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15. Global policies for arbitrating intellectual property disputes¹

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1. INTRODUCTION

In addition to the general advantages of international arbitration (such as confidentiality, expertise,² and the wider global enforceability of awards³),⁴ the difficulties of litigating international intellectual property disputes before state courts contribute to explain why commercial arbitration⁵ has emerged as an attractive alternative for solving international intellectual

¹ This chapter is based on the article “Arbitrating International Intellectual Property Disputes: Time to Think Beyond the Issue of (Non-)Arbitrability”, published by the author in the *International Business Law Journal/Revue de Droit des Affaires Internationales* (June 2012), 299 et seq.

² See Gregg A. Paradise, “Arbitration of Patent Infringement Disputes: Encouraging the Use of Arbitration Through Evidence Rules Reform”, *Fordham Law Review* 1995 64: 247, available at: <http://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=3201&context=flr> (last accessed July 24, 2012).

³ As a result of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958).

⁴ Such advantages are outside the scope of this chapter, which focuses specifically upon the arbitration of intellectual property disputes.

⁵ This chapter will not address the arbitration of intellectual property issues under investment law/investment arbitration rules, even if this topic has become of utmost importance, particularly in view of the ICSID case initiated by a tobacco group against Uruguay (see *Philip Morris Products S.A. (Switzerland) and Abal Hermanos S.A. (Uruguay) v. Oriental Republic of Uruguay*, ICSID Case No. ARB/10/7) and of the action which has just been initiated by the same group (Philip Morris) against Australia in connection with a similar public health driven cigarette “plain packaging” rule which is claimed to violate the trademark rights of the tobacco group as protected by international and bilateral agreements (see “Philip Morris sues Australia over cigarette packaging” (November 21, 2011), available at <http://www.bbc.co.uk/news/world-asia-15815311> (last accessed July 24, 2012); on this issue, see A. Alemanno and E. Bonadio, “Do You Mind My Smoking? Plain Packaging of Cigarettes Under the WTO TRIPS Agreement”, *John Marshall Review of Intellectual Property Law* 2011 10: 450, available at: <http://jmripl.com/articles/Alemanno3.pdf> (last accessed July 24, 2012).

property disputes.⁶ The disadvantages of state court litigation can also explain measures that have been taken in order to promote other softer alternative dispute resolution methods such as mediation for solving intellectual property disputes.⁷

The creation of specialized intellectual property courts (in particular, for patent disputes) in certain jurisdictions may paradoxically also contribute to the growth of international arbitration as a means of resolving intellectual property disputes. The reason is that even such courts have been created for the very purpose of improving the efficiency of the court-based resolution of IP disputes, their limited jurisdiction prove quite problematic.⁸

⁶ See the excellent book by Trevor Cook and Alejandro I. Garcia, *International Intellectual Property Arbitration* (Kluwer 2010) (to which the readers can refer with utmost profit as this book constitutes the most elaborate and thorough contribution to date on all relevant issues of IP arbitration); see also Thomas D. Halket (ed.), *Arbitration of International Intellectual Property Disputes* (Juris 2012) and Miriam R. Arfin, "The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes", *Hastings Communications and Entertainment Law Journal* 1994–1995 17: 893, and Anne St. Martin and J. Derek Mason, "Arbitration: A Quick And Effective Means For Patent Dispute Resolution", *les Nouvelles, Journal of the Licensing Executives Society International* December 2011: 269 seq., available at: http://www.oblon.com/sites/default/files/news/Mason_LESI_les_Nouvelles_article%20Mason-St%20Martin_DEC_2011_0.pdf (last accessed July 24, 2012); see also American Arbitration Association, "Intellectual Property Arbitration vs Mediation, Products of the Mind Require Special Handling", available at: http://www.aaauonline.org/upload/int_prop_white_paper.pdf (last accessed July 24, 2012).

⁷ See for instance the very recent launch of mediation services for disputes arising in the process of registration of (European) community trademarks and designs, available at <http://oami.europa.eu/ows/rw/pages/CTM/regProcess/mediation.en.do> (last accessed July 24, 2012); see also Russell E. Levine and Matthew V. Topic, "Using alternative dispute resolution mechanisms to resolve patent disputes", *Journal of Intellectual Property Law and Practice* 2012 7: 119 seq.

⁸ This can be demonstrated by a recent decision of the French *Cour de cassation* of June 7, 2011 in a dispute concerning a mixed patent and know-how license agreement (*Cour de cassation*, chambre commerciale, 7 juin 2011, no 10–19.030, available at <http://legimobile.fr/fr/jp/jc/civ/com/2011/6/7/10–19030/> (last accessed July 24, 2012), Chlorotech Sàrl; for a comment of the case, see Anne-Catherine Chariny-Daudet, *Propriété Industrielle*, November 2011, p. 24 seq.). Under French law, disputes relating to patents and to unfair competition claims relating to the patents must be submitted to the exclusive jurisdiction of specific courts. In this case, the *Cour de cassation* however held that another court still had jurisdiction given that the dispute did not relate to patent law and thus did not fall within the jurisdictional power of the specialized courts but rather related to an alleged misappropriation of the licensed know-how for which other (non patent)

There is consequently a strong interest that parties to an intellectual property agreement have the power to submit their disputes to arbitration, which may (subject to certain limitations, to be discussed below) allow them to solve all aspects of their dispute before one jurisdictional body. Arbitration can meet the needs of the parties to centralize proceedings and to avoid costly parallel court proceedings in various countries, which are particularly frequent in international intellectual property disputes.⁹ A typical scenario in this respect is a settlement agreement following global intellectual property litigation in different countries in which an arbitration clause may be included for the purpose of solving any future dispute in a centralized manner.¹⁰

courts could validly decide (see also the decision of the French *Cour de Cassation* of January 21, 2004 02-16.958 (Cégélec); the same difficulties can arise in jurisdictions where contract disputes and intellectual property disputes are submitted to different courts, such as the USA and Canada: see, for instance, *Severe Records, LLC v. Rich*, Case No 09-6175 (6th Cir., Sept. 23, 2011) (holding that a determination of co-authorship arising from issues of statutory co-authorship – and not from contractual rights – is subject to the jurisdiction of federal courts and not of state courts).

⁹ This argument may equally justify the use of choice of court clauses, see *Fairchild Semiconductors Corp. v. Third Dimension Semiconductor* (D. Maine, Dec. 12, 2008) (enforcing a choice of court clause before a U.S. court in a worldwide patent license agreement in spite of the fact that issues of foreign patent law (Chinese) may arise), available at: <http://www.patentlyo.com/fairchild.PDF> (last accessed July 24, 2012); see also the statements made by Justice Laddie in *Celltech R & D Ltd v Medimmune Inc* [2004] EWHC 1522 (Pat) (18 June 2004) (which were quoted and approved on appeal in *Celltech R & D Ltd v Medimmune Inc*. [2004] EWCA Civ 1331): “Para. 24 To have all issues of infringement determined by one court gives rise to a greater chance of consistency. It will in many cases reduce the amount of litigation involved and it will mean that only one court, and perhaps in some cases only one judge, need be educated so as to understand the patented technology involved. Para. 25 [...] Although it is not strictly necessary to do so, one can see that it makes good commercial sense for the parties to have agreed that rather than have the issue of infringement determined in up to 24 different countries where MedImmune may sell its products, all the issues of infringement should be determined in one court which could effectively become a specialist in determining that issue”).

