

2-1-2009

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### Recommended Citation

Murray Lee Eiland, *The Institutional Role in Arbitrating Patent Disputes*, 9 Pepp. Disp. Resol. L.J. Iss. 2 (2009)

Available at: <https://digitalcommons.pepperdine.edu/drlj/vol9/iss2/3>

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# The Institutional Role in Arbitrating Patent Disputes

Murray Lee Eiland\*

## I. INTRODUCTION

Businesses are increasingly valued according to their intellectual property (IP) rights, particularly patents.<sup>1</sup> In a global market, these rights can be exploited by various players in multiple jurisdictions. This can lead to complicated problems, and the field of patent litigation is already one of the most daunting. Patents and patent licenses have spawned some of the longest<sup>2</sup>—lasting ten years or more—and most expensive litigation, particularly in America.<sup>3</sup> The last decade witnessed about twenty or thirty patent infringement cases a year, with calculated damages of about 1.5 billion dollars for this period. About sixty percent of these cases resulted in awards in excess of a million dollars.<sup>4</sup> Legal costs are very high. It has been estimated that many cases cost between two and five million dollars to

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1. See Robert Pitkethly, *The Valuation of Patents: A Review of Patent Valuation Methods with Consideration of Option Based Methods and the Potential for Future Research* (1997), available at <http://www.oiprc.ox.ac.uk/EJWP0599.pdf> (last visited Mar. 10, 2009).

2. One patent case even lasted for twenty-five years; the case was originally filed in 1973. See *Hughes Aircraft Co. v. United States*, 140 F.3d. 1470 (Fed. Cir. 1998), *reh'g granted* 148 F.3d 1384 (Fed. Cir. 1998), 525 U.S. 1177 (1998).

3. See Carl G. Love, *The Risk/Reward Factors of U.S. Patents* (Jan. 2006), available at [http://knowledgebase.pub.findlaw.com/scripts/getfile.pl?FILE=articles/pmsllp/pmsllp000036&TITLE=Subject&TOPIC=Science%20%20Technology%20Law\\_Patents&FILENAME=scienctechologylaw\\_1\\_454](http://knowledgebase.pub.findlaw.com/scripts/getfile.pl?FILE=articles/pmsllp/pmsllp000036&TITLE=Subject&TOPIC=Science%20%20Technology%20Law_Patents&FILENAME=scienctechologylaw_1_454) (last visited Mar. 10, 2009).

4. See Love, *supra* note 3.

litigate.<sup>5</sup> In one case, the parties spent almost 200 million dollars between them.<sup>6</sup>

In contrast to litigation, arbitration offers the hope of a patent dispute being settled in less than a year, perhaps even six months.<sup>7</sup> Most patent arbitrations also cost less than eighty-five percent of the cost of litigating the same case.<sup>8</sup> The time taken to resolve the dispute can be made even more predictable by the use of a clause in the arbitration agreement which stipulates when the arbitrator is required to deliver a judgment.<sup>9</sup> Various ways of limiting costs can also be agreed upon by the parties. However, even with great savings in time and money, arbitration is not the preferred method of resolving patent related disputes.<sup>10</sup> Current research suggests that patent disputes of lesser value are more likely to be arbitrated.<sup>11</sup> Where large sums are involved, litigation is preferred.<sup>12</sup> With the monetary value of patents clearly in focus, in order for arbitration—or other forms of alternative dispute resolution (ADR)<sup>13</sup>—to be considered as an alternative to litigation, the benefits must outweigh the drawbacks.<sup>14</sup> Perceptions may be as important as the reality.<sup>15</sup>

At first sight, arbitration appears to be an excellent alternative. It is fast, and can offer an award supported by enforcement in national courts, unlike mediation.<sup>16</sup> However, there are a number of important issues to consider.

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5. See Gregg A. Paradise, *Arbitration of Patent Infringement Disputes: Encouraging the Use of Arbitration Through Evidence Rules Reform*, 64 *FORDHAM L. REV.* 247, 253 (1995).

6. See *Polaroid Corp. v. Eastman Kodak Co.*, Civ.A. No. 76-1634-MA, 19 WL 4087, at \*1, 17 U.S.P.Q.2d 1711 (D.Mass 1991) (amending prior damage award and correcting clerical errors).

7. See Tom Arnold, *Fundamentals of Alternative Dispute Resolution: Why Prefer ADR*, 376 *PRACTICING LAW INSTITUTE: PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES* 655, 670. Figures for an “average” time to resolution in patent litigation are difficult to obtain. A mean of 1.12 years was found for patent suits in district court in 1995-1999. Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 *N.C. L. REV.* 889, 908 (2001).

8. See Paradise, *supra* note 5, at 261.

9. See *id.*

10. See Vivek Koppikar, *Using ADR Effectively in Patent Infringement Disputes*, 89 *J. PAT. & TRADEMARK OFF. SOC'Y* 158, 164-65 (2007).

11. See Koppikar, *supra* note 10, at 164-65.

12. See *id.* at 166.

13. It is also possible for a purely technical issue to be considered by “expert determination” where a panel of experts decide facts. These expert determinations are not arbitral awards and cannot be enforced under the New York Convention. It must instead be enforced via contract. See Mauro Rubino-Sammartano, *INTERNATIONAL ARBITRATION LAW* 9-10 (1990).

14. See Koppikar, *supra* note 10, at 164-68.

15. See *id.* at 168.

16. Mediation is also an option, particularly if the parties are able to work together amicably. See William F. Heinze, *Patent Mediation: The Forgotten Alternative in Dispute Resolution*, 18 *AIPLA Q.J.* 333, 342-43 (1990).

