



# Mediation/Arbitration of Intellectual Property Disputes

FICPI

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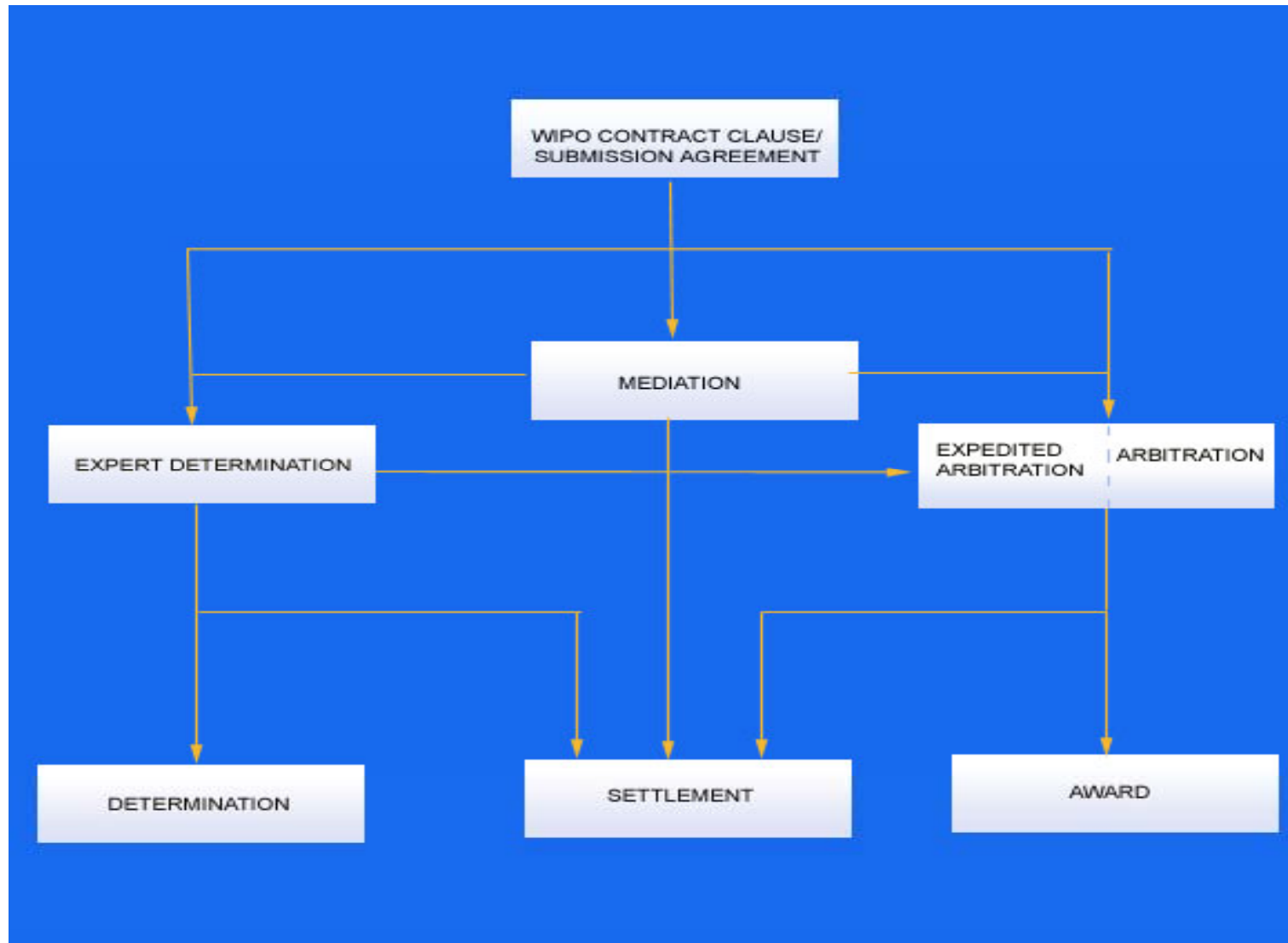
# WIPO Arbitration and Mediation Center

- International
  - No natural “home turf”
  - Part of WIPO as Intergovernmental Organization
- Specialized in IP/ technology
  - Rules
  - Institution
  - Access to expert neutrals
- Not-for-profit
  - Fees
  - Efficiency

# Mediation/Arbitration: Private, Consensual Alternatives to Court Litigation

- *Mediation*: an informal procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of their dispute, based on the parties' respective interests and enforceable as a contract.
- *Arbitration*: a private procedure in which the parties submit their dispute not to a court but to one or more chosen arbitrators, for a formal decision based on the parties' respective rights and obligations and enforceable as an award under arbitral law.

