

Contemporary Issues in International Arbitration and Mediation

The Fordham Papers 2013

Edited by

Arthur W. Rovine



BRILL
NIJHOFF

LEIDEN | BOSTON

Contents

Acknowledgements	ix
Contributors	xi
List of Abbreviations and Acronyms	xxvi

Keynote Address

Multiple Proceedings—New Challenges for the Settlement of Investment Disputes	3
<i>Gabrielle Kaufmann-Kohler</i>	

PART 1

Investor-State Arbitration

- 1 Constraints on Power and Authority in International Investment Arbitration** 15
Andrea K. Bjorklund
- 2 Domestic Conformity Clauses in Investment Agreements: Their Role and Their Limits** 25
Rudolf Dolzer
- 3 Investment Treaty Protections, Political Risk, and Tribunal Decision-Making** 37
Abby Cohen Smutny
- 4 When the BIT Hits the FAA: U.S. Courts Confront Conditions Precedent in Bilateral Investment Treaties** 51
John M. Townsend

PART 2

Class Actions and Mass Claims

- 5 **FRAND Royalty Disputes: A New Challenge for International Arbitration?** 67
James H. Carter
- 6 **Mass Claims in Practice—The Eritrea-Ethiopia Claims Commission** 79
John R. Crook
- 7 **The Supreme Court and Class Arbitration: There and Back Again** 95
Christopher R. Drahozal
- 8 **Aristotle's Statistics: Consistency and Accuracy in International Mass Claims** 109
Veijo Heiskanen and Sandrine Giroud
- 9 **Why is Class Arbitration Unpopular across the Pond?** 123
Roman Khodykin
- 10 **Limits of Autonomy in International Investment Arbitration: Are Contractual Waivers of Mass Procedures Enforceable?** 141
S.I. Strong

PART 3

Arbitration of International Disputes on Energy Issues

- 11 **Gas Pricing Disputes: Final and Binding Uncertainty** 195
Arif Hyder Ali
- 12 **Energy Investment Disputes in Latin America: A Historical Perspective** 206
Nigel Blackaby
- 13 **Energy Disputes in Times of Civil Unrest: Transitional Governments and Foreign Investment Protections** 234
Caline Mouawad and Sarah Vasani

PART 4

Investor-State Arbitration (2)

- 14 **The Objections of Developed and Developing States to Investor-State Dispute Settlement, and What They Are Doing about Them** 253
O. Thomas Johnson and Catherine H. Gibson
- 15 **Investor-State Arbitration: Striking a Balance Between Investor Protections and States' Regulatory Imperatives** 270
Mark S. McNeill
- 16 **For Better or Worse, Is There a Common Law of Investment Arbitration?** 292
Laurence Shore and Robert Rothkopf
- 17 **Who, Then, Shall Judge? The Interpretation of International Investment Agreements and the Rule of International Law** 299
Todd Weiler

PART 5

The Arbitration of International Technology Disputes

- 18 **The Android Wars: International Technology Arbitration in an Alternate Universe A Case Study of *Apple v. Samsung*** 337
Gary L. Benton and Rachel Koch
- 19 **Arbitration, Antitrust and Intellectual Property: A Perfect Storm?** 377
Thomas D. Halket
- 20 **The Impact of Technology on International Arbitration and the Nature of Substantive Claims Asserted in International Arbitration** 407
John A.M. Judge
- 21 **Technical Expertise of Advocates and Arbitrators in International Technology Arbitrations: Benefit or Burden?** 429
Paul B. Klaas

- 22 **The Arbitrability of Patent Infringement Disputes** 445
Steven H. Reisberg

PART 6

Mediation

- 23 **Practical and Cultural Aspects of International Mediation** 465
Elizabeth Birch
- 24 **Preparing for Mediation in a Multiparty Construction
Dispute** 484
David I. Bristow, QC
- 25 **Conciliation at the Administrative Tribunal of Québec** 494
Hélène de Kovachich
- Index** 533

PART 5

*The Arbitration of International
Technology Disputes*



The Android Wars: International Technology Arbitration in an Alternate Universe

A Case Study of *Apple v. Samsung*

Gary L. Benton and Rachel Koch¹

I Introduction

A plethora of patent portfolios and multi-million dollar patent litigation battles have characterized the technology sector, especially the smartphone and tablet industry, in recent years. On a daily basis, there are new legal disputes between the world's most prolific technology companies including Apple, Google, HTC, Microsoft, Motorola, Nokia, and Samsung. The accumulating lawsuits span a multitude of courts and several continents.

This article will consider the ongoing Apple-Samsung litigation,² termed the “patent trial of the century,”³ and provide an alternative universe scenario: What would this litigation battle look like in international arbitration? Would international arbitration yield a substantively different outcome? Would resolution of the dispute be more procedurally efficient in arbitration? Would the costs differ? Where would an international arbitration leave the parties in their competitive market positioning against each other? On a more macro level, would the outcome of the dispute in an international arbitration setting impact the industry and consumers differently than in litigation?

1 Gary L. Benton is the founder and Chairman of the Silicon Valley Arbitration & Mediation Center (SVAMC) in Palo Alto, CA. He was previously a partner with Pillsbury Winthrop LLP and Coudert Brothers LLP. Rachel Koch is a recent law graduate of Santa Clara University and a legal intern at SVAMC.

2 As detailed below, over 50 litigations have been initiated between Apple and Samsung worldwide. This article considers the broad dispute while focusing particularly on the litigation pending in the U.S. District Court for the Northern District of California (No. 11-cv-01846-LHK) before U.S. District Judge Lucy Koh. Lead counsel for Apple and Samsung were each invited but did not respond to a request to comment on this article.

3 Ashby Jones & Jessica E. Vascellaro, *Apple v. Samsung: The Patent Trial of the Century, Tech Giants Near a Landmark Jury Trial Over iPhone and Android; Is It Innovation or Litigation?* WALL STREET J., July 24, 2012, available at http://online.wsj.com/article/SB100008723963904432954045775432218146485_92.html.

Part II of this article maps the battleground by providing an overview of the smartphone and tablet industry, Apple and Android market positioning, and the patent portfolios at play. Part III offers an overview of the ongoing litigations between the parties, focusing on the procedural history and substantive claims in the U.S. litigation. Part IV compares and contrasts the key procedural aspects of international arbitration and litigation particularly as applied to patent disputes and considers these distinctions in the context of the Apple-Samsung litigation.

As elaborated in Part IV, international arbitration of complex patent disputes offers parties several benefits over litigation including, but not limited to, party autonomy, cost and time efficiencies, multi-national coordination, and foreign recognition of awards. In the alternate universe of international arbitration, patent disputes, such as the Apple-Samsung litigation, would be resolved effectively and more efficiently. The substantive outcome would be better reasoned, globally comprehensive, delivered expeditiously and provide more certainty as to finality and enforcement. In the alternate universe, the time and cost savings would be invested into new technology research and development which would better serve the parties, industry and consumers.

II Case Study: The Android Battleground—Apple OS and Android

A survey of current patent litigations discloses a growing dichotomy between the technological giants: on one side is typically Apple or Microsoft and on the other side is a manufacturer using Google's Android operating system—namely HTC, Motorola or Samsung. It is a dichotomy resulting from the development of competing computer operating systems, the convergence of consumer electronic devices using those systems and the adoption of one system or the other by device manufacturers. Each of the players in the marketplace, be they traditionally software companies like Microsoft, Internet-focused companies like Google, consumer device companies like Samsung or computer system companies like Apple, now vie for positioning against one another in the growing global smartphone and tablet marketplace. The patent competition between these companies forms the foundation of the Android wars.

The operating systems of Apple (“iOS”) and Google (“Android”) currently account for ninety percent of the global market share of the smartphone and tablet industry.⁴ As commentators note, over the past five years there has been

4 Henry Blodget, *Mobile Platform Market Share*, BUSINESS INSIDER, Nov. 16, 2012 available at <http://www.businessinsider.com/mobile-market-share-2012-11> (citing data from International Data Centre).

a persistent OS battle dominating the smartphone and tablet market.⁵ The Android litigations of the past few years, most notably the Apple-Samsung litigation, are classic examples of the use of patenting as more than merely a tool to “spur innovation.”⁶ Patent litigations have become strategic wars for market share, impacting corporate resources, the timing of product releases and investor and consumer perceptions, more than genuine disputes over technical innovation.

A *The Smartphone and Tablet Market*

A brief examination of the current smartphone and tablet market and the relevant patent portfolios of Apple, Google and Samsung is in order to understand the parties’ positioning.

A smartphone is a mobile phone with advanced features comparable to the functionality of a personal computer. In 2012, 1.7 billion mobile phones were sold worldwide, 700 million of which were of the smart variety running either Google Android or Apple iOS or the less pervasive Symbian, BlackBerry or Microsoft Windows operating systems.⁷ Smartphone sales were projected to overtake non-smart or “feature phone” sales.⁸ By 2016, premium smartphones will account for one in three phones sold globally, and approximately 40% of mobile phone revenue.⁹ Apple and Samsung are seen as the leading innovators in the smartphone market.¹⁰ In Q4 2012, Samsung held a 29% worldwide market share compared to Apple’s 22% share.¹¹

5 Benedict Evans, *Apple’s Market Share Might be too High, Not too Low*, FORBES Jan. 12, 2013 available at <http://www.forbes.com/sites/benedictevans/2013/01/12/apples-market-share-might-be-too-high-not-too-low/>.

6 See Federal Trade Commission, *TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY* (October, 2003) available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

7 *Id.*

8 *Id.*

9 Ranjit Atwal & Carolina Milanesi, *PC, Tablet and Mobile Phone Forecast, Worldwide, 3Q12 Update: A Fresh Approach to Forecasting*, GARTNER, Sept. 18, 2012, available at <http://www.gartner.com/id=2195117>.

10 Steve Kovach, *How Samsung is Out-Innovating Apple*, BUSINESS INSIDER, Feb 21, 2013, available at <http://www.cnn.com/2013/02/18/tech/gaming-gadgets/samsung-apple-innovation>.

11 Chuck Jones, *Samsung Increasing Its Smartphone Market Share vs. Apple and the Rest of the Pack*, Forbes, Jan. 24, 2013, available at <http://www.forbes.com/sites/chuckjones/2013/01/25/samsung-increasing-its-smartphone-market-share-vs-apple-and-the-rest-of-the-pack/>.

While a longstanding concept,¹² the tablet PC or media tablet has gained considerable popularity in the global marketplace over the past 4 years, partly due to convergence with smartphone technology. This slate-shaped device is similar in size and function to a laptop with numerous enhanced features such as a touch screen and improved personalized settings. Through the last quarter of 2012, the Apple iPad Mini and the Google Nexus 7, accounted for a large portion of the worldwide sale of about 150 million tablets.¹³ The recent introduction of the latest Microsoft tablets running the Windows OS has taken substantial market share as well.¹⁴ Analysts anticipate that tablet purchases by businesses will reach 13 million units this year, more than tripling by 2016 to reach 53 million units.¹⁵ The growth of the smartphone and tabloid markets, short product life cycles and technical and marketing-based consumer lock-ins promise significant ongoing revenue opportunities.

B *Mobile Operating Systems: Apple iOS v. Google Android*

As noted, the operating systems of Apple and Google are by far the most prominent.¹⁶ However, iOS is compatible only with Apple products such as the iPhone and iPad¹⁷ whereas the Google Android system is bundled with the products of numerous mobile device manufacturers ranging from Samsung to Lenovo and Amazon. For example, reportedly, at least 30 million iPads have

12 In its list of prior art references in support of invalidating Apple's iPad design patents, Samsung cited the 1994 Knight Ridder/Fidler tablet, a 1980s science fiction essay, and Stanley Kubrick's *2001: A Space Odyssey*. Samsung's Opposition to Apple's Motion for a Preliminary Injunction at 12–13, 678 F.3d 1314 (N.D.Cal. 2011) (No. 11-cv-01846-LHK).