This paper will address, in particular, the nature of an international patent dispute and how the rules of the main arbitral institutions influence the unfolding arbitration. The main issue considered here is if institutional rules address the particular needs of patent disputes. Arbitral institutions are prepared to resolve many kinds of disputes, but because they operate under different rules, some may be more or less prepared for the special nature of IP. Patent related disputes are even more specialized. Even small differences in institutional rules can have a large impact upon the unfolding arbitration. After a brief consideration of arbitrability, special attention is paid to evidence, confidentiality, and interim relief in the various rules of permanent arbitral institutions. These latter three elements are critical for patent disputes. The primary sources are the rules themselves, supplemented by relevant national laws and cases. Special attention is paid to online sources, as the most up-to-date materials are in this medium.

Legal scholarship has not considered institutional rules in any detail, but relevant secondary sources are considered. Because of the importance of the United States in IP disputes, the majority of the discussion will focus on the United States, although arbitral institutions based in a number of different countries are examined. The base of an arbitral institution may not reflect the geographical location of the parties. In order to be consistent, almost all rules, laws, and cases are in English. In the discussion that follows it is assumed that a dispute would involve a patent license. The assumption is that the patent holder would be the claimant, and the licensee the defendant.<sup>17</sup>

## II. PROBLEMS OF PATENT LITIGATION

Patents are territorial rights.<sup>18</sup> They are registered in a particular jurisdiction and protection is handled by the relevant authority. If a patent is infringed, it would require litigation in every jurisdiction where the offense took place to stop infringement.<sup>19</sup> There are difficulties in preparing cases in

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17. It is unlikely in a straightforward case that the patentee would be the defendant. In complex license arrangements, where trade secrets, joint ventures, or other covenants beyond patent licenses are involved, it is possible that the patent holder could be a defendant. *See* St. Regis Paper Co. v. Royal Indus., 552 F.2d 309, 314-15 (9th Cir. 1977).

18. *See* PHILIP W. GRUBB, PATENTS FOR CHEMICALS, PHARMACEUTICALS AND BIOTECHNOLOGY: FUNDAMENTALS OF GLOBAL LAW, PRACTICE AND STRATEGY 3 (1999).

19. *See* GRUBB, *supra* note 18, at 3.

multiple countries.<sup>20</sup> Different legal systems require varied procedural and substantive treatment of the same issue.<sup>21</sup> For example, in Germany issues of infringement and invalidity cannot be considered in the same proceeding.<sup>22</sup> Infringement can be considered before a civil court with specialized patent chambers.<sup>23</sup> Invalidity must be considered by the Federal Patent Court in Munich, in the first instance, and finally by the Federal Supreme Court.<sup>24</sup>

Parallel litigation also requires the retention of local counsel in every jurisdiction where litigation is commenced. There is a real risk of inconsistent judgments. This is even apparent in the nations that make up the European Union, where legislation to harmonize patent policy is in place.<sup>25</sup> Perhaps the best known example is the *Epilady* case.<sup>26</sup> The main issue in this case was the doctrine of equivalents.<sup>27</sup> Equivalent embodiments are routinely accepted by German court, but remain a problem in English courts.<sup>28</sup> German courts held that a “helical spring” should be considered functionally equivalent to a slit rubber rod.<sup>29</sup> In contrast, the English Court of Appeal decided that the inventors of the *Epilady* did not consider a rubber rod to be equivalent to their originally claimed helical spring.<sup>30</sup> These are major differences of claim interpretation that would lead to uncertainty of outcome when more than one jurisdiction is involved in a dispute.

Even without the problem of a multi-jurisdictional dispute, litigating patents in the court system can be time consuming and expensive.<sup>31</sup> Courts are pressured to deliver timely judgments.<sup>32</sup> At the same time masses of evidence and rigid procedures mean that there is a limit as to how fast a case

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20. See Jochen Pagenberg, *The Arbitrability of Intellectual Property Disputes in Germany* (Mar. 3-4, 1994), available at <http://www.wipo.int/amc/en/events/conferences/1994/pagenberg.html> (last visited Mar. 10, 2009).

21. See *id.*

22. See *id.*

23. See *id.*

24. See *id.*

25. It is worth noting that the European Court has held that, at present, IP is a matter for the individual member states. See Case 35/87, *Thetford Corp. v. Fiamma SpA*, 1988 E.C.R. 3585.

26. See Oberlandesgericht Düsseldorf [Düsseldorf Court of Appeals], *GEWERBLICHER RECHTSSCHULTZ UNDER URHEBERRECHT INTERNATIONAL TEIL [GRUR INT.]* 1993, at 242, translated in 24 INT'L REV. OF INDUS. PROP. AND COPYRIGHT LAW 838 (1993) [hereinafter *Epilady*].

27. See *Epilady*, *supra* note 26.

28. See David Cohen, *Article 69 and European Patent Integration*, 92 NW. U. L. REV. 1082, 1082-84 (1998).

29. See *Epilady*, *supra* note 26.

30. See Cohen, *supra* note 28, at 1083-1129.

31. See Paradise, *supra* note 5, at 253.

32. See Moore, *supra* note 7.

can progress.<sup>33</sup> This is further complicated by the fact that in America juries are often used to consider issues of fact.<sup>34</sup> Patent issues are often highly technical and may be difficult for most jurors to comprehend.<sup>35</sup> As of 2000, about fifty percent of all U.S. patent cases were tried before juries. Evidence suggests that juries tend to favour patentees on validity issues more than judges.<sup>36</sup> This perceived bias in the system may influence some companies to prefer litigation, but there are other important facts to consider as well.

