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**INTERNATIONAL ARBITRATION IN INTELLECTUAL  
PROPERTY DISPUTES:  
A FOCUS ON THE WIPO ARBITRATION CENTER**

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## **INTRODUCTION**

This work focuses on a new and relevant challenge which is typical of a developed and global society in constant evolution: the protection of intellectual property rights and the related disputes that arise between cross-border parties. Indeed, this issue shows its main drawbacks when it concerns the resolution of disputes between parties coming from different States and, therefore, from different legal backgrounds. The main issue to consider is that intellectual property rights are the object of different systems of protection, according to the State where they were awarded. As a consequence, it is extremely arduous to resolve a dispute on something that, in the parties' legal system, is approached through diverging methods or, even worse, is not treated or recognized at all.

It is fundamental to point out that the issue at stake is not left unattended: many institutions and organizations with global influence have been created for the primary aim of facing these difficulties. Some of them have been functioning for a long time, others are brand new and still finding their niche among the international labyrinth of commercial interests. Among the former institutions there are those that will be analysed in Chapter 3 (§2 and 3), including the American Arbitration Association (AAA), the London Court of International Arbitration (LCIA), the United Nations Commission on International Trade Law (UNCITRAL), the International Chamber of Commerce (ICC), the World Intellectual Property Organization (WIPO); whereas a clear example of the latter ones is the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP) which will also be introduced in Chapter 2 (§3.2.2). These institutions aim at finding the most efficient way to face, and eventually resolve, a dispute between parties whose different native legal background impede them to resort to local court litigation.

In order to deal with such circumstances, the above mentioned institutions need to resort to something distinct from court litigation. Alternative Dispute Resolutions (ADR) is often the answer. As it will be explained in Chapter 1 (§3.1), the ADR system provides, as it is deducible from its denomination, an alternative way to face a dispute that the parties are free to choose instead of a litigation before a national court. In particular, ADR comprehends

“any method of resolving disputes without litigation” or “any means of settling disputes outside of the courtroom.”<sup>1</sup>

The focus of this thesis will be directed on one particular type of ADR: international arbitration. A precise definition of the practice is provided by the WIPO, which classifies arbitration as “a consensual procedure in which the parties submit their dispute to one or more chosen arbitrators, for a binding and final decision (award) based on the parties’ respective rights and obligations and enforceable under arbitral law. As a private alternative, arbitration normally forecloses court options”<sup>2</sup>. The technical and substantial aspects of this procedure will be object of discussion in Chapter 2 (§1).

At this point it is sufficient to highlight that arbitration, as a private and confidential procedure, is increasingly being used to resolve disputes involving intellectual property rights, especially when involving parties from different jurisdictions. Indeed, intellectual property disputes have certain common features that may be better addressed by arbitration than by court litigation.<sup>3</sup> Such features include the frequent international traits of the dispute – that call for a procedure neutral to the law, languages, cultures and legal backgrounds of the parties – or the technicality of the rights at stake that necessitate a relevant pertinent expertise in order to better evaluate them, or trade secrets at risk that require a strictly confidential procedure.<sup>4</sup> Chapter 2 (§1) will therefore examine in depth the hypothesis that international arbitration is potentially a definitive solutions to address such needs.

This work will be divided into three chapters. Chapter 1 will focus on the general topic of Intellectual Property (IP), on its main features and aspects and on its evolution throughout the past decades, which determined the current system of international IP disputes-solving means to be obsolete and no longer considered suitable in this framework. Subsequently, the topic of ADR will be introduced, along with an historical overview of its progress and a following focus on its core advantages, which make it an allegedly strategic answer to the downsides of the ordinary court litigation in international disputes.

As already introduced above, Chapter 2 will be specifically dedicated to one particular type of ADR: international arbitration. Advantages, but also disadvantages, will be taken into consideration and discussed, as well as the main features that characterize this practice, such

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<sup>1</sup> Legal Information Institute, *Alternative Dispute Resolution*, Cornell Law School, [https://www.law.cornell.edu/wex/alternative\\_dispute\\_resolution](https://www.law.cornell.edu/wex/alternative_dispute_resolution), last visited September 5, 2017.

<sup>2</sup> WIPO World Intellectual Property Organization, *WIPO ADR Procedures*, <http://www.wipo.int/amc/en/center/wipo-adr.html>, last visited January 31, 2018.

<sup>3</sup> WIPO World Intellectual Property Organization, *Why Arbitration in Intellectual Property?*, <http://www.wipo.int/amc/en/arbitration/why-is-arb.html>, last visited January 31, 2018.

<sup>4</sup> *Ibid.*

as the issue of arbitrability, the matters related to the arbitral tribunal, the applicable law or the value of the final award. In conclusion, some of the most influential worldwide powers in this scenario, such as the US and the EU will be presented, with the aim of showing how arbitration is implemented and approached by such entities, given their relevance and influence on the international commercial scene.

Finally, Chapter 3 will analyze the two main procedures through which international arbitration may be carried out: institutional arbitration and *ad hoc* arbitration. The nuances and fundamental differences between these two divergent procedures will be examined. In order to provide a wide view of the matter at issue, a comprehensive of the discussion of both the advantages and of the disadvantages of each type of arbitration will be presented. Afterwards, the attention will be drawn to the introduction of some of the most significant arbitration institutions, including the above mentioned LCIA, the ICC Court of Arbitration and the Permanent Court of Arbitration (PCA).

The object of this thesis is to provide a commentary on intellectual property arbitration and evaluate a purported definitive and efficient solution to the international arbitration of intellectual property disputes. The final focus will therefore be dedicated to the World Intellectual Property Organization, and in particular to its Mediation and Arbitration Center as a potential standard bearer for the modern resolution of intellectual property disputes. The analysis will converge on a first general historical overview, to the role and relevance of the Center and the reasons why it became such a preeminent institution in the field at issue. Moreover, its structure, goals, procedures and strategic sets of rules will be presented, in order to give an all-encompassing outline of the potentiality for a suitable solution to the difficulties related to international intellectual property disputes.

# CHAPTER 1

## INTELLECTUAL PROPERTY DISPUTES AND ALTERNATIVE DISPUTE RESOLUTION

### Introduction

Living in the 21<sup>st</sup> century and experiencing an era of increasing development of technological resources means witnessing the evolution of a new aspect of a globalised society: the protection of intellectual property rights. This is a field which has recently been demanding further and specific means of definition, security, and enforcement. This need is due to different causes: among the main and most significant ones is the assumption that there has been a transition from the traditional “industrial property” to the current “intellectual property”.<sup>5</sup> This expression refers to the effects of the “*historical transition from an industrial age founded on tangible assets to an information society based on intangible assets generated by individuals*”.<sup>6</sup> This is the scenario where intellectual property can be transported across national boundaries by extremely efficient means such as “*a telephone line, a satellite transmission or a computer network*”.<sup>7</sup> The “*information age*” makes it immediately consequential, and sometimes unavoidable, for disputes to retain an international character, especially if they arise across-borders and concern intellectual property.

Indeed, it is this condition that put the basis for the need of a more specific protection, which means a protection tailored on the new and peculiar aspects of intellectual property rights (IP rights). It is no longer about the *possession* of the object of the IP rights, but about the *exclusive use and license* held by the owner.<sup>8</sup> All these elements will be comprehensively presented and discussed in this Chapter, along with the analysis and research of the most suitable system capable to satisfy the needs of IP rights in the new millennium.

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<sup>5</sup> NIBLETT B., *Arbitrating the Creative*, *Dispute Resolution Journal*, Vol. 50, Issue 1, pp. 64-67 (1995).

<sup>6</sup> *Ibid.*

<sup>7</sup> *Supra* note 5, p. 7.

<sup>8</sup> JURAS C., *International Intellectual Property Disputes and Arbitration: a Comparative analysis of American, European, and International Approaches. The Search for an Acceptable Arbitral Site*, McGill University (Montréal, Canada), pp. 10-98, (2003).

## **1. What Intellectual Property is after the shift from Industrial Property**

In order to give an accurate and wide description of Intellectual Property, which will make it easier to delineate the related rights, it is convenient to discuss about the definition of IP and the classification of IP rights. Article 1 of the Convention establishing the World Intellectual Property Organization (Stockholm, July 14, 1967), which postulates that “Intellectual Property shall include the rights relating to:

- Literary, artistic and scientific works,
- Performances of performing artists, phonograms, and broadcasts,
- Inventions in all fields of human endeavor,
- Scientific discoveries,
- Industrial designs,
- Trademarks, service marks, and commercial names and designations,
- Protection against unfair competition,
- All other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.”<sup>9</sup>

A widely accepted general classification classifies IP rights as follows:

- Patents;
- Design rights;
- Copyrights;
- Trademarks;
- Trade secrets.<sup>10</sup>

As stated above, the peculiar aspect of the current IP rights that necessitates the development of a more efficient and tailored system of protection, is essentially one: the transition from a *tangible* asset of interests to an *intangible* one, due to the evolution and progress of technologies.

This main phenomenon led to a set of immediate consequences: first, the object of an IP right is no longer the possession of a certain good or of a material invention, but the recognition of the exclusive use and licensing power accorded to the owner, who will have the

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<sup>9</sup> Convention establishing the World Intellectual Property (Stockholm, 1967) – Article 1.

<sup>10</sup> BLESSING M., *Arbitrability of Intellectual Property Disputes*, Arbitration International, Vol. 12, No. 2, pp. 191-221, (1996).



legal authority to protect his work from unauthorized uses, copies, trades, broadcasts, imitations or unfair competition.<sup>11</sup>

Second, intellectual property protects new forms of inventions such as computer programs, digital databases, software, as well as products from the entertainment, the biotechnological or pharmaceutical industry.<sup>12</sup> These developments all have in common a core element: they all belong to an increasingly dynamic and evolving international market, which finds in these innovations a profitable and lucrative source of commercial exchanges.

Third, new technologies allow rights connected to these kinds of inventions to travel cross-borders quickly and easily, facilitating their internationalization and, therefore, the building of international relationships between companies and stakeholders.

However, despite unprecedented technological development, the law has struggled to keep the pace and complications are likely to arise typical of those between parties that belong to different legal backgrounds. In fact, “*it is inevitable that the industrial and commercial activity stemming from intellectual properties will engender legal disputes of diverse types*”.<sup>13</sup>

Such complications will be analyzed in the following paragraphs, along with a discussion about their origins and about the emergence of a possible appropriate solution for cross border intellectual property disputes.

## **2. Reasons why international IP disputes need specific treatment**

### **2.1 Context where IP issues typically arise**

As mentioned above, one of the most efficient ways to make IP rights and instruments travel across the world is the promotion of relations between companies and businesses where one party is permitted by the other to make use and exploit certain IP material. This principally enables the growth of international commercial development. There exist fundamentally five situations from which this kind of association may arise and, consequently, from which disputes may stem<sup>14</sup>:

- **Purchasing agreement**: one party agrees to sell their IP rights to another for a fee. The seller then transfers all IP rights to the buyer.

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<sup>11</sup> *Supra note 8, p. 7.*

<sup>12</sup> BLACKMAN S. H., MCNEILL R.M., *Alternative Dispute Resolution in Commercial Intellectual Property Disputes*, The American University Law Review, Vol. 47, pp. 1709-1734 (1998).

<sup>13</sup> *Supra note 5, p. 7.*

<sup>14</sup> *Supra note 10, p. 8.*

- Licensing agreement: a licensing agreement consists of a legal contract between two parties known as the licensor, and the licensee. The licensor is the one to whom IP rights belong, and the one who grants the licensee the right to make use, sell, trade, broadcast or to otherwise interfere with a product protected by the licensor's copyright, patent or trademark. In return, the licensee is bound by periodical payments to the licensor, known as *royalties*.
- Joint venture agreement: this peculiar kind of arrangement represents an easy mechanism for companies and investors to combine their business without the formalities and commitments required for establishing a partnership. The parties to a joint venture agreement, then, submit to contribute goods, funds, or, as far is concerned with the topic at issue, IP rights.

In particular, the formalities avoidable with this kind of association involve the choice of a fictitious business name, its registration in compliance with the rules on business names and trademarks, the respect of the requirements for business permits and licenses, etc.<sup>15</sup>. In fact, establishing a JV agreement only requires the parties few easy steps: they entail the selection of an appropriate and suitable partner, the drafting of the agreement, which will only need the indication and definition of the purpose of the parties, their business objectives, the structure and management of the venture. Further provisions may concern financial issues, dispute resolution agreements and the definition of the duration in time of the agreement.<sup>16</sup> All these element are the result of a wide freedom of choice accorded to the parties.

- Business acquisition agreement: this binding and enforceable covenant requests the parties to sell and purchase the good, product, business or service previously arranged, and it is often accompanied by a warranty for the IP rights kept by the business being purchased, such as the validity of a patent or the registration of a trademark object of the transaction.
- Employment contract: a contract of this kind is frequently related to IP disputes because the employee is often hired for his technical or scientific competences (embodied in a patent or copyright) which the employer might necessitate to improve or develop either new or already existing IPs. In particular, this kind of employment

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<sup>15</sup> Thomson Reuther, FindLaw, *Checklist: starting a partnership*, <http://smallbusiness.findlaw.com/incorporation-and-legal-structures/checklist-starting-a-partnership.html>, last visited October 2, 2017.

<sup>16</sup> Info Entrepreneurs, *Joint ventures and partnering*, <http://www.infoentrepreneurs.org/en/guides/joint-ventures-and-partnering/>, last visited October 2, 2017.

contract has recently undergone a significant increase in the evolving field of the creative industries<sup>17</sup>, emphasizing the emerging role of both the creative economy and the need of protection recognized to IP rights holders.

Given these situations, it is easy to figure out the circumstances under which a dispute may occur. Mostly, the debate revolves around claimed royalties, ownership of IP rights, validity of patents (which is currently the most problematical issue to arbitrate, since many States forbid its arbitrability due to public policy reasons<sup>18</sup>)<sup>19</sup> or registration of trademarks, as well as infringement or misuse of exclusive rights.

In recent times, a new practice has arisen in the drafting of international contracts and agreements: the inclusion of an arbitration clause.<sup>20</sup> Indeed, the likelihood of a future IP dispute involving parties from several States, led to the awareness that it is convenient an arbitration clause in the contract. By submitting to such a clause, the parties agree to defer any dispute arising between them to an arbitrator, instead of applying a different dispute resolution system, such as the most ordinary court litigation.

As the American arbitrator and mediator M. Scott Donahey asserted, “*many factors have influenced in-house IP lawyers to include arbitration clauses in domestic license-agreements and agree with the adversary to submit patent infringement disputes already in litigation to arbitration under post-dispute agreement to arbitrate*”.<sup>21</sup> The factors referred to will be exposed below. It is important to note that the quoted statement draws attention to the brand-new spreading procedure related to the insertion of an arbitration clause in international agreements.

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<sup>17</sup> BOP Consulting, *How to make a living in the creative industries*, pp. 3-17, WIPO (2015).

<sup>18</sup> Fine examples are States such as South Africa, where Article 18(1) of the Patent Act (1978) states: “*No tribunal other than the commissioner shall have jurisdiction in the first instance to hear and decide any proceeding [...] relating to any matter under this Act*”. A further example is Germany, where Part 4, Section 65(1) of the German Patent Act (as amended in 2008) reserves the jurisdiction to declare the nullity of a patent to the Federal Patent Court, asserting that: “*A Patent Court is established as an autonomous and independent federal court to hear appeals from decisions of the Examining Sections or Patent Divisions of the Patent Office and to decide actions for declaration of nullity of patents and in compulsory license proceedings [...]*”. (VICENTE D.M., *Arbitrability of intellectual property disputes: a comparative survey*, Arbitration International, Vol. 31, pp. 153-154, (2015).

<sup>19</sup> VICENTE D.M., *Arbitrability Of Intellectual Property Disputes: A Comparative Survey*, Arbitration International, Vol. 31, pp. 151-162 (2015).

<sup>20</sup> SIMSON C., *3 Advantages of Arbitrating IP Disputes*, Law360, Portfolio Media Inc., (2016).

<sup>21</sup> DONAHEY S.M., *Unique Consideration for the International Arbitration of Intellectual Property Disputes*, Dispute Resolution Journal, Vol. 65, Issue 1, pp. 39-47 (2010).

## 2.2 The current system applicable to IP disputes and its inadequacy

The reasons behind such an eager approach to arbitration, and to ADR in general, are several, and are all related to the inadequacy of the ordinary dispute resolution system, which is nowadays inappropriate to deal with the peculiar features of intellectual property disputes. As already underlined above, intellectual property has gone through a peculiar development from the industrial age to the information age, and such a transformation brought evident benefits as well as new challenges.

Undoubtedly, the features that now differentiate intellectual property transactions call for appropriate and tailored measures of protection and enforcement. Indeed, “*Intellectual property only has value insofar as you can defend it*”<sup>22</sup>, which is the main reason why the protection of international intellectual property issues is so crucial.

What differentiates intellectual property disputes is their complex nature. Their increasing complexity stems from, *inter alia*, the involvement of cutting-edge technologies. Such disputes inevitably encompass highly technical matters, regarding not only the traditional means of technology, such as computer programs and information technologies, but also new forms of intellectual activity that belong to the developing industries of the publishing, entertainment, telecommunication or pharmaceutical field, that require an expert understanding suitable to their scientific background.<sup>23</sup>

As a consequence, in an ordinary court litigation, the judges might not have the specialized knowledge or the technical know-how which would be necessary to properly appreciate and evaluate the interests at stake, especially when it comes, for instance, to cross-examine expert evidence.

In addition, IP legislation has not yet been harmoniously adopted at the global level. In fact, the existence of international conventions – such as the Berne Convention<sup>24</sup> – provides only a limited solution to the matter at stake: they are binding only on the States Parties. The element that lacks, therefore, is a global response to the need of protection of an IP right.

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<sup>22</sup> *Supra note 12, p. 9.*

<sup>23</sup> CELLI A. L., BENZ N., *Arbitration and Intellectual Property*, European Business Organization Law Review, Vol. 3, pp. 593-610 (2002).

<sup>24</sup> The Berne Convention was adopted in 1886, and provides specific norms in terms of protection of works and the rights of their authors. In particular, it offers to creators (such as musicians, poets, painters etc.), the necessary means to control and protect their works, the way they are used and by whom. The Convention was concluded in 1886, revised in Paris in 1896 and in Berlin in 1908, completed in Berne in 1914 and finally amended in 1979. (WIPO World Intellectual Property Organization, *Berne Convention for the Protection of Literary and Artistic Works*, <http://www.wipo.int/treaties/en/ip/berne/>, last visited September 5, 2018).

It is notoriously known, indeed, that “*anyone wishing to protect or defend an invention in 10 important markets must acquire 10 different property rights and, in principle, conduct 10 different lawsuits should an infringement occur*”.<sup>25</sup> It is consequently easy to understand how arduous it would be both to acquire and to defend an IP right homogeneously at a supranational level, given the fragmented jurisdictions existing on IP rights and the lack of an homogeneous international legislation in this area.<sup>26</sup>

Furthermore, among the main obstacles to a successful IP litigation, there are the inconveniences related to its length and cost. In States like France, Germany, UK or the USA the average length of a national patent litigation varies from 18 to 24 months, with average costs fluctuating between €50.000 and €150.000, only for the first instance – without adding costs associated with an eventual appeal.<sup>27</sup>

Further limiting the practicality of IP disputes is that the data above concerns national court litigations (*i.e.* litigations lacking international traits), whereas the focus of this work is on international disputes involving multijurisdictional components. Consequently, should the latter situation occur, the reported costs would definitely increase due to the involvement of parallel litigations conducted in multiple States. *Prima facie* this is necessary to successfully enforce an IP right alleged of being infringed in different States.

However, while high costs can more or less affect a party of the dispute depending on their financial situation from case to case, the need for urgency is instead felt as a common concern. In the fast-moving field of technology and of creative industry strongly influenced by the market cycle, time-efficient procedures are the most desirable instruments to economically exploit IP rights because “*IP rights are only valuable as long as they can be efficiently enforced*.”<sup>28</sup>

Moreover, another factor influencing an inclination towards ADR, is the frequent involvement of confidential issues that have the necessity to remain confidential and not to be inadvertently or intentionally disclosed. Indeed, the public spread of particular information about, for instance, the methods of using a patented technology or even the existence of the

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<sup>25</sup> PICHT P. G., *Book Review of International Arbitration of Intellectual Property Disputes – a Practitioner’s Guide* (P. Chrocziel, B. Kasolowsky, R. Whitener, W. Prinz), C.H. Beck oHG (Munich, 2017), *Arbitration International*, Vol. 33, pp. 353-357 (2017).

<sup>26</sup> However, a step forward on this field was made with the “Principles for Disputes of Laws in Intellectual Property” (2011) prepared by the European Max Planck Group on Disputes of Law in Intellectual Property. The question will be discussed in the following chapters.

<sup>27</sup> DE CASTRO I., THEURICH S., *Efficient alternative dispute resolution (ADR) for intellectual property disputes*, taken from *The handbook of the European Intellectual Property Management*, pp. 2-7 (A. Jolly, J. Philpott) (2009).

