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Arbitration Clauses in Intellectual Property Contracts: Past, Precedence, and Future

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I. Introduction

Globalization and increased cross-border trade facilitate internationalized transactions, including the sale and purchase of goods and services through e-commerce.[1] The internationalization of trade and commerce presents new opportunities and challenges for dispute settlement.[2] National courts may not be the preferred choice of parties because of the perception that one party could get home-court advantage.[3] Moreover, the enforcement of judgments obtained from a national court in other jurisdictions can be riddled with uncertainty.[4] When considering the Hague Convention on the enforcement of foreign judgments, it appears there is no international instrument in which all states agree to enforce foreign judgments on intellectual property rights.[5] Per Hague Convention of 1907 on enforcement of foreign judgments, most commercial disputes are expressly excluded from the enforcement scope.[6] So, parties from different countries prefer arbitration as a neutral, flexible, and speedy mode of dispute

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1. Ziyang Fan & Christián R. Chiffelle, *These 5 Technologies Have the Potential to Change Global Trade Forever*, WORLD ECON. F. (June 6, 2018), https://www.weforum.org/agenda/2018/06/from-blockchain-to-mobile-payments-these-technologies-will-disrupt-global-trade/ [https://perma.cc/5NGE-K5EW].

2. *See* Marc Blessing, *Arbitrability of Intellectual Property Disputes*, 12 ARB. INT'L 191, 197, 219 (1996); *see also* LAWRENCE NEWMAN & MICHAEL BURROWS, THE PRACTICE OF INTERNATIONAL LITIGATION 105 (Irvington-on-Hudson, N.Y.: Transnational Juris Pub., Inc., 7th ed. 1992).

3. WIPO, GUIDE TO WIPO ARBITRATION 8, 16 (2020).

4. John M. Barkett et al., *Perspectives on New York Convention Under Laws United States Forum Non Conveniens as Stopper to Enforcement*, WOLTERS KLUWER: KLUWER ARB. BLOG (Aug. 17, 2016), http://arbitrationblog.kluwerarbitration.com/2016/08/17/perspectives-new-york-convention-laws-united-states-forum-non-conveniens-stopper-enforcement/ [https://perma.cc/D973-VG8Y].

5. *See generally* Ya-Wei Li, *Dispute Resolution Clauses in International Contracts: An Empirical Study*, 39 CORNELL INT'L L. J. 789, 794–95 (2006).

6. Ernest G. Lorenzen, *The Enforcement of American Judgments Abroad*, 29 THE YALE L. J. 188,189 (1919). Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters 1971 Convention ensures the enforcement of foreign judgments of member countries that are civil or commercial in nature. But Article 1 says that judgments on bankruptcy,

resolution that provides better prospects of transnational enforcement of arbitral awards.[7]

Intellectual property (IP) is a unique product that can be traded and used to enhance the party's trade value.[8] "Intellectual property comprises an interrelated set of legal regimes protecting economic and, in some contexts, personal interests in inventions, information, works of authorship, images, symbols, and sound recordings."[9] Intellectual property is generally divided into three categories: copyright, trademark, and patents.[10] "The growing reliance on technology in the supply of goods and services[ ] and the rise of high-tech industries worldwide, have greatly increased the demand for patent protection."[11]

In a nutshell, since the industrial revolution, the protection of intellectual property rights (IPRs) in their different forms—including copyright, trademarks, geographical indications, industrial designs, layout designs (topographies), integrated circuits, and patents—the protection against unfair competition has played an important part in the commercial law of industrialized countries, and IPR protection has been gradually internationalised.[12] The need for IP transfer and IP sharing has resulted in frequent disputes requiring efficient disposal. IP protections are territorial and vary by duration and subject matter, but transfer of IP and IP holders' demand for worldwide protection have added other dynamics to IP dispute resolution.[13] Thus, state courts may not be able to provide efficient disposal of IP disputes. Hence, IP arbitration is needed.

This article critically analyzes the issues and challenges with the international arbitration of IP rights disputes in light of recent practices and trends. IP arbitration is on the rise.[14] But this upward trend has unsolved problems, the chief issue being the varying degree of arbitrability of disputes across jurisdictions. This article proposes the only perennial solution for

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capacity of persons, damage or injury in nuclear matters, and succession are excluded from this convention.

The Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters 2019 expressly excludes intellectual property rights, privacy, defamation, and other claims, which are mentioned in the 1971 Convention from the scope of its application.

7. Li, *supra* note 5, at 795–96.

8. Christopher M. Kalanje, *Role of Intellectual Property in Innovation and New Product Development*, WIPO 1, 1–2 (2005), https://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip_innovation_development.pdf.

9. P.S. Menell, *Intellectual Property Rights: Legal Aspects*, *in* INTERNATIONAL ENCYCLOPEDIA OF THE SOCIAL & BEHAVIORAL SCIENCES 7615, 7615 (2001).

10. Guosong Shao, *Proprietary Interests*, *in Internet Law in China* 183, 183 (1st ed. 2021).

11. Joseph P. Zammit & Jamie Hu, *Arbitrating International Intellectual Property Disputes*, 64 DISP. RESOL. J. 75, 75 (2009).

12. Guosong Shao, *Proprietary Interests*, *in Internet Law in China* 183–249 (1st ed. 2021).

13. *See generally*, WIPO, UNDERSTANDING INDUSTRIAL PROPERTY (2016) (discussing how different forms of industrial property is protected).

14. *See* Michael Woller & Michaela Pohl, *IP Arbitration on the Rise*, WALTERS KLUWER: KLUWER ARB. BLOG (July 16, 2019), http://arbitrationblog.kluwerarbitration.com/2019/07/16/ip-arbitration-on-the-rise/ [https://perma.cc/JJU7-X9VH].

both international arbitration and IP contracts: to refine the drafting of arbitration agreements in IP contracts, thereby addressing key considerations that arise in the context of a particular IP dispute. In regards to methodology, the article analyzes prevailing practices across countries with the help of state legislation, commentaries, scholarly writings of arbitration experts, and rules and practices of various arbitral institutions. The article first explores salient features of intellectual property rights and typical concerns of IP disputants (Part II). The next part focuses on the arbitrability of intellectual property, including IP dispute arbitration restrictions across countries (Part III). The fourth part focuses on how to draft suitable IP arbitration clauses (Part IV). The final part of the article contains the conclusion (Part V).

II. The Salient and Unique Features of Intellectual Property Rights

The peculiarity of IP disputes derives from the intellectual property's grant, duration, and subject matter, which are covered under a particular IP regime. For example, "computer software" cannot be protected under the patent regime in some countries, whereas the United States does grant such patent protection.[15] Similarly, German copyright law does not allow transfer of authorship,[16] whereas the United States and the United Kingdom allow corporate ownership of copyright.[17] Copyright duration varies across the globe.[18] Hence, the validity of IP could be challenged by an aggrieved party at the time of enforcement of a foreign arbitral award.[19]

As highlighted above, IP rights are territorial. But contractual arrangements could lead to the use of the same IP across the globe. Some common law countries, such as the United Kingdom, India, and Singapore, recognize unregistered trademarks, which can result in parallel trademarks.[20] A determination of the prior use and the validity of IP enforcement depends

15. *SIRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1331–1333 (Fed. Cir. 2010).

16. *FAQs on Copyright*, EU IPO OBSERVATORY (Feb. 2021), https://euipo.europa.eu/ohimportal/en/web/observatory/faqs-on-copyright-de?TSPD_101_R0=085d22110bab2000918365f8211baf6b832da18061bec5a54a66a3cbd6b31c3a9b3f05fe8ee301d008896e8f55143000696101cf90548e8012e4647a9fddcffcc00aabd020c7a63c601d3cc41fe50bde17c7f1a63da047186966f784a1ce3148 [https://perma.cc/BMU7-5KCN].

17. *Comparing U.K. and U.S. Copyright Protection: Myths of International Copyright Law*, LAC GRP. (Oct. 18, 2018), https://lac-group.com/blog/comparing-uk-and-us-copyright-protection/ [https://perma.cc/WHY3-H33R].

18. *See id.*

19. *See What is Copyright?*, RIGHTSDIRECT, https://www.rightsdirect.com/international-copyright-basics/ [https://perma.cc/FMU7-2SEE] (last visited Aug. 5, 2021).

