

THE EXPERIENCE OF THE ICC COURT IN ARBITRATING LICENSING DISPUTES

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by

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1. Introduction

The International Chamber of Commerce, based in Paris, is one of the oldest and most venerable institutions providing the structure and supervision of international commercial arbitration. Since 1923, the ICC Court has grown from a rather simple, informal body to a sophisticated, multilingual group consisting of a Secretary General, a General Counsel and 6 teams of jurists who assist both parties and arbitrators to ensure that the arbitral award, once rendered, will be enforceable. In 1996, the Court received 433 new Requests for Arbitration and at the end of last year had 881 cases pending, involving more than US\$20 Billion. Each year, a steady proportion - around 13 to 14% - of these cases involves intellectual property. Most of these have some licensing component.

The ICC Court publishes collections of its more interesting arbitral awards. To respect the confidentiality of the parties, these awards are "sanitized"; that is, all names and identifying features are removed in the published versions. Some of these awards are contained in two major volumes, while others may be found in issues of the ICC International Court of Arbitration bulletin, published by the Court in May and October each year. Of particular interest to this audience will be the issues of October 1993 and May 1994, which feature extracts from ICC decisions concerning intellectual property disputes, and to which I will be referring in some detail.

Before proceeding further, let me insert an important disclaimer. Since the opening of the first regional office of the International Chamber of Commerce in January of this year, I have received many calls from potential parties who want to know whether they can now institute arbitration procedure by sending the file to ICC Asia in Hong Kong. The answer is a clear NO.

The current ICC Rules provide that in order to commence arbitration proceedings, the party shall submit the Request for Arbitration to the ICC Secretariat in Paris or to the National Committee where the Claimant has its place of business. The amended rule, which takes effect next year, removes the National Committee option. The date when the Request is received is deemed to be the date of the commencement of the arbitral proceedings. Since the rules have just this month been amended, the possibility of another amendment allowing for submission to any other office of the ICC is negligible, at least for the next few years.

ICC Asia is a resource office; we are present in Asia to provide information about the International Chamber of Commerce, including arbitration, as well as the work of our technical commissions and the elaboration of policy. We answer questions from companies who want to join ICC. We can assist groups who wish to form new National Committees in their countries. We can work with existing National Committees to ensure

their members get the most benefits from their ICC membership. But we do not have a team of the ICC Court in our Hong Kong office.

The Court secretariat is located in Paris, and the ICC Court meets weekly there. We do not expect this to change in the near future. So those of you intending to institute arbitration proceedings are welcome to call or fax me for general advice, but I do NOT recommend that you send your Request to ICC Asia in Hong Kong, as this will be ineffective to begin the arbitration.

2. Some Definitions

Let us begin with a definition of intellectual property, which is the subject matter of most licensing agreements. Intellectual property includes both creative rights, for example, patents, software, copyright and audiovisual rights, know-how, technical information and models, and distinctive signs such as trademarks, trade names, distinctive logos or “get-up”. The Convention establishing the World Intellectual Property Organization in 1967 provides that “intellectual property” shall include the rights relating to:

- literary, artistic and scientific works;
- performances of performing artists, phonograms and broadcasts;
- inventions in all fields of human endeavour;
- scientific discoveries;
- industrial designs;
- trademarks, service marks, and commercial names and designations;
- protection against unfair competition;

and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.”

The licensing of this intellectual property involves the agreement by its proprietor to permit its use, whether exclusive or not, by another party who pays for this permission, for its manufacture, promotion, and sale.

3. What kind of contract gives rise to IP disputes?

There seem to be three typical contracts which tend to involve IP rights: the license agreement, corporate acquisitions, and employment and research contracts.

The license agreement may be a simple, one-time agreement involving the right to manufacture a product using the patented invention of the licensor, the right to affix the licensor’s trademark on goods for sale in a given territory, or the right to use a copyright in improving or expanding or translating a given product, for example, computer software.

On the other hand, the license may be part of a broader relationship, for example a joint venture where one party is supplying the technical knowledge, or in a turn-key construction project where the factory and machinery are to be used in accordance with particular expertise belonging to the builder.

