



Chapitre de livre

2016

Published version

Open Access

This is the published version of the publication, made available in accordance with the publisher's policy.

---

## Alternative Dispute Resolution Mechanisms for Solving Trademark Disputes (Mediation, UDRP, Arbitration)

---

de Werra, Jacques

### How to cite

DE WERRA, Jacques. Alternative Dispute Resolution Mechanisms for Solving Trademark Disputes (Mediation, UDRP, Arbitration). In: The Law and Practice of Trademark Transactions : a Global and Local Outlook. Calboli, Irene & de Werra, Jacques (Ed.). Cheltenham : Edward Elgar Publishing Ltd, 2016. p. 293–322.

This publication URL: <https://archive-ouverte.unige.ch/unige:82027>

13

ALTERNATIVE DISPUTE RESOLUTION  
MECHANISMS FOR SOLVING  
TRADEMARK DISPUTES (MEDIATION,  
UDRP, ARBITRATION)

Jacques de Werra\*

|                                                                                           |       |                                                                                            |       |
|-------------------------------------------------------------------------------------------|-------|--------------------------------------------------------------------------------------------|-------|
| A. INTRODUCTION                                                                           | 13.01 | 1. Introduction                                                                            | 13.27 |
|                                                                                           |       | 2. Conditions and features                                                                 | 13.29 |
| B. ADR METHODS FOR SOLVING<br>TRADEMARK DISPUTES                                          | 13.02 | (a) Objective arbitrability of<br>intellectual property disputes                           | 13.30 |
| 1. Mediation                                                                              | 13.03 | (b) Consent of parties to submit to<br>arbitration: the scope of the<br>arbitration clause | 13.34 |
| 2. The UDRP                                                                               | 13.06 | 3. Governing law                                                                           | 13.61 |
| 3. UDRP as a model for other ADR<br>systems for trademark-related domain<br>name disputes | 13.12 | 4. Provisional measures                                                                    | 13.66 |
| C. ARBITRATION OF (INTERNATIONAL)<br>TRADEMARK DISPUTES                                   | 13.27 | D. CONCLUSION                                                                              | 13.69 |

A. INTRODUCTION

The challenges and costs of litigating global trademark (and other intellectual property)<sup>1</sup> disputes before national courts are well-known. This explains and justifies the growing attention paid to alternative dispute resolution (ADR) mechanisms that are developed in order to solve trademark<sup>2</sup> (and other

13.01

\* Professor of intellectual property law and of contract law and Vice-Rector, University of Geneva.

1 This chapter will focus on trademark disputes, it being noted that the issue is essentially similar with respect to other categories of intellectual property rights; it is based on various papers by the author, including: Jacques de Werra, *Can Alternative Dispute Resolution Mechanisms Become the Default Method for Solving International Intellectual Property Disputes?*, 43 CALIFORNIA WESTERN INTERNATIONAL LAW JOURNAL 39 (2012); Jacques de Werra, *The Expanding Significance of Arbitration for Patent Licensing Disputes: from Post-Termination Disputes to Pre-Licensing FRAND Disputes*, 4 ASA Bulletin 2014 692 (2014), available 17 September 2015 at <http://archive-ouverte.unige.ch/unige:46142>.

2 See James Morrison, *A Turning Tide, Arbitrating International Trademark Disputes and the Importance of the New WIPO Arbitration Rules*, 69 INTERNATIONAL TRADEMARK ASSOCIATION BULLETIN 10 (1 November 2014), available 17 September 2015 at <http://www.inta.org/INTABulletin/Pages/ATurningTideArbitratingInternationalTrademarkDisputesandtheImportanceoftheNewWIPOArbitrationRules.aspx>; for a more

---

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

intellectual property)<sup>3</sup> disputes, which are of particular importance in an international setting because of the interest that parties to an international trademark contract (potentially an international trademark license) may have in defining in advance to which alternative dispute settlement body they shall submit any potential dispute that may arise between them (instead of submitting their dispute to litigation).<sup>4</sup> This chapter will discuss certain alternative dispute resolution mechanisms (outside of arbitration) that may be used in order to solve trademark disputes (see below B), before turning to the use of arbitration (see below C). In light of the overall focus of this book on trademark transactions, this chapter will specifically address certain practical contractual issues that must be carefully assessed when considering the use of arbitration for solving (international) trademark disputes.

## B. ADR METHODS FOR SOLVING TRADEMARK DISPUTES

- 13.02** Trademark disputes can be solved by the submission to various alternative dispute resolution mechanisms outside of the courtroom and outside of arbitration, and specifically to mediation (see below 1) and to the Uniform Domain Name Dispute Resolution Policy (UDRP) with respect to certain trademark-related Internet domain name disputes (see below 2), whereby the UDRP has served as a model for other intellectual property-related domain name disputes (see below 3).

### 1. Mediation

- 13.03** The trend of promoting the use of ADR mechanisms for solving certain trademark (and other intellectual property related) disputes is well underway.

---

restrictive view of the interest of arbitration for solving trademark disputes, see Frank J. Sullivan, *Is Arbitration Suitable for Trademark Problems?*, 58 TRADEMARK REP. 782 (1968).

<sup>3</sup> See Joe Tirado/Alejandro I. Garcia, *Reasons to arbitrate IP Cases*, INTELLECTUAL PROPERTY MAGAZINE (8 December 2014), available 17 September 2015 at <http://www.intellectualpropertymagazine.com/copyright/reasons-to-arbitrate-ip-cases-105157.htm>.

<sup>4</sup> An interesting recent example is the dispute between Pirelli and its former Spanish trademark licensee Licensing Projects SL, which led to an ICC arbitral award, and to litigation in Spain and in France, in which the arbitral award was annulled on procedural grounds (i.e. because of the principle of access to justice that may require to admit counterclaims that are raised by the defendant, here Licensing Projects SL, even if such party cannot pay the advance on costs as required under the relevant (ICC) arbitration rules). See Gómez-Acebo & Pombo Abogados, *Alicante Court Considers Trademark Infringement Stemming from Arbitration*, Lexology (14 November 2012), available 17 September 2015 at <http://www.lexology.com/library/detail.aspx?g=9e7dc57d-6a08-4625-bf7a-f4e2ced6c3b5>; Andrea Pinna, *La confirmation de la jurisprudence Pirelli par la Cour de cassation et les difficultés pratiques de garantir au plaideur impécunieux l'accès à la justice arbitrale*, 2013-2 THE PARIS JOURNAL OF INTERNATIONAL ARBITRATION 479 (2013), available 17 September 2015 at [http://www.degaulleflaurance.com/http://www.degaulleflaurance.com/wp-content/uploads/2013/06/ParisJournalofInternationalArbitration\\_API\\_2013.pdf](http://www.degaulleflaurance.com/http://www.degaulleflaurance.com/wp-content/uploads/2013/06/ParisJournalofInternationalArbitration_API_2013.pdf).

## B. ADR METHODS FOR SOLVING TRADEMARK DISPUTES

At the European Union (EU) level, the Office for Harmonization in the Internal Market (Trademarks and Designs) (hereinafter OHIM) launched intellectual property mediation services in October 2011.<sup>5</sup> The intellectual property mediation services offered by OHIM initially resulted from a decision of the Presidium of the Board of Appeal of 14 April 2011, on the amicable settlement of disputes.<sup>6</sup> The basic idea was to promote mediation (without excluding other available alternative dispute resolution mechanisms).<sup>7</sup> The mediator must be chosen from a list provided by OHIM, whereby all the mediators are staff members of OHIM.<sup>8</sup> Mediation is only available during the course of appeal proceedings and on relative grounds relating to conflicts between the private rights of the litigants.<sup>9</sup> However, it is not available on grounds of public policy such as absolute grounds for refusal of European trademarks or designs.<sup>10</sup>

At the national level, national intellectual property offices also offer mediation services, such as is done by the United Kingdom Intellectual Property Office which promotes and institutes ADR mechanisms and specifically mediation for certain types of intellectual property disputes.<sup>11</sup> **13.04**

The growing importance of these mediation services for trademark disputes has been widely recognized and it can be considered that the future of **13.05**

<sup>5</sup> OFFICE OF HARMONIZATION IN THE INTERNAL MARKET, MEDIATION, <https://oami.europa.eu/ohimportal/en/mediation> (available 17 September 2015).

<sup>6</sup> Decision No. 2011–1, of the Presidium of the Boards of Appeal, 2011 O.J. 3.10, available 17 September 2015 at [https://oami.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/law\\_and\\_practice/presidium\\_boards\\_appeal/in\\_force/2011-1\\_presidium\\_decision\\_on\\_mediation\\_en.pdf](https://oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/presidium_boards_appeal/in_force/2011-1_presidium_decision_on_mediation_en.pdf); this decision was replaced by Decision No 2013–3 of the Presidium of the Boards of Appeal of 5 July 2013 on the amicable settlement of disputes, available 17 September 2015 at [https://oami.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/law\\_and\\_practice/presidium\\_boards\\_appeal/presidium\\_decision\\_2013-3\\_en.pdf](https://oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/presidium_boards_appeal/presidium_decision_2013-3_en.pdf) [hereinafter Decision on Mediation].

<sup>7</sup> See *id.* at recital 2 ('A friendly settlement should be easier to achieve with recourse to mediation, without prejudice to other alternative dispute resolution mechanism.').

<sup>8</sup> 'The Office shall maintain a list of qualified members of its staff, who are suitably prepared to intervene in mediation proceedings in the sense of the present decision' *Id.* at art. 7, para. 1. For the list of mediators, see OHIM, Mediators, <https://oami.europa.eu/ohimportal/en/mediators> (available 17 September 2015).

<sup>9</sup> Decision on Mediation, *supra* note 6, at art. 1, para. 1. ('The request for mediation proceedings may be presented, by a joint declaration from the parties, at any time following the lodging of an appeal.').

<sup>10</sup> *Id.* at art. 1, para. 2.

