

***INTERNATIONAL INTELLECTUAL PROPERTY DISPUTES AND  
ARBITRATION: A COMPARATIVE ANALYSIS OF AMERICAN, EUROPEAN  
AND INTERNATIONAL APPROACHES***

*The Search for an Acceptable Arbitral Site*

by

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**ABSTRACT**

This paper compares the arbitral procedures used in different legal systems and evaluate their suitability for international intellectual property disputes. By doing so, it will identify many obstacles to the realization of an international arbitral regime responding to intellectual property disputes.

Cet article compare les procédures d'arbitrage utilisées dans différents systèmes juridiques et évalue leur aptitude à régler des litiges de propriété intellectuelle. Ce faisant, il identifie plusieurs obstacles a la réalisation d'un régime arbitral international adapté aux litiges de propriété intellectuelle.

## **FOREWORD**

The last two decades have seen extraordinary expansion of the use of arbitration to resolve commercial disputes. The reasons for this marked growth, especially in the context of cross-border transactions, are manifold. Yet arbitration's potential has not been exploited to its maximum yet.

The contribution that this article seeks to achieve is a kind of recognition that the success of international commercial arbitration is not yet complete and work needs to be done to broaden further the marketability of arbitration to the "hot" market of intellectual property transactions.

It will be up to the reader to decide whether this goal was achieved.



## **ACKNOWLEDGMENT**

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## INTRODUCTORY CHAPTER

### Introduction to the Themes and Methodology

#### i. Introduction

The purpose of this paper is to analyze the treatment of transnational intellectual property disputes through arbitration by studying in a comparative light the solutions found in a sample of jurisdictions.

*“International...*

A strong distinction should be made between international and domestic arbitration.<sup>1</sup> The problems raised in each context are of a wholly different nature and importance. Indeed, the absence of a multilateral convention for the recognition of foreign judgments coupled with the existence of a convention assuring the international recognition of arbitral awards imply that in an international context, parties are almost compelled to resort to arbitration.<sup>2</sup> Inversely, in a domestic context, the problem of the recognition of a court order does not exist. Therefore, this paper will only focus on international arbitrations.

*... arbitration...*

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<sup>1</sup> Domestic arbitration is defined in Section 85(2) of the English Arbitration Act 1996 as “where both parties are nationals of, or resident or incorporated in the United Kingdom and the seat of arbitration is the United Kingdom”. International arbitration is defined in Article I(1) of the New York Convention as “arbitral awards made in the territory of a state other than the state where the recognition and enforcement of such awards are sought”. Article 1 of the UNCITRAL Model Law defines it as when “parties have places of business in different countries, or the place of arbitration or the place of substantial performance, or the subject matter of the dispute is in a country different to where the parties have their place of business. Lastly, article 1492 of the French Code of Civil Procedure states that arbitration is international if it implicates international commercial interests”.

<sup>2</sup> W. Laurence Craig, “Some Trends and developments in the Laws and Practice of International Commercial Arbitration”, Texas International Law Journal, Winter, 1995

This paper will not deal with other methods of alternative disputes resolution, though they are often successfully used in combination with arbitration. Neither does it deal with modified version of traditional arbitration or with arbitration used before or after litigation. Indeed, arbitration is the only alternative dispute resolution mechanism capable of producing binding awards enforceable internationally and therefore raises more complex legal issues than other types of alternative dispute resolution mechanisms.<sup>3</sup>

*...and intellectual property disputes...*

This paper will specifically focus on the particular issues that international intellectual property disputes raise in arbitration (arbitrability, confidentiality, etc). It will explore the overlap between those two rapidly expanding legal fields. The standpoint adopted is that arbitration provides a set of rules appropriate for the particular characteristics of international intellectual property disputes.

*...a comparative analysis of American, European and International approaches”*

International intellectual property disputes often involve nations that may have very different ideas regarding the arbitrability of intellectual property and the level of protection that it should be afforded. This paper will question whether a transnational model of arbitration could one day be adopted by the whole legal community. For that, I chose to first explore only countries having a similar level of intellectual property protection. For the sampling of countries, I choose to confront the American approach because of its very influential position in the world in general and in this legal field in particular. I chose to compare it with the approach of individual European countries. Indeed it will be relevant to see if the pressure of an “ever closer union” is pressing for a harmonized, denationalized treatment of arbitration or if European Union members are

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<sup>3</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, Stanford Law Review

still maintaining a strong state-orientated approach. Developing countries will thus not be directly considered because of their approach to intellectual property protection, as a start is too remote although some aspects of their position will be addressed in the third part.<sup>4</sup> Finally, we will see how far the international community has gone towards the adoption of a harmonized system.

## **ii. Arbitration as a way to attenuate legislative hardships**

An underlying theme of this paper will argue that international arbitration could be viewed as a way to attenuate the difficulties that current intellectual property laws cause to international trade. The point here is not to argue that arbitration could remedy the deficiencies of national law. The legislative and jurisdictional functions are not the same and shall not be confused. Rather, the point here is to recognize the limits of current national intellectual property law in view of the needs of international trade and to argue that arbitration, better than court litigation, can avoid the application of current national intellectual property legislations.

- **Inadequacy of traditional intellectual property law to regulate modern issues arising out of technological and biotechnological advances**

The rapid and unanticipated developments of intellectual property rights have brought an urgent demand for new intellectual property laws. However, those developments raise troubling questions for the legal field as they involve matters, which are at the cutting edge of the law where legal principles have yet to be fully developed.<sup>5</sup> Those

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<sup>4</sup> Even if dramatic areas of growth can be seen in those regions of the world where arbitration has a shorter history: the Pacific Rim, Southeast Asia and China

<sup>5</sup> Julia A. Martin, "Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution", April 1997, Stanford Law Review

questions are crucial for future economic prosperity and can encompass very serious ethical debates. National legislations are often outmoded by those scientific advances and it will take time for the legislator to address them.

When judges have to decide on such issues,<sup>6</sup> they need some time to carefully design and come up with an acceptable solution which will bind the legal community, at least in common law countries where the doctrine of *stare decisis* applies. Indeed, where disputes are settled in public, state-appointed judges need to be more careful as their decision will create law. They should do exhaustive legislative and case law researches, maybe look for solutions adopted abroad, and ask for guidance on what a fair decision would be. On the other hand, arbitration being a private mean of settling disputes, arbitral decisions are not a source of law, at least traditionally.<sup>7</sup> Therefore, arbitrators do not have the same heavy responsibilities. Surely, they must ensure a fair solution is achieved, that due process and other mandatory rules have been respected, but the solution they will apply to the disputes will not bind the legal community and upcoming debates.

Until legislations and case laws are formed, arbitration could thus play an effective role in the adaptation process, as it would address those questions while at the same time not bind the legal community and future debates.

- **Inadequacy between the national treatment of intellectual property disputes and the transnational vocation of these rights**

Capital and trade already ignore national boundaries but legal practice is still based upon national law. The intangible nature of intellectual property rights, the difficulty of

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<sup>6</sup> Such as, for example, in the transgenic mouse or “Harvard” decision

<sup>7</sup> Some English judges in fact now refer to general principles of “international arbitration law” and look to arbitration awards as sources of law. See Stewart R. Shakelton, “English Arbitration And International Practice”, *International Arbitration Law Review*, 2002

governmental control over them as well as their international vocation are serious challenges to the legal principle of territoriality of intellectual property protection. Indeed, those new kinds of relationships only uneasily fit in the traditional, spatially oriented framework of current domestic laws, revealing the limits of domestic law to regulate international interests and the technology industry in particular.<sup>8</sup>

International arbitral practice has sought to broaden traditional conceptions of law by providing a theoretical foundation and institutional support for a-national approaches to resolving international commercial disputes. In international arbitration, party autonomy extends beyond the choice of a national law to govern the procedure or merits of a case. Indeed, in arbitration, parties can choose the “rules of law” which will apply to the transactions instead of choosing a national law applying to the contract.<sup>9</sup> Parties can refer to trade usages, or *lex mercatoria* and general principles of the law derived from comparative law methods.<sup>10</sup> Many institutions also permit arbitration to be conducted under rules developed by trade association<sup>11</sup> and, more recently, under the UNCITRAL Rules.<sup>12</sup> The Model Law also, for instance, not only recognizes the freedom of parties and arbitrators to tailor their own procedural rules but it also contains enough complementary provisions to permit the arbitral proceedings to carry on when parties are unable to agree on rules. Parties are thus free to choose rules of international law. On the contrary, national courts are bound to national legislation.

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<sup>8</sup> Jennifer Mills, “Alternative Dispute Resolution in International Intellectual Property Disputes”, 1996, Ohio State Journal on Dispute Resolution (“because intellectual property is essentially information, it has become very hard to protect in the current global economy as information transfer and communications have reached unprecedented levels of accessibility and sophistication”). Also Tara K. Giunta and Lily H. Shang “Ownership of Information in a Global Economy”, 1994, George Washington University

<sup>9</sup> LCIA Rule 13(1)(a) refers to “rules of law”, and AAA Rule 28 and ICC Rule 13(3) were also both revised to include reference to “rules of law”

<sup>10</sup> for a discussion of the extent to which such concepts are indeed used in international legal practice see Klaus Peter Berger, “The CENTRAL Enquiry on the Use of Transnational Law in International Contract Law and Arbitration”, in Mealey’s International Arbitration Report, September 2000, Vol. 15 #9

<sup>11</sup> See e.g., AAA Grain Arbitration Rules, Construction Industry Arbitration Rules, American Fats & Oils Association Arbitration Rules, Arbitration Rules of the General Council of the Textile and Apparel Industries, Rules for ICC-CMI International Maritime Arbitration or for our case, Patent Arbitration Rules

<sup>12</sup> The AAA was one of the first institutions to realize the value of such flexibility. Many institutions have not followed its example however.

Those strongly national frames on intellectual property rights coupled with very substantive differences between national laws render the international arbitral treatment of intellectual property rights very difficult. Therefore, those two aspects, i.e. the substantive law governing intellectual property rights and their procedural arbitral treatment, are linked and cannot evolve separately. By trying to argue for internationalized arbitral standards suiting intellectual property needs, this paper also means to argue for internationalized intellectual property protection standards. They are two aspects of a same problem.

### **iii. A unique opportunity for a comparative approach**

International intellectual property arbitration creates unique opportunities for the application of comparative law in at least two ways.

- **International arbitration of intellectual property disputes as an example of legal diversity brought by globalization**

First, international arbitration of intellectual property disputes will be taken as an example of legal diversity brought on by globalization, i.e. a growing range of diverse legal orders from which practitioners can pick and choose.<sup>13</sup>

Indeed, arbitrators and representatives of the parties will each sit at the negotiation table with the set of rules they are familiar with from their legal education and culture. Lawyers in arbitration, and in transnational practice in general, do not always have a deep knowledge of foreign laws. International intellectual property disputes for example often involve transactions between purchasers in developed Western countries and suppliers in developing Asian countries. The whole *raison d'être* of arbitration is to reconcile clashes and to provide for a comforting alternative for both sides. By

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<sup>13</sup> Judd Epstein, “The use of comparative law in commercial international arbitration and commercial mediation”, March 2001, Tulane Law Review Association ( “Each arbitral procedural decision is a comparative law creation or application in practice”)

sensibilizing practitioners to different methods of thinking, to language barriers<sup>14</sup> and to cultural differences, comparative law studies will maximize the chance of successful negotiations.<sup>15</sup>

Also, there is fierce competition between nations to rank among the leading international arbitration forums. This competition is reflected, in part, in the legislative reforms which started in 1980s, as national arbitration laws are often a significant determinant in the choice of an arbitral forum. By pointing out at the diverse solutions adopted in concurrent jurisdictions and, especially in the case of intellectual property arbitration, by bringing the influential American solution to the attention of European lawyers, comparative law analysis should help to ensure that this race is a race to the top and that in the end, legislation will secure an appropriate balance between the interest of the state and those of the parties.

- **International arbitration of intellectual property disputes as a fertile field for the experimentation of a denationalized regime**

Secondly, and more radically, international arbitration of intellectual property disputes will be taken as an opportunity to propose the denationalization of the regime.

Indeed, globalization has raised a debate on the benefits of multi-level governance and the limits of state-ordained solutions.<sup>16</sup> Nations are increasingly providing parties with an opportunity to decide upon their own norms and to avoid, in many instances, the application of state law.<sup>17</sup>

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<sup>14</sup> Sofie M.F. Geeroms, "Comparative law and Legal translation: Why the Terms Cassation, Revision and Appeal should not be translated", Winter 2002, Volume L, Number 1, The American Journal of Comparative Law, The American Society of Comparative Law, Richard M. Buxbaum

<sup>15</sup> Judd Epstein, "The use of comparative law in commercial international arbitration and commercial mediation", March 2001, Tulane Law Review Association

<sup>16</sup> Anthony Giddens, Runaway World, Profile Books, 1999

<sup>17</sup> H. Patrick Glenn, "Comparative Law and Legal Practice: On Removing the Borders"

Also, Steward R. Shackleton, "The applicable Law in International Arbitration Under the New English Arbitration Act 1996" ("The multiplication of accredited actors in international law and recognized sources of international norms, the increasing autonomy of international law vis-à-vis its authors, together with the diminishing importance of sovereignty and a new appreciation of legal pluralism broadening nationalist definitions of what counts as 'law', all mark the decline of the role of the state [...] This modern trend has



More specifically, the legal theory of denationalized or transnational arbitral procedure argues that arbitration rules could and should be unlinked from national laws<sup>18</sup> and should stem only from the rules contractually agreed by the parties.<sup>19</sup> It seeks to give an independent legal status to the stateless or a-national arbitral rules and awards.<sup>20</sup> Behind that is the assumption that lawyers can and should go beyond the narrow range of their national positive law to find solutions. Behind that also lies the proposition, maybe arrogant to some, that the role of jurists is not necessarily reduced to lay out what the law is but that they can also take responsibilities and endorse a law reform task. This idea of a transnational arbitration regime emphasizing party autonomy has been thus widely criticized by positive legal theory and resisted by many countries which see it as a threat to their sovereignty. This opposition raises concerns that should be addressed if support is to be obtained.<sup>21</sup>

This paper will try to explore how far the legal theory of denationalized arbitral procedure has and could gain acceptance in the international community. It is firmly believed that local arbitration laws are by nature unsuitable to international arbitrations and that non-state interests should assert their own law when their specific nature call for effort towards denationalization of arbitral rules. This paper will try to make the case for legislative reforms and changes of practices. The modifications will be inspired by practical goals as set out in Chapter I.

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been evident in international commercial arbitration where legal phenomena such as the evolution of a new *lex mercatoria*, the use of principles of general application derived from techniques of comparative law, delocalization and the growing recognition of the specificity of international transactions as distinct from purely domestic contracts, can be seen as responses to the limitations of statist conceptions of the definition, sources and interpretation of law in the resolution of international disputes.”)

<sup>18</sup>Usually the national law applying is that of the place of arbitration

<sup>19</sup>William Grantham proposes to see “ intellectual property arbitration as an example of a contractual waiver of legal rights”, “Arbitrability of international intellectual property disputes”, *Berkeley Journal of International Law*, 1996

<sup>20</sup> Indeed, we have already seen that international arbitrations allow a great degree of parties’ autonomy as they are allowed to specify which procedural rules they desire and that even when the parties designate institutional arbitration and thus incorporate an established set of arbitration rules, they should generally also specify particular procedures that are left unresolved by the institution’s rules.

<sup>21</sup> However, the phenomenon of the institutionalization of international arbitration has affected the contractual nature of arbitration and diminish the importance of party autonomy. W. Laurence Craig, “Some Trends and Developments in the Laws and Practice of International Commercial Arbitration”, *Texas International Law Journal*, Winter 1995

#### **iv. Overview**

Chapter I seeks to explore the intrinsic advantages and possible disadvantages of an arbitral response to international intellectual property disputes as well as the exterior economic and financial pressures. The analysis will reveal that, in this field, the risks and costs associated with protracted litigation rarely outweigh the advantages of arbitration. This section will also lay out the criteria for comparing the legal regimes treated later and against which the formulation of an optimized legal framework for international intellectual property arbitration will ultimately be made. Chapter II sets out a comparative analysis of international intellectual property arbitration regimes in place in the United States and in two individual countries of Europe, taking into account encountered dissimilar political, legal, and cultural constraints and resources. This part concludes that, after having historically disfavored the arbitration of intellectual property disputes, most countries have changed their legislation and are today expressly much more supportive of party autonomy than earlier years. Chapter III describes the international model, identifying many substantial achievements that the world realized as it attempts to establish an international regime. A proposed resolution of the problem of the impediments to the more extensive use of arbitration over international intellectual property disputes will be submitted in Conclusion, suggesting that, by stretching international agreements and bodies already in place, one should be able to create a truly international regime in which international intellectual property disputes can be resolved in an efficient and enforceable way on an international level.

**CHAPTER I**  
**OVERVIEW OF THE CLIMATE OF THE INTERNATIONAL**  
**INTELLECTUAL PROPERTY ARBITRATION DEBATE**

This chapter examines the appropriateness of arbitration to solve international intellectual property disputes. The two first parts answer the question of *whether* arbitration, for those particular types of disputes, is generally helpful or if there are possible pitfalls. The characteristics of international intellectual property disputes will first be presented. Then, advantages and disadvantages of arbitration are examined. Those parts will try to establish that arbitration has the potential to be a viable solution to international intellectual property problems. The third and last part answers the question of *how*, very concretely, international intellectual property disputes can be arbitrated successfully. The challenge here is to adjust arbitration rules and practices to the successive changes of society and to recognize the particularities of international intellectual property disputes in allowing parties to agree on shaping their own arbitration. This part will also create a conceptual framework that can be used to evaluate and compare the different national regimes dealt with in the next chapter and against which the formulation of an optimized legal framework for international intellectual property arbitration will ultimately be made.

**I. What is the Problem?**  
**From Industrial Property to Intellectual Property**  
**or the Shift from an Old to a New Economy**

This section aims at investigating the nature of intellectual property rights and international intellectual property disputes, identifying the emergence of technological and biotechnological advances with globalization and denationalization as the external, non-legal factors that contributed to the emergence of the problem.

**1. The Complex Nature of Intellectual Property**

The terminology has changed from “industrial” property to “intellectual property” to reflect the “historical transition from an industrial age founded on tangible assets to an information society based on intangible assets generated by talented individuals”.<sup>22</sup>

Indeed, today, intellectual property rights are generally classified and defined as follows:

- Patent: protects novel, useful, non-obvious ideas, with a right to exclude use
- Trademarks: protects names and symbols identifying source or association of good or service
- Copyright: protects the expression of an idea
- Trade Secret: protects non-public information that gives one a competitive advantage

This definition expresses the essential nature of intellectual property, notably that it is an intangible asset. Indeed, it results from intellectual activity and consists of exclusive rights to the products of the human mind. Thus, the value of an intellectual property right does not lie in the individual possession of the property but in its exclusive use and

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<sup>22</sup> Bryan Niblett, “IP disputes: arbitrating the creative”, 1995, Dispute Resolution Journal

licensing by the owner.<sup>23</sup> Its value depends upon the extent one's rights to it are recognized and are exercisable. And the basic international norm for intellectual property protection as it stands right now is the national treatment test: all intellectual property rights held by foreigners and nationals are to be treated alike. Therefore, the level of protection a foreigner receives may, therefore, be lower than that provided by his country of origin.<sup>24</sup>

This definition also illustrates the fact that intellectual property is a rapidly expanding field where absolute predictability is not assured. Indeed, the definition is extensive and thus able to comprehend new forms of property such as the recently acknowledged rights in business methods or in genetic mice. Intellectual property rights, by their nature, frequently involve cutting edge technology. Indeed, the very reason a user is keen to acquire a particular right is that it represents a significant advance in the underlying technology. That being so, total predictability is never possible and it may be that the system acquired will not immediately perform up to all expectations<sup>25</sup> even with "staged acceptance".<sup>26</sup>

Expanding very rapidly, intellectual property disputes involve increasingly highly technical matters. Intellectual property is the cornerstone of very technical industries such as pharmaceutical companies, computer technology and telecommunication systems. It is widespread practice in such disputes for lawyers to examine a portable loam screening apparatus for patent infringement<sup>27</sup> or to review a patent for surgical staplers.<sup>28</sup> Moreover, intellectual property laws themselves are quite complex.<sup>29</sup>

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<sup>23</sup> Bryan Niblett, "IP disputes: Arbitrating the Creative", 1995, *Dispute Resolution Journal*

<sup>24</sup> The most famous example of such gap is probably the Brazilian law that has authorized HIV treatment to be copied freely three years after the issuance of the patent while in most countries, the exclusive right of pharmaceutical companies stays 20 years.

<sup>25</sup> Richard B. Potter, "ADR and Computer Contracts", *Alternatives to the High Costs of Litigation*, June 2001 citing the difficulties encountered by the London Stock Exchange when it switched to a computerized system in October 1986.

<sup>26</sup> When technology is being adapted or improved, the licensee will want to subject the resulting product or process to appropriate acceptance tests.

<sup>27</sup> *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 821 (Fed. Cir. 1992)

<sup>28</sup> *Senmed, Inc. v. Richard-Allan Med. Indus. Inc.*, 888 F.2d 815, 818 (Fed. Cir. 1989)

<sup>29</sup> *Amhil Enters., Ltd. v. WAWA, Inc.*, 81 F.3d 1554, 1559 (Fed. Cir. 1996) (using the prosecution history to limit the scope of claimed invention (ADR can agree to discovery rules and scope) or *L.A. Gear, Inc. v.*

Finally, their intangible nature makes intellectual property rights readily transportable across national boundaries, often undetectably.<sup>30</sup> Intellectual property may be communicated down a telephone line or sent across the world by satellite transmission. Thus, while intellectual property rights may have a national character, they still have an international vocation.

## **2. The Complex Nature of International Intellectual Property Disputes**

Intellectual property is not only a highly technical, rapidly expanding subject matter, but the kinds of problems usually encountered in international intellectual property disputes also come out of complex transactions and contracts. They frequently arise out of licensing agreements in which the intellectual property owner grants rights to use a trade secret, to manufacture or distribute copyrighted or patented products, or to utilize a trademark in the marketing of a product. The disputes tend to involve allegations of improper use of the property right by the licensee (in which case injunctive relief is often sought), or a question of the amount of royalties being owed to the licensor. Also common are disputes which follow a corporate acquisition where part of the property acquired was intellectual property. In these cases the arbitrators may be required to look into registration, ownership, valuation issues or the existence of rights in light of the warranties provided. Thus, the legal disputes engendered by intellectual property rights are very diverse and do not relate only to title and infringement issues. Complexity and diversity are likely to increase as intellectual property rights evolve and constantly invade new types of commercial activity.