<sup>28</sup> *Ibid.*

dispute and of the evidence that may come up within it, might be detrimental for the IP right holder and for his economic interests, mainly due to the involvement of unfair competition or mass media operations.<sup>29</sup>

Finally, the critical role of business relationships in the field of intellectual property has already been mentioned. A recurrent aspect of these relationships is that they are based on a long-term agreement, in order to give steadiness and constancy to the business the parties are running. In a similar situation, the most convenient outcome of a dispute would be preserving the relationship and avoiding hostilities between the parties, with the aim of not damaging the commercial and economic bond between them.<sup>30</sup>

### **3. Reasons why ADR can prove to be a strategic solution to the drawbacks of court litigation**

Five main shortcomings related to the resolution of international IP disputes by court litigation were introduced: the lack of expertise of court lawyers regarding the highly technical matters involved in the disputes at issue; the inefficient length and costs of court proceedings; the lack of a fully harmonized IP legislation at the supranational level; the need of confidentiality; the need of preserving long-term business relationships at issue. These factors are relevant because they are opposed to the main advantages of the alternative way to manage international IP disputes: Alternative Dispute Resolution (also known as “ADR”).

Indeed, before analyzing ADR in-depth, it is essential to point out that this system provides solutions and different courses of action suitable to overcome the drawbacks of court IP litigation, and therefore to efficiently enhance the enforcement and protection of IP rights.<sup>31</sup> Nevertheless, the potentiality of ADR to successfully deal with IP disputes, does not imply only advantages and bright sides. Indeed, in certain circumstances that will be examined below, some inconveniences still restrain enterprises or stakeholders who submit to ADR.

However, the aim of this work is not limited to present a mere list of advantages and disadvantages, but to demonstrate that, despite some unavoidable shortcomings, this alternative way is still capable to outweigh traditional court litigation. Moreover, by taking

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<sup>29</sup> WIPO Arbitration and Mediation centre, *WIPO Guide on Alternative Dispute Resolution Options for IP Offices and Courts*, p. 17, Geneva (2015).

<sup>30</sup> ZAMMITT J., HU J., *Arbitrating International Intellectual Property Disputes*, *Dispute Resolution Journal*, (Nov. 2009-Dec. 2010).

<sup>31</sup> LATURNO C., *International Arbitration of the Creative: a Look at the World Intellectual Property Organization's New Arbitration Rules*, *The Transnational Lawyer*, Vol. 9, pp. 356-392, (1996).

into consideration both advantages and disadvantages in order to obtain the most resourceful dispute resolution system achievable, it will be more logical and rational for companies, investors or stakeholders in general to undertake ADR.

### **3.1 What is ADR?**

#### **3.1.1 Historical Overview**

As already briefly reported in the Introduction, the Alternative Dispute Resolution system comprehends “*any method of resolving disputes without litigation*” or “*any means of settling disputes outside of the courtroom*”.<sup>32</sup>

The focus is on the circumstances under which disputes are no longer brought before a traditional court and treated by traditional litigation. What differentiates such systems, is that disputes are solved in a neutral forum outside court, where “neutrality” indicates the characteristic of being unfettered from the nationality of the parties and, therefore, not biased by the national, legal or cultural background of either parties.<sup>33</sup> Moreover, disputes are resolved following innovative procedures, presented below, that allow the parties to tailor the process to their main necessities and interests, making ADR more desirable, especially when IP rights are at stake.

The first time the term “ADR” made its appearance was during the “National Conference on the Causes of Popular Dissatisfaction with the Administration of Justice”, also known as the “Pound Conference”, held in St. Paul (Minnesota, USA) in 1976.<sup>34</sup>

The main purpose of the meeting was clearly illustrated in the keynote address pronounced by the honorable W. E. Burger, 15<sup>th</sup> Chief Justice of the USA:

*“The conference we open tonight is significant because it is the first time that the chief justices of the highest state courts, the leaders of the federal courts, leaders of the organized bar, legal scholars and thoughtful members of other disciplines have joined forces to take a hard look at how our system of justice is working. We will ask whether*

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<sup>32</sup> *Supra note 1, p.5.*

<sup>33</sup> DE CASTRO I., TOSCANO L., *Resolution of ICT Disputes through Mediation and Arbitration – Cost and Time-Efficient Alternatives to Court Litigation*, pp. 147-153, Cri 5/2012.

<sup>34</sup> *Supra note 27, p. 13.*

*it can cope with the demands of the future, and begin a process of inquiry into needed change.*”<sup>35</sup>

The purpose of the 1976 influential conference consisted of shaping the future of dispute resolution by improving the access to justice, attempting to broaden the discussion worldwide and giving voice to the mentioned various categories of dispute resolution services’ users, in order to have the broadest analysis of the causes of dissatisfaction related to the administration of justice.

Even 40 years ago, the need to review the administration of justice and, above all, the need of an innovative system to manage commercial disputes, was strong enough to call for a national conference. As mentioned above, the first appearance of the concept of “ADR” was significant and at that time it was presented with the expression “*multi-door courthouse*”, introduced by Prof. Frank Sander.<sup>36</sup>

In particular, in his speech during the conference, Prof. Sander took into consideration two main ways of improving the administrative system of justice: the first way concerned changes and reforms to the substantive law in an effort to prevent disputes from arising in the first place, whereas the second method was “[...] *to explore alternative ways of resolving disputes outside the court [...] which may provide far more effective conflict resolution*”.<sup>37</sup>

Instead, the concept of “multi-door courthouse” was first presented as an alternative way to reduce the judicial caseload, since it would work by resolving disputes without referring them to the judicial system.

Indeed, the “multi-door courthouse” method operates by giving the parties the chance to choose among different options for solving their dispute the one which best suits their specific interests or needs. The range of choices comprehends arbitration, as well as mediation and early neutral evaluation.

In particular, arbitration will be thoroughly examined in Chapter 2, whereas mediation and early neutral evaluation will be briefly introduced here.

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<sup>35</sup> BURGER E.W., *Agenda for 2000 A.D.: a need for a systematic anticipation*, (Speech delivered at the 1976 Pound Conference) <http://baltimore2017.globalpoundconference.org/Documents/1976%20Addresses%20Delivered%20at%201976%20Pound%20Conference.pdf>, last visited September 5, 2018.

<sup>36</sup> Frank E.A. Sander was a professor of Harvard Law School. He specialized in Alternative Dispute Resolution and is today considered the initiator of the global ADR movement.

<sup>37</sup> SANDER E.A.F., *Variety of dispute processing* (Speech delivered at the 1976 Pound Conference) <http://baltimore2017.globalpoundconference.org/Documents/1976%20Addresses%20Delivered%20at%201976%20Pound%20Conference.pdf>, last visited September 5, 2018.



Mediation is the type of ADR which does not result in a situation where one party wins at the expenses of the other party. In contrast, mediation typically ends up with a consensual agreement, rather than a final award in favor of one party of the dispute. For these reasons, the role of the mediator involves the straight facilitation of a settlement. The mediator, in practice, acts as a third and neutral party whose function is neither aimed at judging nor at selecting a dispute winner: his role, instead, is focused on helping the parties finding an amicable and informal solution, to which both parties need to agree, given the consensual nature of the whole process at stake.<sup>38</sup>

On the other side, Early Neutral Evaluation consists of a consensual practice to which the parties submit in a rather early stage of the dispute.<sup>39</sup> The process is characterized by the anticipation of the terms and aspects of a litigation, instead of avoiding or settling it. In practice, the parties submit their dispute to the so-called evaluator, who performs as a neutral party with the function of providing the disputants a general evaluation of the dispute. What this implies, is that the evaluator will take into consideration evidence and results of hearings of both parties, in order to offer to the parties an overall vision of a possible subsequent litigation.<sup>40</sup> By having such a global overview of the dispute, the evaluator will have the chance not only of directing the parties towards the most efficient method of solving it, in terms of costs and time savings, but also of assisting the parties developing the most suitable trial preparation. The instruments adopted by the evaluator vary from case planning guidance to estimation of likely court outcomes. Hence, having a conscious and thoroughly informed early picture of their case, and of its possible outcome, the disputant are enabled to face the succeeding court litigation with a deeper awareness and familiarity.<sup>41</sup>

Moreover, looking through the issue, prof. Sander analyzed the circumstances under which it would be preferable to resolve the dispute without referring it to the judicial system, establishing criteria that, at present, are still suitable and up-to-date. Such criteria take into consideration various aspects of the dispute: the nature of the dispute, the type of relationship between the parties, the cost of the dispute or the time necessary to settle it.

Undoubtedly, the action carried out by prof. Sander has an exceptional relevance, since it is considered as the “big bang” moment of the ADR system development.<sup>42</sup> Two

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<sup>38</sup> BLOCK M.J., *The Benefits of Alternative Dispute Resolution for International Commercial and Intellectual Property Disputes*, The Digital Journal of Rutgers School of Law, Vol. 44, p. 3, (2016/2017).

<sup>39</sup> *Ibid.*

<sup>40</sup> ARFIN M.R., *The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes*, Hastings Comm/Ent L.J., Vol. 17, pp 893-915, (1994-1995).

<sup>41</sup> ASHMUS K.A., *Early Neutral Evaluation*, Ohio Lawyer (1992).

<sup>42</sup> *Supra note 27, p. 13.*

reasons lie behind this observation: for the first time, the idea of disputes being resolved through more appropriate and suitable proceedings, other than court litigation, began to attract numerous followers; furthermore, the “multi-door courthouse” proved to be a valid method to address disputes in alternative ways without using the judicial system.

Concluding his speech, prof. Sander gave a remarkable recommendation, regarding the need for the designation of a group of individuals who would commit to monitor the progress and the actual realization of the ideas envisaged during the conference, in order to “*continue to contribute to the solutions of the many grave problems that presently beset the courts*”.<sup>43</sup>

The recommendation from prof. Sander was eventually followed. In fact, the Pound Conference in 1976 was only the first expression of a movement which is still evolving nowadays: during 2016-2017, the Global Pound Conference (GPC) Series took place, marking the commencement of an initiative from the not-for-profit organization IMI (International Mediation Institute). The conference was held in 40 different cities across 31 States, involving the main actors of the international commercial scene: commercial parties, policy makers, stakeholders, investors, lawyers, judges, arbitrators and mediators, chambers of commerce and also influencers such as academics or government officials.<sup>44</sup> Indeed, it is remarkable that during the first stage of the GPC Series in Singapore (2016), a peculiar circumstance came to light: despite the effort made so far, in the field of commercial dispute resolution there is, still, a significant gap between the expectations and needs of users on the one side, and the outcomes of the disputes on the other side, emphasizing the emergency of an extensive improvement.<sup>45</sup>

The IMI, in fact, conducted a survey among participants based on a set of 20 multiple choice questions propose to the participants who attended the various scheduled events. The questions were divided into four main categories: a) what users want, need and expect, b) how is the market currently addressing parties’ wants, needs and expectations, c) how dispute resolution can overcome obstacles and challenges, d) how to promote better access to justice. Clearly, such questions go straight to the heart of the issue, pushing for the contribution of both the stakeholders’ and users’ opinion and, consequently, for a comprehensive view on the matter, necessary to properly find an efficient way to resolve individual disputes.

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<sup>43</sup> *Supra note 25, p. 13*

<sup>44</sup> *Global Pound Conference Series, Shaping the future of dispute resolution & improving access to justice*, <http://globalpoundconference.org/about-the-series/welcome-to-the-gpc-series#.Wa8es8fo-5w>, last visited September 5, 2017.

<sup>45</sup> MCILWRATH M., LACK J., *The Global Pound Conference Series – Shaping the future of dispute resolution & improving access to justice*, (2015).

The final part of the GPC Series was held in London in June 2017, and the results of the data collected, during the different meetings, will be available at the end of 2018. Thanks to them, it will be possible to improve the research in the field of commercial dispute resolution.

### **3.2 Current approach to ADR in international Intellectual Property disputes**

Following its development in the 1970s, ADR has evolved and it is, as of today, a favorable venue for complainants.

Since the aim of this work is drawing attention to the resolution of international IP disputes through alternative methods, the main focus will be on this issue.

The five main drawbacks of addressing international IP disputes in court litigation, which have already been underlined above are: lack of expertise of court lawyers regarding the highly technical matters involved in the disputes at issue; inefficient length and costs of court proceedings; lack of a fully harmonized IP legislation on a supranational level; need of confidentiality; need of preserving long-term business relationships at stake.

Choosing to submit to ADR will allow in most cases to overcome those difficulties. The main advantages of such practice can be presented as follows:

- **Party autonomy**

One of the greatest benefits of ADR, is that parties have the chance to tailor the features of the process on their primary interests and needs. Due to the extreme flexibility of ADR, parties have full control of the proceedings.<sup>46</sup>

First of all, the disputants can choose which ADR process is deemed to be the most suitable one according to their interests and needs. Arbitration and mediation are the most frequently selected.

In addition, through an agreement, parties can choose the venue for the discussion of the dispute, which results in having their dispute solved in a neutral environment (“neutrality” will be further discussed below).

Also, in order to entrust the resolution of the dispute to a qualified evaluator for the topic at issue, the parties have the right of selecting an expert who is neutral to the different law,

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<sup>46</sup> *Supra note 33, p. 15.*

language, cultural and legal background of the parties (i.e. an arbitrator or a mediator, according to the ADR process chosen), who will contribute with his expertise to find the most mutually beneficial solution.<sup>47</sup>

Moreover, the parties have the authority to choose the language of the procedure, the applicable law, but also the rules and procedures, customizing them and creating the most time-efficient achievable procedure.<sup>48</sup>

- **Single procedure**

As remarked above, because of the territorial nature of IP rights, one of the most problematic aspects of submitting an international IP dispute to litigation, is the necessity to conduct parallel proceedings in all the States where the IP right at issue is alleged to be infringed. Indeed, by choosing court litigation, the claimant of an IP right will need to undertake separate proceedings under different domestic laws of various jurisdictions.<sup>49</sup> The immediate consequence is the dispute being extremely expensive, arduous and time-consuming, and sometimes even not worth the effort.

ADR provides an extremely effective solution to this difficulty, by enabling the disputants to carry out a single international procedure instead of different court proceedings in more than one forum. Avoiding multijurisdictional litigations, consequently, means savings in terms of costs and time.<sup>50</sup>

- **Time and cost saving**

The essential importance of saving time in IP disputes has already been underlined. There are cases in which initiating a multijurisdictional IP litigation will inevitably lead to time-consuming proceedings. At the end of them, the dispute might be settled, but with an enormous waste of time and a consequent loss of the value of the said right, causing more damages to the litigants' interests than benefits.<sup>51</sup>

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<sup>47</sup> *Supra* note 23, p. 12.

<sup>48</sup> LATHAM & WATKINS, *Latham and Watkins' International Arbitration Practice, Guide to International Arbitration*, pp. 1-30 (2017).

<sup>49</sup> WIPO Arbitration and Mediation Center, *Guide to WIPO Arbitration*, WIPO Publication No. 919E, pp. 1-38.

<sup>50</sup> ANDERSON A.M., YOUNG C.A., RAZAVI B., *International Arbitration: The only way to resolve multi-jurisdictional patent disputes in a single forum*, *Transnational Dispute Management*, Vol. 6, Issue 1, (2009).

<sup>51</sup> WU W.H., *International Arbitration of Patent Disputes*, *The John Marshall Review of Intellectual Property Law*, Vol. 10, pp. 384-409 (2011).

Usually, IP rights have limited duration in time, as patents, or they are likely to suffer the speedy progress of technology, which can cause an invention to become obsolete. In this framework, it is fundamental to resolve IP disputes in a short period of time.

ADR provides parties with time-efficient procedures: for instance, one of the most common ADR scheme, which is arbitration, follows Article 65 of the WIPO Arbitration Rules and sets the following deadlines :

*“The arbitration should, wherever reasonably possible, be heard and the proceedings declared closed within not more than nine months after either the delivery of the Statement of Defense or the establishing of the Tribunal, whichever event occurs later. The final award should, wherever reasonably possible, be made within three months thereafter.”*

Moreover, even under such stringent time limits, parties have an additional power to negotiate a further reduction, in order to adapt the deadlines and the length of the procedure to their benefit. As an example, worth of notice is the possibility of choosing the so-called “fast-track methods”, such as the Expedited Arbitration provided by the WIPO, which will be discussed in Chapter 3 (§ 3.2.2)

As an immediate consequence, time-savings result in cost-savings. Such effect, in addition, depends on various factors: the possibility to choose a qualified expert to decide the dispute prevents the litigants from having the need of presenting the court judges and lawyers on the technical and relevant issues at stake, or from the necessity of employing a technical expert to contribute with his expertise, for instance, in the evaluation of specific evidence. Also, ADR does neither need high nor strict formalities in practice, since it is mostly built on the cooperative intents of the parties.<sup>52</sup>

- **Confidentiality**

In IP disputes, the need for confidentiality regarding either the existence of the dispute, or the materials necessary to solve it, or any kind of related evidence, is one of the main necessities of the litigants. Such exigence is basically due to the aforementioned reasons analysed in § 2.2: in the first place, the detrimental influence that mass media may produce, as

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<sup>52</sup> *Supra note 25, p. 13.*

well as the consequences of unfair competition, especially when the dispute involves trade-secrets or patent-pending inventions.<sup>53</sup>

While court litigation often turns out to be a public affair, ADR instead allows the parties to have full control of both access and disclosure to sensitive information. Additionally, the parties can agree to keep the entire dispute and its outcome confidential. By way of example, Article 75 of the WIPO Arbitration Rules state as follows:

*“[...] no information concerning the existence of an arbitration may be unilaterally disclosed by a party to any third party, unless it is required to do so by law or by a competent regulatory body.”*

- **Expertise**

It has already been pointed out that, among the main shortcomings of IP court litigation, there is the recurrent lack of expertise among lawyers and judges. Such condition is often due to the involvement of specialized and complex issues, belonging to two main areas of expertise: first, the applicable law (intellectual property laws, international dispute resolution directives, etc.); second, the technical nature of the object of the dispute (patent issues, copyright matters, etc.).

In these cases, submitting a case to ADR may be the most convenient choice. In particular, arbitrators or mediators can be chosen by the parties on the basis of their specialized knowledge, in relation to the issue at stake from case to case: in fact, they can be experts in law, technology, industrial or scientific field.<sup>54</sup>

As a consequence, this alternative allows the litigants to have their dispute discussed and eventually settled with one considerable guarantee: that their interests and needs will be analyzed and properly considered in order to craft the most satisfying outcome for both parties, with an amount of energies, time and costs considerably more favorable to what court litigation might require.

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<sup>53</sup> MILLS J., *Alternative Dispute Resolution in International Intellectual Property Disputes*, Ohio State Journal on Dispute Resolution, Vol. 11:1, pp 227-239 (1996).

<sup>54</sup> *Supra note 49, p. 20.*

- **Neutrality**

When involved in national court litigation, one of the most common reasons why litigants give up in resolving an international IP dispute is that one of the parties is skeptical and distrustful on foreign domestic laws.<sup>55</sup> This has the consequence of interrupting a business relationship or leaving commercial transactions uncompleted.<sup>56</sup> This circumstance can be explained on two main grounds: first, the fear of unfamiliarity with an unknown jurisdiction; second, the concern for the likelihood of a national, cultural or legal bias.

In such a scenario, a neutral forum is the most desirable solution: ADR conveniently provides neutrality with regard to the applicable law, the venue of the discussion, the administrative institution and also the language of the procedure, which can be the result of an agreement between the parties.

- **Preservation of long-term relationships**

International IP transactions related to the types of affiliations discussed in § 2.1 (licensing agreement; purchasing agreement; business acquisition agreement; joint venture agreement; employment contract), mostly rely on long-term relationships. An association of this kind, in fact, is what best meets with the exigencies of a developing market, like the one of the technology, pharmaceutical, telecommunication or entertainment industries where, as already underlined, IP plays a relevant role. Indeed, long-term relationships ensure more stability and constancy and, therefore, result in a better option to deal with market trades.<sup>57</sup>

In particular, the risk of choosing court litigation for an IP dispute where such kinds of relationships are at stake, is mainly one: given the “winner-take-all”<sup>58</sup> nature of court litigation, the dispute would eventually end- up with a losing party. Such a scenario is relatable to what in economic theory is called a “zero-sum game”,<sup>59</sup> where the gains of a participant are perfectly balanced by the loss of another participant. However, such an outcome would not prove advantageous for a long-term relationship, which instead calls for a different type of solution. ADR provides a system which enables the parties to craft win-win and long-term results, which will strengthen both the business relationship and the contractual

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<sup>55</sup> *Supra note 49, p. 20.*

<sup>56</sup> *Supra note 49, p. 20.*

<sup>57</sup> *Supra note 37, p. 16*

<sup>58</sup> *Supra note 12, p. 9.*

<sup>59</sup> *Supra note 49, p. 20, Supra note 12, p. 9.*

position of both parties (for instance, a dispute on a licensing agreement, where both the licensor's right for claiming royalties on one side, and the licensee's right of utilizing the licensor's IP right on the other side are discussed, will likely end up with a mutually beneficial resolution).