13 Evans, *supra* note 6.

14 Connie Guglielmo, *Apple's Tablet Share Falts As Customers Wait For Next New Thing, Microsoft Making 'Notable Progress'*, FORBES, Aug. 5, 2013 available at <http://www.forbes.com/sites/connieguglielmo/2013/08/05/apples-tablet-share-falts-as-customers-wait-for-next-new-thing-microsoft-making-notable-progress/>.

15 Mark Scott, *Top Five Mobility Lessons Learned In 2012 for CIOs*. Gartner analysts describe tablets as “the key accelerator to mobility” for enterprises. *Press Release: Gartner Says 821 Million Smart Devices Will Be Purchased Worldwide in 2012; Sales to Rise to 1.2 Billion in 2013*, GARTNER, Nov. 6, 2012, available at <http://www.gartner.com/newsroom/id/2227215>.

16 *Id.* at 4. Microsoft, still the leader in the desktop and laptop operating system market, has had limited success from its mobile device product efforts but has benefited considerably from patent cross licenses with Android manufacturers. Ryan Kim, *Can Android be Microsoft's next \$1billion business*, Gigaom, July 6, 2011, available at <http://gigaom.com/2011/07/06/can-android-be-microsofts-next-1-billion-business/>.

17 See Apple Inc., *iOS Security*, May 2012, available at http://images.apple.com/ipad/business/docs/iOS_Security_May12.pdf.

been sold in the U.S., compared to only 1.4 million Samsung Android tablets through June 2012.¹⁸ Considering the full list of Android suppliers, by the end of 2012, the Android operating system was utilized by 57.9% of all global mobile devices.¹⁹ Apple's iOS came in second with 14.9 percent share.²⁰ Industry analysts including both Gartner and the International Data Center ("IDC") anticipate that the Android OS will continue to lead the market at least through 2016.²¹

Apart from being a competitor, historically Samsung has been one of Apple's largest suppliers. In fact, Samsung provides some of the iPhone's most important components: the flash memory that holds the phone's apps, music and operating software; the working memory, or DRAM; and the applications processor.²² Together these account for 26% of the component cost of an iPhone.²³

What this market data reveals is that in as much as the Apple-Samsung litigation is a battle to control the mobile device marketplace, it is a proxy battle between Apple and Google for mobile operating system dominance.²⁴ Quite possibly, the Apple-Samsung litigation is only the first skirmish and there is a much larger legal battle between Apple and Google to come.²⁵

18 Evans, *supra* note 6.

19 Louis Columbus, *2013 Roundup of Smartphone and Tablet Forecasts & Market Estimates*, FORBES, Jan. 17, 2013 available at <http://www.forbes.com/sites/louis columbus/2013/01/17/2013-roundup-of-mobility-forecasts-and-market-estimates/>.

20 *Id.*

21 Columbus, *supra* note 19.

22 *Apple and Samsung's Symbiotic Relationship*, Economist, Aug. 10, 2011, available at <http://www.economist.com/blogs/dailychart/2011/08/apple-and-samsungs-symbiotic-relationship>.

23 *Id.*

24 Apple co-founder Steve Jobs vowed before his death to wage "thermonuclear war" to prove that phones running on Google Inc.'s Android operating system copy the iPhone. See Susan Decker and Aioffe White, *Apple, Samsung Inch Toward End of Smartphone Patent Fight*, BLOOMBERG, Dec. 18, 2012 available at <http://www.bloomberg.com/news/2012-12-18/samsung-says-it-will-drop-lawsuits-against-apple-in-europe.html>.

25 These Android wars could also escalate beyond Apple and the mobile device marketplace. Microsoft faces the risk Google will use Android to target Microsoft's desktop and laptop operating system markets next. See Ewan Spence, *The Nightmare that Keeps Microsoft Awake... Android on the Desktop*, FORBES, January 12, 2013 available at <http://www.forbes.com/sites/ewanspence/2013/01/12/the-nightmare-that-keeps-microsoft-awake-android-on-the-desktop/>.

C *IP Arsenal: Patent Portfolios as Shields and Swords*

The bundles of patents registered to Apple, Google, Microsoft and Samsung²⁶ serve as an IP arsenal for deterring competitors, extracting revenue and concessions by means of licensing agreements, and waging war through filing patent infringement claims against companies that refuse to comply. From 2010 to 2011, smartphone companies spent roughly \$20 billion on patent litigation and patent purchases.²⁷ In a widely circulated article and in other public comments, Judge Richard Posner of the 7th Circuit has argued there are marked deficiencies in U.S. patent laws and ongoing patent litigations are a threat to innovation.²⁸

In 2011, for the first time, both Apple and Google spent more on patent lawsuits and building patent portfolios than on research and development of new products.²⁹ This remarkable and rather frightening trend raises the question whether litigation is the best means of dispute resolution for these technical giants and the technology industry as a whole. Where disputes cannot be resolved through negotiation, perhaps there is a more efficient and economical solution that a better reasoned and globally comprehensive decision without diverting resources from innovation.

III *Apple v. Samsung Litigation*

Apple and Samsung litigations are playing out in courts around the world. The existence of multinational litigations, which are often duplicative and overlapping, account for the considerable time, expense and complexity of litigating international technology disputes. Examination of this phenomenon

26 According to data from the United States Patent and Trademark Office (USPTO) Apple is the designated assignee for 6,158 patents; Google is the assignee for 2,525 patents; Samsung and its several international subsidiaries are the assignees for a total of 54,878 patents. See USPTO patent search available at <http://www.uspto.gov/patents/process/search/#heading-1>.

27 Charles Duhigg and Steve Lohr, *The Patent Used as a Sword*, N. Y. TIMES, Oct. 7, 2012, available at http://www.nytimes.com/2012/10/08/technology/patent-wars-among-tech-giants-can-stifle-competition.html?pagewanted=all&_r=0.

28 Richard Posner, *Why There Are Too Many Patents in America*, ATLANTIC, July 12, 2012, available at <http://www.theatlantic.com/business/archive/2012/07/why-there-are-too-many-patents-in-america/259725/>. In 2011, Judge Posner, sitting as a district judge, dismissed a case filed by Apple and Motorola Mobility, a Google subsidiary, citing lack of a triable evidence of economic harm. *Apple v. Motorola* (No. 1:11-cv-08540) (N.D. IL., June 22, 2012).

29 Duhigg & Lohr, *supra* note 27.

with particular focus on the ongoing U.S. patent litigation between Apple and Samsung sets a foundation for contrasting the patent litigation process with that of international arbitration.

A *Apple v. Samsung: Claims and Counterclaims of Patent Infringement*

On April 15, 2011, Apple Inc. (“Apple”), a “revolutionary and innovator in mobile communication devices, personal computers, and portable digital media players,”³⁰ filed suit in the United States District Court for the Northern District of California against Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC (collectively “Samsung”), a South Korean electronics company, the largest provider by volume of mobile devices in the U.S. and the second largest in the world.³¹ Apple claimed that instead of using its own research and development resources, Samsung had chosen to “slavishly copy” Apple’s “innovative technology, distinctive user interfaces, and elegant and distinctive product and packaging design.”³² Apple maintained that if Samsung was not enjoined, Samsung’s products would continue to “erode the distinctiveness” of Apple’s design, take market share, and cause irreparable harm to its brand.³³

In its complaint, amended multiple times,³⁴ Apple alleged that Samsung’s Galaxy cell phones and computer tablets infringed several Apple designs, user interfaces (UI) and utility patents. With regards to design, Apple claimed that the iPhone’s distinctive front face was instantly recognizable as “Apple” and “iPhone.”³⁵ Using several graphics, Apple attempted to illustrate that Samsung’s Galaxy S 4G and Infuse 4G appear to the ordinary observer to be “substantially the same.”³⁶ Additionally, Apple claimed that the overall appearance of the Galaxy Tab 10.1 evidences copying in that every major element of Apple’s pat-

30 *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2011 WL 7036077 (N.D. Cal. Dec. 2, 2011) *aff’d in part, vacated in part, remanded*, 678 F.3d 1314 (Fed. Cir. 2012) *citing* Apple’s First Amended Complaint (“FAC”) at ¶13 (N.D. Cal. June 16, 2011) (ECF No. 75).

31 *Id. citing* Samsung’s Answer, Affirmative Defenses, and Counterclaims ¶22 (N.D. Cal. June 30, 2011) (ECF No. 80).

32 FAC, *supra* note 30, at ¶4.

33 *Id.* at ¶112.

34 By the time that the Apple-Samsung litigation reached trial, twelve patents and 21 smartphone and tablet products were at issue for the jury to decide. Additional filings have added several more for future determination. See John McCrank, *Apple Seeks to Add More Products to Samsung Patent Suit*, NBC News, Nov. 25, 2012, available at <http://www.nbcnews.com/technology/technolog/apple-seeks-add-more-products-samsung-patent-suit-1C7209893>.

35 *Id.* at ¶14.

36 Apple’s Trial Brief at 7. 678 F.3d 1314 (N.D. Cal., July 25, 2012) (No. 11-cv-01846-LHK).

ented iPad design is found in the Galaxy Tab.³⁷ In terms of the utility patents, Apple alleged several technical claims related to Google's Android platform as integrated into Samsung's smartphone products.³⁸ These include the following smartphone functions termed: universal search, bounce back, pinch-and-zoom, tap and zoom.³⁹

In its responsive pleading, Samsung not only sought invalidation of the Apple patents at issue, but also counterclaimed alleging Apple's infringement of twelve Samsung patents. In support for invalidation, Samsung disputed the innovativeness of Apple's designs by arguing that smartphones and tablets have "evolved naturally" in the direction of Apple's design patents specifically in the area of screen size.⁴⁰ Samsung then alleged that Apple products infringed on Samsung's method and apparatus patents used in mobile communication devices.⁴¹

B U.S. Litigation Timeline

i Apple's Request for Preliminary Injunction

In July of 2011, shortly after filing its suit, Apple sought a preliminary injunction to enjoin Samsung from "making, using, offering to sell, or selling within the United States, or importing into the United States" Samsung's Galaxy S 4G and Infuse 4G phones and Galaxy Tab 10.1 tablet computer.⁴² At issue were

37 Apple's Motion for A Preliminary Injunction, 678 F.3d 1314 (N.D.Cal, July 1, 2011) (No. 11-cv-01846-LHK) ("Closely comparing Apple's patented design with Samsung's products reinforces the conclusion of substantial similarity. Samsung copied every major element of Apple's patented design:

- a flat, clear, black-colored, rectangular front surface with four evenly rounded corners;
- an inset rectangular display screen centered on the front surface that leaves very narrow borders on either side of the display screen and substantial borders above and below the display screen; and
- a rounded, horizontal speaker slot centered on the front surface above the display screen,
- where the rectangular front surface is otherwise substantially free of ornamentation outside of an optional button area centrally located below the display:").

38 *Id.*

39 *Id.*

40 *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2011 WL 7036077 (N.D. Cal. Dec. 2, 2011) *aff'd in part, vacated in part, remanded*, 678 F.3d 1314 (Fed. Cir. 2012).

41 Samsung Entities' Answer, Affirmative Defenses, and Counterclaims to Apple Inc.'s Amended Complaint; 2011 WL 2731786 (N.D.Cal.).

42 *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2011 WL 7036077 (N.D. Cal. Dec. 2, 2011) *aff'd in part, vacated in part, remanded*, 678 F.3d 1314 (Fed. Cir. 2012).

three design patents embodied in the iPhone and iPad and one utility patent used in iOS.⁴³

District Court Judge Lucy Koh denied Apple's request for preliminary injunction. For two of the design patents the Court found that Apple had failed to show a likelihood of success on the merits.⁴⁴ For the remaining design and utility patent the Court denied relief based on Apple's failure to show that it would likely suffer irreparable harm from Samsung's continuing infringement while the case was pending.⁴⁵ Unpersuaded by Apple's argument of "erosion of design distinctiveness" and loss of market share, the Court held that Apple failed to provide evidence that brand dilution and loss of market share due to design features were likely to occur absent an injunction.⁴⁶ Thus the preliminary injunction was denied based on the failure to show a likelihood of success on the merits and irreparable harm absent an injunction.⁴⁷ Apple appealed to the U.S. Federal Circuit Court of Appeals.

