Alternative Dispute Resolution of IP and Technology Disputes – The Experience of the WIPO Arbitration and Mediation Center

June 10, 2013

Christian Wichard, Deputy Director General, World Intellectual Property Organization (WIPO)
IP Dispute Resolution Needs

- International – Parties, IPRs
- Neutral expertise – Law, technical background
- Efficiency – Time, cost, enforceability
- Confidentiality
- Preserving party relationships
Options Available to Resolve IP Disputes

- Communicate
- Litigate

Alternative Dispute Resolution (ADR):
- Mediate
- Arbitrate
- Experts
Mediation, Arbitration, Expert Determination

- **Mediation**: an informal procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of their dispute, based on the parties’ respective interests. The mediator cannot impose a decision. The settlement agreement has the force of a contract.

- **Arbitration**: a procedure in which the parties submit their dispute to one or more chosen arbitrators, for a binding and final decision (award) based on the parties’ respective rights and obligations and enforceable as an award under arbitral law.

- **Expert Determination**: a procedure in which the parties submit a specific matter (e.g. technical question) to one or more experts who make a determination on the matter, which can be binding unless the parties have agreed otherwise.
ADR – Benefits and Limitations

- **Benefits**
  - International
  - Competent
  - Efficient
  - Confidential
  - Flexible

- **Limitations**
  - Contractual basis
International

- In ADR, parties designate a single forum for resolving the entire dispute
  - Comprehensive and consistent resolution
    → Rather than a patchwork of conflicting court decisions
  - Neutrality
    → No party is forced to litigate in the other’s home country
    → International (procedural) standards
    → WIPO: international organization
  - Arbitration: facilitated international enforcement mechanism for arbitral awards under the New York Convention (149 Member States)
Neutral Expertise

- IP disputes tend to be technical/specialized
- Most courts are not specialized in IP (IBA 2005 Survey)
- In mediation and arbitration the parties control selection of neutral(s)
- WIPO List of Neutrals:
  - +1,500 candidates from more than 100 countries
  - Currently 18 from Israel
  - Further candidates added in function of specific case needs
  - Broad range of ADR, IP and technical backgrounds
  - Detailed professional profiles
  - Used for Center recommendations and appointments
Efficiency

- IP covers fast-evolving technologies
- Parties need commercial certainty
- Need efficient dispute resolution procedures:
  - Party control (short deadlines)
  - WIPO expedited arbitration case example:
    - Both parties agree on short deadlines for written submissions
    - Sole arbitrator, one day hearing
    - Award within 5 weeks
- Possibility to consolidate dispute resolution:
  - One procedure, one law, one language, same lawyers, expert neutral(s), final result (award or settlement)
- WIPO Electronic Case Facility
  - Online filing, communication and classification (docket)
WIPO Electronic Case Facility (ECAF)

- Easy; instant; centralized; location-independent; secure; available at parties’ option
Flexible

Arbitration:
- Flexible, can be tailored to the parties’ needs
  - Short deadlines or “no stone unturned”, including “appeal” procedure
  - Innovative approaches
    → Claim construction (”Markman Hearing”)?

Mediation:
- Full party control
- Interest-based rather than rights-based
- Innovative settlement options
Limitations

- Contractual basis of arbitration and mediation
  - No obligation to participate without a contract
  - Bad faith infringer?

- Outcome binding only *inter partes*
  - No public precedent
  - No general declaration of (in)validity
  - No direct office action (registration, cancellation)

- *Inter partes* effect mostly sufficient
WIPO Arbitration and Mediation Center

- Established 1994 to promote the resolution of IP, or IP-related, disputes (technology, entertainment) between private parties through ADR.

- ADR of IP disputes benefits from a specialized ADR provider.
  - Administration of procedures under the WIPO Mediation and (Expedited) Arbitration Rules - tailored to fit IP disputes.
  - Network of expert mediators/arbitrators.
  - Competitive WIPO fee structure - including reduced fee for PCT applicants.
  - Development of specific procedures - e.g. domain names – + 40,000 cases since 2000.
  - Information and events on IP arbitration and mediation.

