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Editor in Chief: Matthias Scherer

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## Aims & Scope

Switzerland is generally regarded as one of the World's leading place for arbitration proceedings. The membership of the Swiss Arbitration Association (ASA) is graced by many of the world's best-known arbitration practitioners. The Statistical Report of the International Chamber of Commerce (ICC) has repeatedly ranked Switzerland first for place of arbitration, origin of arbitrators and applicable law.

The ASA Bulletin is the official quarterly journal of this prestigious association. Since its inception in 1983 the Bulletin has carved a unique niche with its focus on arbitration case law and practice worldwide as well as its judicious selection of scholarly and practical writing in the field. Its regular contents include:

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- Notices of publications and reviews

Each case and article is usually published in its original language with a comprehensive head note in English, French and German.

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Books related to the topics discussed in the Bulletin may be sent for review to the Editor (Matthias Scherer, LALIVE, P.O. Box 6569, 1211 Geneva 6, Switzerland).

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# Arbitration of Intellectual Property Disputes

THOMAS LEGLER*

*International arbitration – Arbitrability – Blockchain – Confidentiality – Cooperation (agreement) – FRAND – License (agreement) – Patent – Trademark – Termination (of license agreement) – Unified Patent Court (UPC)*

## Introduction

The recent development of new technologies and processes, particularly in the fields of information technology, robotics, biotechnology and chemistry, has led to a constant increase of the number of patent applications worldwide[1]. The same applies to the registrations of trademarks, designs and domain names.

For many companies, intellectual property is a very important asset. It is also common that such entities enter into contractual relationships with their business partners with respect to intellectual property through licensing and technology transfer agreements as well as cooperation agreements. In most cases, these companies operate internationally by protecting and using their intellectual property rights simultaneously in different countries.

Given the growing importance of intellectual property, it is not surprising that we are currently witnessing an increase in the number of disputes in that respect[2].

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1 According to statistics from the World Intellectual Property Organization (WIPO), patent and trademark registrations have nothing but increased for the last eight years. In 2017, the number of registered patents increased by 4,5% (243'500 PCT applications). As for trademarks, the number of applications in 2017 represented a 5% increase over 2016 (56'200 applications via the Madrid System). In 2017, 49.1% of all patent applications came from countries located in Asia (practically the same as the combined share for Europe and North America), with clear leadership from China and Japan. As to trademarks, Europe remains the leader with 59.5% of all applications, followed by Asia (21.0%) and North America (14.2%) (source: WIPO Statistics Database and Report of the Director General to the 2018 WIPO Assemblies).

2 The WIPO Arbitration and Mediation Center recently reported an increase in case numbers of 12% in 2018. In recent years patent disputes have been most common, followed by ICT, trademark, and copyright disputes.

As set out below, arbitration is particularly well suited to this type of dispute, especially for international disputes[3].

## I. Typology of Intellectual Property Rights and Related Disputes

A general definition of the concept of intellectual property is provided by Art. 2(viii) of the Convention Establishing the World Intellectual Property Organization of 14 July 1967 (amended on 28 September 1979). Under this provision, intellectual property includes the rights related to the following items:

- literary, artistic and scientific works;
- performances of performing artists, phonograms, and broadcasts;
- inventions in all fields of human endeavor;
- scientific discoveries;
- industrial designs;
- trademarks, service marks and commercial names and designations;
- protection against unfair competition; and
- all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.

A more current view would suggest to also add geographical indications to this list (cf. Art. 22 to 24 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of 15 April 1994).

The protection of intellectual property rights (in particular patents, trademarks and designs) is linked to a certain territory, or even to several jurisdictions in case of parallel filings in different countries. However, certain types of rights, such as copyrights, are simultaneously protected in all the countries if these countries have entered into a specific international convention.

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According to the 2018 Annual Report of the Swiss Federal Patent Court, there were 37 ordinary and two summary proceedings pending at the end of 2018. Compared to the previous years with constant increase, the total number of newly filed cases has slightly decreased to 29.

[3] According to the "*International Survey on Dispute Resolution in Technology Transactions*" conducted by WIPO in 2013, 32% of the participants indicated a preference for a forum selection clause in favor of state courts for their intellectual property disputes. 30% of the participants include an arbitration clause in their respective contracts and 12% opt for mediation as their preferred dispute resolution method. In general, survey participants noted a trend towards greater use of alternative dispute resolution in this area.