<sup>11</sup> See, e.g., INTELLECTUAL PROPERTY OFFICE, PATENTS HEARING MANUAL § 2.01 (July 2014), available 17 September 2015 at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/320984/Hearings\\_manual\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/320984/Hearings_manual_web.pdf) ('Alternative Dispute Resolution may provide the best opportunity for resolving the issues quickly, less expensively and with an increased chance of an amicable settlement.').; see also INTELLECTUAL PROPERTY OFFICE, INTELLECTUAL PROPERTY MEDIATION (14 May 2015), available 17 September 2015 at <https://www.gov.uk/guidance/intellectual-property-mediation>. However, the dispute may not always be appropriately submitted to an ADR system; this is also the case in Brazil based on a cooperation between the WIPO Arbitration and Mediation Center, see WIPO Mediation for Proceedings Instituted in the Brazilian National Institute of Industrial Property (INPI-BR), available 17 September 2015 at <http://www.wipo.int/amc/en/center/specific-sectors/inpibr/>.

trademark mediation and of intellectual property mediation is promising.<sup>12</sup> Beyond the regulatory framework that will enable and even promote the use of mediation for solving (international) trademark disputes, the offering of such services does not really raise major substantive legal issues from a trademark transaction perspective (by contrast to legal issues that may arise about the availability and interest of arbitration for solving trademark disputes). However, one aspect that must be taken into account by contracting parties who would include a multi-tier dispute resolution clause in their trademark agreement – that will include the preliminary obligation to submit to mediation before ‘escalating’ the dispute to court proceedings or arbitral proceedings – relates to the potential consequence that will apply in a case when one party would circumvent the obligation to submit to mediation before initiating the court or arbitral proceedings. While this issue is obviously not unique to trademark transactions as such, it should be emphasized that courts may consider that such circumvention is inadmissible so that the parties will be requested to first submit to mediation before initiating legal action. This point should, therefore, be duly considered in the drafting of the relevant dispute resolution clause of a trademark agreement, depending on the interests of the parties at issue and on the circumstances of the case.

## 2. The UDRP

- 13.06** One of the best examples of a successful ADR system in solving (international) trademark disputes is the Uniform Domain Name Dispute Resolution Policy (hereinafter UDRP), which was adopted by the Internet Corporation for Assigned Names and Numbers (hereinafter ICANN) on 26 August 1999.<sup>13</sup> ICANN is a ‘California Nonprofit Public-Benefit Corporation.’<sup>14</sup> It is not a public state agency despite its contractual relationships with the United States (U.S.) government.<sup>15</sup> It is worth noting that the UDRP was based on policy recommendations, which were prepared under the aegis of the

<sup>12</sup> For a discussion, see Nick Gardner, *Mediation and its Relevance to Intellectual Property Disputes*, 9 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 565 (2014).

<sup>13</sup> See INTERNET CORP. FOR ASSIGNED NAMES AND NUMBERS, UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY (24 October 1999), available 17 September 2015 at <http://www.icann.org/dndr/udrp/policy.htm> [hereafter UDRP].

<sup>14</sup> ICANN, BYLAWS FOR INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS (30 July 2014), available 17 September 2015 at <http://www.icann.org/en/general/bylaws.htm>.

<sup>15</sup> The independence of ICANN was reflected in ‘the Affirmation of Commitments’ between the U.S. Department of Commerce and ICANN dated 30 September 2009. See ICANN, THE AFFIRMATION OF COMMITMENTS – WHAT IT MEANS, (30 September 2009), available 17 September 2015 at <http://www.icann.org/en/announcements/announcement-30sep09-en.htm#affirmation>; it must be noted that ICANN is in a complex multistakeholder process of transition of certain functions (IANA Stewardship transition) that is still underway at the time of writing of this chapter, see <https://www.icann.org/en/stewardship> (available 17 September 2015).

## B. ADR METHODS FOR SOLVING TRADEMARK DISPUTES

World Intellectual Property Organization (hereinafter WIPO).<sup>16</sup> The UDRP has solved quite a phenomenal number of cybersquatting disputes (that is, several thousand) since its adoption.<sup>17</sup> In addition to the intrinsic quality of the UDRP's design features,<sup>18</sup> its success results particularly from the obligation imposed on all domain name registrars for *generic Top Level Domains* (gTLD) to be accredited with ICANN, whereby such accreditation obligates the registrars to contractually require clients who register domain names to submit to the UDRP.<sup>19</sup> The same obligation applies to cases in which the registrars enter into agreements with third-party resellers who ultimately contract with end-customers.<sup>20</sup> Consequently, the submission of disputes to the UDRP is imposed on all internet domain name holders of gTLD in a hierarchical way, starting from ICANN (top) to the holder of a given domain name (bottom). In other words, a chain of mutual contractual obligations ultimately imposes the UDRP to the relevant domain name holders.

Even if the merits of a complaint under the UDRP depend on the complainant's ability to show the ownership or control over a trademark<sup>21</sup> based on regulations of the country or region where the trademark is registered or protected,<sup>22</sup> the UDRP can generally be characterized by its delocalized nature, both in terms of geography and legal system. In other words, the UDRP applies regardless of the geographic localization of the parties in dispute, specifically the domicile of the owner of the disputed domain name. The UDRP is also legally delocalized and essentially independent from any

13.07

- 16 WORLD INTELLECTUAL PROP. ORG., WIPO INTERNET DOMAIN NAME PROCESS (1999), *available 17 September 2015 at* <http://www.wipo.int/amc/en/processes/process1/report/finalreport.html> [hereinafter WIPO].
- 17 17 See WIPO, *Total Number of Cases Per Year* (2015), *available 17 September 2015 at* <http://www.wipo.int/amc/en/domains/statistics/cases.jsp>.
- 18 See Nicholas Smith & Erik Wilbers, *The UDRP: Design Elements of an Effective ADR Mechanism*, 15 AM. REV. INT'L ARB. 215, 217–18 (2004).
- 19 See ICANN, Registrar Accreditation Agreement (2 August 2012), *available 17 September 2015 at* <http://www.icann.org/en/registrars/ra-agreement-21may09-en.htm#3> [hereinafter Registrar Accreditation Agreement] ('During the Term of this Agreement, Registrar shall have in place a policy and procedures for resolution of disputes concerning Registered Names. Until different policies and procedures are established by ICANN ... under Section 4, Registrar shall comply with the Uniform Domain Name Dispute Resolution Policy identified on ICANN's ... website ([www.icann.org/general/consensus-policies.htm](http://www.icann.org/general/consensus-policies.htm)).').
- 20 See *id.* at art. 3.12 ('If Registrar enters into an agreement with a reseller of Registrar Services to provide Registrar Services ("Reseller"), such agreement must include at least the following provisions ...'); see also *id.* at art. 3.12.2 ('Any registration agreement used by reseller shall include all registration agreement provisions and notices required by the ICANN ... Registrar Accreditation Agreement and any ICANN ... Consensus Policies, and shall identify the sponsoring registrar or provide a means for identifying the sponsoring registrar, such as a link to the InterNIC Whois lookup service.').
- 21 UDRP, *supra* note 13, at art. 4a(i) ('[Y]our domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights.').
- 22 Unregistered trademarks may suffice under certain exceptional circumstances. See WIPO, WIPO Overview of WIPO Panel Views on Selected UDRP Questions, *available 17 September 2015 at* <http://www.wipo.int/amc/en/domains/search/overview2.0/index.html>.



---

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

legal system because the substantive elements, on which the UDRP is based and decisions are rendered, are independent from any national or regional regulation,<sup>23</sup> except for the existence and control of a trademark by the complainant. The substantive criteria of a decision by the UDRP essentially relates to the good or bad faith registration and the use of the relevant domain name by its holder.<sup>24</sup> Consequently, the UDRP creates a corpus of autonomous rules for internet-related trademark disputes that can be compared to *lex electronic*.<sup>25</sup>

- 13.08** The adjudicatory power of experts appointed to decide a dispute under the UDRP is narrow in its scope; the decision can only grant the transfer or cancellation of the relevant domain name, or, alternatively, reject the UDRP complaint.<sup>26</sup> The UDRP also provides for the automatic enforcement of decisions that order a transfer or cancellation of the disputed domain name by notifying the registrar. This can only be avoided if the respondent, the holder of the relevant domain name, notifies the dispute resolution entity within ten business days of a lawsuit in the relevant jurisdiction.<sup>27</sup> The party may notify

---

23 It being noted that this independence may sometimes be problematic, particularly when the parties in dispute are located in the same country; decisions nevertheless refrain from importing national law into the UDRP. See Case No. D2004-0206, Covance, Inc. v. Covance Campaign, Administrative Panel Decision (WIPO 30 April 2004), available 17 September 2015 at <http://www.wipo.int/amc/en/domains/decisions/html/2004/d2004-0206.html> ('As a matter of principle, this Panel would not have thought that it was appropriate to import unique national legal principles into the interpretation of paragraph 4(c) of the Policy. This is so even if the effect of doing so is desirable in aligning decisions under the Policy with those emerging from the relevant courts and thus avoiding instances of forum shopping.'). See also Case No. D2007-1461, 1066 Housing Ass'n, Ltd. v. Mr. D. Morgan, Administrative Panel Decision (WIPO 18 January 2008), available 17 September 2015 at <http://www.wipo.int/amc/en/domains/decisions/html/2007/d2007-1461.html> ('This Panel would suggest that there is no real justification for such a local laws approach either in the Policy or the Rules and that such approach should be avoided wherever possible. It risks the UDRP fragmenting into a series of different systems, where the outcome to each case would depend upon where exactly the parties happened to reside. That way chaos lies.').

24 UDRP, *supra* note 13, at arts. 4b & c.

25 See Graf-Peter Calliess, *Reflexive Transnational Law: The Privatisation of Civil Law and the Civilisation of Private Law*, 23 ZEITSCHRIFT FÜR RECHTSSOZIOLOGIE 185-216 (2002), available 17 September 2015 at <http://ssrn.com/abstract=531063> (Ger.) (evidencing the structural and conceptual differences between the UDRP and *lex mercatoria*, which applies in the international business context).

26 UDRP, *supra* note 13, at art. 4(i) ('The remedies available to a complainant pursuant to any proceeding before an Administrative Panel shall be limited to requiring the cancellation of your domain name or the transfer of your domain name registration to the complainant.').

27 UDRP, *supra* note 13, at art. 4(k). The complaint must '[s]tate that Complainant will submit, with respect to any challenges to a decision in the administrative proceeding canceling or transferring the domain name, to the jurisdiction of the courts in at least one specified Mutual Jurisdiction.' ICANN, RULES FOR UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY art. 3(b)(xiii), available 17 September 2015 at <http://www.icann.org/en/help/dndr/udrp/rules>. 'Mutual Jurisdiction means a court jurisdiction at the location of either (a) the principal office of the Registrar (provided the domain-name holder has submitted in its Registration Agreement to that jurisdiction for court adjudication of disputes concerning or arising from the use of the domain name) or (b) the domain-name holder's address as shown for the registration of the domain name in Registrar's Whois database at the time the complaint is submitted to the Provider.' *Id.* at art. 1.