## **3. An Industry at the Heart of our Modern Economy**

Intellectual property is crucial to new economic prosperity. Transfer of technology via the licensing of information constitutes an ever-growing part of world trade. Such

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*Thom McAn Shoe Co.*, 988 F.2d 1117, 1132 (Fed. Cir. 1993) (analyzing the issue of "likelihood of confusion" between original and mirroring "look-alike")

<sup>30</sup> Bryan Niblett, "IP disputes: Arbitrating the Creative", 1995, *Dispute Resolution Journal*

commerce is vital to developed nations whose economies grow increasingly dependent on products of the mind. Indeed, intellectual property is not only the foundation of the publishing and entertainment industry but pharmaceuticals and computer software are also heavily dependent on intellectual property. As a general matter, having entered an “information society”, it is all stages of our economies that are pervaded by intellectual property. Computer systems which formerly were used for ancillary functions are now a vital part of the line function of a growing number of businesses, whether in the commerce and finance industry, in government and institutions or in professional life.<sup>31</sup> Businesses invest enormous amounts of money to expand on new intellectual property. Due to the enormously high expense involved in research and development, exclusionary rights are necessary to allow the creators to recover their investment and make a profit. Intellectual property rights also permits technical, industrial and other developments to be used and exploited for the benefit of privately owned businesses but also for the wider public interest. Intellectual property rights and transactions allow the sharing of crucial information. Lack of protection, outright piracy or inadequate and insecure environment for international transaction in those rights will cause considerable lost sales and damage to national economic prosperity. It is for this reason that the protection of international intellectual property transactions by the international community is so important.

Intellectual property is crucial to international trade. Our modern economies are heavily globalized. Economic development is driven by that complex and expensive technology that is shared by more and more countries, including developing countries. This has resulted in increased licensing and franchising arrangements with global implications.<sup>32</sup> This has created additional problems as many jurisdictions are thus engaged in the issue. Also the nature of international disputes lends itself to conflict as a result of diverse legal systems and tribunal procedures being involved.

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<sup>31</sup> Richard B. Potter, “ADR and Computer Contracts”, *Alternatives to the High Costs of Litigation*, June 2001

<sup>32</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, *Stanford Law Review*

#### 4. Concluding Remarks

The types and areas of intellectual property have broadened in recent years, as has the nature of commercial transactions involving intellectual property. The importance of this commerce for international wealth demands that an adequate system be put in place to secure it. We will see now that the nature of intellectual property, particularly in the international context, demands the kind of specialized dispute resolution techniques uniquely provided by arbitration.



## II. Why is Arbitration the Answer?

### The Promises of an Arbitral Response to International Intellectual Property Disputes: Arbitration has the Potential to be a Viable Solution

Many authors highlight the multiple advantages of arbitration over traditional litigation for international commercial disputes.<sup>33</sup> Mainly, speed, cost, confidentiality and expertise are cited. More recently, there has been a growing sentiment that intellectual property disputes in particular may well be suited for resolution by arbitration. Indeed, the advantages of arbitration become of primary concern for the technology industry as they coincide almost naturally with the special considerations raised by intellectual property disputes.<sup>34</sup> The first part of this section will thus seek to show how arbitration can respond to the specific needs of international intellectual property disputes. On the other hand, some literature warns about the existence of countervailing consideration or “horror stories” of arbitration and stays very suspicious of the potential of arbitration. Those possible downsides in the arbitral response will be explored in a second part. However, the purpose here is not to reproduce a detailed list of the advantages and disadvantages of arbitration as this has already been done, probably in a more systematic way. Rather, the purpose here is to highlight some points that will help us, later, to formulate an improved and efficient arbitral system to deal with international intellectual property disputes and stimulate international business enterprises.

#### 1. Advantages and Relevance of Arbitration for International Intellectual Property Disputes

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<sup>33</sup> Scott H. Blackmand, Rebecca M. McNeill, “Alternative dispute resolution in commercial intellectual property disputes”, August 1998, *The American University Law Review*

<sup>34</sup> Some authors even advocat mandatory ADR for patent cases before they could be heard in court, see Scott H. Blackmand, Rebecca M. McNeill, “Alternative dispute resolution in commercial intellectual property disputes”, August 1998, *The American University Law Review*

On the one hand, recourses to court are inadequate in many instances. On the other, arbitration provides specific benefits that are particularly important to international intellectual property matters. Furthermore, this potential for arbitration extends to all kinds of intellectual property.

#### A. Expertise

Intellectual property is highly technical and technology related cases require at least two areas of expertise: one on the relevant law (intellectual property laws, law of the internet, etc) and one on the underlying technology (biotech, computer, etc).<sup>35</sup> This is manifest in the case of patents where the property resides in the novel and non-obvious subject matter but it also applies to many copyrights matters such as computer program disputes or in disputes over trade secrets. As a result, discovery and evidentiary formalities prove much more difficult in a technology case as expert evidence is required. Intellectual property is a “discovery-intensive field”.<sup>36</sup> Judges and juries are usually not trained in technology. Traditional litigation requires extensive use of experts and or expert witnesses, which contributes to inflate the cost of intellectual property litigation. Even if attorneys do their best to explain the technical differences between patent claims, prior art, and allegedly infringing devices, it may be unreasonable to expect a judge or jury to understand the finer points of intellectual property laws, especially for patent cases.<sup>37</sup> On the other hand, by allowing parties to choose a judge with the necessary expertise, arbitration will usually guarantee that costs are substantially less than those of litigation and reduce the likelihood of uneducated decisions.<sup>38</sup> While the arbitrator cannot possess

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<sup>35</sup> Sandra J. Franklin “Why arbitration may be more effective than litigation when dealing with technology issues”, July 2001, Michigan Bar Journal

<sup>36</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, Stanford Law Review (stating that intellectual property attorneys fear that they cannot prove infringement without extensive discovery).

<sup>37</sup> This is a problem especially in common law countries where factual determinations are made by juries. In the *Markman* case, the U.S. Supreme Court declared that juries lack the sophistication to determine the meaning of patents claims (*Markman v. Westview Instruments, Inc*, 517 US 370, 1996)

<sup>38</sup> moreover, parties can choose a three member arbitration panel that will provide a diversity of knowledge and legal or cultural tradition.

professional knowledge in all possible subjects, the *IBM v. Fujitsu* case<sup>39</sup> illustrates that he can fill in any gaps with his knowledge relatively efficiently. Also, extensive discovery is less expensive with arbitration because the parties may adopt or reject certain rules of evidence depending on their situation.

### **B. Speed**

In the context of intellectual property disputes, it is often critical for one party to stop as soon as possible the manufacture of illicit products, the use or publication of trade secret or trademarks. A corporation cannot afford to wait for the market to be saturated with infringing materials and a rapid resolution of a dispute is even more crucial when one deals with fast-paced technology. Courts are overloaded worldwide and litigation procedures are traditionally long and burdensome. Arbitration permits parties to have control over the timing of the resolution of their dispute and allows them to choose lighter procedures. Also, once the award is rendered, the dispute is finally resolved and there is no appeal. On the contrary, in court litigation, obtaining a judgment is just the first step in the dispute resolution process.

### **C. Preservation of Relationships**

Avoiding a winner-take-all litigation is especially important in the technology industry where parties develop long-term and mutually beneficial relationships. Many intellectual property disputes involve licensor-licensee relationships. Transfers of technology cannot be made by the mere conveyance of tangible or intangible property but they require that the operating personnel be properly trained, that the later improvements be transferred or even a reverse flow when the user improves the technology. In the context of computer systems contract, there are provisions for maintenance and enhancements of the operating and applications software and for the need to adapt to changes in hardware and in the user's underlying business. This

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<sup>39</sup> The arbitrators attended a 4 day presentation by a computer science professor and IBM and Fujitsu also conducted seminars to educate the arbitrators about the issues

interdependency between suppliers and users implies that an action for damages by a powerful user is totally inappropriate, especially if its only result is to create an insolvent supplier. A practitioner notes about the total integration of computer systems into the business of the user and the dramatic implications of their failure that “what the user wants and must have is not an injunction or damages or even a new or different system in weeks or months. It must have a system that works within hours or days”.<sup>40</sup> This user’s goal will be attained only by methods which are both non-confrontational and that will encourage both parties to give high priority and all available resources to a solution in order to preserve and strengthen the business relationship.<sup>41</sup> Arbitration promotes a form of communication that reduces hostility and facilitates rational discussion. By encouraging disputing parties to determine their own form of arbitration, it creates an environment of self-determination and increases the likelihood that the relationship between the parties can be preserved.

#### **D. Neutrality**

As with other international commercial disputes, the driving force in the development of international intellectual property dispute resolution has been forum avoidance.<sup>42</sup> In international arena, commercial entities distrust foreign legal jurisdictions not only because of possible national bias<sup>43</sup> but also because, even if all parties receive equal treatment, the fear of the unfamiliarity with the jurisdiction’s procedures and languages put the “foreign” litigant in a much less comfortable position than the “domestic” litigant.

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<sup>40</sup> Richard B. Potter, “ADR and Computer Contracts”, *Alternatives to the High Costs of Litigation*, June 2001

<sup>41</sup> Arbitrators can actually help parties to create a resolution that serves shared interests. Then arbitration is not only a process that “share a pie of fixed size but it is a process that creates value” see Robert H. Mnookin, “Creating Value through Process design”

<sup>42</sup> W. Laurence Craig, “Some Trends and developments in the Laws and Practice of International Commercial Arbitration”, *Texas International Law Journal*, Winter, 1995 (“While speed, expertise and confidentiality have had some influence of the growth of international commercial arbitration, the essential driving force has been the desire of each parties to avoid having its case decided in a foreign judicial forum”)

<sup>43</sup> That was probably the reason why, in the time of cold war, almost all commercial disputes arising from east-west trade were arbitrated.

Indeed, neutrality is first a “political neutrality”.<sup>44</sup> This can explain why the United States were traditionally not a preferred site for international arbitration as foreigners viewed its neutrality as compromised by its global economic and political interests.<sup>45</sup> European countries were thus preferred and not only between European parties but also with parties from Africa or the Middle East. American parties also found European sites acceptable, at least in comparison to alternatives that were offered, and developing countries generally shared this feeling.

But neutrality is also a “judicial neutrality”.<sup>46</sup> Fundamental differences between the common law and civil law systems are a further disincentive to litigate when parties are from countries with different legal traditions. Parties from civil law jurisdictions thus generally considered England as an unattractive site because they felt that English courts were prone to excessive interference. European countries were thus preferred not only because of their relative political and economic neutrality (at least compare to the United States), but also because African and Middle Eastern legal systems were derived from European civil codes. In addition, arbitration should comply with internationally accepted standards relating to what is termed “contradictoire” in Civil Law countries and “due process” in Common law countries.<sup>47</sup> Finally, “judicial neutrality” is also increasingly understood to require that the arbitration’s site respect party autonomy and limit it only narrowly to international public policy.<sup>48</sup>

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<sup>44</sup> Pierre Lalive, *On the neutrality of the Arbitrator and of the Place of Arbitration*, in *Swiss Essays on International Arbitration* 23, Claude reymond & Eugene Bucher eds., 1984

<sup>45</sup> The fact that the United State did no ratify the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards also contributed to that probably. As a general manner, the effect of such preceptions is not easily measurable but it is obvious that some “neutral” forum indeed gained popularity and were recognised as international arbitration centers based on those political and judicial preferences.

<sup>46</sup> Pierre Lalive, *On the neutrality of the Arbitrator and of the Plca of Arbitration*, in *Swiss Essays on International Arbitration* 23, Claude reymond & Eugene Bucher eds., 1984

<sup>47</sup> Alain Plantey, “International Arbitration in a Changing World”, *ICCA Bahrain Arbitration Conference 1993*, Congress Series No. 6

<sup>48</sup> Laurence W. Craig, “Some trends and developments in the laws and practice of international commercial arbitration”, *Winter 1995*, *Texas International Law Journal*

The parties' expectations as to basic procedural fairness is as important as speed and economy, especially in the context of international intellectual property disputes which often involve transactions between purchasers in developed Western countries and suppliers in developing countries. Without a reliable alternative to the uncertainty of third country tribunals, many transactions will remain unconsummated, or be concluded at increased prices to cover the risk of biased adjudication.<sup>49</sup> Arbitration is a likely mechanism to alleviate the obstacles present within international intellectual property disputes that exist due to different cultural views of intellectual property laws and jurisprudence.<sup>50</sup>

#### **E. Confidentiality**

This is especially important for trade-secret issues, as its nature itself seems to exclude litigation. But it may also be the case that analysis in open court of a method of using a patent or of a licensed technology, or of a list of customers, or of some financial data or market analysis<sup>51</sup> will represent a commercial advantage to competitors. Of course in suitable circumstances, litigation may be conducted in private, but the natural privacy of the arbitration process is superior in this respect. Parties can arrange that none of the evidence before the tribunal is available to the public. Even the existence of the dispute can remain confidential. And the danger that information will be revealed by judicial review of the award can be avoided by agreement of the parties to exclude such a review.<sup>52</sup>

#### **F. Further Advantages**

Another significant advantage of arbitration is the ease at enforcing the arbitral award. Indeed, in the majority of cases of international commercial arbitration, the parties

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<sup>49</sup> William W. Park, "Duty and Discretion in International Arbitration", in Mealey's International Arbitration Report, January 2000, Vol. 15 #1

<sup>50</sup> Jennifer Mills, "Note and Comments: Alternative Dispute Resolution in International Intellectual Property Disputes", 1996, Ohio State Journal on Dispute Resolution

<sup>51</sup> Market data is increasingly a source of competitive advantage for firms

<sup>52</sup> Bryan Niblett, "IP disputes: Arbitrating the Creative", 1995, Dispute Resolution Journal

comply with the award without the need to seek court enforcement. And when court enforcement is necessary, the procedure is relatively straightforward by virtue of the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention” or “Convention”), a United Nations convention adopted by virtually all major trading nations of the world, which makes arbitration awards more readily enforceable than court judgments, especially in default situations.<sup>53</sup> On the other hand, there is no multilateral convention for the recognition of foreign judgments and thus, court decisions are only enforceable provided they are bilateral diplomatic conventions in force.<sup>54</sup> This is also a further crucial advantage for international intellectual property disputes.

Finally, and as we have already seen in the introductory chapter, intellectual property disputes involve matters which are at the cutting edge of the law where legal principles have yet to be fully developed. In these cases, arbitrators can resolve disputes more readily than judges and without such far-reaching legal consequences.<sup>55</sup>

Thus, in that field particularly, advantages of arbitration over traditional court litigation are numerous. This explains why the use of arbitration is recommended by probably the most influential association involved in the business of licensing and technology transfer: the Licensing Executive Society.<sup>56</sup>

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<sup>53</sup> 132 States are party to the Convention which obliges contracting States to recognize and enforce foreign arbitral awards subject to a limited number of specified exceptions June 10, 1958, 21 U.S.T. 2517, 330 U.N.T.S. 3 An Inter-American Convention on International Commercial Arbitration has also been signed in 1975 at Panama. January 30, 1975, 1438 U.N.T.S. 248, 14 I.L.M. 336 (1975)

<sup>54</sup> Except the Brussels and Lugano Conventions which provides for recognition and enforcement of foreign judgments within Europe, no such convention exists for judgments rendered outside Europe. Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, Brussels, September 27, 1968, [1972] O.J. L299/1, recently replaced by Reg. 44/2001, [2001] O.J. L012/1-23 entered into force on March 1, 2002. Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, Lugano, September 16, 1988, [1988] O.J. L319/9-33

<sup>55</sup> Bryan Niblett, “IP disputes: Arbitrating the Creative”, 1995, *Dispute Resolution Journal*

<sup>56</sup> The use of international arbitration for resolving intellectual property disputes was also recommended by other associations such as the Association Internationale pour la Protection de la Propriete Industrielle, International Trademarks Association or the American intellectual Property Law Association

## **2. Countervailing Considerations**

Despite these wide-ranging benefits of adopting arbitration in general and particular international intellectual property disputes, there are a number of shortcomings that should not go unnoticed if one wants to be credible. Indeed, the aim is not to make the terms of the debate appear as if there was a consensus over the benefits of international arbitration. Rather, the aim is to convince that, despite some shortcomings, the potential of international arbitration still outweighs the advantages of traditional litigation. Also, recognizing its shortcomings will help us heal and strengthen the international arbitral system.

The arguments generally opposed to arbitration in intellectual property fall into three groups. The first group encompasses critics that stem from the very nature of this means of resolving disputes. Such critics are difficult to refute and must be acknowledged. However, they are few. The second group encompasses critics that can be rectified by a proper drafting of the arbitral agreement. Finally, the last group encompasses critics that can only be rectified by legislative actions.

### **A. Critics Intrinsic to the Nature of Arbitration**

In situations where intellectual property rights are infringed, and when there was no prior relationship between the parties, there is simply nothing to be preserved. Intellectual property rights are strong and exclusive rights. As a result, right-holders may not wish to establish any relationship with somebody who infringes such rights.<sup>57</sup> Right-holders must then rely on the rules of private international law and bring claims against those putative infringers located in foreign jurisdictions.

The fact that the awards delivered by international arbitration are not appealable may make some businesses or lawyers hostile.

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<sup>57</sup> Many infringement and piracy situations however are resolved by the compulsory licensing of the disputes technology



Other instances where arbitration may not best serve client interests include situations where a client has a significant procedural advantage in litigation or where he has an advantage in the dispute being made public, such as when he needs a decision to deter potential infringers or, in the field of defamation, a public vindication. However, even in that case, there are some exceptions.<sup>58</sup>

Thus, there are instances where a business could prefer traditional litigation. However, such situations are very limited and we have seen, while examining the advantages of arbitration, that investors and multinational companies have otherwise many reasons to prefer the arbitration alternative.

#### **B. Critics Rectifiable by Wise Drafting**

When we examine the skepticism of the opponents to arbitration, it very often reveals that inadequate arbitration provisions were at the root of the problem. Indeed, arguing that the cost and time of arbitration can sometimes be the same as in litigation or that the scope of confidentiality is not guaranteed<sup>59</sup> does not reveal any key hurdles of the arbitral response. Rather those problems must be addressed in the drafting of contracts and the crafting of arbitration procedures. For example, an ill-conceived arbitration clause could force a party to accept inefficient arbitration procedures or to arbitrate in an undesirable venue. A poorly drafted arbitration clause could also enable a recalcitrant party to litigate to ascertain the clause's meaning or to challenge its ultimate enforceability, thereby delaying resolution of the parties' dispute or entirely thwarting the parties' intent to arbitrate.

When parties litigate, they refer their dispute to an established judicial tribunal with established procedures and structures. Arbitration is fundamentally different: it

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<sup>58</sup> Indeed, the patent owner's economic situation might require speedier resolution of the controversy

<sup>59</sup> Hans Bagner, "Confidentiality in Arbitration – Don't Take it for Granted!", in Mealey's International Arbitration Report, December 2000, Vol. 15 #12

derives its existence and form from an arbitration agreement.<sup>60</sup> In that agreement, parties have the possibility to adapt arbitration rules to their particular situation and arbitrators are usually entitled to conduct the arbitration in such a manner, as they consider appropriate. It is only if the parties are not able to adapt the arbitration to their particular case and fail to take full advantage of this flexibility that international arbitration may become as cumbersome as litigation before national courts. The advantages of arbitration upon traditional litigation are numerous, but only if one uses them. Many practitioners are already of the opinion that many of these objections can be overcome through a properly negotiated and drafted arbitral agreement and that such criticisms are misleading.<sup>61</sup> Inadequate arbitral provisions are probably due to a lack of knowledge of how arbitration works. Educating people is also a crucial task towards a broader acceptance of arbitration.

### **C. Critics Rectifiable by Legislative Action**

Another more serious and fundamental objection to the proposal is that international arbitration of intellectual property raises important issues of enforceability. Indeed, some systems still question the arbitrability of intellectual property issues and hence the enforceability of arbitral agreements and awards. People criticize the quality of the decisions, which are privately formulated and rendered without the benefit of public scrutiny. Another concern arises also in respect of the fact that arbitral awards are not enforceable against third parties (i.e. blockage of funds in a bank account, etc.). Finally the question of the availability of effective interim relief is pointed out. Fast-paced technologies require a fast resolution of the dispute. Arbitration is generally faster than litigation for that. However, arbitration can be a weak choice for interim relief, such as an injunction or a seizure of infringing material. Indeed, since arbitration is essentially a voluntary process between parties (it can be viewed as a service that the arbitrators provides to the parties), it will not work if a party, usually

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<sup>60</sup> The arbitration agreement indeed determines the nature of the arbitration process, including the composition of the arbitral tribunal, the procedures to be employed, the extent of the parties' obligation to arbitrate, and other matters such as the place of the arbitration and the law(s) to be applied.

<sup>61</sup> Richard B. Potter, "ADR and Computer Contracts", *Alternatives to the High Costs of Litigation*, June 2001

the alleged infringer, is unwilling to move as quickly as the other party, especially if they are not parties to a contractual arbitration clause. Thus arbitration is more effective than adjudication only if the arbitrator can make an interim award giving interim relief to one of the parties, or preserving the status quo. All those points raise important issues of enforceability.

It is true that the uncertainty of enforcement standard for those matters should be improved and this point will be later developed in more details. But it is also important to note, against the background of this criticism, that the enforceability of foreign judicial decisions also raises some difficulties, on another level, as we have indeed seen that there is no international mechanism for the recognition of foreign judicial decision.

### **3. Concluding Remarks**

The analysis has revealed that some advantages as well as some disadvantages of arbitration as a mean of resolving international intellectual property disputes originate from its very nature. On the other hand, some disadvantages are caused mostly merely by a lack of knowledge about international arbitration possibilities or by legislative obstacles. Those considerations will help us understand how arbitration can be fully exploited and within which limits. It requires the proper information of people. It further requires some legislative steps.