Disputes may arise over the payment or amounts of royalties, or they may have greater implications, such as the right of one party to exercise the rights under the patent or copyright, the title to improvements, damages for breach of warranty as to the existence and ownership of the property.¹

In the case of corporate acquisitions, disputes may arise as to the existence, the value and the income from intellectual property which was part of the package. An arbitrator may have to decide not only on these questions, but also on their eventual effect on the price paid for the package acquired.

Scientific researchers employed by corporations or institutions may claim ownership of what they have invented, developed or improved. If this eventuality has not been provided for in the employment contract, it may in turn give rise to the existence of a de facto license, with all the inherent issues as to rights under it.

4. Advantages of Arbitrating

Twenty years ago, in 1977, Yves Derains, then the Secretary General of the ICC Court of Arbitration, noted the fairly substantial presence of IP disputes in ICC arbitrations. He stated that about half of the disputes concerning the supply of industrial equipment and public works, and 3/5 of those concerning general contracts, and 17% of disputes over agency and distribution had an IP component. This proportion has remained fairly constant over the past two decades since Derains' conclusion that arbitration then played a major role in the resolution of these disputes.² The Report of the ICC Working Party on IP Disputes and Arbitration stated that over the period from 1990 to 1992, the ICC Court opened 787 new cases, of which 108 involved an intellectual property aspect.³ Parties came from 108 different countries, with over half (216) from five countries: USA, France, Italy, Germany and Switzerland. Eighty-five per cent of these parties came from developed market economy countries, and among the remaining 15%, 5 were from Turkey, 4 from India, 3 from Iran, while China, Indonesia, South Korea and Yugoslavia had 2 each.

In 76 cases, both parties were from developed market economies. In only 3 cases were both parties from the developing world. In the other 29 cases, 15 claimants were from developed countries and 14 were from developing countries.

Many cases involve more than one aspect of intellectual property. Obviously, there will often be cases over patent licensing agreements which include issues of know-how or technical assistance. Here is the breakdown found by the Working Party:

• license agreements	62
• know-how, technical assistance	45
• trade names or ensigns	15
• patent validity, infringement or other	12
• trade mark validity or other	12
• designs and models	7

¹ See Julian Lew, *The Arbitration of Intellectual Property Disputes*, in *The American Review of International Arbitration*, v.5, 1994, p.110

² Derains, *L'expérience de la Cour d'arbitrage de la Chambre de Commerce Internationale en Matière de Propriété Industrielle*, 1977

³ Chairman's Report, ICC Working Party on IP Disputes and Arbitration, 28 April 1994, Doc. 420/14/12, p.2

- copyright and audiovisual rights

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We can see that arbitration continues to play a major role in the settlement of this kind of dispute. And it is not surprising.

IP disputes are frequently international. They concern intangible property which is easily exportable by writing, telephone or computer connection. The Treaties of Paris and Berne promote the international protection of this property. Frequently, parties to these disputes are reluctant to go to the state court of the adversary, preferring to select a neutral forum. If one party is a government agency, it may be more willing to waive immunity before an arbitrator than before a national court.⁵ Parties need justice which is neutral, confidential, which offers solutions adapted to the circumstances, and which fosters settlement. Parties need justice which is neutral, confidential, which offers solutions adapted to the circumstances, and which fosters settlement.

In 1977, Yves Derains especially emphasized the importance of confidentiality of proceedings. He referred to one ICC case from 1975, where the arbitrator had to decide whether a former licensee had complied with its obligation to maintain professional secrecy regarding improvements to a manufacturing process, and whether the licensor had not itself revealed its trade secrets to a third party. What other procedure, asked Derains, could be better suited to this kind of relationship, than arbitration, which guarantees that the parties' dispute won't be dragged out into the public, to the advantage of some competitor?⁶

Confidentiality has recently become quite controversial. It is generally acknowledged that the arbitrators and counsel have a duty of confidentiality, so that without the parties' permission they may not divulge either identities or details of a case. The ICC, as I mentioned earlier, does publish certain of its more interesting awards, but always in a sanitized, unidentifiable form which does not affect confidentiality.