Firms that are financially better off than their rivals may opt to litigate in order to intimidate smaller firms that may not have the resources to engage in a protracted legal struggle.<sup>37</sup> Indeed, there may be no overt threat, but a clear financial imbalance would likely cause the weaker party to question the effectiveness of litigation.<sup>38</sup> Evidence of this observation is difficult to quantify, but some authors have suggested that patent arbitration usually takes place between companies of similar financial standing.<sup>39</sup> Cross-licensing relationships may suggest a relative parity in economic terms.<sup>40</sup> As an example, the National Patent Board was founded by large U.S. firms to replace litigation with ADR.<sup>41</sup> With these considerations in mind, some authors have called for compulsory arbitration of patent disputes.<sup>42</sup> While this may be an extreme contention, arbitration could be appreciated as—if not leveling the field of play—at least putting the variables within the control of the parties to the dispute.<sup>43</sup>

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33. See Marion M. Lim, *ADR of Patent Disputes: A Customized Prescription: Not An Over-The-Counter Remedy*, 6 CARDOZO J. CONFLICT RESOL. 155, 162 (2005).

34. See *id.* at 162.

35. See *id.* at 171-72.

36. James F. Davis, *Judicial Management of Patent Litigation in the United States: Observations from the Litigation Bar*, 9 FED. CIR. B.J. 549, 549 (2000).

37. William Kingston, *The Case for Compulsory Arbitration: Empirical Evidence*, E.I.P.R. 22(4) 154, 154-55 (2000).

38. *Id.* at 155.

39. *Id.*

40. *Id.*

41. *Id.* at 154.

42. *Id.*

43. Kingston, *supra* note 37, at 156.

### III. ARBITRATING PATENT DISPUTES

Arbitration is increasingly being appreciated as an alternative to litigation.<sup>44</sup> The year 2007 saw the first decline in U.S. patent litigation in fifteen years.<sup>45</sup> The reason for this may be multi-faceted, but one reason could be that 375 IP cases were filed with the American Arbitration Association (AAA) during that year.<sup>46</sup> This trend is not limited to America. The International Chamber of Commerce (ICC), based in Paris, estimates that ten percent of their annual case load involves an IP element.<sup>47</sup> In contrast, the Arbitration Institute of the Stockholm Chamber of Commerce (SCC) had 170 cases in 2007, but only seven arbitrations involved licensing agreements/IP.<sup>48</sup> The larger and more well-known arbitral institutions appear to conduct the majority of IP arbitrations. This could be due to the special nature of the rules of these institutions, some of which specifically provide special rules for IP issues. However, it should be noted that many general principles of arbitration are amenable to complicated international disputes.

Arbitration can be conducted so that the forum can be chosen by the parties in advance. While the seat of the arbitration may remain the same throughout, not all parts of the arbitration must take place at the seat. Depending upon the location of witnesses, documents, arbitrators, and lawyers, it is possible for the arbitration to take place in several locations. This is particularly important in multi-national disputes where it may not be cost-effective to move a mass of evidence.<sup>49</sup> In arbitrating a patent dispute, parties can also resolve an issue in a single proceeding, in contrast to litigation. In court, prior to a judge or jury deciding an issue of infringement, it is the trial judge who decides how to interpret patent claims.<sup>50</sup> Interpretation is considered a question of law and not of fact, and as a result it can be reviewed *de novo* before an appeals court.<sup>51</sup> This can add considerably to the time required to achieve a court decision.

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44. Sophie Lamb & Aljandro Garcia, *THE EUROPEAN & MIDDLE EASTERN ARBITRATION REVIEW* 2008, <http://www.globalarbitrationreview.com/handbooks/3/sections/5/chapters/66/> (last visited Mar. 10, 2009).

45. *Id.*

46. *Id.*

47. *Id.*

48. SCC Institute Statistics 2007, <http://www.sccinstitute.com/uk/About/Statistics/> (last visited Mar. 10, 2009).

49. David W. Plant, *Alternative Dispute Resolution*, in *PATENT LITIGATION* 197, 255 (1988).

50. Kimberly M. Ruch-Alegant, *Markman: In Light of De Novo Review, Parties to Patent Infringement Litigation Should Consider the ADR Option*, 16 *TEMP. ENVTL. L. & TECH. J.* 307, 307 (1998).

51. *Id.* at 307.

Arbitration presents a contrast to litigation in procedure, as awards are not so easily challenged.<sup>52</sup> This means that costs for counsel and expert witnesses are reduced if they only have to appear at one hearing.<sup>53</sup> Unlike a trial judge, arbitrators can also be selected for their particular skills.<sup>54</sup> Experts in patent law as well as the relevant scientific field can be chosen by the parties.<sup>55</sup> Because of the relative difficulty in challenging arbitral awards, a decision of a tribunal can be appreciated as more final and binding than a court action.<sup>56</sup> It has been estimated that over fifty percent of patent damages awards are decided by juries in the United States, and the majority of patent damages decisions are reversed on appeal or remanded.<sup>57</sup> In arbitration, however, there is a risk of an erroneous judgment which is very difficult to set aside.<sup>58</sup> But the increased control the parties have over the arbitral process can offset potential problems.