### **III. How Should It Be the Answer?**

#### **Requirements for International Intellectual Property Arbitration**

Thus, arbitration has the potential to very satisfactorily end international intellectual property disputes in a way that promotes efficient cross-border economic relationships. Such a potential still needs to be fully exploited. Taking into account the critics that have been addressed to arbitration, we will now see what policies are required to respond to them and effectively promote international arbitration in intellectual property cases. Advantages should be preserved and secured while disadvantages should be minimized. If one wants to come up with a practical and enduring solution, one needs to take a creative approach and design a global and customized regime.

#### **1. A Global Regime**

Indeed, to respond to the international vocation of intellectual property rights, and to secure its advantage over court litigation, an efficient system should be international. Only a unified system will ensure the certainty and predictability that businesses require to expand. Also, a unified system will permit greater control over arbitration processes and ensure that arbitration leads to a fair resolution of disputes, thereby responding to those who contest the quality of decisions taken within an arbitral framework.

#### **A. The Need for Guidance and Security: an Institutional Regime for International Intellectual Property Arbitration**

##### **1) For the Sake of Guidance and Ease**

The essence of arbitration is that parties should not be subject to a restrictive regime, whether procedural or substantial, or bound by the jurisdiction of a specific court. Rather, parties should be able to choose their own solution and rely on commercial practice. But this means that, from the outset of the negotiation, the parties will have to agree on many points.<sup>62</sup> This is often difficult to apply in practice, as parties are unable to anticipate the exact nature of all disputes that might arise. And creating arbitral agreements which embody those special requirements of intellectual property disputes such as interlocutory powers and confidentiality issues is not always obvious and can easily be overlooked. We have seen that the arbitral agreement is the fountain from which success or failure flows and therefore should be carefully drafted. However, despite the potential importance of dispute resolution provisions in commercial agreements, these provisions are often relegated as a low priority at the time of the drafting.<sup>63</sup> Therefore, it seems clear that parties need guidance. Published sets of rules should be available for guidance to the parties to reduce the possibility that ill-advised executives, perhaps lacking competent counsel or a strong bargaining position, might be burdened with an inconvenient arbitral drafting. Such a “model” set of rules could provide answer to general questions while parties would be free to amend them to reflect the special considerations at stake in their relationship. Ready-made sets of rules are generally provided by arbitral institutions. In particular, the WIPO provides advice and precedents on the making of arbitration agreements designed distinctively for the singular nature of international intellectual property disputes.

Indeed, one fundamental question the parties must address when drafting an arbitration clause is whether *ad hoc* or institutional arbitration is preferable. “Institutional arbitration” refers to arbitration under the rules of an established

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<sup>62</sup> Parties have indeed to agree on such diverse issues as what type and how many pleadings the parties will be permitted to submit, the possibility that a party may, in resisting arbitration, fail to appear, whether arbitrators must provide reasons for the award, when an award should be rendered, whether there must be a decision by the majority of the tribunal, whether corrections to the award are possible, the methods for awarding costs, etc

<sup>63</sup> It is indeed not uncommon for parties to laboriously negotiate hundreds of pages of minute details regarding their rights and obligations under a contract but casually to add a sentence or two regarding arbitration.

organization, and often involves assistance from the organization in the form of the nomination of arbitrators and supervision of the arbitration. Perhaps the greatest advantage of institutional arbitration is that it provides the framework of rules and procedures for the entire proceedings.<sup>64</sup> Institutional arbitration can discourage delay by the respondent because the arbitral institution's rules impose time limits on the proceedings and the tribunal's rendering of an award. Institutional arbitration also provides rules that can help parties avoid other potential problems, such as establishing the arbitrator's fees. In addition, arbitral institutions can provide administrative assistance by providing information, making arrangements for interpreters and stenographers, reserving rooms and sending notices of hearings.<sup>65</sup> In contrast, "*ad hoc* arbitration" refers to arbitration that takes place outside the established arbitral bodies. In *ad hoc* arbitration, unless the parties are content to rely on the provisions of the forum state's law applicable to the procedure or to choose to apply established rules such as those promulgated by UNCITRAL, they will have to designate their own procedures in the arbitration agreement. In the absence of institutionally provided procedures, an arbitration clause selecting *ad hoc* arbitration must be relatively comprehensive in order to address effectively the exact nature and procedures of the arbitration process. The primary advantage of *ad hoc* arbitration is the potential for cost saving it offers by avoiding the administrative fees associated with institutional arbitration. However, these potential savings could be quickly offset if the *ad hoc* arbitration clauses do not establish clear procedures that prevent the parties from delaying the proceedings or arguing about the meaning of the clause. *Ad hoc* arbitration clauses must also include mechanisms for addressing unforeseen circumstances that may arise when commencing arbitration when, while an event may be unanticipated by the parties, an arbitral institution may have faced a similar issue in the past. In fact, the only parties likely to profit from *ad hoc* arbitration are those who are sophisticated enough with arbitration to draft a workable arbitration clause

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<sup>64</sup> Originally, arbitration institutions were the principal purveyors of arbitration rules. However, the advent of the UNCITRAL Rules has greatly reduced the significance of arbitration institutions in providing a ready-made set of arbitration rules

<sup>65</sup> In international case of substance however, the provision of physical facilities and administrative assistance is generally of limited importance

and who, for some reason, find institutional arbitration too complex or expensive.<sup>66</sup> Moreover, it is often suggested that drafting an *ad hoc* arbitration clause requires examination of model clauses and rules for institutional arbitration.

For these reasons, the institutionalization of international intellectual property disputes is a very important process. The WIPO, by helping parties to craft complete and sensible arbitral agreements embodying all those special requirements of intellectual property disputes, assumes a very important function.

## 2) For the Sake of Justice and Fairness

An available, institutional, set of rules would provide guidance and precedents, hence participate in the stability and predictability of the system. But it also increases the perception that the system is just. Indeed, we have seen that parties lacking strong bargaining position or competent advice run the risk of being burdened with an arbitral drafting that is ill-adapted to their needs. There is also the greater risk that fundamental notions of justice will be violated if parties agree to waive some crucial procedural rights. To avoid this, some procedural safeguards already exist, whether in *ad hoc* or institutional arbitration, to ensure that fundamental notions of justice are respected. Despite this, all too frequent is the criticism that international arbitration is arbitrary. Indeed, it is important to ensure that international trade does not develop in a “legal vacuum”.<sup>67</sup> Moreover, the issue of intellectual property is a very sensitive one.<sup>68</sup> Placing the arbitration of such rights under the auspices of a fair body such as a United Nations or World Trade Organization body would help to overcome this sentiment. The aim of imposing a minimal regime would also be more easily

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<sup>66</sup>However, we will see in the last chapter of that these advantages vary from institution to institution and in most case can be significantly improved. For example, to the extent that an institution’s rules do not permit conduct of the proceedings under different or amended rules, they may severely limit the attractiveness of arbitration under the auspices of that institution.

<sup>67</sup> Alain Plantey, “International Arbitration in a Changing World”, ICCA Bahrain Arbitration Conference 1993, Congress Series No. 6

<sup>68</sup> Developing countries often view the protection of intellectual property as a domination tool used by the more advanced nations, who generate more of the valuable patents and copyrights used in today’s market, and therefore resist the intellectual property protection.

achieved if the treatment of intellectual property disputes were centralized in a single, international center. The question of what could be a legitimate restriction of the effectiveness of the parties' intention and what could be a convenient balance between security and efficacy for these procedural safeguards will be debated below, when we will speak about the requirements of international public policy as this concerns both the arbitral procedure and the merits of the dispute. In any case, the institutionalization of the practice would help prevent the all too frequent criticism that international arbitration is arbitrary.

### **B. A "Truly" International Regime for the Recognition and Execution of International Arbitral Awards**

As it stands right now, the validity of an international arbitral award is threatened at two different levels: the place of arbitration and the place of enforcement.

The award can first be set aside by the courts at the seat of the arbitration where judges will examine the award according to the standard adopted by the law of that country. The study of the UNCITRAL Model Law is thus relevant. The Model Law does nothing to harmonize the issue of public policy or arbitrability as it just refers to national legislation.<sup>69</sup>

Recognition or enforcement can then be refused by the courts at the place where execution is sought where judges will consider public policy and arbitrability as criteria for refusing to execute the award. Often judges will confuse public policy with arbitrability. The New York Convention governs that issue.

Court decisions such as the *Hilmarton* or the *Chromolloy* cases confirmed that both courts are equally competent to assess the validity of international arbitration

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<sup>69</sup> Article 34 and 35 of the Model Law



awards.<sup>70</sup> More precisely, in the *Chromolloy* case, while the court relied on the party's explicit waiver of judicial review in the arbitration agreement and on the probable lack of independence of the courts at the *arbitral situs*, it also stated that, because under domestic (US) law, foreign court judgment are not a ground for vacatur, Article VII of the New York Convention allows courts to ignore a foreign decision setting aside an award and enforce it despite Article V(I)(e) of the Convention.<sup>71</sup>

Such decisions surely bolster the enforceability of international arbitration award and ensure against corrupt courts at the *arbitral situs*. But it also increases the potential lack of cross-border recognition of court orders to set aside awards and a party will have to defend against enforcement in every jurisdiction where that party has assets.

Moreover, it also increases the risk of unpredictability as each jurisdiction applies different standards. Indeed, the New York Convention has succeeded in creating consensus for the grounds on which recognition or enforcement of foreign awards should be refused. In addition, to ensure enforcement, courts have interpreted those grounds narrowly.<sup>72</sup> *Inter alia*, they have thus interpreted the New York Convention's concept of "public policy" as referring to "international public policy". This pro-enforcement tendency of the courts in countries that have adopted the New York

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<sup>70</sup>In *Hilmarton Limited v. Omnium de Traitement et de Valorisation*, the French Cour de Cassation upheld a foreign arbitral award despite the fact that the award had been set aside by a court in Switzerland, the *arbitral situs*. *Omnium de Traitement et de Valorisation SA v. Hilmarton Ltd* [1999] 2 All E.R. (Comm) 146 (QBD (Comm Ct)) A similar court decision has also been reached in the *In re Chromalloy Aeroservices Inc. v. Arab Republic of Egypt* where a United States District Court confirmed an arbitral award rendered in Egypt against the Egyptian Air Force despite the fact that award had been set aside in Egyptian courts. see William H. Knull and Noah D. Rubins, "Betting the Farm on International Arbitration: Is it Time to Offer an Appeal Option?", 2000, *The American Review of International Arbitration*

<sup>71</sup> While the New York Convention designates the *arbitral situs* as the most appropriate venue for judicial challenge to international arbitration awards, its permissive terms still allow courts where enforcement is sought to respond positively to request for enforcement of awards that had been set aside in foreign courts.

<sup>72</sup> To ensure enforcement, courts have interpreted the language of the New York Convention broadly (the definition of the "award" that is subject to confirmation and enforcement; court's power to grant interim measures; the court's residual discretion to confirm an award despite the existence of a ground for refusal, etc) See Carolyn B. Lamm and Eckhard R. Hellbeck, "Enforcement of Foreign Arbitral Awards Under the New York Convention: Recent Developments", *International Arbitration Law Review*, 2002, Sweet & Maxwell Limited and Contributors

Convention is an important step. This ensures that only a limited mechanism exists and that, in any case, the protective review standards appropriate for domestic disputes will not affect cross-border arbitration.<sup>73</sup> Yet, it might be time to go further in the establishment of an international system for the recognition of international awards. Indeed, neither the New York Convention nor the Model Law did anything to try to harmonize the concept of arbitrability or public order. Yet, high stake disputes need a high level of predictability. Only a truly international regime for the execution of international arbitral awards would minimize the risks.

To achieve the goal of regulating the system and notably, taking proper account of those overriding requirements of justice, some favor the application of a conventional concept of international public policy while other defend the idea of a genuinely international public policy.<sup>74</sup>

Indeed, on the one hand lies a “nationalistic conception of international public policy” according to which the content of international public policy should be determined in light of the fundamental considerations of the jurisdiction where enforcement is sought.

On the other hand lies the idea of a “truly international public policy”<sup>75</sup> or a “universally applied public policy”.<sup>76</sup> Such public policy would be derived from the comparison between the fundamental requirements of national laws and of public international law in particular. It would encompass the fundamental moral or legal principles widely accepted by the international community and, particularly, those adopted in the instruments of international organizations. The values protected under such an international public policy should not be able to vary according to the

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<sup>73</sup> William W. Park, “Duty and Discretion in International Arbitration”, in Mealey’s International Arbitration Report, January 2000, Vol. 15 #1

<sup>74</sup> Fouchard, Gaillard, Goldman on International Commercial Arbitration, Emmanuel Gaillard and John Savage, Kluwer Law International, , The Hague, 1999

<sup>75</sup> Pierre Lalive, “Transnational (or Truly International) Public Policy and International Arbitration”, ICCA Comparative Arbitration practice and Public Policy in Arbitration, Congress Series No. 3

<sup>76</sup> CA Paris, May 25, 1990, *Fougerolle*

jurisdiction reviewing the arbitral award. It is this conception of an international public policy that should be adopted.<sup>77</sup>

## 2. Customized Arbitration

The content of this international regime should be adapted to the specificities of international intellectual property disputes.<sup>78</sup>

Interest in customized arbitrations has grown in recent years. The increasing economic globalization led to the development of trade and industry associations whose rules encouraged the use of specialized arbitration.<sup>79</sup> Many specialist commodity institutions have for example been created.<sup>80</sup> Hence the CPR Institute for Dispute Resolution for example, in its response to the European Commission's Green Paper on Alternative Dispute Resolution in Civil and Commercial Law, answered that "the most effective policies for dispute resolution have emerged from specific fields. It is unlikely that any but the most general principles applicable to ADR in one field

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<sup>77</sup> The current task is to reach beyond national boundaries, as technology has already done, and attempt to create a global regime for the resolution of international intellectual property disputes. The end game should be a common body of law to which international commerce could turn. That desire has already been expressed in the harmonization, on an international level, of some aspects of substantive intellectual property law such as the Paris or Berne Conventions or, more recently the Agreement on Trade-Related Aspects of Intellectual Property Rights. This move should be completed by a global arbitral regime with harmonized standards, whether for international public policy, for the arbitrability of the subject matter of the dispute or for the availability of interim measures of protection, etc. The global economy needs a "common denominator" for dispute resolution amongst parties from different nations and cultures to assure maximum productivity. Indeed, the result of a "nationalistic" approach is to leave a great deal of room for the subjective appreciation of the arbitrator, which is not particularly reassuring for parties involved in international commerce for whom predictability is an important consideration. On the contrary, a global regime would not only reduce costs and translation difficulties but it would also provide precedent authority and certainty, hence assuring maximum protection for international intellectual property transactions. Only such a protective regime would encourage maximum productivity. This body of law could be derived from the work of private organizations specializing in codifying international norms or from international treaties.

<sup>78</sup> In that it would be different from the UNCITRAL rules

<sup>79</sup> Laurence W. Craig, "Some trends and developments in the laws and practice of international commercial arbitration", Winter 1995, Texas International Law Journal

<sup>80</sup> The Grain and Feed Trade Association is a specialist commodity institution providing a service for contracts for sale of grain and feed products. The London Metal Exchange is a specialist commodity institution providing arbitration service for disputes arising out of contracts for sale and purchase of metals; The London Maritime Arbitration Association is an organization which specializes in arbitrations involving shipping, carriage of goods by sea, charterparties, salvage, demurrage and other maritime matters. Finally, The International Centre for the Settlement of Investment Disputes is a specialist institution, established under the auspices of the World Bank, where a state party is involved and an investment has been made by a foreign party.

would be equally effective in another, and therefore initiatives should be developed within specific areas”.<sup>81</sup> The creation of a specialized WIPO arbitration center acknowledges the specificities of intellectual property as a subject matter for arbitration. Creating industry-specific processes and procedures would provide more efficiency.<sup>82</sup> To be fully efficient, different arbitration rules are needed for different types of disputes.

Similarly, the creation of a specialized WIPO Arbitration Center acknowledges the specificities of intellectual property as a subject matter for arbitration. The ICC also recognizes that there are “specific problems arising out of intellectual property disputes which do not or to a lesser extent arise in other types of arbitration”.<sup>83</sup> Thus, arbitration proceedings should be tailored to accommodate the specific characteristics of intellectual property disputes. Considerations that should be taken into account are: To what extent do courts order arbitration to proceed and recognize arbitral awards that include or are based on a determination of the central issues of intellectual property rights validity and scope? To what extent may a party need injunctive relief against ongoing infringement or breach of a licence and to what extent will he be able to obtain that relief by arbitration? To what extent is confidential information protected?

#### **A. Arbitrability**

While international commercial arbitration has become a matter of routine, arbitrability has been the traditional obstacle to the arbitration of international intellectual property disputes. This arbitrability issue can be raised at least two

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<sup>81</sup> Response to the European Commission’s Green Paper on Alternative Dispute Resolution in Civil and Commercial Law (COM(2002) 196 Final) dated 19 April, 2002.

<sup>82</sup> “In particular, the limited court scrutiny suitable for arbitration among international business managers may not be optimum in consumer and employment transactions, with their special risk that abusive arbitral procedures will be imposed on commercially weaker parties”, see William W. Park, “Duty and Discretion in International Arbitration”, in Mealey’s International Arbitration Report, January 2000, Vol. 15 #1

<sup>83</sup> “Final report on Intellectual Property Disputes and Arbitration”, Report of the ICC Commission on International Arbitration, May 1998, ICC International Court of Arbitration Bulletin

different times. Indeed, normally the issue of arbitrability is invoked by a party at the beginning of the arbitration, before the arbitral tribunal or before a State court. But it can also be raised in setting aside proceedings or before a court deciding on the recognition and enforcement of the award. Arbitrability turns on whether the subject matter goes beyond the merely private concerns of the parties.<sup>84</sup> Two different arguments are generally raised against the application of arbitration to intellectual property disputes. Intellectual property disputes should not be arbitrable because they are grants derived from a sovereign national power. Others qualify arbitrability on public policy grounds.

### **1) Arbitrability and National Rights**

Most countries equate arbitration with the waiver of contractual rights and allow arbitration in intellectual property disputes that are capable of settlement between the parties alone such as transfer of technology contracts while denying arbitrability to non-contractual disputes about the infringements of the intellectual property rights. This concern arises from the fact that intellectual property rights derive from legal protection granted on a national basis, which affords the beneficiaries certain exclusive rights to use and exploit the intellectual property right in question. The validity of an intellectual property right is determined by reference to a national law, which may include public registration of the right. Thus, ownership rights, and their modifications, revocations or confirmation should only be decided by the courts of that country. The power to grant patents is seen as a mean to advance science. Initially, the belief was that the government had the duty to intervene in private patent disputes through the court system to enforce the public interest. However, this philosophy clashes strongly with the economic reality, i.e. that intellectual property rights are not bound to a particular geographic location and are not easily controlled by governments. Moreover, the arguments objecting to the arbitrability of the validity

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<sup>84</sup> Basically, the validity of an arbitral agreement depends first of all on whether the subject matter is arbitrable (this is called “objective arbitrability”) and on the quality of the parties to the agreement to arbitrate (this is called “subjective arbitrability”). In this paper, I shall only deal with objective arbitrability

of intellectual property rights seem very weak. Indeed, the existence of many intellectual property rights is independent of its registration.<sup>85</sup> And other state-imposed responsibilities, such as contract and tort, may in certain circumstances be freely waived. It is important that the marketability of international arbitration should be broadened to such cases and the only limit that should be placed on this freedom should be a substantive violation of the public policy.

## **2) Arbitrability and Public Policy**<sup>86</sup>

However, criticism can be leveled at the application of public policy to object to the arbitrability of intellectual property issues concerns the reason of its application. Indeed, the aim behind the existence of an international public policy should be to protect fundamental notions of justice. The emphasis should be on the moral value of the rule at stake. International public policy applies to defeat conduct widely viewed as unacceptable such as apartheid, drug trafficking, corruption or even anti-trust violations and which reflect essential policy.<sup>87</sup> However, there is no vital interest why national rules forbidding the arbitrability of certain intellectual property issues should prevail over the parties' intention. And the goal of international public policy should not permit to give effect to national policies, which do not reflect vital and widely shared moral values. International public policy should not be allowed to extend to the arbitrability of intellectual property matters, as here there exists no universal moral standard.

## **B. Practical Importance of Interim or Partial Awards**<sup>88</sup>

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<sup>85</sup> Copyrights, Trade-secret or Trademarks do not exist upon registration but upon creation

<sup>86</sup> "Public policy is notoriously difficult to define and is interpreted by different countries in different ways, but it is clear that the arbitrability of intellectual property disputes is a "public policy" question" in "Final report on Intellectual Property Disputes and Arbitration", Report of the ICC Commission on International Arbitration, May 1998, ICC International Court of Arbitration Bulletin

<sup>87</sup> Fouchard, Gaillard, Goldman on International Commercial Arbitration, Emmanuel Gaillard and John Savage, Kluwer Law International, , The Hague, 1999

<sup>88</sup> While in common law countries the terms "interim" and "partial" are used interchangeably, this is not always the case in civil law countries. The term "partial" may denote an award which disposes of one or more of the monetary or other main issues in dispute between the parties. Thus, where this definition of

We have seen that, because of their intangible nature, intellectual property rights are commercially valuable not because of any inherent value, but because a functioning legal system will protect the right of the owners to control possession and use. Thus, intellectual property disputes, where control of the use of the property is the key issue, are driven primarily by the availability of an injunction against the infringer, while normal legal remedies, such as collecting damages or royalties are generally inadequate because they do not preserve the exclusive use of the property.<sup>89</sup> In practice, a high proportion of intellectual property disputes are determined at the interlocutory stage<sup>90</sup> Interim relief is required where one needs to protect the integrity of intellectual property rights and to prevent abuse such as when evidence could be destroyed or lost or when identifiable assets may be placed out of reach and therefore will not be available if the claim were to succeed.<sup>91</sup>

This point is particularly technical as it raises problems of arbitrability and enforceability, governing law and involvement of third parties as well. Indeed, it is crucial that arbitrators are able to make any interim arrangements that are necessary to ensure that the final award is just and effective. This will depend on the governing law of the arbitration.<sup>92</sup> The support of courts is also necessary, as obviously an arbitral tribunal has no powers of enforcement so that the enforcement of any injunctive relief must be sought from the courts of the jurisdiction in which enforcement of such relief is sought. This may turn not only on that jurisdiction's view of whether intellectual property disputes are arbitrable, but also on whether an

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“partial” award applies, an “interim” award will be one that deals with the preliminary issues, such as jurisdiction, applicable law, language of proceedings, or security. See generally A. Redfern and M. Hunter, *Law and Practice of International Commercial Arbitration*, pp. 284-87, Sweet & Maxwell, London, 1986

<sup>89</sup> Especially in trademark licensing or franchising agreements see Paul M. Janicke, “Symposium 2002 : the future of patent law: ‘maybe we shouldn’t arbitrate’: some aspects of the risk/benefit calculus of agreeing to binding arbitration of patent disputes”, *Houston Law Review*, 2002

<sup>90</sup> Bryan Niblett, “IP disputes: Arbitrating the Creative”, 1995, *Dispute Resolution Journal*

<sup>91</sup> Raymond J. Werbicki, “Arbitral Interim Measures: Fact or Fiction?”, *Dispute Resolution Journal*, November 2002-January 2003

<sup>92</sup> Under the New York Convention, the UNCITRAL Model Law and the conflict of law rules of most countries, the governing law of the arbitration is the law of the country in which the arbitration takes place.

arbitral tribunal can issue injunctive relief. If the measure is in the form of an interim award, there is however at least an argument that the award can be enforced under the New York Convention.<sup>93</sup> Finally, interim measures may be urgently needed before the tribunal is even formed or may require the involvement of third parties over whom the arbitrators do not have jurisdiction.

