

WIPO: Resolving Cross-Border Patent Disputes Through Mediation And Arbitration¹

By Gustavo Moser

Introduction

The number of international patent applications filed through the World Intellectual Property Organization (WIPO)² continues to hit record numbers. According to the World Intellectual Property Indicators 2017,³ there was a worldwide growth of 8.3 percent in 2016 in number of patent applications, with China taking the lead (accounting for 42.8 percent of the total patent applications), followed by the United States (19.4 percent) and Japan (10.2 percent). As a product of a market in constant evolution and activity, the multiplication of international intellectual property transactions is a phenomenon that deserves to be further investigated.

The increase of intangible assets being protected worldwide is certainly a welcoming and reassuring sign that innovation is at the forefront in various industry sectors. At the same time, it poses the question as to whether attention has been given to internal dispute resolution policies. Are these players discussing and anticipating means to secure their assets in a potential dispute? Are parties aware of other forms of dispute resolution and their benefits other than court litigation?

We propose to discuss this topic critically in the lines to follow by examining both mediation and arbitration as dispute resolution frameworks, their common characteristics, benefits, and hurdles to overcome going forward.

We will then address the use of mediation and arbitration in cross-border patent disputes, outlining their advantages and benefits *vis-à-vis* state court litigation. In the second part of this chapter, we will discuss the

Arbitration and Mediation Center of the World Intellectual Property Organization (WIPO Center), focusing on their mediation and arbitration services.

1. Cross-Border Patent Disputes: Setting the Scene

The proliferation of intellectual property assets through business activities increases the emergence of potential legal disputes in multiple jurisdictions. One can think of a myriad of conflicts and multi-faceted actors at play: forums (specialised or not), a varied number of applicable laws and related agreements, regulations, bifurcation of procedures, possibility (or not) of granting interim measures and emergency relief. All of these factors culminate in an environment full of uncertainties, which generates costs. The costs to litigate in multiple jurisdictions can be devastating for the continuity and expansion of a business activity. In addition, state courts may be under time constraints to tackle their caseload and would not necessarily dedicate the time that an often complex dispute of such nature requires. State courts may also not always have capacity to handle these conflicts at the speed expected by the market.

It is within this environment of complex factual and legal elements that the use of mediation and arbitration in cross-border patent disputes gains strength. Among other factors to be discussed below, the possibility of customising mediation and arbitration processes to attend to the particular needs of the dispute (including time and costs aspects) make these processes the clear “go-to” options.

1.1 The Mediation Option

Mediation consists of a flexible and informal procedure whereby parties entrust a third party - the mediator - with the task of assisting them in resolving the dispute. The mediator, unless agreed otherwise by the parties, will not impose an agreement. They will, instead, facilitate the creation of channels of communication with a view to identifying potential settlement options.

1.1.1 Advantages and Benefits

We can highlight three core advantages and benefits of mediation *vis-à-vis* court litigation. The first is that the parties do not hand over the decision of their affairs to a third party, that is, the act of deciding is not delegated to anyone else and thus remains in the realm of the parties. The second is the fact that, in the absence of pre-established procedural rules at the be-

1. Revised, updated and adapted from the author's two earlier publications: L. G. Meira Moser & G. Cunha Ferreira, “Conflitos no âmbito da propriedade intelectual e a via da mediação,” *Revista de Arbitragem e Mediação*, São Paulo, v. 40, pp. 313-324, 2014; and I. de Castro & L. G. Meira Moser, “Mediação e Arbitragem de controvérsias relativas à propriedade intelectual e à tecnologia—O funcionamento do Centro de Arbitragem e Mediação da Organização Mundial da Propriedade Intelectual,” *Revista de Arbitragem e Mediação*, São Paulo, v. 38, p. 151-179, 2013.

2. Further information about the Patent Cooperation Treaty (PCT) is available at [<http://www.wipo.int/pct/en/>].

3. The full report is available at [http://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2017.pdf].

gining of the mediation process, the relief sought is not confined by the cause of action (as opposed to litigation). The third is the possibility of issuing enforceable decisions in multiple jurisdictions. We shall discuss each of these points in turn below.

The mediator, by virtue of his or her technical and negotiating skills, plays the role of an ‘agreement facilitator,’ without being able to (unless otherwise agreed) impose an agreement on the parties. This procedure, therefore, catalyses business oriented solutions, in particular, for long-lasting commercial partners. In addition, any agreement reached by the parties is enforceable as a contract signed by the parties. As we mentioned earlier, unlike the judicial process, in mediation, the parties do not hand over the decision to a third party (judge); instead, parties are the ones who reach a decision, aided by the mediator.

Mediation is therefore the only method of conflict resolution in which, between the parties, there is no winner or loser. Both win because the decision is built with the participation and consensus of both parties. This unique feature among the different methods of dispute resolution allows different parties to resolve business disputes without affecting (and often developing, as we will comment on) business relationships, or stimulating new business opportunities between them.

With respect to the procedure, mediation is not subject to rules which are not accepted by the parties, either by the prior consent to mediation rules of an institution (*e.g.* WIPO Center or London Court of International Arbitration (LCIA))⁴ or by ad hoc rules to be established by the mediator himself or herself and the parties before the start of the process. The main consequence of this freedom is that parties, unlike in court proceedings, enjoy greater flexibility to set forth their cause of action, which can be varied more freely and as the case may be.