Litigation normally can only offer damages and injunctions to a winning party. From the perspective of a defendant, with the prospect of having to pay punitive damages<sup>59</sup> in a lost litigation, arbitration offers the hope of having to pay less monetary damages. However, it is important at the outset to consider the special characteristics of arbitration, as opposed to litigation, as part of an overall strategy. Arbitration can settle differences in more flexible ways. This can include licensing arrangements, agreements to share technology or collaboration in a joint venture, and contracts that restrict activities to certain areas.<sup>60</sup> However, before going further it is important to consider the special nature of patents in various national laws.

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52. Lamb & Garcia, *supra* note 44.

53. *Id.*

54. *Id.*

55. *Id.*

56. *Id.*

57. *Id.*

58. Switzerland allows parties who are not domiciled there to opt out of the setting aside procedure. Most nations do not allow this. See A.J. Van Den Berg, *The Efficacy of Award in International Commercial Arbitration*, 4 J.C. INST. ARB. 267, 268 (1992).

59. It is uncertain if an arbitral tribunal can order punitive damages even if the parties agree. See M. Scott Donahey, *Punitive Damages in International Commercial Arbitration*, 10 J. INT'L ARB. 67, 71 (1993).

60. See Ruch-Alegant, *supra* note 50, at 323.



#### IV. ARBITRABILITY

Public policy is often cited as a bar to arbitration of patent disputes.<sup>61</sup> This does not suggest that it is impossible to find an arbitral tribunal to consider the issue and render an award.<sup>62</sup> Rather, it refers to the enforceability of the award against the losing party. National courts would also not refer an issue to arbitration if the subject matter cannot be legally arbitrated.<sup>63</sup> The reason for this is that the state is involved in the granting, recognition, and enforcement of patent rights. This consideration may therefore put a brake on the ability of an arbitrator appointed by the parties to consider a dispute that may have an impact upon the general public. Yet in practice this observation may be over stated. South Africa does not allow arbitration of any kind of IP dispute.<sup>64</sup> Prior to 1993 Israel did not allow arbitration of IP disputes.<sup>65</sup> Patent coverage and payments due to patent holders from licensees are arbitrable in many countries, including Canada,<sup>66</sup> France,<sup>67</sup> Germany,<sup>68</sup> Switzerland,<sup>69</sup> and the United Kingdom.<sup>70</sup> Only a few countries allow issues of validity to be addressed, including Canada, Switzerland, and the United States.<sup>71</sup> Countries such as France and Italy invoke public policy grounds and hold that validity must be considered in a public tribunal.<sup>72</sup>

The situation in the United States has undergone modification recently. Interestingly, the first case where patent infringement was settled by

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61. Lamb & Garcia, *supra* note 44.

62. *Id.*

63. See UNCITRAL Model Law, art. 8(1); New York Convention art II (3).

64. Article 18(1) of the Patents Act of 1978 states that: "Save as is otherwise provided in this Act, no tribunal other than the commissioner shall have jurisdiction in the first instance to hear and decide any proceedings, other than criminal proceedings, relating to any matter under this Act."

65. Golan Work of Art Ltd. v. Bercho Gold Jewellery Ltd., Tel Aviv District Court civil case 1524/93.

66. In Canada, any matter related to patents can apparently be arbitrated. See Jacques A. Léger, et al. Possibility of Arbitration of Intellectual Property Disputes Between Private Parties, available at <http://www.robic.ca/publications/Pdf/016-JAL.pdf> (last visited Mar. 10, 2009).

67. Robert Briner, The Arbitrability of Intellectual Property Disputes with Particular Emphasis on the Situation in Switzerland, Worldwide Forum on the Arbitration of Intellectual Property Disputes, March 3-4 1994, Geneva, Switzerland, available at <http://www.wipo.int/amc/en/events/conferences/1994/briner.html> (last visited Mar. 10, 2009).

68. Jochen Pagenberg, *The Arbitrability of Intellectual Property Disputes in Germany*, available at <http://www.wipo.int/amc/en/events/conferences/1994/pagenberg.html> (last visited Mar. 10, 2009).

69. See Briner, *supra* note 67.

70. *Id.*

71. *Id.*

72. See Briner, *supra* note 67.

arbitration was in 1939.<sup>73</sup> However, at this time issues of validity could not be arbitrated.<sup>74</sup> Despite a lengthy history, American courts had traditionally been reluctant to enforce arbitrated settlements of patent disputes. In 1981, a survey of fifty-one U.S. companies about their attitudes to arbitrating IP disputes found that only ten percent would agree to arbitrate patent validity in cases valued over a million dollars. For other IP disputes, sixty-eight percent stated they would consider binding arbitration.<sup>75</sup> In eschewing patent arbitration, the main reasons these companies cited were “public policy” and “antitrust.”<sup>76</sup> In the U.S., legislation would soon address public policy concerns.<sup>77</sup>

In 1982, Congress enacted Public Law 97-247, which allowed for voluntary arbitration of patent infringement disputes.<sup>78</sup> Section 294(a) states that:

A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract. In the absence of such a provision, the parties to an existing patent validity or infringement dispute may agree in writing to settle such dispute by arbitration. Any such provision or agreement shall be valid, irrevocable, and enforceable, except for any grounds that exist at law or in equity for revocation of a contract.

Section 294(a) makes the arbitrability issue clear and makes the agreement to arbitrate binding. The pairing of validity and infringement is a logical one in patent disputes, as invalidity is a common defense against a claim of breach of license agreement. A U.S. patent licensee cannot be prevented from claiming invalidity of a patent via contractual provisions as a matter of public policy.<sup>79</sup> It is therefore of central importance that these related issues can be arbitrated.<sup>80</sup> The antitrust issue was, and still is, regarded by some as a serious one, as the American Safety<sup>81</sup> case

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73. See *Cavicchi v. Mohawk Mfg. Co.*, 27 F. Supp. 981 (S.D.N.Y. 1939). See also Edmund H. O'Brien, *Enforcement of Arbitration Agreements in Infringement Disputes*, 22 J. PAT. & TRADEMARK OFF. SOC'Y 289 (1940).