Difficulties in obtaining interim measures are probably one of the major impediments to the more extensive use of arbitration over intellectual property rights infringement issues. In addition, national legislation and judicial authorities diverge a lot. Only limited steps have been made by the international community to attempt to harmonize the issue. Yet the introduction of such provisions would create a further incentive to arbitrate and is a great stake for the creation of an efficient system, responding to business needs in that field.

### **C. Finality of the Award**

The question of the level of judicial review and the effectiveness of the award must be carefully considered especially in the context of international arbitration. Indeed, it is crucial when dealing with international arbitration that the arbitral decision is recognized and enforceable in another country.

As it is right now, the international arbitral system does not lack appellate review but such a review is limited to certain criteria. Everything is done to protect the “finality” of awards.<sup>94</sup> Indeed, most modern arbitration statutes set extremely narrow limits for the review of international arbitration awards, which generally correspond to the exceptions to recognition and enforcement contained in the New York Convention.<sup>95</sup>

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<sup>93</sup> Article V.1(e) of the New York Convention provides that recognition and enforcement of the award may be refused if the party furnishes proof that the award has not yet become binding on the parties. But is an interim or partial award “final”? Is it “binding”?

<sup>94</sup> “Finality” means the lack of appeal on the merits of the disputes

<sup>95</sup> The UNCITRAL Model Law similarly provides for six narrow bases for setting aside awards, including the non-arbitrability of the subject matter and the violation of domestic public policy. Article 34(2) of the Model law



Moreover, the Model law encouraged countries to abandon all appeal on the merits. Thus, in general, the Court of Appeal cannot review the merits of the disputes and errors of judgment, whether of fact or of law, are not in themselves grounds on which the award can be set aside or refused enforcement.

Some authors are critical of this assumption behind our current system that finality is a virtue in the eyes of everyone who submit to arbitration.<sup>96</sup> Rather they point out that such assumption is correct only if the stakes in arbitration are small enough that errors are tolerable and the risk of error is outweighed by the desire for speed and finality. Indeed, the finality of an arbitration award allows a dispute to be resolved in a time-efficient manner and at lesser cost. With judicial review also comes inevitably the loss of confidentiality. Therefore, for most arbitration users, it is a significant advantage of arbitration over litigation. But this might not always be true. In fact, surveys show that corporate counsels would litigate rather than submit to arbitration large-stake disputes precisely because arbitration awards are so difficult to appeal and it appears that the largest single category of arbitration-related litigation still involves appeals on the legal merits of arbitral awards.<sup>97</sup> When the amounts in dispute are larger, then the absence of a mechanism to correct an erroneous result is unacceptable. Even if the possibility of error seems low, they would not bear the risk of error without adequate means to correct those mistakes and some business parties and counsel now seriously consider provisions for expanding judicial review or private appellate review when agreeing to arbitrate.<sup>98</sup> Given the complexity of international intellectual property transactions on the one hand and the high stake

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<sup>96</sup> “But when the assumption of the value of finality is considered in light of the high stakes and factual and legal complexity of many modern transnational transactions and increasingly suggestive empirical evidence, it is apparent that there is potentially a significant market for optional appellate procedures in international arbitration.” In William H. Knull and Noah D. Rubins, “Betting the Farm on International Arbitration: Is it Time to Offer an Appeal Option?”, 2000, *The American Review of International Arbitration*

<sup>97</sup> Steward R. Shakelton, “Annual review of English Judicial Decisions on Arbitration-2001”, 2002, *International Arbitration Law Review* AND in Steward R. Shakelton, “Annual review of English Judicial Decisions on Arbitration-2000”, 2001, *International Arbitration Law Review*

<sup>98</sup> Most commonly such agreements call for judicial vacatur of arbitral awards for errors of law, errors of facts or both. See William H. Knull and Noah D. Rubins, “Betting the Farm on International Arbitration: Is it Time to Offer an Appeal Option?”, 2000, *The American Review of International Arbitration*

usually involved on the other, this criticism seems to be especially relevant for international intellectual property disputes.

Emphasizing the contractual nature of arbitral agreements, those authors suggest that, in respect of the level of judicial review, the principle of party autonomy should be more respected.<sup>99</sup> Indeed, it should be possible, when parties see finality as a desirable part of arbitration, to craft some appeal limitations or, when parties feel that they cannot afford to bear the risk of an erroneous arbitration award without a reasonable means for correction, to provide appeal procedures.<sup>100</sup> It is important to address those concerns if one wants to draw skeptical corporate counsels and large-stake international contracts into the arbitral fold.

#### **D. Confidentiality**

Commercial disputants should be able to exchange information in arbitration proceedings with the assurance that the information will not be subsequently abused. This entails two aspects. First, there should be a presumption that, unless the parties agree otherwise, the parties and the arbitration tribunals shall treat the proceedings, any related disclosure and the decisions of the tribunal, as confidential. In other words, there should be an implied duty of confidentiality.<sup>101</sup> Any specific issues of confidentiality should be raised with and resolved by the tribunal and parties should be entitled to rely upon the enforceability of a promise not to reveal information that was imparted conditionally upon such a promise in the course of arbitration. Sanctions against parties who disclose the proceedings should be available to ensure a

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<sup>99</sup> William H. Knull and Noah D. Rubins, "Betting the Farm on International Arbitration: Is it Time to Offer an Appeal Option?", 2000, *The American Review of International Arbitration*

<sup>100</sup> Such crafting should consider the inclusion of clauses establishing different standards of review, but also deadlines, evidentiary limitations or the addition of generally applicable provisions on fast-track panel formation, cost-shifting, sanctions and expedited review. See William H. Knull and Noah D. Rubins, "Betting the Farm on International Arbitration: Is it Time to Offer an Appeal Option?", 2000, *The American Review of International Arbitration*

<sup>101</sup> Hans Bagner, "Confidentiality in Arbitration – Don't Take it for Granted!", in *Mealey's International Arbitration Report*, December 2000, Vol. 15 #12

maximum level of confidentiality. Secondly, and especially for trade-secrets, commercial parties should enjoy a presumption that information exchanged in arbitration will not be used by the recipient in other contexts and information revealed in the course of arbitration proceedings should be admissible as evidence in any subsequent judicial proceedings. Because we are speaking about disputes taking place in a commercial setting, only limited exception should be allowed, such as public policy, ethical constraints or information used to support studies.

Finally, arbitrators should be able to issue orders to protect trade secrets or other proprietary information and to require the destruction or return of information of a producing party.

It is important that confidentiality should be as far reaching as possible, as it is the great advantage of arbitration. It is also an advantage that only international arbitration purports to offer. This point is important as, to the extent that they offer no option for the effective protection of confidential information, the providers of international arbitration services are failing to maximize their potential in the dispute resolution market.

#### **E. Expeditious Process**

As seen in the precedent section, the speed of the arbitral process is often what makes arbitration advantageous over traditional litigation. This factor is also of great importance as it bears directly on the cost of the proceedings. Thus, this advantage should be guaranteed and an efficient regime should provide for the expeditious conduct of the proceeding by empowering the arbitrator to establish time limits for each phase of the proceeding and to penalize a party engaging in dilatory tactics. The court should be able to intervene to extend unrealistic time limits. This would be a legitimate court intervention, as it would seek to maintain the effectiveness of an

arbitration agreement, which has not provided a mechanism for extending the deadline for making the award.<sup>102</sup>

### **3. Concluding Remarks**

This section aimed at giving an overview of the potential of arbitration in international intellectual property cases. Arbitration promises swift, cost effective, confidential, fair and expert determinations of intellectual property issues. The existence of the New York Convention increased the potential of arbitration as the appropriate remedy for international disputes. Those promises could be fully exploited and effectively guaranteed by a system, which would appropriately balance public policy and efficiency. In light of these criteria, we will now examine the appropriateness of different national legislations to international intellectual property disputes, and see how far they have indeed recognized this potential and have exploited it.

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<sup>102</sup> Fouchard, Gaillard, Goldman on International Commercial Arbitration, Emmanuel Gaillard and John Savage, Kluwer Law International, , The Hague, 1999

## CHAPTER II

### A GEOPOLITICAL MAP OF INTELLECTUAL PROPERTY ARBITRATION

This section compares and contrasts the acceptance of arbitration for resolving international intellectual property disputes in three national legal systems. Taking into account each country's dissimilar political, legal, and cultural constraints and resources, the section examines how each state has responded or is about to respond to the problem. It also tries to analyse the law as critically as possible by trying to point out at internal incoherencies or gaps in the law. Mandatory provisions of the applicable law relating, for example, to the parties' ability to apply for interim measures of protection or to submit their dispute to arbitration will be scrutinised. But the examination of non-mandatory provisions is also important as they may impose undesired requirements on unwary parties who did not provide otherwise. Finally, the analysis shall not forget to note the lack of non-mandatory provisions, whose absence may cause difficulties by not providing answers to the many procedural issues relevant in arbitration and not always settled in the arbitration agreement. The critical analysis will also try to reveal the assumption being made by each system and whether the law is premised on a number of mistakes.

The study of national legislation is important even in international arbitration. The New York Convention introduces a system which, if internationalized, is not international. Under it, award recognition is subject to the mandatory provisions of the applicable local law. As one commentator noted, the New York Convention "forces counsel to abandon the familiar perception that international arbitration proceedings are *sui generis* and may be conducted pursuant to their own terms of reference".<sup>103</sup> Another attempt to denationalize and carve out a separate regime for international arbitration was followed in the UNCITRAL Model Law drafted by the

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<sup>103</sup> Laurence W. Craig, "Some trends and developments in the laws and practice of international commercial arbitration", Winter 1995, Texas International Law Journal

United Nations Commission on International Trade Law.<sup>104</sup> Its aim is comparable to the Convention in that it is a set of rules designed in part to govern unsupervised arbitration<sup>105</sup> throughout the world and reduce the role of local court supervision over international arbitrations.<sup>106</sup> But here again, Article 34 and 36 provides that awards can be set aside and recognition and enforcement refused if they are against the public policy of the local law or if the dispute is not capable of arbitration under that law. Thus, in light of these reforms of the international arbitration system, it appears that the legal theory of a transnational arbitral regime, for disputes involving private entities at least, has been adopted in a relative way: it seeks to give effect to award rendered in compliance with an agreed regime of international arbitration rules, but this regime could be displaced if mandatory provisions of local law so required.<sup>107</sup> For this reason, it becomes important for businesses and lawyers to examine the comparative attractiveness of potential arbitration sites.

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<sup>104</sup> U.N. GAOR, 40<sup>th</sup> Session, Supp. No. 17, U.N. Doc. A/40/17, Annex I, at 81-93 (1985)

<sup>105</sup> Indeed, UNCITRAL Model Law is intended to apply if parties haven't chosen arbitral rules, such as the UNCITRAL Arbitration rules or other institutional arbitration rules.

<sup>106</sup> In fact, the Model Law adopts the New York Convention

<sup>107</sup> In fact, except for the ICSID Convention, none of the international conventions govern the extent of a state's exercise of judicial control over the challenge to awards of international arbitral tribunal, See Charles N. Brower, "Correction and Completion of Awards; Enforcement of Partial and Final Awards; Collaboration by Courts for an Award to be Effective; Impact of 'International Public Policy' on Arbitration", ICCA Bahrain Arbitration Conference 1993, Congress series No. 6

## **I. US Approach to the Arbitral Treatment of Transnational Intellectual Property Disputes**

Traditionally, the United States was not a preferred site for international commercial arbitration. First, its global economic and political interests made foreign parties suspicious about the neutrality of such a forum. Secondly, and more importantly, the United States did not ratify the New York Convention until 1970 and is presently reluctant to accept the Model Law,<sup>108</sup> thereby showing its reluctance to join an international system of arbitration.

But while the United States could not be characterized as a neutral or international site, the United States still has great incentive to implement attractive arbitration legislation, especially in intellectual property cases. Indeed, foreign trading partners regard commercial litigation in the American courts as a traumatic experience to be avoided. Furthermore, they fear the interaction between state and federal law. The United States cannot offer the uniformity of one body of substantive commercial law which is usually the case in other nations and answers to such substantive questions as the availability of punitive damages and their standards vary among the 50 states. On the other hand, the United States is one of the world's largest producers of new information. The United States has become increasingly vulnerable to piracy and otherwise inadequate protection of its intellectual property in foreign countries. Billions of dollars are lost each year to counterfeiters, resulting in thousands of lost jobs. International protection of intellectual property has therefore become an important trade issue for the United States. As a result of this expense and burden of

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<sup>108</sup> A number of states have adopted the UNCITRAL Model Law but this will apply only in the rare case where parties have specifically agreed that international arbitration in the US shall be governed by a particular state's arbitration law. See W. Laurence Craig, "Some Trends and developments in the Laws and Practice of International Commercial Arbitration", Texas International Law Journal, Winter, 1995

domestic litigation as well as of this crucial economic interest, the United States adopted the most advance form of international intellectual property arbitration.<sup>109</sup>

## 1. Arbitrability: Towards Almost Universal Arbitrability

In the United States, virtually all intellectual property issues may be the subject of binding arbitration, barring contractual language to the contrary.

### A. A Supportive Legislative Environment

The Federal Arbitration Act<sup>110</sup> (the “FAA”) of 1925 was modified in 1971 to implement the 1958 New York Convention.<sup>111</sup> In 1982, Congress amended the Patent Act to provide for private arbitration of patent disputes.<sup>112</sup> The bill was approved without opposition and enjoyed broad public support.<sup>113</sup> Section 294 (a) expressly allows voluntary, binding arbitration of patent validity, enforceability, and infringement disputes pursuant to a written agreement between the parties. Such agreement and awards may be enforced under Title 9 of the US Code. Section (b) further provides that arbitrators must consider all raised patent defenses available in a normal court litigation.<sup>114</sup> This shows that Congress did not intend to foreclose any patent issues from resolution by arbitration.<sup>115</sup> However, sections 294 (c), (d), and (e) restrain the scope of section 294(a). First, the arbitrator’s award has effect only *inter partes* and thus cannot affect the rights of non-parties. Courts could thus deny effect

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<sup>109</sup> The American Arbitration Association perhaps has the largest arbitration practice with some 60,000 cases a year, but most of which are domestic

<sup>110</sup> 9 USC 1-14, 201-208, 2000

<sup>111</sup> The Convention was implemented in the United States in 9 U.S.C. ss. 201-208

<sup>112</sup> Former President Ronald Reagan signed Public Law 97-247 on August 27, 1982. The arbitration section of PL 97-247 became effective on February 27, 1983

<sup>113</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, Stanford Law Review

<sup>114</sup> Noninfringement, absence of liability for infringement, unenforceability and patent invalidity (35 U.S.C. 282)

<sup>115</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, Stanford Law Review



to award to the extent it purports to bind non-parties or negate a government grant.<sup>116</sup> Secondly, the award must be filed in the US Patent and Trademark Office before it becomes enforceable. Lastly, the parties may agree that the award will be modified if the patent that is the subject of the arbitration is subsequently determined to be invalid or unenforceable in the light of a later judicial decision.<sup>117</sup>

This support was further expressed in 1984 with the addition of Section 135 (d) which provides statutory authorization for voluntary, binding arbitration of *any aspects* of U.S. “patent interference contest”.<sup>118</sup> This happens where two or more inventors compete for priority of invention by attempting to prove their earliest date of conception and reduction to practice. This requirement is unique to US Patent law as it is one of the only country to apply the “first to invent rule”.<sup>119</sup> This is a further legislative support. However, the benefit of arbitration in this situation is controversial as arbitrators can determine priority of invention but cannot decide the ultimate question of patentability.

Indeed, arbitration will not be allowed to take the place of proceedings before a U.S. administrative agency under some circumstances. The jurisdiction of the U.S. International Trade Commission is mandatory and will supersede arbitration proceedings for intellectual property issues arising out of a 19 U.S.C. § 1337 (a) proceedings<sup>120</sup>. The US Patent and Trademark Office also retains jurisdiction over the ultimate question of patentability, irrespective of any award determining priority of invention as that would have the potential to affect unrepresented third parties.

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<sup>116</sup> David W. Plant, *Resolving International Intellectual Property Disputes*, International Chamber of Commerce, Paris, December 1999

<sup>117</sup> David W. Plant, *Resolving International Intellectual Property Disputes*, International Chamber of Commerce, Paris, December 1999

<sup>118</sup> The Patent Law Amendments Act (HR 6286; PL 98-6220) became effective on November 8, 1984

<sup>119</sup> Indeed, most other nations apply the “first to file” rule: the owner of the patent is the first who has filed a patent application

<sup>120</sup> “Final report on Intellectual Property Disputes and Arbitration”, Report of the ICC Commission on International Arbitration, May 1998, ICC International Court of Arbitration Bulletin

A second important statute, the Semiconductor Chip Protection Act, was finally enacted in 1984 to expand the scope of informal resolution of intellectual property disputes. This act sanctions litigation of disputes over royalties payable for innocent infringement of chip-product rights unless they are resolved by voluntary negotiation, mediation or binding arbitration.<sup>121</sup>

## **B. A Progressive Judicial Reaction**

Notwithstanding this supportive legal environment, Act, this trend has only been fully addressed by the courts in the last twenty years. Indeed, despite the passage of the Act, parties could only arbitrate issues of private law such as contract disputes and courts often refused to enforce arbitral decisions on matters of public law such as patent validity or antitrust issues as they have the potential to affect unrepresented third parties. However, the arbitrability of *inter partes* patent issues, such as whether a product was within the scope of the patent and thus subject to royalties under the licensing contract, was allowed.<sup>122</sup> Two key decisions have reversed this trend by enforcing an international arbitration agreement even where there were public policy concerns over American securities legislation<sup>123</sup> or over American antitrust law.<sup>124</sup> Those decisions expended the boundaries of arbitration in the United States but were also partially motivated by a desire to streamline the settlement of international disputes in particular.<sup>125</sup> US courts thus do not now hold public policy as sufficient justification to preclude arbitration of intellectual property disputes<sup>126</sup> and the

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<sup>121</sup> The Semiconductor Chip Protection Act (HR 6163 ; PL 98-620, 17 USC, §901 *et seq*) also became effective November 8, 1984

<sup>122</sup> Julia A. Martin, "Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution", April 1997, Stanford Law Review

<sup>123</sup> *Scherk v. Alberto Culver Co.*, 417 U.S. (1974)

<sup>124</sup> *Mitsubishi motors Corp v. Soler Chrysler-Plymouth, Inc* 473 U.S. 614 (1985)

<sup>125</sup> Julia A. Martin, "Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution", April 1997, Stanford Law Review

<sup>126</sup> Julia Martin, "Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution", April 1997, Stanford Law Review citing *Saturday Evening Post Co. V. Rumbleseat Press, Inc.*, 816 F.2d (7<sup>th</sup> Cir. 1987) which rejected to a public policy argument by relying on *Mitsubishi Motors* case and held that an arbitrator may determine even the validity of copyrights themselves

Supreme Court has also interpreted the Act as establishing a strong presumption of arbitrability.<sup>127</sup>

Though there are no equivalent statutory provisions for the arbitration of trademark, copyright, and trade secret matters, they are routinely arbitrated and enforced by the courts absent agreement by the parties to the contrary.<sup>128</sup> The only remaining question is whether those intellectual property issues can be properly the subject of arbitration even absent an underlying contractual arrangement.<sup>129</sup>

## 2. Public Policy

The international provisions of the FAA allow for the refusal of confirmation on the same grounds as those established in the New York Convention, as long as the award was rendered in the United States.<sup>130</sup> Where the *arbitral situs* is within the United States, both domestic and international sections of the FAA apply, including extra-statutory grounds for vacatur such as manifest disregard of law.<sup>131</sup>

In the Parsons case,<sup>132</sup> the New York Court of Appeals formulated the test which started the jurisprudential trend favoring the application of international public policy in cases involving international arbitration. Generally, U.S. public policy is offended where the basis for the award contravenes the “most basic notions of morality and

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<sup>127</sup> *Moses H. Cone Memorial Hosp. V. Mercury Constr. Corp.*, 1983

<sup>128</sup> for the arbitrability of the validity of copyrights see *Saturday Evening Post Co. V. Rumbleseat Press, Inc.*, 816 F.2d (7<sup>th</sup> Cir. 1987); for the arbitrability of trade-secrets see *Aerojet-General Corp. v. Machine Tool Works* 895 F 2d 736 (1990) in Julia Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, Stanford Law Review

<sup>129</sup> Julia Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, Stanford Law Review

<sup>130</sup> 9 U.S.C. § 201, et seq.