## B. ADR METHODS FOR SOLVING TRADEMARK DISPUTES

the dispute resolution entity by filing appropriate evidence such as a copy of a complaint file-stamped by the clerk of the court.<sup>28</sup>

The UDRP consequently institutes and provides an autonomous dispute resolution mechanism for victims of unauthorized domain name registrations that they consider as an infringement of their trademark. It is essential to note that the UDRP is not imposed on victims who have the option to resolve their disputes through domestic courts or other dispute resolution bodies. Such victims may have an interest in utilizing domestic courts or other dispute resolution systems rather than the UDRP if they wish to claim remedies that are not available under the UDRP,<sup>29</sup> such as damages resulting from online trademark infringement activities. **13.09**

In contrast, even if the UDRP provides that parties can litigate their disputes in other fora,<sup>30</sup> the holders of disputed domain names – defendants in UDRP proceedings – are *contractually obligated* to submit to the UDRP if the UDRP is initiated against them by a third party trademark owner. The contractual obligation derives from the general terms and conditions of the domain name registrar. The registrar is, in turn, obligated to implement the UDRP based on its accreditation agreement with ICANN.<sup>31</sup> This is quite interesting from a trademark transaction perspective (which is the focus of this book) given that the UDRP ultimately derives from a contract: that is, the obligation of the domain name holders to submit to the UDRP results from the agreement that they had to accept in order to register their disputed domain name. **13.10**

The UDRP interestingly institutes an *asymmetrical dispute resolution system* as it is mandatory for domain names holders to be subject to the UDRP, but it is only optional for complainants – who are victims of cybersquatting activities. The complainants instead can litigate their claims on other grounds such as a breach of contract, and/or an unfair competition claim in other fora. The UDRP is also *asymmetrical* because it can only be initiated by one category of stakeholders: the alleged victims of unauthorized registration of domain names. A domain name holder cannot initiate the UDRP proceedings to confirm the legitimacy of his or her entitlement to the relevant domain name. **13.11**

<sup>28</sup> UDRP, *supra* note 13, art. 4(k).

<sup>29</sup> *Id.* at art. 4(i).

<sup>30</sup> *See id.* at art. 4(k) ('The mandatory administrative proceeding requirements ... shall not prevent either you or the complainant from submitting the dispute to a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded.').

<sup>31</sup> *See* Registrar Accreditation Agreement, *supra* note 19, at art. 3.8.



### 3. UDRP as a model for other ADR systems for trademark-related domain name disputes

- 13.12** It is hardly disputed that the UDRP has been extremely successful and that it probably is, as of today, the most accomplished example of an affordable and efficient global alternative dispute resolution system for intellectual property disputes.<sup>32</sup> Therefore, it is not a surprise that the UDRP has been used as a model for designing dispute resolution mechanisms that involve domain names with national or regional extensions such as country code Top Level Domain Names (ccTLDs).
- 13.13** This is what was done for the policy relating to disputes about ‘.eu’ domain names in the EU (the ‘EU Policy’).
- 13.14** The EU Policy, which applies to ‘.eu’ domain names, is essentially based on a 2004 European Commission Regulation which established public policy rules concerning the implementation and functions of the ‘.eu’ Top Level Domain and the principles governing registration.<sup>33</sup> The Regulation states that ‘[t]he Registry should provide for an ADR procedure which takes into account the international best practices in this area and in particular the relevant World Intellectual Property Organization (WIPO) recommendations, to ensure that speculative and abusive registrations are avoided as far as possible’.<sup>34</sup> Furthermore, it provides that ‘ADR should respect a minimum of uniform procedural rules, similar to the ones set out in the Uniform Dispute Resolution Policy adopted by the Internet Corporation of Assigned Names and Numbers (ICANN)’.<sup>35</sup> These references show that the ADR process must follow ‘the international best practices’ and that the UDRP, as an element of these best practices, provided a valuable guidance in defining the procedural rules that have been adopted under the EU Policy.

32 It must, however, be noted that the UDRP has sometimes been criticized as being too protective of the interests of trademark owners. See Michael Geist, *Fair.com?: An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP*, 27 BROOK. J. INT’L L. 903 (2002) (providing the solution to the forum shopping and bias issues); Michael Geist, *Fundamentally Fair.com? An Update on Bias Allegations and the ICANN UDRP*, available 17 September 2015 at <http://aix1.uottawa.ca/%7Egeist/fairupdate.pdf> (providing a statistical update and reinforcing the solution provided previously).

33 See Commission Regulation 874/2004 of 28 April 2004 Laying Down Public Policy Rules Concerning the Implementation and Functions of the .eu Top Level Domain and the Principles Governing Registration, 2004 O.J. (L 162) 40 (EC), available 17 September 2015 at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2004R0874:20051011:EN:PDF>; see also Regulation (EC) No 733/2002 of the European Parliament and of the Council of 22 April 2002 on the Implementation of the .eu Top Level Domain, art. 1, 2002 O.J. (L 113) 5 (implementing the ‘.eu’ country code Top Level Domain within the community); see also *ADR Rules and Supplemental Rules*, ADR.eu, available 17 September 2015 at [http://eu.adr.eu/adr/adr\\_rules/index.php](http://eu.adr.eu/adr/adr_rules/index.php), for ‘.eu’ domain name dispute rules that implemented the ADR system.

34 Commission Regulation 874/2004, recital 16, 2004 O.J. (L 162) 44 (EC).

35 *Id.* at recital 17.

B. ADR METHODS FOR SOLVING TRADEMARK DISPUTES

Even if the UDRP is nothing more than a private regulation imposed by contract, the explicit reference in the EU Policy to the UDRP as a model for dispute resolution services constitutes tangible evidence of the UDRP's influence on legislators and regulators. Thus, these regulations show the process of incorporation (*réception*) of *private best practice standards*, as reflected in the UDRP, into *public regulations*. The UDRP itself essentially reflects the recommendations from a report that was drafted under the aegis of WIPO, thereby evidencing the close interactions between private best practices and public regulations. **13.15**

Although the substantive legal standards of decisions rendered under the UDRP are different from those under the EU Policy, the influence of the UDRP is important and covers both the procedural and the substantive aspects of the EU Policy, which targets 'speculative and abusive' domain name registrations.<sup>36</sup> It can thus be considered that the UDRP has shaped the EU Policy from both procedural and substantive perspectives. **13.16**

These domain name dispute resolution systems also follow an asymmetric model similar to the UDRP as they are mandatory for the domain name holders, but optional on the victim-claimants.<sup>37</sup> **13.17**

Similar to proceedings under the UDRP, these domain dispute proceedings should not be considered as arbitral proceedings.<sup>38</sup> The decisions rendered under the domain dispute proceedings are not enforceable in the same way as arbitral awards are, and these proceedings are not mandatory for the claimants.<sup>39</sup> In addition, contrary to the principle of confidentiality that generally applies to ordinary arbitration proceedings, the decisions rendered under these policies are published as a matter of principle.<sup>40</sup> **13.18**

Despite the similarities the EU Policy share with the UDRP, an important element on which they noticeably differ is the nature of the rights that can be invoked by a complainant in such proceedings. While, as noted above, the UDRP only applies for the benefit of *trademark* owners, the EU Policy is significantly broader in its scope of protection. The regulation provides for a broad definition of protectable rights and includes 'registered national and **13.19**

<sup>36</sup> Commission Regulation 874/2004, art. 21, 2004 O.J. (L 162) 44 (EC).

<sup>37</sup> See *id.*, art. 22 para. 2 ('Participation in the ADR procedure shall be compulsory for the holder of a domain name and the Registry').

<sup>38</sup> See PHILIPPE GILLIÉRON, LA PROCÉDURE DE RÉOLUTION EN LIGNE DES CONFLITS RELATIFS AUX NOMS DE DOMAINE 26, para. 46 (Lausanne 2002).

<sup>39</sup> See *supra* note 37 (and accompanying text).

<sup>40</sup> Commission Regulation 874/2004, art. 22 para. 11, 2004 O.J. (L 162) 44 (EC).

---

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

community trademarks, geographical indications or designations of origin, and, in as far as they are protected under national law in the Member-State where they are held: unregistered trademarks, trade names, business identifiers, company names, family names, and distinctive titles of protected literary and artistic works'.<sup>41</sup> Domain names infringing on these protectable rights are 'subject to revocation, using an appropriate extra-judicial or judicial procedure, where that name is identical or confusingly similar to a name in respect of which a right is recognized or established by national and/or Community law ... and where it: (a) has been registered by its holder without rights or legitimate interest in the name; or (b) has been registered or is being used in bad faith'.<sup>42</sup>

- 13.20** In comparison to the UDRP, these ADR systems consequently have a broader scope of application as they also protect the owners or beneficiaries of other types of intellectual property rights and even those with rights such as family names, which do not formally belong to intellectual property rights.
- 13.21** The EU Policy illustrates a trend that can be of interest when considering potential shapes for ADR methods to be applied to other types of trademark disputes.
- 13.22** First, the EU Policy *integrates* the *acquis* ('best practices') that result from the rule and application of the UDRP and make them a part of local regulations. These policies consequently and expressly adopt as normative standard rules that were first conceived under the aegis of a non-state entity (that is, ICANN).
- 13.23** Second, the EU Policy provides an interesting example of how ADR mechanisms can potentially be imposed through a combined system of both *regulatory* and *contractual* measures. More precisely, the combined system is structured so that *regulations* addressed to one stakeholder (that is, the registrars of domain names) require such stakeholders to impose ADR clauses in their agreements with their own clients. Under the combined system, the *regulation*, therefore, dictates the *contract* by imposing the ADR system that will be included in the domain name registration agreements between the relevant registrars and their end-customers so that these customers have the *contractual obligation* to submit to the ADR system.

---

<sup>41</sup> *Id.* at art. 10.

<sup>42</sup> *Id.* at art. 21.

B. ADR METHODS FOR SOLVING TRADEMARK DISPUTES

Third, in terms of the substantive criteria on which the decisions must be made, the EU Policy moves away from the UDRP's 'delocalized' factors and localizes disputes by reference to the substantive legal intellectual property principles resulting from the relevant national or regional laws. This indicates a process of *localization* of the substantive law on which the ADR proceedings are based by anchoring to the country or region associated with the registration of the relevant domain name. Therefore, these regulations show that these ADR systems do not necessarily apply transnational legal principles. **13.24**

Fourth, the EU Policy extends the substantive scope of the relevant rules by allowing other prior rights to be invoked in addition to trademark rights. Thus, these regulations indicate that the set of legal rules and principles, which can be applied in these ADR systems, are not necessarily as limited as rules under the UDRP. **13.25**

Fifth, ADR methods are imposed on all domain name registrants, some of which are private individuals who may potentially use the domain names for private or non-professional purposes, and thus, may qualify as consumers and be protected under certain consumer-protection regulations.<sup>43</sup> However, the adoption of these ADR methods has not raised any concerns about consumer protection, even though the claim has been made that such dispute resolution systems would be unfair, and therefore, are not binding on the clients,<sup>44</sup> because these ADR systems are imposed through standard and non-negotiable contracts.<sup>45</sup> This shows that if sufficient policy reasons justify their adoption, ADR systems can be imposed on weaker parties in the market such as consumers. **13.26**

43 See Council Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on Consumer Rights, Amending Council Directive 93/13/EEC and Directive 1999/44/EC of the European Parliament and of the Council and repealing Council Directive 85/577/EEC and Directive 97/7/EC of the European Parliament and of the Council, art. 3, 2011 O.J. (L 304) 64, 73 (EC), *available 17 September 2015 at* <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1444047065583&uri=CELEX:32011L0083> (applying consumer protections to any contract between a trader and a consumer with a limited number of exemptions).