Although the procedural ‘impulse’ of mediation is given by a ‘cause’, *i.e.* the parties have to voluntarily decide to submit a controversy to mediation, the scope of mediation may be extended or restricted, according to the will of the parties. This can occur even during the course of the proceedings, allowing parties to find solutions and/or business opportunities that clearly go beyond the cause that prompted the start of the mediation.

The third and not least important advantage is that mediation allows for the adjudication of issues in multiple jurisdictions. In the case of patent disputes, this is key, since it is common for the parties to protect their

rights in various jurisdictions. As the decision of the mediation process has the “force” of a contract made by the parties, it may, without limitation, state that matters must be enforced in multiple jurisdictions.

In addition to the aforementioned advantages, the following structure may assist readers to better understand the parallel between state court and mediation.

This is of particular importance for examining the advantages and benefits of using mediation in conflict resolution within the framework of cross-border patent disputes:

- (i) Contracts concluded in the area of patents allow for the sophistication of the parties and their duty to seek information and take due care during the contractual negotiation stage. This includes the submission of a controversy to mediation.
- (ii) Contracts in this sector entail economic and commercial repercussions for the parties. As such, any dispute before national courts could compromise the reputation of the companies in the market (highlighting the advantage of the secrecy offered by the mediation);
- (iii) The specialization of the contract requires the expertise in the case of resolution of any divergence that may disturb the contract. This again corroborates the need for resolution through mediation, since the mediators are elected for their experience and knowledge in the subject matter;
- (iv) Mediation promotes the principle of preserving the contractual relationship between the parties, without disrupting the parties’ business interactions. A distinct scenario is faced in exhausting court disputes, where a one-off litigation is likely to have negative effects on the whole business relationship; and
- (v) The economic efficiency of the mediation process is also worth mentioning, given that any disputes in this sector demand a response compatible with market dynamics (within a cost-benefit logic that prevails in the market). It is clear that the cost of mediation cannot be disregarded, which in the short term in the cash flow of companies may exceed the cost of the judicial process. However, the filing of judicial proceedings could have disastrous economic repercussions for any company, both in terms of

■ Gustavo Moser,
Swiss International Law School,
Subject Coordinator,
Basel, Switzerland
E-mail: lgmmoser@gmail.com

4. LCIA Mediation and LCIA Arbitration Rules are available at <http://www.lcia.org>.

time and expenses in the medium and long term (among other reasons, due to the higher transaction costs⁵ for the parties and also the cost of opportunity).⁶

Last but not least, the only obligation resulting from agreeing to subject to mediation process, whether by contractual clause or submission agreement, is the preliminary telephone conference. It can be said that mediation is the only ‘remedy’ for the resolution of disputes that does not cause ‘side effects.’

1.1.2 A Customised ‘Process’

One of the most attractive features of mediation is certainly the high degree of flexibility and adaptability available to the parties. A mediation process can be entirely designed by the parties and mediators, from beginning to end, carefully tailored to correspond to the needs of a particular matter.

Alternatively, parties may also wish to adopt the mediation rules of a dispute resolution centre (or even vary some of their provisions). This would ensure that such characteristics are present and preserved during the course of the mediation.

We have discussed thus far the benefits and advantages of mediation in cross-border patent disputes. We have seen that flexibility and adaptability stand out as key benefits for the use of mediation, in addition to lower costs and confidentiality. We shall now discuss the arbitration option.

5. These costs reflect the burden that parties bear when they use the market, *e.g.*, costs incurred in negotiating, drafting and enforcing a contract. One of the most intricate concerns of such costs relates to the amount spent on negotiating, predicting behavior, choice of partners, preparation and management of agreement, in addition to legal fees, drafting and printing costs, costs of researching the effects and probability of a contingency, and the costs to the parties and courts of verifying whether a contingency occurred. See B. E. Hermalin, A. W. Katz & R. Craswell, “The Law and Economics of Contracts,” in A. M. Polinsky & S. Shavell (Eds.), *Handbook of Law and Economics*, Elsevier, New York, 2007, p. 53-54.

6. See R. Sefton-Green, citing Helmut Wanger, for whom the list of potential costs shows more than those of transaction: (i) collecting information; (ii) legal disputes; (iii) setting incentives for pushing through legal claims; and (iv) other *e.g.* consumers’ rights of redress and complaint, including in cross-border contracts, travel, time (opportunity costs), postage, bank charges and costs linked to transferring payment from the eurozone to the non-euro zone (or vice versa), annoyance costs (negative utility), and translation costs. In addition, R. Sefton-Green queries whether the costs of legal uncertainty are actually measurable and argues that the “*cost of reducing the costs should also be considered*,” R. Sefton-Green, ‘Choice, Certainty and Diversity: Why More is Less’, *European Review of Contract Law*, Vol. 7, Issue 2, 2011, p. 139.

1.2 The Arbitration Option

It should come as no surprise that the structure discussed above on pages 254 and 255 is also applicable to arbitration. We will, however, delve into other aspects of arbitration as a popular dispute resolution framework.

It might be argued that arbitration tends to tone down a confrontational party-counterparty hearing, or “Manichean dichotomy,” by allowing greater flexibility and creative alternatives to keep the relationship alive, to explore potential future deals and early settlement, or even to mitigate losses at an equal level for all parties involved.⁷ Others may argue that the greater flexibility in arbitration proceedings tends to give parties leeway to collaborate further as the service provided is expensive and sanctions may be applied to those who “behave badly.”⁸

Naturally, we should not deceive ourselves into a romantic view that arbitration is a “friendly” process where actors play fair. They may not do so at all. As in a game, parties are self-interested players who set strategies and preferences to maximise their gains from any transaction. After all, arbitration is a procedural option by which parties submit their disputes for a neutral to determine, with clear adjudicative intentions.