20. *See* Olivia Maria Baratta ET AL., *International Trademark Protection* PRACTICAL LAW CO. 1, 2 (2013).

on the type of IP.[21] Those aspects raise arbitrability of the IP plead by parties in multiple jurisdictions.

In IP disputes, opting for arbitration should include a consideration of local nuances.[22]

> The most problematic issue is that not all countries allow parties to submit their entire IP dispute to arbitration, and in many jurisdictions, this is still a black box. In some jurisdictions (for example, the United States, Canada, and France), the law explicitly recognizes arbitration for certain IP rights. However, in other countries, the exclusive jurisdiction may exist for certain state courts, which could restrict IP arbitration (the Netherlands is an example of this), or explicit legal restrictions may apply to challenging the validity of an IP right in arbitration.[23]

The latter restriction does not necessarily preclude questioning validity as a defense against an infringement claim.[24] Another major difference is the effect of the arbitral award.[25] Few jurisdictions allow entry of arbitral awards in IP registers; those jurisdictions include Switzerland,[26] Belgium,[27] and the United States.[28] European Union Regulation 44/2001 expressly mandates that registration and validity-related IP disputes be decided by the court of the respective member country and excludes other member countries from hearing such claims.[29]

Countries like the United Kingdom[30] and India[31] have provisions of referral of compulsory licensing-related patent disputes to arbitration. The

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21. *See generally*, Intellectual Property Enforcement, U.S. Dep't of State https://www.state.gov/intellectual-property-enforcement/ [https://perma.cc/K63S-4RK6] (last visited Aug. 25, 2021).

22. Tobias Cohen Jehoram, *Jurisdiction Important When Opting for Arbitration in IP Disputes*, LINKEDIN (Nov. 24, 2017), https://www.linkedin.com/pulse/jurisdiction-important-when-opting-arbitration-ip-cohen-jehoram/ [https://perma.cc/XS7B-7Q34].

23. Jehoram, *supra* note 22; *See, e.g.*, Patents Act 57 of 1978 § 18 (S. Afr.) (South Africa prohibits the referral to arbitration of patent disputes, which are under the domain of the Commissioner of Patents.).

24. Jehoram, *supra* note 22.

25. *Id.*; Kevin Hardy, *Resolving Patent Disputes: Are Regulators Right to Recommend Arbitration?*, DESIGN WORLD, (Jan. 30, 2017), https://www.designworldonline.com/resolving-patent-disputes-are-regulators-right-to-recommend-arbitration/ [https://perma.cc/LBR4-CXJ2].

26. Jehoram, *supra* note 22; Robert Briner, *The Arbitrability of Intellectual Property Disputes With Particular Emphasis on the Situation in Switzerland*, WIPO, (Mar. 3–4, 1994), https://www.wipo.int/amc/en/events/conferences/1994/briner.html [https://perma.cc/7HG5-XTDE].

27. Jehoram, *supra* note 22; Loi sur les brevets d'invention du 28 mars 1984 [Patent Law] (Bel.), M.B./B.S., Mar. 28, 1984, art. 51.1.

28. Jehoram, *supra* note 22.

29. Council Regulation 44/2001, art. 22, 2000 O.J. (L 12/7–8) (EC).

30. The Patents Act 1977, c. 37, § 52(5)-(7) (Eng.).

31. The Patents Act, 1970, § 103 (India).

authors believe that this arbitration arrangement is a controlled one.[32] Though the claim is a "right in rem," the states prefer arbitration for a speedy disposal of the claim.[33] "In Hong Kong, parties can use arbitration to resolve any type of dispute over any IPR, irrespective of whether the IPR is protectable by registration and whether it is registered, or subsists, in Hong Kong or in other jurisdictions."[34] IPRs like these include patents, know-how, copyright, trademark, and "IPRs that are registered or subsist in other jurisdictions such as utility models or other types of 'petty patents,' supplementary protection certificates, database rights, etc., as well as new types of IPRs which may emerge in the future."[35] "Further, IP disputes of any nature can be submitted to arbitration, including disputes over the enforceability, infringement, subsistence, validity, ownership, scope, duration or any other aspect of an IPR, disputes over any transaction in respect of an IPR and disputes over any compensation payable for an IPR."[36] Finally, "parties are not prevented from using arbitration to settle their IP disputes only because the relevant IP legislation does not mention the settlement of disputes by arbitration."[37]

Unlike other commercial transactions, IP transactions have typical dynamics.[38] IP rights are territorial in nature, whereas IP holders can transport their rights across countries.[39] There are circumstances in which existence of parallel IP and derivatives is possible.[40] IP rights are not permanent; each IP has a different validity period.[41] For example, copyrights can be granted for the lifetime of the author plus seventy years,[42] whereas patents can be granted for a maximum of twenty years.[43] But parties can

32. *See generally* The Patents Act 1977, c. 37, § 52(5)–(7) (Eng.).; The Patents Act, 1970, § 103 (India).

33. *See generally* The Patents Act 1977, c. 37, § 52(5)–(7) (Eng.).; The Patents Act, 1970, § 103 (India).

34. *Frequently Asked Questions on IP Arbitration in Hong Kong*, H.K. DEP'T. OF JUST. 1, https://www.doj.gov.hk/en/legal_dispute/pdf/arbitration_faq_e.pdf (last visited Aug 5, 2021).

35. *Id.* at 1–2.

36. *Id.* at 2.

37. *Id.*

38. *See* Luca Escoffier & Efrat Kasznik, *The Use of IP Valuation in IP Transactions, a Global Survey of IP Brokers*, INTELL. PROP. EXPERT GRP. (Jan. 21, 2012) https://www.ipeg.com/the-use-of-ip-valuation-in-ip-transactions-a-global-survey-of-ip-brokers/ [https://perma.cc/2ET3-U8NU].

39. Emmanuel Kolawole Oke, *Territoriality in Intellectual Property Law: Examining the Tension between Securing Societal Goals and Treating Intellectual Property as an Investment Asset*, 15 SCRIPTED 313, 315 (2018).

40. *See* Jeremy S. Goldman, *Determining Copyright Ownership*, LEXIS PRAC. ADVISOR (https://fkks.com/uploads/news/Determining_Copyright_Ownership_-_Jeremy_Goldman.pdf).

41. *See How Long Does Copyright Protection Last?*, U.S. COPYRIGHT OFF., https://www.copyright.gov/help/faq/faq-duration.html [https://perma.cc/6AJN-SXK6] (last visited Aug. 2, 2021).

42. How Long Does Copyright Protection Last?, *supra* note 41.

43. *Frequently Asked Questions: Patents*, WIPO, https://www.wipo.int/patents/en/faq_patents.html [https://perma.cc/FXA5-Y75V] (last visited Aug. 2, 2021).

protect their trademarks indefinitely, subject to renewal.[44] Thus, resolving disputes arising out of IP requires special treatment. Speedy disposal of disputes, application of various jurisdictional issues, and IP settlement enforcement challenges are crucial aspects of IP dispute resolution. In this segment, these key features are discussed.

A. Types of Rights Protected

Intellectual property is broadly classified into two categories: industrial property (which includes patents, trademarks, and industrial designs) and copyright (including literary works, films, music, and artistic works).[45] Intellectual property grants moral rights and economic rights on the exploitation of IP.[46] "From an economic perspective, intellectual property rights essentially grant an extensive monopoly right over the economic exploitation of ideas, the expression of ideas, and distinctive words or symbols."[47] In fact, "it is a matter of protecting investment, creating incentives for future investment, and facilitating identification in distributed markets."[48] The possibility of "hindering others from free-riding on someone else's investment of capital and labor" is the most important economic function of these rights.[49] It is necessary to understand the distinct features of each IP before analyzing IP arbitration. In this article, the authors have restricted themselves to describing special features of copyright, patent, and trademark.

1. *Copyright and Related Rights*

Copyright grants protection to authors, artists, and other creators for their literary and artistic creations.[50] Works covered by copyright include but are not limited to novels, poems, plays, reference works, newspapers, advertisements, computer programs, databases, films, musical compositions, choreography, paintings, drawings, photographs, sculpture, architecture,

44. *Trademarks*, WIPO, https://www.wipo.int/trademarks/en/ [https://perma.cc/JTC4-G6D5] (last visited Aug. 2, 2021).

45. Sanja Jelisavac, *International Regulation of Intellectual Property Rights*, 54 Medjunarodni Problemi 279, 279 (2004).