74. See Briner, *supra* note 67, at 289.

75. Armito S. Muskat, *Alternatives to Court Litigation in Intellectual Property Disputes: Binding Arbitration and/or Mediation – Patent and Non-patent Issues*, 22 IDEA 271, 273 (1982).

76. See *id.* at 273.

77. See *id.* at 274.

78. Act of Aug. 27, 1982, Pub. L. No. 97-247, 96 Stat. 317 (1982) (codified as amended at 35 U.S.C. § 294 (1988)).

79. *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

80. *Am. Safety Equip. Corp. v. J.P. Maguire & Co.*, 391 F.2d 821 (2d Cir. 1968).

81. *Id.* at 823.

demonstrates. There, a patent and trademark license contained a provision that required all disputes to be resolved via arbitration. The Court of Appeals held that the district court that first encountered the issue must first decide the antitrust issue before sending the issue to arbitration.<sup>82</sup> Following that case, American courts were unwilling to allow antitrust issues to be arbitrated until the landmark *Mitsubishi* case.<sup>83</sup> In this case the Supreme Court determined that it would allow the parties' arbitration agreement to stand, even though the issue involved federal antitrust issues.<sup>84</sup> While the Court did not apply this reasoning to domestic antitrust issues, subsequent case law has extended the scope.<sup>85</sup>

These changes now allow parties the freedom to agree to arbitrate issues that would have been considered by a federal court. This issue may come into play particularly if the arbitration agreement stipulates that all disputes arising from the contract will be arbitrated. However, the Federal Circuit Court of Appeals has stated that it will not allow arbitration to take place in IP disputes that involve unfair competition, including issues involving imports.<sup>86</sup> That issue would be considered by a U.S. administrative agency such as the International Trade Commission (ITC).<sup>87</sup>

The new legislation also stipulates that the public must be made aware of the nature of the award.<sup>88</sup> The award will only be binding and enforceable when notice of the award is filed with the United States Patent Office (USPTO).<sup>89</sup> This provides public notice of an award, but, as in most jurisdictions where arbitration of patent issues is involved, the decision only has *inter partes* effect.<sup>90</sup> Invalidity is only considered as part of contractual rights and obligations. This may seem to be a somewhat artificial construction, yet, it is necessary to keep the prerogative of the state intact. Patent rights in the state of registration remain intact against other parties. This also leads to a particular strength of arbitration of patent disputes in the United States: a negative decision does not result in the total loss of rights.

This is a major difference between arbitration and litigation. The most straightforward way of challenging an infringement suit is to raise the issue of invalidity. This can be done by a defendant in an *ex parte* proceeding

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82. *Id.* at 826-27.

83. *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614, 623 n.10 (1985).

84. *Id.* at 640; *see generally* The Sherman Antitrust Act, 15 U.S.C. §§ 1-7 (2007).

85. Thomas J. Brewer, *The Arbitrability of Antitrust Disputes: Freedom to Contract for an Alternative Forum*, 66 ANTITRUST L.J. 91, 99 (1998).

86. *Farrel Corp. v. U.S. Int'l Trade Comm'n*, 949 F.2d 1147, 1152 (Fed. Cir. 1991).

87. *Id.* at 1152.

88. 37 C.F.R. § 1.335(a)-(b) (2005).

89. *Id.*

90. *Id.*

with the USPTO called a re-examination.<sup>91</sup> If successful, this action would clear the defendant of any liability. The grounds for finding a patent invalid include fraudulent information supplied in the application, anti-competitive business practices, or lack of novelty and non-obviousness.<sup>92</sup> The last two factors are considered in a re-examination, and new evidence that had not previously considered by the USPTO can be considered. The court can order that the patent be restricted in scope or invalidated. Thus, an important issue for arbitration is how far the arbitrators can go when considering claims.

Recent case law has enforced arbitration clauses in patent disputes, even when the arbitrators did not understand claim construction in the same way as a court would have.<sup>93</sup> Enforcement of arbitration clauses removed fears that many patent cases could not be arbitrated due to public interest. The U.S. Supreme Court has even limited the ability of states to circumvent arbitration by statute.<sup>94</sup> The situation in Switzerland is even more favourable to arbitration. The Federal Office of Intellectual Property<sup>95</sup> decided that arbitral tribunals may decide upon the validity of patents, trademarks, and designs. Other registered IP rights may also be challenged on the basis of an arbitral award.

Switzerland is a rather extreme example. In contrast, most nations allow an arbitral tribunal to decide on infringement, while the validity of a registration must be challenged in court. This follows the reasoning of the *Blonder-Tongue* case,<sup>96</sup> where the court noted that an arbitration award that challenged the validity of a patent would allow an accused infringer to charge a price for the patented product just below the price of competitors who would pay royalties.<sup>97</sup> They could also charge a price above that if the patent was unenforceable.<sup>98</sup> This would clearly be damaging to the long term interests of fair competition.<sup>99</sup>

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91. See 35 U.S.C. § 301.

92. 35 U.S.C. §§ 101-102 (1952).

93. *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362 (Fed. Cir. 2001).