# WIPO ADR Options



# WIPO ADR Services

- Contract clauses and rules for IP disputes
  - WIPO (Expedited) Arbitration
  - WIPO Mediation
  - WIPO Expert Determination
  
- WIPO list of arbitrators, mediators, experts
  - Specialized in different areas of IP
  - From numerous countries in all regions
  
- Administration of cases
  - Under WIPO Rules
  - Under special procedures (e.g. UDRP)

# WIPO Model Clause Example: Mediation followed by Expedited Arbitration

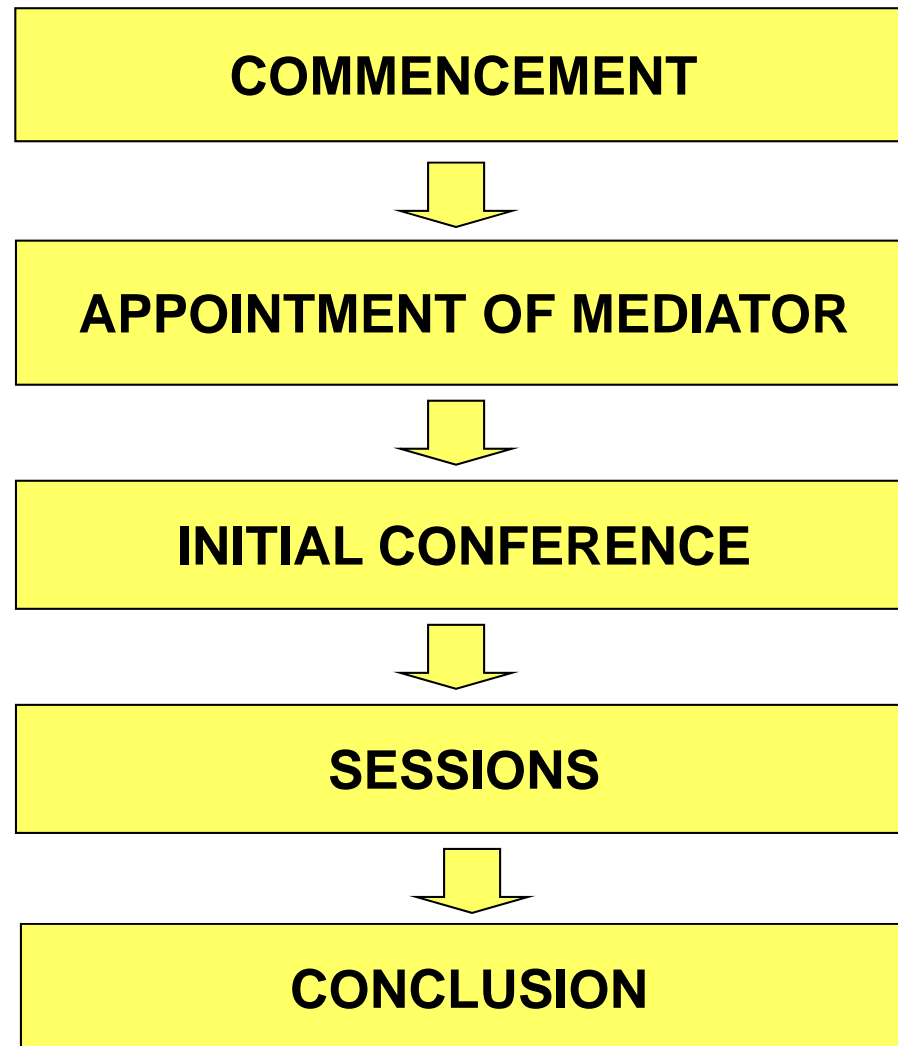
"Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be submitted to mediation in accordance with the **WIPO Mediation Rules**. The place of mediation shall be [specify place]. The language to be used in the mediation shall be [specify language]"

**If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within [60][90] days of the commencement of the mediation,** it shall, upon the filing of a Request for Arbitration by either party, be referred to and finally determined by arbitration in accordance with the WIPO Expedited Arbitration Rules. Alternatively, **if, before the expiration of the said period of [60][90] days, either party fails to participate or to continue to participate in the mediation,** the dispute, controversy or claim shall, upon the filing of a Request for Arbitration by the other party, be referred to and finally determined by arbitration in accordance with the **WIPO Expedited Arbitration Rules**. The place of arbitration shall be [specify place]. The language to be used in the arbitral proceedings shall be [specify language]. The dispute, controversy or claim referred to arbitration shall be decided in accordance with [specify jurisdiction] law."