Christian Wichard, Deputy Director General WIPO, June 10, 2013
WIPO Center ADR Caseload

- +350 mediations and arbitrations
  - Contractual: Patent licenses, patent pools, distribution agreements, R&D, joint ventures, software/IT, settlement agreements, …
  - Non-contractual: patent infringement (submission agreement)
- Parties from, i.a., Austria, China, Cyprus, Denmark, Finland, France, Germany, India, Ireland, **Israel**, Italy, Japan, the Netherlands, Norway, Panama, Romania, the Russian Federation, Spain, Switzerland, Turkey, UK, US
- Amounts in dispute: Euro 20,000 to US$ 1 billion
- Remedies: damages, infringement declarations, specific performance
- Locations: mostly Europe and US
WIPO Cases: Types of Procedure

- Mediation: 54%
- Arbitration: 26%
- Expedited Arbitration: 20%
WIPO Cases: Business Areas

- Information Technology: 33%
- Life Sciences: 15%
- Mechanical: 15%
- Luxury goods: 4%
- Other: 21%
- Entertainment: 11%
- Chemistry: 1%
WIPO Cases: Subject Matter

- Patents: 39%
- Trademarks: 13%
- Copyright: 9%
- ITLaw: 22%
- Other: 17%
Settlement in WIPO-Administered Cases

Mediation
- Settlement: 68%
- Non-Settlement: 32%

Arbitration
- Settlement: 42%
- Non-Settlement (Award): 58%
WIPO ADR Options

WIPO Contract Clause/Submission Agreement

(Negotiation)

Mediation

Expert Determination

Determination

Settlement

Arbitration

Award

First Step

Procedure

Outcome

Party Agreement
WIPO Dispute Resolution Clause - Mediation followed by Arbitration

- **33% of WIPO cases**
- **Try mediation before arbitration, at least until**
  - lapse of time period
  - Termination
- **Combining the benefits**
  - arbitration well-prepared

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"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 submitted to mediation in accordance with the WIPO Mediation Rules. The place of mediation shall be [ ]. The language to be used in the mediation shall be [English]."

If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within [60][90] days of the commencement of the mediation, it shall, upon the filing of a Request for Arbitration by either party, be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. Alternatively, if, before the expiration of the said period of [60][90] days, either party fails to participate or to continue to participate in the mediation, the dispute, controversy or claim shall, upon the filing of a Request for Arbitration by the other party, 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 [ ]. The language to be used in the arbitral proceedings shall be [English]. The dispute, controversy or claim referred to arbitration shall be decided in accordance with [ ] law."
WIPO Mediation

Commencement

Appointment of Mediator

Initial Conference

Meetings

Conclusion
WIPO Mediation - Example 1

- European university holding pharmaceutical patent applications in several countries had a license option agreement with European pharmaceutical company; choice of court clause

- Pharmaceutical company exercised option, parties started to negotiate a license agreement; no agreement on license terms after three years of negotiations

- Parties submitted a joint request for WIPO mediation (to avoid court)

- Center appointed as mediator a lawyer who had worked in the pharmaceutical industry for many years

- Mediation session allowed the parties reach a settlement agreement – facilitated contract negotiations

- Duration: four months; fees: ca. 20,000€
WIPO Mediation - Example 2 (I)

- US company/Swiss company – competitors

- Patent infringement dispute related to US patents owned by US company in automotive sector (car parts)

- Settlement agreement 2007 with dispute resolution clause: WIPO Mediation followed if necessary by WIPO Arbitration

- Request for mediation in 2009

- WIPO proposed a shortlist of candidates

- Parties chose from such list a US patent practitioner, with experience in patent infringement litigation and mediation

- Extensive preparatory work (phone caucuses)
WIPO Mediation - Example 2 (II)

- Two-day session in Geneva at WIPO

- Early agreement on framework for royalty payments (day one)

- Final agreement on modalities:
  - ‘Term sheet’: down payment, annual instalments, net sales-based royalty
  - Re-drafted original licensing agreement, final agreement by September 2009

- End of two-year dispute within 5 months, fees: ca.: 50,000 USD

- Parties avoided arbitration, preserved option of further collaboration
Schedule of Fees and Costs - Mediation

The Center believes that mediation should be cost effective. In consultation with parties and mediators, the Center ensures that fees charged in a WIPO mediation are appropriate in light of the circumstances of the dispute.

