



HKI Arb International Arbitration and Mediation Training Programme for Intellectual Property Disputes

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Module 1**

Arbitration: Legal Framework for International Arbitration of Intellectual Property Disputes

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A. The starting point

1. Arbitration simply described

- “a private process in which parties agree, to have their dispute decided for them by a 3rd party arbitrator resulting in a binding decision imposed upon them by the arbitrator, which can be enforced by law



A. The starting point

2. Meaning of “international”

- a) Nature of the dispute (e.g. dispute under a contract between two nationals of the same state for performance in another country)
- b) Parties to the dispute have different nationalities, places of residents or places of business
- c) Combination of (a) and (b) plus reference to a chosen place of arbitration.



A. The starting point

2. Meaning of “international”

d) UNCITRAL Model Law [Article 1(3)]

- Parties with different places of business
- One of the following places is outside the state in which the parties have their place of business
 - Place of arbitration
 - Substantial part of the obligations of the commercial relationship is to be performed or the place which the subject is closely connected
 - Subject matter relates to more than one country
- National Courts ill equipped to deal with “international” disputes
 - Matrix of laws + procedures + treaties



B. Arbitration Agreement

1. Form of Arbitration Agreement
 - a. an Arbitration Clause
 - b. a Submission Agreement

2. Types of Arbitration
 - a. Institution (administered)
 - b. Ad Hoc (non-administered)

B. Arbitration Agreement

3. Independence – separability - autonomy

- Concept: the arbitration clause is considered to be separated from the main contract of which it forms part.
- The doctrine of autonomy of the arbitration agreement has been
 - Recognized by the courts
 - Rule of arbitration
e.g. UNCITRAL Arbitration Rules Article 23.1
[1976 revised 2010]
UNCITRAL Model Law Article 16(1) [1985 revised 2006]
- Kompetenz – Kompetenz
- Tribunal is competent to judge its own competence. Premium Nafta [2007] H.L.

B. Arbitration Agreement

4. An Enforceable Arbitration Agreement

a. Definitions

- Model Law Article 7
- New York Convention Article II
- WIPO Arbitration Rules Article 1
- Hong Kong Arbitration Ordinance Sections 2 and 19
- Singapore Arbitration Act Section 4(1)

b. “Enforceable” – through the grant of a stay

- New York Convention Article II 3
- Model Law Article 8
- Hong Kong Arbitration Ordinance Section 20
- Singapore Arbitration Act Section 3
- West Tanker [2007] H.L.



B. Arbitration Agreement

4. An Enforceable Arbitration Agreement

c. Other relevant factors

i. External factors

- Capacity
- Authority
- Arbitrability

ii. Internal factors

- Clear submission
- Scope

iii. Good practice

- To specifically state the arbitration clause in the agreement

B. Arbitration Agreement

5. Important terms to be included

- a. Which rules to apply
- b. Number of arbitrators
- c. Place of arbitration
- d. Language
- e. Clear identification of the institution
- f. Law applicable to the arbitration agreement
- g. Agreement to exclude
- h. Interim measures

B. Arbitration Agreement

6. Samples of Model Arbitration Clauses

- a) WIPO: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_446_2020.pdf -

“Any dispute.....under, out of or relating to 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. The arbitral tribunal shall consist of..... The place arbitration shall be []. The language to be used.....in the arbitral proceedings shall be []. The dispute.....shall be decided in accordance with the law of []”

- b) AAA: https://www.adr.org/sites/default/files/document_repository/Drafting%20Dispute%20Resolution%20Clauses%20A%20Practical%20Guide.pdf
- c) HKIAC: <https://www.hkiac.org/arbitration/model-clauses>

B. Arbitration Agreement

7. Arbitrability of IP disputes
 - a. State's national laws
 - b. Grant or validity of an intellectual property right
e.g. patent, registered trade mark
 - c. Importance at different stages
 - At the beginning
 - When interim measures challenged
 - When enforcement challenged