# WIPO Case Administration

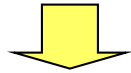
- Two overriding WIPO goals
  - Efficient process: time and money
  - Quality result: fair and enforceable
- Principal WIPO responsibilities (case manager)
  - Supervision (jurisdiction under clause, party compliance with rules)
  - Facilitate initiation of procedure and subsequent case communication
  - Neutral appointment process
  - Setting fees, financial management
  - Availability of procedural guidance to neutral
  - At request, hearing/meeting assistance
  - At option of parties: WIPO Electronic Case Facility

# Basic WIPO Mediation Process





# Mediation Sessions



## SESSIONS

- Evaluating alternatives to settlement (risk and cost of litigation)
- Identifying issues
- Exploring the parties' interests
- Settlement options
- Meetings with both parties and/or caucus
- Form: evaluative, facilitative

# WIPO Mediation Example 1 (I)

- US company/Swiss company
- Patent infringement dispute related to US patents owned by US company in automotive sector
- Settlement agreement 2007
- Dispute resolution clause: WIPO Mediation followed if necessary by WIPO Arbitration
- Request for mediation in 2009
- WIPO Center proposed a shortlist of candidates
- Parties chose from such list a patent practitioner, fluent in English, with knowledge of US patent law and experience in patent infringement mediation

# WIPO Mediation Example 1 (II)

- Two-day session in Geneva at WIPO
- Mediator gave introduction, explained ground rules of the session (e.g. confidentiality, caucus) and his role
- Early agreement on framework for royalty payments
- Further discussions on business aspects
- Settlement:
  - ‘Term sheet’: down payment, annual instalments, net sales-based royalty
  - Re-drafted original licensing agreement, final agreement by September 2009
- End of two-year dispute within 5 months, parties avoided (US) arbitration, option of further collaboration

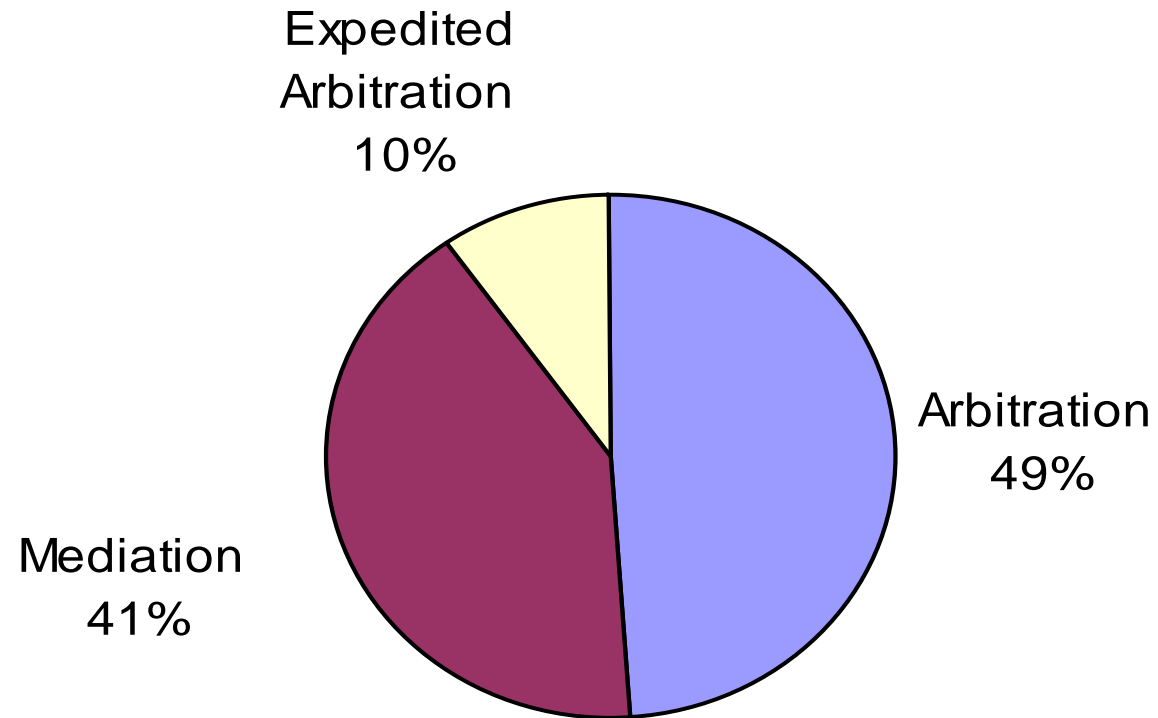
## WIPO Mediation Example 2 (I)

- Patent infringement dispute
  - R&D company holding patents disclosed patented invention to manufacturer during consultancy
  - No transfer or license of patent rights
  - Manufacturer started selling products which R&D company alleged included patented invention
  - Negotiation patent license failed
  - Parallel infringement proceedings in several jurisdictions?
- Parties submitted to WIPO Mediation

## WIPO Mediation Example 2 (II)

- WIPO appointed an experienced mediator with expertise in the subject matter of the dispute
- Parties and mediator met during one week
- Settlement agreement reached, including grant of license for royalties, and a new consultancy agreement
- Process duration: 4 months
- Mediator fees: USD 24,000

