
Pros, cons and peculiarities of arbitration in IP disputes

Arbitration for Practitioners: Do's & don'ts
Gasi - ACC Conference, Lugano – 19 October 2017

Avv. Stefano Codoni , LL.M.
Walder Wyss SA
v. Pelli 12
6900 Lugano
stefano.codoni@walderwyss.com

walderwyss attorneys at law

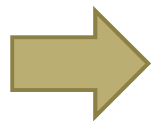
The Basics

- IP rights as monopoly right granted by national/regional legislation
- Main IP rights:
 - Registered rights: Patents / Trademarks / Designs / others
 - Unregistered rights: Copyrights / Unregistered Designs / sui generis rights on data bases
 - Know-how ?
- Territoriality principle and international dimension

 **What are the countries of main interest in my contract?**

The Obvious

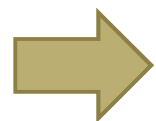
- You need an arbitration clause or an agreement to arbitrate
- Usually not for counterfeit, patent infringements, TM conflict cases
- Typically in:
 - License Agreements
 - Agreements with licensing clauses (distribution, R&D, software development, outsourcing)
 - IP Transfer Agreements (incl. as part of broader asset deals)



Identify agreements with IP involved

Some Conflicts Scenarios

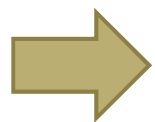
- A holds a patent in several countries and grants a license to B, with a purchase option for B after 5 years
- Potential conflicts:
 - Scenario 1: B does not pay license fees to A
 - Scenario 2: B exceeds the limits of the license (e.g. uses the invention in a different field)
 - Scenario 3: as a defense in Scenario 1, B challenges the validity of the patent
 - Scenario 4: A does not want to transfer the patents when B exercises the option



Think ahead: what could be the potential conflict scenarios?

The first (easy) Challenge: Arbitrability

- International consensus that IP disputes are generally arbitrable;
- Scope of the arbitration clause / wording
- Also on the issue of validity (Scenario 3) and transfer (Scenario 4)?
- Swiss solution: full arbitrability, in all cases
- International trend



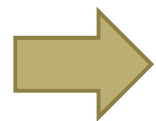
Easy solution: pick up an arbitration friendly jurisdiction



Possibly broaden wording of arbitration clause to cover validity issues

The second (real) Challenge: Recognition and Enforcement

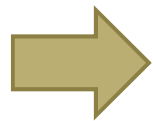
- Approaches differ from country to country:
 - Swiss approach: very generous; awards from Swiss and foreign arbitral tribunals recognized and enforced, also in Scenario 3 (validity), with *erga omnes* effect
 - More restrictive approach (partially Germany, Italy, France): validity (scenario 3) is an issue reserved to state courts / matter of public order
 - Half-way house solution (US/UK): *inter partes* effect of the award in Scenario 3



When deciding to insert arbitration clause or at least before starting the arbitration, assess chances of enforcement in countries of interest

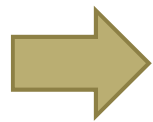
Some Opportunities

- Choice of law in the agreement?
 - Objective of having one single law to govern the entire dispute on validity
 - Before state courts generally not possible for validity issue
 - Choice of law more flexible in arbitration
 - Enforceability may still be the limit



Broad choice of law clause; avoid wording referring to different laws in the agreement

- Transform validity and transfer issues into contractual obligations to overcome the enforcement obstacles?
 - Contractual obligation of A to cancel the patents in the case of successful challenge (Scenario 3)
 - Contractual obligation of A to register the transfer of the patents (Scenario 4)



Include appropriate clauses in the agreement to serve as basis for obligation of “A”

The Pros, Cons and Alternatives

- Pros and cons as in any other arbitration proceedings (time, expertise of arbitrators, use of expert witnesses, flexibility, language, costs, appeal v. no appeal, etc.)
- Single arbitration procedure v. many state procedures in different countries as potential opportunity
- Single law to govern multi jurisdictional conflicts as potential opportunity
- Real alternatives? None – state courts procedures can only be more fragmented

The Take-Aways

- Arbitration is getting more and more popular for IP disputes
- Arbitration could offer solutions to simplify complexity of multijurisdictional IP disputes
- There are however some additional hurdles compared to the classic commercial disputes
- A choice-of-jurisdiction clause in an agreement will not have the same potential advantages and even more hurdles
- Arbitration in an arbitration friendly jurisdiction may therefore be the best solution, though not perfect



walderwyss attorneys at law