This of course, does not address the issue of the parties' own responsibility to maintain confidentiality. This should have been covered in the base contract or in the agreement to submit an existing dispute to arbitration, but if not? Some countries will imply that by signing the arbitration clause, the parties have in effect undertaken to maintain secrecy. But this approach is by no means universal, and indeed recent cases in Australia and the U.S. cast substantial doubt on it. The ICC Rules remain silent on this point.

Another advantage: Many licensing agreements involve a mutually beneficial relationship which is meant to be durable. Over the years of the relationship there may be a number of disputes, and it is in everyone's interest to see these settled by the same tribunal, which is familiar with the subject matter of the agreement. An arbitral tribunal fits this role more than a state court judge, who might not have the necessary expertise in the first place, and then would probably be prevented from hearing subsequent disputes.

The fact that over 90% of all ICC arbitration awards are spontaneously executed by the losing party is also a factor leading business partners to choose it as a preferred dispute resolution mechanism.

All this being said, it would be an error to presume that the merits of arbitration are as well-known in the commercial sector as we would like to think. Julian Lew, the Chair of the ICC Working Party, reported, "Personally, I was surprised at the low level of knowledge of a very expert group of lawyers and intellectual

⁴ *ibid.*, p. 3

⁵ Bryan Niblett, *The Arbitration of Intellectual Property Disputes*, in the *American Review of International Arbitration*, v.5, 1994

⁶ *op.cit.*, Derains

property specialists.” However, he did observe, “a considerable interest in how arbitration could be used...for certain issues such as counterfeiting”.

5. Selecting the Arbitrators

A licensing dispute is probably going to include some or all of the following issues:

- existence and extent of the license;
- the IP rights covered by the license;
- interpretation of the contract;
- decision as to performance or breach of that contract;
- royalties and quantum and interest; and
- post-contractual rights and obligations.

The parties to this kind of dispute are going to need a tribunal who has a good grasp of the IP field, but also who has the open-mindedness and flexibility to understand the competing national approaches which will nearly always arise in licensing disputes. The arbitrators should have the experience and wisdom to allow parties from different legal systems and cultural perspectives to present their case and their defense satisfactorily, in order to maintain their confidence in the system.

On occasion, the issue of the number of arbitrators will arise. A recent ICC study of 199 intellectual property cases found that in 111 (55.78%) a panel of three was chosen, while in 88 (44.22%) a sole arbitrator was appointed. (These numbers are in line with the general ICC statistics for the same period: 60% of all cases had a tribunal of three, while 40% had a sole arbitrator.)

The ICC Court does not maintain a list of approved arbitrators. The parties are at liberty to choose the arbitrator or panel that they consider to be most suited to their dispute. The ICC Court does keep statistics on the selection of arbitrators. The most recent are for 1996, where we find that in most of the cases, the parties themselves chose the arbitrator, or the party-appointed arbitrators agreed on the chair. Thus, in only a relatively small number of cases was the ICC Court called upon to choose an arbitrator.

In these cases, the Court will contact the ICC National Committee in the relevant country and ask for suggestions. It is up to that national group, which is in the best position to know and appreciate the expertise and the experience of local arbitrators, to name the best person for the specific case. Last year the ICC Court appointed or confirmed 739 arbitrators from 58 countries.

6. Applicable Law

In most cases, the parties choose the law which is to apply to their contract, and according to which any disputes are to be decided. In the event they do not choose applicable law, it will be up to the arbitrators to do so. Article 17 (formerly article 13) of the new ICC rules provides that “in the absence of any such determination by the parties, the Arbitral Tribunal shall apply the rules of law which it determines to be appropriate.” Section (2) continues: “In all cases the arbitrator shall take account of the provisions of the contract and of the relevant trade usages.”

An ICC award from Switzerland in 1988⁷ concerned an exclusive license agreement from an Italian company to a US company. The US claimant asserted that the Italian licensor had failed to deliver the necessary drawings and plans, so that the production of the licensed equipment could not proceed. The claimant asked for damages, and the defendant replied that the claimant had failed to perform the agreement by manufacturing the products, had failed to pay royalties, and finally had unlawfully terminated the agreement. The parties had not specified the applicable law.

The Terms of References therefore provided that the arbitral tribunal should decide on the substantive law. The defendant argued for *lex mercatoria*, including the general principles of law and equity. The claimant wanted Massachusetts law, with reference if necessary to *lex mercatoria*.