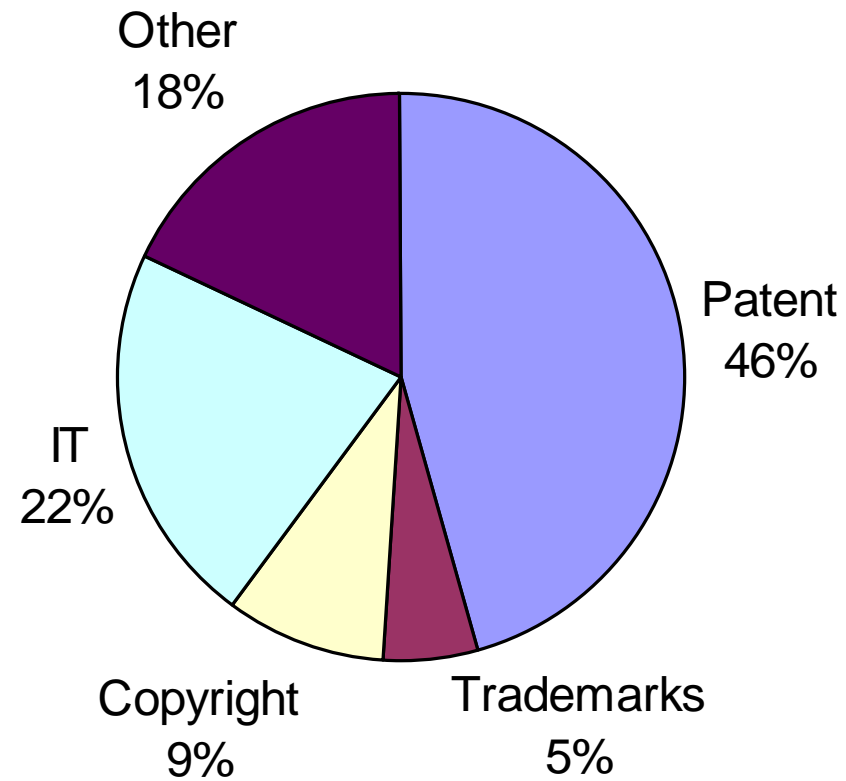
# WIPO Cases: Types of Procedure



# WIPO Cases: Types of Contracts

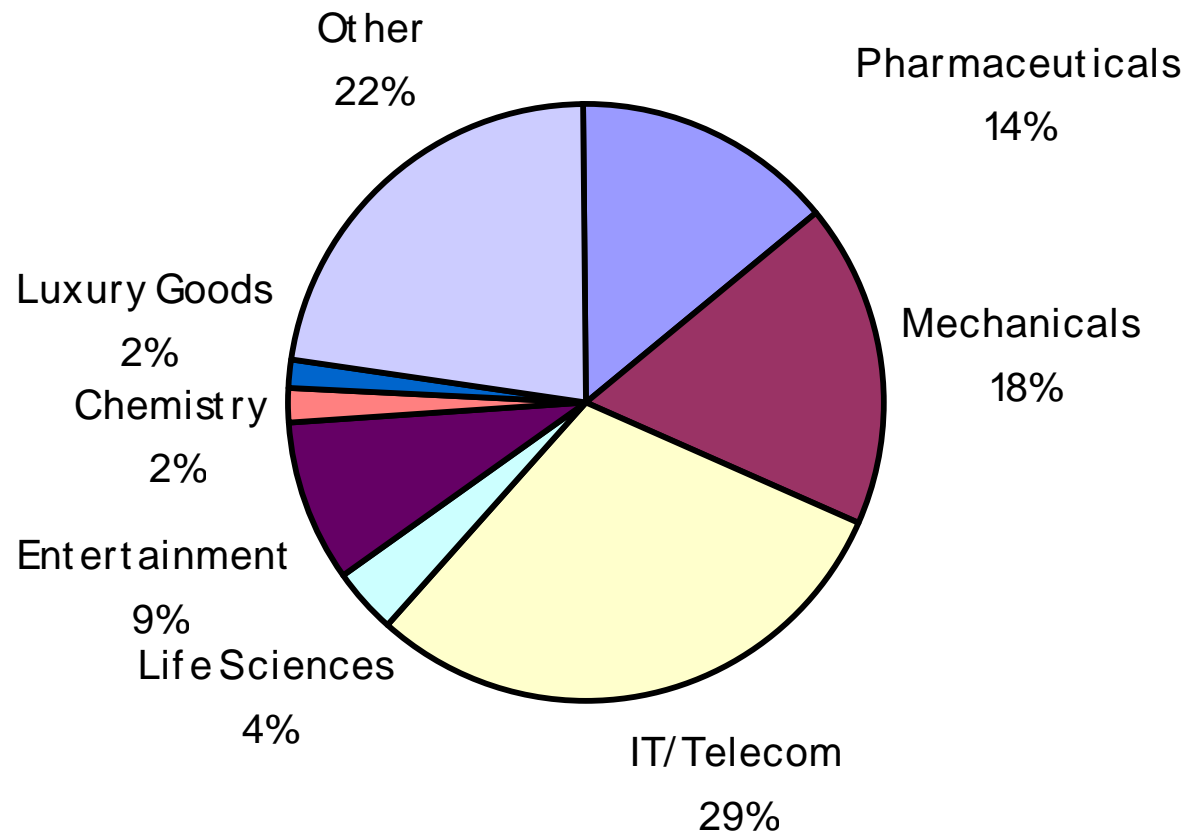
- Contractual
  - Patent licenses
  - Distribution agreements
  - Research and development agreements
  - Joint ventures
  - Software/IT transactions
  - Disputes involving copyright collecting societies
  - Trademark coexistence agreements
- Non-contractual
  - Patent infringement

