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Resolution of Intellectual Property Disputes through International Commercial Arbitration

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Abstract

The expansion of economy and globalization has led to increase in cross border investment and trade relationships between investors, states and business person, as a result of which disputes pertaining to intellectual property rights and other issues of commercial nature are arising between the parties. International Commercial Arbitration has therefore become the most preferred method of dispute resolution, as it provides for amicable dispute resolution by providing party autonomy and at the same time, maintains the harmonious future relationship between the parties. It also provides for enforceability of awards for the parties which are signatory to New York convention and neutral forum with expert opinion for dispute resolution. The arbitration enables to promote speedy redressal as it considers various issues like public policy pertaining to the enforcement of award, integrity of statutory laws and maintaining its virtues of efficiency and confidentiality. International Commercial Arbitration provides for a great scope in resolving IPR disputes but often face issues pertaining to state jurisdiction, therefore parties must be careful in drafting arbitration agreement pertaining to substantive and procedural laws and court intervention in dispute resolution.

Introduction

The Global Era seems to be a hub for Intellectual Property Rights protection. The intellectual property rights are the legal rights that arise out of human brain or intellect. The increasing demand of patents, trademarks, copyrights , business methods , geographical indications, trade secrets, smell marks, sound marks etc. are increasingly catching the eyes of the economy in order to seek protection of the human labor; both in monetary terms and also to provide a time constraint so that others do not cause exploitation of the inventions by the inventors. The World Intellectual Property organization is a hub for resolution of international disputes pertaining to Intellectual Property Rights. Most of the disputes originate from North East Asia and particularly from Japan, Korea and China. World Intellectual Property Organization has administered more than 25000 cases since 2000. There has been considerable increase in Trademark registration and domain name registration if we come to the online platform. The American Arbitration Association has also seen a considerable increase in the Intellectual Property Rights cases pertaining to complex Intellectual Property Rights arbitrations. The patent disputes are an essential part of IPR that can be resolved by International Commercial Arbitration as compared to domestic patent litigation and provide a strong mechanism for cross border dispute resolution between various states and nations. The

litigation pertaining to Intellectual Property Rights is basically very expensive and time consuming. There are various obstacles from foreign sovereigns also, which make international teams very difficult for the enforcement and recognition of judgments and orders. Moreover, the parties are not able to understand the alien jurisdictions and laws of the other country therefore they are resorting to resolution by alternative dispute mechanism particularly through International commercial arbitration under the General agreement on trade and tariff (GATT) and the World Intellectual Property organization framework. International commercial arbitration, for a Nongovernmental dispute settlement involving high degree of party autonomy proves to be a better mechanism than litigation pertaining to matters involving IPR dispute. The paper will basically focus on the aspect of resolution of international IPR disputes through Alternative Dispute Resolution mechanism and in particularly the international commercial arbitration, the shortcomings and suggestions that can be incorporated in light of global perspectives in the Indian Arbitration and Conciliation Act, 1996 to promote resolution of Intellectual property disputes through International Commercial Arbitration, thereby increasing institutional arbitration in India at a global level. It will also highlight how the promotion of sustainable development can be there through International Commercial Arbitration. Article 2(viii) of WIPO convention defines intellectual property as follows:

1. Inventions in all fields of Human Endeavour
2. Literally, scientific or artistic works
3.Performance of artists, phonograms or broadcasts
4. Protection against unfair competition
5. Industrial designs
6. Scientific discoveries
7. Trademarks, service marks, commercial names, domain names

The field of intellectual property rights is a wide field that provides for protection of the human endeavor and labor but at the same time,makes the things available for Research Scholars and for educational and research purposes free of cost and for which permission is not needed from the Patent, Trademark or Copyright holder. But Intellectual Property Rights have now become a subject matter of dispute because they are widely utilized in commercialization of business activities like the growing online trade shows, the commercialization of domain names and at the same time they have disrupted utilization of domain names and deceiving the local public by using misleading or phonetically similar marks. The IPR disputes also involve licensing issues that provides various types of disputes arising out of license agreements like exclusive license in which the author does not have any control over his invention, non-exclusive license which provides the protection of author rights and he can also sublicense it to the other parties. Semiexclusive licensing which means that the author has access to his works but he cannot sublicense it further. The license agreements are majorly in the form of contracts consisting of contractual obligations defining the rights and obligations on part of each party, dispute settlement agreements, involving copyrights domain name, generic name of commercial nature like construction business disputes, designs etc. The legal disputes which are basically emerging out of such contracts contain obligation such as confidential information in case there is a software data, the company needs to sign a non-disclosure agreement but the other party does not abide by the non-disclosure agreement and other trade secrets, know-how which are the policies that are adopted by the company in relation to its marketing and quality of the products. These disputes are basically civil in nature and provide

remedies such as damages, injunction, confiscation of misleading trademarks or trade dress, copyrightas well as imposing exemplary damages.