This solution is widely facilitated by the less confrontational method offered by ADR procedures, which instead focuses on reducing hostilities and promoting rational discussions between the parties.<sup>60</sup>

- **Finality and enforceability of the award**

The main feature of ADR awards is that they are final. The award is binding and no possibility of appeal is conceived. The principal consequence of such quality, along with the short deadlines set for the delivery of the final decision, is indeed a huge time-saving factor in the first place, and the guarantee of the stability and certainty of the decision in the second place, which will contribute to the steadiness of the litigants relationship.<sup>61</sup>

Furthermore, ADR awards are easily internationally enforceable, which is a fundamental advantage when cross-borders disputes occur. In particular, a remarkable step forward was made in relation to the enforceability of arbitral awards, which have a strong guarantee of enforcement provided by the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958).<sup>62</sup>

### **Concluding remarks**

The first chapter described the fundamental issues examined in the thesis. The importance and relevance of the new international concerns about cross-borders IP disputes was presented, along with all the consequences that come with it. Significant focus was on the main shortcomings of traditional national court litigation when facing international IP disputes and, accordingly, the most emerging needs for an appropriate resolution system were exposed. Subsequently, the ADR procedures were introduced, with a general analysis of the most remarkable advantages that such method ensures. The following chapters will focus primarily on a specific ADR procedure, that is international arbitration. The principal aim will

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<sup>60</sup> *Supra note 29, p. 14.*

<sup>61</sup> NIXON A., *Arbitration – a better way to resolve intellectual property disputes?*, Elsevier Science Ltd., Vol. 15, Tibtech (December 1997).

<sup>62</sup> Enforceability of arbitral awards will be further discussed in Chapter 2 (§ 1).



be analyzing in-depth the application of such proceedings to international IP disputes and how they can actually overcome the mentioned drawbacks of court litigation, and how possible disadvantages in arbitrating IP disputes can be easily surmounted.

# **CHAPTER 2**

## **INTERNATIONAL ARBITRATION**

### **IN INTELLECTUAL PROPERTY LAW DISPUTES**

#### **Introduction**

The previous chapter set forth the main shortcomings connected to resolving international IP disputes through traditional means such as court litigation. The ADR system is deemed to be the main solution to overcome such issues. This chapter will analyse the international arbitration system as a main alternative way to manage international commercial disputes. The analysis will be two-fold and it will take into consideration both the benefits and the disadvantages of such practice, focusing on the circumstances under which it would be more convenient to opt for litigation instead of arbitration.

The most efficient option can be found through the following method of reasoning: first, to critically analyse both the benefits and the pitfalls of international arbitration, and second, to recognize when it is actually convenient to consider arbitration as a substitute to litigation, taking into consideration a wide range of elements.

Finally, a comparison of the legal approaches of most influencing States in the commercial arbitration field, including the United States and the European Union States will be provided. Specifically, this chapter will focus on their attitudes to the above-mentioned practice, according to both their relevance in the international market and their peculiar differences. Indeed, presenting the intricate yet intuitive implementation of arbitration provided by such influential entities will forecast a pragmatic view on how arbitration works and is set to evolve.

## 1. What is international arbitration?

As already briefly defined in the Introduction, arbitration is defined as “*a consensual procedure in which the parties submit their dispute to one or more chosen arbitrators, for a binding and final decision (award) based on the parties’ respective rights and obligations and enforceable under arbitral law. As a private alternative, arbitration normally forecloses court options*”.<sup>63</sup>

The distinctive characteristics and most relevant features of arbitration can be listed as follows:

- the procedure of arbitration will take place only if the parties have agreed to it: such agreement can be reached either previously to the dispute (i.e. the presence of an *arbitration clause* in the contract binding the parties) or after the dispute has arisen (i.e. through a *submission agreement*).
- The dispute is discussed in front of an impartial neutral arbitral tribunal, which can be comprised of up to three arbitrators (and not a tribunal from the same jurisdiction as one of the disputants, which could be biased).
- The final decision is taken by either one or three arbitrators, acting as proper judges of a court.
- The parties have the right to choose the arbitrators through a mutual agreement.
- The parties have the right to choose the main elements of the resolution proceedings: the venue, the language and the applicable law, which are the results of a common and shared decision.
- The decision from the arbitrators is final, binding on the parties and enforceable.

Arbitration proceedings acquire international features when they involve parties from different jurisdictions, (i.e., parties bound by a cross-borders agreement or contract, which is alleged to have been breached).

Since the main advantages of ADR - including arbitration - have already been explained in the previous chapter (e.g., autonomy of the parties; unicity of the procedure; time and cost-savings; confidentiality; expertise; neutrality; preservation of long-term relationships; finality and enforceability of the award), this chapter will focus on the benefits

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<sup>63</sup> *Supra note 2, p. 5.*

that differentiate arbitration from the other ADR means. These benefits are introduced hereinafter.

The main benefit of arbitration, among the other ADR procedures, consists in the fact that it fully provides the parties with the chance to mutually contribute to the definition of the principal elements of the resolution process. This possibility is a strong guarantee of parties' autonomy, as they are not only encouraged, but also entitled to reach a common agreement regarding the way their dispute will be resolved. Indeed, arbitration promotes a rational and creative dialogue between the parties, instead of the very adversarial system of traditional litigation.<sup>64</sup>

Party autonomy may be deemed to be the most effective mean to ensure the further benefits of arbitration, being the basis where all the additional benefits stem from. Indeed, party autonomy leads to making mutual choices that facilitate the creation of the most neutral environment possible and consequently, will produce outcomes that will not harm the relationship between the parties.<sup>65</sup> Consequently, these characteristics ensure time and are saving costs, thus making arbitration a very convenient dispute resolution system.

### **1.1 Main concerns and characteristics of international arbitration**

The most important features of an arbitral proceeding are related to four key elements: the concept of arbitrability (introduced below), the concerns related with the choice of the tribunal, the applicable law to the procedure on one side, and to the merits on the other side, and the characteristic finality and enforceability of the award.

- Arbitrability

The first obstacle to deal with when analysing arbitration is the so-called “arbitrability” of certain issues, specifically IP issues. “Arbitrability” refers to the possibility for specific topics to be the object of an arbitral agreement and, therefore, of an arbitral proceeding. Precisely, the legal term “arbitrability” refers to “*whether certain disputes are capable of resolution by arbitration*” (so called “objective arbitrability”).<sup>66</sup>

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<sup>64</sup> FOX D., WEINSTEIN R., *Arbitration and Intellectual Property Disputes, Myth Busting: Arbitration Perceptions, Realities and Ramifications*, American Bar Association – 14th Annual Spring Conference (Washington, April 2012).

<sup>65</sup> *Ibid.*

<sup>66</sup> *Supra note 51, p. 21.*

Practically, not all the matters related to IP disputes are recognised to be object of arbitration and, additionally, each State has a different approach to the issue. There are States taking a liberal approach and others taking a very restrictive one.

In particular, there are two main reasons that mostly prevent IP issues to be the object of arbitration proceedings: matters of public policy, and the principle of exclusive jurisdiction of sovereign national powers to manage IP rights.<sup>67</sup>

The first issue is strictly connected to public policy, which is an all-encompassing expression to indicate those activities that, not only the government, but also public institutions carry out in order to pursue the public interests and exigencies.<sup>68</sup> This political issue often arises when discussing the arbitrability of one kind of IP disputes: the validity of a patent.

Patent validity is indeed one of the issues which is the least likely to be arbitrated, and such an attitude is explainable on one main ground: *“If laws authorize the courts or component administrative agencies to decide the validity of patents, the dispute involving patent validity should be settled exclusively by these authorities. [...] The patent right is granted only by the sovereign government so only the State or the designated representative of the State can grant or invalidate it.”*<sup>69</sup> This statement is aimed at emphasizing the relevance of the State’s role in granting the validity to a patent, which is deemed to be a public affair.

In fact, deciding on the novelty, utility, inventiveness, susceptibility to industrial use of an invention (all requirements necessary for a patent to be valid<sup>70</sup>), and authorising its registration, are all parts of a procedure which will contribute to the progress and the advancement of a State and, therefore inevitably has a strong public relevance.

Moreover, the concerns about governments’ exclusive powers to grant and decide on patent validity are connected to another issue: the national sovereign power to manage IP rights. Specifically: *“Intellectual property rights derive from legal protection granted on a national basis [...]. Thus, ownership rights, and their modification, revocation or confirmation should only be decided by the courts of that State”*.<sup>71</sup> Therefore, great emphasis is given to the role of the State and of the State courts handling IP matters, especially when issues of patent validity or registration are at stake.

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<sup>67</sup> *Supra* note 8, p. 7.

<sup>68</sup> KILPATRICK D.G., *Definitions of Public Policy and the Law*, National Violence Against Women Prevention Research Center, (2000).

<sup>69</sup> *Supra* note 51, p. 21.

<sup>70</sup> *Supra* note 10, p. 8.

<sup>71</sup> *Supra* note 8, p. 7.

It is worth to highlight the distinction between IP rights that are mandatorily subject to registration in public registers (i.e. patents), and those that are not (i.e. copyrights).<sup>72</sup> Generally, denial of arbitrability concerns IP rights subject to registration, since registration is a public operation which involves the exclusive jurisdiction of the State.

Nevertheless, it is fundamental to distinguish the various issues that may arise in relation to a registered IP right: the existence, the validity, the ownership, the contractual obligations arising from being granted the right or the non-contractual obligations arising from the breach of that right.<sup>73</sup> The responses on the arbitrability of these different topics differ from State to State. However, a common *favor arbitrandum* has spread in most jurisdictions, albeit with some restrictions that will be presented below.<sup>74</sup>

A general classification of the various national jurisdictions' approaches to arbitrability distinguishes among three main groups: first, jurisdictions where IP disputes are not arbitrable at all; second, jurisdictions where IP disputes may be submitted to arbitration, though under certain limitations and conditions; third, jurisdiction where arbitrability of IP disputes is favourably allowed with no restrictions.<sup>75</sup> These approaches are presented below.

- National jurisdictions where the arbitration of IP disputes is unavailable

The main example is South Africa, where Article 18(1) of the South Africa Patent Act 1978 states:

*“No tribunal other than the commissioner shall have jurisdiction in the first instance to hear and decide any proceeding [...] relating to any matter under this Act”.*

- National jurisdictions allowing arbitrability of IP disputes, with limitations

Some States allow the arbitrability of IP disputes, but with restrictions either on the arbitrable issues, or on the extension of the effects of the arbitral decisions. An example of a national jurisdiction where arbitration of IP disputes is traditionally granted is Germany. Germany does, however, reserve exclusive jurisdiction for IP disputes concerning patent

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<sup>72</sup> *Supra* note 12, p. 9.

<sup>73</sup> *Supra* note 19, p. 11.

<sup>74</sup> *Ibid.*

<sup>75</sup> *Supra* note 19, p. 11.

validity cases pursuant to Article 65(1) of the German Patent Law, where such cases are under the jurisdiction of the Federal Patent Court.

On the other hand, examples of the second category include States such as France, Italy and Portugal.<sup>76</sup> France has recently gone through an interesting development: it turned from wholly denying arbitrability to patent validity disputes, to allowing it, even though with limitations. Authority for this development is the decision of the *Cour d'Appel de Paris*. In the case *Soci t  Liv Hidravlika D.O.O. v S.A. Diebolt* (case No. 05/10577 dated February 28, 2008), for the first time, a French court declared:

*“The issue of the validity of a patent debated incidentally [...] may be submitted to an arbitrator, although the invalidity eventually determined shall not [...] have the force of res judicata [...] it shall only bind the parties.”*<sup>77</sup>

Consequently, the limitation provided by such a principle in the above-mentioned French case concerns the extent of the effects of an arbitral decision on patent validity. According to the decision, the effects can bind only the parties and therefore, are *inter partes*, and not *erga omnes*. A similar approach, in addition, had already been taken by Portugal and Italy. On one hand, the Portuguese Code of Industrial Property (2008) states that any declaration of nullity, invalidation of patents or registration may only be decided through a court assessment.<sup>78</sup> Arbitration, however, remains possible, albeit with two restrictions: arbitrators can examine the cited issues only as incidental questions, and their decision will be binding only *inter partes*.<sup>79</sup>

On the other hand, the Italian *Corte di Cassazione* in the judgement of the October 3, 1956,<sup>80</sup> stated:

*“Whenever the nullity or forfeiture of the patent is invoked by way of exception, arbitrators may take cognizance of it incidentally, without res judicata effect.”*<sup>81</sup>

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<sup>76</sup> *Ibid.*

<sup>77</sup> Cour d'Appel de Paris, February 28, 2008, case No. 05/10577 – Soci t  Liv Hidravlika D.O.O. vs S.A. Diebolt.

<sup>78</sup> *Supra* note 51, p. 21.

<sup>79</sup> WERNER J., *Final Report on Intellectual Property Disputes and Arbitration, A comment of the ICC Commission on International Arbitration* (October 28, 1997) Reproduced by the ICC International Court of Arbitration Bulletin, Vol. 9, No. 1 (1998).

<sup>80</sup> RUBINO-SAMMARTANO M., *Il Diritto dell'Arbitrato. Disciplina comune e regimi speciali*, Vol. II, 6<sup>th</sup> edition, CEDAM, (Padova, 2010).

It stands clear that these States decided to smooth the boundaries between litigation and arbitration on crucial IP issues, such as the recognition of patent validity, but at the same time they chose to keep the effects of arbitral awards, with the main restriction being the binding effect of the decision only *inter partes*.

Accordingly, in this way, two goals are achieved: first, a wider scope is granted to arbitrability, even though with some limits; second, due to the abovementioned restraints, the State makes sure that an *erga omnes* effect is only to be granted to the decisions of national courts.

- National jurisdictions admitting full arbitrability of IP disputes with no limitations

There are also some States where full arbitrability is permitted, without limits concerning neither the topic at issue nor the extent of the arbitral award's effects. A valid example is Belgium. Article 51 of the Belgian Patent Act, as reformed in 1997, states:

*“If a patent is revoked, in whole or in part, by a judgement or a decision or by an arbitration award, the decision on revocation shall constitute a final decision in respect of all parties, subject to opposition by third parties.”<sup>82</sup>*

According to this provision, not only the arbitrability on patent validity is permitted, but also the arbitral award is given *res judicata* force, which in this case has validity *erga omnes*. Even more, Article 73(6) is a further guarantee of the arbitrability of disputes on ownership, validity and infringement of patents, as well as patent licensing agreements since it states that:

*“This Article shall not, however, preclude opposition in respect of the ownership of a patent application or of a patent, the validity or the infringing of a patent or the determination of the compensation referred to in Article 29 or in respect of patent licenses other than compulsory licenses submitted to*

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<sup>81</sup> Judgement of the *Corte di Cassazione* of October 3, 1956.

<sup>82</sup> Belgian Patent Act (1977) – Article 51.



*arbitration tribunals.*”<sup>83</sup>

Switzerland is a well-known example of a jurisdiction that has developed advanced IP laws about IP disputes arbitrability. Article 177 of the Swiss Private International Law Act (1987) has a broad scope and it clarifies that:

*“Any dispute involving an economic interest may be the subject-matter of an arbitration.”*<sup>84</sup>

Such an extensive condition results in the possibility of having any aspect of IP submitted to arbitration, whether financial, personal or patrimonial.

- *The tribunal*

An extremely functional feature of arbitration, is the possibility for the parties to choose not only the venue of the arbitral proceeding, but also the arbitrators that will handle the dispute: that is to say, the parties can tailor their arbitral tribunal on their needs and interests.<sup>85</sup>

When choosing the members of the tribunal, the first choice of the parties concerns the number of arbitrators. In fact, the parties have the possibility to opt either for a single arbitrator or for a panel of three or more arbitrators.<sup>86</sup> Both alternatives present their advantages and disadvantages. A sole arbitrator would avoid any time and costs waste, as there would be no need to spend time coordinating and remunerating more than one decision-maker. On the other hand, opting for more than one decision-maker gives the disputants the guarantee of an award which is the result of different positions’ convergence, that is therefore more likely to be impartial.<sup>87</sup>

Moreover, a further benefit of a pool of arbitrators is connected to the method used for their selection: the general rule allows each disputant to nominate an arbitrator, on the basis of criteria that take into consideration not only the level and the area of expertise of the person, but also additional specific qualities (i.e., whether they are lawyers, experts, academics, people coming from different nationalities in relation to the parties, whether they have a

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<sup>83</sup> Belgian Patent Act (1977) – Article 73(6).

<sup>84</sup> Swiss Private International Law Act (1987) – Article 177.

<sup>85</sup> *Supra note 48, p. 20.*

<sup>86</sup> *Ibid.*

<sup>87</sup> *Supra note 49, p. 20.*

background on the case and on the practice.). Once the parties have appointed them, the appointed arbitrators evaluate the facts and provide a recommendation.

Additionally, in order to avoid disputes or uneven results, a conventional rule widely accepted and established in several arbitration provisions<sup>88</sup> settles the number of arbitrators to be mandatorily odd. To fulfil this requirement, when the parties opt for a committee, the appointed arbitrators have the task of electing a Chairman or a President, who will guarantee the avoidance of dispute between the arbitrators, will resolve any arising disagreements, and will ensure the impartiality and neutrality of the final decision.<sup>89</sup>

The possibility also exists to resort to the so-called *umpire* to achieve a final verdict. The *umpire* is a figure which is mainly existing in Anglo-Saxon jurisdictions, as a “*person having authority to decide finally a controversy or question between parties or between arbitrators who have disagreed*”.<sup>90</sup>

According to the definition, the traditional core function of the *umpire* consists in acting as a judge between two or more arbitrators, in cases where a solution or a shared decision cannot be taken.<sup>91</sup> However, nowadays the *umpire* does not play his/her role only in cases of disagreement between the arbitrators, but resolves the general need for the number of arbitrators to be at odd. In fact, the *umpire* today carries out his/her functions in the role of the Chairman or President in a committee of arbitrators, aimed at coordinating them when reaching the most impartial and neutral solution among those prospected by the components of the tribunal.<sup>92</sup>

The second choice of the litigants when defining the Tribunal, concerns the location of the arbitral proceeding. The decision related to the place of arbitration is crucial, since it implicates two main consequences: firstly, the law applicable to the procedure, secondly the enforceability of the final award. These issues are discussed below.

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<sup>88</sup> For instance: ITALIAN CIVIL CODE, Article 809; DUTCH CIVIL CODE, Article 1026; NETHERLANDS ARBITRATION RULES, Article 12; ICC ARBITRATION RULES, art 12.1.

<sup>89</sup> *Supra note 49, p. 20.*

<sup>90</sup> Merriam-Webster 1828, *Definition of “Umpire”*, <https://www.merriam-webster.com/dictionary/umpire>, last visited September 18, 2017.

<sup>91</sup> HUDSON M. O., *The Permanent Court of Arbitration*, *The American Journal of International Law*, Vol. 27, pp. 440-460 (1933).

<sup>92</sup> *Ibid.*

- The applicable law

As to the applicable law, it is essential to distinguish two areas: on one side, there is the procedural law that provides the technical steps for arbitral proceedings; on the other side, the law that the arbitrators will follow and apply in the merits.

- The law applicable to the *procedure*.

By choosing a venue for the arbitral proceedings, the parties indicate the procedural rules to apply (i.e., those relating to deadlines, discovery, interim measures, hearings etc.). For instance, if the parties select London (UK) as the venue for the procedure, the Arbitration Act (1996) will apply.<sup>93</sup>

Nevertheless, a significant innovation has occurred in this field. With the progressive and increasing denationalization of international arbitration, the choice of the seat of an arbitral proceeding no longer implicates the automatic choice of the procedural law of that jurisdiction.

Indeed, the above-mentioned denationalization notably influenced many International Conventions on Arbitration. UNCITRAL Model Law 1985 is the finest examples of this outcome. Article 19 of the UNCITRAL Model Law states in fact that:

*“[...] The parties are free to agree on the procedure to be followed by the arbitral tribunal in conducting the proceedings. Failing such agreement, the arbitral tribunal may, subject to the provisions of this Law, conduct the arbitration in such manners as it considers appropriate. [...]”*<sup>94</sup>

Accordingly, the arbitrators are bound in the first place to the procedural law selected by the parties and, should an agreement from the parties on the applicable law lack, the arbitrators retain an unfettered power to manage procedural issues, and they can also apply the general principles of law. Moreover, the provision further implies that the parties are not requested to explicitly select the procedural law applicable: in cases where the parties do not reach an agreement on the procedural law, the choice will fall within arbitrators' sphere of power. In particular, the general principles of law that arbitrators may rely on include:

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<sup>93</sup> *Supra note 49, p. 20.*

<sup>94</sup> UNCITRAL Model Law – Article 19.