Different kinds of litigation cases are possible in the field of intellectual property. First, there are those stemming from a contractual relationship, for instance a license agreement. In these matters, litigation often concerns issues like termination, late payment or non-payment of royalties, or the improper use of the subject matter of a license with a claim for damages.

Other disputes are about the paternity or the ownership of a right, such as a patent. They arise, for instance, during co-operation and development projects, mergers and acquisitions of companies or in an employment relationship.

Frequently, infringements of intellectual property rights are at stake where the judge must establish whether the act or the object in question falls within the scope of protection of the right concerned. These claims are usually extra-contractual, but they may in certain cases be based on a contract.

Finally, an intellectual property lawsuit may concern the validity of a patent, a trademark or a design. This kind of dispute, which is typically extra-contractual, is regularly handled by state courts. The validity of the title is often invoked as a defense in the framework of a lawsuit for an infringement of an intellectual property right. The defendant usually counter-attacks by arguing that the alleged infringement did not occur due to the lack of validity of the title. This kind of situation could also arise in a contractual context when – on the one hand – the claimant alleges that the licensee has infringed his patent by a continuing use after termination of the contract while – on the other hand – the licensee defends himself by claiming the invalidity of the title.

How can arbitration come into play when dealing with the above mentioned matters which are frequently handled by the state courts?

It is common knowledge that arbitration cannot take place in the absence of a valid arbitration agreement which generally results from a contractual relationship. Alternatively, and in the absence of a contract, the parties may still enter into an arbitration agreement after a dispute has occurred, but this rarely happens. Thus, straightforward disputes over the ownership[4] or an infringement of an intellectual property right are generally handled by state courts. The contractual disputes described above (or where

[4] Disputes about the ownership of patents or patent applications are however quite frequently handled by arbitral tribunals based on an arbitration clause contained for example in a research and cooperation agreement, license or distribution agreement, see: ANDREA MONDINI / RAPHAEL MEIER, Patentübertragungsklagen vor internationalen Schiedsgerichten mit Sitz in der Schweiz und die Aussetzung des Patenterteilungsverfahrens, sic! 5/2015, p. 289 ff.

the invalidity of the title is invoked in this context) may however be submitted to arbitration[5].

Arbitration has in principle the advantage that an award can be enforced through the New York Convention[6] which is in force in 159 countries (including the major economic powers such as China, France, Germany, India, Japan, the United Kingdom and the United States)[7]. Under the New York Convention system, a foreign arbitral award is recognized on simple request provided that the duly authenticated original award and the original arbitration agreement is enclosed, possibly with a translation of these documents (Art. IV of the New York Convention). From this perspective, arbitration in intellectual property matters has a clear advantage over state court proceedings since there is no mechanism outside the European Union similar to those offered by the Brussels I*bis* Regulation[8] and the Lugano Convention[9] that would allow the simple and swift enforcement of state court judgments.

However, as it will be shown below, certain jurisdictions do not allow the submission of intellectual property disputes to arbitration and reserve them to the state courts, at least to a certain extent.

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5 It is however not rare that jurisdictional issues are invoked in this context. This has recently happened in a case where an appeal was filed with the Swiss Federal Tribunal against a partial award of an arbitral tribunal that the author had chaired (Swiss Federal Tribunal's decision ["DFT"] 140 III 134; ASA Bull. Vol 37/4, 2014, p. 813 ff; see also the similar matter in DFT 4C.40/2003 of 19 May 2003). The appellant argued that the dispute was related to facts which happened after the termination of the license agreement in question and was therefore outside of the ambit of the arbitration clause. The Swiss Federal Tribunal rejected the appeal and confirmed the arbitral tribunal's jurisdiction. It held that a time limitation of an arbitration clause would not lead to acceptable results. In addition, such a limitation could only be considered in exceptional cases and where the agreement has a clear wording in this respect. For a further discussion of this case, see: PHILIPP GROZ, Anwendung von Schiedsklauseln auf immaterialgüterrechtliche Verletzungsklagen nach Vertragsende?, sic! 2018, p. 95 ff; JACQUES DE WERRA, The Expanding Significance of Arbitration for Patent Licensing Disputes: from Post-Termination Disputes to Pre-Licensing FRAND Disputes, ASA Bull. Vol 32/4, 2014, p. 692 ff.