¹⁰ See Cook and Garcia, *supra* note 6, p. 48 (confirming that arbitration can offer important benefits for parties wishing to resolve a multi-jurisdiction dispute in a single forum); the scope of a forum selection clause in a settlement agreement raises similar questions, see for instance *General Protecht Group Inc. et al. v. Leviton Manufacturing Co. Inc.* (No. 2011–1115, Fed. Cir., July 8, 2011) (affirming the grant of a preliminary injunction to enforce a forum selection clause by holding that the forum selection clause contained in a settlement agreement following patent

Starting from this perspective, i.e. that arbitration may be an efficient means of resolving international intellectual property disputes that often will be preferable to domestic court systems, this chapter will review some of the features and issues on which the parties and their counsel should focus when thinking about arbitrating international intellectual property disputes¹¹ from the perspective of developing global arbitration policies which shall promote the use of arbitration as a means for solving intellectual property disputes.

2. ISSUES

2.1 Arbitrability

In order to adjudicate international intellectual property disputes by arbitration, it is necessary first to verify that national/regional regulations do not require that the issues in dispute be subject to national/regional court adjudication, which in certain instances may be the case under existing regulatory regimes.¹² In other words, a threshold question that must be considered in connection with efforts to arbitrate intellectual property disputes is that of objective arbitrability.¹³

litigation binds the contracting parties and prevents them from initiating patent infringement proceedings before another court).

¹¹ In view of its limited scope, this chapter cannot present systematically the national solutions and perspectives on the different issues which shall be explored, but will rather discuss them from a broader perspective, whereby it is obvious that the relevant issues would need to be carefully analyzed under the relevant governing law (particularly the *lex arbitri*) in the light of the applicable rules and regulations (such as the arbitration rules which would be applicable in a given dispute).

¹² Certain legal regimes provide for the exclusive jurisdiction of certain courts for disputes about the validity of industrial property rights (whereby these regimes do not as such exclude the arbitrability of these disputes); see art. 22 para. 4 of the new Lugano Convention of October 30, 2007 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters creating an exclusive jurisdiction for the courts of the State of deposit or registration of the relevant industrial property rights (patents, trademarks, designs, or other similar rights) for all proceedings concerned with the registration or validity of such rights required to be deposited or registered, irrespective of whether the issue is raised by way of an action or as a defence.

¹³ This subject has provoked a flurry of publication activity. See Cook and Garcia, *supra* note 6, p. 49 seq.; see also Bernard Hanotiau, "L'arbitrabilité des litiges de propriété intellectuelle", in Jacques de Werra (ed.), *La résolution de litiges de propriété intellectuelle / Resolution of Intellectual Property Disputes*

As a matter of principle, intellectual property disputes can generally be submitted to arbitration.¹⁴ This liberal approach reflects the fact that intellectual property rights and, more generally, intangible assets, have become standard and alienable corporate assets of companies. Given that the condition of objective arbitrability frequently depends on whether the object of the dispute can freely be alienated by its owner or whether such object has an economic value,¹⁵ it seems appropriate to consider that intellectual property rights and intellectual property disputes meet these conditions so that they are fully arbitrable.¹⁶ One of the areas of difficulty in the context of objective arbitrability arises in relation to the question of whether disputes about moral rights (which are generally held to be inalienable to the extent that they reflect the personality of the author), can also be subject to arbitration. It is submitted that arbitration should be permitted in relation to such issues on the ground that the exercise of moral rights can be the object of contractual agreements and are thus, at least partly, disposable by the author of the relevant work.¹⁷ This approach can

(Schulthess 2010), p. 155 seq.; see also Anne-Catherine Chiariny-Daudet, *Le règlement judiciaire et arbitral des contentieux internationaux sur brevets d'invention* (LITEC 2006); Nelson Holzner, *Die objektive Schiedsfähigkeit von Immaterialgüterrechtsstreitigkeiten* (Nomos 2001); Julian D.M. Lew, "Final Report on Intellectual Property Disputes and Arbitration", *The ICC International Court of Arbitration Bulletin* 1998 9(1): 37–95; Stefan Liniger, *Immaterialgüterrechtliche Streitigkeiten vor internationalen Schiedsgerichten mit Sitz in der Schweiz* (Stämpfli 2002); see also the comparative law report of M.A. Smith, M. Cousté, T. Hield, R. Jarvis, M. Kochupillai, B. Leon, J.C. Rasser, M. Sakamoto, A. Shaughnessy and J. Branch, "Arbitration of Patent Infringement and Validity Issues Worldwide", *Harvard Journal of Law & Technology* 2006 19(2): 299 seq.

¹⁴ See the detailed comparative overview of this issue made by B. Hanotiau, *supra* note 13, p. 165 seq.; see also François Perret, "L'arbitrabilité des contentieux en matière de brevets d'invention", in E. Gaillard, M. de Boisseson, J.-D. Bredin, S. Lazareff and P. Bernardini (eds), *Liber amicorum Claude Reymond, Autour de l'arbitrage* (LITEC 2004), p. 229 seq., at 239.

¹⁵ This is particularly the case under the liberal Swiss arbitration regime which is regulated in Chapter XII of the Swiss Act on Private International Law of December 18, 1987 (art. 177 para. 1), see François Dessemontet, "Arbitration of Intellectual Property Rights and Licensing Contracts", in E. Gaillard and D. Di Pietro (eds), *Enforcement of Arbitration Agreements and International Arbitration Awards, The New York Convention in Practice* (Cameron May 2008), p. 553 seq., p. 557.

¹⁶ See Anna P. Mantakou, "Arbitrability and Intellectual Property Disputes", in Loukas A. Mistelis and Stavros L. Brekoulakis (eds), *Arbitrability, International & Comparative Perspectives* (Wolters Kluwer 2009, Chapter XIII, at p. 266.

¹⁷ This approach is not undisputed and not unanimously shared in countries in which moral rights are considered as fully inalienable such as is the case in France,

also be supported by the view that the moral rights and the economic rights which belong to authors are so closely interrelated (at least, under the view which is in line with the monist theory of copyright law), that moral rights have an economic value (i.e. also because the violation of moral rights can lead to the payment of monetary damages). This approach was confirmed in a landmark decision of the Supreme Court of Canada in a dispute between two co-authors of a fictional character relating to (among other) the right of paternity.¹⁸

The Court held that the concept of public order had to be construed in the light of the objective of arbitration so that:

In interpreting and applying this concept in the realm of consensual arbitration, we must therefore have regard to the legislative policy that accepts this form of dispute resolution and even seeks to promote its expansion. For that reason, in order to preserve decision-making autonomy within the arbitration system, it is important that we avoid extensive application of the concept by the courts. Such wide reliance on public order in the realm of arbitration would jeopardize that autonomy, contrary to the clear legislative approach and the judicial policy based on it.¹⁹

This approach essentially confirms the basic trust that must be placed in arbitral tribunals which led one court to observe, “[t]here is no reason to think that arbitrators are more likely to err in copyright cases than state or federal judges are”.²⁰

The jurisdictional powers of arbitral tribunals are generally considered to reach their outer limits when a dispute would require the arbitral tribunal to

see B. Oppetit, “L’arbitrabilité des litiges de droit d’auteur et de droits voisins”, in P. Fouchard, X. De Mello, C. Lécuyer-Thieffry, F. Perret, F. Saint-Bonnet, C. Jarosson, L. Devlové, F. Gurry, Y. Derains, B. Moreau, *Arbitrage et propriété intellectuelle, colloque organisé par l’I.R.P.I.* (Henri Desbois 1994), p. 129 seq.; J.-B. Racine, *L’arbitrage commercial international et l’ordre public* (LGDJ/Montchrestien 1999), p. 98 seq.; for a more liberal view, see however P. Fouchard, Rapport de synthèse, as above (“on ne peut en même temps patrimonialiser, exploiter, commercialiser de plus en plus largement les œuvres de l’esprit, les créations et les inventions, et prétendre ensuite que ces droits ne sont pas disponibles”); for a neutral view, see Y. Lévy, “Les modes alternatifs de règlement des litiges en matière de propriété littéraire et artistique”, *Petites Affiches* April 28, 2003 84: 4.