It is thus understandable that both parties want to make their case and win the dispute. Arbitration differs, however, from state court litigation because incentives are distinct and the “costs of use” are directly and immediately borne by users,⁹ thereby reducing recalcitrant behaviour, encouraging early settlement¹⁰ and promoting commercial and business-focussed decisions.¹¹

1.2.1 The Application of the Law on an “as is” Basis

Arbitration tends to attract less frivolous or groundless arguments than court proceedings because parties have to pay to test them, and the cost, unlike court

7. See, generally, evidentiary sources from Queen Mary International Arbitration Studies, available at [<http://www.arbitration.qmul.ac.uk/research/index.html>].

8. By way of examples, some institutions will publish parties who have not voluntarily complied with the decision. Commodity trade associations adopt such procedure, see, among others, International Cotton Association [<http://www.ica-ltd.org/safe-trading/loua-part-one/>].

9. As opposed to courts, where litigants are at the same time taxpayers.

10. For example, the rate of settlement of arbitration cases at the WIPO Center is 40%. Further information available at <http://www.wipo.int/amc/en/center/caseload.html>.

11. Although there is no evidentiary source to attest to this pattern of conduct, *i.e.* less occurrences of recalcitrant behaviours in comparison to court rooms, this inference is drawn upon by the author’s own experiences.

proceeding fees in most jurisdictions, can be considerable.¹² Accordingly, parties may eventually suffer the setback of a groundless argument or recalcitrant behaviour of the (losing) party in a given arbitration proceeding, since there is no externalization of costs.¹³ For these reasons, and given the “business outlook” of arbitration, parties tend to voluntarily comply with an arbitration award and, in some cases, in order to preserve (good) business relations, settle the dispute even before a decision is rendered.¹⁴

In the same vein, W. Park argues that the greater reliability often found in arbitral awards, as contrasted with court judgments, derives from different notions of “law” in commercial transactions. The calculus of duty is simply not the same as between judges and arbitrators: “(...) Bearing obligations to the citizenry as a whole, judges may seek to implement societal values that sometimes trump private agreements. Although responsible judges will master existing authority before taking the law in new directions, many traditions allow appellate judges to overrule precedent...”¹⁵

Another point that is certainly of great interest is the approach of arbitrators, as opposed to state court judges, to the governing contract law. In this connection, we should not forget the expertise of the decision-maker in arbitral proceedings, who is more likely to have practical experience in the business environment.¹⁶ While we acknowledge that there are state court judges who possess business acumen, and courts are gen-

erally well acquainted with commercial matters, such attributes are not required of judges, who are rather bound by a different set of rules and trained to cover a broader spectrum of cases. They do not always have expertise and background in the field in dispute. As Richard Posner¹⁷ observes: “judges in interpreting contracts are guided by rules, arbitrators by their knowledge of the commercial context.” The recognition of arbitration clauses and enforceability of awards may stand out as most important characteristics.¹⁸

Other features of arbitration include flexibility, procedural simplicity and accessibility of rules; confidentiality, and the assessment of the costs of enforcing the contract¹⁹ (noting the arbitral awards are unappealable on the merits (unless otherwise agreed by the parties), susceptible though to annulment, where applicable). The neutrality of the venue, the ability of parties to control procedure and ease of enforcement complete the list of advantages of the use of arbitration to resolve international sales disputes.²⁰

In this regard, according to S. Shavell,²¹ arbitration is an example of a “private adjudication” mechanism that reduces the transaction costs since it provides broader access to the contractual information in relation to court litigation, in addition to the arbitrator’s expertise and flexibility of the rules.

In his outline of the great flexibility parties enjoy in arbitration, McConnaughay²² contends that “a principal virtue of international commercial arbitration is its lawlessness, its ability because of its unrestrained flexibility to accommodate the enormous procedural, presentational, and decisional standard differences that typically exist among parties to multinational transactions.”

An additional motive for including arbitration clauses in a cross-border patent matter could be what Richard Posner has termed the “middle of the road” propensity of arbitrators: the party that expects to be

12. Costs are understood here to include: institutional charges (as the case may be); arbitrators’ fees; legal and arbitration costs; and reputational costs, *i.e.* costs of tainting a name in the market, the figure of which may not be easily quantified. While this behaviour could also happen in court cases, the cost would then be diluted, given the lesser publicity *vis-à-vis*, arbitration cases which tend to be monitored closely by institutions and media vehicles, for example Global Arbitration Review (GAR) [www.globalarbitrationreview.com]. In addition, players who resort to arbitration are likely to be more exposed to extra-legal sanctions and risk of banishment of trade and loss of additional contracts, in addition to opportunity costs.

13. Unlike litigation costs, where taxpayers contribute to the development and maintenance of the court system.

14. See, for example, the 2008 Queen Mary, University of London and Pricewatercoopers Company (PWC) survey, where the results revealed a very high level of voluntary compliance with arbitral award (84% of respondents indicated that the opposing party had complied in full in more than 76% of cases. Full report available at [http://www.pwc.co.uk/assets/pdf/pwc-international-arbitration-2008.pdf].