The arbitrators referred to current ICC practice,⁸ permitting the arbitrators to use the method of “cumulative application of the different rules of conflict of the countries having a relation to the dispute.” They mentioned Switzerland as the country of the seat of the arbitration proceedings; Massachusetts as the state of incorporation of the Claimant; and Italy as the state of incorporation of the Defendant. They then examined the substantive criteria used by each of the three legal systems, including the criteria of the EC Convention of Rome of 1980 to which Italy was a party. The criteria included (and this may not be an exhaustive list):

- place of contracting
- place of negotiation
- place of performance
- location of subject matter of the contract
- domicile, residence, nationality, place of incorporation, place of business of each party
- the law having the “closest connection” with the contract, which under EC law is usually the law of the residence of the party which has to perform the “characteristic obligation” under the contract, which means the non-monetary obligation.

Deciding that Swiss conflict laws would allow the application of Massachusetts law in all the circumstances, the tribunal decided under article 13(3) of the ICC rules (prior to this month’s amendment), that it would decide the dispute by reference to that law, supplemented if necessary by *lex mercatoria*. The costs of the interim motion were to be decided with the final award. And you can be sure they were substantial! The moral of this story is that choosing the applicable law at the time the contract was negotiated would have been an excellent cost and time saver. This is a principle applicable not only to licensing disputes, but to just about any contract. The use of conflicts of laws rules is also referred to below, when the time comes to decide on arbitrability. In that event, the parties don’t necessarily have the choice.

7. Arbitrability

Back in 1977, Yves Derains referred to national laws which appeared to reserve to the State an exclusive jurisdiction over patents and trademarks, or even over all intellectual property in general. At that time, it seemed unclear whether recourse to arbitration was either in direct contradiction with these principles, or at best in the realm of “non-law”. The arbitrability of IP issues, and therefore of many of the licensing disputes based upon them, was certainly in question. In the past two decades there has been considerable evolution.

⁷ Award no 5314, reported in ICC International Court of Arbitration Bulletin, v.4.no.2, October 1993

⁸ Described in *Craig, Park and Paulsson*, International Chamber of Commerce Arbitration, Part III s. 17.02, p.79.

Intellectual property rights are granted by State governments, either under common law or pursuant to legislation. Since national governments grant a monopoly to a person or group, there is a public interest in the ownership of these rights. This point is particularly important when it comes to the enforcement of these rights. Under the New York Convention on the Recognition and Enforcement of Arbitral Awards of 1958, two of the few allowable reasons for refusal of exequatur are that the dispute was not capable of settlement through arbitration, or that execution would be contrary to public policy.

We are concerned here with “objective arbitrability”, that is, whether the subject matter is arbitrable. If it is not, the arbitration agreement will not be valid and the disputing parties will have to go before a national court to resolve their dispute. The question of arbitrability can be considered in the context of three legal systems: the law governing the basic contract, the law governing the agreement to arbitrate, and the *lex arbitri*, that is, the law governing the conduct of the arbitration, which is generally accepted as the law of the situs of the arbitration, if the parties have not provided for it⁹. It is generally the *lex arbitri*, the law of the seat of the arbitral tribunal, which determines whether the subject matter of the agreement is capable of settlement by a privately constituted arbitration tribunal.¹⁰

The law of the situs will resolve the question of arbitrability either by its conflicts rule or by a substantive rule of international law. The conflicts rule is like an arrow, indicating which system of law will apply to the issue of arbitrability. On the other hand, a substantive rule will itself determine the criteria for determining the arbitrability of the case at hand. Dr. Robert Briner, who this year became the Chairman of the ICC Court of Arbitration, compared the Swiss Intercantonal Arbitration Convention of 1969 (which governs domestic arbitration) with the 1989 Swiss Private International Law Act (which governs international arbitration). The first deals with arbitrability by means of a conflicts rule, while the second contains a substantive rule setting out the criteria for deciding the issue.