Role of arbitration in resolution of Intellectual Property disputes

Present era comprises the regime of globalization and this globalization serves as an impediment to the Intellectual Property Rights holders. The Intellectual Property rights are basically territorial in nature and are confined to specific jurisdiction in which data protection is sought. Under Patent Convention Treaty, the inventor can seek for multiple protection in various countries along with the national treatment to his invention. Due to the multiplicity of registration problems, there becomes multiplicity of Intellectual Property Rights disputes also and in case of infringement it is very difficult to choose a particular forum for resolution of Intellectual Property Rights disputes because they are mandatorily subjected to the country of registration. The litigation involves several uncertainties because of the difference in procedural and substantive treatment and laws of different countries and also the experience and the viewpointof the technical expertise of different countries. In this scenario, arbitration comes to the rescue of the Intellectual Property Rights holders and provides for an increasing number of parties going for post dispute arbitration agreements that help them to resolve the disputes through International Commercial Arbitration and saves them from choosing various forums for resolution of arbitration disputes. Arbitration is an effective tool that provides for party autonomy and also for appointment of a technical expertise that is very much required in resolution of Intellectual Property Rights disputes because the matters may involve scientific and technical experts which is not the forte of a particular arbitrator. The experts can be made by the parties collectively or by the choice of the arbitrator, it can also go for selection of panel of arbitrators for resolution of disputes accordingly. Maintenance of confidentiality of information pertaining to Intellectual Property Rights is an important aspect which is to be dealt very carefully by the parties undergoing commercial contracts containing Intellectual Property Rights as such confidential information otherwise it can lead to the entire destruction of data and the rival parties can make very well use of such information. So extensive mechanism or contractual obligations providean effective tool for the resolution of trade secrets disputes and other competition information. It can also provide for appointment of a confidential advisor that can help in adopting several confidential measures by the parties to resolve disputes.

Applicable and substantive law pertaining to arbitration

The arbitration pertaining to intellectual property disputes provide for a number of applicable laws because the product may be registered in several countries and it is very difficult to organize or to apply a particular harmonized law in case of a particular intellectual property disputes, in such cases, the arbitrator is required to maintain a balance between the territorial exclusivity and the mandatory applicable laws and a deep analysis of the laws pertaining to both the partiesthat is required in order to resolve a particular Intellectual Property Rights disputes effectively and in a time bound manner. The arbitrators may resort to the statute and also the cases associated with particular dispute matter, involving multiple foreign laws in international arbitration pertaining to Intellectual Property Rights. The tribunal shall basically resort to those measures which are not

against the public policy of both the parties and apply the doctrine of harmonization so that both the parties are at an equal forum and there is no bias or no favoritism towards a particular party.

Arbitration and public policy

Arbitration provides for an important ground for resolution of intellectual property disputes because there are certain issues that are against the public policy of a particular country or provide for the non-arbitral subject matter which is against their public policy to get it resolved through International Commercial Arbitration. The major rationality behind adopting this principle is that the arbitration involving any kind of dispute pertaining to intellectual property should not affect adversely the society at large. Different countries have different approaches with regards to the adoption of public policy in resolution of IPR disputes. For example, in USA,the parties can arbitrate any kind of intellectual property disputes and even the validity of disputes can also be resolved through International Commercial Arbitration. UK Arbitral Tribunal can also decide the dispute pertaining to the validity of arbitration awards but it will remain confined to the parties of the arbitration. There are some other countries like France, Italy and Japan that adopt a liberal approach towards infringement of IPR where it is a subject matter of arbitration disputes. Arbitration provides for the right in persona rather than a right in rem therefore the parties that are significantly the parties involved in arbitral IPR disputes are only affected by the award of the arbitration and does do not exhaust the remedies of other competent authority to provide protection of their rights. The issues pertaining to the arbitrability of IPR subject matter is basically related to the registration and validity or invalidity of the award. Mostly the subject matter of dispute ispatent disputes and it is raised as a defense to a contractual right and obligation. Arbitration of Intellectual property rights disputes is considered as subject matter in most of the jurisdictions and some states express prohibition of the entire dispute pertaining to IPR arbitration. In order to bring the IPR disputes under the regime of International Commercial Arbitration and considering them as subject matter, the basic laws should not be narrowly constructed because if it will be so, then it will not allow the international obligation performance or resolution of IPR disputes by international commercial arbitration at a global level.