- the guarantee for all the parties to have adequate time and means to defend themselves, which is a principle derived from the roman law tradition, literally “*audiatur et altera pars*” (which translates to “the other party has to be heard”). Such principle has always been an expression of the duality of a legal proceeding<sup>95</sup> as it establishes that in order to be binding, the final judgement must be issued only after each party has had the chance to defend themselves;<sup>96</sup>
- the conduct of a due process, which is a principle derived from the American Constitution. Specifically, such principle is stated in the Fifth and in the Fourteenth Amendments of the Bill of Rights.<sup>97</sup> The meaning of the expression “due process” was clarified in the case *Goldberg v. Kelly*<sup>98</sup> of the Supreme Court of the United States, where the core elements of a due process were identified as follows:

*“the state must provide a hearing before an impartial judicial officer, the right to an attorney's help, the right to present evidence and argument orally, the chance to examine all materials that would be relied on or to confront and cross-examine adverse witnesses, or a decision limited to the record thus made and explained in an opinion.”*<sup>99</sup>

- the right to a fair trial, which derives from Article 10 of the Universal Declaration of Human Rights.<sup>100</sup> In particular, the right to a fair trial embodies a rule of international human rights law designed to protect individuals from the unlawful and arbitrary curtailment or deprivation of basic rights and freedoms.<sup>101</sup>

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<sup>95</sup> BERNINI E., *Principio del contraddittorio e arbitrato*, Dottorato di ricerca in Diritto dell'Arbitrato interno e internazionale – ciclo XX, LUISS PhD Thesis (Rome, 2009).

<sup>96</sup> ZEPILLI V., *Il Principio del contraddittorio, Breve guida a uno dei pilastri del nostro ordinamento giuridico, che informa di sé tutte le tipologie di processo*, Studio Cataldi – Il diritto quotidiano, (2015), <https://www.studiocataldi.it/articoli/20439-il-principio-del-contraddittorio.asp>, last visited February 14, 2018.

<sup>97</sup> “No person [...] shall be deprived of life, liberty, or property, without due process of law” (U.S. Bill of Rights, Fifth Amendment); “[...] nor shall any state deprive any person of life, liberty, or property, without due process of law” (U.S. Bill of Rights, Fourteenth Amendment).

<sup>98</sup> *Goldberg v. Kelly*, 397 U.S. 254 (1970).

<sup>99</sup> *Ibid.*

<sup>100</sup> “Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.” Article 10 – *Universal Declaration of Human Rights, proclaimed by the United Nations General Assembly on December 10, 1948.*

<sup>101</sup> PEJIC J., *What is a fair trial? A basic guide to legal standards and practice*, Lawyers Committee for Human Rights, (2000).

- Law applicable to the *merits of the case*.

The concept of a *border line* between the law applicable to the procedure and the law applicable to the merits of the case is widely discussed and accepted.

As underlined above, the parties can decide not to agree on the procedural law, since it can be the result of a choice of the arbitrators instead. However, most of the time the parties prefer choosing the law applicable to the merits of the case. With this choice, the parties set the guidelines and the principles the arbitrators will follow and apply when analysing the dispute.

International conventions as well as national arbitration laws consider the ability for the parties to select the applicable law as an important and relevant facet of international disputes, and as symbol of the freedom of choice that characterizes arbitral proceedings. Indeed, this position is established in the Geneva Convention 1961 (art VII.1)<sup>102</sup>, in the Washington Convention (Article 42)<sup>103</sup>, but also in the Italian Civil Procedural Code (Article 834)<sup>104</sup>, in the Dutch Civil Procedural Law (Article 1054.2)<sup>105</sup> and in the French Civil Procedural Code (Article 1496)<sup>106, 107</sup>.

Furthermore, in order to strengthen the freedom of choice of the parties, several general principles exist. First, the parties are entirely free to opt for the so-called *depêçage*, which is a technique that allows the parties to have sections of their contract governed by a law, and other sections governed by a different law, conferring to each section the most suitable treatment.<sup>108</sup> Second, the parties have the chance to select a supranational set of rules, instead of national laws. The range of choice comprehends general principles of law, rules of international commercial law, customary international law and directions deriving from the *Lex Mercatoria* or from the UNIDROIT Principles.<sup>109</sup> Such possibility allows the parties to have their dispute set through the application of rules and laws that do not belong to a particular State and/or to a specific jurisdiction. Indeed, the parties can choose to reach a

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<sup>102</sup> “The parties shall be free to determine, by agreement, the law to be applied by the arbitrators to the substance of the dispute. [...]”

<sup>103</sup> “The tribunal shall decide in accordance with such rules as may be agreed by the parties. [...]”

<sup>104</sup> “The parties have the faculty to choose, by agreement, the laws that the arbitrators have to apply to the substance of the dispute [...].”

<sup>105</sup> “The arbitral tribunal shall make its award in accordance with the rules of law. If a choice is made by the parties, the arbitral tribunal shall make its award in accordance with the rules chosen by the parties. [...]”

<sup>106</sup> “The arbitrator shall decide the dispute in accordance with the rules of the law chosen by the parties. [...]”

<sup>107</sup> FRIGNANI A., *L'arbitrato Commerciale Internazionale*, Trattato di Diritto Commerciale e di Diritto Pubblico dell'Economia (diretto da Francesco Galgano), Vol. 33, CEDAM (Padova, 2004).

<sup>108</sup> *Ibid.*

<sup>109</sup> *Supra* note 48, p. 20.

resolution which is the result of the application of model sets of laws and principles that are broadly and internationally recognised.

Worth examples of these kinds of rules are the abovementioned *Lex Mercatoria* and the UNIDROIT Principles.

The *Lex Mercatoria* is a set of legal principles generally accepted by the international business community. It does not possess a shared and settled notion, commonly agreed by the majority of the doctrine,<sup>110</sup> but it reflects the attitude of the users to create a “*law proper to international economic relations*”.<sup>111</sup> In this way, the *Lex Mercatoria* gets to embrace all those legal principles that are the basis of international commercial customs: when speaking of “trade usages”, the reference is to “*any practice or method of dealing having such regularity of observance in a place, location or trade as to justify an expectation that it will be observed with respect to the transaction in question*”.<sup>112</sup>

Thus, according to this definition, the eminent legal standards comprehended in the *Lex Mercatoria* include principles such as: *pacta sunt servanda*, *bona fides*, voidability of the pact, invalidity of the contract when against imperative national laws, interpretation of the contract *contra proferentem*, duty of cooperation between the parties, *factum principis* or *force majeure* as a cause of invalidity of the contract.

Conversely, UNIDROIT Principles are considered as a reflection of the *Lex Mercatoria*, as they embrace general commercial notions accustomed by several legal systems operating on the international commercial scene. In particular, a strategic definition for the UNIDROIT Principles is given in the case n. 7110/1995 of the International Chamber of Commerce (First Partial Award). This case reveals the general consensus on applicable legal principles in international intellectual property arbitration regarding commercial contracts. The concept is presented as follows:

*“The reasons why this tribunal considers the Unidroit Principles to be the central component of the general rules and principles regarding international contractual obligations and enjoying wide international consensus, which constitute the proper law of the Contracts, are manifold: (1) the Unidroit Principles are a restatement of international legal principles applicable to international commercial contracts made by a distinguished group of international experts coming from all prevailing legal systems of the world,*

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<sup>110</sup> LÓPEZ RODRÍGUEZ A. M., *Lex Mercatoria*, University of Aarhus – Department of Private Law, (Aarhus, 2002).

<sup>111</sup> *Supra* note 79, p. 31.

<sup>112</sup> U.S. Uniform Commercial Code, Article 1 pArticle 3-440. 1303 (3).

*without the intervention of states or governments, both circumstances redounding to the high quality and neutrality of the product and its ability to reflect the present stage of consensus on international legal rules and principles governing international contractual obligations in the world, primary on the basis of their fairness and appropriateness for international commercial transactions falling within their purview; (2) at the same time, the Unidroit Principles are largely inspired (by) an international uniform law text already enjoying wide international recognition and generally considered as reflecting international trade usages and practices in the field of the international sales of goods. [...].”<sup>113</sup>*

As a result of the described characteristics of the *Lex Mercatoria* and of the UNIDROIT Principles, it appears clear how the choice of such principles would benefit the parties of an international dispute. Indeed, they reach their highest efficacy when applied to international commercial transactions. Therefore, they would prove to be extremely functional for parties seeking for applicable laws that are generally accepted and enforced, characterized for being unfettered from the nationalism typical of national laws.

- *Finality and enforceability of the award*

During an international dispute, two main issues are likely to arise: first, especially when IP rights are concerned, the length of the dispute is highly important,<sup>114</sup> second, it is worth to discuss potential issues related to the recognition of the final award. Both these issues find in international arbitration an extremely functional and effective solution.

The first issue consists of the need to conclude the trial in a reasonable time. Indeed, as long as it is still possible for the decision to be appealed, the case cannot be considered definitively closed and resolved. However, allowing the parties the possibility to appeal a decision, inevitably leads to two opposite outcomes: while the final decision is more likely to be extremely accurate, being the result of the transit through two or more levels of judgement, this process would take a large amount of time, with the unavoidable shortcoming for an IP right holder to risk loss of interest in defending his position.

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<sup>113</sup> ICC Case n. 7110/1995, available at <http://www.unilex.info/case.cfm?id=713>.

<sup>114</sup> In Chapter 1, the risk for the object of an IP right to become soon obsolete was discussed, along with the consequential need to promptly resolve related disputes: the aim is to preserve the economic value of the rights at stake, given the rapid evolution and progression of the market where such rights typically operate.

Arbitral awards, instead, do have the quality of finality:<sup>115</sup> this implies that there is no possibility of appeal, at least in the merits, and the decision given by the arbitrators is definitive. The only way through which the parties keep the possibility to appeal is an express agreement previous to the arbitration proceeding. However, such characteristic does not entirely exclude the possibility of subsequent formal controls. The arbitral tribunal that handed down the final decision can, either upon request of one the parties or *ex officio*, correct material, technical or typographical errors, incorporating them in a document called *addendum*. In particular, the *addendum* will not form an independent component detached from the final award - which will remain the one and only definitive decision, comprehensive in this case of succeeding corrections.<sup>116</sup>

Moreover, the common rebuttal of a second grade of jurisdiction in arbitration proceedings is proclaimed in some of the most relevant arbitration provisions. Fine examples are Article 29.2 of the LCIA Arbitration Rules<sup>117</sup>, Article 35.6 of the ICC Arbitration Rules<sup>118</sup> and Article 64 WIPO Arbitration Rules<sup>119</sup>.

Besides, under few, specifically expressed circumstances, an arbitral award can be susceptible of further control and, in some cases, can be declared invalid and set aside. Those circumstances are all related to defects and irregularities that make the decision void: in fact, they all correspond to the grounds according to which the enforcement of the award can be refused, as provided in the New York Convention (1958), which will be introduced below.

Moreover, a clear example to prove such ease of enforcement of a final award is provided by Article 64 of the WIPO Arbitration Rules, which rules that “*the parties undertake to carry out the award without delay*”: the immediate consequence of this provision, is that most arbitral awards are implemented voluntarily by the succumbing party, and a concrete enforcement is not needed in practice. Conversely, in the cases when enforcement is necessary, the involvement of national courts is essential. In fact, when seeking the enforcement either of a national or of an international arbitral award the parties have the burden of recourse to the national court of the State where they intend to enforce the award.<sup>120</sup>

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<sup>115</sup> *Supra* note 14, p. 29.

<sup>116</sup> *Supra* note 79, p. 31.

<sup>117</sup> “To the extent permitted by any applicable law, the parties shall be taken to have waived any right of appeal or review in respect of any determination and decision of the LCIA Court to any state court or other legal authority [...].”

<sup>118</sup> “By submitting the dispute to arbitration under the Rules, the parties undertake to carry out any award without delay and shall be deemed to have waived their right to any form of recourse insofar as such waiver can validly be made.”

<sup>119</sup> “By agreeing to arbitration under these rules, the parties undertake to carry out the award without delay, and waive their right to any form of appeal or recourse to a court of law or other judicial authority [...].”

<sup>120</sup> *Supra* note 49, p. 20.



In particular, in order to grant enforcement, a specific title is necessary: the *exequatur*.<sup>121</sup> Once the *exequatur* is conceded, it has the effect of recognising the award at the national level and, consequently, of enforcing it.

In practice, according to the domestic or foreign nature of the award, a slightly different process to obtain the *exequatur* is carried out. On one side, an award is considered domestic when enforcement is sought in the same State where the award was decided. In this case, the procedure for the enforcement follows the national law of the State concerned. On the other side, an award is considered foreign when it has to be enforced in a State which is different from the one where the arbitral tribunal decided. In this case, two States are concerned and, under this circumstance, two main scenarios may occur.

The first one is that there is not a bilateral nor a multilateral agreement between the States concerned: as a consequence, enforcement will be subject to the national law of the State where the award is demanded. The second alternative, instead, postulates the existence of a bilateral or multilateral agreement which binds the States as to the recognition and enforcement of the awards. Therefore, due to the presence of a treaty on the issue of recognition and enforcement between two or more jurisdictions, the provisions arranged by the parties will prevail on the corresponding national laws.

Additionally, as for arbitral awards in particular, their ease of enforcement derives from the “*Convention on the Recognition and Enforcement of Foreign Arbitral Awards*” (New York, 1958). This convention has 157 States parties all over the world<sup>122</sup>. As a principal result, arbitral awards are today enforceable in 157 different jurisdictions without any need for national courts to interfere.

The *ratio* behind the need of an agreement binding several States and different jurisdictions, in relation to the subject of recognition and enforcement of foreign decisions, is clearly emphasised in the *Introduction* to the Convention:

*“Recognizing the growing importance of international arbitration as a means of settling international commercial disputes, the Convention seeks to provide common legislative standards for the recognition of arbitration agreement and court recognition and enforcement of foreign and non-domestic arbitral award. [...]”*

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<sup>121</sup> *Supra* note 10, p. 8.

<sup>122</sup> For more information on the list of States parties see: [www.uncitral.org/uncitral/en/uncitral\\_texts/arbitration/NYConvention\\_status.html](http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html).

*The Convention [...] obliges Parties to ensure such awards are recognized and generally capable of enforcement in their jurisdiction in the same way as domestic awards.*<sup>123</sup>

Thus, in the first place, the crucial impact of international arbitration on the international commercial scene is the driving force behind providing a homogeneous and wide-ranging method of enforcement of an arbitral award.

However, the great positive effects brought by the Convention are not only related to the aptitude for the implementation of the arbitral awards, but also to the established circumstances where a national court is entitled to refuse the recognition and the enforcement of the award. In fact, asking the parties to commit themselves to the enforcement of any foreign or arbitral award, with no possibility of interference, could be as harmful as an unfettered freedom of choice.

Consequently, in order to avoid irrational situations where national courts are bound to enforce arbitral awards which are unfair, void, invalid, or not in compliance with procedural laws, the Convention provides a list of circumstances under which recognition and enforcement may be refused by national courts.

In particular, it is essential to point out that such circumstances never take into consideration the possibility for the national courts to examine the award as to the merit or to the substance: permitting such a control would result in a second grade of judgement, whereas the general refusal of appealing an arbitral award has already been introduced as a fundamental topic.<sup>124</sup>

Moreover, a further peculiarity of these circumstances, is that they allow not only the refusal of recognition and enforcement of the arbitral award, but also an exceptional subsequent control which may end up invalidating or setting aside the award. As frequently remarked, a subsequent control cannot interfere with the merit or the substance of the award: accordingly, the situations described in the Convention postulate occurrences where technical or procedural irregularities in the award are inconsistent, unfair and defeat its enforcement.

For these reasons, the grounds for invalidating, setting aside or refusing the recognition of the award concern, for instance, the invalidity of the arbitration agreement, violations of principles on the due process, irregularities in the constitution or composition of

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<sup>123</sup> Convention on the Recognition and Enforcement of Foreign Arbitral Awards – Introduction (New York, 1958).

<sup>124</sup> *Supra* note 29, p. 14.

the arbitral tribunal, non-arbitrability of the subject matter of the award or matters of public policy. They are established in Article V of the Convention that states that:

*1. Recognition 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:*

*(a) The parties to the agreement referred to in article II were, under the law applicable to them, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the State where the award was made;*

*(b) The party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case;*

*(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;*

*(d) The composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the State where the arbitration took place;*

*(e) The award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the State in which, or under the law of which, that award was made*

*2. Recognition and enforcement of an arbitral award may also be refused if the competent authority in the State where recognition and enforcement is sought finds that:*

*(a) The subject matter of the difference is not capable of settlement by arbitration under the law of that State;*

*(b) The recognition or enforcement of the award would be contrary to the public policy of that State.*

## **2. Limitations of international arbitration**

In the previous paragraph, a brief description of international arbitration was carried out, taking into account the key features from which international IP disputes could gain the most benefit. Great emphasis was given to the wide freedom of choice accorded to the parties when selecting the Tribunal and its venue. The aim is to choose a forum where the international nature of the dispute would not be the object of the bias or prejudice of a court belonging to the same State as one of the parties.

In addition, there was a significant focus on the possibility for the parties to choose arbitrators with expertise and knowledge suitable and specific for the particular issues at stake. This would ensure the most accurate and precise evaluation of the interests and rights at issue in the dispute. Moreover, being able to select the applicable law both to the procedure and to the merit of the dispute underlines how favourable it is for the parties to have their dispute conducted through the rules and guidelines that the parties or the arbitrators deem most appropriate.

Nevertheless, the numerous and viable advantages connected to arbitration in international IP disputes, do not make arbitration a universal solution suitable for every kind of IP dispute that may arise. Despite the undeniable benefits coming from this type of dispute resolution mechanism, it is however essential to remember that not all the international IP disputes can be properly resolved by arbitration.

First of all, arbitration is characterised by bright sides as well as pitfalls. In addition, each dispute is different from another: consequently, arbitration cannot be considered a *panacea*,<sup>125</sup> but it shall be chosen taking into consideration the pragmatic advantages it could effectively lead to in the specific case. In order to give a final all-comprehensive view on international arbitration, the following paragraphs will provide a description of its disadvantages when applied to IP disputes, and an illustration of the circumstances where litigation would be more preferable than ADR in general.

As already remarked above, the aims of discussing the drawbacks of arbitration along with the situations where it would prove to be suboptimal, are twofold: first, to provide an all-encompassing description of the phenomenon; second, to provide an informative guide that is useful in discerning the occurrences where arbitration should or should not be preferred and, therefore, when it could be efficiently exploited with the best outcomes.

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<sup>125</sup> *Supra note 30, p. 14.*

## **2.1. Situations where international arbitration would not be convenient**

As already addressed, there are few circumstances under which arbitration would risk to turn out to be an inadequate alternative, due to several factors. The first scenario occurs when the parties intend to set a legal precedent for future litigations.<sup>126</sup>

Arbitral awards, in fact, are known for not having any potentiality to become legal precedent. Such inability is due to different reasons: first, arbitral tribunals are constituted differently for each different arbitration, thus lacking the permanent and stable aspect of a national court.<sup>127</sup> Second, most of the arbitral decisions and of the proceedings are kept confidential, therefore “*the tribunals do not have knowledge of all decisions previously rendered.*”<sup>128</sup>

Thus, when parties are involved in a dispute of notable relevance, the settlement of which would work as an important legal precedent for future similar disputes, or when complex questions of law arise<sup>129</sup>, arbitration may not result in the most appropriate solution.

Nonetheless, an increasing number of arbitral tribunals are now referring to and citing past decisions within the proceedings as an indicator of the shared emerging argument according to which “*arbitration awards should receive precedential value.*”<sup>130</sup>

The second scenario takes place in those cases where the IP right holder is seeking publicity, rather than the confidentiality ensured by arbitration. A typical situation where the claimant would gain remarkable benefit from the publicity of the dispute, and especially of the final award, occurs where his or her right is recognized and enforced against an alleged infringer.<sup>131</sup> Similar examples comprehend those final decisions that are capable to deter potential infringers or to ensure public vindication and affirmation of a claimed right.<sup>132</sup>

Evidently, in cases where an award retains qualities of publicity, *erga omnes* effect and precedential value would be more satisfying and functional for the IP right holder, as he would receive higher protection.

Furthermore, the only instrument to submit to an arbitral proceeding is the arbitral agreement between the litigants and, in particular, the arbitration clause. Indeed, an agreement

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<sup>126</sup> *Supra* note 64, p. 28.

<sup>127</sup> GUILLAUME G., *The Use of Precedent by International Judges and Arbitrators*, Journal of International Dispute Settlement. Vol. 2, No. 1 (2011).

<sup>128</sup> *Ibid.*

<sup>129</sup> *Supra* note 61, p. 24.

<sup>130</sup> *Supra* note 38, p. 17.

<sup>131</sup> *Supra* note 23, p. 12.

<sup>132</sup> *Supra* note 2, p. 5.

between two litigants postulates a shared decision and a consensual choice, which would result in a mutual resolution.

