



HKIARB and WIPO IP Mediation and Arbitration Training Programme

Module 6: Types of Intellectual Property Disputes & Situation,

Considerations of Parties in Arbitration and Mediations

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14 December 2021

AGENDA

- 1 Mediation v Arbitration
- 2 Mediation
- 3 Types of arbitration cases
- 4 Advantages of arbitration
- 5 Practical Issues
- 6 Key Take Aways

- Mediation

- “assisted negotiation”

- Voluntary

- may be contractually required as part of escalation clause

- Non-binding

- Mediator is not there to decide case

- Only reaches resolution if parties sign binding agreement

- Even if no successful can bring parties closer together or narrow issues

- Arbitration

- “private litigation”

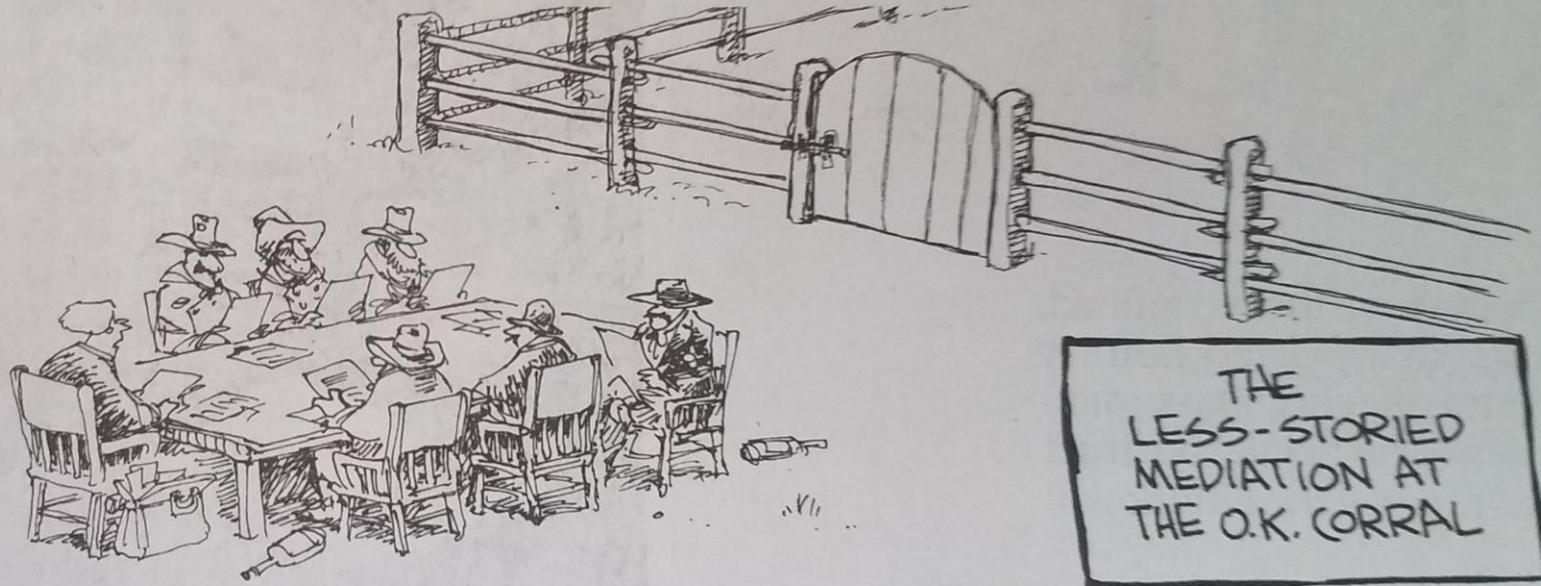
- Binding under contract

- Courts will enforce agreement to arbitration and any award of arbitrator

Non-Sequitur

by Wiley Miller

YES, I KNOW YOU WERE SPEAKING FIGURATIVELY, BUT CAN WE ALL AGREE THIS TOWN IS LITERALLY BIG ENOUGH FOR BOTH OF YOU?



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- Mediator helps (should help) the parties to
 - Focus on commercial goals
 - Consider best and worst case scenarios
 - What will be the best possible negotiated solution?
 - Good mediator will always hold preparatory sessions with parties
 - Get to understand case
 - Question assumptions and goals
 - Mediator can hold joint sessions with parties or separate sessions
 - Mediator can shuttle back and forward with messages
 - Sometimes parties will never even meet
 - Surprisingly this can be very effective (particularly where strong emotions involved)

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- There are two types of mediation:
 - Facilitative and adjudicative
 - Facilitative most common
 - Requires mediator to facilitate discussions
 - But, not to give any views on merits of case
 - Can question parties' views on merits of cases in private session, but not give own views
 - Can be very effective in getting parties to communicate concessions they are not willing to make directly
 - Adjudicative
 - Mediator can give views on the case
 - BUT in the end mediation does not decide case and cannot force parties to settle

WHAT ARE THE MAIN TYPES OF CASES YOU SEE IN IP ARBITRATION?