¹⁸ *Desputeaux v. Éditions Chouette (1987) Inc.*, [2003] 1 S.C.R. 178, 2003 SCC 17, available at: <http://scc.lexum.org/en/2003/2003scc17/2003scc17.html> (last accessed July 24, 2012).

¹⁹ § 52.

²⁰ *Saturday Evening Post v. Rumbleseat Press, Inc.*, 816 F. 2d 1191, 1198 (7th Cir. 1987).

render an award on the validity or nullity of industrial property rights (i.e. registered intellectual property rights) with effect *erga omnes*. Such questions may be problematic in certain (but not all²¹) countries, whose legal regimes take the position that only the state authorities in the country of registration of such rights shall have jurisdictional power to decide on such issues.

In any case, if arbitral tribunals do not make a decision on the validity of the relevant intellectual property rights (particularly of relevant industrial property rights, such as patents, trademarks and designs) with an effect *erga omnes* (which could lead to the cancellation of the industrial property right from the relevant registry), but merely decide on the issue of validity as far as this is required for deciding the dispute between the parties (with an effect *inter partes*), this should not raise concerns of arbitrability.²² In this respect, contracting parties may validly define the power of the arbitral tribunals to decide on these issues (with an effect *inter partes*),²³ which

²¹ Such as the U.S. (as expressly regulated for patent law, see 35 U.S.C. § 294) and in Switzerland pursuant to a frequently cited official position expressed by the at that time Swiss Office of Intellectual Property (now Swiss Institute of Intellectual Property) after consultations with the Swiss Department of Justice in 1975, published in the Swiss review of intellectual property law in 1976, RSPI 1976, 36 seq.; for a presentation of the liberal Swiss approach in a comparative perspective, see T. Legler, “L’arbitre suisse face à l’arbitrabilité des litiges en matière de propriété intellectuelle dans un contexte international”, in *L’éclectique juridique, Recueil d’articles en l’honneur de Jacques Python* (Schulthess 2011), p. 179 seq.

²² See the decision of the *Cour d’Appel* of Paris of February 28, 2008, *Liv Hidravlika c. Diebolt*, no. 05–10577; for an in-depth discussion and rejection of the public policy arguments allegedly justifying the non-arbitrability of intellectual property disputes, see Cook and Garcia, *supra* note 6, p. 62 seq.

²³ See for instance the clause suggested as Appendix E of the “ICC Final Report on Intellectual Property Disputes and Arbitration”, *ICC International Court of Arbitration Bulletin*, 1998 9(1): 37 seq.: “In the event that determination of this dispute necessitates consideration by the Tribunal of any issue relevant to the validity, enforceability or infringement of any [intellectual property right] of any party with respect to another party, the Tribunal shall have the authority to consider all such issues and to express a view with respect to all such issues. It is expressly agreed that the Tribunal shall not have authority to declare any such [intellectual property right] valid or not valid, enforceable or not enforceable or infringed or not infringed, provided, however, that the Tribunal may render an opinion to the parties as to whether in the Tribunal’s view a court or other government agency of competent jurisdiction would uphold the validity, enforceability or infringement of any such [intellectual property right]. The Tribunal shall specify [may state] the Tribunal’s reasons underlying any such opinion. However, neither the opinion nor the statement of reasons by the Tribunal shall be regarded by any party as a

might help overcome the risks which are generally associated with the arbitrability of intellectual property disputes.²⁴

From a policy perspective, it could be recommended to adopt a default rule in the applicable regulations pursuant to which arbitral tribunals should merely have the power to decide on the validity of industrial property rights with an effect *inter partes* – unless expressly agreed otherwise by the parties.

Beyond this specific issue of the jurisdiction to decide on the validity of certain registered intellectual property rights, it is generally admitted that other aspects, including aspects relating to the ownership and the transfer of intellectual property rights, are fully arbitrable.

Accordingly, and to conclude, while certain public policy-based restrictions may limit the arbitrability of intellectual property disputes in certain countries, the use of arbitration as a mechanism to resolve such disputes is generally consistent with public policy in most jurisdictions.²⁵ Case law confirms this liberal approach to arbitrability.²⁶ As a result, the grounds of inarbitrability of intellectual property disputes are quite narrow and should in any event not restrict the parties from conceptualizing and planning in advance how an intellectual property arbitration could successfully be structured and what factors should be taken into consideration in this framework.

declaration of validity or invalidity, enforceability or unenforceability, or infringement or non-infringement of any such [intellectual property right].”

²⁴ See Joel E. Lutzker, “International Arbitration of Intellectual Property Validity”, in *Contemporary Issues in International Arbitration and Mediation, the Fordham Papers 2008* (Martinus Nijhoff Publishers 2009), p. 227 seq. at 232 and at 238 (concluding his article by noting that the reluctance of some countries to permit arbitration of the validity of industrial property rights could potentially be overcome by “carefully crafting the scope of the arbitration and expressly limiting it to *inter partes* effect”).

²⁵ Cook and Garcia, *supra* note 6, p. 76: “[...] one fails to see how arbitrating IP disputes, including issues of invalidity in personam, may offend the most basic notions of morality and justice of any jurisdiction.”

²⁶ For example, in one ICC award issued in a patent licensing dispute about the obligation of the licensee to continue to pay royalties to the licensor in spite of the issuance of a governmental decree granting to the licensee a royalty free compulsory license, the tribunal held that it had jurisdiction “to decide whether Defendant is entitled to discontinue the payment of the contractual royalties and if, by discontinuing it, Defendant has breached the Agreement”). ICC award 6036 (excerpt) published in the *ICC International Court of Arbitration Bulletin* 1994 5(1): 67.

2.2 Confidentiality

Confidentiality is generally viewed as one of the classic reasons why parties choose arbitration, irrespective of the circumstances of the dispute and of the nature of the contract at issue.²⁷ This standard advantage of arbitration can, however, become of vital importance in the context of intellectual property arbitrations. This is particularly the case with disputes relating to know-how and trade secrets because the disclosure of such secrets would simply annihilate their protection (given that secrecy is a condition of protection of trade secrets).²⁸ Arbitration can offer a particularly attractive solution in view of the fact that the enforcement of trade secrets before state courts may prove quite risky, as has been the case in Japan (where court proceedings must be public and can thus potentially threaten the confidentiality of trade secrets),²⁹ even though new regulations have recently been adopted in Japan to improve the protection afforded to confidential information.³⁰

²⁷ On the issue of confidentiality in international arbitration, see in general the book of Ileana M. Smeureanu, *Confidentiality in International Commercial Arbitration* (Kluwer 2011) (International Arbitration Law Library Volume 22).

²⁸ See art. 39 para. 2 (c) of the TRIPS protecting information provided – among other conditions – it “has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret”.

²⁹ See USTR, 2007 National Trade Estimate Report on Foreign Trade Barriers, available at: http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_NTE_Report/asset_upload_file855_10945.pdf (last accessed July 24, 2012), at 327: “Although Japan amended its Civil Procedures Act to improve the protection of trade secrets in Japanese courts by excluding court records containing trade secrets from public access, the law is inadequate. Because Japan’s Constitution prohibits closed trials, the owner of a trade secret seeking redress for misappropriation of that secret in a Japanese court is forced to disclose elements of the trade secret in seeking protection. Because of this, and the fact that court discussions of trade secrets remain open to the public with no attendant confidentiality obligation on either the parties or their attorneys, protection of trade secrets in Japan’s courts will continue to be considerably weaker than in the courts of the United States and other developed countries.” The United States continues to urge Japan to undertake further reform as stated in a more recent USTR report: “In order to encourage victims of trade secret theft to cooperate with prosecutors in bringing criminal charges against wrongdoers, the U.S. Government is urging Japan to adopt necessary procedures that will ensure that the content of a trade secret will not be disclosed to the public in the criminal trial” (USTR 2010, available at http://www.ustr.gov/sites/default/files/uploads/reports/2010/NTE/2010_NTE_Japan_final.pdf (last accessed May 2, 2012)).