However, especially if the arbitration agreement needs to be established as a *submission agreement* (which is the one used subsequently to the rise of the dispute), or when the dispute arises after the deliberate bad faith on the side of one party<sup>133</sup>, court litigation may turn out to be a preferable option. This may also be true in cases where one of the disputants acts in an extremely uncooperative way, or even more when the dispute stems out from an extra-contractual violation of rights,<sup>134</sup> where the claimant might not want to begin a relationship with the infringer of his right. Indeed, “*unless there is a pre-existing contractual relationship between the parties, it may be very difficult to convince an adverse party to agree to arbitration after a dispute arises.*”<sup>135</sup>

Despite speed and promptness being a significant advantage of arbitration, it may lead sometimes to the exclusion of further critical components. Amongst them, there is the missed chance of having a fair hearing, a wide discovery and an exhaustive cross-examination process.<sup>136</sup> In some cases, “*speed comes at the expense of legal certainty and the chance of having a fair hearing. [...] Furthermore, the parties will not have time to develop their cases or to introduce volumes of documentary evidence or numerous witnesses.*”<sup>137</sup> Accordingly, it is clearly evident that arbitration can suit only those cases where a throughout and meticulous discovery is not necessary: cases that are technically easy, and the necessities of a speedy review of the case prevails over the advantages of an extensive discovery. Finally, there is one last particular circumstance that may lead to an unsuccessful arbitration.

By now, it is obvious that the whole process of arbitration relies and depends on the arbitration agreement and, in particular, on the choices of the parties: any aspect, phase or element of the resolution process finds its *ratio* in a clause of the agreement, which is the result of a mutual decision between the parties. Therefore, any wrong or inadequate provision in the arbitration agreement or clauses would inevitably affect the outcome of the proceedings. Sometimes the parties do not commit to arbitration as they are not able to recognize its advantages to the highest extent, due to a lack of knowledge on arbitration’s mechanisms.<sup>138</sup> Most of the times, inadequate provisions or unsatisfactory drafts of the

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<sup>133</sup> *Supra* note 49, 20.

<sup>134</sup> *Ibid.*

<sup>135</sup> *Supra* note 30, p. 14.

<sup>136</sup> NACHTRAB K., *To Arbitrate or to Litigate: That is the Question*, (2007).

<sup>137</sup> *Supra* note 23, p. 12.

<sup>138</sup> *Supra* note 2, p. 5.

arbitration agreements or clauses are due to the poor familiarity of the parties with the arbitral system.<sup>139</sup>

However, such a shortcoming can be easily overcome. There are three potential remedies: the first one requests the parties to change route towards traditional litigation systems, where the dispute is essentially referred to an established tribunal, with its own set of structure and procedures. The second option, instead, allows the parties to carry on the way of arbitration, but relying on model sets of rules<sup>140</sup> which only need to be applied and do not need anything further from the parties. Finally, the third option, which is the most efficient and profitable alternative, consists in providing a broader education and guidance on this topic in order to encourage and facilitate a wider and more conscious approach to arbitration.

### **3. Global overview of IP arbitration**

In conclusion, in order to give a general overview of how international arbitration in IP disputes is pragmatically approached and felt on the global scene, the following paragraphs will present the methodology used by some of the most influencing States and institutions on the international commercial front. This will provide a final all-encompassing examination of the phenomenon of international arbitration, which will be then analysed both theoretically and practically. The entities taken into consideration are the US and the EU, given their commercial relevance and the peculiarities in their approaches.

#### **3.1. The US approach**

In a first moment, the United States (US) were not extremely keen towards international arbitration, and this is also proved by the fact that they ratified the NY Convention only in 1970.<sup>141</sup> Nevertheless, later the US had to deal with a significant development of their position in the international commercial market. Indeed, in the last decades, they have turned into one of the greatest powers in terms of new technologies and information, considering both the phase of construction and ideation of technological inventions, and the subsequent phase of trade and exploitation. Consequently, the attitude of foreign States to consider the US as a lucrative target for their aims of piracy and

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<sup>139</sup> *Supra note 31, p. 14.*

<sup>140</sup> i.e. WIPO Arbitration Rules, LCIA Arbitration Rules, ICC Arbitration Rules, UNCITRAL Arbitration Rules etc.

<sup>141</sup> *Supra note 2, p. 5.*

counterfeiting arose. Accordingly, these events inevitably led the US to face many intellectual property disputes, so that a concern for the need of an appropriate and efficient method to resolve these disputes became contingent.

Undoubtedly, the above-mentioned disputes were likely to arise not only at the national level, but also on the international stage, rendering arbitration even more desirable. There is no need to remark once again the advantages and benefits of international arbitration of IP disputes: the US recognized these benefits and ratified the New York Convention, albeit twelve years after its entry into force.

Consequently, right after the ratification of the said Convention, in 1971, the US decided to modify the Federal Arbitration Act (FAA, 1925) in order to guarantee compliance with the New York Convention. Ever since that moment, the US have developed a favourable mindset towards international arbitration, *“not only accepting it, but strongly encouraging arbitration.”*<sup>142</sup>

Furthermore, in corroboration of such an eager outlook, it is remarkable to notice that today the American Arbitration Association (AAA) is *“the largest arbitral agency in the world in terms of caseload and facilities”*,<sup>143</sup> and that its approach on whether or not certain IP issues can be subject to arbitration is one of the most permissive. The AAA’s arbitration rules allow the arbitrability of critical subjects, such as *“patent interferences”*<sup>144</sup> (a patent interference occurs when two or more inventors in a dispute accept to decide to whom the patent belongs, on the basis of which one of them can claim the earliest date of invention).<sup>145</sup>

### **3.2. The EU approach**

As far as EU is concerned, it is essential to make clear that a few crucial steps have been made, being fundamental for EU Member States to harmonise as much as possible different national legislations. The most significant actions led to the ratification of the Conventions and Agreements mentioned below, and were aimed at setting some directives in both the fields of arbitration and of Intellectual Property. Along with them, several Regulations were adopted concerning, for instance, the implementation of cooperation in

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<sup>142</sup> *Supra note 50, p. 20.*

<sup>143</sup> *Supra note 31, p. 14.*

<sup>144</sup> Patent Law Amendments Act of 1984 – Sec. 105(d) “Arbitration of Interferences”.

<sup>145</sup> *Supra note 2, p. 5.*



creating a unitary patent protection<sup>146</sup>. The EU has always aspired to provide a comprehensive framework on intellectual property rights.

### **3.2.1. The European Convention on International Commercial Arbitration – 1961**

The oldest convention is the “European Convention on International Commercial Arbitration”, otherwise known as the 1961 Geneva Convention. One must bear in mind two main aspects of the Convention: the primary goal and the area of application of the rules provided therein.

First, the aim of the Convention is clearly set out in the Preamble, where the reasons to draw such rules consist of the desire of “*promoting the development of European trade by, as far as possible, removing certain difficulties that may impede the organization and operation of international commercial arbitration in relations between physical or legal persons of different European States.*”<sup>147</sup>

The emphasis is given to the necessity of providing a system of rules capable of overcoming those obstacles, already discussed in Chapter 1, that typically arise in international commercial relations and, even more, in international commercial disputes. Moreover, due to the above mentioned increasing use of international arbitration in the resolution of such disputes, the Convention is committed to setting forth supranational principles and regulations to be applied in disputes presenting parties from very different jurisdictions and systems of laws.

Second, the core function and scope of the Convention is straightforwardly delineated in Article I (1), which states that:

*“This Convention shall apply:*

*(a) To arbitration agreements concluded for the purpose of settling disputes arising from international trade between physical or legal person having, when concluding the agreement, their habitual place of residence or their seat in different Contracting States;*

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<sup>146</sup> i.e. Regulation (EU) N. 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, and Regulation (EU) N. 1260/2012 implementing enhanced cooperation on the area of the creation of unitary patent protection with regard to the applicable translation arrangements.

<sup>147</sup> European Convention on International Arbitration (Geneva, 1961).

*(b) To arbitral procedures and awards based on agreements referred to in paragraph 1(a) above.”*

As stated in paragraph (a), the rules of the Convention are susceptible of application to those arbitration agreements signed by parties from different contracting States. The criteria established in order to determine whether or not a dispute is international focus on the habitual place of residence of a physical person, or on the seat of a legal person. When they happen to be different, the commercial relationship at issue must show international characters. These indicia of international character must exist at the conclusion of the arbitration agreement.

Moreover, the article refers to “international trade”, focusing on the commercial aspect of the disputes at issue. However, it was the explicit intention of the contracting States of the Convention not to give a uniform definition of “commercial”, leaving the task of interpretation of such a concept to the various national legal systems.<sup>148</sup>

Therefore, following this path, it was easy for the contracting States of the Convention to include IP disputes in the definition of “international trade” and not only disputes regarding joint venture agreements, licensing agreements, business acquisition agreements, purchasing agreements and employment agreements. This is due to the freedom left to the contracting States to define the commercial nature of an arbitration in accordance with their own national sources and criteria.<sup>149</sup>

### **3.2.2. The Principles on Conflict of Laws in Intellectual Property – 2011**

Chapter 1 cited the “Principles on Conflict of Laws in Intellectual Property”. This was the outcome of a project carried out by the European Max Planck Group which began in 2004 and ended in 2011, with the release of the final text after several preliminary drafts (the first and second draft in 2009, another draft in 2011).

Firstly, the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP) must be introduced. The CLIP was first established in 2004 as a team made up of scholars coming from various EU States specialising in the field both of intellectual property law and private international law. It is currently financed by the Max Planck Society, and the

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<sup>148</sup> HASCHER D. T., *European Convention on International Arbitration on 1961 – Commentary*, International Council for Commercial Arbitration, (2011).

<sup>149</sup> *Supra note 48, p. 20.*

group meets on a regular basis with the aim of discussing issues of intellectual property, private international law, jurisdiction and enforcement.<sup>150</sup>

The Final Text of the “Principles on Conflict of Laws in Intellectual Property” (2011) is undeniably a decisive breakthrough in pursuing a homogenous supranational legislation in the field of IP disputes. In particular, the purpose and scope of those Principles are directly presented in the Preamble of Part 1, where their core functions are expressed as “*supporting and supplementing international and domestic law [...], serving as a model for national, regional, and international organizations [...] and reflecting general principles of private international law relating to intellectual property*”, especially for courts and arbitrators engaged in IP disputes resolution.<sup>151</sup>

Even further, in order to specify the area of application of the Principles, Article 1:101(2)(3) states as follows:

*(2) These Principles apply to civil matters involving intellectual property rights. [...]*

*(3) These Principles may be applied mutatis mutandis to*

*[...]*

*(c) claims resulting from unjustified allegations of infringements of intellectual property rights.*

Additionally, the Principles can be considered a product not only of the action of the members of the CLIP, but also of the special contribution of non-members. Indeed, in each Preliminary Draft, there was an open encouragement to anyone willing to present ideas and recommendations:

*“Everybody is invited to make suggestions or advance critical remarks to the members of the group.”<sup>152</sup>*

In conclusion, it is clear how these principles are capable to have an undoubtedly favourable effect when applied to international IP disputes. Such an outcome is the expression of a goal set out few years earlier, which was “*to draft a set of principles for conflict of laws*

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<sup>150</sup> European Max-Planck Group on Conflict of Laws in Intellectual Property, Principles for Conflict of Laws in Intellectual Property – The Draft, “*About the Draft and the Project*”, (2011).

<sup>151</sup> European Max-Planck Group on Conflict of Laws in Intellectual Property, Principles on Conflict of Laws in Intellectual Property – Final Text, “*Part 1: Purpose and Scope*”, (2011).

<sup>152</sup> *Supra note 150, p. 51.*

*in intellectual property and to provide independent advice to European and national law makers.*”<sup>153</sup>

Additionally, such Principles respond to exigencies and needs pointed out also by non-members of the CLIP: as everyone had a chance to contribute with their own suggestions and advice to the final text, the latter ends up reflecting both the expert and specialized involvement of the CLIP members on the one hand, and the critical influence of the practical users of the Principles on the other hand.

### **3.2.3. The Agreement on a Unified Patent Court – 2013**

Finally, a further act worth mentioning in the EU scenario, is the “Agreement on a Unified Patent Court” (2013), currently ratified by 25 EU Member States but not by Spain and Poland.

In the previous Chapter, the most complicated aspect of IP rights was found to consist in the territorial nature of property rights in general, and consequently of rights on inventions in particular. This circumstance, as already mentioned, would inevitably imply that *“anyone wishing to protect or defend an invention in 10 important markets must acquire 10 different property rights and, in principle, conduct 10 different lawsuits should an infringement occur.”*<sup>154</sup>

At the European level, where the most compelling issues are usually regulated in a homogenous way among Member States, providing a more uniform, efficient and rational system to defend and enforce rights on inventions, would be within the EU’s core principles and beliefs.

Moreover, enhancing cooperation and successful methods for protecting and implementing patent rights, would certainly result in a significant move towards the European integration process, especially as far as the European internal market is concerned, and fair competition would then prove to be strongly and harmoniously protected.

For the above-mentioned reasons, an innovative process began in 2012, with two singular Regulations being adopted by the European Parliament and the Council: the Regulation No. 1257/2012 implementing enhanced cooperation in the area of the creation of

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<sup>153</sup> European Max-Planck Group on Conflict of Laws in Intellectual Property, *“Comments on the European Commission’s Proposal for a Regulation on the Law Applicable to Contractual Obligations (“Rome I”) of December 15, 2005 and the European Parliament Committee on Legal Affairs’ Draft Report on the Proposal of August 22, 2006 – Introduction”* (2007).

<sup>154</sup> *Supra* note 25, p. 17.

unitary patent protection; and the Regulation No. 1260/2012 implementing enhanced cooperation on the area of the creation of unitary patent protection with regard to the applicable translation arrangements.

The core aim of such acts can be found in Article 3(1) of the first Regulation, which states:

*“A European patent granted with the same set of claims in respect of all participating Member States shall benefit from unitary effect in the participating Member States, provided that its unitary effect has been registered in the Register for unitary patent protection”*

Then, Article 2(c) specifies that *“‘European patent with unitary effect’ means a European patent which benefits from unitary effect in the participating Members States by virtue of this Regulation”*.

Such EU Regulations set down the basis for the path leading to the adoption of the “Agreement on a Unified Patent Court”. The *ratio* behind the need of such an agreement, is essentially related to the detriment that small and medium sized enterprisers would suffer in a fragmented market, where enforcement and protection of patent rights would encounter several problematic obstacles.<sup>155</sup>

Therefore, the Agreement has eminent and valuable purposes: the improvement of the enforcement of patents, their protection against alleged infringements, along with the implementation of legal certainty and the uniformity of the European legal order in the field of intellectual property.

However, although it is neither directly related to the issue of arbitrability of IP disputes nor to arbitration in general, the Agreement on a Unified Patent Court is a fine example of the urgency for a uniform and harmonious treatment for patent issues and, more generally, intellectual property rights. The UPC is indeed a response to such need, not only in terms of traditional court litigation: Article 35 of the Agreement, in fact, establishes a Patent Mediation and Arbitration Centre (the “Centre”), located in Ljubljana and Lisbon.

The Centre can be listed among the various mediation and arbitration institutions, with their own rules and procedures, among which the parties can choose to submit their dispute. Indeed, a dispute concerning a European Patent, released by the European Patent Office, does

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<sup>155</sup> Agreement on a Unified Patent Court – *Preamble* (2013).

not necessarily involve an implicit choice of the seat of arbitration in the UPC Arbitration Centre: the venue of the arbitration proceedings remains a result of the freedom of choice of the parties.

### **Concluding remarks**

The aim of this Chapter was to provide an in-depth discussion on the procedure of arbitration: its main features, the position of the parties and the strategic role of the freedom accorded to them.

However, in order not to present the subject only under a descriptive point of view, further aspects were taken into consideration.

In particular, the aim was to provide a wide-ranging prospect, comprehensive of critical and analytical elements. Hence, for this reason, attention was drawn to situations and scenarios where, despite the obvious advantages and benefits of international arbitration, court litigation may be preferable. Nevertheless, recourse to international arbitration for international IP disputes is becoming an increasingly frequent choice. Under certain circumstances, in fact, the disputants end up preferring international arbitration, as its characteristics and peculiarities, especially in terms of time and costs-savings, prove to be an advantageous alternative over court litigation resolutions.

Such an increasingly positive perception for this type of ADR is corroborated by what, in practice, important entities such as the US or the EU have done to refine its processes, both on the ground of international arbitration as a whole, and when applied specifically to IP disputes. Various international agreements were discussed, with the aim of highlighting the supranational impact of the topic at issue.

The key protagonists of international IP arbitration have not been introduced yet: the arbitration institutions. The next Chapter will focus on their role and function, as well as the importance of their presence on an international stage. In addition, great attention will be dedicated to the WIPO in general, and to the WIPO Arbitration and Mediation Centre in particular, as being the most effective and functional one when IP rights and interests are at stake.

# CHAPTER 3

## THE ARBITRATION INSTITUTIONS, WITH A FOCUS ON THE WIPO ARBITRATION AND MEDIATION CENTER

### Introduction

The focus of this third Chapter will be on one of the most relevant and efficient entities in the field of protection and enforcement of IP rights: the World Intellectual Property Organization (WIPO). As the aim of this thesis is providing an overview on the application of international arbitration to intellectual property disputes, particular emphasis will be given to the WIPO Arbitration and Mediation Center, with specific highlight on the arbitration panels of this organization, and on the way they operate.

The discussion will be preceded by a general introduction on the two main existing systems of arbitration: *ad hoc* arbitration and institutional arbitration. As explained in Chapter 2, arbitration is not a *panacea*; hence, in order to exploit and gain the greatest benefit from its utilization, lawyers and clients must discern the functions and features of these two types of arbitration. *Ad hoc* and institutional arbitration possess distinct traits and character. The two systems are precise tools tailored for different, and sometimes opposite, kinds of situations. Consequently, acknowledging their distinctive characteristics can lead to a more conscious and informed choice and, therefore, better outcomes.

Before analysing the WIPO Arbitration and Mediation Center, some of the most relevant and influencing entities on the international commercial scene, including the London Court of International Arbitration (LCIA), the International Chamber of Commerce Court of Arbitration (ICC Court), the Permanent Court of Arbitration (PCA), the United Nations Commission on International Trade Law (UNCITRAL), will be briefly presented in order to illustrate how institutional arbitration is pragmatically carried out.

## **1. Institutional vs *ad hoc* arbitration**

One of the principal steps that the parties need to take after opting for arbitration is deciding whether they will partake in an institutional or an *ad hoc* arbitration proceeding. Choosing the former solution will exonerate the parties from the burden of customizing their dispute resolution proceedings in detail, since the dispute will be entrusted to an arbitration institution, applying its own model set of rules.

Conversely, opting for an *ad hoc* arbitration will require the parties to tailor various elements of the dispute (location, language, applicable law, arbitrators etc.) which, in this case, will be the result of the consensus of both parties.<sup>156</sup> Naturally, each solution leads to advantages as well as disadvantages, which will be introduced below.

### **1.1. Ad hoc Arbitration**

Among the core benefits of arbitration in general, specific emphasis was given to the broad freedom of choice conferred to the parties as to the customization of the arbitral proceedings. However, this power can be fully appreciated and exploited when *ad hoc* arbitration is practiced, since it does not follow a set model of rules and procedures as those provided in institutional arbitration. *Ad hoc* arbitration, in fact, is a product of the choices of the parties, and this may result in increased functionality that the parties would not otherwise find in institutional arbitration. On the other hand, it might, however, turn into a risky gamble.

A successful and risk averse *ad hoc* arbitration will depend on several circumstances that will be introduced in the following paragraph.

#### **1.1.1. Advantages & Disadvantages**

In order to gain the most utility from an *ad hoc* arbitration, the disputants ought to take into consideration all the possible advantages and disadvantages of such a practice.

First, the most distinctive aspect of an *ad hoc* arbitration is its flexibility. Indeed, it is not based on a pre-prepared set of rules, but it is instead tailored on the exigencies and needs of the parties that differ from case to case. As a main consequence, it demands a reasonable

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<sup>156</sup> ROE M., *Institutional VS 'Ad Hoc' Arbitration*, OutLaw.com (2011), <https://www.out-law.com/en/topics/projects--construction/international-arbitration/institutional-vs-ad-hoc-arbitration/>, last visited October 19, 2017.



effort from both the parties in terms of cooperation,<sup>157</sup> as the arbitral proceeding is the product of their common choices. In order for *ad hoc* arbitration to function correctly, an efficient and organized collaboration is crucial. Indeed, a troublesome aspect of *ad hoc* arbitration is that “it depends for its full effectiveness upon the spirit of cooperation between the parties [...]”.<sup>158</sup>

Therefore, an *ad hoc* arbitration would be a more conducive solution under two circumstances. The first circumstance occurs when the dispute involves parties coming from jurisdictions or nationalities that share some similar and compatible aspects. For instance, China and Japan *prima facie* have similar cultures, due to their roots in Buddhism and Confucianism. However, they are polar opposites to one another due to their national history and conventions on business etiquette. France and Germany, instead, have similar systems and values and an *ad hoc* arbitration would likely be easier to conduct.