As an illustration, let us assume that an arbitration is taking place in State X. It is thus the law of the situs - the law of X - which governs the arbitrability issue. It does this by means of a conflict of law rule. That rule, in our hypothetical case, points to the legal system of State Y. To determine the issue, we must therefore assess arbitrability according to the substantive criteria set out in the law of State Y. This, even though the arbitration is taking place in X.

If a party is going to raise the issue of arbitrability it is well-advised to do it from the beginning. Many national laws, in particular those based on the UNCITRAL Model, provide that, “A plea that the arbitral tribunal does not have jurisdiction shall be raised not later than the submission of the statement of defence...” However, the question of arbitrability can also arise later on, particularly at the enforcement stage.

The arbitrability issue can arise at at least four stages:

- at the beginning, so that the arbitral tribunal will have to decide it in order to decide if it has jurisdiction to proceed;
- on referral by a party to a State court;
- to set aside proceedings before the State court where the tribunal has its seat; and

⁹ According to ICC Statistics, the parties do choose the law applicable to the merits in nearly 80% of cases. This may or may not be the same law as the law of procedure.

¹⁰ Robert Briner, The Arbitrability of Intellectual Property Disputes with Particular Emphasis on the Situation in Switzerland, in *The American Review of International Arbitration*, v.5. 1994, p.28

- to oppose exequatur before the State court where enforcement is being sought.¹¹

In a licensing agreement, disputes frequently arise over infringements of IP rights by a third party which has not entered into an arbitration agreement. We thus enter the realm of tort, rather than of contractual performance or breach, which of course, poses an often insurmountable obstacle to the jurisdiction of an arbitral tribunal, which can only receive jurisdiction by agreement of the parties, and which in any case may not be competent to adjudicate an issue of tort.

We have already referred to the interest of the public in the ownership and use of intellectual property rights. And naturally, the definition and interpretation of those rights will vary from one state to another. Dr. Briner cites a study of 24 nations, presented in Tokyo a few years back. The study concluded that, although no national law contains a general prohibition against the arbitration of IP rights, there are four principles which could prevent or restrict its use:

- public policy, especially when the IP rights affect the rights of third parties;
- lack of free disposal by the parties over certain rights;
- the fact that an arbitral award has *inter partes* effect, rather than being a declaration *erga omnes* - that is, the award binds only the parties to it, and not third parties who may have an interest in the property; (often referred to as *in personam* rather than *in rem*); and
- certain states reserve exclusive jurisdiction to one court or to the national industrial property office.

The same report examines some of the varying approaches taken by countries such as Canada, France, Germany and Japan, concluding that:

“all reports ... recognize that arbitration is possible in relation to a ‘patent license’, although they admit that the arbitrators may have to, as a preliminary issue, first examine the validity of the patent in question.”

In the Netherlands, for example, the validity of a patent falls within the exclusive jurisdiction of the District Court of The Hague, but a claim for damages from infringement of that patent can be submitted to arbitration.¹²

The ICC Working Party categorized national attitudes into three groups¹³, ranging from denial to full admittance of arbitrability of IP disputes generally:

- A few countries (Brazil, India, Israel, Republic of Korea, South Africa) do not support the submission of this kind of dispute to arbitration. The Report did mention however, that Brazil’s new legislation would modify this stance.
- The majority group (including China, Finland, France, Hungary, Italy, Ireland, Japan, Spain and Sweden) recognize arbitrability, but contain some restriction concerning public policy.

¹¹ *ibid.*, p.30

¹² International Handbook on Commercial Arbitration, V.II, Report on the Netherlands, Deventer, Boston, p.7, referred to in Dr. Briner, *op.cit.* 7.

¹³ *Op.cit.*, ICC Working Party Report, p.7

- A third group (including Australia, Belgium, England and the US) favours removal of all barriers to the arbitrability of intellectual property disputes.

In Japan, the application of a general principle favouring arbitration has resulted in a broad interpretation of arbitration clauses,¹⁴ and as a result the arbitral tribunal decided questions involving the legal validity of patents, including the protectability of the material covered by those patents, finally issuing a ruling to bind the parties *inter se*.