On May 14, 2012, the Federal Circuit affirmed the District Court's ruling on the lack of irreparable harm with respect to Apple's smartphone design patent but reversed the District Court's conclusion that the tablet design patent was

43 For the D087 patent, involving the front face design of the iPhone, the court maintained that substantial questions had been raised about its validity due to substantial similarity to prior art. For the D889 patent, involving tablet design, the court Samsung had raised a substantial question about whether the patented design would have been obvious in light of a combination of several prior art references. *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2011 WL 7036077 (N.D. Cal. Dec. 2, 2011) *aff'd in part, vacated in part, remanded*, 678 F.3d 1314 (Fed. Cir. 2012).

44 For the D087 patent, involving the front face design of the iPhone, the court maintained that substantial questions had been raised about its validity due to substantial similarity to prior art. For the D889 patent, involving tablet design, the court Samsung had raised a substantial question about whether the patented design would have been obvious in light of a combination of several prior art references. *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2011 WL 7036077 (N.D. Cal. Dec. 2, 2011) *aff'd in part, vacated in part, remanded*, 678 F.3d 1314 (Fed. Cir. 2012).

45 *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 678 F.3d 1314, 1333 (Fed. Cir. 2012).

46 *Id.*

47 This ruling echoes reasoning from both the U.K and Dutch court rulings for non-infringement. After a hearing on the merits, the U.K court went so far as mandating Apple to include a link on its homepage providing the judgment and claiming that Samsung's products are not infringing. See Ben Bryant, *Apple Samsung Patent Battle: Coding that Obscured Apology Removed from UK Website*, Telegraph, Nov. 9, 2012 available at <http://www.telegraph.co.uk/technology/apple/9666997/Apple-Samsung-patent-battle-coding-that-obscured-apology-removed-from-UK-website.html>.

likely invalid.⁴⁸ The appellate court found that prior art references did not render the Apple's iPad design patent invalid. Since the District Court had ended its discussion of the injunction factors at likelihood of success on the merits, the Federal Circuit remanded to the District Court to finish the analysis as to whether a preliminary injunction should be granted.⁴⁹

On June 26, 2012, the District Court continued with its analysis of the injunction factors to find that the balance of hardships tipped in Apple's favor and it was in the public interest of protecting patent rights to grant the injunction.⁵⁰ Based thereon, the District Court granted the preliminary injunction which barred Samsung from making, using, offering to sell, or selling within the United States, or importing into the United States Samsung's Galaxy S 4G until there was a final ruling on the merits of the case.⁵¹ In accordance with applicable U.S. federal civil procedure,⁵² the Court ordered Apple to provide a \$95.6 million bond in the event that the injunction was found erroneous in future proceedings.⁵³ The injunction on the Galaxy Nexus was vacated after trial where it was found not to infringe.⁵⁴

ii Pre-Trial Discovery

Apple and Samsung engaged in extensive pre-trial disclosures and motion practice, generating massive quantities of documents and other evidence, in various litigations. U.S. Federal Rule of Civil Procedure 26(b) allows for pre-trial discovery regarding any non-privileged matter relevant to the subject matter involved in the action. This discovery is not limited to evidence admissible at the trial; rather, it extends to any information that appears reasonably calculated to lead to the discovery of admissible evidence.

In the U.S. Apple-Samsung litigation, the parties exchanged document requests and written interrogatories and examined party and non-party witnesses in depositions conducted worldwide.⁵⁵ While the full extent of

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ The preliminary injunction was one of a patchwork of conflicting injunctive orders around the world. See, *supra* note 47.

⁵² Fed. R. Civ. P. 65.

⁵³ *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 12-CV-00630-LHK, 2012 WL 2576136 (N.D. Cal. July 3, 2012).

⁵⁴ *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 678 F.3d 1314, 1339 (Fed. Cir. 2012).

⁵⁵ Throughout the discovery phase and post-trial motions, both parties submitted several motions to compel. In response to a court order dated April 12, 2012, Apple produced 283 withheld depositions amounting to more than 34,000 pages of testimony from other

discovery in the case is not a matter of public record, it was undoubtedly substantial, involving vast quantities of documents and hours of pre-trial examination of witnesses. The court limited each party's trial presentations to 50 live witnesses and 45 witnesses by deposition designations,⁵⁶ a week before trial the court rejected Samsung's request to offer testimony from 207 witnesses.⁵⁷ It is likely that all of these witnesses and many more were deposed in advance of trial.

Over one hundred attorneys from twelve different law firms appeared in the U.S. litigation.⁵⁸ Undoubtedly many more attorneys in those and other firms worked on the case without making an appearance. Presumably discovery constituted the bulk of the billings in the case.

iii Trial and Post-Trial Proceedings

In July 2012, nine jurors were chosen from a pool of seventy-four candidates. The jury reportedly included a social worker, a systems engineer, a mechanical engineer, a city worker, an AT&T supervisor, a store operations manager for a cycling retailer, a benefits and payroll manager for startups, and an unemployed video gamer.⁵⁹ Only one member of the jury had any experience with patents.⁶⁰

The trial lasted three-weeks.⁶¹ After presentation of evidence by the parties, the Court supplied the jury with over 100 pages of instructions⁶² and a 20-page

cases on the patents. Samsung's Notice of Motion and Motion to Enforce April 12, 2012 Order, *Apple v. Samsung*, 2013 WL 645299 (N.D.Cal.) This production is only a sampling of the pre-trial evidence gathered by each side.

56 Minute Order and Case Management Order, *Apple, Inc. v. Samsung Electronics Co., Ltd.* 2012 WL 2375963 (N.D.Cal.) available at <http://docs.justia.com/cases/federal/district-courts/california/candce/5:2011cv01846/239768/1267/0.pdf?1342961095>.

57 Order Striking Appendix A to Samsung's Witness List, *Apple, Inc. v. Samsung Electronics Co., Ltd.* 2012 WL 2375963 available at <http://docs.justia.com/cases/federal/district-courts/california/candce/5:2011cv01846/239768/1293/0.pdf?1343119145>.

58 See *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 678 F.3d 1314, 1338 (Fed. Cir. 2012).

59 Dan Levine, *California Jurors Get to Work in Apple vs. Samsung Trial*, REUTERS Aug. 22, 2012, available at <http://www.reuters.com/article/2012/08/22/apple-samsung-deliberations-idUSL2E8JM7P820120822>.

60 *Id.* The failure of the jury Foreman to fully disclose his prior experience with patents was of considerable controversy and is a basis for Samsung's appeal.

61 See *Jury Didn't Want to Let Samsung Off Easy in Apple Trial: Foreman*, REUTERS, Aug. 25, 2012, available at <http://www.reuters.com/article/2012/08/25/us-apple-samsung-juror-idUSBRE87O09U20120825>.

62 See Jury Instructions; 2012 WL 3568795 (N.D.Cal.).

verdict form.⁶³ Questions were raised afterwards as to whether the jury even bothered to read all of the instructions.

After two and a half days of deliberations, the jury found largely in favor of Apple and awarded \$1.049 billion in damages against Samsung.⁶⁴ According to the verdict, the Android system as integrated into over twenty Samsung smartphone products infringed the technology, trade dress, and UI of Apple's iPhone products.⁶⁵ Samsung was found guilty of infringement for the pinch-and-zoom, tap-and-zoom, and bounce-back technologies, as well as the UI iconography of the iPhone's front screen.⁶⁶ All Samsung's claims against Apple were rejected.⁶⁷

Although the jury found that Samsung's infringement was willful,⁶⁸ the trial court later rejected this finding.⁶⁹ In denying Samsung's motion to overturn the entire verdict, Judge Koh held that the trial was not manifestly unfair and that there was substantial evidence to support the jury's findings on infringement.⁷⁰

The Judge also rejected Apple's motion to permanently enjoin all sales of Samsung products violating the patents holding that Apple failed to show a "causal nexus" between Samsung's infringement and any lost profits or economic harm.⁷¹

On March 1, 2013, Judge Koh reduced the damage award against Samsung to \$650M, and ordered a new trial on certain claims.⁷² On November 21, 2013, a new jury awarded Apple an additional \$290M on the retrial of the reduced damages award, bringing the total damage award against Samsung to over

63 See Jury Verdict; 2012 WL 3635337 (N.D.Cal.).

64 *Id.*

65 Jury Verdict, *supra* note 61.

66 *Id.*

67 *Id.*

68 *Id.*

69 Order Granting in Part and Denying in Part Motion for Judgment as a Matter of Law, *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2013 WL 412861 (N.D. Cal. Jan. 29, 2013).

70 *Id.*

71 Order Denying Motion for Permanent Injunction, *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2012 WL 6569786 (N.D. Cal. Dec. 17, 2012) hearing *en banc* denied, 2013-1129, 2013 WL 444755 (Fed. Cir. Feb. 4, 2013).

72 Order Regarding Damages, *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2013 WL 772525 (N.D. Cal. Mar. 1, 2013).

\$890M.⁷³ Apple and Samsung have both filed appeals relating to the jury verdicts and post-trial orders; additional appeals are expected.⁷⁴

A second case before the same Judge involving additional patents, including the iPhone Siri voice feature, went to trial in April 2014.⁷⁵ That case proceeded despite the pending appeals in the first case and resulted in an additional \$119.6 M verdict for Apple, although it had sought \$2.2 B.⁷⁶ It remains uncertain when the Apple-Samsung case will end. The appeals and new trials ahead assure additional years of litigation.

iv The International Trade Commission and Executive Involvement
On June 4, 2013, the United States International Trade Commission (ITC) determined that Apple had infringed certain Samsung's smartphone and tablet patents, thereby violating Section 337 of the Tariff Act of 1930.⁷⁷ Based on this determination the ITC banned Apple from importing certain iPhone 4, iPhone 3GS, iPad 3G and iPad 2 3G into the U.S.⁷⁸ The ITC also issued a cease and desist order, preventing Apple from engaging in sales of these products in the United States.⁷⁹

Under the U.S. Tariff Act, a party subject to such a ban can appeal the decision to the President. The President is required to engage in a policy evaluation before approving the ban, rejecting it, or taking no action. On August 3, 2013, U.S. Trade Representative Michael Froman, acting on behalf of President Obama's authority, notified the ITC that the Administration had chosen to veto the importation ban. He wrote that this decision "does not mean that in this case [Samsung] is not entitled to a remedy. On the contrary, [Samsung] may

73 See Shara Tibken, *Jury reaches verdict in Apple v. Samsung damages retrial*, CNET, November 21, 2013, available at http://news.cnet.com/8301-13579_3-57613382-37/jury-reaches-verdict-in-apple-v-samsung-damages-retrial/.

74 See *infra* page 43.

75 See Dan Levine, *U.S. Judge Will Not Suspend Apple Siri Patent Case vs. Samsung*, MERCURY NEWS, Mar. 8, 2013, available at http://www.siliconvalley.com/apple-vs-samsung/ci_22751208/u-s-judge-will-not-suspend-apple-siri.

76 See Apple Inc. and Samsung Ltd. Joint Status Report, available at <http://ia600803.us.archive.org/19/items/gov.uscourts.cand.251113/gov.uscourts.cand.251113.393.0.pdf>.

77 United States International Trade Commission [hereinafter ITC], *In the Matter of Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794, June 4, 2013, available at http://www.usitc.gov/secretary/fed_reg_notices/337/337-794_notice06042013sgl.pdf.

78 *Id.* at 3.