94. The FAA is used to trump state legislation. See *Doctor's Assocs., Inc. v. Casarotto*, 517 U.S. 681 (1996).

95. Federal Office of Intellectual Property in its decision of 15 December 1975. Briner, *supra* note 67, §2.2.2 n.25.

96. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 346-47 (1971).

97. *Id.* at 346.

98. *Id.*

99. *Id.* at 346-47.

The issue of arbitrability may arise at the beginning of an arbitration as a challenge to jurisdiction. This can be considered by the tribunal or it can be considered by a court. The primary consideration for a court would be to apply any mandatory laws. An arbitral tribunal may not be as concerned with this consideration. The issue can also be raised again at the enforcement stage. According to Article V(2)(a) of the New York Convention (NYC),<sup>100</sup> a national court at the place of enforcement of the award may refuse to cooperate if the dispute cannot be arbitrated according to national law.<sup>101</sup> This has been cited as the weakest link in the chain of international arbitration, as local concerns can frustrate international judgments. However, it is very rare for an award to be denied under Article V(2).<sup>102</sup>

## V. ARBITRAL INSTITUTIONS

Institutional arbitration is administered by an institution under its own rules. The goal is for a central organization to offer rules and different levels of quality control.<sup>103</sup> United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules (United Nations Commission on Trading Law)<sup>104</sup> can be used for arbitrations under no institutional rules, which are termed *ad hoc*.<sup>105</sup> In contrast, arbitrations under institutional rules can be termed institutional.<sup>106</sup> The institutes have rules that can differ substantially. The International Chamber of Commerce (ICC) is known to have prescriptive rules.<sup>107</sup> Article 3 of Appendix III of the ICC Rules<sup>108</sup> allows the ICC to act as an appointing authority for *ad hoc* arbitration under, for example, UNCITRAL Rules. Some other institutional rules have similar

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100. Convention on the Recognition and Enforcement of Foreign Arbitral Awards, United Nations, June 10, 1958, available at [http://www.uncitral.org/pdf/english/texts/arbitration/NY-conv/XXII\\_1\\_e.pdf](http://www.uncitral.org/pdf/english/texts/arbitration/NY-conv/XXII_1_e.pdf) (last visited Mar. 10, 2009) [hereinafter NYC].

101. NYC, *supra* note 100, art. V(2)(a); see also Hanotiau, *infra* note 102, at 36.

102. Bernard Hanotiau, *Objective Arbitrability, its Limits, its Problem Areas*, in 6 OBJECTIVE ARBITRABILITY—ANTITRUST DISPUTES—INTELLECTUAL PROPERTY DISPUTES 26, 36 (Blessing ed., 1994).

103. William K. Slate II, *International Arbitration: Do Institutions Make a Difference?* 31 WAKE FOREST L. REV. 41, 45 (1996).

104. U.N. Comm'n on Int'l Trade Law [UNCITRAL], 1976 UNCITRAL Arbitration Rules, [http://www.uncitral.org/uncitral/en/uncitral\\_texts/arbitration/1976Arbitration\\_rules.html](http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/1976Arbitration_rules.html) (last visited Mar. 10, 2009).

105. See *id.*

106. See Slate II, *supra* note 103, at 47.

107. See generally *id.*

108. Int'l Chamber of Commerce [ICC] Rules of Arbitration, at app. III, art. 3 1998, <http://www.jus.uio.no/lm/icc.arbitration.rules.1998/doc.html> (last visited Mar. 10, 2009).

provisions. However, this would not in itself qualify an arbitration as institutional.

Certain functions that are normally reserved for an arbitrator, such as the determination of the validity of the arbitration agreement, are the responsibility of the ICC.<sup>109</sup> The institution also reviews all awards to ensure they can be legally enforced.<sup>110</sup> In an ICC case dealing with a contract between an Italian and a Korean company, even before determining the law of contract, the tribunal required an *ex officio* determination of the competition rules of the states where the award was to be enforced.<sup>111</sup> This was clearly intended as a means to avoid conflict with national competition law, which can vary greatly between nations. Other arbitral institutions do not have such control over the final award. Indeed, some parties may prefer the tribunal to consider an award without considering enforcement issues. This is because even an unenforceable judgment may be useful for insurance purposes or to demonstrate to investors or competitors the strength of their IP rights.

The London Court of International Arbitration (LCIA) was founded as the London Chamber of Arbitration in 1892.<sup>112</sup> Members of the organization are drawn from major trading nations. LCIA Rules<sup>113</sup> are written for clarity using a minimum of jargon. They are broadly based and do not address the needs of patent arbitration in particular. The World Intellectual Property Organization (WIPO) also has a mediation and arbitration center in Geneva. WIPO rules are specifically designed for IP issues.<sup>114</sup> They were originally based on UNCITRAL Rules, but they have been tailored to deliver a higher degree of confidentiality, as well as provide specific procedures for IP.<sup>115</sup> For example, articles forty-nine through fifty-one govern the use of technical and experimental evidence.<sup>116</sup> Similar

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109. See Slate II, *supra* note 103, at 47.

110. See *id.*

111. Yves Derains, *L'ordre Public et le Droit Applicable au Ford du Litige dans L'arbitrage International*, 3 REV. ARB. 375, 397-400 (1986).

112. London Ct. of Int'l Arbitration, [www.lcia.org](http://www.lcia.org) (last visited Mar. 10, 2009).

113. The London Court of International Arbitration Rules [LCIA], 1998, available at [http://www.lcia.org/ARB\\_folder/ARB\\_DOWNLOADS/ENGLISH/rules.pdf](http://www.lcia.org/ARB_folder/ARB_DOWNLOADS/ENGLISH/rules.pdf) (last visited Mar. 10, 2009).