³⁰ See Masako Yajima, “Privileges and Protection of Trade Secrets in Japan”, *IBA International Litigation News* October 2004: 29 seq.; for a recent status of the

The parties can directly or indirectly, via the choice of certain arbitration rules,³¹ implement a framework in order to protect their trade secrets in the course of the arbitration proceedings. The parties should also think about the risks to confidentiality resulting from potential challenges of the arbitral awards before state courts (whereby similar risks may also arise in connection with state court proceedings for the recognition and the enforcement of such awards).

This issue was addressed in a recent decision of the Swiss Supreme Court (which was rendered upon an appeal from an arbitral award).³² In this case, the appealing parties requested the Swiss Supreme Court to exclude any publicity about the case, i.e. to prohibit the publication of the decision of the Supreme Court (in particular on its website). The Swiss Supreme Court rejected this request by stating that there was a strong public policy which required the publication of the decision. The Court further explained that the decision to publish the judgment must be made by balancing the private interests of the parties for confidentiality and the public interest of justice, which pleads for the publicity of the proceedings. It stated in this respect that the parties had the opportunity to exclude the risk of publicity connected to proceedings before state courts by waiving their right to appeal the arbitral award to the Swiss Supreme Court, as permitted under Art. 192 para. 1 of the Swiss Act on Private International law (which they had not done).

The lesson from this case is to take into account the fact that confidentiality measures can be taken by the parties in the course of the arbitration proceedings, but setting aside proceedings before state courts may threaten confidentiality depending on the rules governing such proceedings in the

protection under Japanese law, see the report of the Japanese Group of AIPPI on the issue “Protection of Trade Secrets through IPR and Unfair Competition Law” Q215, available at: <https://www.aippi.org/download/committees/215/GR215japan.pdf> (last accessed May 2, 2012).

³¹ See e.g. art. 52 of the WIPO Arbitration Rules (providing for the possibility of designating a “confidentiality advisor” for the purpose of protection a party’s trade secrets) and art. 73–77 of the Rules relating to confidentiality obligations as such; see also Art. 22 para. 3 of the new ICC Arbitration Rules (in force as of January 1, 2012): “Upon the request of any party, the arbitral tribunal may make orders concerning the confidentiality of the arbitration proceedings or of any other matters in connection with the arbitration and may take measures for protecting trade secrets and confidential information.”

³² Decision 4P.74/2006 of June 19, 2006; the arbitration was submitted to the ICC rules.

relevant country (where such proceedings have not been waived, as they may be in certain jurisdictions).³³

From a practical perspective, it means that parties should also take into account the legal principles which may apply in the relevant countries of interest (particularly at the seat of the arbitration), as well as the relevant arbitration rules in order to assess their potential advantages and disadvantages by comparison to other countries/rules.³⁴ This requires, again, that parties anticipate such issues and take all appropriate measures in order to protect their interests for confidentiality which – as shown by the case decided by the Swiss Supreme court mentioned above – can be particularly sensitive in international intellectual property arbitration disputes.

2.3 Scope of the Arbitration Clause

It is well known that “arbitration is a creature of contract”.³⁵ This bedrock principle of arbitration can, however, sometimes lead to difficulties in the context of international intellectual property arbitration cases because these cases frequently raise issues which go beyond standard breach of contract claims. This situation can typically arise when the claim is made that a contracting party has misused trade secrets which have been disclosed to it (potentially in the course of a technology transfer agreement) given that trade secret misappropriation claims are not based on contract, but are frequently grounded on unfair competition law.³⁶ Unless this is clearly

³³ Which is the case under Swiss arbitration law provided that none of the parties to the agreement is based in Switzerland pursuant to art. 192 para. 1 of the Swiss Act on Private International Law.

³⁴ For a more general discussion of these issues from the perspective of the protection of trade secrets in a cross-border setting, see J. de Werra, “What Legal Framework for Promoting the Cross-Border Flow of Intellectual Assets (Trade Secrets and Music)? A View from Europe towards Asia (China and Japan)”, *Intellectual Property Quarterly* 2009 (Issue 1): 27–76 (from which this section derives).

³⁵ *Paul Szuts, Magda Szuts v. Dean Witter Reynolds, Inc.*, 931 F.2d 830 (11th Cir. 1991).

³⁶ See, by way of example, *Simula Inc. v. Autoliv Inc.* (175 F.3d 716, 9th Cir. 1999) in which the arbitration clause was formulated as follows: “All disputes arising in connection with this Agreement shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said rules”, and in which one party [Simula Inc.] raised the following argument (without success): “Simula alleges that Autoliv, by wrongfully using confidential information to manufacture Autoliv’s competing inflatable curtain, breached the May 1993 nondisclosure agreements, misappropriated trade secrets, and violated the Arizona Uniform Trade Secrets Act

expressed in the arbitration clause, the argument can thus be made by the opposing party that such non-contractual claims fall outside the scope of the arbitration clause and thus are beyond the power of the arbitral tribunal. This argument is of major practical significance particularly because an award which would decide on an issue which would be beyond the power of the arbitral tribunal might not be enforceable under the New York Convention precisely for this reason.³⁷

The point here is thus to make sure that the arbitration clause embraces the “universe of disputes”³⁸ which can arise between the parties. Experience shows, however, that many arbitration clauses are not formulated broadly enough in order to encompass intellectual property related claims (i.e. infringement claims³⁹ or claims relating to the validity/nullity of the

[...]. Simula argues that these claims fall outside the scope of the arbitration clauses because they are separate tort claims, based not on rights and remedies under the 1995 Agreement, but upon separate, independent statutory and common law prohibitions.”

³⁷ Art. 5 para. 1 lit. C of the New York Convention which provides that the enforcement of the award can be refused if “[t]he award deals with a difference not contemplated by or not falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be recognized and enforced.”

³⁸ P. Friedland, *Arbitration Clauses for International Contracts* (Juris Publishing 2000), p. 47: “An arbitration clause that provides ambiguously for arbitration of a set of disputes that is less than the universe of disputes arising out of or in connection with the contract is an invitation to litigation about the scope of the arbitrators’ jurisdiction.”