79 *Id.* at 4.

continue to pursue its rights in the courts.”⁸⁰ He continued that the veto was based on “technical policy considerations” and their “effect on competitive conditions in the U.S. economy and the effect on U.S. consumers.”⁸¹

After ruling against Apple on one set of Samsung patents, on August 9, 2013 the ITC ruled in favor of Apple on a set of Apple patents, holding that certain Samsung products violated several of Apple’s patents. Here, the ITC held that these Samsung products should be banned from importation and sale within the United States.⁸² The U.S. administration did not act as kindly to Samsung as it did to Apple and the 60 day review period passed without a White House veto of the ban of Samsung products. In the meantime, Apple filed an appeal to expand the ban to include newer Samsung products.

v Observations

Despite the exceptional media profile of the Apple-Samsung case, the procedural path it has followed is typical for U.S. patent litigations and not significantly dissimilar of patent litigations in non-U.S. courts. Among the key characteristics of patent litigations worldwide are time, expense, substantive and procedural complexity at the pre-trial, trial and appellate levels. The U.S. process is further burdened by the cost and requirements of the discovery process and the uncertainties arising from the jury system.

Non-U.S. courts, be they in common law, civil law or other jurisdictions, do not provide immunity from the time, expense and other detriments of litigation. All too often litigants in non-U.S. courts must labor through systems that require years for cases to proceed to trial or appeal or offer judges with little if any knowledge of patent law or technology. In some instances, local court decisions are influenced by prejudice or bribery. The burden of conducting litigations in multiple national jurisdictions and the resulting likelihood of conflicting rulings are additional disadvantages.

80 Office of the U.S. Trade Representative, *Re: Disapproval of the U.S. International Trade Commission’s Determination In the Matter of Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers, Investigation No. 337-TA-794*, Aug. 3, 2013, available at http://www.ustr.gov/sites/default/files/08032013%20Letter_1.PDF.

81 *Id.*

82 ITC, *Notice Of Commission’s Final Determination Finding A Violation Of Section 337; Issuance Of A Limited Exclusion Order And Cease And Desist Orders; Termination Of The Investigation*, Aug. 9, 2013, available at http://www.usitc.gov/secretary/fed_reg_notices/337/337_796_Notice08092013sgl.pdf.

IV The Alternate Universe: *Apple v. Samsung* in International Arbitration

A *Defining International Arbitration*

International arbitration is a globally recognized and utilized adjudicative process for resolving disputes. In international arbitration, the parties agree to submit a dispute that arises between them to arbitration as an alternative to a resolution by one or more national courts. International arbitration has been defined as “a specially established mechanism for the final and binding determination of disputes, concerning a contractual or other relationship with an international element, by independent arbitrators, in accordance with procedures, structures and substantive legal or non-legal standards chosen directly or indirectly by the parties.”⁸³ International arbitrations offer each party a neutral forum outside of national court systems thereby “leveling the playing field.”⁸⁴

Rather than being bound by the confines of national sovereignty, international arbitration is a global mechanism that relies on international treaty enforcement for recognition and enforcement of arbitration agreements and awards. Awards rendered in international arbitration proceedings, unlike court judgments, are readily enforceable under treaty obligations. In the context of private party international commercial arbitrations, the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (“New York Convention”) is the most notable treaty given its widespread adoption around the world.⁸⁵

For many years, international arbitration was largely the province of internationally financed infrastructure or energy projects, often involving one or more nation states as parties. Over the past decade, international arbitration has become a burgeoning method of dispute resolution for almost every aspect of international trade, commerce, and investment.⁸⁶ While international

83 Julian D.M. Lew, Loukas A. Mistelis, Stefan Kröll, *COMPARATIVE INTERNATIONAL COMMERCIAL ARBITRATION* 1 (2003).

84 Eric Gottwald, *Leveling the Playing Field: Is It Time for A Legal Assistance Center for Developing Nations in Investment Treaty Arbitration?* 22 *Am. U. INT’L L. REV.* 237, 238 (2007).

85 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (*hereinafter* New York Convention) 330 UNTS 38; 21 UST 2517; 7 ILM 1046 (1958) available at http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention.html.

86 See Alan Redfern & Martin Hunter, *et al.*, *REDFERN AND HUNTER ON INTERNATIONAL ARBITRATION* 1 (5th ed. 2009).

arbitration has traditionally been applied to commercial disputes, its use is increasing rapidly in the intellectual property arena.⁸⁷

B *International Arbitration Principles*

The growing global popularity of international arbitration to resolve a wide variety of business disputes, including intellectual property disputes, is due to several benefits of international arbitration over litigation. Commercial arbitration, and particularly international arbitration, is often guided by principles favoring a simpler, less expensive and a more expeditious form of dispute resolution than national courts.⁸⁸ One of the key principles of international arbitration is party autonomy. In electing arbitration as the method of dispute resolution, parties have the power to choose the breadth of their arbitration clause, the forum of the arbitration, the governing law of the dispute, the rules that govern the arbitration process, the number of arbitrators, the arbitral tribunal and myriad processes with respect to disclosure and presentation of evidence. The overall process, from pleadings and disclosure of information to hearings, is less formal and rigid than litigation, and designed to be less time-consuming, less expensive and more efficient.⁸⁹ Other significant attributes of international arbitration include country-neutral decision making, increased privacy for the litigants, resolution by experts in the technical field, and global recognition of arbitration awards.

i The Court's Inherent Power vs. The Parties' Choice to Arbitrate

Courts are creatures of territorial definition. A court's power extends no further than the reach of its jurisdiction and a court's jurisdiction is limited by national boundaries. Given territorial limitations, U.S. courts have no power over foreign patents, just as foreign courts have no power over U.S. patents.

For any court in the United States to adjudicate a case it must have jurisdiction over the subject matter of the case and the parties involved.⁹⁰ U.S. federal courts have subject matter jurisdiction over cases that address the validity and

87 See Kimberley Chen Nobles, *Emerging Issues and Trends in International Arbitration*, 43 Cal. W. Int'l L.J. 77 (2012).

88 International Centre for Dispute Resolution ("ICDR"), GUIDELINES FOR ARBITRATORS CONCERNING EXCHANGES OF INFORMATION, Introduction at 1, available at http://www.adr.org/aaa/ShowPDF?doc=ADRSTG_002579.

89 Although fees of the arbitral institution and Arbitrator(s) are borne by the parties, this cost can be quickly offset by savings from a dramatically more efficient resolution process, particularly in contrast to U.S. litigations.

90 28 USCA §1330–§1369.

infringement of U.S. patents.⁹¹ Peripheral matters, such as contractual licensing issues, may be considered by U.S. state courts.

In the U.S. courts, personal jurisdiction involves the court's inherent authority over the party. A court does not have authority unless the party has certain minimum contacts with the forum state.⁹² A U.S. court's personal jurisdiction extends to parties which import or sell products in the forum state; however, the venue of the court and whether it is a convenient forum is an additional consideration.⁹³

Several obvious conclusions can be drawn with respect to the jurisdiction of courts. First, courts will have limited power over parties beyond their borders and in some cases will have no power over particular entities. Second, courts have limited power with respect to foreign laws, a particularly significant consideration in the context of patent disputes between multinational companies. Third, in the court system, potential defendants face considerable uncertainty in anticipating where they may be haled into court. Fourth, the territorial limitations of courts often necessitates multiple proceedings creating a risk of inconsistent and conflicting results.

In the international arbitration context, many of these pitfalls are avoided. The power of the arbitral tribunal to hear and adjudicate a case is clearly anticipated: the parties have consented to jurisdiction by written agreement either before or after a dispute has arisen.⁹⁴ In a properly drafted international arbitration agreement, the parties will specify the seat of the arbitration, the applicable arbitral rules and the governing substantive law. The clause may also specify the arbitral institution, the number of arbitrators and the method of their selection (all often implied by the selection of the arbitral rules). In consenting to the seat of the arbitration, the parties submit to the power of the courts in that jurisdiction to compel and oversee arbitral proceedings. The selection is also enforceable by local law and international treaty protections.

91 28 USCA §1338.

92 In its analysis the court must consider whether the defendant has purposefully availed of the protections and benefits of conducting activities in that state, whether resolving the dispute in that state is reasonably foreseeable, and the overall fairness of compelling the defendant to litigate there. *World-Wide Volkswagen Corp v. Woodson*, 444 U.S. 286 (1980).

93 28 USCA §1404 (a) ("For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought") See *Reiffin v. Microsoft Corp.*, 104 F. Supp. 2d 48 (D.D.C. 2000) (Court granted Microsoft's motion to transfer venue for convenience of the parties).

94 As provided by the New York Convention, agreements to arbitrate must be in writing. New York Convention, *supra* note 79, Art. II.

In the United States, Europe and increasingly the rest of the world, there is a strong judicial policy favoring agreements to arbitrate. For example, the U.S. Federal Arbitration Act (FAA) makes arbitration agreements involved in interstate and foreign transactions valid, irrevocable, and enforceable.⁹⁵ Under the FAA, arbitration clauses are equally enforceable in the U.S. federal and state courts. The U.S. Supreme Court has emphasized that upholding pre-dispute agreements to arbitrate is central to effecting a party's independent power to contract.⁹⁶

Consent is a fundamental prerequisite to arbitration and this is, admittedly, a considerable distinction between litigation and arbitration. Without the parties' written consent to arbitration at some point in the course of their dealings, international arbitration is not available as a means of dispute resolution.⁹⁷ There are two basic ways parties can opt for arbitration: (1) by including a pre-dispute arbitration clause in an agreement or (2) by submitting the dispute after it arises.⁹⁸

Given the long history of Apple-Samsung dealings, a premise of this article is that, it would have been quite possible for them to have agreed to resolve the disputes in question by arbitration. Although it is not always the case in every patent dispute, there was ample opportunity for Apple and Samsung to consent to a broad arbitration provision in any one of the many supply or license agreements between them. In fact, it is counterintuitive why two large, sophisticated global business partners would not agree up front to a defined dispute resolution mechanism. A dispute resolution agreement would avoid uncertainties regarding where and how disputes are resolved.⁹⁹ Had Apple and Samsung

95 9 USCA. §2; There are limited exceptions in the employment context. Although in the U.S. patents are a federal issue, any arbitration clause that is enforceable in an action in federal court is equally enforceable if the action is brought to state court.

96 See, *AT&T Mobility LLC v. Concepcion*, 131 S. Ct. 1740 (2011) (The FAA preempts California's judicial rule regarding the unconscionability of class arbitration waivers in consumer contracts given the federal policy favoring arbitration and the fundamental principle that arbitration is a matter of contract).

97 See New York Convention Writing Requirement, *supra* note 79.

98 In a pre-dispute licensing scenario, an arbitration clause could be broader than the patent license itself. The clause could mandate that all future disputes between the parties, whether related to the respective patent or otherwise, will be submitted to arbitration in a mutually agreeable location, under mutually agreeable rules and governing law. If there is no pre-dispute agreement, the parties could collaboratively negotiate an arbitration agreement tailored to the specific dispute at hand.

99 Not doing so could have been strategic but it is more likely that dispute resolution was an afterthought in business discussions; unfortunately the parties never pursued putting a global dispute resolution mechanism in place.

simply included an appropriate arbitration clause in one of their contracts, they would have received many benefits unavailable to them in litigation.¹⁰⁰

ii Forum

In international arbitration, unlike litigation, the parties mutually select the forum. Parties in an international arbitration ordinarily specify an agreed seat of the arbitration in their arbitration agreement. Historically the selected seat was in a “neutral” third country but, more importantly, particularly in modern times, in a jurisdiction conducive to arbitration and convenient to the parties. Regardless of the chosen seat of arbitration, an international arbitration tribunal can conduct hearings in other jurisdictions.

Furthermore, unlike courts, the reach of arbitration panels is determined by the parties’ agreement, not the judicial reach of the forum. Accordingly, arbitration panels are well-suited to address matters for the parties with a multinational focus.