In an ICC award from 1984, the Italian claimant alleged the nullity of a trademark license agreement subject to Italian law, citing both Article 85 of the European Community Treaty of Rome and Article 2596 of the Italian Civil Code. The arbitral tribunal decided:

“The question of the arbitrability of a dispute shall not be determined by way of application of a foreign law, be it the law applicable to the merits of the dispute or another law designated by connecting factors which would appear more appropriate to the international character of the arbitration,”

thereby excluding the application of Italian mandatory rules.¹⁵

In another ICC case, involving a French claimant and an Egyptian state party defendant, the ICC arbitration was to take place in Geneva under Egyptian law. The Egyptian party contested jurisdiction, contending that under that law, parties may only submit a dispute to arbitration if a legal provision expressly allows them to do so. The tribunal refused to apply Egyptian law to determine the arbitrability issue.¹⁶

Professor Karl-Heinz Boeckstiegel states that although public policy may be thought of primarily as a defense against enforcement, it concerns the very beginning and basis of arbitration, namely the arbitration agreement or arbitration clause.¹⁷ That being said, with the ever-increasing acceptance of international arbitration, the public policy argument is becoming less and less operative.¹⁸

In a 1992 ICC final award,¹⁹ an exclusive patent licensing agreement was at issue. The defendant claimed that the two Claimants had breached exclusivity clauses in the contract. The Claimants asserted that these rights were illegal as they were inconsistent with EC competition law. The arbitral tribunal, after noting that the EC regulation had not automatically entered into force, nevertheless found it useful to consider its implications. The panel then decided that, if the Regulation had been applicable, the exclusivity provisions could have been subject of an exemption. Thus the contract terms would not transgress EC rules and their validity was upheld. The tribunal found a breach of the exclusive patent license agreement and awarded damages of one million francs.

7. Jurisdiction of the Arbitral Tribunal

¹⁴ No. 6097, of 1989, reported in ICC International Court of Arbitration Bulletin, v.4, no.2, October 1993

¹⁵ See Journal de droit international (Clunet) 1985, p. 973

¹⁶ Yearbook of Commercial Arbitration No XVII (1992), p. 153

¹⁷ Public Policy and Arbitrability, in *Comparative Arbitration Practice and Public Policy in Arbitration*, VIIIth ICCA Congress, New York, May 6-9, 1986.

¹⁸ Op.cit., Briner, p. 35

¹⁹ No. 6709, reported in ICC International Court of Arbitration Bulletin, v.5, no.1, May 1994

In an ICC case involving the French government (made public through various public inquiries later), a claimant possessed a technique for destroying Hepatitis B and AIDS viruses in blood plasma products. It could not exploit the technique alone in France, because the production of blood derivatives is a monopoly of the French state. So the claimant granted to the French government agency an exclusive license to use the technique, under a contract governed by French law. A separate confidentiality agreement was also signed. Both contracts contained arbitration clauses.

Once the French government had developed its own technique, it terminated the license contract. It was on the basis of the two arbitration clauses that Claimant #1, as well as its owner, Claimant #2, invoked ICC arbitration.

The defendant contested jurisdiction on the basis that the Tribunal de Grande Instance has exclusive jurisdiction over the validity of patents, and that the owner corporation, Claimant #2, which was the owner of the technique was not a signatory to either contract and thus could not be a party to the procedure.

The arbitral tribunal observed that although the TGI does have exclusive jurisdiction to decide the validity of patents, the arbitral tribunal, by virtue of the arbitration clauses, had exclusive jurisdiction concerning the contracts, including their validity. Nobody had claimed that the contract was void, although the defendant had asked the TGI to declare the patent void, but subsequently asked the TGI to order the Claimant to pay damages for violation of the exclusivity clause. The arbitral tribunal then went on to decide that no proof had been adduced to show that Claimants #2 and #1 were in fact the same company, and denied the standing of Claimant #2. It then did go on to decide that the Defendant had improperly terminated the license agreement and awarded damages to Claimant #1. Incidentally, the report of this case makes it clear that the Claimant had not sufficiently thought out its case, and that had it claimed more, it could have had more in the final result. Not only do parties need good arbitrators; they also need good, experienced counsel, both at the negotiation stage, and in the arbitration proceedings!²⁰

In another case involving an exclusive licensing agreement, the Defendant argued that the arbitral tribunal lacked jurisdiction, since the dispute had previously been submitted to "refere proceedings" of the national courts on several occasions. The tribunal cited the Geneva Convention of April 21, 1961 according to which the intervention of a national court within the framework of provisional or emergency measures does not exclude the arbitrators' jurisdiction. The Defendant then tried to argue that the tribunal lacked jurisdiction in the field of patents; the tribunal noted that the public policy provision of Article 68 of French law related to the issuance, cancellation or validity of patents, holding that their exploitation remained "beyond doubt arbitrable".

