Mediation And Arbitration In England†

*By Hayley French**

In 1996 Lord Woolf, Master of the Rolls, delivered "Access to Justice," his final report on the civil justice system in England and Wales, to the Lord Chancellor. This report identified the need for fair, speedy and proportionate resolution of disputes and the need to use alternative routes to resolution before going to court. These principles are reflected in the Civil Procedure Rules introduced in 1999 and the pre-action protocols introduced since 1999. These rules and principles govern the way in which civil court cases are conducted in England and Wales. References to Alternative Dispute Resolution (ADR) have been strengthened over the last few years. For example, the UK Patent Office has been given statutory powers to give non-binding opinions on patent validity and infringement of opinions.[1] It will be interesting to see how much weight courts or other tribunals place on these UK Patent Office opinions. The service may well have an impact on validity issues on parallel patents in other jurisdictions, both in Europe and elsewhere and the procedure may prove particularly useful for small and medium sized businesses for resolving infringement disputes before litigation. In addition to the opinion service, the patent office can also, if cases have already proceeded to litigation, encourage hearing officers to assess hearing requests to determine whether cases could be better dealt with through mediation. Where they find suitable cases they will take a proactive role in highlighting the opportunity of mediation to the parties. In relation to trade marks, the UK Patent Office has introduced a new streamlined opposition procedure which includes a longer cooling off period to allow parties to negotiate a settlement.

The latest in the series of UK Patent Office initiatives is the launch of a mediation service (April 2006) to help companies and individuals involved in intellectual property disputes. The Patent Office makes a point of stating that they consider disputes about licensing, infringement and ownership particularly suitable for mediation.

In the field of intellectual property disputes it is fair to say that industry has generally been slow to accept mediation. This is despite the clear intention of the "Access to Justice" report, now ten years old, to encourage ADR. For example, in a case involving trade mark infringement, *Reed Executive and another v Reed Business Information and others* (2004),[2] the Court of Appeal made it clear that mediation is not for everyone, when it chose not to punish with costs a party that refused to go to mediation. However in a recent case, *IDA Ltd and others v The University of Southampton and others* (2006),[3] the suitability of dealing with IP disputes was highlighted. This case concerned ownership of certain patents to an insect trap. In this case the Court of Appeal cautioned that disputes fought through the courts could be *"protracted, very very expensive and emotionally draining,"* and *"On top of that, very often development or exploitation of the invention under dispute will be stultified by the dead hand of unresolved litigation. This sort of dispute is particularly apt for early mediation."* The comments in this case may indicate an increasing pressure to settle certain types of disputes, such as intellectual property ownership and royalty disputes by mediation. This is further reflected by the recent publication of the eagerly awaited UK Government commissioned report, Gowers Review of Intellectual Property (December 2006). This report states that the number of intellectual property cases reaching litigation should be reduced by ADR and one of the recommendations of the report is that there should be greater encouragement for the parties to mediate. However it is important to note that in despite of the above developments, there is a clear distinction between the duty of the English courts to encourage parties to use mediation and the power to force

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†A contribution from the LESI Life Sciences Committee.

1. The procedure is governed by Sections 74A and 74B of the Patents Act 1977 (as amended) and Rules 77A to 77K of the Patents Rules 1995 (as amended), which come into effect on 1 October 2005.

2. *Reed Executive plc and Reed Solutions plc v Reed Business Information Ltd and Reed Elsevier (UK) Ltd and Totaljobs.com Ltd* (2004) EWCA Civ 887.

3. *IDA Ltd and others v The University of Southampton and others* (2006) EWCA Civ 145.

parties to use mediation against their will.[4]

The above principles are applicable if parties have a non-contractual intellectual property dispute, e.g. infringement of a patent, or if contracting parties have a dispute, e.g. relevant royalty payments and wish to settle such dispute as directed as a speedy resolution before litigation. Contracting parties need to consider the appropriateness of mediation and/or arbitration in an ADR clause.

In terms of arbitration in England and Wales, the Arbitration Act 1996 now ensures that arbitration in England is a much more flexible and attractive option for disputing parties than under previous Acts. The Act consolidates domestic and international legislation into one law as well as codifiying principles established by case law. The Act reflects as far as possible the UNCITRAL model law on international commercial arbitration with the additional protection for the parties in terms of privacy and confidentiality.

A fundamental concept of the Act is to reinforce the importance of the parties arbitration agreement and to give them independence on all procedural and evidential matters. For example, the Act allows the parties to choose the: number of arbitrators, the procedure for appointing arbitrators and the freedom to choose the arbitrators powers in relation to the award and interest. Interestingly the parties are free to agree that their dispute will be decided on the basis of equity and fairness, rather than in accordance with the laws of a particular country. It cannot be stressed clearly enough that the parties have a large amount of flexibility with this Act and need to explore all the possibilities when drafting the arbitration agreement.

If the parties have included only the bare essentials in their arbitration and have not incorporated the arbitration rules of an arbitral institution, e.g. London Court of International Arbitration (LCIA), then the Act is designed to fill in the gaps. The Act makes clear the wide scope of procedures that may be followed by parties in an arbitration. These procedures are set out in defaults which the parties must override if they agree on alternative arrangements. The Act also lists mandatory provisions which the parties may not override e.g. the parties ability to challenge an award in the English court on the ground that there was a serious irregularity in the arbitration. However the bar is set very high for such challenges and the English courts have displayed a practice of supporting arbitration by upholding, wherever possible parties intentions to submit their disputes to arbitration.[5] Also, where both jurisdiction and arbitration clauses are included in a contract, the English courts will not necessarily consider the clauses as mutually exclusive but will consider whether the clauses can be construed as complementary. Furthermore the fact that a jurisdiction clause has been specifically agreed will not itself lead to the conclusion that it will prevail over an arbitration agreement incorporated by reference.[6]

An important point to note for intellectual property disputes is that the arbitral tribunal does not have the power to grant interim injunctions. This poses a potential problem in that if the parties haven't agreed to exclude the powers of the court in relation to the granting of interim injunctions then the resisting party in any event will claim that the court should not interfere with the arbitral process. This is a point that needs to be considered carefully at the drafting stage. ■

4. See *Halsey v Milton Keynes NHS Trust* and *Steel v Joy and Halliday* [2004] EWCA (Civ) 576.

5. *Lesotho Highlands Development Agency v Impregilo SpA & Others* [2005] UKHL 43.

6. See *Axa Re v Ace Global Markets Ltd* [2006] EWHC 216.