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### ALTERNATIVE DISPUTE RESOLUTION (ADR) AS A TOOL FOR INTELLECTUAL PROPERTY (IP) ENFORCEMENT – EXECUTIVE SUMMARY\*

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#### INTRODUCTION

1. This paper provides an overview as to how Alternative Dispute Resolution (ADR) can be used as a tool for intellectual property (IP) enforcement.
2. It may at first sight seem somewhat counterintuitive that ADR should have a role to play in the *enforcement* of IP. In fact ADR has much to offer IP enforcement in that it allows disputes about IP, irrespective of the existence, at least initially, of any underlying agreement, to be resolved in ways in which national court, or other traditional or official enforcement systems cannot, or in ways in which, if they can, they do not necessarily do well.

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\* This paper is an executive summary of the paper *ADR as a tool for Intellectual Property (IP) Enforcement* (WIPO/ACE/9/3).

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I. THE TYPES OF ADR PROCEDURES THAT MAY BE USED FOR IP ENFORCEMENT (E.G., ARBITRATION, MEDIATION, EXPERT DETERMINATION AND OTHER ADMINISTRATIVE PROCEDURES BASED ON PARTIES' CONSENT)

a) Introduction

3. ADR cannot be defined in a single all-inclusive and yet exclusive manner. ADR can range from assisting the parties to achieve a negotiated resolution of their dispute, an exercise which may, but does not necessarily, involve any independent determination as to the substantive merits of the dispute (*i.e.* mediation), to various types of independent determination as to the merits of the dispute or certain aspects of it (such as arbitration or expert determination). Such independent determination may be either binding on the parties to it (as is arbitration and many expert determinations) or non-binding (as expert determination may sometimes be), although even a non-binding determination (here called "neutral evaluation") may have considerable persuasive effect on the parties, and thus facilitate a negotiated settlement, depending on how widely it is disseminated, or by the nature of the body that undertakes it. Such independent determinations will typically, but not always, be made by, or the process by which they are made managed by, individuals or organizations in the private sector. Each of these types of ADR is outlined more fully below.

b) Arbitration

4. Arbitration has been defined as: a binding procedure in which the dispute is submitted to one or more arbitrators who make a final decision on the dispute.

5. For the arbitration of a dispute to be able to take place the parties must first have agreed to submit the dispute to arbitration.

6. The most common way of doing so is before any dispute arises, in the context of an existing relationship between the parties, as governed by an agreement between them in which the submission to arbitration will take the form of a clause in such agreement by which the parties will typically agree to refer "any dispute, controversy or claim arising under, out of, or related to" the agreement to arbitration.

7. The other way by which parties can refer a matter to arbitration is by means of submission agreement, entered into once a dispute has arisen, and which (unlike an arbitration clause referred to previously) specifies the nature of the dispute that is to be so referred. A submission agreement is the more interesting way of referring a matter to arbitration from the point of view of IP enforcement, as it does not require that there be any pre-existing relationship between the parties, it being the submission agreement itself that provides the relationship between them that provides for the arbitration.

8. Whether an arbitration provision predates the dispute or postdates it, such provision should specify certain aspects of the arbitration, such as, at a minimum, the seat of the arbitration, its language, the number of arbitrators, and the identity of the arbitration institute the rules of which are to apply to it, and which institution will also manage the process of selecting the arbitrator or arbitrators.

9. The benefits, in general terms, of arbitration over litigation as a means of resolving commercial disputes, namely party autonomy, neutrality, finality, confidentiality, and ready international enforceability under the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention), are well recognized.

c) Expert determination

10. Expert determination has been defined as: a procedure in which a technical, scientific or related business issue between the parties is submitted to one or more experts who make a determination on the matter. The determination is binding, unless the parties have agreed otherwise.

11. Expert determination results at the end of the process in a decision, generally on a specific issue, which may be either binding or non-binding, but which, if binding, is generally enforceable within the framework of the contract that provides for such expert determination.

12. The attractions of expert determination have been expressed in the following terms: "it is less expensive and speedier, avoids the rigours of the application of the rules of evidence and procedure and offers a finality which avoids delays, potential re-hearings and appeals, which is particularly suitable especially where an expert knowledge of the subject is required or where the parties may have a continuing relationship" (*The Heart Research Institute Ltd v Psiron Ltd* [2002] NSW 646).