Arbitration of Patent Disputes

A patent arbitration is an arbitration that involves commercial patent disputes involving substantive patent legal statutes. Patent disputes are usually cross border and involve multiple nations.[1]Resorting to patent litigation may, however, lead to a frustrating process and high costs, particularly in the United States.[2] International patent lawsuits are subjects of ambiguity and un[3]certainty because cross border Patent issues leave the parties clueless about various foreign jurisdictions and applicable laws, therefore the parties have now resorted to International

[1] Bryan Niblett, *Arbitrating the CREATIVE*, 50 DISP. RESOL. J. 64, 66 (1995) (noting that intellectual property disputes have an international aspect to them due to the intangible nature of the property).

[2] A patent case could last for twenty-five years. See, e.g., Hughes Aircraft Co. v. United States, 140 F.3d. 1470 (Fed. Cir. 1998) (noting that the case was filed in 1973).

[3] *See*Mitsuo Matsushita, Panel Three: *A Japanese Perspective on Intellectual Property Rights and the GATT*, 1992 COLUM. BUS. L. REV. 81, 82 (1992).

Commercial Arbitration in resolution of patent disputes under the dispute settlement mechanism of GATT(General Agreement on Trade and Tariff), WIPO(World Intellectual Property Organization), TRIPS (Trade Related Aspects of Intellectual Property Rights) etc.. After the Uruguay round of TRIPS negotiations, developing countries were more willing to settle intellectual property disputes under the frame of WIPO rather than GATT.[3] International Commercial arbitration involves both Adhoc and Institutional Arbitration providing party autonomy and is becoming a favorite dispute settlement mechanism between the parties as compared to litigation.Modern commercial arbitration is supposed to be an objective, friendly and conclusive way to settle commercial disputes.[4]For patent disputes that merely concern rights or obligations derived from contracts such as patent assignment or licensing, the issues are generally accepted as the proper subject matter of arbitration all around the world.[56] In case of Eros International Media (P) Limited vs Telemex links India Private Limited and Others, the court held that "IP disputes arising out of commercial contract like between two claimants to a copyright or trademark in either an infringement or passing off action, that action and that remedy can only ever be an action in *personum* and hence such IP disputes are arbitrable in nature".[6]

Arbitral Institutions resolving patent disputes

The resolution of patent disputes is done by arbitral institutes like UNCITRAL model law on arbitration, American Arbitration Association, International Chamber of Commerce, London Court of International Arbitration etc.to promoteinstitutional arbitration. Besides this,World Intellectual property Organization (WIPO) provides for an effective dispute resolution involving confidentiality clauses. International Chamber of Commerce Rule Article 3 of Appendix III allows the parties to select arbitral institution with adhoc act rule.[7] In the U.S., the American Arbitration Association ("AAA") has Arbitration Rules and Mediation Procedures ("CAR") [8] and the Supplementary Rules for the Resolution of Patent Disputes ("AAA Supplementary Rules") [9]to deal with patent disputes. AAA's international branch, International Centre for Dispute Resolution ("ICDR"),[10] also has specific rules-the International Dispute Resolution Procedures ("IDRP").[11] There are other arbitral institutions that do not specifically involve IPR disputes like LCIA (London court of International Arbitration) that involve general disputes having subject matter of arbitration. China has its own arbitration center,especially for IPR disputes established in 2007.

Validity of Resolution of Patent disputes by Arbitration

[4] Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, Switzerland, Mar. 3-4, 1994, Opening Address, WIPO Publication No. 728 (by Arpad Bogsch), available at http://www.wipo.int/amc/en/events/conferences/1994/opening.html. 25

[5] See Mark Farley, *The Role of Arbitration in the Resolution of Patent Disputes*, 3 TOURO L. REV. 47, 48 (1986).

