

# Resolving Intellectual Property Disputes Through International Arbitration

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## Arbitrating International IP Disputes

- Overview of international arbitration as a means of international dispute resolution
- Types of intellectual property rights and claims that may be arbitrated
- Process of arbitrating international intellectual property disputes



## Overview – Characteristics of International Arbitration

- Consensual dispute-resolution
- Neutral forum, including neutral, flexible rules of procedure and evidence
- Private arbitrators, often selected by parties
- Final awards that are enforceable in national courts throughout the world, subject to limited challenges



## Overview – Potential Advantages of International Arbitration

- Neutrality of forum and applicable rules
- Procedural flexibility
- Enforceability of arbitration agreement and award
- Confidentiality
- Potential savings in time and cost
- IP-specific benefits:
  - Technically sophisticated decision-makers
  - Centralized dispute resolution – resolves multi-jurisdictional disputes in a single proceeding



## Overview – Potential Disadvantages of International Arbitration

- Arbitral compromises instead of crisp judicial decisions
- Generally no appellate review of arbitral awards (could also be advantage)
- Limited or no discovery (could also be an advantage)
- Generally no dispositive motions prior to full merits hearing
- Limited or no ability to join third parties



## Overview – Institutional vs. Ad Hoc Arbitration

### ■ **Institutional arbitration**

- Institution assists with selection and removal of arbitrators
- Institution assists with service of process
- Institution “administers” arbitration proceedings
- Institution applies institutional rules (may be agreed by parties even if institution does not administer arbitration)

### ■ ***Ad hoc* arbitration**

- No institutional oversight
- Flexible and subject to parties’ agreement
- Recourse to national courts in case of default or disagreement



## Overview – Institutional vs. Ad Hoc Arbitration

Some arbitral institutions have issued rules that are specifically tailored to IP disputes:

- WIPO Rules
- AAA Rules
- CPR Rules
- Unified Patent Court Rules (pending)



## IP Rights Subject to International Arbitration

- Varies by country, but patent and trademark validity are arbitrable in many, limited to *inter partes* effect
- US law requires filing of awards involving patent validity or enforceability with PTO; others may rely in practice
- Copyright validity, ownership and infringement are widely arbitrable, including in the US
- Trade secrets, knowhow rights are widely arbitrable





## IP Claims in International Arbitration

- Traditional commercial disputes
- International treaty-based arbitrations
- New specialized arbitrations regarding licenses for standard-essential patents on fair, reasonable, and non-discriminatory (FRAND) terms



## Traditional Commercial Disputes

- Parties' agreement to arbitrate IP claims governed by national law
- **Pre**-dispute agreement to arbitrate: arbitration clause in licenses, joint venture agreements, M&A agreements, and other commercial contracts
- **Post**-dispute agreement to arbitrate



## Traditional Commercial Dispute – Drafting a Pre-dispute Arbitration Clause

- Scope – e.g., “all disputes” arising out of agreement could encompass both breach of contract claims and pendent statutory and common law claims
- Choice of an arbitral seat
- Choice of law
- Choice of arbitral rules and institutions
- Language of the arbitration
- Number of arbitrators
- Competence-competence



## International Treaty-based Arbitration

- International bilateral and multilateral treaties between States require that States provide certain rights to foreign investors
- Many treaties provide foreign investors the option to bring claims against the State in an international arbitration
- Types of treaty claims: *e.g.*, expropriation, fair and equitable treatment, national treatment



## International Treaty-based Arbitration

In recent cases, foreign investors claimed that national patent systems violated treaty obligations

- Eli Lilly & Co. v. Canada (2013): Claim by US investor that Canada's invalidation of Canadian patents is an expropriation in violation of NAFTA (pending)
- Apotex v. United States (2008): Claims by Canadian investor that US courts violated NAFTA by refusing to exercise jurisdiction over patent-invalidity claim (arbitration dismissed)



## Specialized FRAND Arbitrations

- FRAND = Fair, reasonable and non-discriminatory license obligation for standard-essential patents
- Google's acquisition of Motorola Mobility's patents led to FTC requirements that Google agree to submit FRAND disputes to binding arbitration
- This raises a variety of complex questions about how such a proceeding would be organized
- Samsung recently suggested a FRAND arbitration mechanism to the EU, which is under consideration



## Process of Arbitrating an IP Dispute

- Selecting an arbitral tribunal
- Building a legal team
- Discovery
- Technical experts
- Scope of the arbitral tribunal's authority
- Effect of arbitration on national proceedings



## Process of Arbitrating an IP Dispute – Choosing an Arbitrator / Party Arbitrator

- Nationality / familiarity with applicable law
- International arbitration expertise
- Intellectual property litigation expertise
- Technical expertise (science or engineering background)
- Conflicts of interest
- Legal background and prior positions
- Arbitrator's schedule





## Process of Arbitrating an IP Dispute – Building a Legal Team

- Attorneys with expertise in intellectual property litigation
- Attorneys with expertise in relevant technical issues
- Attorneys with expertise in international arbitration procedure
- Attorneys with expertise in relevant foreign law



## Process of Arbitrating an IP Dispute – Discovery

- Importance of discovery in IP disputes:
  - Patent infringement
  - Trade secret misappropriation
- Limited discovery in international arbitration
  - Documents must generally be requested with specificity
  - Depositions generally not permitted
- Timing of discovery: Before or after first round of memorials?
- IBA Rules of Evidence
- Providing for discovery in arbitration agreement



## Process of Arbitrating an IP Dispute – Technical Experts

- Importance of technical experts in IP disputes
- Consider need for technology tutorial
- Consider need for live direct testimony from experts
- Concurrent expert evidence (“hot tubbing”)
- Tribunal-appointed expert



## Process of Arbitrating an IP Dispute – Scope of the Tribunal's Authority

- Scope of the tribunal's authority to decide liability
  - **Patent validity**, both under the parties' agreement and relevant national law
  - **Patent enforceability**, both under the parties' agreement and relevant national law
- Scope of the tribunal's authority to issue requested remedies
  - Injunctions
  - Royalties



## Process of Arbitrating an IP Dispute – Effect of Arbitration on National Proceedings

- Effect on parallel district court litigation
- Effect on ITC investigations
- Effect on re-examination proceedings in USPTO
  - Liability for “inequitable conduct” as a result of failure to disclose pendency of arbitration to USPTO



## Questions?

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