- IP arbitration mainly in relation to commercial contracts, especially:
 - Licensing disputes
 - Technology transfer disputes
- However, in such cases, arbitrators will often have to decide :
 - Whether an intellectual property right is:
 - Infringed or valid
 - Eg, if licensed right is not valid, may be no need to pay royalties
- However, underlying dispute remains a breach of contract claim
 - Occasionally parties will agree to arbitrate infringement disputes

WHAT ABOUT IP INFRINGEMENT DISPUTES?

Infringement less often subject to arbitration.

- Very hard to get parties to agree to arbitrate once dispute has started

Litigation often preferred by at least one party:

- May have home court or other litigation advantage
- Situation can change during course of case

Some IP infringement disputes are now being arbitrated:

- Settlement agreement from previous disputes provides for arbitration
- Competition authorities encouraging arbitration (particularly for disputes involving standard essential patents)
- Parties want to avoid cross border litigation

WHICH ARE SOME OF THE ADVANTAGES OF ARBITRATION?

(Some may see them as disadvantages)

SECRECY

Many laws and rules provide for secrecy
HK and Singapore – Arbitration is confidential under statute and rules(China?)
Parties can agree to secrecy

SPECIALIST PANEL

Can have specialist panel decide case.

COSTS

Can be cheaper than litigation - Even though need to pay costs of arbitration

TIME

Can be much faster than arbitration

IS IT POSSIBLE TO GET AGREEMENT TO ARBITRATE AFTER DISPUTE ARISE?

- Many of the advantages of arbitration favour the rights holder
 - Party accused of infringement will want to use risk of invalidating IP right and publicity as bargaining chip.
 - Can even bring multiple invalidity actions in other countries for leverage
 - Accused party may wish to have non-specialist tribunal
- Case may be weak. Accused party may, however, be concerned with:
 - Financial exposure to damages
 - Impact of injunction
- Rights holder can offer as an incentive to arbitrate:
 - Worldwide resolution of disputes
 - Cap on damages
 - May be high/low – that is, arbitrator will determine damages in a range
 - License to use technology if found to infringe
 - Terms may be set in advance
 - Or, arbitrator can be asked to set some terms, eg royalty rate

INTERIM RELIEF IN ARBITRATION

- In IP disputes very often need to apply for injunction
 - Stop production
 - Freeze assets
 - Anti-suit injunction
- Can apply to arbitrator, if appointed, or directly to courts
- Interim relief may be applied for from Chinese courts for HK seated arbitrations
 - HKIAC has issued over 60 letters of request
 - Major Issues:
 - Does not apply to ad hoc arbitrations.
 - Need to file arbitration – other side will have notice of arbitration and could hide assets
 - Need notarized and legalized POA to Chinese law firm
 - Chinese courts still finding their way to utilize system

PRACTICAL TIPS FOR HANDLING IP ARBITRATION

- Picking arbitrator(s) with appropriate knowledge
 - May have to determine issues under a number of different laws
 - Eg China, USA, EU
- What language(s) to be used
- Seat of arbitration
 - Can affect ability to get interim relief/challenge award
- Location of sittings
 - How much will technology change the world of arbitration?
- Are all issues arbitrable for each jurisdiction?
 - For example, validity of patents not arbitrable in China.
 - Will this impact enforcement
- What is attitude to discovery of arbitrators
 - Full discovery, limited discovery, none?

PRACTICAL TIPS FOR HANDLING IP ARBITRATION

- Tribunal should give specific guidance on pleading in patent cases
 - pleading should require claim charts
- If dispute covers multiple jurisdictions
 - May require counsel from a number of jurisdictions to make submissions on their laws and practices
 - May require experts from from multiple jurisdictions on law
 - Technical experts should be able to cover all jurisdictions

CHINESE PARTIES AND ARBITRATION

- Chinese parties have often agreed to arbitration in Hong Kong or Singapore.
- Has some big problems for Chinese parties
 - Procedures are not the same as civil litigation in China:
 - Pleadings are very important
 - Document production will be ordered
 - Witnesses will be cross-examined
 - Tribunals will draw adverse inferences
- Many Chinese parties treat arbitration like Chinese court proceedings
 - Do not engage fully
 - Defend on the basis Claimant has to prove case
 - Find themselves losing when they may have had good case.
 - Award will be often be enforceable against them.

KEY TAKE-WAYS

- Arbitration can be a good method for resolving disputes
- But parties need to be aware of the advantages and pitfalls
 - Not just when a dispute arises
 - But when drafting the arbitration clause
 - Or even when deciding to arbitrate
- Seat of arbitration can be important
 - What is court's attitude to review of awards
 - What are procedural rules?

Arbitrating validity of IP rights can create problems particularly in China

Need to consider what you want arbitrator to decide.

Discussion