Arbitrating Intellectual Property Disputes: Current Issues

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Overview

- Types of IP disputes
- Special features of IP disputes
- Benefits of arbitration for IP disputes
- Arbitrability of IP disputes
- Case example: Patent License Arbitration
- Case example: International Patent Infringement Arbitration
- Issues for discussion
Types of IP disputes

• Examples of IP disputes that lend themselves to arbitration
  • IP licenses
  • Collaborative R&D agreements
  • Trademark delimitation agreements
  • International patent infringement
  • Computer software copyright
  • Computer software source code escrow
Special features of IP disputes

• IP disputes occur in multiple jurisdictions because international trade is borderless
• Each jurisdiction applies different applicable laws
• IP disputes involve litigation in multiple jurisdictions at great overall expense and duration with variable results
• Litigation involves judges with varying degrees of experience, qualification and interest in the subject
• No international treaty on enforcement
Benefits of arbitration for IP disputes

- Possibility to resolve multi-jurisdictional disputes in one arbitration, despite differences in applicable law
- Parties may choose the decision maker
- Procedural flexibility and possibility to design process
- Confidentiality
- Only limited challenge of award
- Awards are readily enforceable under New York Convention
  - over 140 member states
  - enforcement may be refused only based on limited, enumerated grounds (e.g., inarbitrability)
Arbitrability of IP disputes

- General trend to more liberal approach to arbitrability of IP issues
- Only in few jurisdictions non-arbitrable subject matter (e.g., ZA)
- Contractual issues (license and collaboration agreements, etc.)
- Ownership and transfer of IP rights, infringement
- Validity of IP rights?
  - No erga omnes effect / no cancellation from national register
  - Defence against asserted royalty or infringement claim (preliminary question)
  - finding of invalidity has only *inter partes* effect (state in prayers for relief that declaration shall have inter partes effect only)
Case example: Patent License Arbitration

- Patent license agreement concluded between Claimant (licensee) and Respondent (patentee/licensor)
- Complex antibody technology
- Agreement governed by Swiss law
- Dispute resolution clause: negotiations (involving management meeting) followed by WIPO arbitration
- Claimant seeks
  - declaration of invalidity of licensed US patents (with inter partes effect)
  - declaration that Claimant owes no further royalty payments
  - declaration that Respondent must reimburse Claimant for all royalty payments made under the Agreement
Case example: Patent License Arbitration (2)

• Issues in dispute
  • Is licensed US patent invalid?
    - Applicable law? US law (law of the state of registration)
  • What are consequences of invalidity of licensed US patent, both for the future and the past?
    - Will Claimant/licensee have future obligation to pay royalties under licensed patent after Arbitral Tribunal declares patent invalid?
    - Is Claimant/licensee entitled to recover past royalties paid to the Respondent/licensor under the Agreement?
    - Applicable law: Swiss law (lex contractus)
      - Does agreement specify consequences of patent invalidity?
      - If not, default rules of Swiss law apply
Case example: International Patent Infringement Arbitration

• WIPO arbitration clause in earlier settlement agreement to resolve future disputes
• Claimant alleges infringement of 2 US patents and 1 European patent (validated in several European countries) by Respondent’s medical device
• Claimant seeks
  - declaration of infringement
  - permanent injunction
• Respondent seeks
  - declaration of invalidity of US patents and European patent (with inter partes effect)
  - declaration of non-infringement
Case example: International Patent Infringement Arbitration (2)

- Issues in dispute
  - How are claims of US patents and European patent to be construed?
    - Full-day hearing for claim construction
  - Are claims of US patents and European patent invalid?
  - Are claims of US patents and European patent infringed?
  - Applicable law?
    - Law where protection is sought (lex loci protectionis)
    - US patent law and EPC (Art. 69 EPC regarding infringement)
Issues for discussion (1)

- Establishment of Arbitral Tribunal
  - Strategic considerations in choosing party appointed arbitrators and presiding arbitrator
  - Requirements set out in arbitration clause
  - Legal qualifications
    - patent law
    - lex contractus
  - Scientific expertise
- Case management
- Limited pool of arbitrators with specialist knowledge
Issues for discussion (2)

- How to assist tribunal on technical matters?
  - Arbitrator with specialist knowledge
  - Technical primer / expert tutorial / glossary of relevant terms
  - Demonstrative exhibits / site inspection
  - Party appointed experts
    - Mutual report with areas of agreement and disagreement (IBA Rules)
    - Witness conferencing (hot tubbing)
  - Tribunal appointed expert
  - Expert consultant (assessor)
    - Opportunity to comment on advice offered
Issues for discussion (3)

• Confidentiality
  • Not all rules provide automatically for confidentiality
  • Example WIPO: comprehensive confidentiality obligations
    • existence of arbitration
    • disclosures made during arbitration
    • arbitral award
    • public reporting duties?
  • Beware of setting aside or annulment proceedings
  • Especially important with confidential technology
    • Confidentiality adviser