These forum considerations have substantial import in the context of the Apple-Samsung litigations. The Apple and Samsung dispute is being litigated in the United States, Germany, France, Italy, Netherlands, Japan, Australia, England, and South Korea.¹⁰¹ If these litigations were consolidated into a single arbitration that addressed the dispute on a multinational level, there would be a substantial increase in efficiency. The parties could have the disputes resolved in a single proceeding.¹⁰² The proceeding would be conducted in a mutually convenient location, with hearings in other locations, as needed, by a selected panel of arbitrators.

Undoubtedly a single arbitration proceeding would be less time-consuming, less costly and more efficient for the parties than presenting their case in multiple courts around the world. Having a single proceeding limits the risk

100 All too often corporate law departments adopt a blanket position with respect to arbitration based on the predisposition of their General Counsel or a single negative experience in a particular matter. Taking the blanket position “we don’t do arbitration” is a mistake. It denies the company the benefits of arbitration in cases where it would provide value. The blanket position may impose on the company expensive court litigations, an unenforceable court judgment or, worse, an adverse judgment from a hostile foreign court.

101 See Michael J. Lennon, *Patent Battles Without Frontiers*, 54 IAM MAGAZINE (Apr. 18, 2012) available at <http://www.iam-magazine.com/strategy300/directory/Detail.aspx?g=c8598438-6e2a-4307-80c5-f85a19e3b702>.

102 Admittedly, the hearing would involve determinations under the patent laws of multiple countries but the efficiencies obtained from convening a single panel to address the same technology on a worldwide basis would seem to outweigh that complication. Additionally, the parties could further simplify the process by agreeing that all patent disputes are to be resolved under a single jurisdiction’s patent laws.

of the different courts rendering divergent decisions and, as discussed *infra*, there would be a single award that would be readily enforceable as between the parties.

iii Judicial and Arbitral Administration

Court cases in different countries are administered locally and independently. Each court relies on its own local procedures and practices. Each court schedules its cases independently. The process of administering the Apple-Samsung case in U.S. has little bearing on the court in Germany. Not only is there no coordination on judicial findings, there is no administrative coordination among the courts.

In contrast, international arbitration offers a single proceeding typically administered for the parties by an arbitral institution.¹⁰³ The selected arbitral institution oversees and administers the entire process from initiation of the proceeding, to assisting the parties in selecting the arbitration panel, to scheduling and ensuring the award is timely delivered to the parties.¹⁰⁴ Some arbitral institutions, most notably the ICC Court of Arbitration, have detailed processes to scrutinize draft awards (albeit at a higher cost for institutional services). The quality of arbitral institutions and their rule provisions can vary widely, particularly from country to country. Crucially, in all arbitration matters, the selected arbitral institution works at the behest of the parties rather than the parties being dependent on court clerks for administrative and scheduling support.

If Apple and Samsung had opted to arbitrate they would not be addressing fifty separate lawsuits in ten different jurisdictions. Rather than being dependent on the vagaries of different national courts, the disputes would be addressed in a single proceeding administered for them by a private arbitral institution.

103 The parties may elect an ad hoc proceeding rather than relying on the services of the arbitral institution. Although ad hoc proceedings can present complications with respect to arbitrator selection, resolution of conflicts and collection of arbitrator fees, they are regularly utilized by parties. The UNCITRAL Model Rules are often selected for ad hoc proceedings.

104 The leading international arbitral institutions include the ICC in Paris, the LCIA in London and the ICDR in New York. These institutions administer arbitrations nearly worldwide. There are other smaller but well-respected institutions in Europe and various up and coming regional institutions in Asia.

iv Decision-Makers: Judges, Juries and Arbitrators

The judges of many courts have no intellectual property or technical experience. In the U.S., federal trial court judges are allotted patent disputes on their dockets, along with a variety of other civil and criminal matters. They may or may not have prior experience dealing with technology or complex patent issues before deciding a case. One U.S. study has concluded that, “judges with very little patent experience manage the vast majority of cases.”¹⁰⁵ Judicial inexperience with patent law and technology issues is not limited to the U.S. courts; most other non-U.S. jurisdictions similarly do not have specialized patent trial courts.

The prevalence of juries in U.S. patent trials is another complicating factor. A party to a U.S. patent infringement suit has a constitutional right to request a jury trial.¹⁰⁶ There are no distinct prerequisites in serving as a jury member for a patent trial. In the U.S., in stark contrast to the rest of the world,¹⁰⁷ jury trials are customary in patent infringement cases, with jury members deciding the vast majority of issues.¹⁰⁸ The likelihood of technical error and unfounded decision-making is obvious. All too often jury trials are likely decided on gut feelings rather than principled application of the law to the facts.

In the international arbitration setting, the parties select the decision-makers. There are a variety of mechanisms used to select the arbitration panel. Typically three neutral arbitrators are appointed, with each party selecting one arbitrator and the parties or party-appointed arbitrators jointly selecting the third arbitrator. Alternatively, the arbitrator(s) could be designated in the arbitration clause or appointed from a list provided by the arbitral institution. In

105 Jay P. Kesan, Gwendolyn G. Ball, *Judicial Experience and the Efficiency and Accuracy of Patent Adjudication: An Empirical Analysis of the Case for A Specialized Patent Trial Court*, 24 HARV. J.L. & TECH. 393 (2011). The study reviewed case docket files for roughly 1,200 judges who presided over patent cases between 1995 and 2003. Commentators note that a lack of judicial familiarity with patents could be the reason why more patent cases are appealed than other civil cases. See *Id.* at 395.

106 U.S. Const. amend VII; Fed. R. Civ. P. 38.

107 The U.S. is only country that allows juries in patent litigation. See David A. Hurst, *Conference Report—U.S. & German Bench and Bar Gathering: “A New Bridge Across the Atlantic”: The Future of American Patent Litigation*, 14 GERMAN L. J. 269 (2012) available at http://www.germanlawjournal.com/pdfs/Vol14-No1/PDF_Vol_14_No_1_269-278_Developments_Hurst.pdf.

108 See PricewaterhouseCoopers LLP, *2012 Patent Litigation Study: Litigation Continues to Rise Amid Growing Awareness of Patent Value*, PWC P PUBLN 9 (2012) available at http://www.pwc.com/en_US/us/forensic-services/publications/assets/2012-patent-litigation-study.pdf [hereinafter “PWC Report”].

smaller cases, a single arbitrator is typically appointed either jointly by the parties or by the arbitral institution. The rules of the leading arbitral institutions and the laws of many jurisdictions impose strict requirements for arbitrator neutrality and conflict disclosure, typically much more stringent than required of judges in many countries.

Thus, a chief advantage of international arbitration over court proceedings is the ability of the parties to select expert decision makers of their choosing. The parties are free to specify arbitrator qualifications in their arbitration agreement or simply appoint a panel that satisfies their requirements. Undoubtedly, a panel of skilled arbitrators, whether engineers, industry insiders or technology lawyers, are better qualified to address patent disputes than most jurors and many judges. The ability of parties to choose expert arbitrators would minimize the risk of an erroneous ruling by an unqualified judge or runaway jury and allow the parties more control in the process of resolving their dispute.

The U.S. *Apple v. Samsung* litigation was filed in a court with robust experience with patent disputes. The jurisdiction of the Federal District Court for the Northern District of California includes Silicon Valley where many of the world's most innovative technology companies, including Apple, maintain their corporate headquarters.¹⁰⁹ However, as noted above, reportedly only one jury member had direct experience with patents. While it is unknown what role the jurors' background and lack of experience played in their reaching the verdict, one may reasonably argue that few jurors are qualified to render a reasoned judgment in such a complex technical legal dispute.

If Apple and Samsung had agreed to international arbitration, the parties could have selected a panel of patent and technology law experts of their choosing and engaged in a much more efficient, focused proceeding. Arguably, a panel of three qualified arbitrators can collectively reach a reasoned decision on a patent matter as well as, if not better than, a single judge and almost certainly better than a jury lacking any legal or technical background.

At a minimum, the popularity of Apple as a cultural icon in the U.S. and the predilection of juries to decide against foreign parties should have made international arbitration particularly attractive to Samsung.

109 To name a few Adobe Systems, Advanced Micro Devices, Agilent Technologies, Align Technology, Apple Inc., Applied Materials, Cisco Systems, eBay, Facebook, Gilead Sciences, Google, Hewlett-Packard, Intel, Intuit, Juniper Networks, KLA Tencor, Lockheed, LSI, Logic, Marvell Semiconductors, Maxim Integrated Products, National Semiconductor, NetApp, Nvidia, Oracle Corporation, Salesforce.com, SanDisk, Sanmina-SCI, Symantec, Western Digital and Yahoo!

v Privacy and Confidentiality

Privacy and confidentiality can be important considerations in analyzing the benefits of the international arbitral process over litigation. Court proceedings in many countries are open to the public. In the U.S., patent litigations are ordinarily public proceedings. Pleadings, motion papers and other key filings are routinely available to the public and increasingly available online. In the U.S., although much of the evidence exchanged in the discovery process is not filed with the court, key documents are often disclosed in the course of motion practice and the trial. The exception is where the court enters protective orders at the request of a party to protect confidential information such as proprietary technical information or financial data. In such instances, the court will require parties to maintain confidentiality of information exchanges and allow sealed filings; the court may also conduct closed court sessions when proprietary information is being discussed.

Likewise, in U.S. courts, there is typically no requirement on the parties to refrain from discussing the case publicly, except to the extent the court enters a protective order protecting the opposing party's proprietary information.¹¹⁰ As a result, the parties in major cases often present their cases to the media as well as the court.

In stark contrast, international arbitration proceedings are private. The proceedings are not open to the public. The law in most jurisdictions provides that international arbitral proceedings are also confidential and the rules of the leading arbitral institutions fill any gap requiring that the tribunal and the parties keep all matters relating to the arbitration and award confidential unless the parties consent otherwise.¹¹¹ Thus the proceedings and the documents submitted during arbitration remain inaccessible to third parties. The only time the existence of an arbitration may be acknowledged is if a party files in court to seek assistance with the proceeding or the enforcement of the arbitration award.

As a practical matter, the use of protective orders in both litigation and arbitration to prevent disclosure of proprietary information makes the distinction between confidentiality in court proceedings and arbitration proceedings somewhat moot. In both forums, proprietary information is protected from disclosure to the public and provided on a restricted basis to the other party. (In litigation, the broad scope of the U.S. discovery process does provide

110 See Fed. R. Civ. P. 26(c)(7).

111 See *e.g.* American Arbitration Association ("AAA") Rules: Commercial Arbitration Rules and Mediation Procedures (Including Procedures for Large, Complex Commercial Disputes) (hereinafter "AAA Commercial Rules"), Art. 34, available at <http://adr.org>.

a somewhat greater risk (or benefit, depending on one's point of view) that proprietary information will be made accessible to the opposing party.) Thus, the more significant distinction between court proceedings and arbitration centers around public access to the proceedings. In major cases, the distinction translates into whether there will be media coverage of the proceeding.

The privacy and increased confidentiality from the public offered in international arbitration may be a key element for a party in deciding whether to arbitrate.¹¹² Conversely the decision to try a case in court, and have greater public scrutiny, could be a strategic consideration as well. Certainly there are policy considerations to be taken into account in considering whether major commercial disputes are best resolved in public view or in private hearing rooms.

In the context of the Apple-Samsung dispute, as with any major technology matter, in both litigation or international arbitration the parties relied on court-approved protective orders to guard against the disclosure of proprietary information.¹¹³ As to non-proprietary information, Apple and Samsung have both relied upon the media to help tell their stories to the public. As would be expected, media briefings and resulting news articles, are more talking points than expositions of the detailed legal issues being decided in the courts.