15. W. W. Park, “The Predictability Paradox—Arbitrators and Applicable Law,” *Dossier XI of the ICC Institute of World Business Law: The Application of Substantive Law by International Arbitrators*, 2014, pp. 60-61.

16. B. Oppetit, *Théorie de l’Arbitrage*, Press Universitaires de France, Paris, 1998. p. 28 *et seq.*

17. R. Posner, “The Law and Economics of Contract Interpretation,” *U Chicago Law & Economics, Olin Working Paper No. 229*, 2004, p. 38.

18. J. D. M. Lew QC, “Achieving the Dream: Autonomous Arbitration,” “Achieving the Dream: Autonomous Arbitration,” *Arbitration International*, Vol. 22, Issue 2, 2006, p. 189.

19. E. Mackaay & S. Rosseau, *Analyse Économique du Droit*, Dalloz, Paris, 2008, pp. 362-400.

20. See more in L. G. Meira Moser, “Arbitragem em contratos empresariais: redução de custos e eficiência da transação,” *Revista de Direito Empresarial (RDE)*, No. 13, 2010, pp. 33-55.

21. S. Shavell, “Economic Analysis of Contract Law,” *Harvard Law and Economics Discussion Paper No. 403*, 2003, p. 22.

22. P. J. McConnaughay, “Risks and Virtues of Lawlessness: A Second Look at International Commercial Arbitration,” *Nw. UL Rev.*, Vol. 93, 1998, p. 522.

sued, rather than to sue, in the event of a breakdown of the contractual relationship, will want such a clause because it will reduce the party's expected liability.²³ In international settings, where a myriad of variables are present, parties are likely to include an arbitration clause to mitigate their expected liability.

1.2.2 The "Middle of the Road" Archetype

In an environment of uncertainty, particularly in cross-border patents, private adjudication mechanisms play a major role.²⁴ Private methods of conflict resolution may be preferred not only because they may be faster—or ought to be—*vis-à-vis* court litigation, but also because arbitrators are more prepared to interpret the facts and resolve the matter in dispute: the parties give the arbitration panel considerable discretion to design the process; the arbitrator, who is familiar with business negotiation and complex commercial disputes, should therefore develop and implement the framework within which resolution is to be achieved and, whenever possible, encourage the parties to resolve the dispute by settlement.²⁵

As referred to earlier, an additional motive for including arbitration clauses in a contract could be what Richard Posner has termed the "middle of the road" propensity of arbitrators: the party that expects to be sued, rather than to sue, in the event of a breakdown of the contractual relationship, will want such a clause because it may reduce potential losses. Posner gives the example of a brokerage firm which would want to have an arbitration clause because it is much more

likely to be sued by than to sue a customer. Posner explains that one might think along these lines if including an arbitration clause would favour one party over the other, or the other party would object, or demand compensation. Nonetheless, unfortunately, some parties, in deciding whether to include an arbitration clause might not bother to do so because the expected cost of so doing would be difficult to estimate but probably slight when measured against the probability of a breach of contract that would lead to an actual suit.²⁶ This can be put in the context both of domestic and international arbitration. It might well be that, depending on a balance of probability of breach—from a supplier's or buyer's point of view—including an arbitration clause could reduce a party's expected liability.

Similarly, in opting for arbitration, parties should also carefully consider the choice of the seat, which determines the procedural law applicable to the extent that the parties have not agreed otherwise, including grounds for setting aside an award.²⁷

In reliance on evidentiary sources we have argued that, if arbitration is chosen, the choice of law tends to have less weight, as parties are more aware of what to expect.²⁸ Naturally, we should not overlook the fact that arbitral awards have to be enforced by state courts in case of recalcitrance of the losing party.²⁹ Nonetheless, these proceedings tend to be simpler than enforcement of a domestic decision,³⁰ which is subject, *inter alia*, to jurisprudential inclination. This is not always easy to ascertain and frequently requires parties complete understanding of the legal system.

In most countries domestic courts adopt a policy of minimal intervention when it comes to judicial review in arbitration-related matters. In this connection there are, of course, jurisdictions notable for their pro-arbitration stance, but generally a minimalist approach

23. R. Posner, "The Law and Economics of Contract Interpretation," *supra* note 17, p. 19.

24. For the first time in 2016, Queen Mary, University of London and Pinsent Masons LLP undertook the largest industry-sector survey of international arbitration, called "Pre-empting and Resolving Technology, Media and Telecoms disputes." It focused on industry's perceptions of ADR in these sectors. In line with previous findings, 92% of respondents indicated that international arbitration is well suited to TMT dispute, 43% of respondents ranking arbitration as the most preferred dispute resolution mechanism. The survey findings further confirmed that the popularity of arbitration depends upon the industry concerned. For example, in the IT sector 50% of in-house counsel reported that litigation was the most encouraged dispute resolution mechanism (arbitration scored 27%). By contrast, respondents from the Energy, Construction and Manufacturing industries all rated arbitration the most encouraged DR mechanism. A summary of the findings can be found in G. Moser, "2016 Queen Mary International Dispute Resolution Survey: Unveiling Technology, Media and Telecoms (TMT) Disputes," *Kluwer Arbitration Blog*, 15 December 2016, available at [<http://kluwerarbitrationblog.com/2016/12/15/post-queen-mary-ip-survey/>]. The Survey's data are available at [<http://www.arbitration.qmul.ac.uk/docs/189659.pdf>].