44 See Council Directive 93/13/EEC of 5 April 1993 on Unfair Terms in Consumer Contracts, art. 3, 1993 O.J. (L 095) 29 (EC), *available 17 September 2015 at* <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1444047203659&uri=CELEX:31993L0013>; *see also id.* at annex (q) ('[E]xcluding or hindering the consumer's right to take legal action or exercise any other legal remedy, particularly by requiring the consumer to take disputes exclusively to arbitration not covered by legal provisions, unduly restricting the evidence available to him or imposing on him a burden of proof which, according to the applicable law, should lie with another party to the contract may be considered as unfair').

45 The argument that the submission to an ADR system was mandatory under the standard contracts was also raised by certain respondents under the UDRP; however, it was not successful. *See* Case No. D2004-0749, Deutsche Telekom AG v. Oded Zucker, Administrative Panel Decision (WIPO 2004), *available 17 September 2015 at* <http://www.wipo.int/amc/en/domains/decisions/html/2004/d2004-0749.html>.

## C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

## 1. Introduction

**13.27** In order to discuss the use of arbitration for (international) trademark disputes, it must first be emphasized that not all types of international trademark disputes can adequately be subject to arbitration (or other ADR mechanisms). This is particularly true for (large scale) counterfeiting activities for which ADR, which must generally be based on consent of all participants, will not necessarily offer the most adequate tools for redress because these activities may call for criminal sanctions and involve the official entities in charge of prosecuting criminal charges.

**13.28** At the same time, it is important to note that ADR methods, which can take multiple forms ranging from an informal process to a formalized (though flexible and adaptable by the parties) dispute resolution system conducted with the assistance of a third party such as an arbitral tribunal,<sup>46</sup> are broadly viewed as useful alternatives for solving international intellectual property disputes.<sup>47</sup> This is particularly the case for disputes arising out of trademark transactions for which parties may decide to include an ADR/arbitration clause in their contracts by which they will thus agree to submit their potential future disputes to ADR/arbitration. The recourse to arbitration for solving trademark transaction disputes, as a proceeding which leads to an enforceable award, requires certain conditions to be satisfied.

## 2. Conditions and features

**13.29** One preliminary question that arises is whether private arbitral tribunals have the power to decide on the issues that may fall under the exclusive jurisdictional power of domestic courts. This raises the issue of the objective arbitrability of the disputes, that is, the ability to submit these types of disputes

<sup>46</sup> This chapter will not present all the different types of proceedings.

<sup>47</sup> See Jacques de Werra, *Arbitrating International Intellectual Property Disputes: Time to Think Beyond the Issue of (non-)Arbitrability*, 3 INT'L BUS. L.J. 299, 311 (2012) [hereinafter de Werra] ("This trend ... [shows] a clear sign that arbitration is an adequate method for solving intellectual property disputes."); see also Jacques de Werra, *Intellectual Property Arbitration: How to Use it Efficiently?*, SINGAPORE LAW GAZETTE, Jan. 2012, at 27–30, available 17 September 2015 at <http://www.lawgazette.com.sg/2012-01/304.htm>; Miriam R. Arfin, *The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes*, 17 HASTINGS COMM. & ENT. L.J. 893, 896 (1995); Krešimir Sajko, *Intellectual Property Rights and Arbitration – Miscellaneous*, in 6 PATENTS AND TECHNOLOGICAL PROGRESS IN A GLOBALIZED WORLD 445 (Martin J. Adelman et al. eds., 2009); Kamen Troller, *Intellectual Property Disputes in Arbitration*, 72 ARBITRATION: THE JOURNAL OF THE CHARTERED INSTITUTE OF ARBITRATORS 322 (2006), available 17 September 2015 at [http://www.lalive.ch/data/publications/kt\\_IP\\_disputes\\_arbitration\\_2006.pdf](http://www.lalive.ch/data/publications/kt_IP_disputes_arbitration_2006.pdf) (explaining arbitration as the ideal dispute resolution instrument involving intellectual property rights due to its complex and technical nature).

## C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

to arbitration (see below (a)). Even if arbitral tribunals are entitled to decide on these disputes as a matter of principle, the relevant arbitration clauses must be drafted in an appropriate way (see below (b)).<sup>48</sup> The issue of the choice of the governing law must also be carefully addressed (see below (c)), as well as the question of temporary injunctions (see below (d)).

(a) *Objective arbitrability of intellectual property disputes*

In order to adjudicate international intellectual property disputes through ADR mechanisms, particularly through arbitration,<sup>49</sup> it must be ensured that national or regional regulations do not subject these issues to resolution under their respective court systems.<sup>50</sup> This raises the issue of the conditions of objective arbitrability of intellectual property disputes, which has provoked a relatively intensive scholarly debate that cannot be analyzed in this chapter.<sup>51</sup> **13.30**

As a matter of principle, it is adequate to consider that trademark disputes and, more generally, intellectual property disputes should be broadly arbitrable.<sup>52</sup> This liberal approach would indeed reflect the fact that intellectual property rights, and more generally intangible assets, have become standard assets of business entities that can be disposed of. In fact, many national arbitration regulations define the condition of objective arbitrability on the criterion of **13.31**

48 For a discussion of certain issues which may arise in connection with the drafting of arbitration clauses, see below (b), (c) and (d) as well as de Werra, *supra* note 47, at 299–317.

49 It should be noted that the recourse to mediation or other informal ADR mechanisms is obviously less problematic to the extent that the third parties, which take part of the proceedings to solve disputes, do not have adjudicative power, and, thus, do not impinge on the power of domestic courts.

50 See Marc Blessing, *Objective Arbitrability, Antitrust Disputes, Intellectual Property Disputes*, in A COLLECTION OF REPORTS AND MATERIALS DELIVERED AT THE ASA CONFERENCE HELD IN ZÜRICH ON 19 NOVEMBER 1993, 13–15 (1994); Robert Briner, *The Arbitrability of Intellectual Property Disputes with Particular Emphasis on the Situation in Switzerland*, 5 AM. REV. INT'L ARB., at 28 (1994); see ANNE-CATHERINE CHIARINY-DAUDET, *LE RÈGLEMENT JUDICIAIRE ET ARBITRAL DES CONTENTIEUX INTERNATIONAUX SUR BREVETS D'INVENTION* (2006), for French law.

51 See generally NELSON HOLZNER, *DIE OBJEKTIVE SCHIEDSFÄHIGKEIT VON IMMATERIALGÜTERRECHTS-STREITIGKEITEN* (2001); Julian D.M. Lew, *Final Report on Intellectual Property Disputes and Arbitration*, 9 ICC INTERNATIONAL COURT OF ARBITRATION BULLETIN, 41–5 (1998); STEFAN LINIGER, *IMMATERIALGÜTERRECHTLICHE STREITIGKEITEN VOR INTERNATIONALEN SCHIEDSGERICHTEN MIT SITZ IN DER SCHWEIZ* (2002).

52 See Bernard Hanotiau, *L'arbitrabilité des litiges de propriété intellectuelle*, in *LA RÉOLUTION DES LITIGES DE PROPRIÉTÉ INTELLECTUELLE [RESOLUTION OF INTELLECTUAL PROPERTY DISPUTES]* 156–74 (Jacques de Werra ed., 2010), for a detailed comparative overview of the issue; see also the dissenting opinion in the case *Scherk v. Alberto-Culver Co.*, 417 U.S. 506, 527 (1974), which objected to the submission to arbitration of securities regulation claims and made the distinction between these non-arbitrable claims and trademark disputes that could be arbitrable ('There has been much support for arbitration of disputes; and it may be the superior way of settling some disagreements. If A and B were quarreling over a trade-mark and there was an arbitration clause in the contract, the policy of Congress in implementing the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, as it did in 9 U.S.C. § 201 et seq., would prevail.').



---

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

whether the relevant matter can be freely disposed of by its owner.<sup>53</sup> Therefore, it seems appropriate to consider that intellectual property rights in general and trademarks in particular are disposable, and, therefore, should be fully arbitrable.<sup>54</sup>

**13.32** However, the jurisdictional powers of private dispute resolution bodies may be problematic for disputes relating to the validity or nullity of trademarks and other industrial property rights (that is, registered intellectual property rights). The problem arises because the issue of whether an arbitral tribunal must have the power to decide on the validity or the nullity of registered intellectual property rights with *erga omnes* effect is an unsettled and delicate subject in certain jurisdictions.<sup>55</sup> Regardless, as national courts and authorities do not systematically examine the substantive conditions of protection of some intellectual property rights, it is doubtful that national courts can claim exclusive jurisdiction over these issues.<sup>56</sup> Thus, it has been argued that ‘disputes concerning the validity of [intellectual property rights] for grounds which have not been pre-examined by the state authority ... should be considered as arbitrable’.<sup>57</sup> This view may particularly apply to the substantive conditions of validity of registered intellectual property rights (patents and designs), which are sometimes not examined at the time of filing.

**13.33** Beyond this specific issue of the jurisdiction for decisions to be made *erga omnes* by arbitral tribunals on the validity of trademarks, it is generally admitted that other issues, such as the ownership, the transfer<sup>58</sup> and the infringement of trademarks, are arbitrable. Accordingly, trademark disputes should be considered as broadly arbitrable (depending on the relevant – national or regional – regulations).

---

53 The liberal Swiss arbitration regime, which is regulated under Chapter XII of the Swiss Act on Private International Law of 18 December 1987, is a good example. See François Dessemontet, *Arbitration of Intellectual Property Rights and Licensing Contracts*, in ENFORCEMENT OF ARBITRATION AGREEMENTS AND INTERNATIONAL ARBITRATION AWARDS: THE NEW YORK CONVENTION IN PRACTICE 556 (Emmanuel Gaillard & Domenico di Pietro eds., 2008).

54 See Anna P. Mantakou, *Arbitrability and Intellectual Property Disputes*, in ARBITRABILITY: INTERNATIONAL & COMPARATIVE PERSPECTIVES 263, 266–7 (Loukas A. Mistelis & Stavros L. Brekoulakis eds., 2009).

55 For a discussion, see Hanotiau, *supra* note 52.

56 See, e.g., Mantakou, *supra* note 54, at 268; Francis Gurry, *Specific Aspects of Intellectual Property Disputes*, in OBJECTIVE ARBITRABILITY – ANTITRUST DISPUTES – INTELLECTUAL PROPERTY DISPUTES 110, 116 (1994).

