



III. Mediation and Arbitration of IP Disputes in Life Sciences – Costs, Duration and Enforceability

Session 3 – Focus Arbitration (International, Switzerland)

Basel, May 22, 2015

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Overview

- WIPO case example: Multi-Party Pharma Patent License Arbitration
 - Facts and legal issues in dispute
 - Procedural issues
 - Advantages of arbitration of IP disputes in life sciences
- Cost and time control
- Enforceability

WIPO case example: Multi-Party Pharma Patent License Arbitration

- Facts
 - Claimants based in countries A and B (same corporate group)
 - Respondents based in countries C and D (same corporate group)
 - Patent license agreement concluded between predecessor of one Claimant (licensee) and one Respondent (patentee/licensor), assignment to Claimant
 - Agreement governed by Swiss law
 - Dispute resolution clause: negotiations (involving management meeting) followed by WIPO Arbitration

WIPO case example: Multi-Party Pharma Patent License Arbitration (2)

- Facts (cont'd)
 - Claimants seek
 - declaration of invalidity of licensed US patent (with inter partes effect)
 - declaration that Claimants owe no further royalty payments
 - declaration that Respondents must reimburse Claimants for all royalty payments made under the Agreement
- Issues in dispute
 - Does Arbitral Tribunal have jurisdiction over all parties?

WIPO case example: Multi-Party Pharma Patent License Arbitration (3)

- Issues in dispute
 - Is licensed US patent invalid?
 - Applicable law? US law (law of the state of registration)
 - What are consequences of invalidity of licensed US patent, both for the future and the past?
 - Will Claimant/licensee have future obligation to pay royalties under licensed patent after Arbitral Tribunal declares patent invalid?
 - Is Claimant/licensee entitled to recover past royalties paid to the respondent/licensor under the Agreement?

WIPO case example: Multi-Party Pharma Patent License Arbitration (4)

- Contractual analysis
 - Does Agreement specify consequences of patent invalidity?
 - Requires careful analysis of agreement and negotiation history (true intent of parties!)
 - Future royalty payment obligation in case of package license (several patents and/or know-how)?
 - If not, default rules (of Swiss law) apply
 - Invalidity of patent renders license impossible to perform and agreement is void ex tunc
 - No future royalty payment obligation
 - Can past royalties be recovered if licensee did not realize factual benefits from invalid apparent patent (*Scheinpatent*)?

WIPO case example: Multi-Party Pharma Patent License Arbitration (5)

- Facts (cont'd)
 - One day hearing in Zurich, Switzerland (instead of 8 days)
 - Settlement negotiations
 - Settlement and termination order

WIPO case example: Multi-Party Pharma Patent License Arbitration (6)

- Establishment of Arbitral Tribunal
 - Claimants and Respondents nominated arbitrators
 - Strategic considerations in choosing party-appointed arbitrators
 - Challenge of party-appointed arbitrator
 - If circumstances exist that give rise to justifiable doubt as to the arbitrator's impartiality or independence (Art. 24 (a) WIPO AR / WIPO AR 2014)
 - Other party may agree to challenge or arbitrator may voluntarily withdraw (Art. 28 WIPO AR / WIPO AR 2014)
 - final decision on challenge made by Center (Art. 29 WIPO AR / WIPO AR 2014)
 - Party-appointed arbitrators nominated presiding arbitrator
 - Strategic considerations?

WIPO case example: Multi-Party Pharma Patent License Arbitration (7)

- Administered arbitration
 - Benefit of established and developed rules
 - In ongoing dispute parties too adversarial to readily agree to *ad hoc* rules
 - Confidentiality
 - existence of arbitration (Art. 73 WIPO AR / Art. 75 WIPO AR 2014)
 - disclosures made during arbitration (Art. 74 WIPO AR / Art. 76 WIPO AR 2014)
 - arbitral award (Art. 75 WIPO AR / Art. 77 WIPO AR 2014)
 - public reporting duties? (Art. 73 (a) WIPO AR / (75 (a) WIPO AR 2014)
 - ECAF (electronic case facility)

Duration and costs of arbitration proceedings

- Duration
 - steps in arbitration not needed in litigation (e.g., identifying and appointing arbitrators with required expertise and experience)
 - parties agree on procedural framework and timetable (procedural flexibility)
 - parties' behaviour: cooperation or delaying tactics?
 - structure of proceedings
 - bifurcation?
 - number and sequence of written submissions / witness statements?
 - scope of document disclosure?
 - duration of hearing / scope of cross-examination?

Duration and costs of arbitration proceedings (2)

- Costs
 - expenses in arbitration not required in litigation
 - fees and expenses of arbitrators (*ad valorem* basis?)
 - fees of administering institutions (*ad valorem* basis?)
 - infrastructure (hearing rooms, transcripts)
 - parties' behaviour: cooperation or delaying tactics?
 - structure of proceedings
 - bifurcation?
 - number and sequence of written submissions / witness statements?
 - scope of document disclosure?
 - duration of hearing / scope of cross-examination?

Duration and costs of arbitration proceedings (3)

- Procedural flexibility and possibility to design process
- Allows parties to control time and cost to some extent
- Duration and costs as compared to domestic or cross-border litigation?
 - multi-jurisdictional IP cases
 - Costs and complexity of running parallel litigation
 - Risk of contradictory outcomes

Enforceability of arbitral awards

- Arbitral award must be enforced if losing party does not comply with it
- Most arbitral awards are voluntarily complied with
- Generally accepted benefit of arbitration: international arbitral awards readily enforceable in most countries of the world
- New York Convention (over 140 member states)
 - Limited to foreign arbitral awards
 - Production of original of award and original arbitration agreement required
 - Presumptive obligation of contracting states to enforce award
 - Enforcement may be refused only based on limited, enumerated grounds

Enforceability of arbitral awards (2)

- Refusal of Enforcement
 - Non-arbitrable subject matter
 - General trend to more liberal approach to arbitrability of IP issues
 - Ownership and transfer of IP rights, infringement
 - Contractual issues (license and collaboration agreements, etc.)
 - Validity of IP rights?
 - goal is not to cancel IP right from national register
 - Defence against asserted royalty claim / preliminary question
 - finding of invalidity has only *inter partes* effect
 - pay close attention to wording of prayers for relief (state that declaration of invalidity shall have inter partes effect only)