[6] 2016 (6) ARBLR 121 (BOM).

[7] INT'L CHAMBER OF COMMERCE [ICC], RULES OF ARBITRATION, app. III, art. 3 (1998) [hereinafter ICC RULES], available at http://www.jus.uio.no/1m/icc.arbitration.rules.1998/doc.html.

[8] INT'L CHAMBER OF COMMERCE [ICC], RULES OF ARBITRATION, app. III, art. 3 (1998)[hereinafter ICC RULES], available at http://www.jus.uio.no/1m/icc.arbitration.rules.1998/doc.html.

Many jurisdictions preclude specific subject matter like marital disputes, employment issues, and intellectual property matters from arbitration because of public policy.[12]The disputes that basically arise is pertaining to the monopoly rights related to patents or validity of patents. Normally such issues are brought before the court that decides about monopoly and infringement of patent rights. Like in France, court can decide on validity of patents. Normally the right of any intellectual property is the right in rem that is granted by the statutory authorities for about twenty years providing the right of manufacture, sale, distribute or license of patent product or process. The question that arises is whether arbitration or arbitration institution which is a nongovernment organization can decide about the rights of patent or not.Thus, it is understandable where the debates on arbitrability of patent disputes come from: an arbitration award made by a private arbitral institution may be against public policy when the dispute concerns the validity of a patent.[13] If the subject matter involves a patent validity dispute that cannot be arbitrated, courts refuse to refer parties to arbitration even when an arbitration agreement exists between the parties.[14]Thus the arguments against arbitrability of patent disputes follows the procedure that a patent is granted by a statutory authority; therefore only specific government organizations granting patent or courts shall have the power to decide the subject disputes. Another argument is that arbitration is a party specific affair and binds only the parties that have submitted their disputes to arbitration so arbitrators cannot bind an involuntary party by arbitration award passed between the voluntary parties. If arbitration disputes involve the settlement of patent disputes

[9]*See*Eiland, supra note 3, at 296; AM. ARBITRATION AsS'N, RESOLUTION OF PATENT DISPUTES SUPPLEMENTARY RULES (2006), available at http://www.adr.org/sp.asp?id=27417.
[10]*See*Eiland, supra note 3, at 296; *About the International Centre for Dispute Resolution*, Am. ARBITRATION AsS'N, http://www.adr.org/about-icdr
[11] AM. ARBITRATION ASS'N, INTERNATIONAL DISPUTE RESOLUTION PROCEDURES (2009) [hereinafter IDRP], available at http://www.adr.org/sp.asp?id= 33994.
[12]*See* W. LAURENCE CRAIG ET AL., *INTERNATIONAL CHAMBER OF COMMERCE ARBITRATION* 8790 (3d ed. 2000).
[13]*SeePaladino v. Avnet Computer Techs.*, Inc., 134 F.3d 1054, 1062 (1Ith Cir. 1998).
[14]See UNCITRAL MODEL LAW; supra note 36, at art. 8(1); New York Convention, supra note 33, at art. II (3). As of January 2011, 145 nations have adopted the New York Convention. Status: 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards, UNCITRAL, http://www.uncitral.org/uncitral/en/uncitral texts/arbitration/NY Convention status.html

then will also deprive the authorities or government organization that have exclusive jurisdiction to settle patent disputes. The argument for arbitrability suggests that because most patent jurisdictions around the world allow a patentee to surrender, assign, license or transfer his patent right to others, [9]the patentee could also exhaust his patent rights in an arbitration award by choosing arbitration as the conclusive and final solution for his patent dispute. The ICC tribunal reasoned

[9] E.g., 35 U.S.C. § 261 (2006); Patentgesetz [PatG] [Patent Act], Dec. 16, 1980, BGBL. I at 1, §§ 58, 64 (Ger.).