B. Arbitration Agreement

7. Arbitrability of IP disputes

d. New York Convention Article V2

Recognition and enforcement may be refused if

- i. subject matter is not capable of arbitration
- ii. contrary to public policy

e. Restrictive approach

Latin America, Republic of Korea, South Africa and Israel

B. Arbitration Agreement

7. Arbitrability of IP disputes

f. Countries receptive

- Belgium, Hong Kong SAR [Arbitration (Amendment) Ordinance 2017 – statutory guidance on arbitrability of IP disputes], Singapore [Intellectual Property (Dispute Resolution) Act 2019 (clarified IP disputes are arbitrable), Switzerland, USA
- China, England, France, Germany, Italy, Japan, Spain

g. Summary

Different degrees of arbitrability of IP disputes in various countries

C. Applicable Laws

1. Complicated and multi-facet in nature
 - a. does not fit nicely into one single legal system
 - b. at the contract stage:
 - c. party capability and the arbitration agreement
 - d. when dispute has arisen:
 - e. arbitration proceedings
 - f. merits of the dispute
 - g. at the recognition and enforcement stage

C. Applicable Laws: Arbitration Agreement

Law Governing the arbitration agreement:-

- (i) In reality, a choice between the law governing the principle contract and the law of the seat.

New York Convention Article V 1 (a) recognizes this reality.

- (ii) The presumption that the law chosen by the parties to govern the principal contract will also govern the arbitration clause is a strong one.

C. Applicable Laws: Arbitration Agreement

- (iii) autonomy of the arbitration agreement means that it may be governed by a different law

- XL Insurance Limited v. Owens Corning – English court held that by stipulating for arbitration in London, the parties had chosen English law to govern issues concerning the formal validity of the arbitration clause and the jurisdiction of the arbitral tribunal although the applicable law clause stated that the insurance policy in issue as a whole should be construed in accordance with laws of the State of New York

C. Applicable Laws: Arbitration Agreement

- In the Bul Bank Case, the Swedish Supreme Court held that the arbitration agreement was valid under the law of the seat of arbitration, namely Swedish law, despite the choice of Austrian law in the principle contract. An express choice of law to be made in the relation to the arbitration agreement is required if so intended
- (iv) Desirable to mention the choice of law in the arbitration clause



C. Applicable Laws: Arbitration Proceedings

- (i) the “seat” of the arbitration
- (ii) arbitrations cannot be conducted in a legal vacuum, judicial framework is necessary
- (iii) the “seat“ theory: the law applicable to the arbitration proceedings is that of the country in which they take place

C. Applicable Laws: Arbitration Proceedings

- (iv) there is a clear connection between the place of arbitration and the law governing that arbitration, the *lex arbitri*
- (v) dualism
 - Procedural rules
 - the law of the country in whose territory the arbitration takes place
- (vi) trend: *lex arbitri* is increasingly supportive of the arbitral process in internal arbitration and to intervene less

C. Applicable Laws: Arbitration Proceedings

- (vii) not all the proceedings of the arbitration have to take place in the judicial place or seat of the arbitration
 - the Peruvian Insurance Case
 - Union of India v. McDonnell Douglas Corp
- (viii) the choice of the place for arbitration –
UNCITRAL Arbitration Rules Article 18(1)
- (ix) the choice of the seat is important
 - New York Convention Article V 1 (a)
 - New York Convention Article V 1 (e)
 - Model Law Article 36 (1) (a) (v)

C. Applicable Laws: Arbitration Proceedings

- (x) Content of the lex arbitri likely to include :-
- definition and forms of arbitration agreement
 - arbitrability
 - constitution of the tribunal and grounds for the challenge
 - competence of the tribunal to rule on its own jurisdiction
 - equal treatment
 - freedom to agree on procedural rules
 - interim measures
 - pleadings
 - hearings
 - default of proceedings
 - court assistance
 - powers of arbitrators
 - form and validity of award
 - finality of award

C. Applicable Laws: Merits of the Dispute

- (i) General Principle
 - party autonomy - parties are free to choose
 - failing such a choice – how the arbitrator is to choose

- (ii) The law chosen by the parties, whether expressly or tacitly
 - Qualification: Bona fide and Not contrary to public policy

- (iii) Time of choice
 - at the time of contract
 - at the time of dispute

- (iv) UNCITRAL Arbitration Rules Article 35
Failing designation, tribunal shall apply the law determined by the conflict of laws rules it considers applicable

C. Applicable Laws: Merits of the Dispute

- (v) Model Law Article 28 – Rules applicable to substance of dispute
 - (2) Failing any designation, tribunal shall apply the law determined by the conflict of laws rules it considers applicable
- (vi) WIPO Arbitration Rules Article 61 (a)
 - “Failing a choice, Tribunal shall apply the law or rules of law that it determines to be appropriate.”
- (vii) National Law