# WIPO Cases: General Subject Matter

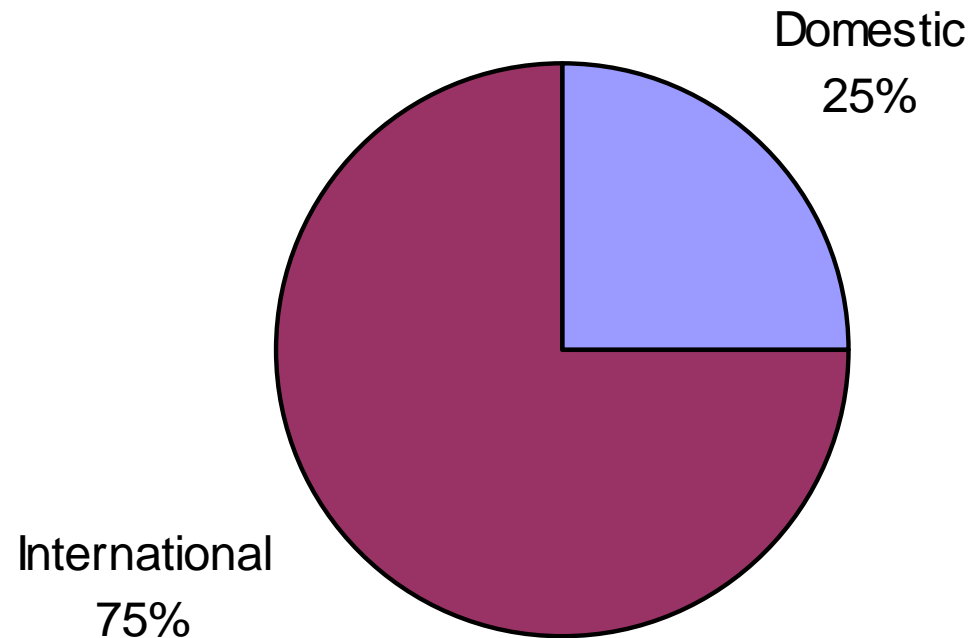




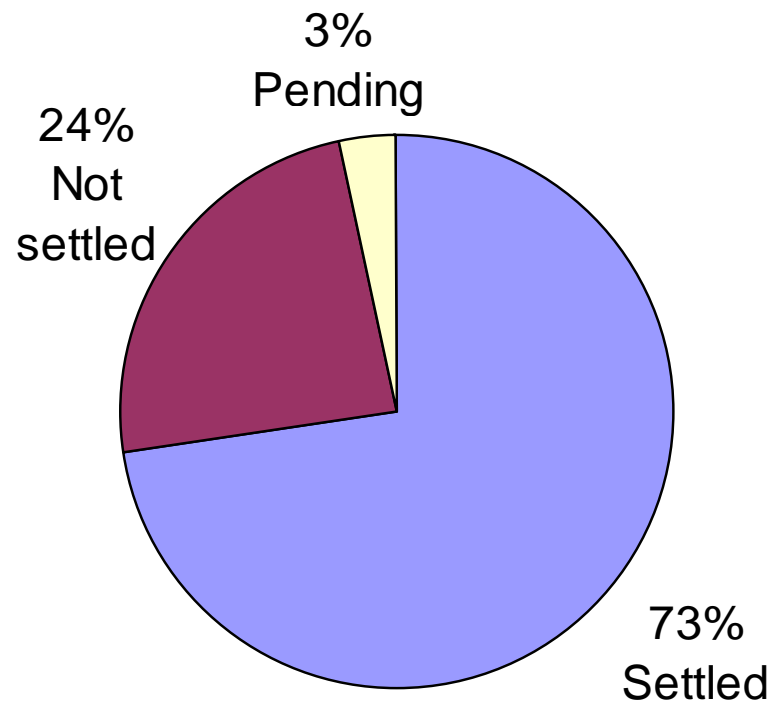
# WIPO Cases: Business Areas



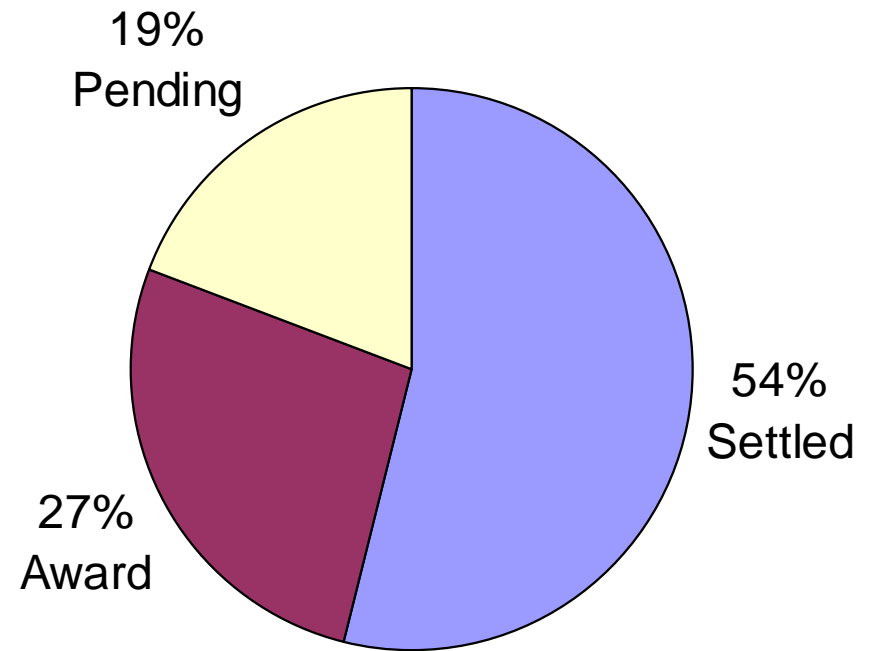
# WIPO Cases: Domestic / International



# WIPO Cases: Results



Mediation

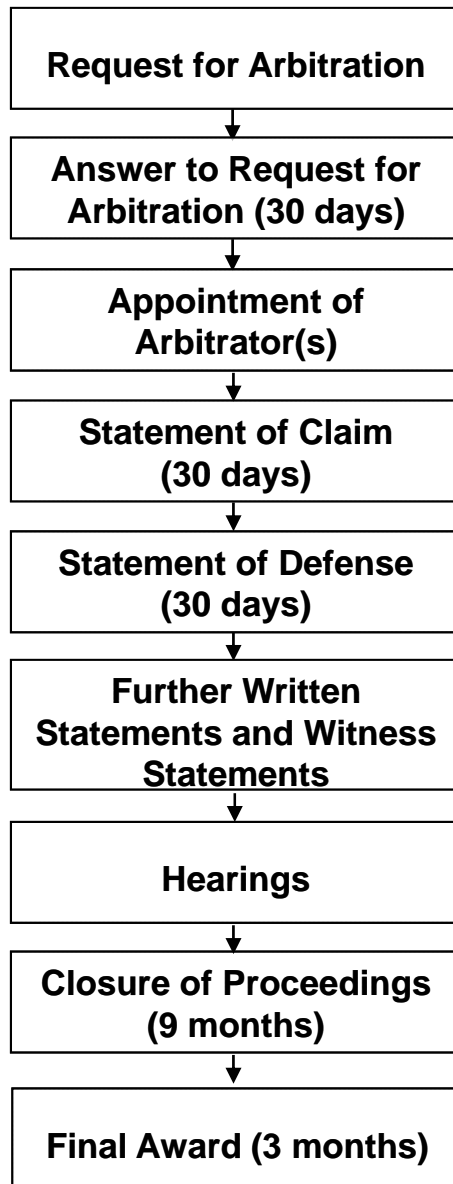


Arbitration

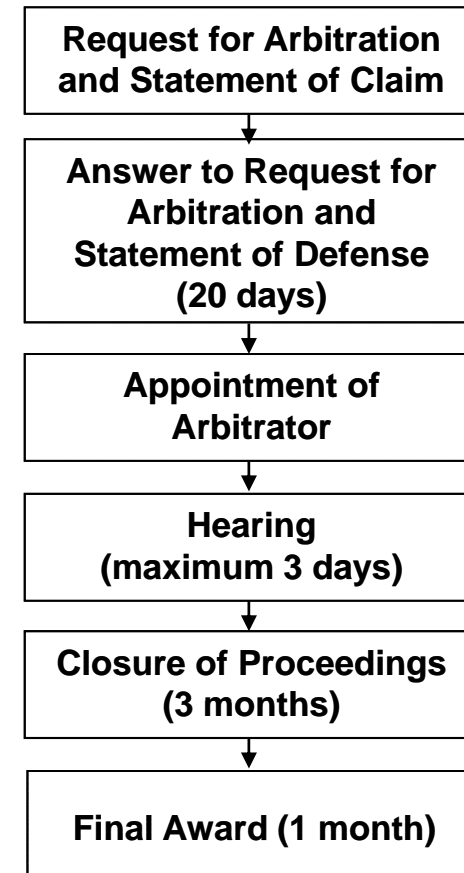
# Evaluating IP Litigation Experience

- Did the outcome obtained require the process that was followed:
  - Did parties really need a third-party neutral?
  - If so, did it really need to be a decision-maker?
  - If so, did it really need to be a judge?
- Often each party expected to win
- What was 'right' proved not necessarily constructive
  - « In business you always meet twice »
  - « A compromise can be a win »
- Many cases end in settlement
- What were the time and cost involved?