The second circumstance is the presence of an arbitration agreement drafted before the dispute has arisen, that includes a compromissory clause. Indeed, in this case, it appears to be much more conducive to the needs of both parties to collaborate and contribute with mutual agreement to the operations of the arbitral tribunal.

It has already been remarked that the general voluntary nature of ADR makes its use inappropriate when one of the parties is particularly uncooperative<sup>159</sup> or deliberately in bad faith,<sup>160</sup> as it may happen when recourse to arbitration follows a dispute that has already arisen and the relationship between the parties is therefore compromised.

There are further circumstances in which *ad hoc* arbitration is preferable as a method of dispute resolution. It is clear that the process of an *ad hoc* arbitration depends on and follows the parties’ mutual agreement. What this implies has already been remarked in Chapter 2 (§ 2.1): any aspect, phase or element of the resolution process finds its *ratio* in a clause of the agreement, which is the result of a mutual decision of the litigants. The main immediate effect, is that any inadequate provision within the arbitration agreement clauses will inevitably affect the outcome of the proceeding. In this way, the proper drafting of an arbitration agreement is paramount to the success of an *ad hoc* arbitration, as an agreement without careful contemplation of the parties and drafters can result in the arbitral proceedings becoming more a hindrance than a boon.

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<sup>157</sup> *Ibid.*

<sup>158</sup> RAJOO S., *Institutional and ad hoc arbitrations: advantages and disadvantages*, *The Law Review*, pp. 547-558, (2010).

<sup>159</sup> *Supra* note 38, p. 17.

<sup>160</sup> *Supra* note 49, p. 20.

Furthermore, a power imbalance may result in a significant obstacle to a successful agreement. In practice, the more powerful party could influence the drafting process of the agreement in such a way that the terms of the agreement might be in his/her favour. In this situation, institutional arbitration is preferable for the weaker party. This concept can be explained by analogy with a reference to the United Nations Convention on the International Sale of Goods (CISG). International contracting parties are bound by the CISG unless they make an exception to a clause in the contract. This convention exists to create a stable framework of law and principles between States, as well as to help protect international traders from a power imbalance resulting from being unfamiliar with a foreign jurisdiction. In the case of arbitration, the stronger party may take advantage of the weaker party as they may be less knowledgeable about the nuances of arbitration or simply not have the bargaining power to resist. This is where institutional arbitration may benefit the weaker party, as they are protected by the established rules, rather than subject to the rules stipulated by the stronger party.

The conclusion in the previous paragraph results in *ad hoc* arbitration best suiting smaller claims,<sup>161</sup> when the dispute revolves around duo-jurisdictional matters, that are easier to manage and less expensive for the parties, instead of claims where parties are involved in extremely complex multi-jurisdictional disputes, which would better be solved through an institutional arbitration.

Therefore, *ad hoc* arbitration should be adopted in those cases where the parties have a level of experience and expertise in the field of arbitration proceedings that can enable them to avoid the risk of inappropriate or incongruous provisions. Avoiding such provisions would naturally improve the possibility of a satisfying outcome.<sup>162</sup> *Ad hoc* arbitration requires a particular amount of expertise in drafting the arbitration agreement: hence, this aspect makes *ad hoc* arbitration more appropriate to parties that are “*sophisticated enough with arbitration to draft a workable arbitration clause [...]*”.<sup>163</sup>

However, parties involved in complicated and multifaceted disputes, lacking the expertise necessary to draft a successful and flawless arbitration agreement, have the possibility of resorting to institutional arbitration instead, which is introduced below.

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<sup>161</sup> *Supra* note 156, p. 57.

<sup>162</sup> *Supra* note 158, p. 58.

<sup>163</sup> *Supra* note 8, p. 7.

## **1.2. Institutional Arbitration**

Frequently in this work, the complex nature of IP disputes has been alluded to. Particular focus has been directed to the extremely technical matters implicated in such disputes, to the involvement of cutting-edge technologies and thus, to the immediate consequential need of a specialized forum able to properly consider and appreciate the interests at stake.

Nevertheless, parties may resort to institutional arbitration.

Institutional arbitration refers to “*arbitration under the rules of an established organization*”.<sup>164</sup> Under certain circumstances, entrusting a dispute to an arbitration institution would guarantee a safer and more stable result. Arbitration is well known for enhancing the freedom of choice of the parties, and for enabling them to select a tailored solution for their interests and capacities. However, it has already been explained that cooperation to reach a shared decision on the rules of arbitral proceedings does not always come without difficulty.

Nevertheless, the disputants who do not wish to give up the benefits of arbitration may, in such circumstances, opt for this kind of arbitration. In particular, such a possibility is expressly proclaimed in the 1961 Geneva Convention which, in art I(2)(b) and in art IV(1)(a) provides that:

*“The term ‘arbitration’ shall mean not only settlement by arbitrators appointed for each case (ad hoc arbitration) but also by permanent arbitral institutions.”*<sup>165</sup>

*“The parties to an arbitration agreement shall be free to submit their disputes to a permanent arbitral institution; in this case, the arbitration proceedings shall be held in conformity with the rules of the said institution.”*<sup>166</sup>

It is explicit in the Convention that an arbitral forum exists in cases where the parties are not required to find an agreement on the aspects and elements of the proceedings. Indeed, resorting to institutional arbitration only requests the parties to reach a shared decision to entrust the resolution of the dispute to an arbitral institution, which will then apply its own rules and provisions to the different phases and steps of the procedure (appointment of the

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<sup>164</sup> *Ibid.*

<sup>165</sup> Geneva Convention 1961, art I(2)(b).

<sup>166</sup> Geneva Convention 1961, art IV(1)(a).

arbitrators, seat and language of the tribunal, deadlines, hearings, evidence, interim measures, delivery of the award, fees and costs, etc.), without any intervention of the parties.

### **1.2.1. Advantages & Disadvantages**

Many advantages are related to institutional arbitration, especially due to the formal and organized nature of the proceedings and its uniform rules.

The main immediate benefit concerns the involvement of pre-established rules of the arbitral institution. Hence, having a dispute administered by a set of rules established by a third party ensures the parties several further advantages. Firstly, the dispute would be run under provisions laid out by an arbitral institution which would confer them the reputation and legitimacy of the institution itself.<sup>167</sup> Such a condition would certainly guarantee that the procedure would follow a more precise and efficient time schedule<sup>168</sup> and, moreover, would lead to more easily enforceable awards.<sup>169</sup>

Both these outcomes are extremely desirable when international IP disputes are processed. Indeed, the former ensures strict accordance with the deadlines of, for instance, statements of claim and defence or of the delivery of the final award, avoiding time-wasting circumstances and accordingly preserving the commercial value of the IP right at stake. The latter, on the other hand, is a strong security for the parties to see their rights enforced and pragmatically realized, since:

*“it is widely perceived that an arbitral award issued under the name of a well known institution for example, ICC, is helpful in terms of enforcement. It is only natural for courts faced with the enforcement of an award from a reputed institutional arbitration to be more accommodating considering the institution’s reputation in running a well administered and supervised arbitration.”<sup>170</sup>*

Additionally, delegating the resolution of the dispute to a model framework of rules inevitably influences the choice of the arbitrators as well. In this type of arbitration, the involved institution offers, along with the set of rules provided, a list of qualified and expert arbitrators. The benefit of this practice is that the arbitrators recommended by the Institution

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<sup>167</sup> *Supra* note 158, p. 58.

<sup>168</sup> *Supra* note 156, p. 57.

<sup>169</sup> *Supra* note 158, p. 58.

<sup>170</sup> *Ibid.*

will reflect the reputation and legitimacy of the institution concerned, ensuring the disputants a professional and specialized approach to their interests. Indeed, it has been frequently stated in this work how international IP disputes call for specific treatment suitable to their technical nature. Institutional arbitrators, when specifically trained and experienced in the field of IP rights, would prove to be an extremely strategic and nuanced choice for IP dispute resolution.

Furthermore, the advantages of an institutional arbitration are corroborated by the fundamental component of a professional administration service,<sup>171</sup> whose primary function is safeguarding the smooth running of the procedures, providing the adequate assistance of a trained staff.<sup>172</sup> This administrative service, indeed, ensures that *inter alia* the tribunal and arbitrators are appointed in a reasonable period of time, that fees and payments are received regularly and that time-limits are respected: therefore, the parties know that the resolution of their dispute is delegated to an expert entity, suitable to administer the dispute in a proper and professional way.

However, the benefits of institutional arbitration do not come without a cost. The antithesis of the above-mentioned advantages in institutional arbitration is the high and sometimes prohibitive costs of the procedure and of the related fees. In an institutional arbitration, parties have to handle the prices not only of the remuneration for the arbitrators, which is oftentimes more expensive than in an *ad hoc* arbitration, but also of the further services offered by the Institution such as administrative assistance.

Consequently, this leads to the conclusion that on the one hand, *ad hoc* arbitration would be more suitable and efficient for smaller claims where parties possess enough sophisticated notions and experience to draft a successfully workable arbitration agreement. On the other hand, institutional arbitration appears to be a better fit for significant international and cross-borders claims where the interests and rights at stake belong to larger commercial entities such as international corporations or partnerships, who would imaginably be able to afford such a practice.

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<sup>171</sup> GREEN S., SAVAGE D., *Ad Hoc VS International Arbitration*, Charles Russell Speechlys, News&Insights (2013), <https://www.charlesrussellspeechlys.com/en/news-and-insights/insights/real-estate/2013/ad-hoc-v-international-arbitration/>, last visited February 14, 2018.

<sup>172</sup> *Supra* note 158, p. 58.

## 2. Arbitration Institutions

As already introduced, institutional arbitration is conducted by apposite institutions. Such entities exist worldwide, both on a regional and international level.<sup>173</sup> Their presence in every continent reflects how developed and globalised alternative dispute resolution is.<sup>174</sup> In this work, particular focus is given to some of the main arbitral institutions, in the light of the nuances in their arbitration rules or of their unique approach to the specific IP issues.

### 2.1. The London Court of International Arbitration

The London Court of International Arbitration is one of the eldest institutions: it was established in 1883, upon a proposal from the Court Common Council of the City of London. The primary aim of the Council was the creation of a tribunal to arbitrate not only domestic, but also trans-national commercial disputes.<sup>175</sup> Back in the 19<sup>th</sup> century, the need of an innovative and malleable tool to deal with commercial disputes was already a driving force in the foundation of an arbitration institution.

In particular, the eminent purposes and functions of the LCIA are:

*"The inauguration of the City of London Chamber of Arbitration under the joint auspices of the Corporation and the London Chamber of Commerce is a striking significant fact. [...]*

*This Chamber is to have all the virtues which the law lacks. It is to be expeditious where the law is slow, cheap where the law is costly, simple where the law is technical, a peacemaker instead of a stirrer-up of strife. [...]"<sup>176</sup>*

Up to the present day, the LCIA has gained great importance and influence on the international commercial scene, with a caseload that comprehends 303 arbitration procedures

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<sup>173</sup> Eminent examples of Regional Arbitral Institutions are the Abu Dhabi Commercial Conciliation and Arbitration Center, the ADR Institute of Canada, the Arbitration Center of the Chamber of Commerce and Industry of Geneva and many more located in several Capital Cities worldwide.

<sup>174</sup> International Arbitration Attorney Network, *Arbitral Institutions and Arbitration Court*, <https://www.international-arbitration-attorney.com/arbitral-institutions-and-arbitration-courts/#other>, last visited October 19, 2017.

<sup>175</sup> LCIA Arbitration and ADR Worldwide, *History*, <http://www.lcia.org/lcia/history.aspx>, last visited October 16, 2017.

<sup>176</sup> MANSON E., *The City of London Chamber of Arbitration*, *The Law Quarterly Review*, Vol. IX, pp. 86-88 (1893).

examined only in 2016, among which 253 are conducted under the LCIA Arbitration Rules, whereas the remaining 50 are operated under the UNCITRAL Arbitration Rules.<sup>177</sup>

The composition of the Court consists of 35 members, coming from the major trading areas of the globe. Their key tasks entail leading practitioners in commercial arbitration, providing and maintaining a balance in the transactions and operations they run.<sup>178</sup>

As far as IP rights are concerned, the LCIA does not carry out a particularly large amount of IP disputes. Arbitration procedures in the technology, telecommunication and pharmaceutical field only represent the 7,12% of the entire arbitral activity of the Court, which instead appears to be more focused and keen on issues such as energy and resources (22,5%) or banking and finance (20,5%).<sup>179</sup> LCIA Arbitration Rules, in fact, “*are designed for general cases instead of patent disputes*”,<sup>180</sup> therefore they lack a specific concentration on IP matters.

## **2.2. The International Chamber of Commerce Court of Arbitration**

The International Chamber of Commerce (ICC) Court of Arbitration was founded in 1923, four years after the establishment of the ICC. The latter was created to pursue the aim of providing a system of rules to govern trades, investments, financial and commercial relations, in a historical moment (the aftermath of the II World War) where no such provisions existed.<sup>181</sup>

The creation of this arbitral tribunal, is a clear illustration of how broad and developed this type of ADR is in the context of international commerce. The ICC is indeed “*the largest and most effective of the international arbitration institutions*”<sup>182</sup>, as well as “*the leading and most renowned institution for administering international commercial arbitration cases*”.<sup>183</sup>

The International Court of Arbitration of the Chamber of Commerce is the world’s leading arbitral institution. The amount of cases examined by such a Court have increased

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<sup>177</sup> LCIA Arbitration and ADR Worldwide, *Facts and Figures – 2016: a Robust Caseload* (3 April 2017) <http://www.lcia.org/News/lcia-facts-and-figures-2016-a-robust-caseload.aspx>, last visited October 16, 2017.

<sup>178</sup> LCIA Arbitration and ADR Worldwide, *Organization*, <http://www.lcia.org/LCIA/organisation.aspx>, last visited October 17, 2017.

<sup>179</sup> *Ibid.*

<sup>180</sup> *Supra note 51, p. 21.*

<sup>181</sup> International Chamber of Commerce, *History*, <https://iccwbo.org/about-us/who-we-are/history/>, last visited October 17, 2017.

<sup>182</sup> CASELLA A., *Arbitration in International Trade*, Working Paper No 4136, NBER Working Paper Series (Cambridge, 1992).

<sup>183</sup> International Arbitration Attorney Network, *International Chamber of Commerce (ICC), Arbitral Institutions and Arbitration Courts*, <https://www.international-arbitration-attorney.com/arbitral-institutions-and-arbitration-courts/>, last visited October 17, 2017.

from decade to decade since its creation, varying from the first merely four cases during the years following the II World War,<sup>184</sup> to the subsequent 153 cases per year registered between 1972 and 1975 and, even more, to the 268 cases filed between 1982 and 1983.<sup>185</sup> Nowadays, 966 new cases were examined by the Court in 2016, involving 3.099 parties from 137 different States, registering a record year for the Court.<sup>186</sup>

In particular, the aspects that confer such legitimacy and reputation to the Court are two: the first one is its international scope, stemming from the international aims of the ICC, which are corroborated by the presence of the miscellaneous backgrounds of the several and widely experienced members of the arbitral institution, who contribute to provide an international and broader view for the settlement of disputes.<sup>187</sup> Indeed, the Court gains large benefit from the broad range of choice of arbitrators, who are valued for their relevant experience and knowledge.

The second aspect, likewise, is the fact that the arbitration procedures are professionally supervised. In practice, the Court does not carry out the settlement and arbitration of the disputes by itself.<sup>188</sup> For each case, instead, the Court entrusts the arbitration of the dispute to an appointed tribunal made up of either one or three arbitrators, whose activity is specifically supervised and conducted by the Court:<sup>189</sup> in this way, the Court ensures the smooth running of all the arbitration proceedings.<sup>190</sup>

Moreover, one of the further features that grant the Court such a status is the fact that, in the 1950s, the initiative to draft a Convention on the enforcement of arbitral awards came from the ICC itself<sup>191</sup>. Specifically, in 1953, the ICC released a “*Report and Preliminary Draft Convention on the Enforcement of International Arbitral Awards*”, which subsequently became what we know today as the *New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (1958), introduced and discussed in Chapter 2.

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<sup>184</sup> GAUDET M., *The International Chamber of Commerce Court of Arbitration*, American Society of International Law Proceedings, Vol. 76, pp. 172-174 (1982).

<sup>185</sup> DERAINS Y., *International Chamber of Commerce Arbitration*, Pace Law Review, Vol. 5, Issue 3, pp. 591-606 (1984).

<sup>186</sup> International Chamber of Commerce, *ICC reveals record number of new Arbitration cases filed in 2016*, <https://iccwbo.org/media-wall/news-speeches/icc-reveals-record-number-new-arbitration-cases-filed-2016/>, last visited October 17, 2017.

<sup>187</sup> *Supra note 181*, p. 64.

<sup>188</sup> Article 1(2) ICC Arbitration Rules: “*The Court does not itself resolve disputes. It administers the resolution of disputes by arbitral tribunals, in accordance with the Rules of Arbitration of the ICC (the “Rules”) [...]*.”

<sup>189</sup> *Supra note 181*, p. 64.

<sup>190</sup> BANNICKE L. B., *International Chamber of Commerce Court of Arbitration*, Alberta Law Review, Vol. 23, Issue 1, pp. 51-61 (1985).

<sup>191</sup> New York Arbitration Convention, *History 1923-1958*, <http://www.newyorkconvention.org/travaux+preparatoires/history+1923+-+1958>, last visited October 18, 2017.



Such an accomplishment, indeed, was a considerable success that marked one of the most crucial steps taken by the ICC.

Nowadays, the members of the Court “*continuously seek to improve efficiency, control time and costs and aid enforcement and confidentiality by introducing innovative new arbitration tools and procedures. This ongoing focus makes certain to be always in touch with the concerns and interests of trading partners throughout the world.*”<sup>192</sup>

### **2.3. The Permanent Court of Arbitration**

The Permanent Court of Arbitration (PCA) owes its creation to two relevant Conventions: the Conventions for the Pacific Settlement of International Disputes of 1899 and the one of 1907, both concluded in The Hague during, namely, the First and Second Hague Peace Conference. The PCA was established in 1899 “*with the object of seeking the most objective means of ensuring to all peoples the benefits of a real and lasting peace, and above all, of limiting the progressive development of existing armaments*”<sup>193</sup>. In 1907, the PCA was re-assessed with the pursuit of improvement and general revision.<sup>194</sup> The most significant merit of these Conventions, is the foundation of the first global mechanism for the settlement of international disputes through the alternative system of arbitration.<sup>195</sup>

There are three main bodies of the PCA and comprise a panel of Members of the Court, an Administrative Council and an International Bureau.

As to the Members of the Court, they are appointed by the Contracting Parties to one or both of the Conventions of 1899 or 1907, as Article 44(1) of the 1907 Convention states:

*“Each Contracting Power selects four persons at the most, of known competency in questions of international law, of the highest moral reputation, and disposed to accept the duties of Arbitrator.”*<sup>196</sup>

In the cited provision, it is specified that the appointed members will take on the “*duties of Arbitrator*”: this means that the chosen members will be part of a pool where

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<sup>192</sup> International Chamber of Commerce, *ICC International Court of Arbitration*, <https://iccwbo.org/dispute-resolution-services/arbitration/icc-international-court-arbitration/>, last visited October 18, 2017.

<sup>193</sup> Permanent Court History of Arbitration, *Address from Czar Nicolas II of Russia during the 1<sup>st</sup> Hague Peace Conference*, <https://pca-cpa.org/en/about/introduction/history/>, last visited October 22, 2017.

<sup>194</sup> *Supra* note 91, p. 34.

<sup>195</sup> *Supra* note 192, p. 66.

<sup>196</sup> Convention for the Pacific Settlement of International Disputes – Article 44(1), (1907).

arbitrators may be chosen from, and will be able to lead to the resolution of the dispute with professionalism and expertise.

Additional bodies in the PCA are the mentioned International Bureau and the Administrative Council.

Firstly, the International Bureau is made up of two essential parts: an experienced staff comprehensive of legal and administrative experts from various nationalities,<sup>197</sup> and a Secretary-General with the function of directing the Bureau.<sup>198</sup> The general function of this entity consists of guiding and giving instructions, through the provision of information and advice, to parties seeking alternative dispute resolution. Moreover, the Bureau has also the function of acting as a media outlet for the gatherings of the Tribunal,<sup>199</sup> as well as providing financial, administrative, logistical and technical services.<sup>200</sup>

The Administrative Council, instead, has the primary duty of general guidance and supervision of the International Bureau, which results in the Council having a strong influence on the policy of the organization. The Council is composed by the Contracting Parties' diplomatic representatives, directed by the Minister of Foreign Affairs of the Netherlands, who is the Chairman of this body.<sup>201</sup>

#### **2.4. United Nations Commissions on International Trade Law**

The United Nation Commission on International Trade Law (UNCITRAL) was established in December 1966, thanks to Resolution 2205 (XXI) of the United Nations General Assembly.<sup>202</sup> The main objectives of the UN General Assembly were thoroughly described and explained in the introduction of the Resolution, and they are:

*“Considering that international trade cooperation among States is an important factor in the promotion of friendly relations and, consequently, in the maintenance of peace and security, [...]*

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<sup>197</sup> Permanent Court of Arbitration, *International Bureau*, <https://pca-cpa.org/en/about/structure/international-bureau/>, last visited October 23, 2017.