6 Convention on the Recognition and Enforcement of Foreign Arbitral Awards concluded in New York on 10.06.1958.

7 List of Member States: http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html.

8 Regulation (EU) N°1215/2012 of the European Parliament and of the Council of 12.12.2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

9 Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (CL).

# II. Arbitrability of Intellectual Property Disputes

## A. General Information

Some states assume that disputes over intellectual property rights are not capable of settlement by arbitration because of the involvement of the state when creating, recognizing and protecting these rights. Arbitration about the validity of an intellectual property right is, for instance, not possible in certain countries as it is considered as being contrary to public policy.

Similarly, arbitrability matters when an arbitral award relating to an intellectual property right should be enforced in a country that considers the subject matter of the dispute leading to the award as not capable of settlement by arbitration under Art. V(2)(a) of the New York Convention. A claimant must therefore not only ensure that the arbitral tribunal sits in a country where his matter is deemed capable of settlement by arbitration, but also that arbitrability exists with regard to all countries where he plans to enforce the future award.

The importance of the question of the so-called objective arbitrability must, however, not be overestimated insofar as most intellectual property disputes are of a contractual nature and therefore theoretically capable of being directly settled by arbitration in most countries.

Basically, three approaches have emerged with regard to the arbitrability of intellectual property disputes and the effects granted to arbitral awards issued in this context. First, states may consider disputes relating to the validity of an intellectual property right as capable of settlement by arbitration without any particular restriction regarding the effect of such issue on the arbitral awards. Second, they may consider such disputes as capable of settlement by arbitration, but with an award that only has an *inter partes* effect. And third, they do not allow that such disputes are settled by arbitration.

## B. In Switzerland

As per Art. 177 PILA[10], any dispute of proprietary interest may be subject to an international arbitration[11] in Switzerland. As to domestic

[10] Federal Act on Private International Law of 18.12.1987, RS 291.

arbitration, Art. 354 CPC[12] provides that "*any claim the parties may freely dispose of"* may be settled by national arbitration; a claim of economical nature can, for instance, be freely disposed of by the parties[13].

In view of this definition, legal scholars consider that all intellectual property disputes are capable of settlement by arbitration, including those relating to unfair competition (cf. DFT 102 Ia 493, 504)[14]. In addition, the Swiss Federal Institute of Intellectual Property agrees to enforce awards issued by an arbitral tribunal that had its seat in Switzerland and relating to an intellectual property title. This statement is based on an opinion issued on 15 December 1975 by the former Federal Office of Intellectual Property, which can still be considered as valid today[15].

## C. Towards a Change in Europe?

Until now, a "European patent" granted only a right of protection in the designated country (countries) and within the framework of the applicable national system. In December 2012, the European Union decided to create a genuine "Community patent" with supranational protection as it is the case for the Community trademark (Regulation EU No. 1257/2012). However, some countries such as Spain, Croatia or Poland have refused to participate; moreover, there is currently a constitutional challenge pending before the German Federal Constitutional Court and the ratification by the United Kingdom is tentative as a result of the Brexit uncertainty. In 2013, it was decided to establish a Unified Patent Court (UPC) which will have jurisdiction over all disputes over European patents and new Community

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11 An arbitration is international if at the time the arbitration agreement was entered into, at least one of the parties had neither its domicile nor its habitual residence in Switzerland (Art. 176 para. 1 PILA).

12 Code of Civil Procedure, RS 272.

13 The same question arises where moral rights (for example as regards copyright) are at stake as they may not be of economical nature (for more details, THOMAS LEGLER, Sind in Zukunft Patentstreitigkeiten in der Schweiz *de lege lata* nicht mehr schiedsfähig?, Bulletin ASA Vol. 28/2, 2010 [cited: LEGLER, Patentstreitigkeiten], p. 257).