## WIPO ARBITRATION



## WIPO EXPEDITED ARBITRATION



- One exchange of pleadings
- Shorter time limits
- Sole arbitrator
- Shorter hearings
- Fixed fees

# WIPO Arbitration Rules

- Contain IP-specific elements
  - e.g. Confidentiality, technical evidence, interim relief
- But: WIPO Rules can apply to all commercial disputes
  - Commercial contract may have IP component
  - IP contract may cause 'regular' commercial dispute
- Combining guidance with flexibility
  - Arbitration Rules pre-structure the entire proceeding
  - For most part can be modified by arrangement between arbitrator(s) and parties
- For domestic and international cases
  - Bridging/accommodating different legal/procedural traditions
- Expedited arbitration if contract/dispute value is limited, or issues are straightforward, or if resolution is urgent

# WIPO Arbitration Example 1

- Finance agreement in connection with artistic production
  - German party - Swiss/Panamanian party
  - WIPO Expedited Arbitration clause
  - Each represented by US lawyers
- Urgent solution required: issue of contract interpretation under German law
- WIPO appointed Germany-based US arbitrator
- Short deadlines for written submissions
- One-day hearing
- Award rendered five weeks after case commenced

## WIPO Arbitration Example 2

- Major agreement for creation of web presence for national newspaper
  - WIPO Mediation followed by WIPO Expedited Arbitration
- Mediator appointed; no settlement, but mediation narrowed down and informed the issues
- Arbitrator appointed; parties settled after hearing
- Total timeframe: within eight months from commencement



## WIPO Arbitration Example 3 (I)

- Asian inventor granted exclusive license over a European patent and five US patents to US manufacturer
- Clause provided that disputes whether royalties had to be paid in respect of products manufactured by US party be resolved through WIPO Expedited Arbitration
- US party rejected claim that its products embodies technologies covered by the licensed patents and refused to pay royalties

## WIPO Arbitration Example 3 (II)

- Inventor initiated WIPO case
- Center appointed sole arbitrator under WIPO Expedited Arbitration Rules
- Arbitrator had to consider whether products infringed the ‘claims’ asserted for each of the patents and whether patents had been anticipated by prior art
  - Highly complex legal and technical issues
  - Business secrets, models, site visits
  - Eight days hearing
  - Final award in 15 months

# WIPO *Electronic Case Facility* (ECAF)

- Web-based custom-created application
  - For WIPO arbitration and mediation cases
  - By party agreement in consultation with neutral(s)
- Electronic case file
  - Filing (uploading), storage, search, copying (downloading)
  - Email alerts to all participants for each new filing
  - Separate message boards (all, and tribunal only) for communication outside case file
- Case management information
  - Case overview, contact details

# ECAF Case File

**ECAF HOME**

Help  
Arbitration  
Mediation  
Expert Determination  
Logout

## WIPO Electronic Case Facility (ECAF)

**Case: WIPOA20020**

**Licensing v. AB Technics Inc.**

Case Overview
Contact Information
Case File
Message Board
Neutral Message Board

### Case File

Only documents to be recorded as part of the casefile should be submitted in the Case File.  
Only first-level submissions will trigger an email notification to users.  
Display issues from variations in browsers may be resolved by adjusting the Text Size in the browser menu.

[Search Case](#)
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To sort, you may click on the column headers

ITEM NO	SUBMITTED BY	DATE	SUBJECT	ANNEX
3	WIPO AMC Case Manager	04/06/09 14:44:26	<a href="#">Main Case File 3</a>	1 <a href="#">[ Add ]</a>
3.1		04/06/09 14:45:21	<a href="#">Annex 1</a>	<a href="#">[ Add ]</a>
2	WIPO AMC Case Manager	22/05/09 16:11:02	<a href="#">Main Case File 2</a>	2 <a href="#">[ Add ]</a>
2.1		22/05/09 16:11:22	<a href="#">Annex 1</a>	3 <a href="#">[ Add ]</a>
2.1.1		02/06/09 11:03:17	<a href="#">Annex 1</a>	
2.1.2		21/09/09 12:05:07	<a href="#">Annex 2</a>	

# ECAF User Perspectives

- Benefits
  - Easy (low threshold)
  - Instant (deadline control)
  - Centralized (one common case file)
  - Location-independent (accessible, e.g. from phones and portable devices)
  - Secure (triple measures)
  - Consistent with electronic format of evidence
- Caveats
  - Local Internet access conditions
  - Managing file size
  - 24/7 maintenance