114. Julia A. Martin, Note, *Arbitrating in the Alps Rather Than Litigating in Los Angeles: The Advantages of International Intellectual Property-Specific Alternative Dispute Resolution*, 49 STAN. L. REV. 962, 965 (1992).

115. *Id.* at 964.

116. *Id.*

provisions are not found in arbitral rules designed for general commercial arbitration.<sup>117</sup> The combination of an IP focus and an international reputation have led some commentators to suggest that WIPO should be considered the institution of choice for IP disputes.<sup>118</sup>

Specialist IP arbitration rules besides WIPO have been formed. The AAA had special Patent Arbitration Rules (PAR) that were last amended on September 1, 2007. Patent disputes are now administered under the AAA's Commercial Arbitration Rules and Mediation Procedures (CAR)<sup>119</sup> and the Supplementary Rules for the Resolution of Patent Disputes (AAA Supplementary Rules).<sup>120</sup> The latter deals with the preliminary hearing. Because the PAR has only recently been replaced, it will be given some attention here. The AAA also has an international arm, established in 1996, called the International Centre for Dispute Resolution (ICDR) which has offices in Dublin and Mexico City.<sup>121</sup> There are also special rules for this body, called the International Dispute Resolution Procedures (IDRP).<sup>122</sup>

Several small specialized arbitral institutions have also been founded recently. In 2003, the Arab Intellectual Property Mediation and Arbitration Society was formed in Jordan to deal with Jordanian, as well as the wider Arab, IP arbitration.<sup>123</sup> The main reason cited for the formation of this centre is that there are no judges who are well versed in this field, and there is an increasing need to settle these disputes.<sup>124</sup> China has also, as of 2007, formed an IP arbitration centre in Xiamen.<sup>125</sup> Rules and procedures are being formulated, and special attention is paid to party choice in selecting

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117. *Id.* at 964-65.

118. *Id.* at 963-65.

119. Am. Arbitration Ass. [AAA] Commercial Arbitration Rules and Mediation Procedures (2007), available at <http://www.adr.org/sp.asp?id=22440&printable=true> (last visited Mar. 10, 2009).

120. Am. Arbitration Ass. [AAA] Resolution of Patent Disputes Supplementary Rules (2006), available at <http://www.adr.org/sp.asp?id=27417> (last visited Mar. 10, 2009).

121. See *About The International Centre for Dispute Resolution*, available at [http://www.adr.org/about\\_icdr](http://www.adr.org/about_icdr) (last visited Mar. 10, 2009) (discussing its establishment and areas of expertise).

122. International Dispute Resolution Procedures (2008), available at <http://www.adr.org/sp.asp?id=33994> (last visited Mar. 10, 2009).

123. Lama Alabseh, *Creation of Arab Center Specialized in Arbitrating IP Conflicts in Jordan* (ADDUSTOUR NEWSPAPER, Aug. 15, 2003), available at [http://tagorg-theinstitution.com/UserPages/demo\\_news.aspx?id=1071&q=&lang=en](http://tagorg-theinstitution.com/UserPages/demo_news.aspx?id=1071&q=&lang=en) (last visited Mar. 10, 2009).

124. *Id.*

125. International Property Protection in China, Mainland China's First IP Arbitration Center Established in Xiamen, Apr. 24, 2007, available at [http://english.ipr.gov.cn/ipr/en/info/Article.jsp?a\\_no=71403&col\\_no=934&dir=200704](http://english.ipr.gov.cn/ipr/en/info/Article.jsp?a_no=71403&col_no=934&dir=200704) (last visited Mar. 10, 2009).

arbitrators.<sup>126</sup> These latter two institutions are clearly aimed at serving linguistic groups that may not be comfortable in arbitration abroad. However, it remains to be seen how successful these linguistically focused IP arbitration centres will be. The fact that they have no specific reputations in arbitration may significantly decrease their attractiveness in an increasingly international environment. At the same time major arbitral institutions have growing lists of arbitrators with skills in many languages.<sup>127</sup>

## VI. EVIDENCE

Evidence is a broad issue, but as a rule patent arbitrations differ from other commercial arbitrations in several respects. Because arbitration is not bound by rules of evidence, as is a court, many kinds of evidence may be allowed. In arbitration it is up to the tribunal to decide what evidence is used, but in general there are three different kinds: documents, witnesses, and expert evidence. Special attention is devoted to documents and experts. For example, a patent case could involve special documents such as correspondence with a patent agent, which could be claimed as privileged. Discovery, the level of disclosure of the existence of documents, differs greatly between jurisdictions. The issues of confidentiality and discovery are related, so they are easily considered together.

Experts may also emerge as a critical issue in patent cases. Unlike most commercial disputes, which may take place using documents alone, patent cases may involve material evidence. This evidence may not be amenable to examination by arbitrators who are not skilled in some technical field. Experiments may be required to determine the facts. An expert may have to be appointed, and the expert has to have access to the evidence. Because arbitration is a private method of dispute resolution, these issues can be determined by the parties. Institutional rules may consider these issues in detail, or may leave the issue to be decided by the tribunal as the need arises. The end of the section considers if more stringent rules of evidence would be beneficial or detrimental to patent arbitration.

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126. *Id.*

127. *See generally* Slate II, *supra* note 103, at 50.



