International arbitration is becoming an increasingly relevant forum for the resolution of intellectual property ("IP") disputes. This should not be a surprise given multi-country licensing of patents, trademarks and trade secrets, as well as broader market forces such as globalization, digitalization, and the Internet. In a global economy, intellectual property rights ("IPRs") are often a company’s most valuable assets. The ability to exploit, protect and enforce IPRs on a cross-border level is thus critical. As with other types of cross-border disputes, international arbitration provides an attractive forum for the resolution of disputes over IPRs.

The nature of IPRs makes international arbitration particularly well-suited to address IP-related disputes. While the implementation of IP is global, the protection of IPRs is territorial. The territorial scope of IPRs poses unique challenges when it comes to enforcement. For example, if a licensee breaches a worldwide patent licensing agreement, the licensor may need to initiate parallel proceedings in multiple jurisdictions where infringing activity takes place. Such parallel proceedings are expensive and difficult to coordinate. The parties are also exposed to the risk of taking inconsistent positions. Moreover, a decision in one jurisdiction could have an adverse impact on proceedings in other venues. Given these problems,
a single international arbitration proceeding looks pretty attractive when juxtaposed with a multiplicity of local enforcement actions.

Using international arbitration to resolve global IP disputes offers a number of distinct advantages over national courts. Some commonly-cited benefits of arbitration include forum neutrality, reduced costs, limited discovery, and the flexibility of the proceedings. There are, however, some additional benefits that might be particularly appealing to IP practitioners.

International arbitration can vastly simplify enforcement of global IPRs. IPR-holders can consolidate disputes over a disparate portfolio of territorial rights into a single proceeding as opposed to multiple national proceedings. The arbitration proceeding would then result in a single final award, eliminating the risk of contradictory results. To the extent that the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention) applies, the final award would be enforceable in more than 160 jurisdictions. Moreover, the award would be subject to attack on only very limited grounds.

International arbitration can also offer more predictable and well-founded results. Parties to arbitration typically have the opportunity to select arbitrations with specific expertise. For example, the parties can select arbitrators with knowledge of a particular area of technology (e.g., electrical engineering) or a particular field of law (e.g., competition law). In IP disputes involving complex technical questions this ability to select expert decision makers can be particularly critical. A well-versed arbitration panel can more quickly develop an understanding of the dispute. While judges in some jurisdictions may have such specialist knowledge, often that is not the case. Appointment of subject-matter experts also provides a measure of quality control (and predictability) in the assessment of the parties’ disputes.

International arbitration also allows parties to more easily address confidentiality concerns. Indeed, confidentiality is often particularly important in IP disputes. For example, a dispute may involve technically or commercially sensitive information concerning products still in development. Although the confidentiality of arbitral proceedings does not enjoy uniform treatment, the parties can, by contract, create far-reaching obligations of confidentiality.

Arbitrating IP disputes also offers another potential benefit to the holder of an IPR – an arbitral tribunal does not have the authority to invalidate IPRs vis-à-vis third parties. As such, a final award finding that an IPR is invalid does not automatically preclude the IPR-holder from asserting the same IPR against third parties. Of course, an IPR-holder in such a situation would likely face assertions of issue preclusion or estoppel in a subsequent proceeding.

While arbitrating IP disputes offers many benefits, parties must plan in advance to reap those benefits. At the outset of any relationship, parties need to clarify their respective contractual IP rights and incorporate a well-drafted arbitration clause. Special attention must be given to the issue of arbitrability, both when selecting the seat of the arbitration and when considering the likely place of enforcement. These factors may influence the particular form of relief to be requested in an award. Finally, given the special features of IP disputes, in many cases parties would be well advised to consider selection of arbitration rules designed specifically for IP
disputes, such as the World Intellectual Property Organization (WIPO) Rules or American Arbitration Association (AAA) Supplemental Patent Arbitration Rules.

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