<table>
<thead>
<tr>
<th>ADMINISTRATION FEE</th>
<th>MEDIATOR’S FEES (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.10% of the value of the mediation, subject to a maximum of $10,000</td>
<td>$300-$600 per hour; $1,500-$3,500 per day</td>
</tr>
</tbody>
</table>

(All amounts are in United States dollars) (*) Indicative rates

1. The amount of the administration fee shall be 0.10% of the value of the mediation, subject to a maximum administration fee of $10,000.
2. The value of the mediation is determined by the total value of the amounts claimed.
3. Where the Request for Mediation does not indicate any claims for a monetary amount or the dispute concerns issues that are not quantifiable in monetary amounts, an administration fee of $1,000 shall be payable, subject to adjustment. The adjustment shall be made by reference to the administration fee that the Center, after consultation with the parties and the mediator, determines in its discretion to be appropriate in the circumstances.
4. Any monetary amounts in dispute expressed in currencies other than United States dollars shall, for the purposes of calculating the administration fee, be converted to amounts expressed in United States dollars on the basis of the official United Nations exchange rate prevailing on the date of submission of the Request for Mediation.
**WIPO ARBITRATION**

- Request for Arbitration
- Answer to Request for Arbitration (30 days)
- Appointment of Arbitrator(s)
- Statement of Claim (30 days)
- Statement of Defense (30 days)
- Further Written Statements and Witness Statements
- Hearings
- Closure of Proceedings (9 months)
- Final Award (3 months)

**WIPO EXPEDITED ARBITRATION**

- Request for Arbitration and Statement of Claim
- Answer to Request for Arbitration and Statement of Defense (20 days)
- Appointment of Arbitrator
- Hearing (maximum 3 days)
- Closure of Proceedings (3 months)
- Final Award (1 month)

- One Exchange of Pleadings
- Shorter Time Limits
- Sole Arbitrator
- Shorter Hearings
- Lower Fees
## Costs ( Expedited ) Arbitration

### Schedule of Fees and Costs Arbitration / Expedited Arbitration

The Center believes that arbitration should be cost effective. In consultation with parties and arbitrators, the Center ensures that all fees charged in a WIPO arbitration are appropriate in light of the circumstances of the dispute. The costs of arbitration depend on different factors, including the amount in dispute and its complexity. The parties’ conduct will also have an impact on the costs of the arbitration.

WIPO Expedited Arbitration provides for fixed arbitration costs when the amount in dispute is up to US$ 10 million.

<table>
<thead>
<tr>
<th>TYPE OF FEE</th>
<th>AMOUNT IN DISPUTE</th>
<th>EXPEDITED ARBITRATION</th>
<th>ARBITRATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Fee</td>
<td>Any Amount</td>
<td>$1,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Administration Fee *</td>
<td>Up to $2.5M</td>
<td>$1,000</td>
<td>$2,000</td>
</tr>
<tr>
<td></td>
<td>Over $2.5M and up to $10M</td>
<td>$5,000</td>
<td>$10,000</td>
</tr>
<tr>
<td></td>
<td>Over $10M</td>
<td>$5,000 +0.05% of amount over $10M up to a maximum fee of $15,000</td>
<td>$10,000 +0.05% of amount over $10M up to a maximum fee of $25,000</td>
</tr>
<tr>
<td>Arbitrator(s) Fees *</td>
<td>Up to $2.5M</td>
<td>$20,000 (fixed fee)</td>
<td>As agreed by the Center in consultation with the parties and the arbitrator</td>
</tr>
<tr>
<td></td>
<td>Over $2.5M and up to $10M</td>
<td>$40,000 (fixed fee)</td>
<td>Indicative rate(s) $300 to $600 per hour</td>
</tr>
<tr>
<td></td>
<td>Over $10M</td>
<td>As agreed by the Center in consultation with the parties and the arbitrator</td>
<td></td>
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(All amounts are in United States dollars)
PCT Applicants

