

Contract Negotiations, IP and Dispute Resolution

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Contract Negotiations, IP and Dispute Resolution

1. Dispute Resolution Clauses – pitfalls and best practices
2. Strategic considerations in deciding to launch (or not) arbitration proceedings
3. Alternatives to arbitration – mediation, negotiation, others

Dispute Resolution Clauses

- They are invoked when the relationship has already broken down – parties are preparing for a battle
- Purpose of a dispute resolution clause is to regulate the way a dispute gets resolved
- The clause should not be the **source** of a dispute

Dispute Clauses - Objectives

- Dispute resolution clauses should
 - Be clear
 - Result in a legally enforceable decision
- Only two real options for “legally enforceable”:
 - Courts
 - Arbitration

Arbitration Clauses - Clarity

- Don't want clause to be a source of a dispute
- More problems come from complex clauses than from simple clauses
- Complexity will allow an obstructive party to argue over the way a clause is supposed to work

Arbitration Clauses - Some Pitfalls

- Multi-tiered (Do you have to follow? What if it is pointless? Other side doesn't cooperate? Running to a limitation deadline?)
- Different mechanisms for different types of disputes (By value? By type?)
- Regulating what is already in the rules (Inconsistent?)
- Limiting the arbitrators (Too small a pool?)
- There are many other ways to make a mistake!



Poor Clauses – Example 1

- “Any dispute ... shall be referred to executive representatives of the Parties for settlement through friendly consultations.”
- “Any and all such dispute shall be finally resolved by arbitration before the Singapore International Arbitration Centre in accordance with the Rules of Arbitration of the International Chamber of Commerce ...”

Poor Clauses – Example 2

- “The number of arbitrators shall be one if the monetary value of the Dispute is US\$5,000,000 (or its currency equivalent) or less. The number of arbitrators shall be three if the monetary value is greater than US\$5,000,000 or its currency equivalent. ”
- “... in relation to an issue relating solely to the technical aspects of designing, constructing, operating and/or maintaining the Works, which is for an amount less than or equal to EUR 500,000 (five hundred thousand) and not involving the interpretation of any part of the Contract shall be referred to an Expert for resolution in accordance with Sub-Clause 20.3”

How to Avoid Pitfalls

- Most arbitral rules recommend a “model clause”
- Normally they are simple and short
- Usually prudent to add
 - Number of arbitrators
 - Place of arbitration
 - Language of arbitration

WIPO Model Clauses

- WIPO has a suite of model clauses
 - Mediation [options: can be followed by Expert Determination, Arbitration or Expedited Arbitration]
 - Expert Determination [options: can be followed by Arbitration / Expedited Arbitration]
 - Arbitration
 - Expedited Arbitration

WIPO Model Clauses

- WIPO Mediation
 - Model clause does not say how disputes are resolved if not settled
- WIPO Expert Determination
 - Model clause *may* leave scope for a dispute on subject matter (depends how it is drafted)
 - Model clause does not say how to get an *enforceable* award / judgment

WIPO Model Clauses

- Arbitration (or Expedited Arbitration) alone or following Mediation (or possibly Expert Determination)
 - Requires parties to choose number of arbitrators, place, language, governing law
 - Provides for time limits and option to bypass mediation if one party doesn't participate

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Decision to Arbitrate – or Not

- Identify “Status Quo” – what happens if you do nothing
- Identify “Best” (realistic) and “Worst” (realistic) outcomes of litigation, and a “Likely” range
- Identify / estimate cost of litigation. Don’t forget to include solicitors, counsel, experts, arbitration fees / costs



Decision to Arbitrate – or Not

- Outstanding payments to/from other party. Are you cash-flow positive or negative?
- Bonds held by you / other party
- Stage of relationship – does one party currently NEED the other party?
- Alternative suppliers – schedule / cost / ability
- Is this the right time to start a “war”?



Decision to Arbitrate – or Not

- Other factors e.g.:
 - ongoing relationship / business
 - potential for future relationship / business
 - commercial strategy (might be important e.g. intellectual property rights, future competition)
 - effect of precedent – of settling, doing nothing, winning or losing (there may be other contracts with same party or others)
 - risk of counterclaim and size
 - time and internal resources required
 - publicity / reaction in marketplace (not all arbitrations are confidential)

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Alternatives to Arbitration

- Negotiation
 - Usually the first step
 - Most disputes are solved through discussion and agreement
- Mediation
 - Non-binding
 - Third party helps the parties find a mutually (un)acceptable solution

More Alternatives to Arbitration

- Expert Determination
 - Can help with technical issues
 - Can be advisory, interim binding or final and binding
 - Relies on both parties agreeing to execute the decision
 - If a party doesn't follow the decision, you will need either arbitration or litigation to get an enforceable award / judgment

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