³⁹ See, for instance, the interpretation of the scope of an arbitration clause which was made in *Rhône-Poulenc Spécialités Chimiques v. Scm Corporation*, 769 F2d 1569 (Fed. Cir. 1985) which provided that “8.3 Any controversy or claim arising out of or relating to this Agreement or the breach thereof, shall, unless amicably adjusted otherwise, be settled by arbitration in Florida in accordance with the rules of the International Chamber of Commerce ...” in which the Court held that “[a]lthough the dispute involves claim interpretation, it arises out of the agreement. The agreement licensed SCM to use the chemical process of claim 2 and sell the product in exchange for royalty payments, which depended completely upon whether SCM was operating within or outside the scope of claim 2. We hold that the determination of the scope and infringement of the ‘485 patent are the quintessence of the agreement and that the parties intended such central determinations to be included within the scope of its broad arbitration clause. The district court’s holding to the contrary is clear error”; see also *Federal-Mogul Corp. and Felt Products MFG. Co. v. Elrigklinger AG*, Civ. No. 01-5797 (HAA), Nov. 1, 2004 (Dist. New Jersey).

relevant intellectual property rights), i.e. certain clauses have been construed as limited to purely contractual claims.⁴⁰

It is submitted that it would be fair, as a matter of principle, to maintain that all non-contractual claims which have a certain link with the relevant contract should also fall within the jurisdiction of the arbitral tribunal (this issue being of course subject to the rules of interpretation to be defined according to the standard legal principles governing this question).⁴¹ This is particularly important given that practice confirms that it may be difficult in certain circumstances to distinguish whether a given conduct (for instance the non-payment of a royalty by a licensee) constitutes a breach of contract (i.e. breach of the license agreement) and/or an infringement of the licensed intellectual property right.⁴² This confirms the need for the arbitration tribunal to have the power to decide on all these issues instead of being limited to the contractual claims, unless of course the parties have expressly chosen to separate the contractual issues from the intellectual property infringement issues. This however does not generally constitute an adequate choice given that it can lead to the conduct of parallel and conflicting judicial and arbitration proceedings and to major difficulties of delimitations between the respective claims.⁴³ Standard clauses provided

⁴⁰ A similar issue arises with respect to the drafting of choice of jurisdiction clauses, see A. Peukert, "Contractual Jurisdiction Clauses and Intellectual Property, in Intellectual Property and Private International Law – Heading for the Future", in J. Drexl and A. Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005), Vol. 24 of IIC Studies in Industrial Property and Copyright Law, at 55.

⁴¹ This approach is also adopted with respect to choice of court agreements, see art. 2:301 para. 1 of the CLIP Principles (available at <http://www.cl-ip.eu/files/pdf2/FinalText-1December2011.pdf>, last accessed May 2, 2012): "If the parties have agreed that a court or the courts of a State are to have jurisdiction to settle any disputes which have arisen or which may arise in connection with a particular legal relationship, *that court or those courts shall have jurisdiction to decide on all contractual and non-contractual obligations and all other claims arising from that legal relationship unless the parties express an intent to restrict the court's jurisdiction*" (emphasis added).

⁴² See for instance the case *MDY Industries v. Blizzard Entertainment*, 629 F.3d 929 (9th Cir. 2010); for a discussion of this case, see Robert W. Gomulkiewicz's chapter, "Clarifications and Complications in Enforcing Open Source Software Licenses", in this book.

⁴³ This is precisely what happened in the dispute between *Oracle America, Inc. v. Myriad Group AG* in which the dispute resolution clause read as follows (in its relevant part): "Any dispute arising out of or relating to this License shall be finally settled by arbitration as set out herein, except that either party may bring any action, in a court of competent jurisdiction (which jurisdiction shall be exclusive), with

for by recognized arbitration institutions (such as the WIPO Arbitration and Mediation Center) can provide a basis for making sure that non-contractual claims are within the scope of the arbitration clause.⁴⁴

2.4 Governing Law

Another advantage of submitting an international intellectual property dispute to arbitration, rather than to state court litigation, results from the broad freedom to choose a single law which shall govern the dispute.⁴⁵ The interest of having one single law to govern the relevant dispute in international intellectual property agreements can be illustrated by taking the case of global trademark coexistence agreements on the basis of which the parties agree that their respective trademarks shall coexist in the way that they have contractually defined in the relevant fields of use and in the defined territories (perhaps on a worldwide basis). Certain trademark coexistence agreements grant to one contracting party the right to register a trademark provided that this trademark does not create a risk of confusion with the other party's priority trademarks.⁴⁶ In such a case, and in the

respect to any dispute relating to such party's Intellectual Property Rights or with respect to Your compliance with the TCK license." This dispute has lead to intricate parallel proceedings before U.S. courts and an arbitration tribunal seating in London under the UNCITRAL Arbitration Rules administered by the American Arbitration Association's International Centre for Dispute Resolution (ICDR); see the file docket before the US Federal District Court for the Northern District of California: <http://docs.justia.com/cases/federal/district-courts/california/candce/4:2010cv05604/235529/69/> and the decision rendered by the District Court on January 17, 2012 enjoining Myriad from proceeding with its arbitration demand before the ICDR, available at: <http://docs.justia.com/cases/federal/district-courts/california/candce/4:2010cv05604/235529/69/> (last accessed May 2, 2012).

⁴⁴ See the WIPO standard arbitration clause, available at <http://www.wipo.int/amc/en/mediation/contract-clauses/clauses.html#4> (last accessed July 24, 2012): "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. [...]" (emphasis added).

⁴⁵ The application of mandatory rules being reserved; for a discussion, see Cook and Garcia, *supra* note 6, p. 89 seq.

⁴⁶ Trademark coexistence agreements regularly raise difficulties and provoke litigation to the extent that they are by their very nature entered into for longer periods of time which may conflict with the evolutive branding strategies of the parties, see, for instance, the landmark case decided by the High Court of England and Wales, *Apple Corps. Limited vs. Apple Computer, Inc.*, decision of May 8, 2006,

absence of any contractual choice of law, the issue of risk of confusion, which is a typical intellectual property issue, would thus be governed by the relevant local intellectual property law in the country(ies) where the infringement would take place (thus leading to a multiplication of parallel governing laws). This would mean that even if an international trademark coexistence agreement were governed by a law chosen by the parties (for instance Swiss law), the issue of the existence of a risk of confusion could (depending on the interpretation of the relevant contractual provision) still be governed by multiple intellectual property laws in the relevant countries where the infringement would allegedly have taken place. In an international arbitration, the parties should thus be in a position to decide that all contractual and non-contractual issues shall be governed by a single law. They could then validly agree that Swiss law (i.e. Swiss trademark law) shall apply to the issue of the risk of confusion between the relevant signs in the arbitration proceedings, thereby avoiding the costs and inconveniences of having to assess the issue (probably in a conflicting manner in spite of the existence of global intellectual property standards⁴⁷) under all relevant national trademark laws.⁴⁸

It must also be added that the choice of law could also cover issues regarding the validity of the relevant intellectual property rights. As long as a decision to be made by an arbitral tribunal as to the validity of a certain industrial property right would only have an *inter partes* effect, the parties in principle should be able validly to decide that the issue of the validity of a given industrial property right, such as a patent (which would be granted in many countries, which is obviously not unusual in global patent licensing transactions), shall be assessed on the basis of one single patent law, and not by reference to each and every potentially diverging national patent law implicated by the relevant patent.⁴⁹ This issue consequently also offers

[2006] EWHC 996 (Ch); see also the recent decision of the Court of Appeal of England and Wales in *Omega SA v. Omega Engineering Inc.* [2011] EWCA Civ 645 (27 May, 2011).

⁴⁷ See art. 16 para. 1 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS, Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization of April 15, 1994) providing that “[t]he owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion”.

⁴⁸ For similar examples, see Cook and Garcia, *supra* note 6, p. 87 seq.

⁴⁹ See Lutzker, *supra* note 24, p. 235, discussing the scenario of a choice of law for U.S. patent law in order to decide on the validity of a patent in a patent licensing

room for creativity to the careful contract drafter or, if this issue has not been properly addressed in the relevant contract, to the counsel in charge of the arbitration proceedings.⁵⁰

It must be emphasized that this flexibility does generally not exist when litigating before state courts, at least not in the European Union. Art. 8 of the Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July, 2007 on the law applicable to non-contractual obligations (Rome II) provides indeed that “[t]he law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed” (Art. 8 para. 1). This choice of law rule is mandatory and thus cannot be derogated from by contract (Art. 8 para. 3).⁵¹

It thus appears that the freedom to choose the governing law constitutes another key advantage of arbitration in the sense that it helps to avoid a burdensome and costly piecemeal choice of law solution which would result from the application of multiple national intellectual property laws. But this freedom requires that the parties and their counsel be aware of this

agreement covering the United Kingdom and the United States of America; see also Thomas Halket, “Choice of Law in International Intellectual Property Arbitrations: A Three-Dimensional Chess Game?”, in *Contemporary Issues in International Arbitration and Mediation, the Fordham Papers 2008* (Martinus Nijhoff Publishers 2009), p. 227 discussing whether the Deprenyl case (*Deprenyl Animal Health, Inc., Plaintiff-Appellant, v. the University of Toronto Innovations Foundation, Defendant-Appellee.*, 297 F.3d 1343, Fed. Cir. 2002) “stands for the principle that parties have the power to elect that the validity of a U.S. patent be decided not just by arbitration, but also by arbitration in accordance with the substantive laws of another State”.