14 See in particular: THOMAS LEGLER, Arbitrage en matière de propriété intellectuelle, in: HIRSCH / IMHOOS (ed.), Arbitrage, médiation et autres modes pour résoudre les conflits autrement, Geneva 2018, p. 211; GABRIELLE KAUFMANN-KOHLER / ANTONIO RIGOZZI, International Arbitration – Law and Practice in Switzerland, Oxford 2015, p. 102, para. 347; THOMAS LEGLER, L'arbitre suisse face à l'arbitrabilité des litiges en matière de propriété intellectuelle dans un contexte international, in: L'éclectique juridique: recueil d'articles en l'honneur de Jacques Python, Berne 2011, p. 178 and further references quoted at that location.

15 LEGLER, Patentstreitigkeiten, 258 ff.

patents. At the same time, the related framework agreement (Regulation EU No. 1260/2012) provides in Art. 35 that the Member States shall also establish a Patent Mediation and Arbitration Center in Lisbon and Ljubljana. Its future jurisdiction has not been clarified yet but it could theoretically also include the treatment of litigation of patents issued outside the EU and of related issues such as disputes regarding know-how[16]. If this project was to come to fruition, the question of arbitrability would probably lose more of its importance in Europe. This will, however, depend on the interpretation to be given to Art. 35(2) UPC, which excludes the revocation of a patent when arbitration applies[17].

## D. Options of the Parties

If a party is concerned about the enforcement of a future award due to a lack of arbitrability of intellectual property disputes in a specific country, it may request the arbitral tribunal to declare, where appropriate, that the invalidation of the right in question only has an *inter partes* effect.

In addition, the parties may, beforehand, take certain precautions when drafting the arbitration clause in the relevant contract. As an example, the parties may agree in such a clause that if the arbitral tribunal held an intellectual property right to be invalid, the only consequence of the resulting award would be the receipt of a free license by the successful party to use the right in question for its remaining validity.

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16 PETER CHROCZIEL / BORIS KASOLOWSKY / ROBERT WHITENER / WOLRAD PRINZ ZU WALDECK UND PYRMONT, International arbitration of intellectual property disputes: a practitioner's guide, München/Oxford/Baden-Baden 2017, p. 53.

17 JACQUES DE WERRA, New Developments of IP Arbitration and Mediation in Europe: The Patent Mediation and Arbitration Center Instituted by the Agreement on a Unified Patent Court (UPC), Revista Brasileira de Arbitragem (RBA), 2014, 27 f., mentioning that an award on the validity of a patent should at least have an *inter partes* effect. The author further indicates on p. 34 that arbitration could apply to disputes about SEP (Standard Essential Patents) where an arbitral tribunal may decide whether a license is "*fair, reasonable and non-discriminatory*" ("FRAND"). See also SAM GRANATA, The Unified Patent Court: A One-Stop-Shop IP Dispute Resolution Entity; The Patent Mediation and Arbitration Centre (PMAC), in: ZEILER / ZOJER (ed.), Resolving IP Disputes, Vienna/Graz 2018, p. 75 ff.

## III. The Benefits of Arbitration in Intellectual Property Disputes

### A. Efficiency

Generally speaking, arbitration proves to be a relatively quick process, especially when taking into account the fact that the legal means are very limited. The 2015 analysis of the London Court of International Arbitration (LCIA) reveals that the median and average duration of its arbitration is of 16 and 20 months respectively. The LCIA's analysis also confirms that arbitration conducted by a single arbitrator are faster than those conducted by three arbitrators, the former lasting on average 18.5 months while the latter approximately 21 months. These figures are probably also valid for other institutions. The duration obviously depends on several factors including the legal or technical complexity, the number of documents, testimonies and expert opinions at stake as well as the strategy and the behavior of the parties.

The situation is not significantly different for intellectual property matters[18]. Arbitration could be used more as a quick and effective dispute resolution mechanism if the parties were to use it as well in extra-contractual situations.

Indeed, in the event of infringement of an intellectual property right outside the scope of a contract and in several territories, proceedings must be initiated in each country before the competent state courts. If the defendant invokes the nullity of such a right, these different state courts should, in principle, also rule individually on the validity of the title.