46. *See* Julien Chaisse & Luan Xinjie, *Revisiting the Intellectual Property Dilemma: How Did We Get to Strong WTO IPR Regime?*, 34 Santa Clara High Tech. L. J. 153, 169–170 (2018); *see also Frequently Asked Questions: Copyright*, WIPO, https://www.wipo.int/copyright/en/faq_copyright.html (last visited Aug. 2, 2021) (showing that For this reason, IP rights are also protected by a number of international treaties, including World Trade Organization (WTO) agreements and investment treaties).

47. Julien Chaisse & Puneeth Nagaraj, *Changing Lanes: Trade, Investment and Intellectual Property Rights*, 37 Hastings Int'l & Comp. L. Rev. 223, 227 (2014) (IP rights are also protected by a number of international treaties, including World Trade Organization (WTO) agreements and investment treaties.).

48. *Id.*

49. *Id.*

50. *Frequently Asked Questions: Copyright*, WIPO, https://www.wipo.int/copyright/en/faq_copyright.html [https://perma.cc/R359-BCA8] (last visited Aug. 2, 2021).

maps and technical drawings.[51] Rights related to copyright comprise rights similar or equal to those of copyright.[52] The duration of related rights is shorter than the copyright duration.[53] The beneficiaries of related rights are:

1) performers (such as actors and musicians) for their performances;

2) producers of phonograms (for example, compact discs) for their sound recordings; and

3) broadcasting organizations for their radio and television programs.[54]

Copyright gives exclusive rights to the copyright holder for the creation and fixation of his work, and the duration of this economic right extends during his lifetime and an additional fifty years from the date of death of the creator.[55] Related rights provide shorter duration of protection.[56] Creators and performers of phonograms have exclusive right from the date of the fixation of the work (excluding the calendar year of the fixation) till the expiration at fifty years.[57] Broadcasters have at least twenty years' protection for their broadcasting work from the date of the broadcast.[58]

Copyright holders have absolute right to use the copyrighted materials as they wish and can exclude others from unauthorized use of the copyrighted materials.[59] This exclusive right includes:

1) Reproduction of the protected work in all forms, including print form and sound recording.
2) Public performance of the protected work and its communication to the public.
3) Broadcasting of the protected work.
4) Translation of the protected work into other languages.
5) Adaptation of the protected work in different forms (for example, a novel may be adapted as a play or a film).
6) Copyright and related rights give moral right to the author for his creation. This moral right enables the creator to oppose any unauthorized modification which would hamper his reputation.[60]

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51. *Id.*

52. *See Understanding Copyright and Related Rights*, WIPO, https://www.wipo.int/edocs/pubdocs/en/wipo_pub_909_2016.pdf (2016).

53. *See id.*

54. Agreement on Trade-Related Aspects of Intellectual Property Rights art. 14, Apr. 15, 1994, 33 I.L.M. 81 (1994) [hereinafter TRIPS].

55. *Id.* art. 12.

56. *See id.* art. 14.

57. *Id.* art. 15(5).

58. *Id.* art. 14(5).

59. *See Understanding Copyright and Related Rights*, *supra* note 52, at 10.

60. *Id.*

2. *Patent*

Patents can be granted for any invention, whether products or processes, and in all fields of technology, dependent upon the condition that they are new, involve an inventive step (non-obvious), and are capable of industrial application (useful).[61] Patents provide exclusive monopoly rights to the patent holders for a limited period (generally twenty years) from the date of filing of the original application.[62] The patent holder has the right to decide who may or may not use (sale/license/import) his patented product or process till the expiry of its protection period.[63]

3. *Trademark*

Trademark is defined as "any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark."[64] Further, "such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks."[65] Signs must be visually perceptible as a prior condition for registration.[66] In fact, "where signs are not inherently capable of distinguishing the relevant goods or services. . . registrability depend(s) on distinctiveness acquired through use."[67] Trademark helps consumers purchase products or services on the basis of prescriptions (quality and quantity) made by the manufacturer or service provider.[68]

In some countries, non-traditional marks may be registered which have distinguishing features such as holograms, motion, color and non-visible signs (sound, smell or taste).[69] "In addition to trade marks identifying the commercial source of goods or services," several other trademark categories exist.[70] "Collective marks are owned by an association whose members use them to identify themselves with a certain level of quality" and who agree to adhere to specific requirements set by the association (e.g. an association of accountants, engineers or architects).[71] "Certification marks are given for

61. *TRIPS*, *supra* note 54, art. 27(1).
62. *Id.* art. 33.
63. *Id.* art. 28.
64. *Id.* art. 15(1).
65. *Id.*
66. *Id.*
67. *Id.*
68. WORLD INTELL. PROP. ORG., INTRODUCTION TO TRADEMARK LAW AND PRACTICE: THE BASIC CONCEPTS, 15 (2d ed. 1993).
69. *Non-Conventional Trademarks*, KIPG https://www.kashishworld.com/non-conventional-trademarks [https://perma.cc/RL7E-P8TB] (last visited Aug. 5, 2020).
70. *Trademarks*, BARB. CORP. AFF. AND INTELL. PROP. OFF., https://caipo.gov.bb/home/index.php/intellectual-property/trademarks/49-trademarks/64-collective-marks-and-certification-marks [https://perma.cc/2BGD-JLPP] (last updated July 28, 2021 9:00 AM).
71. *Id.*

compliance with defined standards, but are not confined to any membership" (such as an ISI mark or ISO 9000 certification).[72]

A trademark holder has the exclusive right to preclude other people from using mark or identical (deceptive) marks for manufacturing similar goods or providing similar services which would create confusion in the minds of consumers.[73] The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) specifies seven years as the minimum period for the protection for the registered trademarks.[74] Unlike other intellectual properties, parties can renew trademarks indefinitely.[75] A trademark holder can assign his trademark with or without the transfer of the business in which the trademark belongs, and there shall not be any compulsory licensing of trademarks.[76]

B. Transferability of IP

Although intellectual property rights are territorial in nature, IP holders can transfer their rights wholly or in part, for example, through technology transfer agreements, licensing agreements, benefit sharing agreements, or assignment of IP.[77] In these agreements, the IP holders may fix licensing terms including royalty, restriction on sub licensing, reverse engineering and so forth.[78]

C. The Principle of Territoriality (and the Issue of Extraterritorial Regulation)

The territoriality principle means that a state cannot legislate laws for controlling activities happening outside its territory.[79] Ulrich Huber has given the following reasons for adopting the territoriality principle: "(1) a state's laws have force only within the state's boundaries; (2) anyone found within the state's boundaries is subject to the state's authority; and (3) comity will discipline sovereign exercises of authority so that the territorial effect of each state's laws is respected."[80] Based on this principle, IP protection granted to an IP holder allows him to enforce and claim his IP rights within the state in which he got registration; as Paul Goldstein stated:

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72. *Id.*

73. TRIPS, *supra* note 54, art. 16(1).

74. *Id.* art 18.

75. *Id.* art 18.

76. *Id.* art. 21.

77. *See, e.g.*, Maria Julia Oliva et al., *A Guide to Intellectual Property Issues in Access and Benefit-sharing Agreements*, WIPO 46 (Toby Boyd ed., 2018).

78. *See, e.g., id.* (providing sample clauses for intellectual property contracts.).

79. *See* Julien Chaisse & Flavia Marisi, *Is Intellectual Property "Investment"? Formation, Evolution, and Transformation of the Intellectual Property Rights - Foreign Direct Investment Normative Relationship*, 34 Ohio St. J. on Disp. Resol. 97, 152 (2019).

80. Paul Goldstein & Burnt Hugenholtz, International Copyright Principles, Law, and Practice 96 (2d ed. 2001).

> Since the middle of the twentieth century, courts have relaxed the territoriality principle in some fields of law. Copyright law has been largely untouched by these departures. One reason for copyright's relative immunity from these liberalizing trends is that countries that might otherwise be inclined to foster the extraterritorial application of protectionist copyright rules have succeeded in getting their copyright norms adopted in international agreements such as the TRIPS Agreement and the WIPO Copyright Treaty. Once local copyright norms become globally enforceable norms, little pressure remains to export local rules through extraterritorial application. However, the fact that copyright law is territorial does not mean that confining it to local conduct will in all cases be correct, nor does it mean that applying it outside a nation's borders will in all cases be wrong. Hard questions arise in three areas: where acts of infringement occur in more than one country; where one element of the copyright infringement occurs in one country and another element in a second country; and where acts in one country bear not on infringement in the second country, but rather on the very existence of copyright there.[81]

Thus, an IP holder can protect his IP in the registered country, and it is very difficult for him to enforce his rights in an unregistered country.

