \$10 M up to a maximum fee of \$15,000	\$10,000 +0.05% of amount over \$10 M up to a maximum fee of \$25,000
<b>Arbitrator(s) Fees *</b>	Up to \$2.5 M	\$20,000 (fixed fee)	As agreed by the Center in consultation with the parties and the arbitrator(s)  Indicative rate(s) \$ 300 to \$ 600 per hour
	Over \$2.5 M and up to \$10 M	\$40,000 (fixed fee)	
	Over \$10 M	As agreed by the Center in consultation with the parties and the arbitrator	



# WIPO Arbitration and Mediation Center

- Established October 1994
- Purpose: to promote the resolution of IP/IT disputes through arbitration and mediation
  - ▶ Information and events on IP arbitration and mediation
  - ▶ Mediation and (Expedited) Arbitration Rules
    - Tailored to fit intellectual property disputes
  - ▶ Expertise
    - Network of expert arbitrators/mediators

# WIPO Center Experience: Domain Names

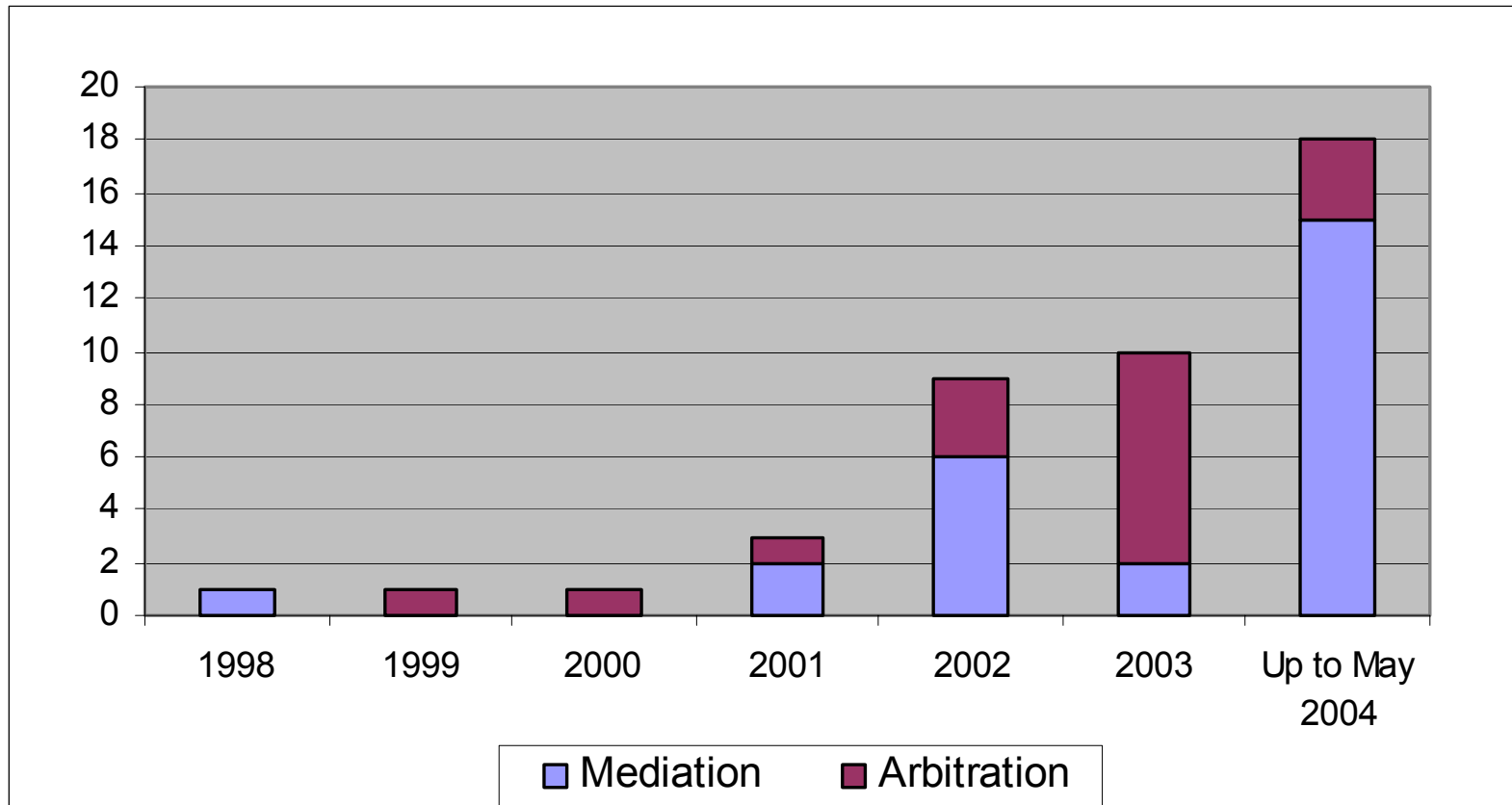
- Leading provider of domain name dispute resolution services

	UDRP	.info Sunrise	.biz STOP	.name ERDRP	Total
1999	1	-	-	-	1
2000	1,857	-	-	-	1,857
2001	1,556	1,579	53	-	3,188
2002	1,208	13,593	285	1	15,087
2003	1,100	-	-	-	1,100
					21,233

# WIPO Center Experience: Mediation and Arbitration

- Parties from 15 countries
- Procedures in English, French and German
- Contractual disputes
  - ▶ Trademark coexistence agreements, franchises, distribution contracts, patent and software licenses, R&D, joint ventures
- Infringement disputes
  - ▶ Later submission

# Mediation and Arbitration Case Filing Rate



# Role of the WIPO Arbitration and Mediation Center

- Certainty
- Efficient and cost-effective administration
- List of Neutrals and institutional knowledge
- Other resources

# Information

- <http://arbiter.wipo.int>
- [arbiter.mail@wipo.int](mailto:arbiter.mail@wipo.int)
- [christian.wichard@wipo.int](mailto:christian.wichard@wipo.int)
- Mailing lists
  - ▶ <http://arbiter.wipo.int/subscribe/index.html>