⁵⁰ For a detailed discussion, see Cook and Garcia, *supra* note 6, p. 91 seq.; see also Lutzker, *supra* note 24, pp. 235–236, suggesting that “a mechanism should be established for resolution of these potentially dispositive threshold issues at an early stage of the proceeding”.

⁵¹ In view of these difficulties, some proposals have been formulated in order to have one single law applicable to the issue of the remedies which shall be available as a result of an infringement of an intellectual property right, see art. 3:606 para. 2 of the CLIP Principles, *supra* note 41:

- (2) If the infringement is closely connected with a pre-existent relationship between the parties, such as a contract, the law governing the pre-existing relationship shall also govern the remedies for the infringement, unless
 - (a) the parties have expressly excluded the application of the law governing the pre-existing relationship with regard to the remedies for infringement, or
 - (b) it is clear from all the circumstances of the case that the claim is more closely connected with another State.

issue. In this respect, it would be worth keeping in mind that the scope of the choice of law clause should ideally reflect that of the arbitration clause:⁵² the choice of law clause should indeed mirror the arbitration clause in making sure that all claims that fall within the scope of the arbitration clause shall be governed by the chosen law.

2.5 Provisional Orders

The issuance of provisional orders and interim measures can play a significant role in intellectual property disputes given that such disputes frequently call for immediate action, particularly in situations in which damages to the reputation of the injured party can be feared (which would cause a risk of irreparable harm).⁵³ In such circumstances, it is critical to make sure that temporary measures can be obtained from the authorities which can offer the best immediate means of protection to the injured party. It is important to note in this respect that in intellectual property licensing disputes the injured party which may be entitled to obtain temporary measures is not necessarily the licensor,⁵⁴ as it can also be the licensee.⁵⁵

Consequently it can be useful to specify that the jurisdiction of an arbitration panel does not prevent a party from requesting preliminary injunctions from a state court at the place where any damages occur against the persons/entities which are allegedly infringing on the relevant intellectual property rights.⁵⁶ Even if this point seems relatively obvious, certain

⁵² Cook and Garcia, *supra* note 6, p. 130.

⁵³ For a recent example, see the decision of the Swiss Supreme Court (ATF 136 III 200) rendered on an appeal against an order for temporary measures issued by a WIPO appointed arbitrator ordering the transfer of the stock of products from the licensee to the licensor as a result of the sale of the products at discounted price by the licensee which was damaging the licensor's brand and reputation; for a comment of this decision, see J. de Werra, "Liquidation d'un contrat de licence de marque et mesures provisionnelles: quelques observations à la lumière de l'ATF 136 III 200", *Sic!* (Swiss review of intellectual property, information and competition law) 2010, p. 662 seq., available at: https://www.sic-online.ch/fileadmin/user_upload/Sic-Online/2010/documents/662.pdf (last accessed May 2, 2012).

⁵⁴ See *Performance Unlimited, Inc. v. Questar Publishers, Inc.*, 52 F.3d 1373 (6th Cir. 1995).

⁵⁵ See *Fairchild Semiconductors Corp. v. Third Dimension Semiconductor* (D. Maine, Dec. 12, 2008).

⁵⁶ This is clarified in the WIPO Arbitration Rules, available at <http://www.wipo.int/amc/en/arbitration/rules/> (last accessed July 24, 2012) as follows (Art. 46 d): "A request addressed by a party to a judicial authority for interim measures or for security for the claim or counter-claim, or for the implementation of

court decisions adopt a rather restrictive approach.⁵⁷ This is unfortunate because, in principle, the filing of a suit before a state court for preliminary relief should not be conceived of as inconsistent with preservation of the right to arbitrate the dispute at issue.⁵⁸

The ability to obtain injunctive relief from the arbitral tribunal may be problematic at the early stage of the arbitration proceedings, particularly in the period before the arbitral tribunal has been constituted.⁵⁹ Arbitration rules sometimes provide for solutions in order to meet the needs for a quick (re)action (e.g. as made possible by the appointment of an “emergency arbitrator”).⁶⁰ This potential need for quick action in international intellectual property disputes should therefore also be taken into consideration when deciding on the choice of opting for arbitration in a given IP contract and in such case on the choice of the relevant arbitration rules.⁶¹

any such measures or orders granted by the Tribunal, shall not be deemed incompatible with the Arbitration Agreement, or deemed to be a waiver of that Agreement.”

⁵⁷ *Simula Inc. v. Autoliv Inc.*, (175 F.3d 716, 9th Cir. 1999): “Because the district court correctly concluded that all of Simula’s claims were arbitrable and the ICC arbitral tribunal is authorized to grant the equivalent of an injunction pendente lite, it would have been inappropriate for the district court to grant preliminary injunctive relief. Therefore, we affirm the district court’s denial of preliminary injunctive relief”; see however *In Re Faiveley Transport Malmo AB*, 522 F. Supp. 2d 639 (S.D.N.Y. 2007) (holding that the arbitration clause: “[a]ny dispute arising out of or in connection with this agreement shall be finally settled by arbitration without recourse to the courts” does not prevent parties from obtaining injunctive relief from a court).

⁵⁸ *Sauer-Getriebe KG v. White Hydraulics, Inc.*, 715 F.2d 348 (7th Cir. 1983).

⁵⁹ Certain regulations provide that if the arbitral tribunal is not constituted, the state courts shall have the power to grant temporary injunctions (see, e.g., art. 1449 para. 1 of the French Code de procédure civile which provides that: “L’existence d’une convention d’arbitrage ne fait pas obstacle, tant que le tribunal arbitral n’est pas constitué, à ce qu’une partie saisisse une juridiction de l’Etat aux fins d’obtenir une mesure d’instruction ou une mesure provisoire ou conservatoire.” [The existence of an arbitration agreement does not prevent a party from requesting an instruction measure or a provisional or conservatory measure from a state court as long as the arbitral tribunal is not constituted.])

⁶⁰ See, e.g., art. 29 of the new ICC Arbitration Rules (in force as of January 1, 2012) referring to the “Emergency Arbitrator Rules” in Appendix 5 thereof: “A party that needs urgent interim or conservatory measures that cannot await the constitution of an arbitral tribunal (“Emergency Measures”) may make an application for such measures pursuant to the Emergency Arbitrator Rules in Appendix V”; see also Rule 26.2 and Schedule 1 of the Arbitration Rules of the Singapore International Arbitration Centre (SIAC) 4th Edition, July 1, 2010.