that a patent owner had considerable capacity to assign, waive, or restrict its rights.[10] In a patent infringement or invalidity dispute, the patent owner can entirely or partially surrender his rights against the other party.[11]Moreover when an arbitration award is passed between the two parties, in that case, it remains binding on the parties only, none of the third parties are affected by such awards and courts or other competent authority that has been formed under the statute, do not dispense off or waive off their rights to decide the validity of patent.The public interest behind the patent system is to stimulate innovation by protecting the return for the inventors and investors. [12]Rather than keeping innovation secret, the patent system encourages inventors to make their patent innovations public in exchange for a limited monopoly on the certain invention.[13] Arbitration serves as a power tool to submit specific technical disputes between the parties maintaining the inventor's rights and also social interests. If the patent is rendered invalid then it will be binding only among the parties to the dispute the patent shall have effect among the government authority serving public interest while if a patent is not rendered invalid then the patent holders rights shall be preserved thereby balancing both the parameters. Such relief is granted under some arbitral rules without influencing public policy interests.[14] Moreover, the property or the real estate is similar to Intellectual property and if property matters can be resolved through arbitration then why not intellectual property disputes are resolved by arbitration. The arbitration also maintains the sanctity of the documents that are privileged such as the document exchanged between the patent agent and client. An arbitrator cannot ask for such privileged documentation.CAR rule 31(c) states: "The arbitrator shall take into account applicable principles of legal privilege, such as those involving the confidentiality of communications between a lawyer and client."[15] For the same reason, there is also a confidential relationship between patent examiner and client.[16]In Argentina the parties may be resorted to arbitration and get civil remedies like injunction, recovery of property and damages pertaining to infringement. In Belgium the arbitrable subject matters related to patents include the arbitrability of patents are ownership, validity, infringement and licensing of patents. Other IPR are governed by Benelux codes.Under the Chinese Code of Civil Procedure, any dispute arising from "economic, trade, transport or maritime activities" and containing a "foreign element" is barred from Chinese courts if the parties have concluded an arbitration agreement and submitted the dispute to an arbitral institution."[23]

Conclusion

The advantages of using arbitration to resolve Intellectual Property Rights disputes are demonstrated by its rising use in recent years. Because of the particularities of Intellectual Property Rights, however the parties wishing to benefit from arbitration must commit to thorough planning

[10] Interim Award in Case No. 6097 of 1989, 4 Int'l Comm. Arb. 76.

[11] Interim Award in Case No. 6097 of 1989, 4 Int'l Comm. Arb. 76

[12] *See* U.S. CONST. art. I, § 8, cl. 8; Rebecca S. Eisenberg, Patents and the Progress of Science: Exclusive Rights and Experimental Use, 56 U. CHI. L. REV. 1017, 1017 (1989).

[13] *See*Pennock v. Dialogue, 27 U.S. (1 Pet.) 1, 19-20 (1829).

[14] *See*, e.g., id. at 353.

[15] CAR RULES, supra note 47, at r. 31(c)

[16] *See* Tom Brody, *Duty to Disclose: Dayco Products v. Total Containment*, 7 J. MARSHALL REV. INTELL. PROP. L. 325, 369 (2008).

of the particularities of Intellectual Property Rights. In addition, special attention must be particularly where the dispute involves IPR protected in several jurisdictions. A special attention must be given to the issue of arbitrability, both when selecting the seat of the arbitration,and when considering the likely place of enforcement, because such factors may influence the particular form of relief to be requested in an place of enforcement and influence the particular form of relief to be requested in an award. Finally, given the special features of Intellectual Property disputes, in most cases parties would be well advised to select arbitration rules designed specifically for IPR disputes. The World Intellectual Property Organization Arbitration Rules, for example, contains detailed arbitration rules designed specifically for Intellectual property disputes. The WIPO Arbitration Rules, for example, contain detailed provisions on confidentiality, site visits and evidence by way of experiments, issues which very often arise in the context of IPR disputes. International Commercial Arbitration provides for dispute resolution but there may be adverse consequences if the arbitration agreement or clauses are not properly drafted. IPR disputes are mainly patentable in various states but there are limitations as regards to its scope and applicability. Like in U.K. Patents Act, 1977 provides for arbitration of patent disputes in a very limited manner. The 2019, Singapore Intellectual Property (dispute resolution) Act provides specifically for the International Commercial Arbitration of IP disputes. The state authorities are also recognizing a paradigm shift from litigation to arbitration. Besides this block chain technology that provides for a secured database and encrypted transmission may also be used to protect intellectual property. The application of blockchain technology may be used in the field of intellectual property in the following ways: proof of the creation or ownership of IP 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.[24]

[23]185. Chinese Civil Procedure Law art. 257, cited in Report by the Chinese Group, XXXV'CONGR-S, supra note 158 p.4 5

[24] Legler, Thomas: Arbitration of Intellectual Property Disputes, *ASA Bulletin*, 2019, pp. 289–304 (303).