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[18] However, it often happens in intellectual property matters that the parties decide to split the arbitration into two parts *(bifurcation)* which can considerably extend the duration of the proceeding: the first part concerns the main issues related to the alleged infringement of the contract *(liability)* and the second the fixing of damages or royalties *(quantum).* The first question is then decided in a partial award, while the second, based on the partial award, ends the proceeding with a final award. The situation may become even more complicated if the claimant needs accounting documents held by the defendant before being able to formulate or clarify his claims. This approach (also available before state courts, see Art. 85 CPC) constitutes a so-called staggered claim *(Stufenklage).* The right to do so roots in substantive law (e.g. a contractual obligation for reporting), which differs from the procedural right to request the disclosure of documents, which is also common in arbitration *(discovery)* (for more details on the *Stufenklage*: see DFT 5A_256/2016 of 9 June 2017, consid. 8.2.5.2 s.; as for the distinction between the substantive right to information and the request for disclosure of documents as evidence: see DFT 4A_269/2017 of 20 December 2017).

Conducting several procedures in different countries in parallel is a complicated and expensive operation. The differences in terms of procedural and substantive law mean, *inter alia*, that the length of the proceedings varies considerably from one country to another, which complicates their coordination. Furthermore, the risk of conflicting decisions is significant. Moreover, as we have already noted, the enforcement of such judgments is not ensured in all countries (particularly outside Europe).

Conversely, arbitration offers all the advantages in such an international situation. A dispute concerning an intellectual property right can be handled in a single arbitration procedure, thus saving time and money. In particular, the parties can limit the mandates of lawyers and experts, and witnesses testify only once.

As the legal grounds against an arbitral award are generally very limited and restrictive, the parties can put an end to their dispute more quickly. Another clear advantage of this dispute resolution mode is the possibility of subsequently enforcing the arbitral award virtually anywhere in the world.

As indicated above, an arbitration procedure generally presupposes the existence of an arbitration clause in a contract between the parties. However, the parties have the possibility to conclude an arbitration agreement after their dispute has arisen, also in case of infringement of an intellectual property right outside the scope of the contract, but this situation is rather rare in practice.

## B. The Choice of the Arbitrators

Another advantage of arbitration is the choice of the arbitrators by the parties. Indeed, few countries have established specific courts with experienced judges for such disputes. A party to an arbitration can, however, freely choose its arbitrator on the basis of different criteria such as the competence, experience and language skills required.

Several institutions, including the WIPO[19] and the Hong Kong International Arbitration Center (HKIAC)[20], have a list of arbitrators qualified in intellectual property matters[21]. In addition, the Silicon Valley

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19 WIPO only publishes its list of panelists for domain name disputes and not the list of arbitrators relating to arbitration: http://www.wipo.int/amc/fr/domains/panel/panelists.html.

20 http://www.hkiac.org/arbitration/arbitrators/panel-arbitrators-intellectual-property.

21 Equally, the above mentioned UPC Patent Mediation and Arbitration Centre will establish and maintain a list of arbitrators and mediators competent in the field of patent law (Rule

Arbitration and Mediation Center (SVAMC)[22] maintains a list of experienced IP/IT arbitrators, at the disposal of all arbitration institutions.

## C. Confidentiality

Arbitration gives parties more confidentiality compared to proceedings before a state court. This is important because intellectual property litigation very often involves confidential information or know-how.

Not all rules of arbitration institutions protect confidential information in the same way. However, the parties may enter into a specific agreement on the confidentiality issues they are encountering.

The WIPO Arbitration and Mediation Rules are quite unique in that respect[23], since they have established specific rules on the treatment of business secrets and other confidential information and documents. Art. 54(d) of the WIPO Arbitration Rules provides for the appointment of a confidentiality advisor who will decide whether the information is to be classified as confidential and, if so, decide under which conditions and to whom it may be disclosed, in whole or in part. Other specific provisions deal with the confidentiality of the existence of the arbitration (Art. 75), of the information disclosed during the arbitration proceedings (Art. 76), of the arbitral award (Art. 77) and with the respect of confidentiality by the Arbitration Center (Art. 78).

## D. Drafting the Arbitration Clause

The parties, when drafting the arbitration clause, may take into account certain points which they consider essential. This includes, in particular, the choice of the rules of an arbitration institution which is more or less adapted to intellectual property disputes.

The parties may also specify in the arbitration clause that the arbitrator(s) shall have particular experience in relation to a certain legal field (e.g. patents, trademarks) or industry (e.g. pharmaceutical, mechanical).