# Intellectual Property Dispute Resolution Needs: Why Consider ADR?

- International
- Neutral expertise
- Efficiency
- Confidentiality
- Preserving party relationships

# International (1)

- Intellectual property rights are often:
  - Created through international collaboration
  - Exploited through international commerce
  - Protected in a multitude of jurisdictions
- Intellectual property disputes often:
  - Involve parties from different jurisdictions
  - Concern commerce in a multitude of jurisdictions
- Court litigation:
  - Which court(s) is (are) competent?
  - Risk of inconsistent results
    - *Epilady* case: European Patent Office patents infringement litigation in 9 countries; found “infringed” in 5 countries, “no infringement” in 4 countries
  - Time and cost of foreign litigation

# International (2)

- In arbitration, parties designate a single forum for resolving the entire dispute
  - Comprehensive and consistent resolution
    - Rather than patchwork of court decisions
  - Neutrality
    - No party is forced to litigate in the other's home country
    - International (procedural) standards
- International Enforceability: New York Convention
  - 142 Member States
  - International arbitral awards to be recognized and enforced like final national court judgments
  - Only limited exceptions
- Mediation is not rooted in any jurisdiction or law



# Neutral Expertise

- IP disputes tend to be technical/specialized
  - Law, technical background (patents, software, etc.)
- Most courts are not specialized in IP (IBA Survey)
- In ADR, parties control selection of neutral(s)
  - Can select neutral(s) with expertise in the relevant legal, technical or business area
- WIPO Center
  - 1,500 candidates from 70 countries
  - Broad range of ADR, IP and technical backgrounds
  - Detailed professional profiles
  - Used for Center recommendations and appointments

# Efficiency

- IP covers fast-evolving technology, used in highly competitive markets
- The true cost of litigation: opportunity/management cost
- Need for efficient dispute resolution procedures
  - ADR offers party control (short deadlines)
  - WIPO expedited arbitration case example:
    - Both parties needed quick result
    - Short deadlines for written submissions
    - Sole arbitrator, one day hearing
    - Award within 5 weeks
- Comprehensive dispute resolution
  - One procedure, one law, one language, same lawyers, expert neutral(s), final result (award or settlement)

# Confidentiality

- Often required in IP/technology disputes
  - Examples: patented technology, know-how, reputation
  - Except: where public precedent needed
- ADR is a private procedure
- WIPO Arbitration Rules
  - Except as agreed otherwise or required by law, all participants to preserve confidentiality regarding:
    - Existence
    - Disclosures
    - Award
  - Specific protection of trade secrets
- WIPO Mediation Rules also prohibit disclosure in subsequent proceedings

# Preserving Party Relationships

- IP often developed/exploited in long-term relationships between partners
  - Industry, SME's, universities
- Arbitration
  - Private procedure, agreed by the parties
  - Flexible, can be tailored to the parties needs
  - Confidentiality helps parties to focus on the merits of the dispute, without concern about its public implications
- Mediation
  - Interest-based, rather than rights-based
  - Less acrimonious
  - No real down side: 70% settlement rate; defines issues; shows risks of alternatives; can walk out; limited cost; has court support

# Limitations of IP ADR (1)

- Contractual basis
  - No obligation to submit to ADR procedure without contract clause
  - Difficult to agree on clause once dispute has arisen
  - Unsuitable for bad-faith infringement (*e.g.* counterfeiting)
  
- Parties must pay fees of neutrals
  - Crucial importance of getting value for money
  - ADR efficiency and results can make for substantial benefits

## Limitations of IP ADR (2)

- Outcome binding only between the parties (*inter partes*)
  - No public precedent (*erga omnes*)
  - No general declaration of (in)validity
  - No direct office action (registration, cancellation)
- *Inter partes* effect proves mostly sufficient
- ICC interim award 6097 (1989) confirming arbitrability
  - Japanese claimant asserting breach of patent license by German licensee, who invoked invalidity of claimant's patents
  - Party agreement:
    - Place of arbitration: Zurich, Switzerland
    - Contract interpretation: Japanese law
    - Patent infringement: German law
  - Primacy of party intent in arbitration
  - Submission to arbitration is form of free disposal, like rights transfer or license ('any dispute involving property')

# A Few Clause Pointers

- Use model clauses as basis and modify/extend only as necessary
  - Do not divide per type of right, remedy, dispute, or party case status
  - Consider specific process limitations
- Combine options, include mediation
  - Like court cases, many ADR cases get settled
  - Consider suitability of expert determination before arbitration
- If arbitration, 'make it fit' (e.g. expedited)
- 'Institutional' or 'ad hoc'?
  - Hard to agree on procedure once dispute arisen
  - Do you know suitable neutrals
  - Which administering institution

# More Information on the WIPO Arbitration and Mediation Center

- WIPO Center website: <http://www.wipo.int/amc/en/>
- WIPO Center email:  
arbiter.mail@wipo.int