<sup>198</sup> *Supra note 91*, p. 34.

<sup>199</sup> *Ibid.*

<sup>200</sup> *Supra note 197*, p. 67.

<sup>201</sup> Permanent Court of Arbitration, *Administrative Council*, <https://pca-cpa.org/en/about/structure/administrative-council/>, last visited October 23, 2017.

<sup>202</sup> UNCITRAL United Nation Commission on International Trade Law, *A Guide to UNCITRAL – Basic facts about the United Nations Commission on International Trade Law*, United Nation Publication, (2013).

*Having noted with appreciation the efforts made by intergovernmental and nongovernmental organizations towards the progressive harmonization and unification of the law of international trade by promoting the adoption of international conventions, uniform laws, standard contract provisions, general conditions of sale, standard trade terms and other measures,*

*Noting at the same time that progress in this area has not been commensurate with the importance and urgency of the problem, [...]*

*Considering it desirable that the process of harmonization and unification of the law of international trade should be substantially coordinated, systematized and accelerated and a broader participation should be secured in furthering progress in this area [...]*<sup>203</sup>

It is evident that the principal concerns that led the UN General Assembly to create the UNCITRAL were predominantly related to the following issues: international trade cooperation deemed as a crucial aspect for the maintenance of peace and security; the willingness of joining the global movement towards the harmonization and unification of the international trade law; the necessity of global coordination and participation in this process.

The UNCITRAL thus carries out the core function of “*the promotion of the progressive harmonization and unification of the law of international trade.*”<sup>204</sup> The actions performed in pursuing such a goal consist of the development of a uniform and harmonic legal framework, designed to apply in the major fields of international commercial law.<sup>205</sup> Such fields comprise, for instance, international contracts, insolvency, international secure transactions, sale of goods and dispute resolution of IP rights. The legal framework that UNCITRAL aims at creating comprehends legislative and non-legislative instruments, prepared to be adopted and applied in the fields of international commercial law.<sup>206</sup> Such instruments are nowadays widely accepted and implemented on the international commercial scene, as a result of their capacity to give proper solutions and treatment to relationships

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<sup>203</sup> United Nations Commission, *Establishment of the United Nations Commission on International Trade Law* (1966), (General Assembly Resolution 2205 - XXI).

<sup>204</sup> United Nations Commission, *Establishment of the United Nations Commission on International Trade Law – Article I*, (1966), (General Assembly Resolution 2205 - XXI).

<sup>205</sup> *Supra* note 202, p. 67.

<sup>206</sup> *Ibid.*

between stakeholders, businesses and companies with different legal and traditional backgrounds.<sup>207</sup>

As far as international arbitration is concerned, the core UNCITRAL instruments are the UNCITRAL Arbitration Rules and the UNCITRAL Model Law on International Commercial Arbitration, which will be introduced below.

#### **2.4.1. UNCITRAL Arbitration Rules**

The UNCITRAL Arbitration Rules provide an efficacious and all-encompassing set of procedural rules, susceptible to be applied in nearly any arbitral proceeding.<sup>208</sup> Given their practical flexibility and efficiency, the UNCITRAL Arbitration Rules are especially adapt in an *Ad hoc* Arbitration, since they cover and regulate every aspect of the proceedings, from the appointment of the arbitrators, to the choice of the language and the applicable law to the procedure, to evidence and interim measures, to the interpretation of the final awards: such a widely comprehensive set of rules ensures the disputant a safe and flawless course of action.

Nevertheless, even when resorting to institutional arbitration, the parties of a dispute may opt for the UNCITRAL Arbitration Rules anyway, as these rules provide a more legitimate and desirable treatment for the kind of dispute at issue.

#### **2.4.2. UNCITRAL Model Law on International Commercial Arbitration**

One of the instruments provided by the UNCITRAL are the so-called “model laws”. A model law is “*a legislative text that is recommended to States for enactment as part of their national law.*”<sup>209</sup> What this means is that, through a model law, the UNCITRAL offers a strategic mechanism to modernize and harmonize different national laws on a certain subject.

The UNCITRAL Model Law on International Commercial Arbitration, is an especially fundamental instrument in the assistance of the States in “*reforming and modernizing their laws on arbitral procedure, so as to take into account the particular features of international commercial arbitration.*”<sup>210</sup> In this way, the UNCITRAL achieves

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<sup>207</sup> *Supra* note 158, p. 58.

<sup>208</sup> UNCITRAL United Nation Commission on International Trade Law, *UNCITRAL Arbitration Rules*, [http://www.uncitral.org/uncitral/en/uncitral\\_texts/arbitration/2010Arbitration\\_rules.html](http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/2010Arbitration_rules.html), last visited November 7, 2017

<sup>209</sup> *Supra* note 202, p. 67.

<sup>210</sup> UNCITRAL United Nation Commission on International Trade Law, *UNCITRAL Model Law on International Commercial Arbitration* (1985), with amendments as adopted in 2006,

one of the goals arranged in the preamble of the Model Law, where the General Assembly recognizes “*the need for provisions [...] to conform to current practices in international trade and modern means of contracting with regard to the form of the arbitration agreement [...]*.”<sup>211</sup>

The success and efficacy accomplished by the UNCITRAL through this Model Law, is proved by the fact that the procedures that it establishes and regulates are broadly recognized and acknowledged as a consistent basis for international commercial arbitration.<sup>212</sup>

### **3. The World Intellectual Property Organization**

The last arbitral institution presented in this thesis is the World Intellectual Property Organization Arbitration and Mediation Center, which is an independent body within the WIPO. As it was shown in the previous paragraphs, the above-mentioned arbitration institutions do not dedicate particular and specific focus on the matters related to IP disputes: they stand out as institutions that carry out arbitration proceedings on multiple issues, and their prestige and reputation is mainly granted by their attitude towards arbitration on a general scale.

Conversely, the WIPO’s Arbitration and Mediation Center is potentially the answer to the difficulties related to the arbitration in the specific issue of intellectual property. The Center, indeed, is considered as the current focal point for the development of arbitration for intellectual property disputes. Indeed, it strategically acts as a converging point between the needs of two essential elements addressed in this work: international arbitration and intellectual property.

Undoubtedly, the existence of an arbitration center established within an organization purely focused on the enforcement and protection of intellectual property rights worldwide, has decisive relevance for parties involved in international IP disputes who, wishing to avoid traditional court litigation, seek an alternative system in order to solve their disputes.

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[http://www.uncitral.org/uncitral/en/uncitral\\_texts/arbitration/1985Model\\_arbitration.html](http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/1985Model_arbitration.html), last visited November 7, 2017.

<sup>211</sup> Resolution Adopted by the General Assembly, 40/72. Model Law on International Commercial Arbitration of the United Nations Commission on International Trade Law, 112<sup>th</sup> Plenary Meeting (1985).

<sup>212</sup> *Supra* note 202, p. 67.

### **3.1. General and historical overview**

The World Intellectual Property Organization is a specialized agency of the United Nations, and it was established through a Convention signed in Stockholm in 1967, that entered into force in 1970 and was amended in 1979.

Originally, the WIPO was the result of the unification of two different entities: the International Bureau, established by the 1883 Paris Convention for the Protection of Industrial Property on one side, and the international Bureau established by the 1886 Berne Convention for the Protection of Literary and Artistic Works on the other side. The combination of the two Bureaus gave rise to the United International Bureau for the Protection of Intellectual Property which, by virtue of the Convention signed in Stockholm, became the World Intellectual Property Organization.<sup>213</sup>

The aspirations pursued with the creation of the WIPO were clearly announced in the preamble of the Stockholm Convention, which declares that the WIPO desires “*to contribute to better understanding and cooperation among States for their mutual benefit on the basis of respect for their sovereignty and equality. Desiring, in order to encourage creative activity, to promote the protection of intellectual property throughout the world. Desiring to modernize and render more efficient the administration of the Unions established in the fields of the protection of industrial property and the protection of literary and artistic works, while fully respecting the independence of each of the Unions.*”<sup>214</sup>

Nowadays, the WIPO is a worldwide leading organization counting 191 member States from all over the globe, providing an international forum for intellectual property services, information and cooperation. Among the main actions carried out by the organization, it is worth mentioning the provision of a global policy forum, which enables parties with IP interests (such as industry groups, corporations, intergovernmental organizations) to meet on a regular basis with the aim of discussing new IP issues and incoming changes to the current regulation. This occurs in order for the IP interest holders to keep pace with the fast-moving and evolving world of technology and innovation.<sup>215</sup>

Furthermore, the WIPO offers technical infrastructure that acts as a connecting channel through the various IP systems located all over the world. In this way, the

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<sup>213</sup> WIPO World Intellectual Property Organization, *Summary of the Convention Establishing the WIPO (1967)*, [http://www.wipo.int/treaties/en/convention/summary\\_wipo\\_convention.html](http://www.wipo.int/treaties/en/convention/summary_wipo_convention.html), last visited October 25, 2017.

<sup>214</sup> Convention establishing the World Intellectual Property Organization, signed at Stockholm on July 14<sup>th</sup>, 1967 and as amended on September 28<sup>th</sup>, 1979.

<sup>215</sup> WIPO World Intellectual Property Organization, *Policy*, <http://www.wipo.int/policy/en/>, last visited October 25, 2017.

Organization ensures a developed and efficient communication among the 191 member States and, therefore, an easier and facilitated sharing of knowledge and expertise. Encouraging IP institutions to collaborate results in the creation of a shared system of tools, services, databases and platforms that enables users, stakeholders, innovators and specialists to freely access a wide-ranging structure, comprehensive of any kind of information and knowledge needed.<sup>216</sup>

Moreover, the WIPO administers more than 20 intellectual property treaties with global influence and efficacy, signed to facilitate and accelerate the international process of application and registration of patents.<sup>217</sup> For instance, among the most relevant treaties adopted by the WIPO, the Patent Cooperation Treaty (PCT) has vital importance on the international intellectual property system, in cases where the protection of IP rights is simultaneously sought in more than one State. This Treaty was concluded in Washington in 1970, with the primary aim of “*simplifying and rendering more economical the obtaining of protection for inventions where protection is sought in several States*”.<sup>218</sup> In practice, the PCT makes it possible to obtain patent protection on an invention in several States at the same time, requiring the filing of a single international patent application, valid in more than one jurisdiction.<sup>219</sup>

By administering this Treaty, the WIPO grants an enormously efficient possibility: anyone seeking for cross-border patent protection is enabled to gain it in up to 152 States<sup>220</sup>, through the fulfilment of a single international application and registration procedure, instead of various ones in each different State.<sup>221</sup> Besides acting at the moment of registration, recognition and establishment of IP rights, the WIPO performs its role in an additional phase of an IP right’s life-cycle: the pathological event of a dispute arising out of one or more aspects of the right (which could concern its existence, the validity of its registration, its violation, its ownership etc.).

In particular, the WIPO entered the area of dispute resolution only a few years after the Stockholm Convention in 1994. The WIPO Arbitration and Mediation Center was

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<sup>216</sup> WIPO World Intellectual Property Organization, *Global IP Infrastructure*, [http://www.wipo.int/global\\_ip/en/](http://www.wipo.int/global_ip/en/), last visited October 25, 2017.

<sup>217</sup> *Supra note 49*, p. 20.

<sup>218</sup> Patent Cooperation Treaty – Preamble (Washington, 1970).

<sup>219</sup> WIPO World Intellectual Property Organization, *PCT FAQs*, <http://www.wipo.int/pct/en/faqs/faqs.html>, last visited October 25, 2017.

<sup>220</sup> Number of the PCT Contracting States, as of October 2017.

<sup>221</sup> WIPO World Intellectual Property Organization, *A Guide to the Main WIPO Services*, WIPO Publication No. 1020E/2017.

established, with the aim of promoting the resolution of IP disputes, and related issues, through ADR.

### **3.2. WIPO Arbitration and Mediation Center**

The WIPO Arbitration and Mediation Center was created in the early 1990s<sup>222</sup> as an independent, impartial and non-profit dispute resolution service provider.<sup>223</sup> It is currently based in Geneva (Switzerland), and has an office in Singapore. The main purpose of establishing an Arbitration and Mediation Center, within the panels of the global leading organization for the protection of IP rights, was to provide an efficient solution to those parties involved in intricate multijurisdictional IP disputes. These disputes would inevitably entail extreme difficulties on two main grounds: the complexities of an IP dispute (frequently remarked in this thesis) due to the highly technical matters at stake; and the inconveniences related to an international dispute, where parties from different jurisdictions need to find a common and shared solution, susceptible to be accepted, recognized and enforced in a foreign State.

The WIPO Arbitration and Mediation Center successfully offers answers and solutions for both the problems addressed, and such an observation is corroborated by the large amount of Arbitration procedures conducted and cases examined it. Data show that only between 2009 and 2016, the Center examined over 500 arbitration, mediation and expert determination cases,<sup>224</sup> arisen in the context of various different IP aspects: 30% of the disputes concerned patent issues, 19% concerned trademarks matters, and the object of the remaining 51% was connected to commercial, ICT and copyright problems.<sup>225</sup>

In particular, what confers the Center such prestige is the availability of a wide and detailed database, which includes more that 1.500 outstanding IP and ADR specialists.<sup>226</sup> Their primary role consists of acting as the so-called “*Neutrals*”, ensuring the resolution of the dispute to be conducted through an expert and professional approach.

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<sup>222</sup> BOOG C., MENZ J., *Arbitrating IP Disputes: the 2014 WIPO Arbitration Rules*, Journal of Arbitration Studies, Vol. 24, No. 3, pp.106-122, (2014).

<sup>223</sup> *Supra note 29, p. 14.*

<sup>224</sup> WIPO World Intellectual Property Organization, *WIPO Caseload Summary*, <http://www.wipo.int/amc/en/center/caseload.html>, last visited October 26, 2017.

<sup>225</sup> *Ibid.*

<sup>226</sup> *Supra note 49, p. 20.*



### **3.2.1. What makes the WIPO Center an extremely viable solution**

Having addressed the procedural difficulties that are likely to arise when the parties of a dispute settle for WIPO Arbitration, it is important to address that the Center provides solutions for the disputants throughout the various stages of the proceedings, facilitating the process by means of specialised services' support and guidance. The Center does not limit its functions to merely offering general arbitration rules. Conversely, the Center guides the parties during each step of the procedure, from the drafting of the arbitration contract clauses or submission agreement, until the enforcement of a WIPO arbitral award.

#### **- Recommended WIPO Contract Clauses and Submission Agreements**

In Chapter 2 the threat of unsuccessful arbitrations was linked to the lack of expertise of the parties in drafting a flawless arbitration agreement. This concept was remarked in this Chapter as well, as far as *ad hoc* arbitration is concerned. Hence, in order to exonerate the parties from the burden of creating inadequate provisions, the Center makes available model arbitration clauses and submission agreements that the parties only need to follow in the most accurate way as possible. This method prevents the disputants from drafting uncertain agreements, facilitating both the process of preparing an arbitration clause and, therefore, the arbitration proceedings itself.<sup>227</sup>

By way of example, a typical contract clause for the submission to arbitration of future disputes, arising under a certain covenant, would stick to the following model:

*“Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non- contractual claims, shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. The arbitral tribunal shall consist of [a sole arbitrator] [three arbitrators]. The place of arbitration shall be [specify place]. The language to be used in the arbitral proceedings shall be [specify*

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<sup>227</sup> *Ibid.*

*language]. The dispute, controversy or claim shall be decided in accordance with the law of [specify jurisdiction].”<sup>228</sup>*

Conversely, the model agreement for the submission of an existing dispute is established as follows:

*"We, the undersigned parties, hereby agree that the following dispute shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules:*

*[brief description of the dispute]*

*The arbitral tribunal shall consist of [a sole arbitrator] [three arbitrators]. The place of arbitration shall be [specify place]. The language to be used in the arbitral proceedings shall be [specify language]. The dispute shall be decided in accordance with the law of [specify jurisdiction].”<sup>229</sup>*

Evidently, these models provide schematic and unequivocal provisions, made up of two parts: firstly, an unambiguous submission of either future or existing disputes to the WIPO Arbitration Center; secondly, the determination left to the choice of the parties, of the core elements of the arbitral proceedings, including the location, the language and/or the applicable law.<sup>230</sup> Consequently, the disputants are guided and assisted in one of the most delicate phases of the entire process: the submission of either a future or an existing dispute to the Center.

- Administrative services

The assistance provided during the early phase of submission of a dispute to the Arbitration Center persists throughout the subsequent phases of the procedure as well. Such a support is especially realized through an efficient administrative service, which guarantees guidance and support under various forms, introduced below.

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<sup>228</sup> WIPO World Intellectual Property Organization, *Recommended WIPO Contract Clauses and Submission Agreements*, <http://www.wipo.int/amc/en/clauses/arbitration/>, last visited October 30, 2017.

<sup>229</sup> *Ibid.*

<sup>230</sup> *Supra* note 49, p. 20.

- WIPO Neutrals

Firstly, the Center manages a database comprehensive of nearly 1500 IP and ADR specialists, who operate as “*Neutrals*”. A WIPO Neutral is an independent WIPO mediator or, as to the topic at issue, an arbitrator. In particular, the prestige conferred to the Center is mostly due to the members of the WIPO List of Neutrals: this list includes professional and specialized practitioners, with much experience and knowledge in the fields of patents and trademarks as well as the areas of copyright or any further kind of intellectual property likely to be object of a dispute.<sup>231</sup>

Undoubtedly, the choice of the arbitrators that will run the procedure is a core step, since it inevitably influences the outcome of the arbitration. Therefore, the Center provides special assistance to the parties, offering them the possibility to select the arbitrators of their dispute within a wide network of IP and ADR specialists<sup>232</sup> who are able to contribute to a successful arbitration due to their global expertise in commercial matters, IP, information and communication technology dispute resolution.<sup>233</sup>

- WIPO Arbitration Rules

Moreover, additional elements ensuring the Neutrals’ position and competence are the characteristics of the WIPO Arbitration Rules that they are called to apply to the disputes. There is one main fundamental benefit of WIPO Arbitration Rules: they realize a precisely balanced combination between legal certainty and practical flexibility. This results in WIPO Rules being suitable to any kind of commercial dispute, not only an IP dispute. The full utility of WIPO arbitration is, however, realized through an IP dispute. As an immediate effect, the Center deals with numerous kinds of IP disputes: from those involving matters born from the obscurity of new technology developments, to those concerning patent licenses, copyright and trademarks and software development contracts.

Besides being designed to fit nearly all commercial IP disputes, WIPO Arbitration Rules possess traits that make them specifically suitable for IP disputes.

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<sup>231</sup> WIPO World Intellectual Property Organization, *WIPO Neutrals*, <http://www.wipo.int/amc/en/neutral/>, October 17, 2017.

<sup>232</sup> *Supra note 49, p. 20.*

<sup>233</sup> WIPO Arbitration and Mediation Center, *WIPO Expedited Arbitration Rules – Introduction*, WIPO Publication No. 446E (2016).

Chapter 1 addressed the complexities of IP disputes along with the discussion on a suitable system capable to face and overcome them. Such complexities were found in the need for a quick and prompt process in order to preserve the commercial value of the IP rights at stake; the necessity for an expert approach and evaluation of the highly specialized evidence that is likely to come up in the dispute, as well as the confidentiality that certain trade secrets inevitably call for.

The WIPO Arbitration Rules offer provisions and instructions able to surmount these difficulties, as the ones regarding the regulation on notices and periods of time, or the ones about confidentiality.

- Regulation on periods of time

Practical examples of these rules may be found within Article 65 of the WIPO Arbitration Rules (as already mentioned in Chapter 1, p. 21), which establishes general principles on the duration of the arbitral proceedings by determining a set period of time for the delivery of the final award and, therefore, for the maximum duration of the entire process:

*(a) The arbitration should, wherever reasonably possible, be heard and the proceedings declared closed within not more than nine months after either the delivery of the Statement of Defense or the establishment of the Tribunal, whichever event occurs later. The final award should, wherever reasonably possible, be made within three months thereafter.<sup>234</sup>*

At first, the initial paragraph of Article 65 sets out the rules for the time length accorded to the two core phases of the arbitration: the hearing of the parties, which is expected to be over within nine months from either the delivery of the Statement of Defense or the establishment of the Tribunal. Likewise, the submission of the final award should be rendered within the subsequent three months from the conclusion of the hearing. Thus, an arbitration proceedings is rather unlikely to last more than twelve months in total, which is undeniably a more reasonable period of time to solve an intellectual property dispute, let alone an international one. The second and third paragraphs of Article 65 define and regulate the cases in which the final award is not delivered within the allotted timeframe:

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<sup>234</sup> WIPO Arbitration Rules – Article 65(a).