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14.1 of the Rules of Operations of the Mediation and Arbitration Centre of the Unified Patent Court).

22 https://svamc.org/2019-tech-list/.

23 The Swiss Rules of International Arbitration (Swiss Rules) have established in Art. 44 Swiss Rules some general rules regarding confidentiality, while the Arbitration Rules of the International Chamber of Commerce (ICC) are rather rudimentary in this respect (see Art. 22(3) ICC Rules).

Finally, the parties may already lay down certain ground rules concerning the treatment of certain confidential information or documents.

In general, an arbitration clause should be drafted broadly[24] to ensure that both contractual and non-contractual claims can be invoked before the arbitral tribunal. Indeed, intellectual property disputes often (also) contain an extra-contractual aspect, e.g. when the licensee uses the license in a non-contractual manner and/or after the termination of the contract. Another example is that of a license agreement that has become null and void; in such a case, the claimant may have to assert his rights before the state courts if the arbitration clause has been drafted too restrictively.

According to the legal literature and case law, an arbitration clause drafted in a "broad" manner includes extra-contractual aspects (including unjust enrichment and *culpa in contrahendo*), provided that the claims in question are linked with the contractual relations of the parties[25].

Parties who do not wish to take any risk in this regard shall formulate their arbitration clause unequivocally, as is the standard clause proposed by the WIPO: "*Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules […]*" (emphasis added).

# IV. Specific Procedures

## A. Investment Arbitration

Intellectual property plays an increasingly important role not only in commercial arbitration but also in investment arbitration where a party invokes its intellectual property rights under a bilateral treaty protecting investors vis-à-vis the host state, which has certain obligations for protection.

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24 As MONDINI / MEIER, *op.cit.,* p. 291, note, the use of the terms "*any disputes arising from or in relation to the contract*" or "*any dispute resulting from or with regard to this agreement"* give the arbitration clause a broad scope. See also the Swiss Federal Tribunal's decision FTD 140 III 134 considering the terms "*relating to or arising out of any provision of this agreement*" as broad enough to affirm the arbitral tribunal's jurisdiction in the relevant case.

25 See KAUFMANN-KOHLER / RIGOZZI, *op.cit.,* para. 3.147: "*[…] as long as these claims arise in the ambit of the parties' contractual relationship*".

Most often, the claimant (investor) seeks compensation for expropriation or for unfair and inequitable treatment.

In the past, the claimant was obliged to refer the matter to his government which, in turn, lodged a claim between states on the basis of the TRIPS agreements (in force since 1995) through the WTO dispute settlement system. It is not uncommon today for claimants to use both tracks (investment agreement and TRIPS).

Bilateral treaties often contain an arbitration clause resorting to the International Center for Settlement of Investment Disputes (ICSID). Sometimes these agreements refer to an arbitral institution such as the ICC International Court of Arbitration, to the use of the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), or establish *ad hoc* panels.

With regard to trademarks, we can refer to the case of Uruguay which, in 2008, obligated cigarette manufacturers to, *inter alia*, cover 80% of their packages with health warnings. In 2010, Philipp Morris initiated proceedings before the ICSID on the basis of the bilateral treaty between Uruguay and Switzerland. In 2016, Philipp Morris' claims were entirely rejected by the arbitral tribunal seized of the matter. Another attempt by Philipp Morris in 2011, directed against similar Australian legislation and based on the bilateral treaty between Hong Kong and Australia, met the same fate. In 2015, the arbitral tribunal acting under the UNCITRAL Arbitration Rules rejected the claimant's claims, this time on jurisdictional grounds[26].

Moreover, in a decision issued in December 2017, an ICSID arbitral tribunal recognized, to our knowledge for the first time, that the commercial exploitation of a trademark license (in this case by the tire and rubber manufacturer Bridgestone) may constitute an investment under a bilateral treaty (in this case between the United States and Panama)[27].

As for patents, several procedures have also been filed in the past[28], but practically without success. In a recent case, an arbitral tribunal dismissed an appeal seeking recognition that the judicial invalidation of patents constitutes a violation of Art. 1110 (on expropriation) or Art. 1105 (on the minimum standard of treatment) of the North American Free Trade Agreement

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[26] These cases are reported in detail *in* CHROCZIEL / KASOLOWSKY / WHITENER / PRINZ ZU WALDECK UND PYRMONT, *op.cit.,* 136 ff. and 160-163.