57 See Mantakou, *supra* note 54, at 269 (applying the particular approach to patents).

58 See Andrea Mondini & Raphael Meier, *Patentübertragungsklagen vor internationalen Schiedsgerichten mit Sitz in der Schweiz und die Aussetzung des Patenterteilungsverfahrens*, 5 SIC! 289 (2015).

## C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

*(b) Consent of parties to submit to arbitration: the scope of the arbitration clause*

It is unanimously accepted that ‘arbitration is a creature of contract’,<sup>59</sup> whereby the consent of the parties to submit to arbitration is a basic tenet of (commercial) arbitration. This general principle is of particular importance for trademark (and other intellectual property) arbitration because the risk is that arbitration clauses are too narrowly drafted (see below (i)). The risk can also result from the (sometimes misguided) desire of the parties to exclude certain types of disputes from the scope of the arbitration clauses by way of carve-out clauses, which are also complex to handle (see below (ii)). **13.34**

*(i) Arbitration clauses covering contractual and non-contractual claims*

It is critical to carefully draft the relevant arbitration clauses so that these clauses are effective and encompass not only purely contractual claims,<sup>60</sup> but also other trademark (or more generally intellectual property) related claims.<sup>61</sup> **13.35**

While this principle sounds simple (or even simplistic), case law confirms that this point must be most carefully drafted in the relevant trademark transactions agreements. It is indeed (unfortunately) not infrequent that disputes arise about the scope of the jurisdictional power of an arbitral tribunal when the arbitration clause is drafted too narrowly. This can particularly happen if **13.36**

<sup>59</sup> *Steelworkers v. American Mfg. Co.*, 363 U.S. 564, 569 (1960).

<sup>60</sup> See Alexander Peukert, *Contractual Jurisdiction Clauses and Intellectual Property*, in 24 *INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW* 55, 57 (Josef Drexel & Annette Kur eds., 2005), for a similar issue with respect to the drafting of choice of jurisdiction clauses; for a case discussing the scope of a choice of court clause (in a dispute involving contractual claims and non-contractual – i.e. copyright infringement – claims), see *Phillips v. Audio Active Ltd.*, 494 F.3d 378 (2nd Cir. 2007); it should also be noted that the trend supporting a growing freedom of parties to choose a court (beyond IP disputes) is confirmed by the recent case law of the ECJ, see Case C-352/13, *Cartel Damages Claims (CDC) Hydrogen Peroxide SA v. Akzo Nobel NV et al*, decision of 21 May 2015 (admitting the validity of choice of clause provisions under Article 23(1) of Regulation No 44/2001 for actions for damages for an infringement of Article 101 TFEU and Article 53 of the Agreement on the European Economic Area of 2 May 1992, in contracts for the supply of goods, even if the effect thereof is a derogation from the rules on international jurisdiction provided for in Article 5(3) and/or Article 6(1) of that regulation, provided that those clauses refer to disputes concerning liability incurred as a result of an infringement of competition law).

<sup>61</sup> See, e.g., *Rhône-Poulenc Spécialités Chimiques v. SCM Corp.*, 769 F.2d 1569 (Fed. Cir. 1985) (interpreting the scope of an arbitration clause). In the case at hand, the arbitration clause provided that ‘[a]ny 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 ...’. *Id.* at 1571. The Federal Circuit determined that ‘[a]lthough the dispute involves claim interpretation, it arises out of the agreement ... [and] 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.’ *Id.* at 1572; see also *Simula, Inc. v. Autoliv, Inc.*, 175 F.3d 716, 720–21, 723 (9th Cir. 1999) (finding the nondisclosure of trade secrets to be a key part of the relevant agreements and therefore subjecting all claims ‘arising in connection with’ those agreements to arbitration).

---

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

the clause has a time limit (that is, the obligation to submit to arbitration is contractually limited in time).

- 13.37** This can be illustrated by a recent decision of the Swiss Supreme Court,<sup>62</sup> in which the Court held that certain claims raised by patent licensors against their ex-licensee after the termination of their patent license agreement were within the jurisdiction of the arbitral tribunal notwithstanding a contractual provision that seemed to provide for the submission to arbitration of only pre-termination disputes. While this decision essentially confirms the application of the well-established doctrine of separability<sup>63</sup> under which the validity of an arbitration clause does not depend on the validity of the underlying agreement (so that, in this case, the enforceability of the arbitration clause was not affected by the termination of the patent license agreement), this decision remains of high interest for several reasons (even if it was about a patent license agreement, it is also relevant from a trademark licensing perspective).
- 13.38** First of all, it confirms the risks of (apparently sophisticated) contractual clauses by which parties precisely define the obligations that are deemed to survive the expiration or the termination of the agreement. In this case, the parties had agreed that the dispute resolution mechanism (that is, good faith discussions between the parties followed by arbitration pursuant to Article 11 of their agreement) would survive the expiration or the termination of the agreement and would apply ‘in respect of any matter arising prior to such expiration or termination’.<sup>64</sup>
- 13.39** The issue that arose was whether the arbitration clause should also cover disputes relating to matters arising *after* the expiration or termination of the agreement. The licensors (and claimants in the arbitration) had requested in the arbitration that their ex-licensee should stop manufacturing and selling contractual products that infringed on one of their patents (more specifically claim 21 of the U.S. patent ‘qqq’ – as identified in the decision) after the

---

<sup>62</sup> Tribunal Fédéral [TF] [Swiss Federal Supreme Court] Feb. 27, 2014, ARRÊTS DU TRIBUNAL FÉDÉRAL SUISSE [ATF] 140 III 134.

<sup>63</sup> ‘[P]rincipe adopté par la jurisprudence depuis des décennies ... et universellement admis en Europe occidentale et aux Etats-Unis sous la terminologie “severability” ou “separability”.’ Tribunal Fédéral [TF] [Swiss Federal Supreme Court] 2 September 1993, ARRÊTS DU TRIBUNAL FÉDÉRAL SUISSE [ATF] 119 II 380, para 4(a).

<sup>64</sup> Tribunal Fédéral [TF] [Swiss Federal Supreme Court] 27 February 2014, ARRÊTS DU TRIBUNAL FÉDÉRAL SUISSE [ATF] 140 III 134, art. 8.3: ‘Survival of Certain Rights Upon Expiration or Termination. All rights granted to and obligations undertaken by the Parties hereunder shall terminate immediately upon the expiration of the Term of this Agreement ... or the termination of this Agreement ... except for: ... (d) The procedures set forth in Article 11 herein in respect of any matter arising prior to such expiration or termination.’

## C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

termination of the license.<sup>65</sup> The licensee challenged the jurisdiction of the arbitral tribunal with respect to these claims made by the licensors on the ground of the narrow scope of the arbitration clause. By an interim award of 31 July 2013, the arbitral tribunal dismissed the jurisdictional challenge raised by the (ex-)licensee and held that it had jurisdiction to decide on the claims of the licensors. The licensee subsequently lodged an appeal against the award before the Swiss Federal Supreme Court by claiming that the arbitral tribunal had wrongly accepted its jurisdiction<sup>66</sup> and the Swiss Federal Supreme Court dismissed the appeal.

On the basis of a good faith interpretation of the relevant contractual provisions and in line with its established case law, the Swiss Federal Supreme Court held in this respect that the arbitration clause had to be construed extensively as to encompass post termination disputes so that the arbitral tribunal was correct in admitting its jurisdiction to decide the dispute. While this decision can be understood in view of the circumstances,<sup>67</sup> it should also serve as an important reminder of the risks resulting from the split of jurisdictional powers between courts and arbitral tribunals which may result from hastily drafted contractual clauses. Such a splitting scenario can arise in intellectual property-related contracts because parties are sometimes tempted to exclude intellectual disputes from the scope of arbitration clauses, which then materialize in ‘intellectual property carve out’ provisions (see below (ii)).

This decision of the Swiss Federal Supreme Court is also of relevance because it relates to a line of cases rendered in different countries (see for example, a previous decision of the Court in an unreported decision of 2003,<sup>68</sup> and a recent Australian case to which the Swiss Supreme Court referred).<sup>69</sup> In its previous decision of 2003, the Swiss Court had to decide whether the arbitration clause contained in a confidentiality agreement (‘Secrecy Agreement’)<sup>70</sup> that had expired several years before the dispute

<sup>65</sup> Whereby the agreement provided (art. 8.2(e)) for a transition period during which the inventory of the licensee could be sold and the relevant royalties paid to the licensors.

<sup>66</sup> Within the meaning of Loi fédérale du 18 décembre 1987 sur le droit international privé [LDIP] [Swiss Federal Act on Private International Law] 18 December 1987, art. 190, para. 2(b) [hereinafter Act on Private International Law].

<sup>67</sup> Particularly because, as duly acknowledged by the Court (paragraph 3.3.4 of the decision), it would be unpredictable to hold that the jurisdiction of the arbitral tribunal would cease upon the termination of the agreement, because the parties are frequently in dispute about the validity of the termination, the time when it shall take effect and its consequences (as illustrated by this case).

<sup>68</sup> Tribunal Fédéral [TF] [Swiss Federal Supreme Court] 19 May 2003, 4C.40/2003.

<sup>69</sup> Services WA Pty. Ltd. Vs. ATCO Gas Australia Pty. Ltd. (2014) WA SC 10 (S) (cited in paragraph 3.3.4 of ATF 140 III 134).

<sup>70</sup> The arbitration clause had the following wording:

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

arose<sup>71</sup> covered claims of assignment of various patent applications (which had been filed by one party supposedly on the basis of the confidentiality information obtained from the other party under the confidentiality agreement). Similarly to what it decided in ATF 140 III 134, the Swiss Federal Supreme Court held in that case that it would not be reasonable to hold that the jurisdictional power of the arbitral tribunal for a claim relating to the confidentiality agreement would be subject to a time limit.<sup>72</sup> The Swiss Federal Supreme Court consequently held that the expiration of the confidentiality agreement did not affect the validity and enforceability of the arbitration clause for deciding the dispute between the parties about their respective entitlement to the patent applications.

- 13.42** As demonstrated by these cases, this is ultimately a matter of contract interpretation. Parties should in any case be wary of the risk that arbitral tribunals might potentially be reluctant to admit their jurisdiction for post-contractual disputes relating to the infringement of the (previously licensed) intellectual property rights on the ground that the arbitration clause would be limited to contractual claims. This is what was decided in International Chamber of Commerce (ICC) case 4491<sup>73</sup> in which the sole arbitrator held that ‘... the Plaintiff’s claims for damages and injunctive relief after the termination of the license agreement are not within the scope of the arbitration provisions of the licensing agreement ...’,<sup>74</sup> it being noted that the arbitration clause had a somewhat unusual wording.<sup>75</sup>
- 13.43** This decision of the Swiss Supreme Court further reminds us that certain regulatory instruments expressly state that contractual dispute resolution clauses survive the expiration or termination of the underlying contract.