<sup>131</sup> William H. Knull and Noah D. Rubins, “Betting the Farm on International Arbitration: Is it Time to Offer an Appeal Option?”, 2000, The American Review of International Arbitration

<sup>132</sup> *Parsons and Whittemore Overseas Co. v. Société générale de l'industrie du papier*, 508 F. 2d 969 (2d Cir. 1974)

justice”.<sup>133</sup> In the matter of the arbitration between *Fitzroy Engineering Ltd. v. Flame Engineering*<sup>134</sup> for example, the alleged dual representation of attorney for losing party in international arbitration did not offend U.S. public policy. The United States has thus demonstrated supporting international arbitration is its dominant public policy.

### **3. The Availability of Interim Relief: A Mitigated Situation**

The United States face a minor but damageable division in the federal and state appeals courts on the availability of interim remedies.

#### **A. The Split in the US Authority**

Under the FAA 1925, interim relief in national courts is immediately available, notwithstanding the existence of an enforceable agreement to arbitrate. The Supreme Court’s ruling in *Anaconda v. American Sugar Refining Co.*<sup>135</sup> stands for the proposition that courts have the statutory power to grant interim remedies under the FAA. But while a majority of courts have followed the statute and this case law in favor of provisional remedies,<sup>136</sup> some courts refused to provide the remedies to arbitral parties. Those cases held that no interim remedies may be provided under the FAA because where parties have referred the matter to arbitration, the power is perceived to have been effectively passed on to arbitrators and the court is divested of jurisdiction under the FAA. Court have thus issued orders staying the offending conduct until the arbitral tribunal has been put in place but thereafter, jurisdiction is

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<sup>133</sup> For an example of subsequent application of the test see the *Fotochrome* case 517 F2d 512, 515, 2<sup>nd</sup> circuit (1975) where the Court of Appeal stated that the public policy defence should only apply “where enforcement would violate the forum state’s most basic notions of morality and justice”.

<sup>134</sup> 94 C 2029, N.D. Ill, E.D. 1994

<sup>135</sup> [http://www.lexis.com/research/retrieve?\\_m=afe31e7f2aa048c023730bca1e3be5c3&docnum=19&\\_fmtstr=FULL&\\_startdoc=11&wchp=dGLbVtz-ISlbt&\\_md5=0a8b15d499118508da9e9712725448c6-n125#n125](http://www.lexis.com/research/retrieve?_m=afe31e7f2aa048c023730bca1e3be5c3&docnum=19&_fmtstr=FULL&_startdoc=11&wchp=dGLbVtz-ISlbt&_md5=0a8b15d499118508da9e9712725448c6-n125#n125)

<sup>136</sup> such as *Murray Oil Products Co. v. Mitsui & Co. Ltd.* for example

reposed in the arbitral tribunal which then makes a determination on the merits.<sup>137</sup> The concern is that where a court grants a remedy prior to an award being made, this could influence the arbitrator to determine the issue in the direction that the court has indicated.<sup>138</sup> The leading case denying provisional remedies is *McCreary Tire & Rubber Co. v. CEAT, S.p.A.*. The federal and state appeals courts are thus divided on the issue of the availability of interim remedies.

#### **B. The FAA and the New York Convention Empower U.S. Courts to Provide Interim Relief in International Arbitration Matters**

The reasoning of this minority of courts that withheld interim remedies in arbitration is obviously wrong.<sup>139</sup> It violates not only the FAA but also the New York Convention. Indeed, the majority of American courts that have addressed the issue of interim remedies under the New York Convention have disagreed with the minority and all the appellate decisions in other countries have ruled that the New York Convention permits interim relief.<sup>140</sup> This view lastly also conflicts with the fact that, in the United States, institutional rules provide that interim relief may be sought either from an arbitral tribunal or from a court and that a request for interim relief from a court shall not be deemed incompatible with the arbitral agreement.<sup>141</sup>

#### **4. Confidentiality**

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<sup>137</sup> David W. Plant, *Resolving International Intellectual Property Disputes*, International chamber of Commerce, Paris, December 1999

<sup>138</sup> “Final report on Intellectual Property Disputes and Arbitration”, Report of the International Chamber of Commerce Commission on International Arbitration, May 1998, ICC International Court of Arbitration Bulletin

<sup>139</sup> John A. Fraser, “Congress Should Address the Issue of Provisional Remedies for Intellectual Property Disputes Which are Subject to Arbitration”, *Ohio State Journal on Dispute Resolution*, 1998

<sup>140</sup> In *China National Metal Products Import/Export Company v. Apex Digital Inc.*, 141 F.Supp.2d 1013 (C.D. Cal. 2001), the court held that it had the power, under the New York Convention, to grant a writ of attachment as an interim measure to secure payment of an eventual award and that the language of article II(3) of the Convention (the court shall “refer the parties to arbitration”) do not strip it of that power. See Carolyn B. Lamm and Eckhard R. Hellbeck, “Enforcement of Foreign Arbitral Awards Under the New York Convention: Recent Developments”, *International Arbitration Law Review*, 2002, Sweet & Maxwell Limited and Contributors

<sup>141</sup> American Arbitration Association International Rules, Article 21

Under Article V(1) of the New York Convention, a court may be obliged to scour an award, the underlying arbitration agreement and the arbitral proceedings to determine whether or not to recognize and enforce the award. Similarly, under the US Patent Act,<sup>142</sup> a court may also be obliged to scour an award and the underlying proceedings to determine whether or not the award should be modified. Also section 294 (d) and (e) provide for notice and filing of an award, and any modified award, in the U.S. Patent and trademark Office (the PTO) and an award is not enforceable unless the notice (including the award) is filed with the PTO.<sup>143</sup> Section 135 (d)<sup>144</sup> provides for similar provisions. Those disclosure requirements thus compromise confidentiality soon after the award is issued. This has the effect of inviting reliance by non-parties on the collateral estoppel effect of an award of patent invalidity or unenforceability. Such reliance will lead to the piercing of the confidentiality veil that may otherwise protect the award and the underlying proceedings.<sup>145</sup>

Finally, the *United States v. Panhandle Eastern Corporation* case<sup>146</sup> is an important judicial attack on confidentiality. In that case, the Court rejected the argument that an understanding existed between the parties from the outset of the arbitration to the effect that pleadings and documents would be kept confidential and concluded that the Internal Rules of the ICC Court applied only to members and not to parties.<sup>147</sup>

## 5. Concluding Remarks

Thus, the general commercial preference for arbitration and the enforcement of arbitration awards have the full support of U.S. public policy.<sup>148</sup> Indeed, legislative

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<sup>142</sup> 35 U.S.C. 294 (c)

<sup>143</sup> PTO Rule 335 is to the same effect as Section 294 (d) and (e)

<sup>144</sup> augmented by PTO Rule 690

<sup>145</sup> David W. Plant, *Resolving International Intellectual Property Disputes*, International chamber of Commerce, Paris, December 1999

<sup>146</sup> 118 F.R.D. 346

<sup>147</sup> Those rules provided that participants in the work of the ICC Court must respect the “confidential character” of that work

<sup>148</sup> However for a discussion of the limits of the courts’ pro-enforcement tendency in the application of the New York Convention see Carolyn B. Lamm, “Enforcement of Foreign Arbitral Awards Under the New York Convention: Recent Developments”, *International Arbitration Law Review*, 2002

and judicial supports have opened the possibility for parties to submit almost any aspects of intellectual property disputes to arbitration. Arbitrators can decide issues of public law and, in fact, have received much support for the arbitrability of international disputes. The remaining gaps in the recognition of the arbitrability of intellectual property disputes are likely to be bridged in a favorable manner. The United States is also likely to be a more acceptable arbitration site than in the past as there has been a clear recognition of the receptivity of U.S. courts to international arbitration practice.<sup>149</sup>

However, the United States is partially handicapped by some of its own courts as to the availability to arbitral parties of interim remedies. No careful drafting or negotiating work can overcome that hurdle as some courts in the U.S. simply will not provide provisional remedies to arbitral parties. Given the importance of injunctive relief and other interim remedies to intellectual property disputes, this is a substantive flaw. To resolve the split of the appeals courts, either the Supreme Court should re-addressed the issue or the Congress should enact amendment to the FAA.

Also it seems that there is a price to pay for this broad support for the arbitrability of intellectual property rights: the ease with which the confidentiality veil of their arbitration can be pierced.

Lastly, the United States still follows a model under which there would be one arbitration law for both domestic and international arbitration.<sup>150</sup> Within this regime, special provisions are nevertheless made for particular relationships, for instance consumer contracts which are subject to stricter conditions and, in some limited fashion, for international arbitrations which benefit from some special exceptions, particularly regarding the limitations on the right to judicial recourse. However,

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<sup>149</sup> Hong-Lin Yu, "From Arbitrability to A-National Principles –The U.S. Experience", *International Arbitration Law Review*, 1999

<sup>150</sup> The Federal Arbitration Act governs both domestic and international arbitration

ultimately, international arbitration is governed by the general law.<sup>151</sup> Some commentators press the United States to adopt an international arbitration act to clarify the role and scope of federal judicial supervision of international commercial arbitration and avoid the risk that procedural provisions intended to apply to purely domestic concerns such as, consumer protection provisions or local evidentiary procedures might be applied to an international arbitration taking place in that jurisdiction.<sup>152</sup>

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<sup>151</sup> Laurence W. Craig, "Some trends and developments in the laws and practice of international commercial arbitration", Winter 1995, *Texas International Law Journal*

<sup>152</sup> William W. Park, "The Interaction of Courts and Arbitrators in England: the 1996 Act as a Model for the United States", 1998, *International Arbitration Law Review*, also William W. Park, "Duty and Discretion in International Arbitration", in *Mealey's International Arbitration Report*, January 2000, Vol. 15 #1



## **II. National and Regional Treatments on the European Continent: A Process in Evolution?**

While undoubtedly the United States has been in the forefront of developments, European countries also have a long history of arbitration and have played an important role in fueling the growth of international commercial arbitration.<sup>153</sup>

### **1. The Variety of Solutions Within the EU: Diverse Approaches, Diverse Outcomes**

While European countries, contrary to the United States, can be characterized as neutral sites in the international sense and ratified the New York Convention early, they did not necessarily fill the other criteria for a desirable arbitration site. Indeed, they do not have modern arbitration legislation providing for a reduced role for judicial supervision or rules clearly setting out the mandatory procedural requirements of the local law which apply to international arbitration taking place on their territory.<sup>154</sup> Around the 1980's, a number of European countries revised their laws to accommodate the demands of international arbitration. Of particular interest are the reforms in England and France which illustrate entirely different approach to legislative reform and the incorporation of the Model Law.<sup>155</sup>

#### **A. The English System**

##### **1) Backdrop to the 1996 Arbitration Act**

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<sup>153</sup> In particular, French and English law have had an impact upon the development of arbitration in the Arab world for example

<sup>154</sup> Laurence W. Craig, "Some trends and developments in the laws and practice of international commercial arbitration", Winter 1995, Texas International Law Journal

<sup>155</sup> England is not technically a Model Law jurisdiction but its current legislation respects many of its major building blocks

Historically, London vied with Paris and Geneva for the title of the world's pre-eminent arbitration center,<sup>156</sup> but within the past decade London was increasingly perceived to be dated and out of touch with modern international arbitration practice. In 1979, the abolition of the procedure by which awards had been subject to systematic review on their legal merits by the courts opened up a reform process aimed at modernising English arbitration law. Further statutory changes occurred after that, but they did not go far enough and did not constitute a truly systematic legal framework. Almost two decades later, England attempted to meet the challenge under the Arbitration Act 1996.<sup>157</sup> This Act consolidates domestic and international arbitration legislation under one law. This section examines the new Act in order to determine its usefulness in promoting London as a centre for the resolution of international technology disputes. We will see that, despite its significant improvements over the previous law, it is doubtful whether the 1996 Act will provide England with the necessary advantages it requires to attract international technology arbitrations case.<sup>158</sup>

On the international scene, England did not ratify the New York Convention until 1975.<sup>159</sup> A commission was appointed to consider whether to adopt the Model Law. Although it was decided not to import the Model Law, the Act is strongly influenced by it.<sup>160</sup>

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<sup>156</sup> The United Kingdom have indeed a long tradition of arbitration. The London Court of International Arbitration is over 100 years. Its rules have been restructured in the early 1980's. As alluded before, it has also the London Metal Exchange and the London Maritime arbitration Association. Finally, for domestic arbitration, it has the Chartered Institute of Arbitrators

<sup>157</sup> The Act applies to proceedings commenced on or after 31 January 1997, regardless of the date of the arbitration agreement. The earlier Arbitration Acts (1950, 1975 and 1979) are repealed or re-enacted with the exception of the majority of Part II of the Arbitration Act 1950 which, pursuant to s.99 of the Act, continues to apply in relation to "foreign awards" within the meaning of Part II of the 1950 Act which are also New York Convention awards.

<sup>158</sup> Gary L. Benton and Richard J. Rogers, "the Arbitration of International Technology-Disputes Under the English Arbitration Act 1996

<sup>159</sup> Arbitration Act 1975

<sup>160</sup> Indeed, a Court of Appeal decision affirmed that the UNCITRAL Model Law has acquired the status of travaux préparatoires in the interpretation and application of the English Arbitration Act "because it is clear that those responsible for drafting the Act had the provisions in mind when doing so". *Patel v. Patel* [1999] 3 W.L.R. 322 at 325 cited in Stewart R. Shakelton, "English Arbitration And International Practice", International Arbitration Law Review, 2002. However, in other cases, the Model Law has been considered irrelevant, especially where the English Act adopts a different wording

## 2) Arbitrability

The Act makes no attempt to expand or contract the current state of law with regard to the arbitrability of intellectual property disputes. There is no statutory provision corresponding to the US Patents Act.<sup>161</sup> Indeed, neither the Arbitration Acts of 1950 and 1979 nor the Arbitration Act 1996 make any special provision for intellectual property disputes. We thus have to examine the general provisions of the Act.

There is no reason of principle in English law why an intellectual property dispute should not be referred to arbitration. For example, an English court stayed court proceedings in favor of arbitration in a dispute arising out of patent licence agreement.<sup>162</sup> However the arbitrators can only bind the parties before them.

Nonetheless, questions of title to and infringement of intellectual property may raise special considerations because an arbitration award is a decision *in personam*, i.e. only binding the parties actually involved in the arbitration, whereas intellectual property rights can bind the whole world. However, given that it is well settled in England that disputes relating to title to real property may be arbitrated and that awards in such cases bind not only the parties but, by virtue of section 16 of the Arbitration Act 1950 and section 58(1) of the arbitration Act 1996), those “claiming under” a party to the arbitration (but not third parties), it seems likely that intellectual property arbitration awards would be accorded the same effect. The fact that the Act departs from prior law in eliminating the restriction on arbitration of disputes arising out of admiralty, commodity market and insurance contracts governed by English law is a further sign pointing towards the arbitrability of intellectual property issues.<sup>163</sup> In

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<sup>161</sup> 38 USC 294

<sup>162</sup> *Roussel-Uclaf V. Scarle & Co.* [1978] 1 Lloyds Rep. 225

<sup>163</sup> Prior legislation prohibited pre-dispute waiver of the right to appeal points of law in such “special category” cases on the assumption that the fertilization of judicial decisions was necessary to assure the preeminence of English law in these areas as it would provide broader rules to guide business conduct outside the particular disputes. See William W. Park, “the New English Arbitration Act”, in Mealey’s International Arbitration Report, June 1998, Vol. 13, #6

sum, it seems that Great Britain allows arbitration of patent validity but does not allow revocation of the patent or other *extra partes* effects of an arbitration.<sup>164</sup>

Therefore, it is likely that a foreign award dealing with intellectual property would be recognized and enforced in England under the New York Convention since the subject matter is capable of settlement by arbitration under English law.

### 3) Public Order

The Arbitration Act repeats Article V of the New York Convention regarding grounds for refusing recognition or enforcement of a foreign arbitral award.<sup>165</sup> However, it does not provide the source for the concept of public policy. Rather this concept is drawn from the common law.

English statutory law has not traditionally distinguished between domestic and international arbitration. But this has not prevented English courts from placing support for finality of international arbitration above domestic considerations. In *Westacre*, the court referred to the American Supreme Court decision in *Mitsubishi Motors Corp.* in determining the existence of a public policy, giving effect to international arbitration agreement.<sup>166</sup> The court held that English courts:

“would give predominant weight to the public policy of sustaining the parties’ agreement to submit the particular issue of illegality and initial invalidity to ICC arbitration rather than to the public policy of sustaining the non-enforcement of contracts illegal at common law”.<sup>167</sup>

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<sup>164</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, *Stanford Law Review*

<sup>165</sup> The Act provides a wide range of grounds for setting aside domestic awards, even allowing appeal to questions of law, but requires that awards covered by the New York Convention be recognized and enforced unless one of the narrow exceptions to enforcement under that treaty is demonstrated. Article 67-69 and 103

<sup>166</sup> [1998] 4 All E.R. 570 at 596

<sup>167</sup> [1998] 4 All E.R. 570 at 596

Other cases have also confirmed the existence of “international obligations to recognize and enforce non-domestic arbitration agreements”.<sup>168</sup>

The *Hilmarton* case<sup>169</sup> also clarified the limited scope for review by an English court on the ground of public policy of a New York Convention award: only if enforcement of an award conflicts with overriding public policy concerns such as the need to combat drug trafficking, fraud, corruption and terrorism at an international level, will an English court intervene. In terms of precedent, a 1987 case, already stated that public policy will be used to deny enforcement of a foreign award only when there is an “element of illegality” involved, the award is found to be “clearly injurious to the public good” or where “enforcement would be wholly offensive to the ordinary reasonable and fully informed member of the public”.<sup>170</sup> Domestic public policy concerns have no role to play at the enforcement stage.<sup>171</sup>

Lastly, the courts have reinforced the principle of separability<sup>172</sup> in international disputes, which further narrow the possibilities that awards can be cancelled.<sup>173</sup>

#### 4) The Availability of Interim Relief

<sup>168</sup> *Grimaldi Compagnia di Navigazione S.P.A. v. Sekihyo Lines Ltd* [1998] 3 All E.R.

<sup>169</sup> *Omnium de Traitement et de Valorisation SA v Hilmarton Ltd* [1999] 2 All E.R. (Comm) 146 (QBD (Comm Ct)) See Audley Shepard, Case Comment, “Whether Enforcement of a Foreign Award Should be Refused as Contrary to Public Policy on the Ground that the Underlying Agreement was Illegal under the Law of the Place of Performance”, *International Arbitration Law Review*, 1999, Sweet & Maxwell Limited and Contributors

<sup>170</sup> *Deutsche Schachtbau- und Tiefbohrergesellschaft mbH v. Ras Al Khaima national Oil Co.*, [1987] 2 All E.R. 769. In that case, the parties agreed to an ICC arbitration to be held using „internationally accepted principles of law governing contractual relations“ rather than any particular national law. Although English law did not recognize the application of a *lex mercatoria* to the substance of the dispute, the Court of Appeal rejected the motion to deny enforcement.

<sup>171</sup> Ewan Brown, “The Illegality and Public Policy –Enforcement of Arbitral Awards in England: *Hilmarton Limited V. Omnium De Traitement Et De Valorisation S.A.*”, *International Arbitration Law Review*, 2000

<sup>172</sup> Affirmed in *Harbour Assurance v. Kansa General International Assurance* and codified in the new Arbitration Act, the doctrine of separability holds that an arbitration clause remains autonomous from the main commercial agreement in which it is found. Thus, there is no need for courts to retain exclusive control over issues of initial or subsequent illegality. Recent decisions set out exceptions to separability and the arbitrator’s jurisdiction to determine initial illegality. See Stewart R. Shakelton, “Global Warming: Milder Still in England: Part 3”, *International Arbitration Law Review*, 2000

<sup>173</sup> *Ranko Group v. Antarctic Maritime S.A.*, June 12, 1998, Comm Ct, per Toulouson J., unreported

In England, as in France or in the United States, the power of the arbitral tribunal to grant interim measures lies between two extremes.<sup>174</sup>

**a. The Power of Arbitral Tribunals to Order Interim Measures**

The English legal system confers on the arbitrator the power to rule on interim measures. Section 39 (1) of the Act provides that, *by agreement of parties*, the tribunal is empowered to order, “on a provisional basis”, any kind of relief which it would have power to grant in a final award. The Report of the Departmental Advisory Committee on Arbitration Law on the 1996 Act gives a very broad description of such relief granted “on a provisional basis” and thus, if interpreted in that way, arbitral tribunal will have relatively little power to order interim relief in the absence of the parties’ agreement.<sup>175</sup> Moreover, section 39 (4) further states that if the parties did not agree to it, no such power exists as the arbitral tribunal has only the power to make certain interim orders, as specified in the Act, including orders to provide security for costs or to inspect or preserve property or evidence.<sup>176</sup> Finally, to encourage parties to abide by their procedural duties, the tribunal is given power, unless otherwise agreed, to dismiss the claim if there has been inordinate and inexcusable delays.<sup>177</sup>

**b. Court’s Power**

On the other hand, the Act states that, even in respect of arbitral proceedings, the court is allowed to exercise certain powers, presumably in order to protect the

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<sup>174</sup> Raymond J. Werbicki, “Arbitral Interim Measures: Fact or Fiction?”, *Dispute Resolution Journal*, November 2002-January 2003

<sup>175</sup> Indeed it refers to “temporary arrangements, which are subject to reversal when the underlying merits are finally decided by the tribunal”. Such a broad approach is similar to the one of the UNCITRAL Working Group. See Raymond J. Werbicki, “Arbitral Interim Measures: Fact or Fiction?”, *Dispute Resolution Journal*, November 2002-January 2003 explaining that Section 39 was added to prevent arbitral tribunals from exercising “draconian powers” such as issuing freezing and search and seizure orders, but that at the end, it effectively prevents arbitrators from granting any relief on a provisional basis without an express agreement of the parties

<sup>176</sup> Sections 38, 39. These sections deal with the concern that the English courts were willing to use broad powers over an arbitral proceeding following the infamous *Ken-Ren* case.

