



Excellence in Business Law

Arbitrating Intellectual Property Disputes: Current Issues

4th DIS Baltic Arbitration Days 2015

Riga, Latvia, June 4, 2015

Thierry Calame

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