Unless the parties agreed otherwise, media access to the international arbitration process and information disclosed in the course of the proceeding would be strictly limited, although certain minimal disclosures would likely be required in the course of public securities filings. Whether Apple or Samsung would prefer confidentiality over media scrutiny depends on their success in litigating the cases and their broader marketing strategy. What is certain is that the litigation process mandates exposure to media scrutiny while international arbitration would provide the parties a choice in the matter.

vi Preliminary Injunctive Relief

Every nation sets its own standards for protective provisions in advance of trial. In the U.S., a preliminary injunction is considered an “extraordinary remedy

112 Parties must analyze the capacity for confidentiality or lack thereof to affect the sales and reputation of the brand. Trial proceedings undoubtedly impact the public market place and whether that could be beneficial or detrimental depends on winning or losing the case.

113 Several media companies have asked the Federal Circuit Court of Appeals to consider releasing sealed information in the case. They will be granted oral argument at the Circuit Court hearing to be held March 26, 2013. See *infra*, note 153.

never awarded as of right.”¹¹⁴ In each case, courts must balance the competing claims of injury and consider the effect of granting or refusing the requested relief, paying particular regard to the public consequences.¹¹⁵ In patent cases, as long as a patentee can establish the requisite factors to a “near certainty,”¹¹⁶ a court will grant the preliminary injunction and thereby bar the defendant from making, distributing, and selling the infringing products.

Under the leading international arbitral rules, international arbitrators have broad discretion in issuing directives for interim relief and making initial awards before rendering a final decision.¹¹⁷ Regardless of whether the parties are in court or arbitration, the same substantive law considerations should apply.

Procedurally, a preliminary injunction granted by an international arbitration tribunal can give rise to certain enforcement concerns. A party can turn to a local court to grant a preliminary injunction or enforce a preliminary injunction ordered by the tribunal. The enforceability of a tribunal’s order for interim relief may not be as readily enforced by a foreign court on the basis that it is not a final award as mandated by treaty requirements. Although preliminary injunctions issued by arbitral tribunals are not “final” awards under the provisions of the FAA and the New York Convention, U.S. courts will likely enforce an arbitrator’s award of preliminary injunctive relief where such an injunction makes the ultimate award by the arbitral panel “meaningful.”¹¹⁸

114 *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 9 (2008). To prevail in seeking a preliminary injunction the moving party has to establish (1) a likelihood of success of the case on the merits; (2) immediate irreparable harm would result if the relief was not granted; (3) the balance of hardships weighs in the moving party’s favor; and (4) the public interest would be best served by granting the injunctive relief.

115 *Id.* citing *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982).

116 *Winter v. Natural Res. Def. Council, Inc.*, *supra* note 106 at 9.

117 See Rule 34 of the AAA Commercial Rules, note 67: “The arbitrator may take whatever interim measures he or she deems necessary, including injunctive relief.” See also applicable rules for the ICDR, available at <http://www.adr.org/aaa/faces/aoe/icdr> [hereinafter “ICRD Rules”], and the IBA, available at http://www.ibanet.org/LPD/Dispute_Resolution_Section/Arbitration/IBA_Rules_Evidence/Overview.aspx [hereinafter “IBA Rules”].

118 See *Pac. Reinsurance Mgmt. Corp. v. Ohio Reinsurance Corp.*, “temporary equitable orders calculated to preserve assets or performance needed to make a potential final award meaningful . . . are final orders that can be reviewed for confirmation and enforcement by district courts under the FAA; *Yasuda Fire & Marine Ins. Co. of Europe, Ltd v. Cont’l Cas. Co.*, 37 F.3d 345, 347 (7th Cir. 1994); *Ace/Cleardefense, Inc. v. Clear Def., Inc.*, 47 F. App’x 582 (D.C. Cir. 2002); “interim award is a preliminary injunction, and confirmation of the injunction is necessary to make final relief meaningful.”

As a practical matter, when an arbitral tribunal grants interim relief, it is in the best interests of the parties to comply. Otherwise, the non-complying party risks the arbitrator viewing the non-compliance adversely in considering the case on the merits and in making the final award.

In the context of preliminary injunctions in the Apple-Samsung litigations, multiple courts were asked to make preliminary injunction rulings under multiple bodies of law based on overlapping factual issues. That scenario almost ensures inconsistencies. Where the German and Dutch courts granted a preliminary injunction on the sale of Samsung's Galaxy Tab 10.1, the England, South Korean and Japanese courts denied it. Even if the requirements for preliminary injunctions were the same in every jurisdiction, the factual case-by-case analysis of the judge remains largely subjective.¹¹⁹

If the Apple-Samsung dispute had been submitted to international arbitration, there would have been more consistency and certainty in the preliminary injunction stage. A single arbitral panel could have assessed the necessity of a worldwide preliminary injunction. The decision would have avoided the divergent results that Apple and Samsung confronted: preliminary injunctions granted in some places and not others. A consistent substantive analysis would have been applied and there would be little doubt over whether the enjoined party would comply. Furthermore, reliance on an arbitral tribunal to issue a preliminary injunction would have avoided the flip-flopping trial and appellate court decisions in the U.S. court case.

vii Discovery vs. Disclosure

The approach to exchange of information constitutes a crucial distinction between litigation and international arbitration. International arbitration favors a minimal "disclosure" of information whereas litigation, depending on where it is conducted, involves a broader pre-trial production of all evidence.

Common law and civil law courts have divergent approaches to gathering relevant evidence and information. Common law proceedings are adversarial in nature and the lawyers take the lead in gathering evidence and examining the witnesses. Civil law proceedings employ an inquisitorial approach where the judge has the leading role in gathering evidence and conducting

119 For example, in the U.K. case the judge ruled that there would be no consumer confusion based on the design of Apple and Samsung's tablets because the Galaxy tablets "do not have the same understated and extreme simplicity which is possessed by the Apple design . . . They are not as cool." See Kit Chellel, *Samsung Wins U.K. Apple Ruling Over 'Not as Cool' Galaxy Tab*, BLOOMBERG, July 9, 2012, available at <http://www.bloomberg.com/news/2012-07-09/samsung-wins-u-k-apple-ruling-over-not-as-cool-galaxy-tablet.html>.

examinations. As a result, information disclosure tends to be more limited and focused in civil law proceedings. Thus, even in the context of litigation, there is wide variation on information exchange practices. These inconsistencies have been debated and accommodated in the international arbitration arena.¹²⁰

The U.S. represents the extreme in approaches to pre-trial production of evidence. In the U.S. litigation discovery process, the parties may submit extensive pre-trial requests for documents and other information reasonably calculated to lead to the discovery of relevant evidence. Under U.S. federal and state procedures, the requests can require responses to written interrogatory questions, extensive paper and electronic document production, party and third-party witness deposition testimony and inspections.

The U.S. discovery process can become sprawling, costly, and hugely time-consuming.¹²¹ The average length of the discovery process for a patent case, including discovery requests, depositions, interrogatories and clarifying motions, is three years.¹²² As a result, many large-scale patent disputes take a decade on average to resolve.¹²³ For a patent dispute, document discovery could require extensive searches of archived hard copy and electronic data and could easily involve production of hundreds of thousands of documents. The deposition process is equally time-consuming and intrusive, particularly for witnesses from countries where adversarial examination by lawyers is an unfamiliar concept. Penalties are significant; failing to provide the requesting party with required discovery can result in monetary sanctions or dismissal.¹²⁴

Disclosure in international arbitral proceedings is far less burdensome. Traditionally, parties in international arbitration disclose only those documents on which they intend to rely, rather than all relevant documents.¹²⁵

120 See 1999 IBA Working Party & 2010 IBA Rules of Evidence Review Subcommittee, *Commentary on the Revised Text of the 2010 IBA Rules on the Taking of Evidence in International Arbitration*, available at <http://www.ibanet.org/Document/Default.aspx?DocumentUid=DD240932-0E08-40D4-9866-309A635487C0> [hereinafter "IBA Rules & Commentary"].

121 See *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 560, (2007).

122 PWC Report, *supra* note 100, at 3.

123 See Murray Lee Eiland, *The Institutional Role in Arbitrating Patent Disputes*, 9 PEPP. DISP. RESO. L.J. 283, 283 (2009).

124 See *Qualcomm Inc. v. Broadcom Corp.*, 05CV1958-B (BLM), 2008 WL 66932 (S.D. Cal. Jan. 7, 2008) *vacated in part*, 05CV1958-RMB (BLM), 2008 WL 638108 (S.D. Cal. Mar. 5, 2008) (emphasizing party's duty to use search terms in tracking down all requested electronic documents) . . . Although \$8 million in sanctions were ultimately vacated and remanded, the potential for great sanctions still exists.

125 See IBA Rules & Commentary, *supra* note 107, Art. 3(11).

Depositions and interrogatories are inconsistent with the standard international arbitration process. This limited disclosure philosophy puts the focus on the central documents supporting each party's case. This approach increases efficiency and reduces the overall cost and duration of the process by avoiding the production of vast quantities of useless documents and other information.

For some practitioners, particularly those from common law jurisdictions, this limited disclosure is a shocking concept. The debate has resulted in various accommodations in international arbitration practice. This result is best represented by the IBA Rules on the Taking of Evidence in International Arbitration, which practitioners describe as a "successful compromise" of both civil law and common law approaches to disclosure.¹²⁶ While the Commentary to the Rules indicates that "expansive American- or English-style discovery is generally inappropriate in international arbitration,"¹²⁷ the Rules allow for document requests that are "carefully tailored to issues that are relevant and material to the determination of the case."¹²⁸

In considering arbitral procedure as applied to the Apple-Samsung case, it is clear that the discovery process would have been streamlined based on the principle of limited disclosure. There would have been fewer disclosure requests, fewer motions to compel production, and few if any depositions or interrogatories.

The extended disclosure provided by the IBA Rules is still too restrictive to many U.S. practitioners. Undoubtedly there is a trade-off between broad discovery in litigation and the efficiencies of limited disclosure in arbitration. In the end, what really matters is whether there is a difference in the substantive outcome in the case and we explore that question below.

It is unlikely that limited disclosure would alter the substantive outcome of most patent disputes. The Apple-Samsung case supports the proposition. The majority of evidence relied on at trial in Apple-Samsung case consisted of physical displays of the challenged products, records from the patent prosecution files and expert testimony relating to the software these products employed. In other words, Apple prevailed largely by relying on its own documents and public records rather than discovery. Arguably, the same evidence would have been relied upon and the same result would have resulted if the Apple-Samsung case had been submitted to international arbitration. Millions of dollars in discovery practice could have been avoided.

126 Luc Deymere, *The Search for the Truth: Rendering Evidence under Common Law and Civil Law*, SCHIEDS VZ 247, 249 (2003).

127 See IBA Rules & Commentary, *supra* note 107, at 7.

128 *Id.*, Art. 3.

viii Experts

Expert testimony is critical in both the litigation and international arbitration of patent disputes. In litigation, the parties spend considerable amounts of time and money in qualifying and educating experts and having them prepare their testimony for written reports, depositions and trial. Expert presentations to juries are often colorful. While courts regard experts as important in providing damage calculations, they have warned against using experts as “hired guns”¹²⁹ for presenting an “impenetrable facade of mathematics” to a jury.¹³⁰

In international arbitration, the parties either appoint their own experts or the tribunal may appoint an independent expert. Where the parties appoint their own experts, the chief difference between litigation and arbitration is the audience to which the experts present their testimony. Where there is a single panel-appointed expert, a battle of the experts is replaced with a theoretically more objective presentation. In both situations, the expert presentation is made to an arbitral panel that presumably has more skill in the subject matter than a typical Judge or jury.

Accordingly, had Apple and Samsung agreed to international arbitration, the processes regarding expert witness testimony would have been simplified and likely less costly. Having the experts present to a skilled panel rather than a jury would have led to changes in the demeanor of the experts’ presentations. Reliance on a single expert would have certainly altered the presentations. Although it is unclear whether these changes would have led to a different outcome in the case, it is fairly certain that the experts would have presented in a more direct and sophisticated manner and their opinions would have been subjected to more qualified scrutiny.

ix Settlement Incentives

The common saying that most cases settle “on the courthouse steps” applies equally to arbitration.¹³¹ Settlement avoids the risk of loss and the possibility of negative publicity. It also affords the parties an opportunity for a business-focused resolution. The incentive to settle an international arbitration may be heightened because the parties cannot appeal to a higher court. International arbitration provides a somewhat less contentious milieu than litigation, thereby creating a more welcoming environment for such settlement discussions.