III. The Current Concerns and Challenges in Intellectual Property Rights Disputes

Unlike other commercial disputes, the value of IP depreciates very quickly, so this concern can play a pivotal role in IP dispute resolution. But it is not the only concern. Apart from speedy disposal, IP disputants face many issues, including confidentiality concerns, timeliness concerns, the nature of IP disputes, arbitrability of IP disputes, and issues of conflict of laws.

A. Confidentiality Concerns

IP rights are granted to the IP holder in a certain period; hence, profitability of IP depends on how successfully the IP holder utilizes it.[82] Disputes on IP and its outcome could affect the current and future business prospects of the IP holder. Thus, it is essential for the IP holder to keep his disputes and the outcome of his disputes confidential; otherwise, his competitors may take advantage of his crisis.

B. Timeliness Concerns

Intellectual property rights are granted for a limited period, especially on patents and designs; hence, the IP holder should strategize very well to earn

81. *Id.* at 95–96.

82. *See* Menell, *supra* note 9, at 7616–21.

profits.[83] Investments which are made for the creation of IP are in vain if disputes are not settled in a speedy manner. In the case of patents, the IP holder may not be able to earn much profit because of new technological advancement, which may quickly make his invention outdated.

C. Nature of IP Disputes (Contractual and Non-contractual)

IP disputes are either civil in nature (seeking injunction or compensation) or criminal in nature (punishing the infringer and/or destroying infringed articles).[84] Some IP disputes contain the combination of both. Moreover, state authorities play a pivotal role in granting and revoking of IP. Some IP claims might include antitrust issues and public interest concerns.[85] Intellectual property disputes are broadly classified into two categories, namely contractual disputes and non-contractual disputes.[86] The contracting parties may also have obligations which arise out of general law and which are not, by definition, contained in the terms of the contract. These "non-contractual" obligations are complex, and always depend upon the specific business at stake and jurisdictions involved.[87] "Non-contractual" obligations also depend on the contract itself.

Breaches of the terms of contract would result in a contractual dispute.[88] For example, a patent licensing agreement is likely to contain the details of the scope of patent licensing, know-how (trade secret aspects), sub-licensing, and royalty, and to specify the usage of the licensed product in sectors beyond the contemplation of the patent holder, as well as for the purposes of research and improvement of the product.[89] A dispute may arise if a licensing agreement contains an unclear definition of the scope and coverage of licensing.[90] Disputes could also arise if the licensee has breached the terms of the licensing agreement by sub-licensing the patented product,

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83. *See* Menell, *supra* note 9, at 7616 (explaining that patent law's limited time period encourages research and development).

84. Jacques de Werra, *A Closer Look at Specialized Intellectual Property Courts*, WIPO Mag., Nov. 2016, at 28.

85. Herbert J. Hovenkamp, *The Intellectual Property-Antitrust Interface*, 3 Issues in Competition L. & Pol'y 1979, 1979 (2008).

86. *Arbitrability of IP Disputes*, World Trademark Rev., https://www.worldtrademarkreview.com/arbitrability-of-ip-disputes [https://perma.cc/GL3E-WFN7] (last visited July 28, 2021).

87. *See Governing Law Clauses*, Ashurst, (Jan. 15, 2021) https://www.ashurst.com/en/news-and-insights/legal-updates/governing-law-clauses/ [https://perma.cc/4WWE-HASU],

88. Kellie Pantekoek, *Breach of Contract and Lawsuits*, FindLaw, https://www.findlaw.com/smallbusiness/business-contracts-forms/breach-of-contract-and-lawsuits.html [https://perma.cc/575F-V38Q] (last updated April 23, 2020).

89. *Patent License Agreement between the University of Pennsylvania and Aegerion Pharmaceuticals*, (May 19, 2006) https://www.sec.gov/Archives/edgar/data/1338042/000119312507078049/dex1013.htm [https://perma.cc/DM4K-PA9G].

90. *Avoid a Common Trademark Pitfall: Valid Sublicensing in the Absence of Express Licensor Consent*, Much L. (Jan. 21, 2009) https://www.muchlaw.com/insights/article/avoid-common-

using it for non-specified purposes, or reverse engineering the product for the purpose of inventing something new.[91] A dispute between Amgen and Johnson & Johnson is a typical example of a contractual patent licensing dispute.[92] Amgen granted license to Johnson & Johnson for the use of erythropoietin protein on the basis of a 1985 licensing agreement.[93] Johnson & Johnson contended that Amgen's second-generation erythropoietin analogue fell within the scope of the existing patent license.[94] The arbitral tribunal decided in favor of Amgen, ruling that the second-generation erythropoietin analogue is not within the scope of the license agreement.[95]

"Non-contractual" obligations do affect IP disputes. In fact, some IP disputes — even if based on contract — cannot be limited to contractual issues. Further, there are express restrictions of referral of certain disputes to private forums; these include disputes pertaining to validity of IP, and infringement.[96] For example, the validity of a trademark could be disputed for a variety of reasons such as refusal by the trademark registry to register the trademark in view of other well-known marks, or on the ground that the mark is against the applicable law governing trademarks, a similarity objection raised by another registered trademark holder, or a plea for revocation of trademark because it consists of an unused registered mark by the trademark holder.[97] Such disputes are typically resolved by the national or domestic statutory authority responsible for IPR registrations in a jurisdiction or by national courts.[98]

D. Arbitrability of IP Disputes

Traditionally, arbitration was not accepted as a dispute resolution mechanism in IP law, but it is now gaining international popularity for the settlement of such disputes.[99] "The main obstacle to using arbitration to

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trademark-pitfall-valid-sublicensing-absence-express-licensor-consent [https://perma.cc/H3V4-2ZQU].

91. Technology Licensing in a Strategic Partnership, WIPO, https://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip_panorama_7_learning_points.pdf (last visited Aug. 24, 2021).

92. *See* Andrew Pollack, *Johnson & Johnson to Pay $150 Million in Amgen Suit*, N.Y. Times (Oct. 19, 2002), https://www.nytimes.com/2002/10/19/business/johnson-johnson-to-pay-150-million-in-amgen-suit.html#:~:text=AN%20arbitrator%20yesterday%20ordered%20Johnson,%26%20Johnson%27s%20top%2Dselling%20drug [https://perma.cc/Z997-63ZM].

93. *Id.*

94. *Id.*

95. *Id.*

96. Governing Law Clauses, *supra* note 87.

97. Sachiko Serita & Takeshi Kikuchi, *Trademark Disputes and Their Handling*, Japan Pat. Off. (2010) 4, 14 https://www.jpo.go.jp/e/news/kokusai/developing/training/textbook/document/index/Trademark_Disputes_and_Their_Handling.pdf.

98. *Id.* at 25.

99. *The Arbitrability of Intellectual Property Disputes*, LawTeacher (Aug. 6, 2019) https://www.lawteacher.net/free-law-essays/commercial-law/the-arbitrability-of-intellectual-property-disputes-commercial-law-essay.php [https://perma.cc/8GRS-XYBJ].

resolve intellectual property disputes is the issue of its subject-matter 'arbitrability.'"[100] Further, "intellectual property rights are territorial and are primarily derived from the legal protection granted by the local sovereign power, which affords the grantee certain exclusive rights to use and exploit the right."[101] Intellectual property exists through the recognition of the state in the form of registration and validation.[102] Hence, some jurists have pointed out that an arbitral tribunal is not the right forum to decide disputes related to registration and validity of IP.[103] Redfern and Hunter have stated that "whether or not a patent or trademark should be granted is plainly a matter for the public authorities of the state concerned, these being monopoly rights that only the state can grant. Any dispute as to their grant or validity is outside the domain of arbitration."[104]

Certain disputes in relation to its granting, validity, and extent of the rights granted are reserved for the jurisdiction of the domestic authority which recognizes the IPR in a particular jurisdiction or by the national courts in that jurisdiction.[105] Robert Briner has highlighted, on the basis of a nationwide report of the International Association for the Protection of Industrial Property (IAPIP) produced in 1991, that arbitrability of intellectual property has been restricted by the respective countries on four pivotal principles.[106] They are:

i. Public policy considerations (especially when the outcome of the dispute would affect a third party). But most countries have stated that arbitrability of industrial property disputes cannot be affected by public policy.

ii. Absence of free disposal by the parties over some rights.

iii. Impact of the outcome of the dispute towards a third party (inter partes effect as opposed to erga omnes effect).