**WIPO Arbitration / Expedited Arbitration – Reduced Schedule of Fees and Costs for PCT Users**

The Center believes that arbitration should be cost effective. In consultation with parties and arbitrators, the Center ensures that all fees charged in a WIPO arbitration are appropriate in light of the circumstances of the dispute. The costs of arbitration depend on different factors, including the amount in dispute and its complexity. The parties’ conduct will also have an impact on the costs of the arbitration.

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<th>EXPEDITED ARBITRATION</th>
<th>ARBITRATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Fee</td>
<td>Any Amount</td>
<td>$750</td>
<td>$1,500</td>
</tr>
<tr>
<td>Administration Fee *</td>
<td>Up to $2.5M</td>
<td>$750</td>
<td>$1,500</td>
</tr>
<tr>
<td></td>
<td>Over $2.5M and up to $10M</td>
<td>$3,750</td>
<td>$7,500</td>
</tr>
<tr>
<td></td>
<td>Over $10M</td>
<td>$3,750 + 0.0375% of amount over $10M up to a maximum fee of $11,625</td>
<td>$7,500 + 0.0375% of amount over $10M up to a maximum fee of $19,125</td>
</tr>
<tr>
<td>Arbitrator(s) Fees *</td>
<td>Up to $2.5M</td>
<td>$20,000</td>
<td>As agreed by the Center</td>
</tr>
</tbody>
</table>
WIPO Arbitration Rules

- Arbitration agreement (Arts. 1-9)
- Number of arbitrators (Art. 14)
- Parties choice in appointment of arbitrator(s) (Arts. 16-17)
- Impartiality and independence (Art. 22)
- Challenge of arbitrators (Arts. 24-29)
- Confidentiality (Arts. 52, 73-76)
- Interim measures (Art. 46)
- Types of evidence common in IP disputes
- Award (Art. 62)
Patent Infringement Dispute Submitted to WIPO Arbitration - Example 1 (I)

- Two U.S. companies, litigation in several jurisdictions (US, EU)
- Submission Agreement to WIPO Arbitration:
  - Patent infringement dispute related to a European patent in the area of consumer goods
  - Patent law of a particular European country applicable
  - Three-member arbitral tribunal
  - Detailed procedural and hearing schedule
  - Amendments of WIPO Rules: e.g. shortened timelines and detailed provision on experiments
  - Requested remedy: injunction (no damages)
  - Detailed provisions in case injunction rendered (grace period for selling off infringing stock)
Patent Infringement Dispute Submitted to WIPO Arbitration – Example 1 (II)

- WIPO Center suggested three arbitrators with substantial expertise in arbitration and in the relevant national patent law

- Exchange of written submissions in compliance with procedural schedule

- One-day hearing in Geneva including witness statements

- Final award rendered within five months of the commencement of the arbitration, fees: ca. 50,000
WIPO Arbitration Example: Complex Life Sciences Dispute (I)

- US and Asian parties: US and European patents
- Settlement Agreement of prior litigation in US and Europe
- WIPO Arbitration Clause:
  - Trial Tribunal: Sole US Arbitrator jurisdiction re. US Patents and Sole European Arbitrator jurisdiction re. European Patents
  - Appeal Tribunal: 3 arbitrators
  - New York place of arbitration
  - New York applicable law
WIPO Arbitration Example: Complex Life Sciences Dispute (II)

- Lawyers representing parties agreed:
  - Use WIPO ECAF
  - Timetable for proceedings
  - Scope of discovery
  - Protective order Art. 52
  - Preliminary claim construction of US and European patents
  - Hearing schedule

- Arbitration lasted 18 months following appointment of arbitrators
Examples of Tailored WIPO ADR for Specific Sectors

- **IP Offices**
  - e.g., ADR options for parties in administrative procedures before the IPO of Singapore (TM opposition) and INPI Brazil (TM opposition involving at least one foreign party)