⁶¹ See ICC Intellectual Property Roadmap (11th ed., International Chamber of Commerce 2012), Current and emerging issues for business and policymakers,

2.6 Non-monetary Relief

The infringement of intellectual property rights frequently triggers the need to obtain non-monetary relief⁶² not only in the form of temporary orders (such as those described above), but also in the final awards on the merits. This can for instance materialize in an injunction prohibiting a party from using the misappropriated trade secrets in the future.⁶³ In that respect, arbitral tribunals should benefit from a certain flexibility to craft tailored remedies (which does not imply that they should have the power to decide *ex aequo et bono* or as “amiable compositeur”, which they cannot do unless specifically empowered),⁶⁴ whereby such flexibility should ideally be expressly granted by the parties in the arbitration clause.⁶⁵ Experience shows that arbitral tribunals have issued permanent intellectual property licenses to a party,⁶⁶ and have ordered (in a trademark/trade name

p. 56, recommending that “parties [wishing to submit their intellectual property dispute to arbitration] should consider choosing arbitration rules that provide for interim measures to be granted by the arbitral tribunal but also for emergency relief even before the constitution of the arbitral tribunal”.

⁶² See Michael E. Schneider and Joachim Knoll (eds), *Performance as a Remedy: Non-Monetary Relief in International Arbitration*, ASA Special Series, No. 30, Jurisnet 2011, and particularly Chapter 12 (Erik Wilbers, Ignacio de Castro and Sarah Theurich), p. 179 seq. (presenting arbitration and mediation cases handled by the WIPO Arbitration and Mediation Center).

⁶³ See <http://www.faiveleytransport.com/news/faiveley-transport-headquarters-announced-confirmation-and-enforcement-us-arbitration-award-fav> (last accessed July 24, 2012); this dispute led to multiple court proceedings before the U.S. federal courts in New York (see e.g. *Faiveley Transport Malmö AB v. Wabtec Corp.*, 559 F.3d 110 (2d 2009)).

⁶⁴ See, e.g., Art. 21 para. 3 of the ICC Arbitration Rules.

⁶⁵ For a counterexample, see the case *Decca Music Group Limited v. Michael Jagger, Keith Richards, Charles Watts*, High Court Chancery Division, Case No HC 04 C00863, 11 June, 2004 in which the power of the arbitral tribunal was contractually limited; for an analysis of this case, see David Ramos Munoz, “The Power of Arbitrators to Make *Pro Futuro* Orders”, in Michael E. Schneider and Joachim Knoll (eds), *Performance as a Remedy: Non-Monetary Relief in International Arbitration*, ASA Special Series, No. 30, Jurisnet 2011, p. 91 seq., 101 seq.

⁶⁶ “AMD is hereby awarded a permanent, royalty-free, non-exclusive, non-transferable, worldwide right (but not the right to assign, license or sublicense such right to any third party) under any and all Intel copyrights, patents, trade secrets and maskwork rights contained in [...]” (*Advanced Micro Devices, Inc. v. Intel Corp.*, 9 Cal. 4th 362, at 371, 885 P.2d 994, Supreme Court of California 1994); for a critical analysis of this case/this award, see David Ramos Munoz, *supra* note 65, p. 120 (holding that the “arbitrator was, in reality, modifying the contract, introducing new obligations into the parties’ relationship”).

dispute) a party to change its corporate name and to assign patents (or other types of intellectual property rights).⁶⁷

Such non-monetary relief may, however, provoke difficulties as is shown by a decision of the Swiss Supreme Court which struck down an arbitration award on the ground that the arbitrator had unduly prohibited a party from manufacturing industrial products incorporating the elements which were misappropriated from the other party without any limitation in time and without taking into account whether the relevant misappropriated processes used for the manufacture of such products would still be secret.⁶⁸ On this basis, the ability to obtain injunctive relief and/or other non-pecuniary remedies, which can be critical in intellectual property arbitration cases, should be duly considered by the parties and their counsel.

2.7 Recognition and Enforcement of Foreign Awards

The recognition and enforcement of foreign awards on a global scale is widely facilitated by the broad geographic reach of the New York Convention⁶⁹ which limits the grounds of non-recognition and of non-enforceability of foreign awards.⁷⁰ Recent case law further confirms the trend towards a better global enforceability of intellectual property related arbitral awards.⁷¹

⁶⁷ See *Engis Corp. v. Engis Ltd*, 800 F.Supp. 627 (Dist. Court Illinois 1992).

⁶⁸ See decision of the Swiss Supreme Court ATF 102 Ia 493, at 507–508.

⁶⁹ Convention on the Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958; see the list of countries bound by the Convention, available at http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html (last accessed May 2, 2012).

⁷⁰ See in particular Art. V para. 2 (a) (non-arbitrable matter in the State where enforcement is sought) and (b) (*ordre public*).

⁷¹ See by way of example, the recent successful enforcement of a U.S. arbitral award (rendered in an arbitration under the rules of the American Arbitration Association's International Centre for Dispute Resolution) before a Chinese Court (the Shanghai Intermediate Court) in an international intellectual property licensing dispute between a US trademark licensor and its Chinese licensee in the matter *JA Apparel Corporation v. Judger Group Co.*; on this case, see Alison Ross, Enforcement Success for Designer Brand in China (August 17, 2011), available at <http://www.globalarbitrationreview.com/news/article/29765/>; an English version of the decision of the Shanghai Intermediate Court of May 10, 2011 is available at http://www.globalarbitrationreview.com/cdn/files/gar/articles/Shanghai_judgment.pdf (both last accessed May 2, 2012).

However, there is still a risk that arbitral awards rendered in international intellectual property disputes may not be enforced under the New York Convention (and even more so under relevant national rules, should the limited grounds for non-recognition and non-enforcement enumerated in the New York Convention not be applicable). Difficulties may arise, in particular, with respect to the notion of *ordre public*, which may be invoked to block the recognition and enforcement of an intellectual property related arbitration award. Unfortunately, recent case law seems to indicate that even for relatively straightforward court decisions admitting an intellectual property infringement for which enforcement is sought in another country, the argument of a violation of the local public policy of the country in which recognition is sought may be successful.⁷² It may thus be feared that a similar argument could be invoked in award enforcement proceedings. This confirms that the parties would be well advised to clarify and to anticipate as far as possible the potential types of disputes which may result from their contractual relationships, and the likely countries in which a future award could be enforced, in order to assess the risks which may result from non-enforceability of any such award in the relevant country(ies) in the light of the local public policies governing intellectual property law. The non-arbitrability of the subject matter may also be raised even if intellectual property disputes are not considered to affect the public policy of the state where the enforcement of the foreign award is sought.⁷³ This issue may still

⁷² This is precisely what happened in the dispute between Viewfinder and Louis Féraud et al., in which a French default judgment finding a violation of French copyright law against two U.S.-based defendants (which were running an online website featuring pictures of fashion shows and of fashion designs created and protected by copyright owned by the claimant/fashion designer) was held as contrary to the public policy of the state of New York because it was conflicting with the constitutionally granted principle of free speech (*Sàrl Louis Féraud Int'l v. Viewfinder Inc.*, 406 F.Supp. 2d 274, 281 (S.D.N.Y. 2005)), before the Court of Appeal reversed the decision (489 F.3d 474, 2d Cir. 2007). Even if this case did not relate to arbitration, it still illustrates the risk of violations of *ordre public* claims for blocking the enforcement of foreign intellectual property decisions in other countries; on this issue, see Markéta Trimble Landová, "Public Policy Exception to Recognition and Enforcement of Judgments in Cases of Copyright Infringement", *International Review of Intellectual Property and Competition Law* 2009 40: 642 seq.