8. Powers of the Arbitrator - Interim and Final Awards

Generally speaking, the relief that parties might seek from the arbitral tribunal include:

- an award of damages, accompanied by interest and/or costs;
- injunction, accompanied or not by a financial penalty for non-compliance;
- an order to hand over certain property;
- an order for specific performance of the agreement;
- publication or rectification of public records;

²⁰ Sentences arbitrales de la CCI, Affaire no. 6673, decided in 1992, p. 992

- declaratory relief;
- an order that one party post security for the costs of the other an interim award for the protection or conservation of the subject matter of the dispute; and
- an interim award for the protection or conservation of the subject matter of the dispute.

In a case which involved not a license, but the use of created industrial symbols, an arbitral tribunal found the Defendant in default of its contractual obligations since it had improperly terminated the agreement, and ordered it to pay positive damages for the breach plus interest at 10% thereon, plus damages for loss of profits, the costs of the arbitration (which the Claimant had already advanced in full to the ICC), and declared that no use whatsoever of the created symbols could be made by the Defendant without the Claimant's consent.²¹

The availability of these various forms of relief varies from one legal system to another and from one set of procedural rules to another. This is particularly evident with respect to interim measures and their enforcement. According to the ICC Working Party report, "(i)n some rapidly evolving commercial areas (eg. computer software and databases), problems such as copyright infringements tend to spread worldwide at dashing speed due to the immaterial nature of the subject matter of the dispute and the fast-evolving communications networks.... There is a need... to secure protection through injunctive measures..."²²

Very often, during the arbitral procedure, or even before it is properly underway, one party to a dispute will be involved in a course of action that the other wants to stop. Interim relief may be the answer, with the arbitrator ordering some form of relief, or the preservation of the status quo. In practice, a high proportion of such disputes are determined at the interlocutory stage.²³ A licensor might ask for an order that the licensee not use the disputed trademark or patent pending the final resolution of the dispute. A licensee may request a declaration that it may continue to sell and service patented products, or an order preventing the licensor from granting a competing right to a third party pending the final award.

Once the arbitral tribunal has verified that under the applicable rules of procedure it does have the power to make interim orders, it must examine the rules of the place where the order will have to be enforced. Generally, arbitrators can grant interim relief *inter partes*, although they usually lack the jurisdiction to affect a third party.

Some countries have specific legislation setting out various types of interim awards that may or may not be allowed, or simply granting arbitrators the same powers as national court judges. The UNCITRAL Model Law, at article 17 provides:

"Unless otherwise agreed by the parties, the arbitral tribunal may, at the request of a party, order any party to take such interim measure of protection as the arbitral tribunal may consider necessary in respect of the subject matter of the dispute. The arbitral tribunal may require any party to provide appropriate security in connection with such measures."

The ICC rules, as recently amended, provide that the arbitrators may in general order any interim or conservatory measure it deems appropriate, and that before the file is transmitted to the Arbitral Tribunal,

²¹ No. 5834 of 1989, reported in ICC International Court of Arbitration Bulletin, v.5.no.1, May 1994.

²² op.cit., ICC Working Party Report, p.7

²³ Bryan Niblett, The Arbitration of Intellectual Property Disputes, in The American Review of International Arbitration, 1994, v. 5, p. 117.

and in appropriate circumstances even thereafter, the parties may apply to any competent judicial authority for interim or conservatory measures.²⁴

It is of course, only the national courts that have “imperium” and thus the coercive power to enforce these interim awards by fine, seizure of assets or even jail. It is important that at the very least, the arbitration clause does not limit the arbitrator’s power to make interlocutory awards. It may also be a good idea to set out clearly in the arbitration agreement or clause, the power of the arbitrator to make interim injunctions, or order the detention, preservation or inspection of the disputed property.