25. See S. Shavell, "Economic Analysis of Contract Law," *supra* note 21, p. 22.

26. See R. Posner, "The Law and Economics of Contract Interpretation," *supra* note 17, p. 19.

27. J. D. M. Lew QC, L. Mistelis & S. Kroll, *Comparative International Commercial Arbitration*, Kluwer, Alphen aan den Rijn, 2003, pp. 693-732; R. Goode, "The Role of the Lex Loci Arbitri in International Commercial Arbitration," *Arbitration International*, Vol. 17, Issue 1, 2001, pp. 19-40; W. W. Park, "The Lex Loci Arbitri and International Commercial Arbitration," *International and Comparative Law Quarterly*, Vol. 32, Issue 1, 1983, pp. 21-52.

28. L. G. Meira Moser, "Arbitration and Choice of Law in Cross-Border Transactions: A Potential Interplay?," *ASA Bulletin*, Vol. 34, Issue 1, 2016, pp. 95-111.

29. See P. Sanders, "New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards," *Netherlands Int. L. Rev.*, Vol. 6, 1959, pp. 43-55.

30. See, in this sense, the New York Convention 1958 Database available at [<http://newyorkconvention1958.org/>]; see also, D. M. Lew QC, L. Mistelis & S. Kroll, *supra* note 27, pp. 703-706.

is adopted. In addition to this, if the jurisdiction has acceded to the 1958 New York Convention (1958 NYC),³¹ then certainty is added to the arbitration outcome. In this connection, Julian Lew observes that the 1958 NYC establishes three fundamental standards for international arbitration: (i) it must conform with or come within the terms of the arbitration agreement; (ii) the parties must be treated fairly and with equality (*i.e.* international due process); and (iii) the award must respect international public policy both with respect to its content and its subject matter.³²

Therefore, for some players, arbitration is seen as a fact-finding-and-resolution procedure, where decision-makers base their determinations on the available record, guided by the contract *inter partes*. These parties seek a commercially reasonable and fair outcome that primarily takes into account the concerned industry usage and their behaviour in the course of a contractual relationship.

Secondly, parties see arbitration as an alternative or a way out, to mitigate a lack of knowledge or asymmetric information³³ regarding certain governing contract law, which has been (perhaps inadvertently) chosen or imposed (*e.g.* bargaining power) by the counterparty. In this scenario parties may believe that use of arbitration increases their chances of a successful outcome—be it right or wrong—given the “middle of the road” propensity of arbitrators, as opposed to the “imponderability” frequently associated with state court judges.

2. The WIPO Arbitration and Mediation Center

2.1 Introduction and Caseload

The WIPO Center is an independent and impartial body that forms part of WIPO, a specialised agency of the UN, dedicated to developing a balanced and accessible international intellectual property (IP) system. The WIPO Center is particularly recognised for the

administration of international IP, technology and entertainment disputes involving private parties, and is the leading institution in the administration of domain name disputes.

At the time of writing, the WIPO Center administered 530 mediation and arbitration cases,³⁴ filed by large companies, small-and medium-sized enterprises, research organisations and universities. It is important to highlight that in some 40 percent of the mediation, expedited arbitration and arbitration cases filed with the WIPO Center, the parties used an escalation clause providing for WIPO mediation followed by WIPO expedited arbitration or WIPO arbitration.³⁵

The WIPO Center administered mediations, arbitrations and expedited arbitrations involving a range of issues such as patent infringement, patent licences, patent pools, information technology (IT) transactions (including telecommunications), distribution agreements for pharmaceutical and consumer products, copyright issues, research and development (R&D) agreements, trademark co-existence agreements, art marketing, artistic production, media-related agreements, joint venture agreements and cases arising out of agreements in settlement of prior multi-jurisdictional IP litigation. However, the WIPO rules can be used for the resolution of all commercial disputes, including those not involving intellectual property (see chart below). To date, 30 percent of cases filed with the WIPO Center involved patent-related issues, followed by IT and telecommunication disputes (29 percent), trademarks (19 percent), and commercial disputes (15 percent). Figure 1³⁶ shows the distribution of WIPO cases in accordance with their legal areas.

The WIPO Center maintains a database³⁷ of more than 1,500 neutrals, including arbitrators, mediators and experts from more than 70 countries. These neutrals not only have dispute resolution experience but also expertise in IP and technology, life sciences, entertainment and other areas from which IP disputes arise.

31. Convention on Recognition and Enforcement of Foreign Arbitral Awards, 7 ILM 1046 (1968) [New York Convention]. Ratified by 157 States, the New York Convention is available at [http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention.html%5D].

32. J. D. M. Lew QC, “Achieving the Dream: Autonomous Arbitration,” *supra* note 18, p. 189. See also, J. D. M. Lew QC, L. Mistelis & S. Kroll, *supra* note 27, pp. 687-732.

33. What is asymmetric information? It appears whenever a datum of information is either unobservable or unverifiable in a contract. In contract negotiation, one could think of a myriad of scenarios where key information might be considered asymmetric, either in the view of both parties; one party in relation to the other; or both parties in relation to the decision-maker. There might also be instances where the party who possesses the information does not want fully to disclose it for strategic reasons, or is simply unaware of its full content. See A. Schwartz & R. E. Scott, “Contract Theory and the Limits of Contract Law,” *Yale Law Journal*, Vol. 113, 2003, p. 556.