C. Applicable Laws: Merits of the Dispute

- (viii) Transnational Law (general principles of laws, principles common to several jurisdictions, international law, usages of trade, lex mercatoria, UNIDROIT)
- rules may or may not be what the parties intended
 - Authority to apply depends on
 - » agreement of the parties and
 - » provisions of the applicable law
 - Reference to “rules of law” rather than to “law”

C. Applicable Laws: Merits of the Dispute

- (viii) Transnational Law (general principles of laws, principles common to several jurisdictions, international law, usages of trade, lex mercatoria, UNIDROIT)
- Model Law Article 28 requires the tribunal to apply “the law determined by the conflict of laws rules”
 - WIPO Arbitration Rule Article 61(a) follows the ICC Rules approach also allowing the arbitral tribunal, in absence of an agreement by the parties, to apply the “rules of law that it determines to be appropriate”. This confers greater flexibility

C. Applicable Laws: Merits of the Dispute

- e. Equity and Good Conscience
 - (i) capable of several interpretations
 - (ii) Basically a friendly method rather than a law – based process subjected to
 - the parties have expressly agreed to it
 - it is permitted by the applicable law
 - (iii) UNCITRAL Arbitration Rules 35.2
 - (iv) Model Law Article 28(3)

C. Applicable Laws

- f. Conflict rules and search for the proper law
- (i) Party autonomy
 - (ii) In the absence of an express choice, the tribunal will look first for the law that the parties are presumed to have intended to choose i.e. the tacit choice
 - e.g. by looking at what law is more closely connected to the contract
 - Choice of forum as choice of law
 - Arbitrator may need to see whether he has a free choice or whether he must follow the conflict of law rules of the seat

C. Applicable Laws

- f. Conflict rules and search for the proper law
- An international Arbitral Tribunal has no *lex fori*
 - UNCITRAL Arbitration Rules Article 35.1, Model Law Article 28(2)
 - Generally, the tribunal is entitled (unless otherwise directed by the applicable rules or the *lex arbitri*) to select any of the systems of rules of law upon which the parties themselves might have agreed, if they had chosen to so.
 - To avoid uncertainty, the parties may still agree to the choice of law at the beginning of the arbitration

C. Applicable Laws: Recognition or Enforcement

- Law of the country in which the enforcement is sought
- New York Convention 1958 requires contracting states to enforce valid arbitration agreements and arbitral awards.
 - The burden is on the party resisting recognition or enforcement to establish the reasons why the award should not be recognized or enforced
 - Ratified by 168 States

C. Applicable Laws: Recognition or Enforcement

- New York Convention Article V (1): recognition and enforcement may be refused, inter alia, on
 - Incapacity of the parties
 - Arbitration agreement invalid under the applicable law agreed upon or, failing that under the law of country where the award was made
 - Composition of the tribunal or the arbitral procedure was not in accordance with the agreement or failing agreement the law of the country where the arbitration took place



D. Arbitration Rules

1. The UNCITRAL Arbitration Rules
 - a. Before 1976, there was a general lack of guidance on the rules which should be adopted in ad hoc arbitrations
 - b. The UNCITRAL Arbitration Rules (published in 1976) were prepared in consultation with lawyers from many countries



D. Arbitration Rules

1. The UNCITRAL Arbitration Rules

c. Main points

- While designed for use in “ad hoc” arbitration, institutions are prepared to administer arbitrations which are conducted in accordance with the UNCITRAL Arbitration Rules
- Provide a framework but leaving the parties with flexibility
- More acceptable to parties contemplating arbitration, irrespective of their legal and cultural background

D. Arbitration Rules

1. The UNCITRAL Arbitration Rules

d. Two points

- The requirement to request the Secretary General of the Permanent Court of Arbitration at the Hague to designate an appointing authority (Article 6(2)) could cause delay
- When there is more than 1 arbitrator, the award must be made by a majority (UNCITRAL Rules: Article 33(1) of the WIPO Arbitration Rules.

D. Arbitration Rules

1. The UNCITRAL Arbitration Rules

e. The Model Law (published in 1985) attempted to

- Improve the adequacy of laws in countries without proper arbitration law
- Harmonize national laws

f. Countries not obliged to incorporate the Model Law entirely

g. The principle objectives

- To limit the role of national courts
- To secure procedural fairness
- To put in place rules to facilitate completion of an arbitration



THANK YOU