<sup>177</sup> Section 41

interests of the parties. Indeed, section 44 of the Act provides that unless otherwise agreed by the parties, the court has the power to make certain orders listed in the Act, which includes, among other, the power to grant interim injunctions and orders regarding the taking or preserving of evidence. The Act further provides that, where the matter is urgent, the party may apply directly to a court to make such orders “as it thinks necessary for the purpose of preserving evidence or assets”.<sup>178</sup> Where it is not urgent, the court will act only with the permission of the arbitral tribunal or the agreement of the parties.<sup>179</sup> The court can also act where the arbitral tribunal has no power or is unable for the time being to act effectively.<sup>180</sup>

When English law is the procedural law of the arbitration, there should be no difficulties in enforcing arbitral interim measures against a party in England as the Act provides mechanisms supporting enforcement of orders, directions and awards of the arbitral tribunal.<sup>181</sup>

Judicial proceedings will be stayed in deference to arbitration abroad,<sup>182</sup> and courts may secure assets by injunction and order the taking of evidence even in connection with foreign arbitration.<sup>183</sup> However, the procedure available in ordinary court to secure the attendance of witnesses may be used in arbitration only if the witnesses can be found in the United Kingdom.<sup>184</sup>

The *Re Q's Estate* case<sup>185</sup> provides an instructive example of the interpretation of the Act. It established that the opening words of Section 44 “unless otherwise agreed by the parties” do not mean that the parties, by their agreement, can take away the

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<sup>178</sup> Section 44, § 3

<sup>179</sup> Section 44

<sup>180</sup> Section 44, § 5

<sup>181</sup> William W. Park, “the New English Arbitration Act”, in Mealey’s International Arbitration Report, June 1998, Vol. 13, #6

<sup>182</sup> Act § 2(2)(a) & (b)

<sup>183</sup> Act § 2(3) says that § 44 (securing assets and taking evidence) will apply even if the seat of arbitration is outside England

<sup>184</sup> Section § 43 (attendance of witnesses) only applies if arbitral proceedings are being conducted in England

<sup>185</sup> [1999] 1 All E.R. (Comm) 499 (Comm Ct)

inherent power of the court to grant a deserving party an interlocutory relief. This case also clarified that, although interim injunctions may generally be sought after the main cause of action has commenced, that relief may also be sought in anticipation of the “imminent arising of a cause of action”.<sup>186</sup>

The arbitral panel’s power to grant interim injunctive relief is probably the greatest failing of the Act in the context of technology disputes.<sup>187</sup> Under the Act, the panel’s power to make provisional awards must be expressly conferred by the parties. Otherwise, the Act gives the tribunal only a limited authority to make interim orders and injunctive relief is not cited as one of the two examples of provisional relief. In England, there has traditionally been a close link between courts and the arbitral tribunal process and wide court powers and intervention has traditionally been permitted.<sup>188</sup> While courts should go on playing its traditional role of supporting the arbitration process, it is essential for arbitrators to have the power to take provisional measures. This principle flows from their primary task of ensuring the efficient settlement of a dispute. The power of arbitrators to order such measures does not derive therefore from the consent of the parties, whether given directly or indirectly by their acceptance of the arbitration rules. Even arbitrators who do not receive permission, directly or indirectly, from the parties should have the power to take such measures. In fact, many recent foreign statutes on arbitration have adopted an express rule whereby the arbitrators have the power to take interim or provisional measures and many arbitration rules also confirm this power.<sup>189</sup> Lastly, beyond the two examples of interim relief cited, the division of power between courts and tribunals is not clear and can lead to practical difficulties.<sup>190</sup>

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<sup>186</sup> C. Chatterjee, “RE Q’s Estate-Powers of the Court Under Section 44 of the Arbitration Act 1996: Clarified”, *International Arbitration Law Review*, 2000

<sup>187</sup> Gary L. Benton and Richard J. Rogers, “the Arbitration of International Technology-Disputes Under the English Arbitration Act 1996

<sup>188</sup> see for an illustration of that the Ken-Ren case decided under the English Arbitration Act of 1950, *Coppee-Lavalin S.A./N.V. v. Ken-Ren Chemicals & Fertilizers Ltd.* [1994] 2 All E.R. 449

<sup>189</sup> UNCITRAL Model Law, Article 17

<sup>190</sup> see *Channel Tunnel Group v. Balfour Beatty* [1993] AC 334 (HL)



## 5) Confidentiality

The New English Act contains no provision for confidentiality. The reason is that the drafters considered the issue too complex to be codified in legislation.<sup>191</sup> Indeed, English courts have undoubtedly recognized the existence of an implied duty of confidentiality in arbitration and have repeatedly upheld it. But at the same time, they have acknowledged the existence of exceptions to the duty, without comprehensively setting out those exceptions. In the *Dolling-Baker v. Merrett* case,<sup>192</sup> the Court of Appeal granted an injunction restraining one party from disclosing in subsequent action “any documents prepared for and used in the arbitration, or disclosed or produced in the course of the arbitration”.<sup>193</sup> The Court also specifically referred to “transcripts or notes of the evidence in the arbitration or the award” as well as evidence given by any witness in the arbitration, as falling within the ambit of confidentiality, the duty deriving from the essentially private nature of the arbitration. But the Court also identified exception to that duty when consent to disclosure of confidential documents was granted by the other party or when the court ordered disclosure of the documents. When ordering disclosure, the court should consider whether the same outcome could be achieved by other means.<sup>194</sup> In *Hassneh Insurance Co of Israel v. Stuart J. Mewl*,<sup>195</sup> the court confirmed the existence of the implied obligation of confidentiality identified in *Dolling-Baker*. It also identified a further exception to the duty: when disclosure is reasonably necessary for the protection of the legitimate interests of an arbitrating party vis-à-vis a third party in order to found a cause of action against that third party or to defend a claim or counterclaim brought by the third party. This exception was deemed to apply to the award, tribunal’s reasoning, parts of the evidence and possibly extracts from the parties’ submissions and pleadings but not to pleadings, written submissions, witness

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<sup>191</sup> see Olivier Oakley-White, “Confidentiality Revised: Is International Arbitration Losing One Of Its Major benefits”, *International Arbitration Law Review*, 2003 citing the Comments of the Department Advisory Committee on Arbitration’s Law Report of the Arbitration Bill of February 1996 who referred to the “myriad of exceptions” to the principle

<sup>192</sup> [1991] 2 All E.R. 890

<sup>193</sup> Per Parker L.J. at 899c.

<sup>194</sup> Per Parker L.J. at 899

<sup>195</sup> [1993] 2 Lloyd’s Rep. 243

statements, disclosed documents and transcripts. A further exception was recognized in *London and Leeds Estates Limited v. Paribas Limited*<sup>196</sup> where the court recognized that a party to court proceedings was entitled to obtain statements given by the other party's witness in earlier arbitrations where it appears that the views that had been expressed were contrary to the views being expressed in the court proceedings. This disclosure is required in the interest of justice, i.e. as a matter of public interest, namely the interest in ensuring that judicial decisions are reached on the basis of accurate witness evidence.

Lastly, although its impact should not be overstated, it is worth noting that international opinion does not generally hold that such duty exists but appears to be divided. Indeed, the American *Panhandle* case is not the only example of a judicial attack on confidentiality but such a similar view was also taken by the High Court of Australia in the famous *Esso/BHP* case<sup>197</sup> where it held that under Australian law a duty of confidentiality cannot be implied into an arbitration agreement and that it is not an essential feature of arbitration. Absent any statutory provision, who knows what impact those cases may have on the consideration of the existence and scope of confidentiality in England.<sup>198</sup>

Thus, the Arbitration Act 1996 falls short on the confidentiality issue as it can be interpreted as protecting confidentiality only to the extent that arbitral hearings are closed proceedings, so the parties themselves are not prevented from making disclosures.<sup>199</sup> The fact that the Act does not provide blanket cover for such issues and left the task to the courts is unfortunate as the most reliable way to protect confidentiality is certainly by statutory intervention.<sup>200</sup> Hence, it will be up to the

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<sup>196</sup> [1995] E.G. 134

<sup>197</sup> [1995] 128 A.L.R. 391

<sup>198</sup> Olivier Oakley-White, "Confidentiality Revised: Is International Arbitration Losing One Of Its Major benefits", *International Arbitration Law Review*, 2003

<sup>199</sup> Gary L. Benton and Richard J. Rogers, "the Arbitration of International Technology-Disputes Under the English Arbitration Act 1996

<sup>200</sup> But see Olivier Oakley-White, "Confidentiality Revised: Is International Arbitration Losing One Of Its Major benefits", *International Arbitration Law Review*, 2003 citing the Departmental Advisory Committee on Arbitration Law's Report of the Arbitration Bill admitting that "in due course, if the whole

parties to add a clause to their arbitration agreement dealing specifically with confidentiality<sup>201</sup> or to rely upon arbitral rules providing that protection.

## 6) Concluding Remarks

The particular concerns of parties involved in international intellectual property disputes are covered to a large degree. However, the absence of statutory provision protecting confidentiality and the uncertain division of power between court and tribunal regarding interim measures can have a deleterious effect on the attractiveness of England as a site for international intellectual property arbitration. Despite significant improvements over the previous law, it thus still remains to be seen whether the Act will provide England with the necessary advantage it requires to attract those cases away from other, competing, venues.

Practice in England following the introduction of the new Arbitration Act also provides rich ground for observation of a legal phenomenon: the breaking down of national particularism under the effect of the internationalisation of the practice of law. In respect of that, England represents a compromise between modernism and conservatism, international practice and domestic rules.<sup>202</sup> There has been an increasing acceptance by English courts, even after involvement of the legislator, of international practice and arbitral awards as potential sources of law.<sup>203</sup>

It is worth noting that the introduction in 1999 of New Civil Procedure Rules<sup>204</sup> may well accelerate the speed at which arbitration practices and procedures are already adapting to modern commercial realities.<sup>205</sup>

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matter of the exceptions to confidentiality were ever to become judicially resolved, it would remained possible to add a statutory provision by way of amendment to the Bill”.

<sup>201</sup> In that case it might be worth to draft as so as to stipulate a sanction in case of breach

<sup>202</sup> Stewart R. Shakelton, “Global Warming: Milder Still in England: Part 3”, *International Arbitration Law Review*, 2000

<sup>203</sup> Stewart R. Shakelton, “Global Warming: Milder Still in England: Part 3”, *International Arbitration Law Review*, 2000

<sup>204</sup> This reform follows from an inquiry into the civil justice system chaired by Lord Woolf. In his report, “Access to Justice”, he concluded that the present system of civil justice was too slow, too expensive, too complex and too inaccessible.

## **B. The French System**

France was one of the first countries to modernize its legislation on arbitration. The provisions on arbitration, which were adopted early 1980s, are found in articles 1442 to 1507 of the New French Code of Civil Procedure. A special chapter for international arbitration was added by decree in 1981. Those provisions establish a clear distinction between domestic and international arbitration and were well-received worldwide, improving Paris' stature as a venue for arbitration.

On an international level, contrary to the United States or England, France was an early party to the New York Convention.<sup>206</sup>

### **1) Arbitrability**

As in England, French arbitrators can determine issues regarding patent validity, counterfeiting, or licenses, but they cannot declare a French patent invalid because that implicates public policy and the rights of third parties. Indeed, under article 2060 of the French Civil Code, public policy cannot be determined by arbitration.<sup>207</sup> In a 1989 case, the Paris Court of Appeal ruled that “the contractual and private nature of arbitration prevents the arbitral jurisdiction [*from being available*] in matters governed by mandatory provisions with a public policy dimension, this being a prerogative of the State Courts”.<sup>208</sup>

<sup>205</sup> “ In many respects the Rules emulate what are effectively ‘best’ practices in arbitration process. In Philip Wright, “The Woolf Reforms: Largely A Re-Statement Of Current Arbitration Practice”, International Arbitration Law Review, 1999. See also Dr. Loukas A. Mistelis, “ADR in England and Wales”, 2001, The American Review of International Arbitration

<sup>206</sup> More generally, France has always, since the beginning, participated to international conventions such as the Geneva Conventions of 1923 and 1927 or the Geneva Convention of 1961

<sup>207</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, Stanford Law Review; Fouchard, Gaillard, Goldman on International Commercial Arbitration, Emmanuel Gaillard and John Savage, Kluwer Law International, , The Hague, 1999

<sup>208</sup> *SDP v. DPF*, 20 June 1989, Rev. Arb. 1989, p280

As with patent arbitration, France recognizes trademark arbitration but restricts the ability of a tribunal to declare a trademark invalid.<sup>209</sup> An arbitrator cannot declare a French trademark invalid because such a determination involves public policy considerations but an arbitrator can declare a trademark valid.<sup>210</sup>

Because the results of disputes involving the transfer or licensing of trade-secrets do not require entry into a public register and are by nature private and confidential, arbitration of trade-secret does not raise the same public policy concerns as arbitration of disputes involving other intellectual property disputes and are thus generally arbitrable.<sup>211</sup>

Lastly, as most industrialized countries, France recognizes arbitral awards resolving copyright disputes but in such cases, the arbitrator does not determine the revocation of title and is limited to deciding whether the work complies with the criteria of protection.<sup>212</sup>

## 2) International Public Order

Article 1502 5° of the New Code of Civil Procedure provides that recognition and enforcement of an award will be refused where that would be contrary to “international public policy”. Article 1504 also provides that an award made in

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<sup>209</sup> Article 35 of the Trade Marks Act states that trade mark agreements can be the subject matter of arbitration in accordance with Articles 2059 and 2060 of the Civil Code. As for the subsequent Intellectual Property Code (in force as of July 1992), it provides that its jurisdictional rules are no obstacle to the settlement of intellectual property disputes by arbitration.

<sup>210</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, *Stanford Law Review*

<sup>211</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, *Stanford Law Review*; Fouchard, Gaillard, Goldman on International Commercial Arbitration, Emmanuel Gaillard and John Savage, Kluwer Law International, , The Hague, 1999

<sup>212</sup> Julia A. Martin, “Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution”, April 1997, *Stanford Law Review*; Fouchard, Gaillard, Goldman on International Commercial Arbitration, Emmanuel Gaillard and John Savage, Kluwer Law International, , The Hague, 1999

France can be set aside if it is contrary to international public policy.<sup>213</sup> Indeed, France has replaced domestic public policy with considerations of “international” public policy.<sup>214</sup> Although no definition is provided in the statute, courts have drawn a clear distinction between domestic public policy and international public policy so that domestic public policy rules of France or any other foreign jurisdiction do not constitute a ground of appeal against an arbitral award.<sup>215</sup>

The French system did not however adopt a “truly international public policy” approach but defines the content of “international public policy” in the light of the fundamental consideration of French law.<sup>216</sup>

Lastly, the Paris Court of Appeal refused to adopt a strict formalistic view of the violation of public policy and an award will only be set aside if the solution given to the dispute violates public policy.<sup>217</sup>

### 3) The Availability of Interim Relief

In a jurisdiction that has adopted the UNCITRAL Model Law, i.e.: France, a national court is empowered to grant interim relief in international arbitrations, even if the tribunal is in place absent an agreement of the parties to the contrary. But the arbitral tribunal itself is also empowered to grant interim relief.

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<sup>213</sup> Article 1498 states that arbitral award shall be recognized and enforced in France unless they are “manifestly” contrary to international public policy. Note also that the provisions of the French local law on recognition and enforcement are more favorable than is the New York Convention or the Model Law as for example, unlike the New York Convention Article V. 1 (e), French law does not in principle refuse recognition and enforcement to foreign award “set aside or suspended” by the court at the place of arbitration. See Cass, 1e Cb Civile, October 3, 1984, *Soc. Pabalk Ticaret Sirketi v. Soc. Anon. Norsolor*, Dalloz 101 (1985)

<sup>214</sup> The domestic arbitration provision (article 1484) simply refers to “public policy”.

<sup>215</sup> CA Paris, Mar. 12, 1985, *Intrafor Cofor*; CA Paris, June 11, 1991, *Soabi*; Cass., March 10, 1993 *Polish Ocean Line* : enforcement of award set aside in country of rendering does not violate international public policy in sense of NCCP 1502 5°

<sup>216</sup> CA Paris, May 25, 1990, *Fougerolle* refusing to apply “a truly international and universally applied public policy”

<sup>217</sup> CA Paris, Oct. 27, 1994, *Reynold*; CA Paris, Mar. 30, 1995, *Fabre v. Espitalier* ; Ca Paris, Dec. 11, 1997, *Cubana*.

a. **The Power of Arbitral Tribunals to Order Interim Measures**

In France, arbitrators may grant the same interim measures as judges, provided that the object of those measures is closely linked with the matter in dispute. Article 1460 of the New Civil Procedure Code, applicable to domestic arbitrations, and to international arbitrations where the parties have specifically so agreed, sets out the general rule that the arbitrator may order a party to produce evidence in its possession.<sup>218</sup> The arbitrators are allowed to rule that their award will be provisionally enforced with a view to avoid the filing of a recourse against the award, which would be an obstacle to its immediate effect. In such a case, the judge may confirm the enforcement of the award, in spite of a request for appeal or annulment of the award.<sup>219</sup>

b. **Court's Power**

Before the tribunal is constituted, such relief is normally granted only by courts. In France, there is no reference in the New Civil Procedure Code section on arbitration which specifically authorizes the courts to intervene and order interim remedies. But the arbitration agreement does not prevent national courts taking conservatory or provisional measures.<sup>220</sup> Indeed, the general powers of the court in summary proceedings (“*en référé*”) which is resorted to for provisional measures such as attachments and injunctions may sometimes also be used for the protection or gathering of evidence, most particularly by naming a court appointed expert to render a report or expertise. Parties may thus apply for interim or conservatory measures, normally in expedited proceedings.<sup>221</sup> Parties often prefer this course of proceeding in

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<sup>218</sup> W. Laurence Craig, “Some Trends and Developments in the Laws and Practice of International Commercial Arbitration”, Texas International Law Journal, Winter 1995

<sup>219</sup> Article 1479 of the Code of Civil procedure

<sup>220</sup> W. Laurence Craig, “Some Trends and Developments in the Laws and Practice of International Commercial Arbitration”, Texas International Law Journal, Winter 1995

<sup>221</sup> Article 809 of the New Code of Civil Procedure

practice since it is quicker than with an interim arbitral award, the provisional enforcement of which has, in any case, to be confirmed by the court.<sup>222</sup>

#### 4) Confidentiality

Article 1469 states that arbitrators' deliberations shall be confidential. No further provisions exist.

#### 5) Concluding Remarks

Since 1980, other countries have updated their legislation on arbitration and the French courts have elaborated an extensive decisional law on the French provisions regarding arbitration. There is now a move within the French arbitration community to reform arbitration law and integrate those major developments of those last twenty years and such activities could lead to important changes in the legislation.<sup>223</sup>

The great advantage of current French legislation is that it clearly distinguishes domestic and international arbitration. Lastly, it is interesting to note that, although France belongs to a civil law tradition, the French view on arbitration seems to be closer on many points to the American view than the English view is.<sup>224</sup>

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<sup>222</sup> "Final report on Intellectual Property Disputes and Arbitration", Report of the ICC Commission on International Arbitration, May 1998, ICC International Court of Arbitration Bulletin

<sup>223</sup> Such as the French Committee on Arbitration, entity composed of well-know French lawyers and professors involved in the field of arbitration

<sup>224</sup> see Hong-Lin Yu, "From Arbitrability to A-National Principles –The U.S. Experience", International Arbitration Law Review, 1999 explaining that while there has been much reluctance in England to accept the application of a-national principles (such as the general principles of law, trade-usage or amiable composition), this issue has not caused much problem to American courts (*Ministry of Defense v. Gould Inc.*, 887 F. 2d 1357 9<sup>th</sup> Cir., 1989) and that "the U.S. courts tend to restrict the judicial review of arbitral awards in much the same way as in France". Indeed, the English Arbitration Act 1996 maintained a regime of appeal to local courts on the legal merits of the arbitral awards and restricted the UNCITRAL Model Law approach to applicable law. See Stewart R. Shakelton, "English Arbitration And International Practice", International Arbitration Law Review, 2002



## **2. The Interaction Between Different Legal Traditions and Different Legal Languages within Integrated Economies: a Proposition for an Integrated Treatment of Intellectual Property Arbitration ?**

The persuasive and widespread adoption of an efficient arbitral system for cross-border disputes is particularly fit for Europe. Substantial resources are being wastefully spent or unrealised because of inefficient antagonist methods of commerce. And in the context of an enlarged Union, comprising many separate commercial cultures, entrepreneurial expectations, business traditions, codes of commercial laws and linguistic differences, the prospect of arbitration should be more than ever appealing. The European Union is aware that those social and economic differences represent a tangible curb on economic growth and that Europe could gain substantial benefits from a more widespread adoption of arbitration.

Thus, some institutions and treaties already exist within the European Union. Indeed, the European Convention on International Commercial Arbitration was adopted in 1961 to supplement the New York Convention among European countries. And the European Court of Arbitration of Strasbourg is competent to resolve disputes between economic entities when at least one of them has his headquarter in a member state of the EU.<sup>225</sup> Recently, the European Commission issued a “Green Paper on alternative dispute resolution in civil and commercial law”.<sup>226</sup> Its purpose was to initiate a broad-based consultation on European alternative dispute resolution. The Commission viewed the paper as a project to help increase better access to justice among the fifteen nations constituting the European Union. It indicates that the European Union sees alternative dispute resolution as part of its overall efforts to integrate social, business and security matters in member countries.<sup>227</sup> However, nothing indicates that

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<sup>225</sup> Article 1 See [www.cour-europe-arbitrage.org](http://www.cour-europe-arbitrage.org)

<sup>226</sup> COM (2002) 196 Final

<sup>227</sup> for a discussion on some aspects of the introduction of the Euro in arbitral proceedings and the continuity of existing contracts see Dr. Petra Senkovic and Pierre Lastenouse, “The influence of the Introduction of the Euro on International Arbitration”, in Mealey’s International Arbitration Report, June 1998, Vol. 13 #6

the importance and specificities of intellectual property disputes should be taken into account. This is unfortunate as we have already seen that transfer of technology via the licensing of information constitutes an ever-growing part of international trade. And with the enlargement of the Union towards less developed states, with different intellectual property laws, and which would need such transfer to develop their economies, such commerce is expected to increase substantially.<sup>228</sup>

Also, the possible confusion arising out of the diversity of attitudes towards the arbitrability of intellectual property disputes, towards the availability of interim measures of protection or towards the scope of confidentiality could be dispelled if the European Union was to regulate those questions. Such a unified and efficient system, maybe inspired by the liberal American model, would not only stimulate European intellectual property transactions, thereby causing some serious economic threat to its American competitor, but it would encourage European venues as preferred sites for arbitration. This would not seem unrealistic as the European Union has already made some considerable efforts towards an integrated system for litigating European patents. Indeed, the Convention on the Grant of European Patents (European Patent Convention –EPC), entered into force in 1977, created a European patent which has the same effect and is subject to the same conditions as a national patent grant in each of the Contracting States for which it is granted. Article 69 even imposes on all courts the necessity of construing the national patents in the same way.<sup>229</sup> And a new court for the Community patent will be established in Luxembourg in 2010 which will have exclusive jurisdiction in actions in relation to

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<sup>228</sup> For a discussion of the potential for patent litigation in the European Union, see Joseph Straus, “Patent law and policy symposium: re-engineering patent law: the challenge of new technologies: part 3: international and comparative law issues: patent litigation in Europe – a glimmer of hope? Present status and future perspectives”, 2000, Washington University Journal of Law & Policy

<sup>229</sup> The Convention on Jurisdiction and the Enforcement of Judgements in Civil and Commercial Matters (Brussels Convention), modified in 1978, provides for exclusive jurisdiction of the court of each Contracting State for any European patent granted for that state, See Joseph Straus, “Patent law and policy symposium: re-engineering patent law: the challenge of new technologies: part 3: international and comparative law issues: patent litigation in Europe – a glimmer of hope? Present status and future perspectives”, 2000, Washington University Journal of Law & Policy.

the patent.<sup>230</sup> Those reforms should be pushed further so as to harmonize the arbitral treatment of such intellectual property disputes.