34. The WIPO Center makes available several mediation and arbitration case examples, which are, for confidentiality reasons, anonymised: WIPO Mediation Case Examples are available at [<http://www.wipo.int/amc/en/mediation/case-example.html>]; and WIPO Arbitration Case Examples [<http://www.wipo.int/amc/en/arbitration/case-example.html>].

35. WIPO Caseload Summary is available at [<http://www.wipo.int/amc/en/center/caseload.html>].

36. WIPO Caseload Summary is available at [<http://www.wipo.int/amc/en/center/caseload.html>].

37. There is no public list of WIPO neutrals. However, the WIPO Center has a public list of panelists who decide domain name cases, which is available at [<http://www.wipo.int/amc/en/domains/panel/panelists.html>].

Figure 1—Distribution Of WIPO Cases

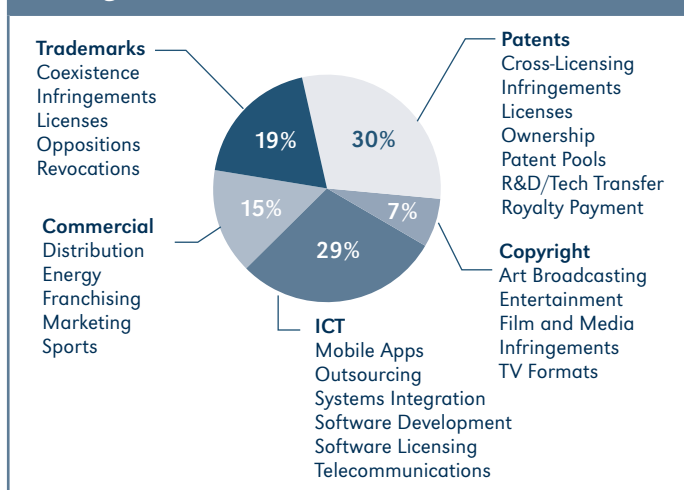
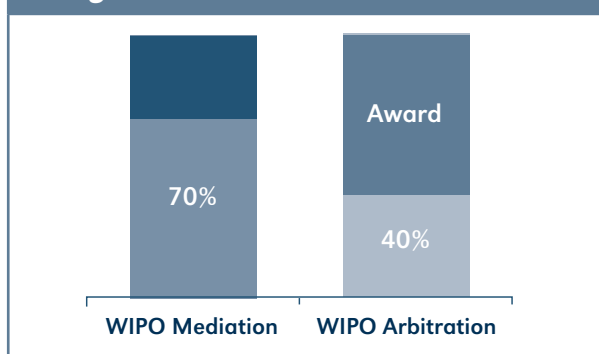


Figure 2—WIPO Case Settlements



2.1 WIPO Mediation

As in any other arbitral institution, the reference to WIPO Mediation Rules and WIPO Arbitration Rules is consensual, and to facilitate party agreement, the WIPO Center provides recommended contract clauses (for the submission of future disputes under a particular contract) and submission agreements (for existing disputes). These model clauses and model submission agreements are available in a number of languages including Chinese, English, French, German, Japanese, Korean, Portuguese, and Spanish.³⁸

The WIPO Center also offers competitive fees for the administration of arbitrations and mediations³⁹ and expedited arbitrations,⁴⁰ including fee reduction

38. See Recommended WIPO Contract Clauses and Submission Agreements at [<http://www.wipo.int/amc/en/clauses/index.html>].

39. See Schedule of Fees and Costs—Mediation at [<http://www.wipo.int/amc/en/mediation/fees/index.html>].

40. See Schedule of Fees and Costs—Arbitration/Expedited Arbitration at [<http://www.wipo.int/amc/en/arbitration/fees/index.html>].

where either or both parties is/are named as applicant(s) or inventor(s) in a published Patent Cooperation Treaty PCT application.⁴¹

2.1.1 Highlights

Party settlement can take place in different phases of the dispute resolution process in cases that the WIPO Center administers. As shown in Figure 2, a total of 70 percent of mediations administered by the WIPO Center have resulted in settlement.⁴²

This high settlement rate may be explained by the fact that IP transactions often involve long-lasting business partners such as collaborations regarding the development of new products or the commercial exploitation of new technologies. Especially where there is a need for certainty in business operations and management plans, parties are more inclined to consider settlement proposals favourably.

As mentioned earlier, in approximately 40 percent of the mediation, expedited arbitration and arbitration cases filed with the WIPO Center, the respective contracts included an escalation clause providing for WIPO mediation followed, in the absence of a settlement, by WIPO expedited arbitration or WIPO arbitration. These escalation clauses have the advantage of providing the parties with the opportunity to settle their case or initiate settlement discussions in a more informal forum before moving to expedited arbitration or arbitration.

As mentioned earlier, in approximately 40 percent of the mediation, expedited arbitration and arbitration cases filed with the WIPO Center, the respective contracts included an escalation clause providing for WIPO mediation followed, in the absence of a settlement, by WIPO expedited arbitration or WIPO arbitration. These escalation clauses have the advantage of providing the parties with the opportunity to settle their case or initiate settlement discussions in a more informal forum before moving to expedited arbitration or arbitration.