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100. *Arbitration and Intellectual Property Rights*, LEGAL SERVICE INDIA E-JOURNAL, https://www.legalserviceindia.com/legal/article-360-arbitration-and-intellectual-property-rights.html [https://perma.cc/XGL2-BPA2] (last visited July 28, 2021).

101. *Id.*

102. *Intellectual Property 101: What It Is and Why I Should Protect It*, VARNUM (Sept. 6, 2017), https://www.varnumlaw.com/newsroom-publications-intellectual-property-101-what-it-is-and-why-i-should-protect-it [https://perma.cc/YC5V-Z7U3].

103. *See* Dario Vicente, *Arbitrability of Intellectual Property Disputes: A Comparative Survey*, 31 ARB. INT'L 151, 152 (2015); M A Smith & M Cousté, *Arbitration of Patent Infringement and Validity Issues Worldwide*, 19 HARVARD J. L. TECHNOL 299, 299 (2009).

104. THOMAS E. CARBONNEAU, THE LAW AND PRACTICE OF ARBITRATION (4th ed. 2012).

105. *Intellectual Property Disputes and Arbitration*, INT'L CHAMBER OF COM. ¶ 1.5, https://library.iccwbo.org/content/dr/COMMISSION_REPORTS/CR_0013.htm?l1=Bulletins&l2=ICC+International+Court+of+Arbitration+Bulletin+Vol.+9%2FNo.1+-+Eng (last visited Aug. 3, 2021).

106. Robert Briner, *Worldwide Forum on the Arbitration of Intellectual Property Disputes*, WIPO (Mar. 3–4, 1994) https://www.wipo.int/amc/en/events/conferences/1994/briner.html [https://perma.cc/XX24-KVJU].

iv. Exclusive jurisdiction reserved to certain courts or the national industrial property offices.[107]

This has the effect that rights and entitlements to intellectual property, and the legal issues which flow from those rights, cannot usefully be referred to or considered by an arbitration tribunal.[108] In this section we will further discuss the (a) relationship between arbitrability and jurisdiction, (b) circumstances in which arbitrability will be a concern including the international regime on IP arbitrability and the position of various countries, and (c), the position of various arbitral institutions on the matter.

1. *Jurisdiction and Admissibility before an Arbitral Tribunal*

Generally, arbitrators have jurisdiction only vis-à-vis parties who have agreed to arbitrate their dispute, and over subject matters which fall within the scope of the parties' agreement to arbitrate.[109] Technically, arbitral authority over persons should properly be referred to as jurisdiction, whereas arbitrability should refer to whether the subject matter of the parties' dispute is within the scope of the arbitration agreement or whether public policy bars arbitration of certain kinds of IP subject matters.[110]

Non-arbitrable IP disputes may be contested by the parties at the time of the referral to arbitration as a jurisdictional issue,[111] and thereafter at the stage of interim measures,[112] or even later while objecting to the enforcement of the final award.[113] Blessing has stated that "the limit of arbitrability is, in my view, not set by the interference of foreign mandatory rules of law, but only by the limits imposed on the basis of public policy in international affairs."[114]

2. *Laws Affecting Arbitrability of Intellectual Property Rights in Different Jurisdictions*

In some jurisdictions, the question of the legitimacy of intellectual property rights has been accepted as an appropriate subject matter for arbitration.[115] In the US, the apprehension about arbitration agreements is

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107. *Id.*

108. *See* Intellectual Property Disputes and Arbitration, *supra* note 105.

109. Raymond Bishop et. al, *Determining Jurisdiction and Arbitrability*, *in* THE COLLEGE OF COMMERÇIAL ARBITRATORS GUIDE TO BEST PRACTICES IN COMMERCIAL ARBITRATION 37, 37 (2d ed. 2010).

110. *Id.*

111. Comm. on Int'l Trade L. UNCITRAL Model Law on International Commercial Arbitration Article 8, 16, U.N. Doc. A/40/17, annex I and A/61/17, annex I (1985).

112. *Id.* at art. 17, 9.

113. *Id.* at art. 34 (2); U.N. Conventions on the Recognition and Enforcement of Foreign Arbitral Awards, June 10, 2058. https://www.newyorkconvention.org/english [https://perma.cc/LR43-CHGS].

114. Marc Blessing, *Arbitrability of Intellectual Property Disputes*, 12 ARB. INT'L 191, 205 (1996).

115. Vicente, *supra* note 103, at 151.

fading.[116] The US Supreme Court has issued a number of paramount rulings holding that even statutory claims are subject to arbitration.[117] These rulings have formed a general trend to favor arbitration as a fair and efficient means of resolving disputes, irrespective of the substantive nature of the dispute.[118] Although the laws of individual states still, to some degree, disfavor arbitration, the US Supreme Court has recently ruled that, where an arbitration agreement includes interstate commerce, states cannot subject arbitration agreements to strict scrutiny.[119] Rather, the states have been ordered to treat arbitration agreements like any other contract.[120]

But there are grave differences between countries on IP arbitrability, in particular with regard to the submission of validity issues to arbitration.[121] In several legal systems, the limitations levied in this regard are related to public interests that are considered to be dominant.[122] For instance, in India, there is a prevalent discourse on arbitrability.[123] Public policy considerations are involved in the determination of arbitrability, and the Indian Supreme Court has held that disputes which are right in rem are non-arbitrable.[124] France and Italy, along with Switzerland, have progressively favored arbitration by focusing solely on public policy concerns emerging from the subject matter of the arbitration instead of on the public policy nature of the rules to be applied.[125] Furthermore, in international arbitration, many continental European jurisdictions only permit parties to raise the issue of arbitrability by relying on concerns of 'international public policy.'[126] Article 45 of China's Patent Act and China's Trademark Act articles 41 and 42 give exclusive jurisdiction to the patent re-examination and adjudication board to decide the validity of patents and trademarks.[127] Similarly, the German Patent Act section 65 stipulates that the federal patent court of Germany is required to hear appeals, including invalidity of patents from the patent

116. Joseph McLaughlin, *Arbitrability: Current Trends in the United States*, 12 INT'L ARB. 113, 135–36 (1996).

117. *Id.*

118. *Id.*

119. *Id.*

120. *Id.*; Vicente, *supra* note 103, at 151.

121. Vicente, *supra* note 103, at 162.

122. Vicente, *supra* note 103, at 161.

123. Agnish Aditya & Siddharth Nigotia, *Semantic and Doctrinal Restructuring of 'Arbitrability': Examining Brekoulakis' Arguments in the Indian Context*, 33 INT'L ARB. 609, 609 (Nov. 13, 2017).

124. *Id.* at 618.

125. *See* Brinner, *supra* note 26.

126. *See* Brinner, *supra* note 26.

127. zhōng huá rén mín gòng hé guó zhuān li fǎ (mg f:'inl30301.eps',w6.7,d.8]) [Patent Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong. Gaz, Mar. 12, 1984, effective Apr. 1, 1985), art. 45, 2021 China Patent and Trademarks 82, (China); Zhōnghuá rénmín gònghéguó shāngbiāo fǎ (mg f:'inl30301.eps',w6.7,d.8]) Trademark Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 23, 1982, effective Mar. 1, 1983), art. 41, 42 (China).

examination division as well as the German patent and trademark office.[128] Similarly, the Dutch Patents Act of 1995 article 80 and the US Federal Patent Act (28 U.S.C. s. 1338) grant jurisdiction to their respective patent offices to determine validity-related issues.[129]

3. *Absence of Free Disposal by the Parties over Some Rights*

States have restricted the arbitrability of certain IP disputes which have a high impact on public interest.[130] Arbitral tribunals are in general restricted from resolving disputes pertaining to compulsory licensing and disputes on standard essential patents (SEPs).[131] TRIPS agreement article 31 allows the member countries to provide compulsory licensing of patented products if the patented invention is not available in the market or not available at an affordable price and the patent holder is not ready to supply or sell the patented product or is unwilling to grant license to other manufacturers.[132] Since granting of compulsory licensing requires state intervention, and the outcome of such disputes would impact the public at large, almost all states keep disputes on compulsory licensing outside the purview of arbitration.[133]

One area of particular relevance is pharmaceutical patents, for which there is high demand for compulsory licensing.[134] Between 1995-2011 there were twenty-four compulsory-licensing-related events in seventeen nations,[135] and respective states have granted compulsory licenses to some pharmaceutical products; in some cases, the respective patent holders have agreed to reduce the price of the particular pharmaceutical product or indicated readiness to enter into voluntary licensing arrangements.[136] These pharmaceutical products are related to sixteen HIV/AIDS drugs, four drugs for other contagious diseases and four drugs for non-contagious diseases.[137]

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128. Gesetz über Urheberrecht und verwandte Schutzrechte [Patentgesetz] [Patent Act], Dec. 16, 1980, PatG IV at 65 (Ger.), http://www.gesetze-im-internet.de/patg/PatG.pdf.