13. Expert determinations generally concern a specific issue identified in the contract under which they arise. A typical issue addressed by expert determination, equally applicable to IP as to other areas of law, would be the valuation of an asset, such as, in the case of IP, the adjustment to the value of a patent portfolio under a contract for its sale or the royalty rate under an IP licence to reflect certain specified eventualities which it was not possible to quantify when the agreement was executed. However expert determination also, as with arbitration, can also address other IP issues such as those more traditionally considered to be the preserve of the courts.

14. Although the law as to expert determinations has been built up in areas other than IP, notably that concerning building construction, expert determination, although not necessarily so identified, is in fact already widely used in IP, even though this seems not to be widely appreciated.

15. Thus the resolution of disputes over domain names such as those under the Uniform Domain Name Dispute Resolution Policy (UDRP) can be seen to be a type of expert determination. By entering into the contract with the registrar of a particular domain which has adopted the UDRP, the applicant for a domain name voluntarily submits to the rules of the UDRP. A UDRP determination is automatically enforced within the context of that contract between the applicant and the registrar. The UDRP procedure does not purport to oust the jurisdiction of national courts to determine whether or not use of a domain name infringes a trade mark. But trade mark infringement actions are costly and attempts to use them for domain names, in the context of the international and dematerialized nature of the internet, run into the practical difficulty of finding a national court with relevant jurisdiction over the trade mark in issue and the applicant for the domain name or over the domain name registrar. Thus in practice the availability of UDRP determinations renders the vast majority of such trade mark litigation otiose.

16. Another example of a type of expert determination concerning IP is provided by the rules of certain standards-related patent pools encountered in the ICT sector, for example, as to speech or video codecs which provide for an expert determination.

d) Neutral Evaluation

17. Early neutral evaluation, the provision of non-binding opinions on certain issues, can be of especial value where the subject matter is particularly complex, and the parties, in effect, require an indication of the range of possible outcomes if the dispute were to reach a court or tribunal.

18. An interesting example of the use of a type of neutral evaluation in IP is provided by the United Kingdom (UK) Intellectual Property Office's Opinion Service. Under this the UK Intellectual Property Office will, within 3 months of a request, provide non-binding opinions on the infringement of patents that are in force in the UK and on certain aspects of their validity, at the request of anyone, with others free to file observations, and patentees or their exclusive licensees able to challenge such opinion in certain circumstances.

e) Mediation

19. Mediation has been defined as an informal procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of the dispute. Mediation can be of enormous value in the resolution of IP disputes. However, because of its wholly consensual nature, its flexibility and the variability of procedures employed and because, being essentially managed negotiation, it raises no especial legal issues.

## II. LEGAL AND REGULATORY FRAMEWORKS FOR ADR, IN THE CONTEXT OF IP ENFORCEMENT

a) Introduction

20. It is in the area of arbitration that legal and regulatory frameworks for ADR are the most developed.

b) The issue of applicable law and jurisdiction as applied to IP

21. IP rights are established by national (or occasionally regional) laws and so are generally only local (or regional) in effect, with IP rights usually existing in parallel in different jurisdictions, each with their own substantive IP laws and each with their own national courts and intellectual property offices in which those rights can be enforced or challenged.

22. The territorial nature of IP has important consequences from a procedural perspective for the resolution of the increasing number of disputes that involve an international dimension, and which must therefore, of necessity, concern parallel IP rights that subsist in multiple jurisdictions and are subject to a wide variety of different laws. This is because, by and large, national court systems are incapable of resolving such disputes on an international basis, an inability that results from the territorial nature of such rights, which leads to a reluctance on the part of such courts to opine on them.

23. This is not however an impediment to international IP arbitration. Indeed, international IP arbitration typically involves consideration not only of the laws of the arbitration agreement itself and of the seat of the arbitration, as is traditional in international arbitration, but also the law applicable to the substance of the dispute, namely the law or laws by which the substance of the dispute, namely the infringement and/or validity of the IP right in issue is to be determined.

c) The international enforceability of arbitration awards

24. Of the various forms of ADR discussed only arbitration can be said to have an established international regulatory framework, and allows for the foreign arbitral awards to be enforced locally. In contrast there is no international convention that allows for foreign court orders to be enforced locally.