129 *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F. Supp. 2d 147, 152 (D.R.I. 2009).

130 *See Oracle Am., Inc. v. Google Inc.*, 798 F. Supp. 2d 1111, 1120 (N.D. Cal. 2011).

131 In both arbitration and litigation, settlement is an important but ancillary and distinct process from the adjudication proceeding.

Many technology disputes are resolved through cross-licensing agreements or other business-based settlements. In the context of the Apple-Samsung case, the parties have ongoing business ties. The substantial jury verdict against Samsung changes the settlement dynamic. Settlement may be particularly warranted here because, as the case history suggests, there are serious questions regarding the strength of each party's case. As settlement discussions are confidential, all that is clear is that the parties have not settled yet.

It is difficult to say whether international arbitration would have produced an early settlement; it is safe to say the opportunity for a business-focused settlement would be as good if not better had the parties elected international arbitration.

x Hearing Procedure

The hearings in international arbitration and litigation differ in terms of formality and process details. In litigation, procedural and evidentiary rules strictly govern the trial. The international arbitration hearing is conducted in a less formal and ideally more expedient manner but with the similar goal of a fair hearing on the merits. In international arbitration, the principal of party autonomy permits the parties to jointly develop a hearing process that suits the case.

The procedural stages for both arbitration and litigation hearings are similar. Both employ opening statements, witness testimony and closing statements.¹³² One notable difference is that in international arbitration, direct testimony traditionally comes in the form of written affidavits. Doing so makes the introduction of direct testimony more efficient and allows counsel and the tribunal to focus on areas in need of clarification.

In the Apple-Samsung litigation, it took several days to select the jury and three weeks to conclude the trial.¹³³ That is a relatively short period of time for a major U.S. litigation. Presumably even less time would be required to hear the case as an international arbitration, principally through the elimination of

132 In many U.S. patent cases, parties move to bifurcate the trial on the issues of liability and damages. If the court bifurcates the trial, it saves the cost of proceeding to litigate on damages and avoids the risk of confusing the jury with the legal requirements for damages where liability is not established. While a patent arbitration could be bifurcated, there is less reason to do so given the absence of a jury but it could be done and would be where it is likely to save time and cost.

133 Andrea Chang, *Jury selection Begins in Apple vs. Samsung trial*, L.A. Times, July 30, 2012, available at <http://articles.latimes.com/2012/jul/30/business/la-fi-tn-apple-samsung-jury-20120730>.

jury selection and the expedited admission of evidence. The hearing process would differ from a trial, but those differences would be unlikely to lead to a substantively different outcome.

xi Deliberations

The deliberative process in a trial varies significantly depending on whether the matter is a bench or jury trial. In a U.S. jury trial in a patent case, the jury is sequestered and must reach a unanimous decision based on the court's legal instructions.¹³⁴ Given the number of jurors, their lack of background knowledge in the subject matter of the case and the many different variables they encounter, a unanimous and reasoned judgment is difficult to achieve.¹³⁵

In contrast, in a bench trial, there is only one decision-maker and much less risk of uncertainty. The deliberative process undertaken by a single arbitrator should parallel the process undertaken by a judge in a bench trial. A three-arbitrator tribunal provides the added opportunity of deliberation by three experts in the field.

While a particular judge may be well qualified to decide a patent matter, there is no assurance of a bench trial in U.S. patent litigation. Electing international arbitration provides the opportunity that the decision will be rendered by an expert or panel of experts rather than a jury.

xii Substantive Considerations

Patent law remains constant regardless of whether it is the subject of a court or international arbitration proceeding. The focus in contrasting international arbitration and litigation then is whether the substance of the outcome would vary with differing procedures. The most significant procedural difference we have identified is the limited exchange of information in advance of the hearing. We consider whether this and other procedural differences would alter the substantive analysis of the case. To consider this alternative scenario, one must examine how proving patent validity, infringement, and damages would differ in international arbitral practice.

1 *Patent Validity*

Under U.S. patent law, for a patent to be valid, it must satisfy the elements of patentable subject matter, novelty, utility, non-obviousness, and enablement.¹³⁶

¹³⁴ Fed. R. Civ. P. 48.

¹³⁵ See Martha K. Gooding & William C. Rooklidge, *The Real Problem with Patent Infringement Damages*, 91 J. PAT. & TRADEMARK OFF. SOC'Y 484, 485 (2009).

¹³⁶ 35 U.S.C. §101.

Non-obviousness is by far the most common challenge to patent validity in federal court.¹³⁷ This element requires that the invention is a nontrivial extension of what was already known based on prior inventions.

Discovery is not needed to establish non-obviousness based on prior art. In the U.S. and many other jurisdictions, the patent prosecution record is publicly available. The parties are able to review the USPTO patent history and conduct their own research on prior art references without needing to engage the opposing party in discovery of this information.

In some U.S. cases, the date of invention could also serve as a means for challenging a patent's validity. At the time the Apple-Samsung case was filed, the U.S. awarded patents on a first to invent rule even if the application was filed later in time than a competing application. Thus the parties found it necessary to request discovery supporting how and when the inventors developed these technologies.¹³⁸ In March 2013, the U.S. shifted to a first-to-file system. This makes discovery of documents supporting the date of invention of limited value.

As demonstrated above, broad discovery is of little utility to address validity under the patent laws. In an international arbitration, the parties would presumably rely on their own disclosures to support the validity or invalidity of patents. Both sides would have access to all the documents that the opposing party intended to assert to support its claims. To the extent there are documents that are relevant and material to deciding whether the challenged patent is valid, modern international arbitration procedure allows the party to request such documentation. Accordingly, international arbitration would not have effected a different substantive outcome in determining patent validity in the Apple-Samsung case.

2 *Infringement*

Likewise, international arbitration would not have effected a different substantive outcome in determining infringement.

In a U.S. patent infringement suit, the judge, not the jury, interprets the meaning of the claims in the patent.¹³⁹ This process, referred to as a "Markman hearing", which typically occurs well in advance of trial, has become an important feature of U.S. patent litigations because it can have a major affect on the

137 See Gregory Mandel, *The Non-Obvious Problem: How the Indeterminate Nonobviousness Standard Produces Excessive Patent Grants*, 42 U.C. DAVIS L. REV. 57 (2008).

138 Apple Inc.'s Notice of Motion and Motion to Compel Discovery Relating to Apple's Affirmative Defenses and Counterclaims, (N.D.Cal. 2012) (No. 11-cv-01846-LHK).

139 *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (1995).

outcome of the case.¹⁴⁰ At the trial, the judge instructs the jury as to the meaning of the claims, leaving the jury to decide whether or not the accused products infringe.¹⁴¹

The principal infringement issue in the Apple-Samsung case was whether Samsung's products infringed Apple's iPad and iPhone patents. The assessment of infringement of the iPad design patents focused on Samsung products themselves. Judge Koh instructed the jury that the test for infringement of design patents is whether the overall appearances of the accused design and the claimed design are substantially the same.¹⁴² She instructed the jury to compare Samsung's accused products with Apple's design patents.¹⁴³

Similarly, the assessment on infringement of the Apple utility patents was focused on elements of Samsung products and a determination as to whether they were covered by the patent claims. Judge Koh provided her interpretation of the Apple's utility claims at issue and defined ways in which the jury could determine infringement (either directly, literally, or under the doctrine of equivalents).¹⁴⁴ Each of these approaches required comparing the patent claims with the challenged product. In the Apple-Samsung case, this evidence was readily available through examination of the Samsung products and accompanying documentation.¹⁴⁵

In the alternative universe of an international arbitration, the Apple-Samsung tribunal would base its decision on infringement on the same readily available evidence. Consequently, there would not likely be substantive variation in the findings on infringement.

3 Damages

i Compensatory Damages

In the U.S., the bases for compensatory damages in a patent case include but are not limited to a showing of lost profits, a reasonable royalty, and/or a loss of

¹⁴⁰ Both courts and arbitrators can hold claim construction hearings to address the meaning of patent claims. Appeals of trial court claim construction rulings are a clear contributing factor to the length of patent disputes tried in the federal court system.

¹⁴¹ *Markman*, *supra* note 133.

¹⁴² Jury Instructions, *supra* note 60, at ¶46.

¹⁴³ *Id.* at ¶47.

¹⁴⁴ Jury Instructions, *supra* note 60, at ¶22–¶26.

¹⁴⁵ There would be patent cases where physical examination of the product would not suffice to address infringement and disclosure of information as to manufacturing process would be required.

market share.¹⁴⁶ To determine lost profits the patentee must prove (1) demand for the patented product, (2) an absence of acceptable non-infringing substitutes, (3) the patentee's manufacturing and marketing capability to exploit the demand and (4) the amount of the profit the patentee would have made.¹⁴⁷

A patentee may also present evidence to suggest a reasonable royalty based on the infringer's sales. This involves demonstrating the amount that a person, desiring to manufacture and sell a patented article, would be willing to pay as a royalty in selling the patented article in the market at a reasonable profit. There are a host of factors that a patentee may present to support the assertion of a reasonable royalty.¹⁴⁸

Under the market share rule the court is asked to assume that the patentee's market share, relative to the non-infringer, would have remained the same in the absence of the infringers. It is assumed that the patentee would have made the same percentage of the infringer's sales as the patentee made in the overall market.¹⁴⁹

Discovery can be useful in proving compensatory damages. A plaintiff may rely on records of sales, profit margins, distributors, and other internal records

146 Other methods of damage assessment include price erosion, lost sales of unpatented components on products, and post-expiration sales.

147 *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2012 WL 2571332 (N.D. Cal. June 30, 2012) citing *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1158 (6th Cir. 1978).

148 See the factors provided in *Georgia-Pac. Corp. v. U.S. Plywood-Champion Papers, Inc.*, 446 F.2d 295 (2d Cir. 1971):

1. Royalties received by patentee
2. Rates of other patents
3. Nature/scope of license
4. Policy and marketing programs
5. Commercial relationship between licensee
6. Sales promotion
7. Duration of patent
8. Product profitability
9. Utility over older mode
10. Nature of the invention
11. Infringer's use
12. Profit from selling price
13. Realizable profit if improvement
14. Expert opinion
15. The amount that infringer/patentee would have agreed on for license

149 See Roy J. Epstein, *The Market Share Rule with Price Erosion: Patent Infringement Lost Profits Damages After Crystal*, 31 AIPLA Q.J. 1, 3 (2003).

to substantiate claims of lost profits and lost market share. The plaintiff may also use this discovery to suggest an alternative reasonable royalty.

In the Apple-Samsung litigation, both parties sought sales-related data during the discovery phase. This volume of information exchange would not be available in international arbitration unless specifically provided by the parties. On the other hand, disclosure of internal sales and profit data can still be accomplished in a summary fashion in arbitration. Relying on disclosure of specific information could well be a more effective way to proceed.

ii Damages for Willful Infringement

In U.S. patent cases, the court may award a plaintiff enhanced damages if there is a showing of willful patent infringement. To establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.¹⁵⁰ If this threshold objective standard is satisfied, the patentee must then also demonstrate that the risk was either known or so obvious that it should have been known to the accused infringer.¹⁵¹ The *actual* state of mind of the defendant is not at issue.¹⁵² If the court finds willful infringement, the damage award could be trebled.¹⁵³ Although juries typically find willful infringement, the finding is often disallowed by the judge.¹⁵⁴

In the Apple-Samsung case, the judge overturned the jury's finding of willful infringement, reasoning that although Apple presented evidence of copying, this did not prove knowing infringement.¹⁵⁵ In fact, the evidence showed that Samsung believed that Apple's patents were limited in scope. The Court deemed Samsung's assessment as "reasonable" and therefore not supporting of willful infringement.