129. 28 U.S.C. § 1338 (a-c); Artikel 80, lid. 1 BW.

130. *See* Saniya Mirani & Mihika Poddar, *Arbitrability of IP Disputes in India — A Blanket Bar?*, KLUWER ARBITRATION BLOG (Mar. 19, 2019) http://arbitrationblog.kluwerarbitration.com/2019/03/09/arbitrability-of-ip-disputes-in-india-a-blanket-bar/ [https://perma.cc/HQ7B-9RY8].

131. Jacques De Werra, The Expanding Significance of Arbitration for Patent Licensing Disputes: from Post-Termination Disputes to Pre-Licensing FRAND Disputes, 32 ASA Bull. 692, 692 (2014).

132. TRIPS, *supra* note 54, at art 31.

133. *See* Reed Beall & Randall Kuhn, *Trends in Compulsory Licensing of Pharmaceuticals Since the Doha Declaration: A Database Analysis*, PLOS MEDICINE (Jan. 10, 2012) https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1001154 [https://perma.cc/4CMZ-SSB9].

134. *Id.*

135. *Id.*

136. *Id.*

137. Beall & Kuhn, *supra* note 133.

Patents that are considered essential by the standard-setting organisations are called "standard essential patents" (SEPs).[138] Unless using SEPs, manufacturers cannot manufacture marketable products with the required standards.[139] For example, mobile phones and televisions are made with several patented products.[140] SEPs may be owned by one person or several persons, which could create an opportunity for the SEP owner to demand a high price.[141] Hence, standard-setting organizations have framed suitable "Fair, Reasonable and Non-Discriminatory" (FRAND) licensing and pricing arrangements for these products.[142]

The US allows the standard-setting organizations to encourage the disputing parties to resolve their disputes through arbitration.[143] But Kevin Hardy highlighted that SEP disputes are more complex than an ordinary patent dispute.[144] He further stated that simple royalty claims (cross licensing) may be referred to arbitration, whereas other fundamental issues of SEPs cannot be referred to arbitration.[145]

But some authors are in favor of referring SEP disputes to arbitration.[146] They have stated that the EU Commission's SEP communication in November 2017 encourages arbitration of SEP disputes.[147] They also highlighted that German Civil Procedure Code article 315 allows arbitrators to decide SEP disputes.[148] They opined that SEP may contain patents from multiple jurisdictions which cannot be decided by one state court; hence, arbitration is a suitable option for the parties.[149] They suggested that because parties in SEP disputes may not have a pre-arbitration agreement, SSO or SEP holders could include an arbitration clause for the future dispute redressal when making a declaration or arranging their agreement.[150]

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138. Dipak Rao & Nishi Shabana, *India: Standard Essential Patents*, MONDAQ (Apr. 22, 2016), https://www.mondaq.com/india/patent/484412/standard-essential-patents [https://perma.cc/28Q5-J269].

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.*

143. Kevin Hardy, *Resolving Patent Disputes: Are Regulators Right to Recommend Arbitration?*, DESIGN WORLD, (Jan. 30, 2017), https://www.designworldonline.com/resolving-patent-disputes-are-regulators-right-to-recommend-arbitration/ [https://perma.cc/VZM7-KQNT].

144. *Id.*

145. *Id.*

146. Peter Georg Picht & Gaspare Tazio Loderer, *Arbitration in SEP/FRAND Disputes: Overview and Core Issues*, 36(5) INT'L ARB. 575–94 (2019).

147. *Id.* at 581.

148. *Id.* at 581–82.

149. *Id.* at 579.

150. *See id.* at 589–90.

E. Conflicts of Law on the Issue of Arbitrability of IP Issues

Countries like the US grant patent protection to computer software, whereas countries like India do not provide patent protection, especially if the software is merely a program.[151] Similarly, there exists no concept of utility patents in India.[152] TRIPS prescribes a minimum protection period for each IP, whereas countries have different periods of IP protection — for example, the US grants copyright protection for the duration of seventy years, and India grants sixty years from the date of the death of the author.[153] Furthermore, as discussed, arbitrability of IP disputes is an unsettled issue, which leads us to a crucial question as to which law governs the determination of arbitrability of IP disputes. The general practice is that the law governing the arbitration agreement is considered to be the law governing the arbitrability of the dispute.[154] But the seat of the arbitration is also taken into consideration for determining arbitrability.[155]

IV. Drafting Efficient Dispute Resolution Clauses for Intellectual Property Rights Contracts

"In a contractual relationship, such as licensing IP or jointly developing IP, it is common for parties to include an arbitration clause in their contract, especially in cross-border situations."[156] Using international arbitration to resolve global IP disputes offers several distinct advantages over national courts. "Some commonly cited advantages 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."[157] It allows the parties to resolve multi-jurisdictional disputes involving the same IP right in a single, neutral forum.[158] Apart from this,

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151. Siddharth Dalmia, *India: Software Patenting in India and USA*, Mondaq (Apr. 12, 2018), https://www.mondaq.com/india/patent/691544/software-patenting-in-india-and-usa [https://perma.cc/XPS9-RG39].

152. Intepat Team, *India: Utility Patents & Its Position in India*, Mondaq (June 19, 2017), https://www.mondaq.com/india/patent/603302/utility-patents-its-position-in-india [https://perma.cc/3UKK-EWPS].

153. *See* Vijay Pal Dalmia, *India: Copyright Law in India*, Mondaq (June 25, 2015) https://www.mondaq.com/india/licensing-syndication/406982/copyright-law-in-india [https://perma.cc/Z9ZC-QA2J]; How Long Does Copyright Protection Last?, *supra* note 41.

154. Sherina Petit, *The Governing Law of the Arbitration Agreement Q and A*, Norton Rose Fulbright (May 2014), https://www.nortonrosefulbright.com/en/knowledge/publications/5033d6e5/the-governing-law-of-the-arbitration-agreement-q-and-a#section2 [https://perma.cc/4DKV-EFSY].

155. *Id.*

156. Jehoram, *supra* note 22.

157. Hwan Kim et. al, *The Growing Important of International Arbitration for Intellectual Property Disputes*, 11 Nat'l L. Rev. 205, 205 (2020).

158. *Id.*

> parties are generally free to determine: (i) the composition of the arbitration panel (for example, a specific area of expertise), (ii) the place of arbitration, (iii) the arbitration institute and set of procedural rules (for example, the International Chamber of Commerce, WIPO Arbitration and Mediation Centre). Other benefits are that, further to the New York Convention, arbitral awards can be enforced in over 150 countries, and arbitral proceedings can be handled confidentially.[159]

Further, "to meet the particular needs in IP and technology disputes, the World Intellectual Property Organization (WIPO) established the WIPO Arbitration and Mediation Center (WIPO Center) and specific arbitration (expedited and non-expedited), mediation and expert determination regimes."[160]

The typical nature of IP disputes and uncertainty surrounding IP arbitrability require that IP disputants be vigilant when drafting clauses in IP contracts, and there are various elements that one needs to keep in mind. These elements can be classified into core elements and additional elements. In this section, we will discuss these elements in detail, beginning with a model arbitration clause.

> Clause example for a contract:
>
> WIPO Arbitration: 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. The arbitral tribunal shall consist of [a sole arbitrator] [three arbitrators]. The place of arbitration shall be [specify place]. The language to be used in the arbitral proceedings shall be [specify language]. The dispute, controversy or claim shall be decided in accordance with the law of [specify jurisdiction].[161]

This model clause explains how parties can agree on IP dispute resolution.[162] When parties enter into an arbitration agreement after a dispute has arisen, it is advisable to specify the dispute and nature of the claim submitted to arbitration.