2.1.2 Practical Notes

One aspect to be noted in the WIPO Mediation Rules is the clear procedure set out for the selection of mediators by the institution. The appointment of the mediator is governed by Article 7 of the WIPO Mediation Rules and provides for a list procedure,⁴³ which increases certainty and, to some extent, gives parties a great deal of control over the individuals identified by the institution to act as mediators.

Article 14 of the WIPO Mediation Rules is another provision to note, which encourages the WIPO Mediator to adopt a propositional and active approach in the mediation. The mediator may propose that parties seek other forms of dispute resolution if he or she

41. See Reduced Schedule of Fees and Costs for PCT Users at [<http://www.wipo.int/amc/en/pctfees/>].

42. WIPO Caseload Summary is available at [<http://www.wipo.int/amc/en/center/caseload.html>].

43. WIPO Mediation Rules are available at [<http://www.wipo.int/amc/en/mediation/rules/>].

understands that there are issues which cannot be resolved through mediation.⁴⁴

In addition, requests in the mediation procedure may include a wide range of relief: monetary, specific legal remedies, for example specific performance, preservation of the confidentiality of the evidence produced, and declaration of invalidity or violation of patent rights.

To illustrate the above notes, we should refer to a WIPO mediation⁴⁵ between a French company and a German company whose object was a collaboration agreement for the development of human antibodies for the treatment of a serious disease. Two years later, a U.S. company acquired the French company. Thereafter, the German company filed a lawsuit for breach of contract before the U.S. courts, alleging that the acquiring company withdrew amounts due as a result of the collusion agreement. Cited, the U.S. company has filed a counterclaim against the German company for non-compliance with the agreement. After more than a year of proceedings, the parties accepted the suggestion of the court to submit the dispute to mediation, so the parties chose the WIPO Center. The parties do not agree on the mediator's prior election, which is why the WIPO Center forwarded a list of five possible candidates, selected from the criteria detailed in the mediation application. Following discussions, the parties selected one of the candidates suggested by the WIPO Center, an American intellectual property lawyer with considerable experience in mediation. The mediator held meetings with the parties in the United States. As a direct consequence of the intervention of the mediator in the case, the parties concluded an agreement after six months of the beginning of the mediation.

2.2 The WIPO Arbitration

As mentioned in the case of mediations, the reference to WIPO Arbitration Rules is also consensual. The WIPO Center also offers an expedited set of arbitration rules, conducted within shortened timelines, and at a reduced cost and by a sole arbitrator, an option that may be particularly attractive for parties seeking decision sensitive to time and/or costs.

2.2.1 Settlement Rate

Settlement rate is also a highlight of WIPO arbitrations. As shown above, a total of 40 percent of both expedited arbitrations and arbitrations administered by

the WIPO Center have resulted in settlement.⁴⁶ The reasons for these settlement rates may be found in the WIPO Rules.

Under the WIPO Arbitration Rules (Article 65)⁴⁷ and the WIPO Expedited Arbitration Rules (Article 58),⁴⁸ the tribunal has the power to propose that the parties explore settlement options as it sees fit. If the parties agree on a settlement before the award is made, the tribunal will terminate the arbitration and may record the settlement in the form of a consent award if the parties so wish.

In addition, parties and arbitral tribunals are encouraged to hold preparatory conference⁴⁹ in order to organise and schedule the subsequent steps of the proceedings. While this is no guarantee that the parties will settle the case, this may represent a push towards this direction.

2.2.2 Practical Notes

Relief Sought

The type and nature of relief sought in patent-related matters can be plural. From monetary relief, to specific and other types of remedies, such as specific performance, the preservation of confidentiality of produced evidence and the declaration of invalidity or infringement.

For instance, in a WIPO expedited arbitration case⁵⁰ concerning a trademark co-existence agreement, the main substantive claim was brought by the claimant to restrain the respondent from adopting a specified course of conduct. The case involved a European company that had registered a trademark for luxury goods in different countries and an Asian manufacturer, which started to sell fashion products under a similar registered trademark. After having initiated cancellation proceedings before several jurisdictions and pending the appeal phase, the parties settled their dispute and concluded a trademark co-existence agreement containing a WIPO expedited arbitration clause. Subsequently, after the European company used its trademark in a trade fair, the Asian company filed the request for arbitration seeking to prevent the European company from using the trademark. Following consultations between the parties and the WIPO Center, a European trademark specialist was appointed as

46. WIPO Caseload Summary is available at [<http://www.wipo.int/amc/en/center/caseload.html>].

47. WIPO Arbitration Rules are available at [<http://www.wipo.int/amc/en/arbitration/rules/>].

48. WIPO Expedited Arbitration Rules are available at [<http://www.wipo.int/amc/en/arbitration/expedited-rules/>].

49. Article 47 of the WIPO Arbitration Rules and Article 41 of the WIPO Expedited Arbitration Rules.

50. WIPO Arbitration Case Examples are available at [<http://www.wipo.int/amc/en/arbitration/case-example.html>].

44. *Id.*

45. WIPO Mediation Case Examples are available at [<http://www.wipo.int/amc/en/mediation/case-example.html>].

sole arbitrator, and the award was issued six months after the commencement of the proceedings. The requested remedy was granted and the arbitrator ordered the European company to abstain from such infringing behaviour.