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<sup>230</sup> COM (2003) 828 final

### 3. Concluding Remarks

The law in most countries has changed in recent years and is today expressly much more supportive of arbitration than earlier. Recent decisions, although rare given the characteristic of arbitration in the field of international intellectual property disputes, seem to indicate a trend toward an increased use of arbitration for international intellectual property disputes. This trend is likely to continue as international jurisprudence will evolve to accommodate advances in technology and information transfer in our societies. Thus, *a priori*, the legal community seems to have created a favorable environment for the flourishing of international intellectual property arbitration. But some substantial uncertainties regarding the arbitrability of the validity of certain intellectual property rights still remain in particular countries. The situation is the clearest in the United States where arbitrability of patents is explicitly allowed by 35 U.S.C. 294. All disputes related to patents, including validity and infringement, may thus be submitted to arbitration, whether domestic or international. The position in France and England however remains uncertain as it lacks legislative or judicial pronouncements on the matter of the arbitrability of the validity of grants and registrations for example. Also, at present, the availability of interim relief in international commercial arbitrations is not defined by arbitration law but rather by each country's civil procedure law and is subject to too many varying approaches under different national laws and is too uncertain.<sup>231</sup> As a result, the answer will depend on where the arbitration takes place. Likewise it can not be assumed that a confidentiality duty will be implied in all legal system. Moreover, legislations are often not comprehensive in that they do not address all relevant issues. The clarification and harmonization of these issues would substantially encourage the settlement of intellectual property disputes through arbitration, to the overall benefit of the international arbitral system.

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<sup>231</sup> Raymond J. Werbicki, "Arbitral Interim Measures: Fact or Fiction?", *Dispute Resolution Journal*, November 2002-January 2003

Thus, not all nations exploit the potential of arbitration fully and follow this ideal. Weighting arbitration's costs and benefits differently, some countries allow the arbitrability of intellectual property rights while others still refuse it in some circumstances. Should commercial actors find a country's review standards burdensome or inadequate, the market will direct their next arbitration to a place more compatible with the desired level of judicial control. National legislations should therefore remove their needless competitive handicap if they want to compete for new research and development investment.

The uncertainties and diversities of national standards are exacerbated in the context of international arbitration as foreign parties will be confronted with unfamiliar provisions. There is, in that field, a clear need for international standards, easily recognizable, with solutions acceptable to parties from different legal systems and cultures and meeting the specific needs of international intellectual property arbitration. In particular, recognition of award should not depend on the nature of the annulment standard but on whether or not it violates fundamental notions of justice. We will examine now whether international arbitral institutions have succeeded in meeting the challenge to develop harmonized international standards, universally adaptable across legal cultures.

### CHAPTER THREE

## THE PROMISES OF AN INTERNATIONAL ARBITRAL INSTITUTION TO SOLVE TRANSNATIONAL INTELLECTUAL PROPERTY CONFLICTS

As the world attempts to establish a protective regime for intellectual property, it is facing serious challenges. Indeed, one of the fundamental problems in international intellectual property law disputes is the myriad of conceptual differences in the way in which different nations view intellectual property rights. This problem was addressed by international conventions trying to establish minimum standards such as the Berne Convention for the Protection of Literary and Artistic Works which establishes minimum protection and national treatment in copyright matters. More recently, there has been ratification of the GATT, which resulted in dramatic changes in domestic patent law among others. Other conventions were created to install international system for filing and obtaining patents such as the WIPO-administered Patent Cooperation Treaty or the old 1883 Paris Convention for the Protection of industrial Property. But harmonizing the fundamental differences that exist in intellectual property philosophy is not enough.<sup>232</sup> The opening of an arbitration center by the WIPO is an acknowledgment that a protection mechanism functioning only on international intellectual property conventions, often lacking enforcement mechanism, is not effective and that we need, at least complementarily, a flexible mechanism, adapted to the special need of that trade to settle intellectual property.<sup>233</sup> The challenge is thus to liberalize arbitration law and clarify the question of the

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<sup>232</sup> For a summary of the differences between U.S. and European patent Systems (such as a first-to-file versus first-to-invent system, grace periods, etc) and the difficulties to reconcile them, see Rory J. Radding, "Intellectual Property concerns in a changing Europe: the US Perspective", 1994, New York Bar Association

<sup>233</sup> The WIPO is a specialized agency of the United Nations. Its task is to administer treaties dealing with intellectual property and for that it falls under the jurisdiction of the International Court of Justice, which is both complex and lengthy. WIPO was criticized for its lacks of efficiency as it did not dispose of many enforcement mechanisms. To improve the system, the WIPO has thus created an arbitration center. It now also works with the International Association for the Protection of Industrial Property (IAPIP) which advocates the use of ADR in intellectual property disputes. See Jennifer Mills, "Note and Comments: Alternative Dispute Resolution in International Intellectual Property Disputes", 1996, Ohio State Journal on Dispute Resolution

arbitrability of intellectual property disputes or of the availability of adequate procedures for them. Support from international institutions will greatly facilitate the final resolution of the problem. If the administering institution is indeed truly international and experienced in intellectual property, arbitration may overcome many of the difficulties that parties face while litigating their international intellectual property disputes in the courts.

The examination of the comparative attractiveness of potential arbitration sites for international intellectual property disputes could thus not exclude international arbitral institutions. Institutions providing for international commercial arbitration include, among others, the International Chamber of Commerce,<sup>234</sup> the London Court of International Arbitration, the American Arbitration Association, and for ad hoc arbitrations, the UNCITRAL Model Law or the rules of the Centre for Public Resources and non-administered arbitrations of international disputes. For international intellectual property disputes, the WIPO offers important advantages over its competitors: it is the only truly international and intellectual property expert institution.<sup>235</sup>

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<sup>234</sup> The ICC is the most widely used international arbitration institution

<sup>235</sup> The WIPO was established in 1993 with experts having assisted in the preparation of its rules and various facilities. It specially aimed at disputes involving intellectual property

## I. UNCITRAL Model Law on International Commercial Arbitration

Adopted by the United Nations Commission for International Trade Law in 1985,<sup>236</sup> UNCITRAL Model Law on International Commercial Arbitration (hereafter the “Model Law”) were created to respond to the need for improvement and harmonization of national law and to be “acceptable to States of all regions and the different legal or economic systems of the world”.<sup>237</sup> Contrary to the WIPO, the Model Law are non-institutional rules, i.e. they do not provide for administered arbitration. It has been adopted in 36 countries, including France. Other countries, while not adopting the Model Law, have nevertheless modernized their laws, basing them upon the Model Law. One example is the new English Arbitration Act of 1996.

### 1. Doubts on the Arbitrability of Intellectual Property Disputes

The Model Law does not define precisely the term “commercial”. Article 1 contains a note calling for “a wide interpretation so as to cover matters arising from all relationships of a commercial nature, whether contractual or not” and an illustrative list of relationship that are to be considered commercial. If it emphasizes the fact that the determinative test shall not be based on what national law considers “commercial”, it fails to properly include intellectual property disputes. Moreover, article 34 states that an arbitral award may be set aside if the subject-matter of the dispute is not capable of settlement by arbitration under the law of the state. Article 36 applies the same condition to the recognition and enforcement of the award. The Model Law thus did not try to harmonize the scope of arbitrable subject-matter.

### A. Interim Relief

<sup>236</sup> The Model Law was adopted on 21 June 1985 at the close of the Commission’s 18<sup>th</sup> annual session and the General Assembly recommended them to all States in its resolution 40/72 of December 1985. They must not be confused with UNCITRAL Arbitration Rules developed in 1976 which provide a comprehensive set of procedural rules upon which parties may agree for the conduct of arbitral proceedings.

<sup>237</sup> Explanatory note by the UNCITRAL Secretariat on the Model Law on International Commercial Arbitration



Important changes are being proposed to amend the current law in respect of the tribunal's power. However, not desiring to replace the different existing systems in the participating states, the Model Law did not attempt to draft uniform procedural rules on court assistance.

**1) The Current Law**

**a. Court-ordered Interim Measures**

The drafters of the Model Law were aware that the proper and efficient functioning of arbitration depends, *inter alia*, on court assistance in enforcing procedural decisions of the arbitral tribunal, and specifically in obtaining evidence. The drafters recognized, however, from the outset that it would be difficult to regulate court assistance in obtaining evidence in a Model law on arbitration because court assistance formed an integral part of the relevant procedural law of the legal system concerned.<sup>238</sup> The relevant procedural law varied considerably from one legal system to another and there is currently no common factor or uniform trend, as there is for the conduct of international arbitral proceedings, which can serve as a basis for harmonization.<sup>239</sup> Moreover, it is especially difficult to regulate court assistance for an international arbitration where court assistance is requested in one state for arbitrations held in another state.

In spite of these difficulties, the first draft of 1984 was quite ambitious. It not only envisaged court assistance in order to hear witnesses, produce documents and inspect property but also to secure expert testimony. Moreover, the items that could be specified in a request for assistance were listed in great details. In contrast, the final text neither specifies the forms of assistance to be requested nor the content of the

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<sup>238</sup> Indeed, interim reliefs such as attachment or injunction are not defined by arbitration law but rather by each country's civil procedure law.

<sup>239</sup> W. Laurence Craig, "Some Trends and Developments in the Laws and Practice of International Commercial Arbitration", *Texas International Law Journal*, Winter 1995

request. Instead, article 27 merely states that assistance in taking evidence *may* be requested from a competent court. Moreover, article 27 only refers to the existing domestic systems: “the court may execute the request within its competence and according to its rules on taking evidence”. This reference to the domestic system does not increase uniformity, but surely enhances changes of the Model Law to be adopted in many countries. Court assistance may be requested by the arbitral tribunal or a party with the approval of the tribunal.<sup>240</sup> Articles 5 and 6 require that all judicial powers regarding arbitration be vested in a single court whose identity is clearly specified in the law so as to ensure centralization and specialization and that any additional court powers be specified in modifications made to the Model law. Lastly, Article 9 of the Model Law states that it is not incompatible with an arbitration agreement for a party to request, before or during the arbitral proceedings, from a court an interim measure of protection and for a court to grant such a measure. But the Model Law does not specify the kinds of interim measures available. These are defined by general provisions of law. Accordingly, the Model Law leaves up to each state to determine what other measures of assistance or interim measures in support of arbitration it wishes to permit.

The drafters initially envisaged court assistance by domestic as well as foreign courts and contemplated an explicit reference to the taking of evidence abroad. This issue, however, was not considered to be a proper subject for the Model Law. Indeed, international court assistance should not be established, unilaterally, through a law, albeit a Model Law, but bilaterally or multilaterally, through conventions.<sup>241</sup> Even statements that request for evidence should be treated in the same way as a request from a domestic court, were not accepted. Thus, in brief, article 27 is limited to obtaining evidence within the state where the arbitration takes place.

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<sup>240</sup> Usually, the tribunal requests court assistance itself in arbitrations where it has an “investigative function” traditionally linked to the civil law system. In arbitrations of the “adversary” type, traditionally linked to the Anglo-American system, the parties themselves may apply for court assistance provided they have obtained preliminary approval from the arbitral tribunal. See Lucy Reed and Jonathan Sutcliffe, “The ‘Americanization’ of International Arbitration?”, in Mealey’s International Arbitration Report, April 2001, Vol. 16 #4, Mealey Publications, King of Prussia, PA

<sup>241</sup> See e.g., the 1970 Hague Convention on taking Evidence Abroad in Commercial and Civil Disputes that can be extended to arbitration by protocol

**b. The Power of Arbitral Tribunals to Order Interim Measures**

Article 17 states that, unless otherwise agreed by the parties, the arbitral tribunal may, at the request of a party, take whatever interim measures it deems necessary in respect of the subject-matter of the dispute. It also empowered the tribunal to order security of interim measures.

**2) The Reform**

**a. The Power of Arbitral Tribunals to Order Interim Measures**

More recently however, the UNCITRAL recognized the need for a more uniform solution in that field<sup>242</sup> and empowered a Working Group<sup>243</sup> to prepare draft revisions and additions to Article 17 of the UNCITRAL Model Law on International Commercial Arbitration.<sup>244</sup> The draft additions, which are still under discussion,<sup>245</sup> would concern the type and scope of interim measures to be ordered and the powers of tribunals to order them.<sup>246</sup> The UNCITRAL Working Group defined “interim measure of protection” very broadly as “any temporary measure ordered by the arbitral tribunal pending the issuance of the award by which the dispute is finally decided”.<sup>247</sup> The position adopted is that to ensure the effective availability of interim relief, it is desirable for parties to have access to both the arbitral tribunal and to the

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<sup>242</sup> This need was recognised in 2000

<sup>243</sup> The Working Group was composed of all 39 state members

<sup>244</sup> Report of the Working Group on Arbitration on the work of its thirty-eighth session (New York, 12-16 May 2003) A/CN.9/524

<sup>245</sup> The Secretariat has been requested to prepare revised draft provisions, based on the discussion in the Working Group, for consideration at a future session

<sup>246</sup> Raymond J. Werbicki, “Arbitral Interim Measures: Fact or Fiction?”, *Dispute Resolution Journal*, November 2002-January 2003 referring to the Report of the U.N. Secretary-General, *Settlement of Commercial Disputes*, A/CN.9/WG.II/WP.108 (Jan. 2000)

<sup>247</sup> Raymond J. Werbicki, “Arbitral Interim Measures: Fact or Fiction?”, *Dispute Resolution Journal*, November 2002-January 2003

courts. However, we have seen with England's case that if those powers are not clearly divided, this approach could lead to its own uncertainties.<sup>248</sup>

**b. Court-ordered Interim Measures**

The Working Group has completely given up the idea of harmonizing this issue. This is another obstacle to the functioning of an international arbitral regime.

**c. Recognition and Enforcement of Interim Measures and Public Order**

The Working Group did not only discuss provision on interim measures of protection ordered by an arbitral tribunal, it thus also discussed provisions on the recognition and enforcement of interim measures ordered by tribunals. The proposed harmonized provisions would require courts in countries that adopt the Model Law to enforce interim measures of protection ordered by arbitral tribunals, except in specified circumstances.

In respect to that issue, it was suggested that, instead of listing of the grounds on which recognition and enforcement could be refused, reference could instead be made to a general ground based on a violation of public policy.<sup>249</sup> But this idea was rejected as it was said that the notion of "public policy" is too vague and undefined in a number of countries and that inclusion of that unique ground would introduce too many uncertainties. The Working Group also rejected the idea of a reference to a "truly international public policy", arguing that it would introduce too high a threshold for refusal of enforcement.<sup>250</sup> However, it was said that, since the intention of the Working Group was to create a *sui generis* system for enforcement of interim

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<sup>248</sup> Raymond J. Werbicki, "Arbitral Interim Measures: Fact or Fiction?", *Dispute Resolution Journal*, November 2002-January 2003

<sup>249</sup> Report of the Working Group on Arbitration on the work of its thirty-eighth session (New York, 12-16 May 2003) A/CN.9/524

<sup>250</sup> Report of the Working Group on Arbitration on the work of its thirty-eighth session (New York, 12-16 May 2003) A/CN.9/524 § 38

measures of protection, it would be helpful to refer to international public policy and that this would also recognize and legitimize the developments that occurred in jurisprudence.<sup>251</sup>

However, nothing has been decided yet and the discussion on that issue will continue at a future session

## **B. Public Policy**

Article 36 states that recognition and enforcement of the award can be refused if it would be contrary to the public policy of the state. Article 34 applies the same condition for setting aside an award. The Model Law did not harmonize the concept of public policy in international arbitration.

## **C. Confidentiality**

We have seen that there is a divergence of views on the issue of the scope of arbitral confidentiality. Some legal systems, where the courts have a close relation to the arbitral process and feel a duty to supervise and assist, are more interventionists and, are willing to imply some broad obligations of secrecy and nondisclosure. Others are more laissez-faire and believe that whatever is not specifically forbidden is permitted. What is involved here is not mere differences in law but also differences in culture and societies, that result in different appreciation of the interest of secrecy and confidentiality. In these circumstances, a uniform approach to confidentiality is difficult to be discerned. That may be the reason why the Model Law makes no provision for the privacy of proceedings or the confidentiality of awards. On the contrary, Article 24 states the all statements, documents or other information supplied to the arbitral tribunal by one party shall be communicated to the other party, including any expert report or evidentiary document.

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<sup>251</sup> Report of the Working Group on Arbitration on the work of its thirty-eighth session (New York, 12-16 May 2003) A/CN.9/524 § 51



## **II. The UNCITRAL Arbitration Rules and Other Institutional Arbitration Rules**

Established set of rules were traditionally provided by arbitration institutions, usually the International Chamber of Commerce Arbitration Center, the London Court of International Arbitration and the American Arbitration Association. Recently however, UNCITRAL also promulgated a ready-made set of arbitration rules. These rules will now be briefly evoked to see if they contain relevant dispositions for international intellectual property disputes.

### **1. Availability of Interim Relief**

Both the LCIA and the ICC have amended their law and incorporated new provisions for interim relief. Institutional rules allow parties to grant wide power to the tribunal, thereby allowing them to effectively exclude the court's ability to intervene in relation to interim relief.

#### **A. UNCITRAL Arbitration Rules<sup>252</sup>**

Article 26 of the UNCITRAL Arbitration Rules provides that the tribunal can make interim measures of protection in form of interim award. Indeed, it states that "at the request of either party, the arbitral tribunal may take any interim measures it deems necessary in respect of the subject matter of the dispute, including measures for the conservation of the goods forming the subject matter of the dispute, such as ordering their deposit with a third person or the sale of perishable goods". It is also entitled to require security for the costs of such measures. In addition, parties can also apply to court.

#### **B. International Chamber of Commerce Arbitration Rules<sup>253</sup>**

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<sup>252</sup> Arbitration Rules adopted by the United Nations Commission on International trade. Resolution 31/98 adopted by the General Assembly on 15 December 1976

The ICC Arbitration Rules grant arbitrators powers to order interim or conservatory measures. Article 23.1 indeed provides that “unless the parties have otherwise agreed, as soon as the file has been transmitted to it, the arbitral tribunal may, at the request of a party, order any interim or conservatory measure it deems appropriate. The arbitral tribunal may make the granting of any such measure subject to appropriate security being furnished by the requesting party. Any such measure shall take the form of an order, giving reasons, or of an award, as the tribunal considers appropriate”. Article 20.5 further reinforces arbitrator’s powers by providing that “at any time during the proceedings, the arbitral tribunal may summon any party to provide additional evidence”.

Parties can also apply to court to order interim measure or for the implementation of such measures ordered by the tribunal. Article 23.2 indeed provides that “before the file is transmitted to the arbitrator, and in exceptional circumstances even thereafter, the parties shall be at liberty to apply to any competent judicial authority for interim or conservatory measures, and they shall not, by doing so, be held to infringe the agreement to arbitrate or to affect the relevant powers reserved to the arbitrator”.

Finally, a Pre-Arbitral Referee Procedure exists to provide, prior to the setting up of the tribunal, for the appointment of a “referee” with wide power.<sup>254</sup>

### **C. London Court of International Arbitration Rules**<sup>255</sup>

Article 25 of the LCIA Rules deals with this issue. It is very similar to the ICC provision. However, no such procedure like the ICC Pre-Arbitral Referee Procedure exists.

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<sup>253</sup> The ICC was established in 1923. The ICC Rules of Arbitration has been substantially revised and the new rules came into effect on 1 January 1998

<sup>254</sup> “Final report on Intellectual Property Disputes and Arbitration”, Report of the ICC Commission on International Arbitration, May 1998, ICC International Court of Arbitration Bulletin

<sup>255</sup> LCIA Rules were extensively revised in 1998



Article 25.1(b) of the LCIA Rules states that unless otherwise agreed by the parties, the tribunal has the power, on application of any party to order the parties to make any property or thing available for inspection, in their presence, by the tribunal or pay expert (and) order the preservation, storage, sale or other disposal of any property or thing under the control of any party and relating to the subject matter of the arbitration. Article 25.1(c) completes this disposition by giving the tribunal the power, on application of any party, to order on a provisional basis, subject to final determination in an award, any relief which it would have the power to grant in an award, including a provisional order for the payment of money or the disposition of property as between any parties. Finally, article 25.1(a) also empowers tribunal to order a party to provide for security for all or part of any amount in dispute in arbitration and Article 25.2 empowers it to order a party to provide security for the legal or other costs.

As far as the court's power is concerned, article 25.3 provides that the power of the arbitral tribunal shall not prejudice howsoever any party's right to apply to any state court or other judicial authority for interim or conservatory measure before the formation of the tribunal and in exceptional circumstances even thereafter.<sup>256</sup>

#### **D. American Arbitration Association International Arbitration Rules**<sup>257</sup>

The AAA international rules seem to give parties an option to obtain virtually any interim remedy from either an arbitral tribunal or a court. Indeed, article 21 authorizes the tribunal, at a party's request, to take whatever interim measures it deems necessary, including injunctive relief and measures for the protection or conservation

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<sup>256</sup> Article 25.3 however provides that, by agreeing to arbitration under these rules, the parties are deemed to have agreed not to apply to court for security for its legal or other costs.