⁷³ See Cook and Garcia, *supra* note 6, p. 321 (holding that "[p]articularly in the light of the *inter partes* effect of arbitral awards, it is difficult to see how arbitrating IP disputes (of itself) would offend international public policy or the most fundamental notions of justice or morality of a host country").

emerge when dealing with intellectual property disputes which involve a labor law component. In such cases, the enforcement of an award could be difficult if the jurisdictions in which enforcement of the award is sought prohibit the arbitration of labor disputes. Similarly, parties to an international contract providing for arbitration may also try to avoid arbitration before a foreign arbitration body by submitting the case to a local labor court and claiming that the (commercial/IP) dispute should, in reality, be viewed as a labor dispute.⁷⁴

The issue of enforceability of foreign awards may also come to light with respect to the question of whether intellectual property disputes (particularly disputes relating to patent and know-how license agreements) arise out of relationships which are considered as commercial under the relevant national laws. Art. I para. 3 of the New York Convention indeed provides that a contracting State can declare that it will “apply the Convention only to differences arising out of legal relationships, whether contractual or not, which are considered as commercial under the national law of the State making such declaration”.⁷⁵ Here again, the parties negotiating international intellectual property agreements should consider different

⁷⁴ In the widely mediatised Danone-Wahaha joint venture dispute, the lawyers of the Chinese partner (Mr. Zong) tried to avoid the arbitration in Stockholm by claiming that the alleged breach of non-compete and non-disclosure agreements by Mr. Zong falls within the purview of the Chinese labor law, since Mr. Zong was in an employment relationship with the Wahaha-Danone joint venture. They further claimed that the Chinese labor law controls for labor disputes between parties within the boundaries of the P.R.China, see: <http://chinabusinesslaw.blogspot.com/2007/08/wahaha-v-danone-my-arbitration-is.html> (last accessed May 2, 2012); on the dispute, see Yuanshi Bu, “Danone vs. Wahaha: Anmerkungen zu Schiedsverfahren mit chinesischen Parteien”, *IPRax: Praxis des Internationalen Privat und Verfahrensrecht* 2010 30(2): 176 seq.; see also the article of Steven M. Dickinson, “Danone v. Wahaha: Lessons for Joint Ventures in China”, available at <http://www.chinalawblog.com/DanoneWahahaLessons.pdf> (last accessed May 2, 2012).

⁷⁵ The list of countries which are parties to the New York convention and which have made this declaration is available at (listed under “note (b)”, http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html (last accessed July 24, 2012); by way of illustration, this issue was addressed and the view was expressed that, under French law, disputes about patent and know-how license agreements are commercial in nature, in a Swiss official document about the recognition and enforcement of arbitral awards rendered in France (given that France previously restricted the scope of the New York Convention pursuant to Art. I para. 3 which is no more the case now); Swiss Federal Office of Justice (27 May 1980), published in *Verwaltungspraxis der Bundesbehörden VPB / Jurisprudence des autorités administratives de la Confédération (JAAC)* 1980 44: 554 seq.

potential scenarios in order to identify risks of non-recognition and non-enforcement of arbitral awards in light of the relevant policies in the countries at issue.

3. CONCLUSION

As confirmed by the growth of IP arbitration proceedings⁷⁶ and by recent case law,⁷⁷ the use of arbitration for solving international intellectual property disputes is expanding.⁷⁸ This trend can be confirmed by the choice

⁷⁶ See, e.g., the caseload of the WIPO Arbitration and Mediation Center, available at: <http://www.wipo.int/amc/en/center/caseload.html> (last accessed July 24, 2012), whereby it can be noted that the development of the WIPO arbitration-related activities contributes to the creation of a quite interesting and unique body of international intellectual property arbitration case law in Switzerland. The reason for this is that many WIPO administered arbitration proceedings have a seat of the arbitral tribunal in Switzerland (mostly in Geneva) which in turn (unless this is contractually waived which is possible only if the parties are foreign entities) opens the way for appeals against the arbitral award before the Swiss Supreme Court. On this basis, there have been several very interesting decisions rendered by the Swiss Supreme Court in WIPO administered / international intellectual property related arbitration cases in the last years (see among others: ATF 136 III 200, 136 III 583 and ATF 137 III 85 – whereby these three decisions have been rendered in the same dispute – and decision 4A_18/2007 of 6 June 2007).

⁷⁷ See, by way of example the cases *Oracle v. Myriad* (*supra* note 43) and *JA Apparel Corporation v. Judger Group Co.* (*supra* note 71); see also the case *In Re: Qimonda AG*, Case No. 09-14766-SSM, United States Bankruptcy Court, E.D. of Virginia (28 October 2011), in which the administrator of a German bankrupt company offered to the licensees of such company to renegotiate the license agreements potentially by recourse to arbitration under the WIPO rules (the decision reports indeed that he “has filed pleadings committing to re-licensing Qimonda’s patent portfolio at a reasonable and non-discriminatory (‘RAND’) royalty to be determined if possible though good faith negotiations, otherwise through arbitration under the auspices of the World Intellectual Property Organization”).

⁷⁸ See “Current and emerging issues for business and policymakers”, in ICC Intellectual Property Roadmap (11th ed., International Chamber of Commerce 2012), at 55 (noting that “[t]he general acceptance of the arbitrability of intellectual property disputes is also evidenced by the significant number of cases submitted to the ICC International Court of Arbitration principally involving intellectual property disputes”).

made by policymakers (as most recently by the French and U.S. legislators)⁷⁹ to expressly authorize the arbitrability of intellectual property disputes, which constitutes a clear sign that arbitration is an adequate method for solving intellectual property disputes that does not threaten the powers of the state authorities over intellectual property as such.

In view of these developments, it appears essential that global policies promoting the use of arbitration for solving international intellectual property disputes shall be created. First of all this means that the arbitrability of intellectual property disputes shall be accepted, that state courts and regulations shall not interfere in the arbitration process and shall grant to arbitral tribunals the full power to decide on all types of issues arising in intellectual property arbitration disputes (including non-contractual/intellectual property infringement and validity claims). This also implies that the enforceability of arbitral awards rendered in intellectual property arbitration disputes shall be facilitated by conceiving narrowly the scope of non-enforceability of awards on the ground of conflict with public policy or non-arbitrable subject matter (under the New York Convention).

Finally and perhaps most importantly, given that arbitration is based on the parties' consent, it is equally critical that parties and their counsel shall take time to assess in advance the implications of using arbitration effectively for solving international intellectual property disputes in a way that meets their needs and protects their interests. As shown in this chapter, this requires moving beyond the threshold issue of arbitrability of intellectual property disputes (which must, of course, not be neglected, even if the scope

⁷⁹ See the new provision for derivation proceedings (which aim at ensuring that the first person to file the application is the true inventor) introduced in the U.S. Patent Act (35 U.S.C. 135(f)) which shall apply to patent applications and patents having an effective filing date on or after March 16, 2013 and which will allow the parties to a derivation proceeding to submit the dispute to arbitration; see also (in France) art. L 331-1 of the French *Code de la propriété intellectuelle* for copyright; see also the similar provisions applicable to other intellectual property rights: art. L. 615-17 para. 2 for patents, art. L. 716-4 for trademarks, art. L. 521-3-1 para. 2 for designs, art. L. 623-31 para. 3 for plant varieties, and art. L. 722-8 al. 2 for geographic indications; for a comment of these new rules, see J.-M. Bruguière and E. Gillet, "Litiges de propriété intellectuelle: L'apport de la loi de simplification et d'amélioration de la qualité du droit du 17 mai 2011", *La Semaine Juridique, édition Affaires*, 15 September 2011, No 37, Etude 1663, p. 42 seq.; reference can also be made to the creation of various institutions for handling intellectual property arbitration cases, such as the Japan Intellectual Property Arbitration Center, available at <http://www.ip-adr.gr.jp/eng/business/arbitration/> (last accessed May 2, 2012), and to the recent launch of an intellectual property arbitration program by the Philippine Intellectual Property Office (IPOPHL) and the Philippine Dispute Resolution Center, Inc. (PDRCI).

of non-arbitrability progressively tends to shrink), in order to address the other relevant issues which may significantly affect the success of an arbitration in terms of cost, speed and efficiency, such as the substantive scope of the arbitration clause and the definition of the governing law.