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159. Jehoram, *supra* note 22.

160. Michael Woller & Michaela Pohl, *supra* note 14.

161. *Future Disputes: WIPO Arbitration Clause*, WIPO, https://www.wipo.int/amc/en/clauses/arbitration/ [https://perma.cc/5RMS-L56D] (last visited Aug. 3, 2021).

162. *See id.*

A. The Core Elements of Efficient Dispute Resolution Clauses

1. *Number of Arbitrators*

When deciding whether to appoint one or three arbitrators, parties weigh considerations of cost and efficiency against the value and complexity of the dispute.[163] To reduce the time and cost of arbitration one should opt for single arbitrator instead of three arbitrators. It will be much easier to find suitable dates for hearings and site visits with a single arbitrator rather than three. If the parties fail to agree on the person of the sole arbitrator, the arbitral institute will step in and nominate a sole arbitrator.[164] Moreover, in view of the fact that many countries allow challenge of an award only on very limited grounds, the parties should carefully consider whether they really want to agree on having future disputes decided by only one person.[165] If the parties have not specified the number of arbitrators, then this will be decided in accordance with state laws or respective institutional rules.[166] Some institutions specify the number of arbitrators as either one or three.[167] Some state laws take the same view. For example, in India, if the parties cannot agree on the number of arbitrators, then there shall be a sole arbitrator.[168] It is also advisable that the parties agree on an odd, not even, number of arbitrators.[169]

2. *Choice of Seat*

The WIPO suggests that when drafting arbitration agreements:

> The choice of 'place of arbitration' determines the law that regulates many procedural aspects of the dispute and determines which courts will have supervisory jurisdiction over the conduct of the arbitration. This is relevant at vital junctures in the arbitration, for example, interim relief and setting aside proceedings. Regardless of their chosen place of arbitration, the parties may hold meetings or hearings anywhere in the world, at the convenience of parties, arbitrator(s) and witnesses.[170]

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163. Leandro Toscano, *How to Draft Efficient Mediation and Arbitration Clauses for Your IP and Commercial Contracts*, WIPO (Apr. 22, 2020) https://www.wipo.int/export/sites/www/amc/en/docs/draftingadrclauses.pdf.

164. *See, e.g.*, ICC Rules 2012 Art 12(3); WIPO Arbitration Rules Art 19(b); WIPO Expedited Arbitration Rules Art 14(b); Swiss Rules Art 7(3).

165. *See, e.g.*, Int'l Chamber of Commerce, 12 Arb. Rules § 2 (2021); WIPO, Arb. Rules § 19(a) (2021); WIPO, Expedited Arb. Rules §§ 14(b)–(c) (2021); Swiss Arb. Centre, 2 Swiss Rules Art. 9 § 1 (2021).

166. *See* Petit, *supra* note 154.

167. The Arbitration and Conciliation Act, 1996, § 3(10)(2) (India).

168. *Id.*

169. *Id.* § 3(10)(1).

170. *Drafting Efficient Dispute Resolution Clauses*, WIPO, https://www.wipo.int/amc/en/clauses/clause_drafting.html [https://perma.cc/XA47-7YPA] (last visited July 25, 2021).

In the present COVID-19 climate, it is not unusual for parties to hold hearings virtually.[171] Hence, it is advised that the parties specify their place of arbitration (juridical seat) so that they can hold online meetings from anywhere in the world.[172]

3. *Language of Arbitration*

The parties may choose any language that suits them.[173] But it is recommended that parties choose a suitable language as per their requirements.[174] There is no need to choose a neutral language unless this is convenient for both parties; otherwise, additional cost will be involved for translating the award into an official language of the enforcing country when seeking its enforcement.[175]

4. *Substantive Law*

The parties should choose the substantive law, i.e. the law under which the arbitral tribunal decides the dispute.[176] As explained earlier, some countries have adopted a favourable approach to arbitrability of IP disputes, and some countries have a restrictive approach on IP arbitration; hence, the parties must be very vigilant when choosing the law applicable substance of the IP dispute.

B. The Additional Elements of Efficient Dispute Resolution Clauses

1. *Appointment Procedure*

It is advised that parties should have an appointment procedure in their arbitration agreement; otherwise, the arbitral institutional rules or respective state law will determine the appointment procedure, which could increase the cost of the arbitration.[177] For example, as per WIPO arbitration rules, unless the parties provide otherwise, the appointment procedures provided in Articles 14-20 apply for the appointment of arbitrators.[178] Pursuant to Article 15(a) of the WIPO Arbitration Rules, the parties agree to the following procedure for the appointment of the arbitrator(s):

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171. Niklaus Zaugg & Roxana Sharifi, *Imposing Virtual Arbitration Hearings in Times of COVID-19: The Swiss Perspective*, Walters Kluwer: Kluwer Arbitration Blog (Jan. 14, 2021), http://arbitrationblog.kluwerarbitration.com/2021/01/14/imposing-virtual-arbitration-hearings-in-times-of-covid-19-the-swiss-perspective/ [https://perma.cc/7NFB-KG5Z].

172. *Drafting Efficient Dispute Resolution Clauses*, *supra* note 170.

173. *Id.*

174. Debevoise & Plimpton LLP, *Debevoise International Arbitration Clause Handbook* 15 (2018).

175. *Id.*

176. *See* Petit, *supra* note 154.

177. *See* WIPO, Arb. Rules § 15(a).

178. *See id.* §§ 15(a)–(b), 19(b)–(c).

(a) if the parties have agreed on a procedure for the appointment of the arbitrator or arbitrators, that procedure shall be followed. (b) If the Tribunal has not been established pursuant to such procedure within the period of time agreed upon by the parties, or in the absence of such an agreed period of time, within 45 days after the commencement of the arbitration, the Tribunal shall be established or completed, as the case may be, in accordance with Article 19.[179]

2. *Party Autonomy (Otherwise, Institutional Arbitration Rules)*

(i) Qualifications of the Arbitrators — the parties can select the professional qualifications and experience, training and areas of specialization of the arbitrator(s).[180] It is advisable that parties specify the broader qualifications of arbitrators, such as experience handling patent disputes, FRAND disputes, and more.[181] The default procedure for appointment under institutional rules must also be kept in mind. In this regard, it is relevant that the WIPO follows a list of procedures for appointment of arbitrators and maintains a list of specialists in the field of IP.[182]

(ii) Evidence — Pursuant to Article 50 of the WIPO Arbitration Rules, the tribunal shall determine the admissibility, relevance, materiality and weight of evidence.[183] But parties may agree on specific evidentiary procedures, such as discovery, document production, and disclosers.[184] Parties also agree that each party shall, upon written request of the other party, promptly provide the other with copies of all relevant documents.[185] There shall be no other discovery allowed.[186]

The parties shall try to informally resolve requests for production of documents and other evidence.[187] The parties may bring requests for disclosure under Article 50(b) of the WIPO Arbitration Rules only if they reach an impasse on the production of documents or other evidence.[188]

The arbitral tribunal after consultation with the parties shall appoint one or more independent experts to give reports on specified issues.[189] The

179. *See id.* § 15(a).

180. BIRD & BIRD LLP, *Arbitration of FRAND Disputes in SEP Licensing*, WORLD TRADEMARK REV. (Mar. 11, 2021), https://www.worldtrademarkreview.com/arbitration-of-frand-disputes-in-sep-licensing [https://perma.cc/4BTK-ZP74].

181. *See id.*

182. *See* WIPO, Arb. Rules §§ 19(b)(i)–(v).

183. WIPO, Arb. Rules § 50.

184. *Commercial Rules and Mediation Procedures*, AM. ARB. ASSOC. 23 (2013) (on file with author).

185. *See id.* at Rule 43(c)–(d).

186. *See id.* at Rule 22.

187. *See* WIPO, Arb. Rules § 50(b).