The parties shall try in good faith to settle amicably any difference or dispute resulting from or with regard to this agreement.

Should they not succeed, the matter shall be settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules ...

71 The agreement was entered into in 1989 for a period of one year and the contractual obligation of confidentiality of the parties had a maximal term of 5 years (according to the information reflected in paragraph 5.4 of the decision) and legal proceedings were initiated before the court of Lucerne in 2001.

72 Tribunal Fédéral [TF] [Swiss Federal Supreme Court] 19 May 2003, 4C.40/2003, para. 5.4: ‘Es widerspräche jeder Vernunft, die Zuständigkeit des Schiedsgerichts für einen mit dem Secrecy Agreement im Zusammenhang stehenden Anspruch lediglich mit einer zeitlichen Beschränkung vorzusehen’; the Court further held that the arbitration clause covered, from a substantive perspective, claims of patent assignments (that are claims resulting from patent law) and was consequently not limited to contractual claims.

73 As resulting from the excerpts of the award published in the JOURNAL OF INTERNATIONAL ARBITRATION 75 (1985).

74 *Id.*, at 76.

75 *Id.*, at 76 stating that ‘the arbitrator found that the matters to be arbitrated under the licensing agreement are “possible disagreements between the (Plaintiff) and (the Defendant)” [sic]’.

C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

Article 7.3.5 para. 3 of the Unidroit Principles of International Commercial Contracts provides that '[t]ermination [of the contract] does not affect any provision in the contract for the settlement of disputes or any other term of the contract which is to operate even after termination'.<sup>76</sup>

This decision confirms in any case the imperious need to take all the required measures in order to avoid or at least to minimize the risks of diverging interpretations of the scope of arbitration clauses, which frequently materialize in international intellectual property-related transactions. This is shown by the high profile dispute between a U.S. group (AMSC) and its former Chinese partner and client (Sinovel) which was recently submitted to the Chinese Supreme People's Court. This dispute raised contractual and intellectual property infringements issues (that is, infringement of copyright on computer source code for wind turbines) and led to various parallel judicial and arbitral proceedings in China. The Chinese Supreme Court recently held that the non-contractual claims for copyright infringement were not covered by the relevant arbitration clause and were thus to be submitted to Chinese courts (and not to the Beijing Arbitration Commission as claimed by Sinovel).<sup>77</sup> **13.44**

This case and this issue also confirm the complexity of the interaction between court and arbitral tribunals, which is confirmed by case law. In a recent trademark licensing dispute about the Benihana restaurant brand,<sup>78</sup> one of the issues in dispute was whether a U.S. district could validly enjoin a licensee [Benihana of Tokyo] that was objecting to the termination of the agreement by its licensor [Benihana America] from making the argument before the arbitral tribunal that it should receive an extended cure period in lieu of termination. In that case, the licensee had initiated arbitration proceedings pursuant to the arbitration clause contained in the license agreement. This clause provided (in its relevant part) that: '13.1 If this Agreement shall be terminated by [Benihana America] and [Benihana of Tokyo] shall dispute [Benihana America's] right of termination, or the reasonableness thereof, the dispute shall be settled by arbitration at the main office of the American **13.45**

<sup>76</sup> See INTERNATIONAL INSTITUTE FOR THE UNIFICATION OF PRIVATE LAW, UNIDROIT PRINCIPLES, art. 7.3.5 (2010), available 17 September 2015 at <http://www.unidroit.org/instruments/commercial-contracts/unidroit-principles-2010/405-chapter-7-non-performance-section-3-termination/1040-article-7-3-5-effects-of-termination-in-general>.

<sup>77</sup> For a comment of the dispute, see Arthur Dong & Meng Li, *Is an Infringement Claim within the Scope of Arbitration Clause under Laws of PRC?*, KLUWER ARBITRATION BLOG (29 May 2014), available 17 September 2015 at <http://kluwerarbitrationblog.com/blog/2014/05/29/is-an-infringement-claim-within-the-scope-of-arbitration-clause-under-laws-of-prc/>; for an update of the dispute, see, *AMSC Provides Update on Litigation With Sinovel Wind Group, Ltd*, American Superconductor Corporation (16 September 2014), available 17 September 2015 at, <http://ir.ams.com/releasedetail.cfm?ReleaseID=871066>.

<sup>78</sup> Benihana, Inc. v. Benihana of Tokyo, LLC, 784 F.3d 887 (2d Cir. 2015).



---

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

Arbitration Association in the City of New York in accordance with the rules of said association and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.<sup>79</sup> The Second Circuit held in this case that the District could not enjoin the licensee from making the argument before the arbitral tribunal that it should be granted an extended cure period: '[b]ecause the parties' dispute had been submitted to arbitration, the district court, rather than independently assessing the merits, should have confined itself to preserving the status quo pending arbitration'.<sup>80</sup>

- 13.46** This case confirms that the jurisdictional interactions and the risks of conflicts between courts and arbitral tribunals can be complex and that courts and arbitral tribunal should as a matter of principle work in a mutually supportive manner. This was precisely not the case here given that one party was trying to undermine and delegitimize the broad jurisdiction granted to the arbitral tribunal that the parties had agreed upon in the arbitration clause.

(ii) *Intellectual property carve-out clauses*

- 13.47** Parties to an intellectual property (and specifically a trademark) license agreement may be tempted to include sophisticated dispute resolution clauses in their agreement under which they would carve out certain types of disputes from the scope of the arbitration clause in so-called 'intellectual property carve out'<sup>81</sup> provisions. This can in turn lead to intricate difficulties when a dispute arises between the parties given that it is frequently complicated to distinguish intellectual property claims (excluded from the scope of the arbitration clause) from contractual claims (covered by the arbitration clause).<sup>82</sup> This is the lesson that we can learn from the interesting U.S. case *Oracle America Inc. v. Myriad Group*.<sup>83</sup>

- 13.48** In this case, the dispute resolution clause that had been agreed upon between the parties split the jurisdictional power between arbitration (for breach of contract claims) and state court litigation by carving out from the otherwise broad adjudication power of the arbitral tribunal certain types of disputes (essentially intellectual property infringement claims). While the decision only addressed the issue of who should get to decide on the interpretation of the

---

<sup>79</sup> *Id.*

<sup>80</sup> *Id.*

<sup>81</sup> As formulated by the District Court, *Oracle Am., Inc. v. Myriad Group AG*, 2011 U.S. Dist. LEXIS 98830, 2011 WL 3862027, 20 (N.D. Cal. 1 September 2011).

<sup>82</sup> For an example, see the US decision *Oracle America, Inc. v. Myriad Group A.G.*, 724 F.3d 1069 (9th Cir. 2013).

<sup>83</sup> *Id.*; this analysis is derived from Jacques de Werra, *Risks of IP carve-out in arbitration clauses*, 9 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 184 (2014), available 17 September 2015 at: <http://jiplp.oxfordjournals.org/content/9/3/184.full>.

C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

scope and reach of the arbitration clause under U.S. law (that is, its arbitrability under the U.S. arbitration law terminology) between the California federal courts or the arbitral tribunal, its relevance is broader to the extent that this decision can (and should) serve as a useful warning/reminder of the risks of carve-out provisions contained in arbitration clauses, which are sometimes included by the parties in their intellectual property (and specifically trademark related) contracts for the purpose of reserving the power to enforce their intellectual property rights against the other contracting party before state courts.

In this case, Oracle America, Inc. licensed Java (its well-known computer programming language) so that its licensees were granted access to the Java programming language and use of Java trademarks in exchange for royalties. Myriad Group AG (a Swiss mobile software company) entered into a community source license with Oracle in 2002 ('the Source License'), whereby this license encompassed various license agreements and particularly the Technology Compatibility Kits License ('the TCK License'). The TCK License allowed a licensee to access Oracle's testing protocols and was intended to ensure compatibility of the licensee's products. **13.49**

The arbitration clause contained in the Source License provided (in its relevant part) that: '[a]ny 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 respect to any dispute relating to such party's Intellectual Property Rights or with respect to Your [that is, Myriad] compliance with the TCK license. Arbitration shall be administered: (i) by the American Arbitration Association (AAA), (ii) in accordance with the rules of the United Nations Commission on International Trade Law (UNCITRAL) ... and (iii) the arbitrator will apply the substantive laws of California and United States ...'. **13.50**

Myriad stopped paying royalties (by relying on what it believed were its rights under one of the license agreements with Oracle, that is the Java Specification Participation Agreement), which Oracle considered as a breach of the Source License. **13.51**

Oracle consequently filed suit against Myriad in the Federal District Court of the Northern District of California for breach of contract, violation of the Lanham Act, copyright infringement and unfair competition under California law. Myriad reacted by moving to compel arbitration on the basis of the arbitration clause in the Source License and submitted on 15 August 2011 a **13.52**

---

*Chapter 13* ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

request for arbitration to the International Center for Dispute Resolution (ICDR), which is the international arm of the American Arbitration Association. On 1 September 2011, the District Court granted Myriad's motion to compel arbitration with respect to Oracle's breach of contract claim, but denied Myriad's motion with respect to the non-contractual claims.<sup>84</sup>

- 13.53** On 17 January 2012, the District Court granted an 'anti-suit injunction' against Myriad and thus enjoined Myriad from proceeding with arbitration of its non-contract claims. It consequently ordered Myriad to take all necessary measures to abate those proceedings insofar as they sought to adjudicate any claims or issues presented before the District Court, except as to Oracle's claim for breach of contract, pending further order of the Court.<sup>85</sup> The District Court held that because the arbitration clause stated that the court's jurisdiction is 'exclusive' with respect to a party's intellectual property claims or claims arising out of the TCK License, the parties intended for the court and not the arbitral tribunal to decide on the issue of arbitrability. Shortly after the decision, the parties agreed to stay all litigation before state courts (including a parallel litigation pending in the U.S. District Court of the District of Delaware), and the arbitration until such time as the Ninth Circuit Court of Appeals resolved Myriad's appeal against the injunction of the District Court, subject only to the completion of the process of appointing an arbitrator (in a parallel ICC arbitration proceeding which had been initiated).
- 13.54** By its decision of 26 July 2013, the Court of Appeal for the 9th Circuit reversed and held that the incorporation of the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules in the arbitration clause constituted clear and unmistakable evidence that the parties intended to have the question of arbitrability decided by the arbitral tribunal, irrespective of which version (1976 or 2010) of the UNCITRAL Rules would apply.
- 13.55** This decision of the Court of Appeal for the 9th Circuit is to be welcomed given that it duly recognizes the power of arbitral tribunals to rule on their own jurisdiction, which is reflected in all major arbitration rules.<sup>86</sup> It further confirms the arbitration-friendly approach existing under U.S. law (as reflected in case law, particularly in the decision of the U.S. Supreme Court in

---

<sup>84</sup> Oracle Am., Inc., 2011 U.S. Dist. LEXIS 98830.