9. Termination of the Patent and Article 16 of the ICC Rules

In a dispute over a patent license agreement to formulate, market and sell a pharmaceutical product, the arbitrator applied French law to a case which he decided in Los Angeles.²⁵ The French government had issued a patent (XXI) to the Defendant and the Claimant had paid the Defendant \$100,000 for an exclusive option to acquire license rights for its manufacture and exploitation in France. The Claimant had to do certain clinical tests. After a further payment of \$100,000 an extension of time for the License agreement provided it would remain in force for the life of the patent (20 years in French law).

A few years later the Claimant learned to its horror that the French patent had lapsed because the owner (Defendant) had failed to pay annuities to the French government. Claimant asked for the return of the \$200,000, compensation for costs and expenses, plus consequential damages including lost profits and interest thereon.

In the course of an “eventful” procedure, and following the granting of Claimant’s motion to produce documents, the Defendants objected to the jurisdiction of the arbitrator. Defendants alleged that the arbitrator had exceeded his authority in ordering the production of the documents, that that ruling had introduced a new issue into the arbitration (conduct of the Defendant leading to lapse of the patent); that the Defendants would never have agreed to the Terms of Reference had they known that the issues would be expanded to involve French public policy, and that the agreement being governed by French law, the French civil courts had to resolve the issue of patent validity as a matter of public policy. The Defendants asked for an order that the affair be removed to the French courts.

The Defendant sought to introduce new grounds in support of its objection, by amending their pleadings to deny the jurisdiction of the ICC arbitrator. The arbitrator then had to decide if the Defendants could amend their pleadings, and if yes, would that give rise to a question of jurisdiction which he would then have to decide.

The arbitrator cited ICC article 16:

“Parties to an arbitration may make new claims or counter-claims before the Arbitrator only if one of two conditions are satisfied. The first being that these remain within the limits fixed by the Terms of Reference. In the alternative they must be agreed to by all parties and communicated to the Court.”²⁶

²⁴ Rules of the ICC International Court of Arbitration, for approval of the ICC Executive Board on April 8, 1997; article 23

²⁵ Award no. 5480, 1991, reported in ICC International Court of Arbitration Bulletin, v.4.no2, October 1993, p.72

²⁶ Note change in 1997 version of the ICC Rules, at article 19

Clearly there was no agreement of the parties, and the arbitrator found that the amendments would constitute a new claim and were therefore not permitted under Article 16. He went on to decide that the Defendant's conduct had indeed caused the patent to lapse, and that since they were responsible for the premature lapse of the patent, they were also responsible for the premature termination of the license agreement. They then misrepresented the existence of the patent to the Claimant, a "faute lourde" which entitled the Claimant to recover lost anticipated profits from the agreement.

10. Conclusion

As Professor Philippe Fouchard pointed out,²⁷ the increase in intellectual property rights and their exploitation and internationalization bring about a natural increase in disputes concerning them. This combined with the development over the past 30 years of international commercial arbitration, has led to a notable increase in the number of these cases being decided by private international tribunals. The proportion of ICC arbitrations involving this type of dispute has remained constant, but since the ICC numbers have dramatically increased, this translates into a very important growth in the number of IP arbitration cases.

Arbitration is an effective means of settling international licensing disputes, which by their nature require secrecy, continuity, expertise and cultural and legal impartiality. By choosing the substantive law ahead of time, parties can provide maximum certainty as to the outcome. By choosing a well-experienced tribunal and a procedure that is flexible enough to accommodate their needs, the parties can assure the best possible solution to their dispute, a solution which will allow them to put the past behind them and to continue with other more profitable endeavours, perhaps even including a renewed and improved relationship with their former adversary. The ICC Court, with its rich and varied experience spanning more than seven decades, is ready and available to assist parties to licensing disputes to a sure, impartial and timely end to their legal problems.

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²⁷ Synthèse du colloque sur l'arbitrage et propriété intellectuelle, organisé par l'Institut de recherche en propriété intellectuelle Henri-Dubois, Paris, 26 janvier 1994, in *Le droit des affaires*, Librairies Techniques, Paris, p.139