188. *Id.*

189. *Id.* § 57(a).

arbitral tribunal shall furnish a copy of any expert report to the parties.[190] The parties are allowed to examine any documents which experts have relied upon, and the parties must be given the opportunity to examine experts via testimony of their opinions on a given issue.[191] Parties can agree that experts' opinions are final on a preferred issue; otherwise, the arbitral tribunal can decide the validity and acceptance of expert reports.[192]

The WIPO rules specifically allow the parties to classify certain disclosures as confidential information.[193] Upon such request, the arbitral tribunal on its own or with the help of an expert (confidentiality adviser) shall decide the confidential nature of such information.[194] Information is considered confidential if the absence of special measures of protection to such information in the proceedings would be likely to cause serious harm to the party invoking its confidentiality.[195] This confidentiality information protection is also available on any expert's examination and report.[196] The examination of witnesses, production of documents, and exchanges of information by parties are kept confidential unless there is a mandate from the state courts.[197] The arbitral tribunal, the parties, WIPO Arbitration Center, and the witnesses who have taken part in the arbitral proceedings must maintain confidentiality.[198] Information about the arbitral award shall also be kept confidential, and if one party wants to disclose some information on arbitration, he must obtain consent from the other party.[199]

(iii) Time Period for the Delivery of the Final Award — Pursuant to Article 65 of the WIPO Arbitration Rules, the arbitral tribunal should conclude its proceedings of hearings within nine months from the date of delivery of the statement of defence.[200] The tribunal is expected to make the final award within three months after the closure of the proceedings.[201] If there is delay in the conclusion of proceedings or delivery of award within three months from the date of conclusion of arbitral proceedings, then the arbitral tribunal should furnish explanations to the WIPO Center.[202] Timely disposal is very vital in IP disputes, since the value of IP can depreciate every day, and IP protection is available for only a very limited period.

(iv) Appeal— Pursuant to Article 66 of the WIPO Arbitration Rules, by agreeing to arbitration under these Rules, the parties waive their right to any

190. *Id.* § 57(b).
191. *Id.* §§ 57(b)–(c).
192. *Id.* § 57(d).
193. *Id.* § 76.
194. WIPO, Arb. Rules § 54.
195. *Id.* § 54(c).
196. *Id.* § 54(e).
197. *Id.* § 75.
198. *Id.* § 78.
199. *Id.* § 77.
200. WIPO, Arb. Rules § 65(a).
201. *Id.* at § 65(b).
202. *Id.* at § 65(c).

form of appeal.[203] But in exceptional cases, parties may wish to consider the need for an appeal. For instance,

> An award pursuant to Article 64 of the WIPO Arbitration Rules shall only be subject to review through an appeal to an Appellate Panel consisting of [three arbitrators] appointed pursuant to [Article 17] of the WIPO Arbitration Rules. No arbitrator in the arbitral tribunal may be an arbitrator on the Appellate Panel. Such an appeal must be initiated within [30 days] of the arbitral tribunal award or otherwise the award shall become a final award pursuant to the WIPO Arbitration Rules. If an appeal is sought, the Appellate Panel shall conduct a de novo review of the legal determinations of the arbitral tribunal and shall determine whether there is reasonable basis for all factual determinations or any specific evidentiary procedure.[204]

3. *Facilities Available in WIPO Arbitration and Mediation Center:*

(i) WIPO eADR— The WIPO Center makes available, at the option of the parties, the WIPO Electronic Case Facility (ECF).[205] WIPO eADR allows parties and neutrals (mediators, arbitrators and experts) in a WIPO case to securely submit communications electronically into an online docket.[206] Parties can avail themselves of this facility at no cost.[207] This eADR facility is highly secured and very user friendly.[208] This eADR platform also ensures confidentiality and data protection.[209]

(ii) Video Conferencing— WIPO provides means for parties to conduct their ADR proceedings including arbitration hearings through video conferencing. This facility is inexpensive and very efficiently managed by WIPO.[210] Parties can use this facility and reduce their cost of arbitration.

C. Some Pitfalls to Avoid in Drafting Arbitration Clauses

Some people have incorporated a model arbitration clause or copied arbitration clause from elsewhere without considering their own requirements. For example, IP dispute arbitration may require a special IP-

203. WIPO, Arb. Rules § 66(a).

204. WIPO, Guidance on WIPO FRAND Alternative Dispute Resolution (ADR), n.49 (2021) (citing a model appeal clause provided by a WIPO arbitration generator).

205. *America's Cup—WIPO Provides Online Dispute Resolution Facility*, WIPO Mag. (June 2007) https://www.wipo.int/wipo_magazine/en/2007/03/article_0009.html [https://perma.cc/QZ8Z-FRDR].

206. *WIPO Arbitration and Mediation Center*, WIPO, https://www.wipo.int/amc/en/center/background.html [https://perma.cc/S5WE-8BVR] (last visited July 28, 2021).

207. *Id.*

208. *Id.*

209. *Id.*

210. *Id.*

focused arbitral institution and arbitrator.[211] The present article identifies five pitfalls which must be avoided in drafting arbitration clauses.

1. *Description of Disputes*

Parties can specify which disputes can be referred to arbitration and which disputes cannot be arbitrated in case of any future disputes on their IP contract.[212] Parties may agree that validity and non-contractual claims cannot be raised before an arbitral tribunal.

2. *Choice of Law*

Parties must be careful when specifying the law applicable to the arbitration agreement and law applicable to the substance of the dispute.[213] This is because if the dispute is non-arbitrable as per the applicable law of the arbitration agreement and law applicable to the substance of the dispute, then the award holder must face arbitrability challenges.

3. *Choice of Juridical Seat*

Parties must be careful when choosing the juridical seat of their arbitration. As highlighted earlier, the juridical seat plays a vital role in determining the validity and finality of an arbitral award.[214] If the parties choose an unfavorable IP arbitral juridical seat, then their arbitral award might be set aside by a state court of the juridical seat.

4. *Name and Qualification of Arbitrator*

It is advisable that the parties do not specify any particular name as an arbitrator in the arbitrator agreement, lest that person die or refuse, resulting in a crisis vis-à-vis referring the dispute to arbitration.[215] Likewise, the parties do not need to specify detailed qualifications for arbitrators. Such requirements can result in spending too much time and money on arbitrators. This article suggests that instead, the parties can specify that "the arbitrator must have IP arbitration experience". The article further suggests that if the parties chose institutional arbitration, then that institution will provide a list of suitable arbitrators to the parties.

V. Conclusion

The credit for the newfound popularity of arbitration in IP disputes goes to the numerous advantages it has over national courts. But the present article demonstrates that arbitrating IP disputes has arbitrability limitations.

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211. Jehoram, *supra* note 22.
212. *See* Bishop et. al, *supra* note 109.
213. *See* Petit, *supra* note 154.
214. *See* WIPO, *supra* note 68.
215. See WIPO Arb. Rules §§ 15(a)–(b), 19(b)–(c).

Countries across the globe do not have uniform principles on IP arbitrability. But parties tend to prefer arbitration for resolving their IP disputes. As a result of various conventions to facilitate arbitration in IP disputes on an international level, WIPO was established as a result of various conventions.[216] But many arbitral institutions exist now, such as the ICC International Court of Arbitration, the London Court of International Arbitration, and SICA, all facilitating IP dispute resolution in accordance with their general arbitration rules.[217] As the later part of this article shows, the limitation of IP arbitration on the ground of arbitrability is slowly disappearing. Recent trends in standard-essential patent arbitration are an example of this. Some key jurisdictions like the US, Hong Kong and EU have taken progressive steps towards IP arbitration.[218] Arbitral institutions, especially WIPO, encourage IP arbitration including expedited arbitration.[219]

This highlights the significance for the parties to specify the place (juridical seat) of arbitration, law applicable to arbitration, and the number of arbitrators. Otherwise, the cost of arbitration will increase and parties will dispute arbitral proceedings itself. As this article highlights, the uncertainty on IP arbitrability could restrict the parties on enforcement of the arbitral award if the parties have disputes on law applicable to the substance of the disputes. This article suggests that the parties can choose a sole arbitrator or three arbitrators depending on the value and substance of the dispute and avoid over-specifying the qualifications of the arbitrator.

216. Convention Establising the World Intellectual Property Organization, WIPO.

217. *International Arbitration: Arbitral Bodies and Rules*, LOY. MARYMOUNT UNIV. (last updated Aug. 25, 2021) https://guides.library.lls.edu/c.php?g=497724&p=5150388 [https://perma.cc/9YKH-EP3F].

218. Jehoram, *supra* note 22; The Patents Act, *supra* note 30; Frequently Asked Questions on IP Arbitration in Hong Kong, *supra* note 34.

219. *See* WIPO, Arb. Rules § 65(a-c).