<sup>85</sup> Oracle Am., Inc. v. Myriad Group AG, 2012 U.S. Dist. LEXIS 5050.

<sup>86</sup> See, e.g., UNITED NATIONS COMMISSION ON INTERNATIONAL TRADE LAW, ARBITRATION RULES, art. 23, para. 1 (2010). The Court referred to the Arbitration Rules, which provide that '[t]he arbitral tribunal shall have the power to rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement'.

C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

*Scherk v. Alberto-Culver Co.*,<sup>87</sup> – which related to an international trademark dispute), which is finding its way globally.

This case constitutes an important development in view of the fact that principles of international commercial arbitration and global arbitration institutions have sometimes not been fully appreciated by U.S. courts.<sup>88</sup> **13.56**

The decision is of high practical relevance given that it clearly illustrates the risks of ‘intellectual property carve-out’ contained in arbitration clauses. In this dispute, the bifurcation of adjudication powers between the state courts and the arbitral tribunal led to a stay of all (state court and arbitral) proceedings for an extended period of time (some 18 months) and can, thus, hardly be considered as an efficient tool for solving international commercial intellectual property-related disputes. Parties should, therefore, duly assess the potential consequences and risks of inserting intellectual property carve-out provisions in their intellectual property agreements and, if they opt for such clauses, they should precisely draft them.<sup>89</sup> This concern is obviously not limited to intellectual property carve-out, but rather affects all contractual limits to the scope of arbitration clauses. This is clearly expressed in the International Bar Association Guidelines for Drafting International Arbitration Clauses (2010), which indicate that ‘[a]bsent special circumstances, the parties should not attempt to limit the scope of disputes subject to arbitration and should define this scope broadly’.<sup>90</sup> The Guidelines therefore wisely state that ‘[t]he parties should bear in mind that, even when drafted carefully, exclusions may not avoid preliminary arguments over whether a given dispute is subject to arbitration. A claim may raise some issues that fall within the scope of the arbitration clause and others that do not ... a dispute over the ownership or validity of intellectual property rights under a licensing agreement [which

**13.57**

<sup>87</sup> *Scherk v. Alberto-Culver Co.*, 417 U.S. 506 (1974).

<sup>88</sup> *See*, by way of illustration, the decision of the United States Court of Appeal for the 5th Circuit in an international intellectual property contractual dispute, *Bodum USA, Inc. v. La Cafetiere, Inc.*, 621 F.3d 624, 631 (7th Cir. Ill. 2010), evoking that the dispute ‘would be submitted to an arbitral panel of business executives, the International Court of Commerce in Paris’, while it seems that this refers to the ICC International Court of Arbitration which is the most established arbitration institution at the global level; *see also* the decision in *Simula Inc. v. Autoliv Inc.*, 175 F.3d 716 (9th Cir. 1999), in which the Court stated that ‘[b]ecause 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’, thereby ignoring that the arbitral tribunal had not yet been constituted at the time when the preliminary injunctive relief was requested.

<sup>89</sup> As reflected by Patrick Rohn & Philipp Groz, *Drafting Arbitration Clauses for IP Agreements*, 7 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 652, 654 (2012), who suggest carefully defining the types of disputes to be carved out ‘in order to avoid future jurisdictional disputes as to whether particular claims or defences are covered by the clause’s scope’.

<sup>90</sup> INTERNATIONAL BAR ASSOCIATION, IBA GUIDELINES FOR DRAFTING INTERNATIONAL ARBITRATION CLAUSES, guideline 3 (2010).

---

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

would have been carved out] may also involve issues of non-payment, breach and so forth, which could give rise to intractable jurisdictional problems in situations where certain disputes have been excluded from arbitration'.<sup>91</sup> This decision perfectly illustrates these problems and the negative consequences that they can provoke.

- 13.58** It should be emphasized that if an arbitral tribunal decides on an issue for which it had no jurisdictional power (based on the arbitration clause), this can constitute a ground for annulling the award and, in an international setting, for refusing the enforcement and recognition of a foreign award. In such a case, the enforcement of the foreign award could be refused on the ground that the award would supposedly exceed the scope of the disputes that the parties agreed to submit to arbitration. Article 5 para 1. of the New York Convention of 1958 provides that the '[r]ecognition and enforcement of the award may be refused, at the request of the party against whom it is invoked, only if that party furnishes to the competent authority where the recognition and enforcement is sought, proof that ... (c) The 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'. This was precisely one of the arguments that was made in the dispute *Bad Ass Coffee Company of Hawaii Inc. v. Bad Ass Enterprises Inc.*,<sup>92</sup> which had a trademark component, about a franchise agreement in which the parties had agreed to carve out from the arbitration clauses certain disputes, that is, disputes concerning franchise fees, product purchase costs, advertising fees, and all other fees charged by the franchisor. The enforcement of an award rendered in Utah (in an arbitration governed by the rules of the American Arbitration Association)<sup>93</sup> was admitted by the Canadian (Alberta) court which rejected the argument that the dispute would allegedly fall within the scope of the carve-out clause (that is, that the dispute was not within the scope of the arbitration clause). The Court held that: '[27]

---

<sup>91</sup> *Id.* at § 16.

<sup>92</sup> *Bad Ass Coffee Company of Hawaii Inc. v. Bad Ass Enterprises Inc.*, 2008 ABQB 404 (CanLII), available 17 September 2015 at [www.canlii.org](http://www.canlii.org); see also *Summary of Decision*, 1958 New York Convention Guide (2015), available 17 September 2015 at [http://www.newyorkconvention1958.org/index.php?lvl=notice\\_display&cid=802](http://www.newyorkconvention1958.org/index.php?lvl=notice_display&cid=802).

<sup>93</sup> The Utah award was confirmed as a judgment of the Utah District Court and the franchisor applied to a Master of the Alberta Court of Queen's Bench for a summary judgment to enforce the Utah judgment against the franchisees and P [a director of the franchisees and an Alberta resident], see *Bad Ass Coffee Company of Hawaii Inc. v. Bad Ass Enterprises Inc.*, 2007 ABQB 581 (CanLII), available 17 September 2015 at [www.canlii.org](http://www.canlii.org).

C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

Clause 14 [of the relevant franchise agreements] specifically exempts disputes regarding franchise fees, product purchase costs, advertising fees and all other fees charged by the franchisor. The Defendants say that other fees includes royalties. The Defendants argue that the dispute between the parties is exactly what is exempted. Accordingly the Arbitrator did not have jurisdiction. [28] I do not accept the argument that the dispute is exempt. The dispute was not simply over royalties and fees. It dealt with a complete breakdown of the business relationship between the parties. It included the improper use of Hawaii's name and trademark. I reject that argument.<sup>94</sup>

On this basis, the Court held that the award was enforceable and that it did not exceed the scope of the arbitration clause. **13.59**

These cases show in any event that contracting parties (and their counsel) should be very careful in the drafting of the relevant arbitration clauses in order to avoid the risk of challenges to the jurisdiction or to the award on the ground that the dispute would go beyond the power granted by the parties to the arbitral tribunal. **13.60**

3. Governing law

One advantage of arbitration consists in the broad choice left to the parties to decide the law that shall govern their dispute.<sup>95</sup> The interest in applying one single law in order to solve an international trademark dispute can be shown by reference to global trademark coexistence agreements. Some of these agreements give the right to one contracting party to register and use trademarks provided that they do not create any risk of confusion with the other party's trademarks.<sup>96</sup> In such a case, the issue of the risk of confusion, **13.61**

94 *Id.*; for other examples of disputes about the scope of an arbitration clause containing carve-out provisions, see *McKesson Corp., et al. v. Health Robotics, s.r.l.*, 2011 WL 3157044 (N.D.Cal.) (in which the arbitration clause contained the following – carve-out – sentence: ‘Notwithstanding the foregoing, either PARTY may elect to seek injunctive relief or other equitable remedies against the other PARTY from any court of competent jurisdiction, without waiving the PARTY’s right to arbitrate disputes for money or damages’); see also *Med. Creative Techs. v. Dexterity Surgical, Inc.*, 2004 U.S. Dist. LEXIS 11304, (E.D.Pa. 24 February 2005) (arbitration clause allowed court action for injunctive relief and permitted court to award money damages, leading court to construe arbitration clause as including exception for legal issues related to claims for equitable relief).

95 See *Act on Private International Law*, *supra* note 66, at art. 187, para. 1.

96 See, e.g. *Tribunal Fédéral [TF]* [Swiss Federal Supreme Court] 17 February 2015, 4A\_553/2014, decided by the Swiss Supreme Court in a trademark / corporate name coexistence agreements in the framework of a corporate spin-off transaction in the Swiss industrial ‘von Roll’ group; on the issue of trademark coexistence agreements and on trademark splitting transactions, see the Chapters 11 and 5 respectively authored by NEIL WILKOF and by GREGOR BÜHLER & LUCA DAL MOLIN in this book; see also *Apple Corps. Limited v. Apple Computer, Inc.* [2006] EWHC 996 (Ch); see also *Omega SA v. Omega Engineering Inc.* [2011] EWCA Civ. 645.



---

Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS

---

which is a standard issue under trademark law, will be governed by the law of each country in which the alleged infringement takes place, thereby leading to the multiplication of governing laws. This would consequently imply, that even if the coexistence agreement were governed by a law chosen by the contracting parties, the existence of a risk of confusion could, depending on the interpretation of the contractual clause at issue, still be governed by multiple national trademark laws, in each of the countries in which the alleged infringement would have taken place. In order to avoid this consequence, parties involved in international commercial arbitration may prefer to submit all (contractual and non-contractual) issues to a single national (trademark) law. They could consequently select one (neutral) law in order to decide on the issues at stake, particularly on the issue of the risk of confusion, which could avoid the disadvantages of having to apply all different national laws<sup>97</sup> that may lead to conflicting results, in spite of the harmonization of international trademark protection standards (particularly thanks to the TRIPS agreement).