<sup>257</sup> The Association was founded in 1926. It drafted implementing legislation in the United States for the 1958 New York Convention and participated on the Working Group of the UNCITRAL that drafted the Model Law. The AAA International Arbitration Rules (AAA175-10M-10/94) have been amended and the new rules became effective as on November 1, 2001. Arbitration rules specific to patent matters have been published by the AAA and generally follow the AAA Commercial Arbitration Rules. They were created in 1983 but have been amended and new rules became effective on July 1, 2003. AAA133-4M-11/93

of property. The tribunal may also order security for costs. Article 21 also states that a party may also apply to a court and that a request for interim measures from a court “shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate”. Courts may also order security for costs.

Like the ICC’s arbitral referee procedure, Optional Rules for Emergency Measures of Protection are also available when interim measures are needed before the tribunal is formed. Before the tribunal is formed then, a special arbitrator will be quickly appointed for the purpose of hearing a request for interim relief. However, parties have to be careful as those rules have to be specifically incorporated into the arbitral agreement and reference to the AAA international rules is not enough.

## **2. Confidentiality**

Perhaps concerned by the impact of the *Esson/BHP* decision, many international arbitral institutions have reviewed their rules in order to address more specifically the issue of confidentiality.<sup>258</sup> However, this initiative has not been followed by all institutions and even where there is confidentiality provision, some rules are not clear on exactly what is protected.<sup>259</sup>

### **A. International Chamber of Commerce Arbitration Rules**

ICC Rules fail short on confidentiality. Indeed, the protective provisions are quasi inexistant. Article 21.3 confirms a party’s right to private hearings. Appendix I, Article 6 imposes on the ICC Court of Arbitration an obligation of confidentiality.<sup>260</sup>

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<sup>258</sup> Olivier Oakley-White, “Confidentiality Revised: Is International Arbitration Losing One Of Its Major benefits”, *International Arbitration Law Review*, 2003

<sup>259</sup> Amy Edwards, “Confidentiality in Arbitration: Fact or Fiction?”, *International Arbitration Law review*, 2001

<sup>260</sup> However we have seen that in *United States v. Panhandle Eastern Corporation* (118 F.R.D. 346), a US court rejected the argument that an understanding existed between the parties from the outset of the arbitration to the effect that pleadings and documents would be kept confidential and concluded that the Internal Rules of the ICC Court applied only to members and not to parties.<sup>260</sup>

And article 20.7 provides that “the tribunal may take measures for protecting trade-secrets and confidential information”. However, no general duty of confidentiality is imposed on the parties. The drafters of the 1998 rules indeed considered such obligation impossible to draft due to the numerous exceptions applying and due to the difficulty for its members to reach a consensus on the existence of such obligations.<sup>261</sup> In those circumstances, it is necessary for the parties to insert a confidentiality clause in the terms of reference if they want to protect themselves against unscrupulous parties that wish to disclose confidential evidence for their own ends.

### **B. UNCITRAL Arbitration Rules**

The UNCITRAL Arbitration Rules also fails short on confidentiality as they provide solely for the confidentiality of the award and the privacy of the hearings.<sup>262</sup>

### **C. London Court of International Arbitration Rules**

The LCIA Rules are quite comprehensive on this issue and provide a high level of protection.

Indeed, article 30 deals in great details with confidentiality. According to it, awards and deliberations of the tribunal along with all materials created or produced during the proceedings by another party and not otherwise in the public domain shall be treated as confidential. The LCIA will not publish the award or any part of it without the prior consent of all parties and the tribunal. However, the confidentiality veil can be pierced when disclosure may be required of a party by a legal duty or to protect a legal right or to enforce or challenge an award in bona fide legal proceedings before a court. Lastly, as the ICC and as virtually all arbitration rules do, the LCIA Rules provides that the hearings shall be held in private, unless otherwise agreed by the parties.

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<sup>261</sup> Olivier Oakley-White, “Confidentiality Revised: Is International Arbitration Losing One Of Its Major benefits”, *International Arbitration Law Review*, 2003

<sup>262</sup> Article 32

#### **D. American Arbitration Association International Arbitration Rules**

AAA International Arbitration Association Rules provide for a limited protection of confidentiality. Indeed, hearings are private and awards may be made public only with the consent of all parties. But when article 34 imposes an obligation not to disclose any confidential information disclosed during the proceedings, that duty is imposed not on the parties but on the tribunal. The efficiency of such a provision is thus very improbable.

#### **3. Expeditious Process**

For parties seeking expeditious resolution of their disputes, both LCIA Rules and AAA rules provide for “fast track arbitration”<sup>263</sup>.

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<sup>263</sup> Article 9 LCIA Rules and Article E-1 to E-10 AAA Rules

### **III. The World Intellectual Property Organization (WIPO)**

The WIPO has founded its Arbitration Center, which among other things, includes the Court of Arbitration specialized for resolution of intellectual property disputes. For that particular purpose, the WIPO has enacted arbitration rules<sup>264</sup> and offered the service of the WIPO Arbitration Center as an appointing authority.<sup>265</sup> In addition, the WIPO Arbitration Center has drafted Expedite Arbitration Rules and recommended appropriate arbitration clauses and submission agreement.

#### **1. Situating the problem: The Interaction between GATT and WIPO**

The WIPO is considered the proper forum for addressing intellectual property matters at the international level among its 147 members, of which China is one. However, developed nations have complained that WIPO is ineffective in its fight against counterfeiting that occurs in developing countries. Concurrently, the developing nations argued that establishing high standards of protection of intellectual property rights under GATT would allow the firms of developed nations to monopolize technology and unfairly exploit this advantage against enterprises of developing countries. Arbitration under the WIPO rules is more appealing when there is a possibility for amiable resolution of these disputes not available under GATT.

The WIPO dispute resolution procedures were designed to mirror those being developed under the Trade Related Aspects of Intellectual Property Agreement (hereafter "TRIPS") and GATT, with parties being able to proceed quickly to arbitration to settle their dispute. However, the WIPO arbitration rules are not

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<sup>264</sup> WIPO Arbitration Rules entered into force on October 1, 1994. The WIPO Arbitration Rules were originally based on the UNCITRAL Rules. However, to make these rules more intellectual property friendly, WIPO modified them to ensure strong confidentiality and to provide procedures tailored to the arbitration of intellectual property disputes. See Julia A. Martin, "Arbitrating in the Alps rather than litigating in Los Angeles: the advantages of international intellectual property-specific alternative dispute resolution", April 1997, Stanford Law Review

<sup>265</sup> The WIPO Arbitration Center held its first arbitration in 1998 (no further reference on this can be given as arbitration have to stay anonymous).

designed exclusively to resolve intellectual property disputes; arguably, they could be used to arbitrate any general business dispute.

## **2. Arbitrability**

The question of arbitrability of intellectual property rights has arisen during the discussions about the proposed WIPO role in conducting arbitration. The representative of the ICC in the WIPO Working Group suggested that WIPO should study the question of public policy and should endeavour to work to achieve the harmonization of approaches in national laws to the arbitrability of intellectual property rights.<sup>266</sup> Indeed, none of the recent international conventions related to intellectual property mention the arbitrability of any intellectual property issues. Neither the TRIPS nor the proposed WIPO “Patent Harmonization Treaty” stipulates an obligation of member states to make patent and other intellectual property rights issues arbitrable. On the other hand, we have already seen that the convention that regulates international commercial arbitration, the New York Convention, does not mention what should be arbitrable subject matter and leaves it to the domestic regulations of member states. All that creates uncertainties and discourages business people from arbitrating, particularly when patent issues are in disputes. Still, nothing has been achieved yet, even by the WIPO.

## **3. Public Policy**

With regard to the public policy issue, the answer will disappoint those in favour of a greater harmonization of the concept. Indeed, the WIPO failed to establish a “truly international public order” as article 3 (a) makes specific reference to mandatory provisions of the law applicable to the arbitration.

## **4. Confidentiality**

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<sup>266</sup> Note prepared by the International Bureau of the WIPO

The WIPO rules didn't fail to recognize the importance of confidentiality in intellectual property cases and are, in fact, the only institutional rules which provide significant confidentiality protections.<sup>267</sup> The WIPO Arbitration Rules contain a section dedicated to confidentiality.<sup>268</sup> In addition, the WIPO Arbitration Rules contain a provision regulating the disclosure of trade-secrets and other confidential information, creating additional safeguards.<sup>269</sup>

Indeed, Articles 73 through 76 deal with the maintenance of confidentiality regarding, respectively, the existence of the arbitration, the disclosures made within the arbitration, the award, and the obligations of the arbitrators and the Center. Broadly, they provide that the veil of confidentiality may be pierced only when it is required to do so by law or when an action relating to the award has been brought before a court. It also provides that the award may be disclosed in order to protect a party's legal rights against a third party.

Article 52 contains detailed provisions allowing an arbitral tribunal to issue protective orders concerning trade secrets and other confidential information. The definition it gives of "confidential information" is very broad and reflects the definition usually employed in intellectual property law.<sup>270</sup> The article even provides for the appointment of a confidentiality advisor, who acts as an expert and to whom the trade secret is disclosed without being disclosed to the other party, or, in exceptional circumstances, to the tribunal.<sup>271</sup>

## **5. Interim Relief**

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<sup>267</sup> For a comparative chart of the major institutional rules' provisions regarding confidentiality see Amy Edwards, "Confidentiality in Arbitration: Fact or Fiction?", *International Arbitration Law Review*, 2001

<sup>268</sup> Section VII, Articles 73-76 of the WIPO Arbitration Rules

<sup>269</sup> Article 52 of the WIPO Arbitration Rules

<sup>270</sup> Article 52 (a) defines confidential information as "any information, regardless of the medium in which it is expressed, which is in the possession of a party, not accessible to the public, of commercial, financial or industrial significance and treated as confidential by the party possessing it"

<sup>271</sup> Article 52 (e)

The importance of interim relief was also noticed by the WIPO Arbitration Center.

The WIPO offers a normal or expedited arbitration service. But it also drafted an appendix to the Model Arbitration Clause which would introduce the possibility of granting temporary injunctions by a specially appointed WIPO arbitral tribunal.<sup>272</sup> Currently, those seeking interim relief must wait until a tribunal can be convened or must seek an injunction through the court. The Supplementary Emergency Interim Relief Rules would create a standby panel of arbitrators to ensure the appointment of an emergency arbitrator within 24 hours after the receipt of the request for relief, allowing immediate relief without forfeiture of the advantages of arbitration such as confidentiality.<sup>273</sup> Furthermore, other deadlines in such procedures are very short and an emergency arbitrator also has the power to hold *ex parte* hearings. And the emergency arbitrator may make any award that he thinks necessary to preserve rights of the parties pending the final outcome of the case.<sup>274</sup>

#### **A. The Power of Arbitral Tribunals to Order Interim Measures**

Article 46(a) of the WIPO Arbitration Rules grants a wide power for the arbitral tribunal to order interim measures of protection. It provides that “at the request of a party the Tribunal may issue any provisional orders or take other interim measures it deems necessary, including injunctions and measures for the conservation of goods which form part of the subject matter in dispute such as an order for their deposit with a third person or for the sale of perishable goods. The Tribunal may make the granting of such measures subject to appropriate security being furnished by the requesting party”. The provision stands in line with Article 17 of the Model Law.

The tribunal may also order security for the claim or counterclaim. Like Article 17 of the Model Law, this provision does not contain any qualifications and this certainly

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<sup>272</sup> Annexe III, Article IV

<sup>273</sup> such an emergency arbitrator would be chosen from the previously published list of members of the standby panel of prospective arbitrators

<sup>274</sup> Article X (a) of the Proposed WIPO Supplementary Emergency Interim Relief Rules



means that the arbitral tribunal is free to demand a security, not only for the costs of a particular measure, but also for the potential damage which may result therefrom.<sup>275</sup>

Lastly, article 62 relating to the form and notification of the award states that the tribunal may make preliminary, interim, interlocutory or partial awards

## **B. Court-ordered Interim Measures**

Article 46 (d) states that a party may also apply to a judicial authority for interim measures or for security for the claim or counter-claim, or for the implementation of any such measures or order granted by the tribunal and that shall not be deemed incompatible with the arbitration Agreement, or deemed to be a waiver of that agreement.

## **6. Cost and speed**

One of the objectives that WIPO Arbitration Center wishes to achieve is to make arbitration in intellectual property cost-effective and expeditious.<sup>276</sup> This objective is achieved in two ways.

### **A. Normal Arbitration**

The requirement to proceed expeditiously is especially mentioned in Article 38 WIPO Arbitration Rules. It is further expressed in Article 63 (a) which requires that the arbitral award should be rendered within twelve months after the delivery of the statement or the establishment of the tribunal. Article 23 lastly provides that arbitrator accepting to serve undertakes to dispose of sufficient time to complete his tasks expeditiously.

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<sup>275</sup> Marc Blessing, "The Conduct of Arbitral Proceedings Under the Rules of Arbitration Institution; The WIPO Arbitration Rules in a Comparative Perspective", Conference on Rules for Institutional Arbitration and Mediation, 20 January 1995, Geneva, Switzerland

<sup>276</sup> Memorandum prepared by the International Bureau of the WIPO

## **B. “Fast-Track Arbitration”**

But the WIPO Arbitration Center also offers arbitral proceedings in accordance with Expedite Arbitration rules. The WIPO Expedited Arbitration Rules consist of the WIPO Arbitration Rules modified in certain respects in order to make arbitration even less expensive and faster.<sup>277</sup> For example, the rules provide for a sole arbitrator<sup>278</sup> (rather than a tribunal of several arbitrators) and for reduced fees.<sup>279</sup> Also, when the Expedite Arbitration Rules are applied, oral hearings, if they are held, cannot exceed three days except in exceptional circumstances.<sup>280</sup> Also, if it is reasonably possible, the proceedings should be declared closed within three months from the establishment of a tribunal or delivery of the statement of defense (as opposed to nine months under the WIPO Arbitration Rules).<sup>281</sup> The final award made should be made within one month from the closing of proceedings.<sup>282</sup> The rules are particularly drafted for the small claims but the parties can agree on the application of these rules even where the amount in dispute is higher.

Thus, whether under normal or expedited arbitration, all efforts made by the WIPO would likely result in the establishment of flexible, fast and cost-effective arbitration, capable of resolving any intellectual property disputes.

## **7. Concluding Remarks**

The WIPO Arbitration Center and its Arbitration Rules have many advantages. In particular, the introduction of confidentiality provisions and provisional remedies in

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<sup>277</sup> WIPO Expedited Arbitration Rules are available at [www.arbiter.wipo.int/arbitration/expedited-rules/index.html](http://www.arbiter.wipo.int/arbitration/expedited-rules/index.html)

<sup>278</sup> Article 14(a) of the WIPO Expedited Arbitration Rules

<sup>279</sup> fixed arbitrator's fees apply to disputes of up to USD 10 million

<sup>280</sup> Article 47 (b) of the WIPO Expedited Arbitration Rules. On the contrary, the WIPO Arbitration Rules did not specify any limit as to the length of hearings. Article 53 (b) states that date, time and place of any hearing should be determined by the tribunal

<sup>281</sup> Article 63 (a) of the WIPO Arbitration Rules

<sup>282</sup> Article 56 (a) of the WIPO Expedited Arbitration Rules

arbitral proceedings in the field of intellectual property may represent a very important event and may give a further incentive to parties to introduce arbitration clauses in their agreement. However, due to the very nature of such a mechanism, it can be expected that the Supplementary Interim Relief Procedure will be used almost exclusively in licensing disputes and does not solve the problem of lack of provisional remedies for infringement of intellectual property rights.

## CONCLUSION AND SUMMARY

### What Future For International Intellectual Property Arbitration?

The potential of international commercial arbitration is enormous. Yet its marketability has still not been fully exploited.

Indeed, the place and importance of technology in today's economies and in international transactions is crucial. However, the law in most countries despite significant improvements still contain ill-adapted provisions which constitute major impediments to the more extensive use of arbitration over international intellectual property disputes, especially with regard to large international contracts. In particular, the traditional obstacles to the arbitration of intellectual property rights, i.e. arbitrability and public order, are still decided by national courts, on a case-to-case basis and no harmonized provisions exist. Those uncertainties and diversities of national standards are exacerbated in the context of international arbitration as foreign parties will be confronted with unfamiliar provisions. Rather there is a clear need for international standards in that particular field that would be easily recognizable, acceptable to parties from all legal systems and cultures and meeting the specific needs of international intellectual property arbitration. Such deficiencies should be answered if one wants to draw skeptical corporate counsel into the arbitral fold. Until then, arbitration will fail to exploit its potential fully, leaving aside the "hot" market of intellectual property disputes.

On the institutional scene, the WIPO has well understood the potential of this market. However, to establish itself as a leader in this field, it must overcome concerns resulting from its creation. If it cannot do this, parties seeking arbitration services will look to WIPO's competitors, particularly ICC, AAA and LCIA, all of which have established reputations but lack, for the moment, international intellectual property expertise.

Marc Blessing, during a conference on “Rules for Institutional Arbitration and Mediation held” in Geneva in 1995,<sup>283</sup> suggested that one of the relevant criteria to test the quality of arbitral procedure was to question to what extent parties may, by their common accord, depart from some of the provisions contained in institutional arbitration rules. Indeed, he explained that institutional arbitration rules should provide only a sketchy skeleton so as to afford all the requisite flexibility for the parties to shape the arbitral proceedings according to the particular needs of the case. If this criteria should indeed be retained, then the WIPO should win the contest. Indeed, the WIPO provisions, on purpose, do not contain any particular provisions on the limits to the parties’ ability to derogate from the rules. Thus, if parties intend to derogate, it would be up to the Center to determine whether the procedure will still be considered as a procedure under the auspices of WIPO. More generally, one can observe that WIPO provisions are of a dispositive nature and have been designed so as to avoid any sort of constraint.<sup>284</sup> As far as the Centre’s role in the arbitral proceedings is concerned, its primary function is to assist in the constitution of the tribunal, leaving the conduct of the ensuing proceedings to the parties and arbitrator.<sup>285</sup> The WIPO arbitration rules are also very flexible in that they allow parties that encounter a post-contractual dispute outside the scope of their original agreement, or parties not bound by a valid contract or agreement prior to the dispute, to utilize the rules and agree to arbitrate once the dispute has arisen.<sup>286</sup> Thus, the WIPO would appear to offer most of the advantages of institutional arbitration without the bureaucracy or inflexible procedures for which other forms of

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<sup>283</sup> Marc Blessing, “The Conduct of Arbitral Proceedings Under the Rules of Arbitration Institution; The WIPO Arbitration Rules in a Comparative Perspective”, Conference on Rules for Institutional Arbitration and Mediation, 20 January 1995, Geneva, Switzerland

<sup>284</sup> On the contrary, the ICC has always been reluctant to accept an exclusion of particular provisions. This attitude must be understood against the different background of the ICC which is the ICC’s commitment towards monitoring the due conduct of the entire arbitral process once it is entrusted to the arbitrators. See Marc Blessing, “The Conduct of Arbitral Proceedings Under the Rules of Arbitration Institution; The WIPO Arbitration Rules in a Comparative Perspective”, Conference on Rules for Institutional Arbitration and Mediation, 20 January 1995, Geneva, Switzerland

<sup>285</sup> The ICC, by contrast, plays a more interventionist role in the proceedings by virtue of, among other things, its scrutiny of the arbitrators’ Terms of Reference and award. Article 8(1) of the ICC Rules provides that, when parties have agreed to arbitrate by the International Chamber of Commerce, “they shall be deemed thereby to have submitted *ipso facto* to the present rules”.

<sup>286</sup> For a discussion of the flexibility of the WIPO Rules, see Robert H. Smit, “General Commentary on the WIPO Arbitration Rules, Recommended Clauses, General Provisions and the WIPO Expedited Arbitration Rules”, Report, American Review of International Arbitration, 1998

institutional arbitration have been criticized. However, we have seen that flexible, non-mandatory provisions may also be dangerous and the choice of such criteria might not be relevant.

Another criteria for comparing the qualities of concurrent international institutions should be the quality and experience of the arbitral institution and the extent to which its arbitration rules are suited to resolve intellectual property disputes. The WIPO seems self-evident, at least in that particular field. Indeed, if the WIPO Arbitration Centre has been operating only for a relatively short time, the WIPO of which it forms part, has functioned as an intergovernmental organization for a long time.<sup>287</sup> Moreover, unlike an organization such as the AAA which is a national institution generally associated with the country in which they are located, WIPO is a specialized agency of the UN, staffed by an international secretariat coming from 60 countries, and located in Switzerland which has a long tradition of neutrality.<sup>288</sup> Also, it seems that the WIPO Rules, while heavily influenced by the arbitration rules of the UNCITRAL Rules and the AAA International Arbitration Rules, succeeded in creating innovative provisions, accommodating the specific characteristics of international intellectual property disputes.<sup>289</sup>

Finally, we have seen that, as things stand right now, no truly international public order exists. Legal reforms in general and international legal reforms in particular are a very delicate task and the risk of failure is high. Yet, the introduction of such a concept is vital if one wants to, one day, come up with an efficient international arbitral system for intellectual property disputes. That is why, aware of those realities, this paper still seeks to argue in favor of such a reform. If this concept were to be

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<sup>287</sup> Robert H. Smit, "General Commentary on the WIPO Arbitration Rules, Recommended Clauses, General Provisions and the WIPO Expedited Arbitration Rules", Report, American Review of International Arbitration, 1998

<sup>288</sup> Robert H. Smith, "General Commentary on the WIPO Arbitration Rules, Recommended Clauses, General Provisions and the WIPO Expedited Arbitration Rules", Report, American Review of International Arbitration, 1998

<sup>289</sup> Robert H. Smit, "General Commentary on the WIPO Arbitration Rules, Recommended Clauses, General Provisions and the WIPO Expedited Arbitration Rules", Report, American Review of International Arbitration, 1998

accepted, it would probably need to be introduced through amendments to the New York Convention.

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