- **R&D/Technology Transfer:** DESCA Model Consortium Agreement (EU 7th Framework Program) includes WIPO Med.-Exp.Arb. Clause + fee reduction

- **Copyright (e.g.):**
  - Mediation and Arbitration for Film and Media
    - short timelines, lower fees, expert neutrals
  - Expedited Arbitration for Collecting Societies (AGICOA, EGEDA)
    - Internal conciliation followed, where necessary, by WIPO Expedited Arbitration (lower fees, expert arbitrators)

WIPO International Survey on Dispute Resolution in Technology Transactions

Objective: assess dispute resolution needs, use and trends

Cooperation with AIPPI, AUTM, FICPI, LESI

393 responses from 62 countries (including from Israel)

Law firms, individuals/self-employed, companies, research organizations, universities, government bodies

Large and small entities (1-10 employees: 25% / +10,000 employees: 6%)

Respondents from different business areas (e.g. pharmaceuticals/biotechnology, IT, electronics, telecom, chemicals, consumer goods, mechanical, energy, entertainment, transportation)
WIPO International Survey on Dispute Resolution in Technology Transactions

Place of Survey Respondent
- Business Operations

Type of Survey Respondent
- Law Firm (for client), 52%
- Company, 24%
- Individual/Self Employed, 7%
- Research Organization, 6%
- University, 5%
- Other, 3%

- South America, 8%
  - Brazil, 2%
  - Colombia, 2%
  - Other South American countries, 4%
- Asia, 15%
  - Japan, 5%
  - Singapore, 2%
  - China, 2%
  - Other Asian countries, 8%
- Europe, 52%
  - Germany, 11%
  - France, 7%
  - Switzerland, 7%
  - United Kingdom, 6%
  - Spain, 6%
  - Italy, 3%
  - The Netherlands, 2%
  - Other European countries, 11%
- North America, 21%
  - United States of America, 17%
  - Canada, 2%
  - Other North American countries, 1%
- Oceania, 3%
- Africa, 1%

Christian Wichard, Deputy Director General WIPO, June 10, 2013
91% of respondents conclude agreements with parties from other jurisdictions.

+80% of respondents conclude agreements relating to technology patented in multiple jurisdictions.
## Top Considerations in Choice of Dispute Resolution Clause

<table>
<thead>
<tr>
<th>Domestic Contracts</th>
<th>International Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs – 71%</td>
<td>Costs – 71%</td>
</tr>
<tr>
<td>Time – 59%</td>
<td>Time – 57%</td>
</tr>
<tr>
<td>Quality Outcome – 44%</td>
<td>Enforceability – 53%</td>
</tr>
<tr>
<td>Confidentiality – 33%</td>
<td>Quality Outcome – 44%</td>
</tr>
<tr>
<td>Enforceability – 33%</td>
<td>Neutral Forum – 36%</td>
</tr>
<tr>
<td>Business Solution – 30%</td>
<td>Confidentiality – 32%</td>
</tr>
<tr>
<td>Neutral Forum – 18%</td>
<td>Business Solution – 29%</td>
</tr>
<tr>
<td>None in Particular – 9%</td>
<td>Support Provided by Institution – 9%</td>
</tr>
<tr>
<td>Setting Precedent – 6%</td>
<td>None in Particular – 6%</td>
</tr>
<tr>
<td>Support Provided by Institution – 6%</td>
<td>Setting Precedent – 5%</td>
</tr>
</tbody>
</table>
How Are Technology Disputes Resolved?
Relative Time and Cost of Technology Dispute Resolution
WIPO Recommendations from Survey Results

- Contracting on technology should anticipate disputes
- Dispute policy should prepare for likelihood of international aspect in parties, rights, and law
- Dispute policy should be designed to minimize time and cost, more than other considerations
- Dispute policy should include mediation
- Between arbitration and court litigation, consider arbitration as the faster and cheaper option
- When choosing arbitration, subject to potential size/complexity of dispute, consider expedited arbitration
- In non-contractual disputes, there is scope for greater use of party negotiation and mediation
More Information

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