25. It has in practice been the experience of the WIPO Arbitration and Mediation Center that most arbitral awards are implemented voluntarily. However, where enforcement proves to be necessary, parties must rely on national courts in those countries where they seek enforcement of the arbitral award. Parties can rely on the uniform international legal framework established by the New York Convention to enforce foreign arbitral awards, being those which it is sought to enforce in a state other than the state of the place of arbitration. A court which is requested to enforce an award pursuant to the New York Convention cannot usually examine the merits of the award, and can only refuse recognition and enforcement on the basis of one or more of the grounds set out in Article V of the Convention.

d) National perspectives on the arbitrability of IP

26. The IP laws of most national jurisdictions are silent as to the relationship between IP and arbitration. A few national or regional laws specifically recognize IP arbitration. Thus the United States of America (USA) recognizes that disputes in relation to US patents can be arbitrated, albeit only with *inter partes* effect. In the European Union (EU), the Agreement on the Unified Patent Court also recognizes that patent disputes can be arbitrated as it provides for the establishment of a patent mediation and arbitration center to “provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement.” Belgian law goes further, not only expressly providing for patent arbitration but also expressly recognizing that it can have *erga omnes* effect. Swiss law goes even further, extending this approach to IP rights generally.

27. The issue that has engaged many legal commentators in the context of IP arbitration has been that of the arbitrability of IP in which some authors have questioned the extent to which disputes concerning IP rights can properly be the subject of arbitration. This matters because if the IP right the subject of the arbitration cannot properly be the subject of an arbitration award then that award cannot be enforced. This issue is seen by such writers as especially problematic where such IP rights are, as in the case of patents, registered by or with a national IP office and are thus, in effect, a state granted monopoly. However, whilst it may be perfectly correct to observe that arbitral awards as to IP rights, cannot, apart from few exceptions in Belgium and Switzerland, have *erga omnes* effect, as against the world at large, that should have no bearing whatsoever on their *inter partes* effect, as between the parties.

28. The distinction between the *inter partes* effect of an arbitration award as to the validity and scope of an IP right, and the lack of any *erga omnes* effect of such award, is expressly recognized, as observed above, in US law. Such an express statement is one which could usefully be incorporated in other national laws, to the extent that they are not prepared to go as far as those few countries that recognize the *erga omnes* effect of arbitral awards. To do so would lay to rest for once and all any concerns, no matter how misplaced, as to arbitrability.

### III. BENEFITS AND LIMITATIONS OF ADR AS AN IP ENFORCEMENT TOOL

#### a) Introduction

29. This section focuses on arbitration, as it is arbitration that provides the most appropriate comparison with litigation and of the various forms of ADR it is only arbitration which permits of such a comparison, as of the various forms of ADR discussed in this paper it is only through the use of arbitration by which an enforceable determination as to any type of dispute as between the parties can be made.

#### b) Benefits and Limitations of Arbitration as an IP enforcement tool

30. The benefits, in general terms, of arbitration over litigation as a means of resolving commercial disputes, namely party autonomy, neutrality, finality, confidentiality, and ready international enforceability are well recognized. There are however a number of benefits associated with arbitration over litigation, attributable to the concept of party autonomy, and which are specific to the field of IP.

31. One benefit of arbitration of particular value in relation to IP lies in the ability that it provides for the parties to tailor the composition of the arbitral tribunal to the specific needs of the dispute. In the context of IP this can mean the use of specialist IP practitioners having familiarity with the relevant area of IP law, and, in patents, the scope to have tribunal members who are suitably technically or scientifically qualified.

32. Yet another benefit of arbitration for IP disputes is that it enables the parties to tailor the procedure that is adopted and the nature of the relief that may be available to their needs.

33. Another, and perhaps in the long term the most significant benefit of arbitration for IP disputes, lies in the ability that it provides to resolve multijurisdictional disputes in one single proceeding. The combination of the national or regional nature of IP rights with the increasingly international nature of trade and the international spread of technology has meant that it has become increasingly rare for IP disputes to be confined only to one country. The result has been an increasing number of disputes in IP about the same allegedly infringing subject matter, determined under increasingly harmonized, but subtly different, applicable laws, before different courts, with considerable variations in procedure as between these courts. Such disputes often take place in parallel, and in addition to the obvious multiplication of costs associated with multiple parallel proceedings, the cost and difficulty of effectively managing multijurisdictional IP litigation in such circumstances increases exponentially with the number of such parallel litigations, as it is necessary to ensure that positions taken in litigation in one jurisdiction are not inconsistent with those taken in another.

