

WIPO Conference on IP Dispute Resolution in Life Sciences
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Session 3 - Focus Arbitration

WIPO Case Example: Multi-Party Pharma Patent License Arbitration

Philipp Groz



- > Case example
 - > Facts and legal issues
 - > Procedural issues
- > Advantages of arbitrating IP disputes in Life Sciences
- > Enforceability

Case Example: Facts and Legal Issues (1)

- > Parties
 - > 2 Claimants based in different jurisdictions; one corporate group
 - > 2 Respondents based in different jurisdictions; one corporate group
- > Patent license agreement (“Agreement”)
 - > Concluded between predecessors of one Claimant (licensee) and one Respondent (licensor), alleged assignment to Claimants
- > Applicable law
 - > Agreement: Swiss law
 - > But alleged invalidity/non-infringement of a U.S. patent
- > Dispute resolution clause
 - > Negotiations (involving management meeting)
 - > Followed by WIPO Arbitration seated in Switzerland

- > Dispute
 - > Claimants sought (in WIPO arbitration):
 - > Declaration of invalidity/non-infringement of licensed U.S. patent
 - > Declaration that Claimants owe no further royalty payment
 - > Reimbursement of royalty payments previously made

- > Arbitral Tribunal
 - > Claimants and Respondents each (jointly) nominated one arbitrator
 - > Party-appointed arbitrators nominated presiding arbitrator in consultation with the Parties (list procedure)
 - > Strategic considerations?

- > Procedural issues included
 - > Challenge to party-nominated arbitrator (Art. 28 WIPO AR); arbitrator resigned
 - > Confidentiality and public reporting duties (Art. Art. 75(a)(ii) WIPO AR)
 - > Request for assistance (Art. 3 IBA Rules on the Taking of Evidence) – both Parties (successfully) filed 28 U.S. Code § 1782 requests

- > Issues in dispute
 - > Does Tribunal have jurisdiction over all Parties? / do both Claimants have standing to sue?
 - > Is the licensed U.S. patent invalid?
 - > applicable law: U.S. law (*lex loci protectionis*)
 - > What are the consequences of patent invalidity?
 - > For the future: Will the licensee have future obligation to pay royalties once the Tribunal declares patent invalid?
 - > For the past: Is licensee entitled to recover past royalty payments under the Agreement?

- > Analysis under contract and under Swiss law:
 - > Does Agreement provide for consequences of patent invalidity?
 - > Disputed in the present case
 - > Contract interpretation (true and common intent?)
 - > Does patent invalidity render Agreement void? *Ex tunc?* *Ex nunc?*
 - > No royalty payment obligation for “the future”, but when does obligation exactly end?
 - > Can past royalties be recovered if licensee was *de facto* protected from competitors and benefited from apparent existence of patent (*Scheinpatent*)?

Case Example: Facts and Legal Issues (6)

- > 8-day hearing in Zurich scheduled
- > Parties settled on the first day of the hearing
- > Termination order

Advantages of Arbitration (1)

- > General observations
 - > Less coordination: only one set of proceedings, one team of counsel/experts on each side, all in English, one procedural schedule
 - > More flexibility: Possibility to design arbitral process
 - > Qualified decision-makers: Parties can choose arbitrators with different legal, technical and/or industry backgrounds
 - > Duration of arbitration compared to domestic or cross-border IP-litigation?
 - > Multi-jurisdictional IP cases in particular
 - > Cost and complexity of running parallel litigations
 - > Risk of contradictory outcomes

Advantages of Arbitration (2)

- > Administered WIPO arbitration
 - > Established and specialized set of arbitration rules
 - > Going into dispute, parties too adversarial to agree on workable *ad hoc* rules
 - > Confidentiality:
 - > Existence of arbitration (Art. 75 WIPO AR)
 - > Disclosures made during arbitration (Art. 76 WIPO AR)
 - > Arbitral award (Art. 77 WIPO AR)
 - > Special measures of confidentiality protection (Art. 54 WIPO AR)
 - > WIPO electronic case facility (ECAF)

Enforceability (1)

- > Award must be enforced if losing party does not comply
- > Most awards are voluntarily complied with
- > Enforcement under New York Convention:
 - > More than 150 contracting states
 - > Obligation of contracting states to enforce awards
 - > Enforcement may be refused only on limited, enumerated grounds

- > Refusal of enforcement of award in IP disputes?
 - > IP issues not arbitrable?
 - > Determined based on law of enforcement jurisdiction (Art. V(2)(a) NYC)
 - > General trend to a more liberal approach to arbitrability of IP issues
 - > Validity of IP rights? Parties can request decision on validity with *inter partes* effect only (cf. 35 U.S. Code § 294(c))
 - > Violation of public policy?
 - > Determined based on law of enforcement jurisdiction (Art. V(2)(b) NYC)
 - > Violation of competition law? (cf. Opinion AG Wathelet, *Genentech v. Hoechst, Sanofi-Aventis Deutschland*, CJEU, Case C-567/14)

Thank you for your attention.

Philipp Groz

philipp.groz@swlegal.ch

Schellenberg Wittmer Ltd / Attorneys at Law

Löwenstrasse 19 / P.O. Box 2201 / 8021 Zurich / Switzerland

T +41 44 215 5252 / F +41 44 215 5200

www.swlegal.ch

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