

## Efficient Dispute Resolution – Multiple Parties and Contracts in R&D and Related Commercial Transactions

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Contemporary international R&D and technology transactions are frequently complex and involve multiple parties and contracts. This has made multi-party disputes in all areas of industry increasingly common. A strategy to manage risks arising in disputes is vitally important to allow for securing the value of technologies and associated assets, such as intellectual property (IP) rights, in a rapid and cost-effective manner.

Disputes involving multiple parties and contracts can arise, for example, in the following contractual scenarios<sup>1</sup>:

### Scenario 1

A number of parties, who have signed an R&D consortium agreement, also sign different contracts related to the R&D project: a licence agreement, a purchase contract or a sub-contract.

### Scenario 2

Party A signs a contract with party B, a second contract with party C and a third contract with party D – for example the owner of several patents signs several licensing agreements with different licensees.

### Scenario 3

Party A signs a contract with party B, and B with party C – for example a company (A) which outsources part of a project to a sub-contracting company (B) which itself subcontracts part of the project to another subcontractor (C).

Companies and R&D entities involved in such contractual relationships are increasingly turning to alternative dispute resolution (ADR) mechanisms to resolve issues that were previously directed to the courts. ADR mechanisms include several procedures, such as mediation and (expedited) arbitration that allow parties to resolve their disputes out of court in a private forum, with the assistance of a qualified neutral intermediary of their choice<sup>2</sup>.

### Direct negotiations

Direct negotiations will be often employed by parties before commencing ADR procedures. In such negotiations, finding an acceptable solution in multi-party situations depends to a large extent on established rules to manage negotiations and to allow for decision-making procedures. For example, the DESCA<sup>3</sup> model consortium agreement, which has been developed for multi-party collaborations, contains a recommended governance structure

for collaborative R&D projects including decision-making bodies and voting rights.

### Alternative Dispute Resolution (ADR)

If direct negotiations do not lead to a settlement, parties may commence ADR proceedings.

Mediation and arbitration are based on party consent expressed in an agreement to mediate or arbitrate. Parties often agree on WIPO Mediation followed, in the absence of a settlement, by WIPO Expedited Arbitration, as included, for example, in the DESCA model consortium agreement.

Consent does not usually raise any difficulty if a dispute involves two (or more) parties who have agreed in writing to mediate or to arbitrate their disputes and where the procedure is initiated by one party against the other(s), when such dispute arises<sup>4</sup>. Additional questions may arise, where the parties to a mediation or arbitration are not the same as the parties to the mediation or arbitration agreement or where they are additional to those signatory parties, as illustrated in the following case example below.

## CASE EXAMPLE

Two companies (A and B) and a research institute (C) enter into a consortium agreement. The consortium agreement contains provisions on co-ownership of IP providing that, in the case of an invention, A is allowed to apply for a patent and grant licences, and, in return, bear all patent-related costs. The other parties, who contribute to the invention, are entitled to a percentage of royalty rates paid by future licencees, in order to finance further related research.

Further to an invention by the parties and the completed patent application process, A concludes a licence agreement with a third party X, but refuses to provide information and to make payment of the agreed percentage of royalty rates to B and C. B and C commence dispute resolution proceedings requesting payment of their respective shares from A, or directly from X.

The consortium agreement includes a dispute resolution clause providing for WIPO Mediation followed, in the absence of a settlement, by WIPO Expedited Arbitration<sup>5</sup>.

The licence agreement contains an identical dispute resolution clause.

<sup>1</sup> See Bernard Hanotiau, *Complex Arbitrations: Multiparty, Multicontract, Multi-Issue and Class Actions*, Kluwer Law International, 2006, page 102.

<sup>2</sup> Further information on mediation and (expedited) arbitration is available in a general introductory article on "Efficient Resolution of Disputes in Research & Development Collaborations and Related Commercial Agreements" published in the European IPR Helpdesk Bulletin N°4, January-March 2012, and at: [www.wipo.int/amc/en](http://www.wipo.int/amc/en).

<sup>3</sup> Development of a Simplified Consortium Agreement for the Seventh Framework Programme (FP7) which is available at: [www.desca-fp7.eu](http://www.desca-fp7.eu).

<sup>4</sup> See Bernard Hanotiau, "Consent to Arbitration: Do we Share a Common Vision", *Arbitration International*, Volume 27 Issue 4, Kluwer Law International, 2011, page 540.

<sup>5</sup> WIPO Recommended clauses available at [www.wipo.int/amc/en/clauses/index.html#6](http://www.wipo.int/amc/en/clauses/index.html#6).

In this case, X is not a party to the consortium agreement. In mediation, the parties need to consider that, if X is interested in participating in the mediation, and the other parties agree, they need to sign a separate mediation agreement to confirm their consent to conduct a mediation including X. However, should X decide not to participate in the mediation, it cannot be forced to do so.

If the parties commence arbitration proceedings, the arbitral tribunal will, taking into account the dispute resolution clause, determine which parties have consented to participate in the arbitration and thus define over which parties it has jurisdiction<sup>6</sup>. Firstly, the parties could clarify such question before the dispute arises by adding some language to the dispute resolution clause. Such added language could read as follows:

#### **Consolidation**

*"If more than one arbitration is commenced under this Consortium Agreement and any separate contracts related to the subject matter of this Consortium Agreement (Related Contract) and any party to this Consortium Agreement and to a Related Contract on the basis that two or more arbitrations are substantially related and/or involve the same parties contends that the issues should be heard in one proceeding, the sole arbitrator appointed in the first-filed of such arbitral proceedings shall have the power to determine whether, in the interests of*

*efficiency, the whole or part of the matters at issue should be consolidated before that sole arbitrator.*

*The term Related Contract includes (but is not limited to) related licenses concluded by a party to the Consortium Agreement and third parties.*

*The parties expressly accept that any dispute, controversy or claim under this Consortium Agreement may be resolved in the same arbitration proceedings as any other dispute, controversy or claim arising from another Related Contract, even in the presence of parties other than the parties to this Consortium Agreement.*

#### **Joinder and Intervention**

*Each party agrees that the Claimant shall transmit the Request for Arbitration to all parties to the consortium agreement.*

*Each party agrees that it may be joined as an additional party to an arbitration involving other parties to this Consortium Agreement and/or to a Related Contract. A party shall inform the existing parties and the party to be joined in writing within 14 days from the receipt of the Request for Arbitration of its intent to join another party as a party to a dispute related to the Consortium Agreement and/or a Related Contract.*

*A party to this Consortium Agreement may*

*intervene in any arbitration proceedings hereunder by submitting a written notice to be sent to all the parties to the existing proceedings setting out a claim, counterclaim or cross-claim against any party to this consortium agreement within 30 days from receipt of the Request for Arbitration by the intervening party."*

Secondly, if in an existing clause there is no such added language, the parties could sign a separate written agreement stating that the arbitration shall involve all of them, including X. Thirdly, in the absence of such express consent, the arbitral tribunal will determine whether the arbitration agreement in the initial contract binds non-signatories based on an analysis of the facts of the case.

The WIPO Arbitration and Mediation Center is available for further questions on these complex issues.

#### **Further information**

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<sup>6</sup> Article 36(a) WIPO Arbitration Rules.