[27] *Bridgestone Licensing Services, Inc and Bridgestone Americas, Inc v. Republic of Panama (ICSID Case No.ARB/16/34).*

[28] Including disputes regarding marketing authorisation, approvals of generic drugs and patent revocations.

(NAFTA)[29]. The arbitration was administered by the ICSID and was conducted under the UNCITRAL Arbitration Rules.

## B. "FRAND" Disputes

Fair, reasonable and non-discriminatory ("FRAND") licensing is a common practice with regard to industry standards, particularly in telecommunications. A FRAND license therefore ensures to its users a standard access to the technology on fair, reasonable and non-discriminatory licensing terms[30].

It is based on the Standard Essential Patents (SEP) which incorporate technological standards essential for the industry in question. The aim is to have technical products from different producers that are compatible with each other. The best example is the development of the same standard for mobile telephony as UMTS, HSDPA, LTE, etc.

The developer of a SEP tends to keep his invention to himself or to charge (very) high royalties for those who would like to obtain a license. This is not in the interest of the market and it goes against the compatibility between products that the market is looking for.

Thus, the European Commission has decided that the holder of a SEP may not prohibit the use of its patent by an applicant for a license who had previously submitted to it an offer under fair, reasonable and non-discriminatory terms[31]. Some courts have further held that SEP holders are not entitled to seek provisional measures against license applicants for the

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29 *Eli Lilly and Company v. Government of Canada*, UNCITRAL, ICSID case no. UNCT/14/2, Final Award of 16 March 2016. The dispute concerned issues related to the Canadian doctrine known as the "patent promise" doctrine. In order to patent a pharmaceutical product, the underlying invention must be novel, non-obvious and useful. To assess the utility test, central to the dispute, Canadian courts were increasingly using the "patent promise" doctrine. As such, if a patent application stipulates an explicit promise of utility, the patent would be cancelled if this criterion is not met. That practice has apparently been abolished by the Canadian Supreme Court's decision of 30 June 2017, *AstraZeneca Canada Inc*. v. *Apotex Inc.*, 2017 SCC 36.

30 For details on this topic, see CHROCZIEL / KASOLOWSKY / WHITENER / PRINZ ZU WALDECK UND PYRMONT, *op.cit.,* p. 83-89.

31 European Commission Decision of 29.04.2014 relating to a proceeding under Article 102 of the Treaty on the Functioning of the European Union and Article 54 of the EEA Agreement (*Case AT.39985 – Motorola – Enforcement of GPRS standard essential patents*) [notified under document number C(2014) 2892 final].

use of such a patent until reasonable efforts have been made to reach an agreement on a license respecting FRAND principles[32].

Today, it is widely accepted that SEP holders should offer licenses to license applicants on terms that respect FRAND principles. Standards Setting Organizations (SSO) such as the Institute of Electrical and Electronics Engineers (IEEE) suggest the use of arbitration (an arbitration agreement is thus integrated into a FRAND license offer), *inter alia* for the determination of royalties respecting FRAND principles. The advantages of arbitration lie in particular in the choice of specialized arbitrators as well as in the possibility of finding tailor-made solutions regarding issues of confidentiality in this highly competitive field.

WIPO published in 2017 a Guidance on WIPO FRAND Alternative Dispute Resolution (ADR)[33] which aims at facilitating submission of FRAND disputes to the WIPO Arbitration and Mediation Center. The Guidance *inter alia* explains the procedural options that are available at different stages of the process and identifies some key elements that the parties may wish to consider in order to shape the arbitration proceedings, notably, addressing large SEP portfolios and containing time and cost of the proceedings.

## C. Blockchain and Smart Contracts as Subject Matter in the Future?

Blockchain is a transparent, secure information storage and transmission technology that operates without a central control body. By extension, a blockchain is a database that contains the history of all exchanges between its users since its creation. This database is secure and distributed; it is shared by its different users, without intermediaries, which allows everyone to check the validity of the string[34].

Smart contracts are stand-alone programs that, once started, automatically execute the terms and conditions of a contract (input or oracles) without requiring human intervention[35].