In another illustrative case, a patent dispute had arisen out of an exclusive licence agreement between an Asian inventor, who held several U.S. and European patents over components of consumer goods, and a U.S. manufacturer. The licence agreement provided for the use of WIPO expedited arbitration to resolve disputes regarding possible infringements of the patents. In the combined request for arbitration and statement of claim,⁵¹ the Asian inventor sought a declaration that his patents had been infringed. However, during the evidentiary phase of this expedited arbitration, which involved discovery and production of relevant documents, the respondent alleged that there was a risk that the claimant could be negotiating a licence with one of the respondent's competitors. The respondent accordingly sought to preserve the confidentiality of some of the evidence that had been produced in the evidentiary phase. Pursuant to Article 46(c) of the WIPO Expedited Arbitration Rules, the sole arbitrator issued a protective order to prevent claimant from accessing certain confidential documents disclosing the respondent's business secrets. In the final award, the arbitrator considered that, while some of the asserted patents had been infringed, those patents had been anticipated, and as a result, the claimant was not entitled to damages.

Regarding infringement claims, a WIPO case was initiated following the signing of an arbitration submission agreement. Following litigation in several jurisdictions concerning patents granted in those jurisdictions, a submission agreement was entered into between a U.S. corporation, and a U.S. corporation and its European subsidiary. The parties agreed, in an effort to avoid the burden and expenses of litigation, to refer the question of infringement to a three-member arbitral tribunal, consisting of patent specialists. The submission agreement was drafted in such a way that the final award would decide only the issue of infringement of one of the European patents, excluding the possibility that the arbitral tribunal could award consequential damages. The final award was rendered four months after the filing of the submission agreement, and the arbitral tribunal exercised its jurisdiction in accordance with the scope of the arbitration clause agreed by the parties.

Interim Measures and Emergency Relief

The WIPO Arbitration⁵² and Expedited Arbitration⁵³ Rules grant a wide degree of discretion to the arbi-

51. Articles 9 and 10 of the WIPO Expedited Arbitration Rules.

tral tribunal in connection with requests for interim measures. In particular, the arbitral tribunal may issue a broad range of interim measures or orders, including injunctions and measures for the conservation of goods. Such measures may be of a conservatory or protective nature, or aim to create or modify a particular state of affairs including an injunction in cases of unfair competition or in connection with a claimed violation of IP rights.

It is generally accepted that the question of whether it is preferable to address a request for interim measures to the arbitral tribunal or a competent judicial authority will depend on the specific circumstances of each case. It should be noted in this connection that filing a request for interim measures with a national judicial authority is not deemed incompatible with the agreement to arbitrate,⁵⁴ as this will often be the most practical way of proceeding if an order is sought against third parties,⁵⁵ for instance, where a party seeks to freeze or attach assets.

Consolidation and Joinder Options

International IP transactions often involve multiple parties and multiple related contractual relationships. These relationships can lead to multiple disputes and the question that follows is whether these disputes should be subject to separate arbitration requests, or whether these disputes could be consolidated into one arbitral proceeding. The possibility of consolidating arbitral proceedings relies on the fundamental principle of party autonomy and the consensual character of ADR proceedings.

A striking majority of arbitral institution expressly allow for the consolidation of arbitral proceedings, subject, however, to the consent of all the parties. The WIPO Arbitration Rules specifically address this matter in Article 47 (consolidation).

Another important practical note is the joinder option and the threshold required by the arbitral institution. Article 46 of the WIPO Arbitration Rules provides that the tribunal may order the joinder of an additional party to the arbitration provided that all parties, including the additional party, agree.

The joinder option can be particularly attractive for parties to cross-border patents disputes, where joining party may have at least a participation interest (financial) in the agreement subject to arbitration, hold in-

52. Article 46 of the WIPO Arbitration Rules.

53. Article 40 of the WIPO Expedited Arbitration Rules.

54. Article 46(d) of the WIPO Arbitration Rules and Art 40(d) of the WIPO Expedited Arbitration Rules.

55. See T. Cook & A. I. Garcia, "Organization and Conduct of Arbitral Proceedings and the Taking of Evidence," *International Intellectual Property Arbitration*, Kluwer Law International, Alphen aan den Rijn, 2010, pp. 227-228.

terest in the agreement, be signatory to the arbitration agreement or a signatory to a subsidiary agreement.

Conclusion

Mediation and Arbitration are private methods of dispute resolution and may be preferred because of a long array of advantages already exhaustively discussed by legal literature. This author, however, delved into some of the less commonly discussed benefits of mediation and arbitration.

While arbitration decisions are handed down produced by specialised decision-makers, mediations will result in agreements often catalysed by such decision-makers. In both scenarios, experts may perform an interlocution between parties and the contract (and also assist parties in reading the market interactions), thereby facilitating communication between the parties. Also common to these dispute resolution frameworks is the flexibility and adaptability of the procedure. The governing rules may be tailored according to a number of background factors, including the underlying business area, a feature that is hardly (if ever) seen in state courts.

In addition, the possibility of a faster resolution of a dispute, the specialisation of the mediator or arbitrator, the lower cost (at the long run for arbitrations) and also the possibility of secrecy about the underlying matters under discussion, especially commercial issues of great repercussion, many of them involving trade secrets and sensitive technical matters, represent incentives for the use of arbitration and mediation.

Evidentiary sources have also revealed that the use of arbitration and mediation in intellectual property disputes has grown steadily. This allows us to conclude that parties to agreements wish to use flexible, expeditious and efficient procedures for the resolution of their dispute. This is often achieved through alternative dispute resolution mechanisms, as opposed to state court jurisdictions, which are not always predictable, often slow and reactive. ■

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