*(b) If the proceedings are not declared closed within the period of time specified in paragraph (a), the Tribunal shall send the Center a status report on the arbitration, with a copy to each party. It shall send a further status report to the Center, and a copy to each party, at the end of each ensuing period of three months during which the proceedings have not been declared closed.*<sup>235</sup>

*(c) If the final award is not made within three months after the closure of the proceedings, the Tribunal shall send the Center a written explanation for the delay, with a copy to each party. It shall send a further explanation, and a copy to each party, at the end of each ensuing period of one month until the final award is made.*<sup>236</sup>

It should also be pointed out that the Center administrative service differs from other institutions due to its favorable attitude towards two crucial elements: firstly, an open communication with the parties; secondly, an efficient monitoring of the entire proceeding.

- Communication and Monitoring

In practice, as to the communication aspect, the Center is renowned for its actions in promoting and ensuring optimal dialogue and communication both with the parties and the Neutrals, in order to achieve the highest procedural efficiency.<sup>237</sup> Furthermore, with regard to the monitoring issue, the Center efficiently carries out an active case management. Each arbitration proceeding run by the Center is administered and regulated in details by a supervisor. In particular, the activity of monitoring and managing an arbitration case entails operations such as tracking deadlines, enforcement of those deadlines, as well as the regulation of the financial aspects of the proceedings. This may include the management of the payment of costs and fees to the Neutrals, and the further practical service of providing meeting rooms and any required facility to the parties both when the arbitration is conducted at the WIPO headquarter in Geneva, as well as when it takes place abroad.<sup>238</sup>

Consequently, the combination of the above-mentioned features of the WIPO approach to the dispute (efficient communication with the parties involved and constant monitoring of the proceeding) results in a guarantee for a relatively smooth process. Indeed, in the circumstance addressed in Article 65 (b) and (c), in case of misconduct or interruption

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<sup>235</sup> WIPO Arbitration Rules – Article 65(b).

<sup>236</sup> WIPO Arbitration Rules – Article 65(c).

<sup>237</sup> *Supra* note 49, p. 20.

<sup>238</sup> *Supra* note 222, p. 74.

of the regular course of the arbitration, the WIPO acting as an administrative authority intervenes in the proceeding requiring recurrent “*status reports*”<sup>239</sup> and “*written explanations for the delays*”<sup>240</sup> from the Tribunal. In this way, an optimal communication and a meticulous monitoring of the activities are ensured and, therefore, precise procedural efficiency is reached.<sup>241</sup>

- Confidentiality

A further fine example of the efficacy and suitability of the WIPO Arbitration Rules in IP disputes can be found in the provisions that regulate the issue of confidentiality. In particular, it shall be emphasized that “*the WIPO Rules contain the most comprehensive regime protecting the confidentiality of the arbitral proceedings and relevant evidence of any leading institutional rules.*”<sup>242</sup> In the previous Chapters, the weight of the need for secrecy – about both the actual existence of the dispute and, above all, of the information and material that are likely to be disclosed – was widely remarked. The main reason standing behind such a need is, as already mentioned, the risk of the detriment that the IP right holder may suffer as a consequence of unfair competition on the IP material inadvertently or unintentionally disclosed. In order to prevent such an outcome and, at the same time, to grant safety and confidentiality to the arbitral proceedings, the WIPO Arbitration Rules manages the issue through the system introduced in Article 75:

*“(a) Except to the extent necessary in connection with a court challenge to the arbitration or an action for enforcement of an award, no information concerning the existence of an arbitration may be unilaterally disclosed by a party to any third party unless it is required to do so by law or by a competent regulatory body, and then only:*

*(i) by disclosing no more than what is legally required; and*

*(ii) by furnishing to the Tribunal and to the other party, if the disclosure takes place during the arbitration or to the other party alone, if the disclosure takes place after the termination of the arbitration, details of the disclosure and an explanation of the reason for it.*

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<sup>239</sup> WIPO Arbitration Rules – Article 65(b).

<sup>240</sup> *Supra note 235, p. 78.*

<sup>241</sup> WIPO World Intellectual Property Organization, *Role of the Center*, <http://www.wipo.int/amc/en/center/role.html>, last visited November 5, 2017.

<sup>242</sup> LANDOLT P., GARCIA A., *Commentary on WIPO Arbitration Rules*, (2017).

*(b) Notwithstanding paragraph (a), a party may disclose to a third party the names of the parties to the arbitration and the relief requested for the purpose of satisfying any obligation of good faith or candor owed to that third party.*<sup>243</sup>

While Article 75 focuses on the regime of confidentiality of the existence of the arbitration, Article 76(a) sets out rules for the confidentiality of the disclosures made during the arbitration:

*“(a) In addition to any specific measures that may be available under Article 54, any documentary or other evidence given by a party or a witness in the arbitration shall be treated as confidential and, to the extent that such evidence describes information that is not in the public domain, shall not be used or disclosed to any third party by a party whose access to that information arises exclusively as a result of its participation in the arbitration for any purpose without the consent of the parties or order of a court having jurisdiction.”*<sup>244</sup>

Furthermore, these provisions are followed by further articles administering the confidentiality of the final award (Article 77) and the maintenance of confidentiality by the Center and the Arbitrators (Article 78) as well. The establishment of such a detailed regime reveals the attention drawn to the protection and implementation of confidentiality. Indeed, *“confidential information is often the heart of IP disputes”*<sup>245</sup>, therefore *“a comprehensive confidentiality regime is not superfluous”*.<sup>246</sup>

○ WIPO ECAF

Additionally, the assistance provided by the Center as an administrative authority includes further services. Facilities are available for translation and interpretation, professional secretarial support and, most of all, the availability of the WIPO ECAF (WIPO Electronic Case Facility). It is well-known that the Center deals with a large number of international cases, involving parties coming from various jurisdictions around the globe.<sup>247</sup> Hence, when a dispute concerns individuals physically located in different States, the necessity for the parties to file, deposit, search, organize and examine case-related

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<sup>243</sup> WIPO Arbitration Rules – Article 75.

<sup>244</sup> WIPO Arbitration Rules – Article 76.

<sup>245</sup> *Supra* note 242, p. 80.

<sup>246</sup> *Ibid.*

<sup>247</sup> *Supra* note 213, p. 71.

submissions at any time, and from anywhere in the world arise.<sup>248</sup> WIPO ECAF is a specialized body within the WIPO panels, established to meet the exigencies of parties and neutrals in terms of promptness and efficiency of online communication which, in most of the cases, is the quickest way to allow communications between the parties. Taking into account these needs, the WIPO ECAF grants the parties and neutrals the opportunity to safely submit communications and case-related submissions through an online docket.<sup>249</sup> Whenever a submission is made, all parties receive email alerts, and may access and view the case file in the online docket at any time.<sup>250</sup> The advantages of this system consist not only in the promptness and immediacy of the communications, but also in the confidentiality of the information as a result of the protection and encryption provided by this service.<sup>251</sup> As a consequence, the WIPO ECAF plays a vital role in corroborating the WIPO's position in the field of online dispute resolution.

### **3.2.2. WIPO Expedited Arbitration**

Among the services and facilities offered by the Center, there is a further procedure satisfying the needs of the parties, especially in terms of rapidity and cost-savings. Under some circumstances, indeed, the ordinary time and costs savings provided by a regular WIPO Arbitration are not capable yet to meet the exigencies of the parties resorting to the Center. In such cases, the Center offers the alternative Expedited Arbitration procedure, regulated by its own rules.

The WIPO Expedited Arbitration Rules, in particular, reflect the same procedural scheme of an ordinary WIPO Arbitration proceedings. However, the main difference concerns the modifications of the cost and time-frame typically performed in a regular WIPO Arbitration. In order to ensure that the procedure may take place with proper expedition and with a lower cost, four main adjustments are introduced.<sup>252</sup>

- the fees are generally lower than those applied to ordinary WIPO Arbitration proceedings. Following the general policy realized by the WIPO in terms of ensuring fees and costs to be effective and appropriate to the circumstances of different

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<sup>248</sup> *Supra note 49, p. 20.*

<sup>249</sup> WIPO World Intellectual Property Organization, *WIPO Online Case Administration Tools*, <http://www.wipo.int/amc/en/ecaf/index.html>, last visited November 6, 2017.

<sup>250</sup> *Supra note 49, p. 20.*

<sup>251</sup> *Supra note 33, p. 15.*

<sup>252</sup> *Supra note 233, p. 76.*



disputes,<sup>253</sup> the expenses required for an Expedited Arbitration are lowered with regards to all existent fees: registration fees, administration fees and arbitrators' fees. For instance, the registration fee is reduced from \$2,000 of the ordinary Arbitration to \$1,000;<sup>254</sup> the administration fees of a dispute worth over \$10M is decreased from \$10,000 to \$5,000;<sup>255</sup> the arbitrators' fees, instead, are usually agreed in consultation between the parties and the arbitrators.<sup>256</sup> Even though, *prima facie*, the parties of an international IP dispute might be deemed to be wealthy, and therefore not concerned about the high costs of a dispute, in some cases low fees and costs may actually feel as needed. For instance, such feature typical of the WIPO Expedited Arbitration may result enormously useful and convenient for that category of inventors that have born-global products – but not so much capital – who can, in this way, still have access to the system.

- Moreover, there is a general attitude to a more condensed running of the operations:<sup>257</sup> by way of example, the Statement of Claim and the Request of Arbitration shall be submitted with a single operation, likewise the Statement of Defense and the Answer to the Request. Conversely, in the ordinary Arbitration, the Request of Arbitration and the Answer to the Request may be filed separately, with different measures and in different periods of time.<sup>258</sup> Such practice would inestimably benefit the holder of an IP right at stake, especially in those cases – not infrequent – where the object of the IP right may risk to become soon obsolete or out-of-date, due to the rapid pace of nowadays' technology development.
- Unless otherwise agreed, the appointed arbitrator is normally only one: in this way, the Center avoids the potentially larger length of a decision-making process of a panel composed by three-arbitrators, as well as a likely longer appointment-procedure.<sup>259</sup>

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<sup>253</sup> WIPO World Intellectual Property Organization, *Schedule of Fees and Costs*, <http://www.wipo.int/amc/en/arbitration/fees/index.html>, last visited November 6, 2017.

<sup>254</sup> *Ibid.*

<sup>255</sup> *Supra* note 242, p. 80.

<sup>256</sup> *Ibid.*

<sup>257</sup> *Supra* note 49, p. 20.

<sup>258</sup> WIPO World Intellectual Property Organization, *What is WIPO Expedited Arbitration?*, <http://www.wipo.int/amc/en/arbitration/what-is-exp-arb.html>, last visited November 6, 2017.

<sup>259</sup> *Supra* note 49, p. 20.

- Finally, the time limits are shortened. The procedure is declared terminated within three months, as opposed to the nine months established by the ordinary WIPO Arbitration Rules. Similarly, the final award shall be delivered one month after the end of the procedure, instead of the three months in regular Arbitration proceedings.<sup>260</sup> Graphic 3.0 provides a clearer overview of the most relevant differences between the two procedures at issue:

GRAPHIC 3.0<sup>261</sup>



<sup>260</sup> *Supra* note 213, p. 71.

<sup>261</sup> *Supra* note 49, p. 20.

Despite the considerable desirability of promptness and expedition of the procedure, the guarantee of a due process is overriding. This is significant because each party shall be given the opportunity to be heard and to present its position appropriately – a fundamental condition for the fairness and legitimacy of a judicial body.<sup>262</sup> Consequently, the Court has the power to grant extended deadlines and time-limits, to grant longer hearings and to allow further or additional submissions.<sup>263</sup>

In summary, WIPO Expedited Arbitration may be more suitable for disputes that are neither worth the cost of the ordinary arbitration nor of court litigation, and concern a limited amount of issues.

### **Concluding remarks**

The Chapter was aimed at analysing the leading institutions in the field of international arbitration. However, as the core aim of this work focuses on international arbitration in international intellectual property disputes, emphasis was placed on the discussion on the specialist IP arbitration institutions, namely the WIPO and the WIPO Arbitration and Mediation Center.

Introducing different arbitration institutions, such as the ICC or the LCIA was fundamental to understand the peculiar characteristics of the WIPO Center, and its role in solving international IP disputes. Indeed, it emerged that, among all the arbitration institutions, the WIPO Center is the one which best meets the exigencies of the parties to an international IP dispute. In particular, such a capability is conferred to the Center by its specific attitude to act as a converging point between the two main concerns presented in this work: the peculiarities related to a successful international arbitration on the one side, and the complexities connected with the expert and specialized issues of an IP dispute. Moreover, further features granting prestige and global reputation to the WIPO Center, are related to the special procedure of the Expedited Arbitration, which satisfies the needs for cost and time savings of specific cases.

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<sup>262</sup> *Ibid.*

<sup>263</sup> *Supra note 49, p. 20.*

## CONCLUSIONS

The aim of this work was to provide a thorough analytical view of one of the most demanding challenges of the 21<sup>st</sup> century: the protection and enforcement of intellectual property rights in international disputes. The reason for the choice of this topic was aimed at emphasizing the necessity to meet up the new exigencies of *intellectual property*, considered as the result of the transition from *industrial property*.<sup>264</sup> This concept was introduced in Chapter 1, where it was presented as the catalyst of the new demands and needs of the field of protection and enforcement of intellectual property rights.

The mentioned transition from industrial property to intellectual property had, as a main consequence, the evolution from *tangible assets* to *intangible assets*.<sup>265</sup> Intellectual property can now travel across-boundaries through electronic means; business relationships based on intellectual property rights can arise between individuals situated in opposite sides of the planet; an intellectual property right granted in a State can be transferred and exploited in a different one.

All these circumstances may have, as a primary effect, that of giving rise to disputes where intellectual property right holders claim their exclusive use and license or their paternity in relation to a certain intellectual property right object of the dispute.

In order to give a wide and all-encompassing view of the matter at issue, the work focused on three main grounds, each of them respectively analysed and described in the three Chapters that make up this thesis.

The three grounds taken into account comprehend intellectual property in general, the introduction of the Alternative Dispute Resolution system and of international arbitration in particular and, in conclusion, the discussion about the main actors on the international alternative dispute resolution scenario: the arbitration institutions, with a final focus on the World Intellectual Property Organization Arbitration Center.

The choice of discussing the mentioned topic in this order, can be explained as follows.

Chapter 1 was dedicated to the accurate introduction of intellectual property: it would not have been possible, indeed, to understand how international disputes on intellectual property rights are faced if a specific overview on the delineation of intellectual property had not been defined.

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<sup>264</sup> *Supra* note 5, p. 7.

<sup>265</sup> *Ibid.*

As the attention of this work was drawn to finding and examining the reasons why international arbitration is the most suitable venue to solve international intellectual property disputes, a paramount step to fulfil this goal was the description of the ordinary method to face such disputes and its main faults, i.e. court litigation. Accordingly, the most typical situations where an intellectual property issue may arise were illustrated (i.e. purchasing agreements, licensing agreements, joint venture agreements, business acquisition agreements, employment contracts), followed by an in-depth analysis of the inadequacy of the current system of dealing with the matter at issue.

This analysis took into account several elements: the complex and multifaceted nature typical of intellectual property rights at the present time, the common lack of knowledge of the court judges in evaluating and appreciating properly the said rights, the main technical shortcomings of court litigation such as its length and cost, its characteristic "*winner-take-all*" nature<sup>266</sup> that impedes the parties to continue their business relationship after the litigation, and the scarcity of an harmonious legislation on intellectual property rights at an international level.

After this general explanation and illustration, the focus was strategically drawn to the introduction of the key element of this thesis: Alternative Dispute Resolution (ADR), and its core advantages that are likely to overcome the drawbacks of court litigation in intellectual property disputes. Among the main and most significant ones, worth mentioning were the safeguard and full implementation of the freedom of the parties to tailor their dispute resolution process, the extremely efficient time and costs saving, the protection and preservation of long-term business relationships, the specific expertise of the specialists of ADR, particularly suitable to evaluate and understand properly the technical issues at stake, and the finality and enforceability of the award.

After this general overview, Chapter 2 was mainly aimed at providing a description of one specific type of ADR: arbitration, in particular at the international level. International arbitration is, by nature, a wide subject: this implied an extended representation, comprehensive of its core characteristics, such as the matter regarding the so-called *arbitrability* - and the different approaches towards it in various States - or the creation of the arbitral tribunal as a result of the cooperation and convergence of the choices of the parties, as well as the issues regarding the applicable law or the enforceability of the final award.

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<sup>266</sup> *Supra* note 12, p. 9.

Notwithstanding the efficacious benefits of international arbitration, especially when applied to international intellectual property disputes, it was essential to provide an all-encompassing prospect of the subject, therefore, including also the introduction and examination of its downsides. As frequently remarked in this work, only a broad and complete view of international arbitration would have proved practically useful and helpful for readers and practitioners. Indeed, being aware of the circumstances under which international arbitration would not be the most effective choice to defend an intellectual property right, is fundamental.

Moreover, since it would be difficult to discuss about international arbitration without introducing a global overview of the approach to such a practice, by way of example the US and the EU were analysed under the point of view of their attitude towards arbitration in IP disputes.

Conclusively, Chapter 3 discussed the main the arbitration institutions. After an indispensable analysis of the differences, of the advantages and of the disadvantages both of institutional and of *ad hoc* arbitration, Chapter 3 was focused on the most significant arbitration institutions on the international panorama, namely the London Court of Arbitration, the International Chamber of Commerce Court of Arbitration, the Permanent Court of Arbitration, the United Nations Commission on International Trade Law and its special rules in the field of arbitration.

The last section of this thesis was intentionally dedicated to the World Intellectual Property Organization and its Arbitration and Mediation Center. The choice of concluding this work with the discussion on the WIPO Arbitration and Mediation Center, was taken with the aim of providing a final solution and answer to the problems related to international arbitration of intellectual property disputes that were illustrated in the previous Chapters.

The WIPO Arbitration and Mediation Center, indeed, represents a strong guarantee under two crucial points of view: on one side, the undeniable superiority of its intellectual property expertise; on the other side, such expertise applied in international arbitration of intellectual property rights disputes.

Indeed, the role played by the technology industry in today's international commercial transactions is unquestionably vital, as it keeps the pace of development and evolution of commercial relationships active and in constant motion. The WIPO is very well aware of the potentiality of these relationships<sup>267</sup> on the international commercial scenario: being the one

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<sup>267</sup> *Supra* note 8, p. 7.

entity able to defend their positions and rights, and consequently to support their growth, would certainly help the WIPO remaining the preeminent leader in the field of international arbitration of intellectual property disputes.

Conversely, WIPO's main competitors in the field of international arbitration, such as the mentioned London Court of International Arbitration or the International Chamber of Commerce Court of Arbitration, have an undeniable established reputation in the field where they operate: nevertheless, the incomparable primacy of the WIPO's intellectual property expertise confers to the WIPO Arbitration and Mediation Center a secure and reliable position.<sup>268</sup>

In conclusion of this work, the main issue that instinctively arises is related to the future of international arbitration concerning, principally, the possibility of improvements and new challenges. Strategical ideas were outlined by the French jurist Renè David,<sup>269</sup> who identified the main necessary changes in the field of international arbitration in order to face and overcome the challenges of the 21<sup>st</sup> century.<sup>270</sup> These changes would entail two core elements: on one side, the uniformity of the arbitration proceedings, which would result in the reduction of both institutional arbitration and *ad hoc* arbitration into one single possible procedure; on the other side, a clear demarcation between international and national arbitration, so that the former could be entirely detached from local regulations and customs.<sup>271</sup>

It is clear, at this point of the work, how the recourse to international arbitration for commercial disputes, in particular for the discussed intellectual property disputes, might increase in the incoming decades, especially if the parties to a dispute actually decide to consider the advantages and benefits of such practice. Nevertheless, such thought shall not preclude – it shall encourage instead – the pursuit of further improvements, concerning for instance the solutions to the drawbacks examined in Chapter 3, or the general provision of more steady precautions, such as interim measures or preliminary injunctions.<sup>272</sup> The implementation of such resolutions would definitely guarantee international arbitration an ultimate firm and secure role in intellectual property disputes.

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<sup>268</sup> *Ibid.*

<sup>269</sup> *Supra* note 107, p. 37.

<sup>270</sup> DAVID R., *Arbitration in international trade*, Deventer, pp. 409-417, (1985)

<sup>271</sup> *Ibid.*

<sup>272</sup> *Supra* note 107, p. 37.

## **LIST OF ABBREVIATIONS**

AAA	American Arbitration Association
ADR	Alternative Dispute Resolution
Art.	Article
CLIP	Conflict of Laws on Intellectual Property
EU	European Union
FAA	Federal Arbitration Act
GPC	Global Pound Conference
ICC	International Chamber of Commerce
ICT	Information and Communications Technologies
IMI	International Mediation Institute
IP	Intellectual Property
JV	Joint Venture
LCIA	London Court of International Arbitration
LQR	Law Quarterly Review
PCA	Permanent Court of Arbitration
PCT	Patent Cooperation Treaty
UK	United Kingdom
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
UPC	Unified Patent Court
US	United States
USA	United States of America
Vol.	Volume
WIPO	World Intellectual Property Organization
WIPO ECAF	World Intellectual Property Organization Electronic Case Facility



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