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[32] Huawei Technologies Co. Ltd v. ZTE Corp., ZTE Deutschland GmbH, Case C-170/13, ECLI:EU:C:2014:2391.

[33] Available at http://www.wipo.int/export/sites/www/amc/en/docs/wipofrandadrguidance.pdf.

[34] See: www.blockchainfrance.net.

[35] ANDREAS FURRER, Die Einbettung von Smart Contracts in das schweizerische Privatrecht, Schweizer Anwaltsrevue, 3/2018, 103 ff.

Some applications of blockchain technology may be used in the field of intellectual property: proof of the creation or ownership of intellectual property rights, copyright management, particularly in the field of online music distribution, transmission of payments in real time to rights holders, authentication of goods, detection of counterfeits, etc.

Smart contracts may thus allow automatic implementation of intellectual property contracts, in particular licensing or exclusive distribution contracts. An arbitration clause could be included in the code of such smart contracts. In the event of a dispute, a pre-defined arbitration process would follow. Even if some technical and practical questions arise regarding the implementation of such arbitration procedures, it is no longer science fiction. In particular, a German company intends to market a corresponding product under the name "*Blockchain Arbitration Library*"[36].

## Conclusion

The advent of technology and the globalization of the modern society have increased the importance of the field of intellectual property. As a result, there is a parallel increase in the number of disputes in this area. As we have shown above, arbitration is particularly well suited to this type of dispute, particularly in an international set-up.

The arbitrability of intellectual property disputes has been widely debated in the literature. States may consider disputes relating to the validity of an intellectual property right as capable of settlement by arbitration, without any particular restriction regarding the effect of such issue on arbitral awards. They may also consider such disputes as capable of settlement by arbitration, but with an award that only have *inter partes* effect. Finally, they may consider such disputes to be non-capable of settlement by arbitration. The importance of the question of arbitrability must, however, not be overestimated insofar as most intellectual property disputes are of contractual nature, and therefore theoretically capable of settlement by arbitration in most countries. If the project of creating a European patent was to come to fruition, the question of arbitrability would probably lose more of its importance in Europe.

Arbitration also offers many advantages in the field of intellectual property. As noted above, these benefits include the following: (i) the parties may choose arbitrator(s) who are experienced in that field, (ii) the procedure is

[36] This is one of several projects carried out under the name "CodeLegit" by Datarella GmbH in Munich: www.codelegit.com.

generally efficient, (iii) confidentiality is in principle assured and (iv) the enforcement of an arbitral award is facilitated compared to a state court decision.

Arbitration in intellectual property matters continues to develop. In particular, specific procedures emerge, such as those related to the determination of royalties respecting FRAND principles. Intellectual property disputes also take place in investment arbitration. Finally, blockchain technologies, in particular smart contracts, which could (will) lead to the emergence of practical applications in the field of intellectual property, could designate arbitration as a standard method of dispute resolution.

Thomas LEGLER, *Arbitration of Intellectual Property Disputes*

**Summary**

This article gives an overview on how intellectual property disputes can be at present handled by arbitration.

Arbitration offers an efficient alternative to state court proceedings that should be considered particularly for international disputes, because they will be decided by IP literate arbitrators within a reasonable timeframe and by preserving confidentiality. It is therefore not a surprise that the European Union's future Unitary Patent Court system provides in the related framework agreement (Regulation EU No. 1260/2012) that the Member States shall also establish a Patent Mediation and Arbitration Center.

In view of these advantages and the fact that the arbitrability of IP claims has become less a concern, arbitration in intellectual property matters continues to develop.

In particular, specific procedures emerge, such as those related to the determination of royalties respecting FRAND principles. Intellectual property disputes also take place in investment arbitration. Finally, blockchain technologies, especially smart contracts, could (will) lead to the emergence of practical applications in the field of intellectual property and designate arbitration as a standard method of dispute resolution.

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Switzerland is generally regarded as one of the World's leading place for arbitration proceedings. The membership of the Swiss Arbitration Association (ASA) is graced by many of the world's best-known arbitration practitioners. The Statistical Report of the International Chamber of Commerce (ICC) has repeatedly ranked Switzerland first for place of arbitration, origin of arbitrators and applicable law.

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