34. National courts have generally been reluctant to opine on the infringement of foreign IP rights, and even more reluctant to opine on the validity of such rights. In contrast, arbitration allows parties to determine the infringement and validity of multiple parallel IP rights in different countries in a single proceeding, producing an award with *inter partes* effect and which would not purport to have *erga omnes* effect. Despite, in the context of an arbitration concerning parallel IP rights in different jurisdictions, each the subject of differing applicable laws, it would be open to the parties to the arbitration, should they so wish, to specify that a single applicable law is to be applied to the dispute. Alternatively they could leave the dispute to be determined in accordance with different applicable laws for each country in which the infringement in issue is alleged to have taken place. Such proceedings, which it would be hardly conceivable for any one national court to conduct, have indeed occurred in practice before arbitrators.

35. Arbitration of IP does however have its limitations, the most important of which results from its consensual nature which inevitably imposes some constraints on the suitability of the process, for example in relation to deliberate and intentional acts of infringement, as opposed to the civil law courts, the criminal law courts, and border measures. Moreover the uncertain status under the New York Convention of interim awards and their differing treatment in different countries can mean that arbitration can be less well suited than litigation to IP disputes that are likely to involve the requests to grant interim remedies. However, this is not an issue limited to IP.

#### IV. CURRENT USE OF ADR FOR IP ENFORCEMENT

##### a) Infringement claims in contractual and (initially) non-contractual disputes

36. ADR, and in particular arbitration, can be employed in the context of disputes as to whether or not an IP right is infringed. This will involve in both contractual and non-contractual disputes an assessment under the applicable law or laws, or the law or laws that the parties choose, as to the protective scope of the IP right or rights in issue. It may also extend, particularly in the context of non-contractual disputes that are the subject of a submission agreement, to issues as to the validity, as between the parties, of the IP right or rights in issue, as well as any particular defences under the relevant applicable law or laws.

37. As mediations are almost invariably, and arbitrations are typically, confidential it is not possible except in a general sense to provide examples drawn from these, except and to the extent that an arbitration may be referred to in litigation.

##### b) Mediation and other ADR attached to public institutions (courts, IP Offices, etc.)

38. Some courts apply legal costs sanctions as against those who unreasonably refuse to participate in ADR. Many courts and IP offices, such as the UK Intellectual Property Office and the EU Office for Harmonization in the Internal Market (OHIM) themselves offer mediation services.

##### c) Mediation and ADR pledges

39. Although most arbitration institutes provide mediation services, many other bodies and individuals will also do so. Such mediation services tend not to be specific to IP disputes but many industry bodies also offer services which have particular application to IP disputes. Many major industrial companies subscribe to ADR Pledges.

##### d) Self-regulatory mechanisms (including online enforcement tools)

40. To the extent that certain acts which may potentially involve the infringement of IP rights require the use of facilities provided by third parties, such as domain names registrars, or those who manage physical or electronic marketplaces, contractual provisions may impose ADR regimes on the users of such facilities that serve to enforce such IP.

41. ADR has application to disputes as to internet platforms such as online marketplaces, thereby lending itself to online dispute resolution, and has potential to be used in relation to IP disputes associated with internet platforms, for example under Notice and Takedown (NTA) Procedures.

e) Other

42. There are numerous other examples of the use of ADR for IP enforcement (such as the self-regulation of trade fairs, the regulation of trading names, etc.). Another rapidly developing area is the use of expert determination and of arbitration to resolve disputes in the context of standard setting organizations and standards essential patents.

43. Expert determination has found application in the context of patent pools of standards essential patents where it is used in order to provide a mechanism for determining whether or not patents submitted to the pool by members of the pool are in fact essential to the relevant standard.

44. Arbitration has also found application in the ICT sector, and is being increasingly proposed as a mean of resolving disputes as to the determination of “[Fair] Reasonable and Non-Discriminatory” ([F]RAND) royalty rates for standards essential patents.

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