**13.62** A choice of law clause could also cover issues relating to the validity or enforceability of the relevant trademarks (and other intellectual property rights), at least to the extent that the award to be rendered shall only have an effect between the parties (that is, *inter partes*). The parties to an international trademark agreement covering several countries should indeed have the power to decide in the agreement (in the arbitration clause) that the validity or enforceability of trademarks registered in different countries or regions shall not be governed by each and every national trademark law in the relevant countries or regions, but shall rather be analyzed on the basis of one single national trademark law.<sup>98</sup> This issue consequently leaves broad room for the freedom of parties in the drafting of the definition of the governing law (in the agreement itself or in the subsequent arbitration proceedings), whereby the choice of a unique law that shall apply to a global dispute, while facilitating the proceedings (in terms of time and costs), nevertheless creates the risk of the ‘winner takes all’ in the sense that if the parties choose by way of example to submit the issue of the validity or of the infringement of the relevant trademark to one single law, one answer will be given to this issue (which will turn out to be unfavourable to one party).

**13.63** In any event, it is essential to realize that a choice of law clause, which would relate only to the law governing the contract and which would consequently

---

<sup>97</sup> For additional examples, see Trevor Cook & Alejandro Garcia, INTERNATIONAL INTELLECTUAL PROPERTY ARBITRATION, ARBITRATION IN CONTEXT SERIES 87 (2010).

<sup>98</sup> Cook & Garcia, *supra* note 97, at 93 sq.; Rohn & Groz, *supra* note 89, at 655.

## C. ARBITRATION OF (INTERNATIONAL) TRADEMARK DISPUTES

not cover non-contractual issues, will not be sufficient.<sup>99</sup> The scope of the choice of law clause should therefore be formulated more broadly.<sup>100</sup> One approach could be to mirror the scope of the arbitration clause with the scope of the choice of law clause in the sense that the arbitral tribunal shall have the power to decide all relevant legal issues by application of one single governing law.<sup>101</sup>

This flexibility in the choice of the governing law can be an important advantage of arbitration over state court litigation in many areas of the world. This is particularly the case in the EU because of Article 8 of Regulation 864/2007 (Rome II), which provides that ‘The 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’ (Article 8, para. 1), and that this rule is mandatory (that is, it cannot be overridden by contract pursuant to Article 8, para. 3<sup>102</sup>).<sup>103</sup> **13.64**

It should in any case be kept in mind that the freedom of the parties to choose the law that shall govern their dispute does not (and cannot) affect the potential application of mandatory legal principles, and specifically of competition law. This is what was confirmed in the landmark Benetton – EcoSwiss case which was a trademark licensing dispute<sup>104</sup> and which was submitted to the Court of Justice of the European Union (at that time the Court of Justice of the European Communities).<sup>105</sup> In this case, the Court famously held that ‘a national court to which application is made for annulment of an arbitration award must grant that application if it considers that the award in question is in fact contrary to article 81 EC (ex Article 85), where its domestic rules of procedure require it to grant an application for annulment founded on failure **13.65**

99 See for instance the standard arbitration clause proposed by the London Court of International Arbitration (LCIA) which provides that ‘... the governing law of the contract shall be the substantive law of ...’. See *Arbitration, Recommended Clauses*, LCIA (2015), available 17 September 2015 at [http://www.lcia.org/Dispute\\_Resolution\\_Services/LCIA\\_Recommended\\_Clauses.aspx](http://www.lcia.org/Dispute_Resolution_Services/LCIA_Recommended_Clauses.aspx).

100 The standard arbitration clause of the WIPO arbitration and mediation center (*Arbitration and Mediation Center*, WIPO (2015), available 17 September 2015 at <http://www.wipo.int/amc/en/clauses/#4>) provides that: ‘... The dispute, controversy or claim shall be decided in accordance with the law of [specify jurisdiction]’.

101 Cook & Garcia, *supra* note 97, at 130.

102 ‘The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14.

103 An arbitral tribunal having its seat in the European Union will not be bound to apply art. 8 (see Cook & Garcia, *supra* note 97, at 94), even if the application of Regulations Rome I and Rome II is debated in the legal literature: see BURGÜ YÜKSEL, *The Relevance of the Rome I Regulation to International Commercial Arbitration in The European Union*, 7 JOURNAL OF PRIVATE INTERNATIONAL LAW 149, 655 (April 2011), p. 149; Rohn & Groz, *supra* note 89, p. 655 who leave this issue open.

104 Benetton granted Eco Swiss the right to manufacture watches and clocks bearing the words ‘Benetton by Bulova’, which could be sold by Eco Swiss and Bulova.

105 Case C-126/97, Eco Swiss China Time Ltd v. Benetton International NV [1999] E.C.R. I-03055.

to observe national rules of public policy'.<sup>106</sup> On this basis, parties to an (international) trademark agreement should keep a close eye on the potential application of competition law which may affect or even jeopardize the enforceability of their contract (which may prove of strategic interest for the contracting party wishing to escape from its contractual liability, and can be of particular relevance for trademark licensees wishing to escape from the obligation to pay royalties under their license agreement). The critical impact of competition law on intellectual property licensing is confirmed by a case that is pending before the ECJ in which the issue (which was submitted by the Court of Appeal of Paris on 9 December 2014) is: 'Must the provisions of Article 81 of the Treaty (now Article 101 TFEU) be interpreted as precluding effect being given, where patents are revoked, to a licence agreement which requires the licensee to pay royalties for the sole use of the rights attached to the licensed patent?'<sup>107</sup>

#### 4. Provisional measures

- 13.66** Given the necessity of quick action in the face of trademark infringement activities (also because of the risk of irreparable harm and of damage to the reputation),<sup>108</sup> provisional measures are of fundamental importance for trademark owners.<sup>109</sup> In such circumstances, it is very important to ensure that provisional measures can be obtained from state courts which can frequently be of critical assistance.<sup>110</sup> In licensing disputes, the victim who may claim protection by requesting provisional measures is not only the licensor,<sup>111</sup> but sometimes also the licensee.<sup>112</sup>

<sup>106</sup> *Ibid.*

<sup>107</sup> Case C-567/14, *Genentech Inc. v. Hoechst GmbH*, formerly *Hoechst AG*, *Sanofi-Aventis Deutschland GmbH*, 2015 O.J. (C 73) 12.

<sup>108</sup> For an example, see the decision of the Tribunal Fédéral [TF] [Swiss Federal Supreme Court] 13 April 2010, *ARRÊTS DU TRIBUNAL FÉDÉRAL SUISSE [ATF] 136 III 200*, which was rendered against a procedural order issued by a sole arbitrator in a WIPO arbitration case which order the transfer of the stock of goods from the trademark licensee to the trademark licensor because the licensee was getting rid of the stock at depreciated prices which damaged the brand and the reputation of the licensor; for a comment of this case, see Jacques de Werre, *Liquidation d'un contrat de licence de marque et mesures provisionnelles: quelques observations à la lumière de l'ATF 136 III 200*, *SIC! 662* (2010), available 17 September 2015 at [https://www.sic-online.ch/fileadmin/user\\_upload/Sic-Online/2010/documents/662.pdf](https://www.sic-online.ch/fileadmin/user_upload/Sic-Online/2010/documents/662.pdf).

<sup>109</sup> Cook & Garcia, *supra* note 97, at 221; Rohn & Groz, *supra* note 89, at 656.

<sup>110</sup> One of the reasons is that a procedural order which would be rendered by an arbitral tribunal will not necessarily be enforceable, given that an arbitral tribunal does not have any coercive power to enforce by contrast to a state court, see Rohn & Groz, *supra* note 89, at 658.

<sup>111</sup> See *Performance Unlimited, Inc. v. Questar Publishers, Inc.*, 52 F.3d 1373 (6th Cir. 1995).

<sup>112</sup> See *Fairchild Semiconductors Corp. v. Third Dimension Semiconductor*, 564 F.Supp.2d 63 (D. Maine, 12 December 2008).

D. CONCLUSION

The submission of a dispute to arbitration in a trademark contract shall not prevent one of the parties to request provisional measures from a state court, specifically at the place where the damage has occurred or may occur.<sup>113</sup> However, certain courts have adopted a restrictive approach about this,<sup>114</sup> which is not justified because there is no incompatibility and incoherence between requesting provisional measures before a state court and submitting the dispute on the merits to arbitration.<sup>115</sup> **13.67**

A request for provisional measures can also be obtained from the arbitral tribunal. If the arbitral tribunal has not been constituted, some arbitration rules provide for the appointment of an ‘emergency arbitrator’.<sup>116</sup> This need for quick action in international trademark disputes should also be taken into account by the parties negotiating a trademark agreement and an arbitration clause, who should consequently carefully select arbitration rules that will meet their needs and expectations (and specifically provide for emergency arbitration).<sup>117</sup> **13.68**

D. CONCLUSION

ADR methods are growing in importance for solving global contractual business disputes. This is equally important for trademark-related agreements. Parties negotiating such agreements and considering the use of ADR are well advised to understand the specificities of such mechanisms in order to avoid **13.69**

113 This is clarified in the WIPO arbitration rules (see *WIPO Arbitration Rules*, WIPO (2014), available 17 September 2015 at <http://www.wipo.int/amc/en/arbitration/rules/newrules.html>) as follows (Art. 48 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 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.’

114 *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’; but see *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’ did not prevent the filing of temporary measures before courts in New York).

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

116 See WIPO Arbitration rules, *supra* note 113, at art. 49; ICC, ICC RULES OF ARBITRATION, art. 29 (2012), available 17 September 2015 at <http://www.iccwbo.org/products-and-services/arbitration-and-adr/arbitration/icc-rules-of-arbitration/>; on this issue, see Rohn & Groz, *supra* note 89, at 657.

117 See ICC, ICC INTELLECTUAL PROPERTY ROADMAP 64 (12th ed., 2014), available 17 September 2015 at <http://www.iccwbo.org/products-and-services/trade-facilitation/ip-roadmap/> holding that ‘[t]o ensure that injunctive interim or conservatory relief is available even before arbitration commences. To that effect, parties should consider choosing arbitration rules that provide for interim measure to be granted by the arbitral tribunal but also for emergency relief even before the constitution of the tribunal (see for example the 2012 ICC Rules providing for emergency tribunals).’

---

*Chapter 13 ALTERNATIVE DISPUTE RESOLUTION MECHANISMS*

---

traps and difficulties. As confirmed by this chapter, ADR mechanisms (and specifically mediation, UDRP and arbitration) can be of significant value for solving (international) trademark disputes and should consequently be duly considered by trademark owners, and by parties negotiating trademark-related agreements.

- 13.70** While the specificities of intellectual property (and specifically of trademark) arbitration should not be overestimated,<sup>118</sup> they must not be fully neglected. Contracting parties and their counsel should indeed take all required measures in order to benefit from the flexibilities that ADR mechanisms can offer and should consequently take into account their high potential, but also their limits, when drafting dispute resolution clauses in their trademark-related agreements.

---

<sup>118</sup> See William W. Park, *Irony in Intellectual Property Arbitration*, 19 ARBITRATION INTERNATIONAL 451 (2003) (holding in the introduction that '[o]n scrutiny, the special nature of IP arbitration is not really all that special').