

ECTA Round Table – October 19, 2018

## Do's and Dont's in (WIPO) IP Arbitration

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*« arbitration is a creature of contract »*

(Hall Street Assocs., LLC v. Mattel, Inc., 552 U.S. 576, 585 (2008))

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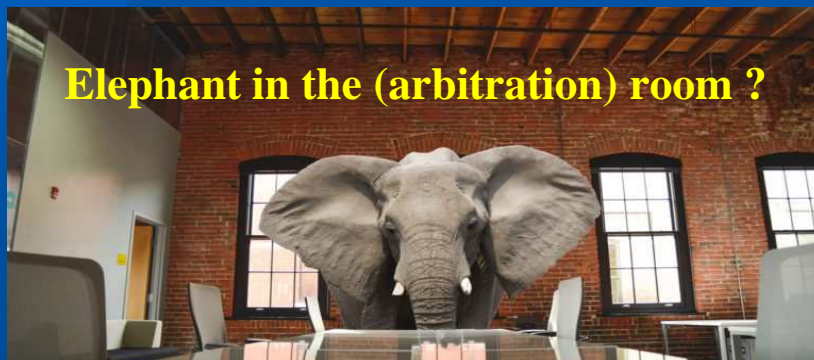
## Outline

- I. **Arbitrability of IP disputes: can IP disputes be arbitrated at all ?**
- II. Consent to arbitrate: for what disputes shall the arbitral tribunal have jurisdiction ?
- III. Choice of law : what law shall apply ?

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- I. **Arbitrability of IP disputes: can IP disputes be arbitrated at all ?**

**Elephant in the (arbitration) room ?**



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## Arbitrability of IP disputes

### Arbitrating IP validity disputes ?

- No uniform solution at the international level
- Diverging national approaches *but* liberal trend
- Arbitration-friendly ecosystem

Examples: Switzerland (1975 Decision of the Swiss IP Office); new HK regulation (sec. 103D Arbitration Ordinance)



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## Arbitrability of IP disputes

### Contractual risk minimization strategy

- **Drafting of the arbitration clause:** “It is expressly agreed that the [arbitral] Tribunal shall not have authority to declare any such [intellectual property right] valid or not valid, enforceable or not enforceable or infringed or not infringed, [...]”

(ICC Final Report on Intellectual Property Disputes and Arbitration, 1998)

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## Consent to arbitrate

**What disputes have the parties  
agreed to submit to arbitration ?**  
**=> Scope of the arbitration clause**  
*(« arbitration is a creature of contract »)*

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## Consent to arbitrate

### (objective) scope of the arbitration clause

- Arbitration clause: « [i]n the event any controversy or claim arising out of this Agreement cannot be settled by the parties [...], such controversy or claim shall be settled by arbitration » (Tracer Research Corp. v. National Environment Services Company, 42 F.3d 1292, 9th Cir. 2004)
- **Question:** does a trade secret misappropriation claim fall within the scope of this arbitration clause ?

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## Consent to arbitrate

« Notwithstanding the [US] federal policy favoring it, "arbitration is a matter of contract and a party cannot be required to submit to arbitration any dispute which he has not agreed so to submit." [...]. We cannot expand the parties' agreement to arbitrate in order to achieve greater efficiency »

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## Consent to arbitrate

### Arbitration clause covering only « any controversy or claim arising out of this Agreement » is too narrow

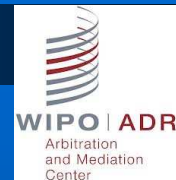
- « The misappropriation of trade secrets count of Tracer's complaint is a tort claim. [...] If proven, defendants' continuing use of Tracer's trade secrets would constitute an independent wrong from any breach of the licensing and nondisclosure agreements. [...] Therefore, it does not require interpretation of the contract and is not arbitrable »

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## Consent to arbitrate

### WIPO standard arbitration clause

« Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. [...] »



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## Consent to arbitrate

### What about *combining* court litigation and arbitration ?

#### Hybrid jurisdiction clauses

#### & « IP carve out clauses »

- Arbitration for contractual disputes

*and*

- National courts for IP disputes

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## Consent to arbitrate

- “[...] Any dispute arising out of or relating to this License shall be finally settled by arbitration as set out herein, except that either party may bring any action, in a court of competent jurisdiction (which jurisdiction shall be exclusive), with respect to any dispute relating to such party’s Intellectual Property Rights [or with respect to Your [i.e. Myriad] compliance with the TCK license]” (Oracle America, Inc. v. Myriad Group AG, N.D. Cal. Jan. 17, 2012)

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## Consent to arbitrate

### Is it a good idea to split jurisdictional powers ?

=> Oracle America, Inc. v. Myriad Group A.G., 724 F.3d 1069 (9<sup>th</sup> Cir. 2013)

Case comment: J. de Werra “Risks of IP carve-out in arbitration clauses, *Journal of Intellectual Property Law & Practice*, Volume 9, Issue 3, 1 March 2014, 184–185,

available at: <https://doi.org/10.1093/jiplp/jpt258>

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## Choice of law

### Choice of law in international IP disputes

- **Scenario:** IP infringement committed by an ex-IP licensee in multiples countries

- What law shall apply to these infringing activities ?

=> Before national courts: the law of the country/-ies of infringement/protection (see e.g. Art. 8 EU Regulation 864/2007 of the 11 July 2007 on the law applicable to non-contractual obligations (Rome II))

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## Choice of law

### Freedom of choice in IP arbitration

- Art. 61 (a) WIPO arbitration rules:

“The Tribunal shall decide the substance of the dispute in accordance with the law or rules of law chosen by the parties. [...]. Failing a choice by the parties, the Tribunal shall apply the law or rules of law that it determines to be appropriate. [...].”

**But...what is the scope of the choice of law clause ?**

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## Choice of law

### Scope of the choice of law clause

- Choice of the law governing the contract (i.e. defining contractual remedies, rules of contract interpretation, etc.)
- and**
- Choice of the law governing other legal issues (including non-contractual claims, such as the infringement of IP rights)

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## Choice of law

### Comparing standard arbitration clauses

- LCIA: « Any dispute arising out of or in connection with this contract, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the LCIA Rules [...].  
The governing law of the contract shall be the substantive law of [...] »

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## Choice of law

- WIPO Arbitration Clause: « Any dispute, controversy or claim arising under, [...], as well as non-contractual claims, shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. [...] The dispute, controversy or claim shall be decided in accordance with the law of [...].»

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## Take away

## Take away

### IP arbitration must be carefully prepared

(=> contract drafting)

- Arbitrability of IP disputes
- Scope of the arbitration clause (hybrid clauses)
- Scope of the choice of law clause

=> **NO pathological arbitration clauses**

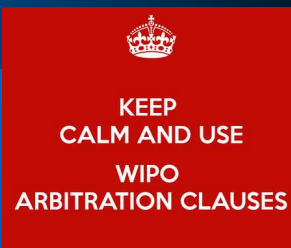


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## Take away

### Do and don'ts

- **DO NOT** treat the arbitration clause as a « midnight clause »
  - **DO** « copy and paste »/ use standard clauses but **DO** think in advance about the consequences
- => The arbitration clause is the first clause you will look at in case of disputes



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**Thank you for your attention**

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