¹⁵⁰ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ 35 U.S.C.A. §284.

¹⁵⁴ *Id.* Empirical data collected from August 2007 to July 2010 indicates that juries found willful patent infringement in 61.9% of cases where judges only found willfulness in 18.5% of cases. Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After in Re Seagate: An Empirical Study*, 97 IOWA L. REV. 417, 444 (2012). Commentators note that based on a misunderstanding of jury instructions regarding willful infringement, jurors may view willfulness as a question of whether the defendant was "wrong" in infringing the patent. They may be "easily swayed" by claims that an accused infringer was a wrongdoer and should be punished for "stealing" the patentee's invention *Id.* at 448.

¹⁵⁵ *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2013 WL 412861 (N.D. Cal. Jan. 29, 2013).

In the context of an international arbitration, one would expect that a defendant such as Samsung would disclose available evidence supporting the conclusion that it did not willfully infringe. It would be reasonable to expect that Apple would have been allowed to request information to test this defense. The absence of broad information exchange in international arbitration would tend to limit willful infringement awards. As demonstrated in the Apple-Samsung case, Samsung was able to defend against such damages despite Apple having broad discovery. There is no basis to conclude the finding would be any different in an international arbitration.

xiii Appellate Review and Award Confirmation

Nearly all countries provide rights of appeal against judgments in patent litigations, in some cases to specialized courts and in others to appellate courts with general jurisdiction.¹⁵⁶ The purpose of an appeal is, generally, to review for errors of law and determine whether such errors are material. In the U.S., claim construction is reviewed de novo.¹⁵⁷ This is a central basis for reversing findings of infringement or non-infringement. Arguably, the steady increase of patent infringement appeals in the U.S. over the past ten years¹⁵⁸ is due to promising rates of reversal.¹⁵⁹ The high reversal rate suggests that errors routinely occur at the trial court level. While appellate review is beneficial to correct those errors, the litigation process would be more efficient if errors did not occur in the first place. Despite its value in correcting court judgments, appellate review adds time, cost and uncertainty to the litigation process.

There is generally no appeal from the award of an arbitration tribunal. One might argue an arbitral tribunal is best situated to reach a correct decision in the first place, thereby avoiding the necessity for appeal. Arbitral tribunals in patent cases normally have the advantage of being composed of experts in the field. As well, the collaborative nature of the arbitration deliberations effectively provides a “built in” error-checking mechanism. For some parties these safeguards are not enough; they have the opportunity to put in place

156 In the U.S., the Court of Appeals for the Federal Circuit is designated for patent appeals. See 28 U.S.C §1295.

157 *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (1995).

158 See United States Court of Appeals for the Federal Circuit, *Filings of Patent Infringement Appeals from the U.S. Federal Courts 2003–2012*, available at http://www.cafc.uscourts.gov/images/stories/the-court/statistics/Caseload_Patent_Infringement_2003-2012.pdf.

159 See David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH L. REV. 223, 226 (2008) (demonstrating that the Federal Circuit’s trend of high reversal rates in patent infringement cases discourages settlement, causes economic hardship on litigants, and decreases overall efficiency).

procedures for arbitration awards to be reviewed by appellate arbitration panels just as appellate courts would review judgments.¹⁶⁰

After the arbitrator renders an award, it is binding on the parties. There is typically no requirement to seek local court confirmation, although many jurisdictions provide confirmation procedures to have awards enforced locally as judgments.¹⁶¹ In jurisdictions favoring arbitration, the bases for confirmation typically parallel bases for treaty enforcement and provide limited opportunity for review.

Over the course of the Apple-Samsung litigation, the parties have appealed several preliminary rulings from the District Court to the Federal Circuit. At the time of this writing there are pending appeals for the denial of Apple's motion for a permanent injunction¹⁶² and rulings on the sealing of documents.¹⁶³ The Federal Circuit court has denied Apple's request to expedite its injunction appeal.¹⁶⁴ Samsung filed an appeal post-trial rulings upholding the jury verdict and both parties are expected to file appeals on infringement and damages upon entry of judgment after the new trial on certain damage claims.¹⁶⁵

Despite a costly litigation including a trial on the merits,¹⁶⁶ the Apple-Samsung litigation is yet to be concluded. As with any U.S. patent litigation,

¹⁶⁰ This process provides the safeguarding benefits of appeal in an expedited manner. AAA, DRAFTING DISPUTE RESOLUTION CLAUSES: A PRACTICAL GUIDE (2007) available at <http://www.adr.org>. The AAA is now reportedly developing arbitration rules that will allow for appeals to arbitral panels of retired Judges.

¹⁶¹ Under the FAA a court in the jurisdiction where the award was issued may make an order vacating the award upon the application of any party to the arbitration (1) where the award was procured by corruption, fraud, or undue means; (2) where there was evident partiality or corruption in the arbitrators, or either of them; (3) where the arbitrators were guilty of misconduct in refusing to postpone the hearing, upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; or of any other misbehavior by which the rights of any party have been prejudiced; or (4) where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made. 9 U.S.C. §10.

¹⁶² See Order Denying Motion for Permanent Injunction, *supra* note 69.

¹⁶³ See Order Granting in Part and Denying in Part Motion to Seal, *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 11-CV-01846-LHK, 2012 WL 5988570 (N.D. Cal. Nov. 29, 2012).

¹⁶⁴ *Apple Inc. v. Samsung Electronics Co., Ltd.*, 2013-1129, 2013 WL 444755 (Fed. Cir. Feb. 4, 2013).

¹⁶⁵ See Judge Koh's Order Regarding Damages, *supra* note 69.

¹⁶⁶ One commentator has compared the hourly rates of the respective law firms and concluded that Samsung is paying the most for its legal representation at \$821 an hour. See Joe Mullin, *Apple v. Samsung: Whose lawyers are earning more in the smartphone wars?*

there is a good possibility of reversal on appeal to be followed by additional years of trial court proceedings and appellate review. Had Apple and Samsung elected international arbitration, the matter would be resolved. The advantage of international arbitration in providing a speedy and final resolution is readily apparent.

xiv Award Recognition

The advantage of international arbitration does not stop there. International arbitration awards are widely recognized and enforceable around the world. The New York Convention allows for international recognition and enforcement of international arbitration awards made in member states, the total of which reached 148 in 2013.¹⁶⁷ The New York Convention provides narrow exceptions.¹⁶⁸

In contrast, there is yet to be a widely adopted multi-national treaty for the enforcement of court judgments.¹⁶⁹ Accordingly, the only way to enforce a foreign court judgment is to rely on local laws (or bilateral treaty arrangements).

ARSTECHNICA, July 23, 2012, *available at* <http://arstechnica.com/tech-policy/2012/07/apple-v-samsung-whose-lawyers-are-getting-paid-in-the-smartphone-wars/>.

167 For a list of current member countries *see* <http://www.newyorkconvention.org/new-york-convention-countries/contracting-states>.

168 A court may refuse to recognize and enforce a foreign award only if (1) the arbitration agreement was invalid; there was a lack of proper notice or party was otherwise unable to present his case; (3) the award is wholly beyond the terms and scope of the parties' submission to arbitration; (4) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties or the law of the country where the arbitration took place; or (5) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country where that award was made. Additionally recognition and enforcement may be refused where the subject matter is viewed as inarbitrable under the laws of the confirming country or the public policy of that country would be violated as a result. New York Convention, *supra* note 79, Art. 5.

169 The Hague Conference on Private International Law ("Hague Conference") was founded in 1883 and has 71 member states. Despite its large number of signatories, only Albania, Cyprus, Kuwait, Portugal and the Netherlands (Territory in Europe and Aruba) have signed the 1971 Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters. Since 1992, the Hague Conference has been developing the "Judgments Project" concerning cross-border litigation in civil and commercial matters, the international jurisdiction of courts and the recognition, and enforcement of their judgments abroad. For more information *see* <http://www.hcch.net/>. On January 23, 2013, the U.S. Department of State convened to discuss a proposal by the Hague Conference in developing a new "instrument" on the recognition and enforcement of judgments,

In most states, foreign court judgments are not recognized or enforceable. At best, these judgments would have *res judicata* effect or serve as persuasive authority in a new proceeding.

In the context of the Apple-Samsung case, international arbitration would provide important treaty enforcement benefits. The United States and the Republic of Korea (South Korea) are signatories to the New York Convention. They are not signatories to a bilateral treaty to enforce court judgments. Thus, while a U.S. international arbitration award would be enforceable against Samsung in South Korea, a U.S. court judgment would not be. Perhaps more importantly, the opportunity for multinational enforcement of an arbitration award would allow the parties to seek enforcement in other states where the parties are doing business or otherwise have assets. A U.S. court judgment would not provide any of these benefits.

V Conclusion

The public policy rationale behind the patent law is to motivate and encourage innovation yet Apple and Google now spend more on patent litigation and licensing than on product research and development. The ongoing Apple-Samsung litigations have provided Apple an uncertain and possibly short-term victory in the U.S. As the litigations lumber onward, both Apple and Samsung are diverting resources that, instead, could be invested in innovation.

Some commentators liken the current culture of patent litigation to Cold War era international policy; in using patents as weapons, the world's major technology companies are in an arms race to mutually-assured destruction.¹⁷⁰ Apple should take particular heed. Just as the U.S. and the Soviet Union lined up proxy-states, Apple faces challenges from a long line of Android manufacturers beyond Samsung. It is possible there will be even larger Android wars between Apple, Google and Microsoft. As in the Cold War scenario, the costs make it questionable whether there will be any true winner.

This turns us to the question of the alternate universe of international arbitration. As demonstrated, had Apple and Samsung simply agreed at some point in the long course of their business history to submit disputes to international arbitration, they would be living in a very different, more attractive

including "new jurisdictional filters." This project is in the "preliminary" stages. See <http://www.cptech.org/ecom/jurisdiction/hague.html>.

170 Peter Yu, *INTELLECTUAL PROPERTY AND INFORMATION WEALTH: PATENTS AND TRADE SECRETS* 208 (2007).

world.¹⁷¹ They would have saved millions of dollars in litigation costs and their dispute would now be resolved. A single international arbitration proceeding, designed by the parties, would have replaced litigations and administrative proceedings in ten jurisdictions.

More than that, the process would have been efficient and effective, likely yielding a better reasoned decision than will eventually be obtained from years of courtroom battles. For that matter, international arbitration would likely have provided a more coherent, globally comprehensive result than will be provided by a gaggle of jurors and judges around the world. Instead of disparate, potentially inconsistent local court judgments, international arbitration would have provided a reasoned award that would be enforceable worldwide in a single sweep.

In the end, the Apple-Samsung litigations, like many battles between technology giants, may be settled. Apple and Samsung remain intertwined in business relationships as they awkwardly battle each other in court. By its nature, a private arbitral proceeding is a more comfortable path to a business settlement. The parties may well have been building new business relationships with each other by now had they relied on an international arbitration clause.

For Apple, Samsung and the combatants in future Android wars, litigation may be a traditional legal and business strategy. Perhaps the goal is not innovation and the efficient adjudication of patent rights but to overcome the opponent by exhausting its resources. Most companies and certainly consumers and investors want better. A better strategy is one which produces a reasoned, comprehensive decision with time and cost savings. International arbitration meets the requirement. In so doing, it provides a means to get technology companies out of the litigation war zone and back to the business of technology innovation.

171 Apple and Google appear to be coming around to that conclusion. At the end of 2012, Apple and Google subsidiary, Motorola Mobility, were exchanging proposals to use arbitration to reach a global resolution of all their patent disputes. See *Apple, Google Consider Arbitration Over Standard Patents*, BLOOMBERG November 16, 2012 available at <http://www.bloomberg.com/news/2012-11-16/apple-google-consider-arbitration-over-standard-patents-1-.html>.