### A. Documents

Various legal traditions have different norms as to what is considered privileged material. Some documents may be claimed as privileged. A good example is the communication between a patent agent and a client. The nature of protection in this case is based on a relationship and not the information itself.<sup>128</sup> Arbitrators cannot themselves examine evidence that has been claimed as privileged.<sup>129</sup> If a tribunal did examine privileged evidence, this could lead to the award being set aside.<sup>130</sup> The core principles of communication and contradiction require that arbitrators do not consider evidence that is not available to the other party.<sup>131</sup> Instead, with the consent of the parties, an advisor could be appointed by the arbitrators to examine the evidence and suggest if it should be admitted. The party that asserts the privilege could still refuse to accept the recommendation. In some jurisdictions, however, assenting to this procedure might be considered a waiver. It would, therefore, appear to be a better option for the asserting party to continuously assert the privilege in order to be sure of retaining it.<sup>132</sup> Many institutional rules provide that the tribunal can draw negative inferences if a party does not produce evidence and does not provide a satisfactory explanation.<sup>133</sup> It would be up to the tribunal to decide if continuing to claim a privilege would be a satisfactory explanation.<sup>134</sup> There may be cases where a party may want to continue to assert privilege even if a negative inference is drawn. A party who desires to override the privilege may request—depending upon national law—that the arbitrators grant permission for court assistance in obtaining evidence from a recalcitrant party.<sup>135</sup> This can include compulsion or hearing a witness under oath.<sup>136</sup> The final decision of the arbitrators cannot be appealed.<sup>137</sup>

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128. Information itself may also be claimed to be privileged. The information, such as a trade secret, could be exploited by a competitor if released. See PATRICIA SHAUGHNESSY, ATTORNEY-CLIENT PRIVILEGE: A COMPARATIVE STUDY OF AMERICAN, SWEDISH, AND EC LAW 255 (2001).

129. See LARS HEUMAN, ARBITRATION LAW OF SWEDEN: PRACTICE AND PROCEDURE 385-87 (2003).

130. See *id.*

131. See *id.*

132. See SHAUGHNESSY, *supra* note 128, at 316.

133. See IBA Rules on the Taking of Evidence in International Commercial Arbitration, art. 9(4) note 77 (1999), available at [http://www.asser.nl/ica/documents/cms\\_ica\\_4\\_1\\_IBA\\_ROE2.pdf](http://www.asser.nl/ica/documents/cms_ica_4_1_IBA_ROE2.pdf) (last visited Mar. 10, 2009) [hereinafter IBA rules].

134. See *id.* at art. 9.2.

135. See, e.g., UNCITRAL Model Law on International Commercial Arbitration art. 27 (2006), available at [http://www.uncitral.org/uncitral/en/uncitral\\_texts/arbitration/1985Model\\_arbitration.html](http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/1985Model_arbitration.html) [hereinafter Model Law] (amending 1985). at

Assuming that the issue of privilege is not raised, the next issue is perhaps even more important in most IP arbitrations. How many documents are required to support or refute a case? Discovery costs for a patent case may easily reach or exceed one million dollars.<sup>138</sup> The greater the amount of discovery, the more likely there will be further questions that require further documents. In contrast discovery can, in conjunction with the other party, be limited in arbitration.<sup>139</sup> Otherwise, this issue is dealt with in different ways in various jurisdictions.<sup>140</sup> As a rule, common law jurisdictions provide for full disclosure of documents.<sup>141</sup> Civil law courts, in contrast, favour limited, specific discovery.<sup>142</sup> These differences are also reflected in arbitration, as each side enters into arbitration with a set of cultural factors that influence procedure.<sup>143</sup> Common law arbitration practice allows the parties and the tribunal to decide the level of disclosure required. Civil law jurisdictions allow the parties to agree, but the tribunal has no powers to order discovery.<sup>144</sup> This can be supplemented by the power of courts to intervene to assist a tribunal, as in Sweden.<sup>145</sup> The SCC Rules,<sup>146</sup> article 26(3) states that the tribunal has authority to order production of documents or other evidence.

Permanent arbitral institutions differ significantly as to how discovery is handled. The ICC Rules contain no specific mention of discovery, but article 20(5) states that at any time during the proceedings, the tribunal, “may summon any party to provide additional evidence.”<sup>147</sup> The LCIA Rules, article 22.1 also states the tribunal can order a party to produce

136. See IBA Rules, *supra* note 133, art. 9.2.

137. See, e.g., Model Law, *supra* note 135, art. 27.

138. Douglas Doskocil, *Knowing Your Toolset: How to Use ADR to Your Advantage During Patent Litigation*, 44 IDEA 247, 249 (2004).

139. See, e.g., Commercial Arbitration Rules and Mediation Procedures art. L-3(c) (2007).

140. See, e.g., ICC Rules, *supra* note 108, arts. 20-21.

141. See W. Scott Simpson & Omer Kesikli, *The Countours of Arbitration Discovery*, 67 ALA. LAW. 280 (2006).

142. *Id.* at 281-82.

143. *Id.*

144. Simpson & Kesikli, *supra* note 141; CAR, *supra* note 139, art. L-3(c).

145. For the situation in Sweden, see HEUMAN, *supra* note 129, at 446-47.

146. Arbitration Rules of the SCC art. 26(3) (2007), available at [http://www.sccinstitute.com/\\_upload/shared\\_files/regler/2007\\_Arbitration\\_Rules\\_eng.pdf](http://www.sccinstitute.com/_upload/shared_files/regler/2007_Arbitration_Rules_eng.pdf) (last visited Mar. 10, 2009).

147. ICC Rules, *supra* note 108, art. 20(5).

documents or classes of documents.<sup>148</sup> The International Bar Association (IBA) Rules of Evidence<sup>149</sup> generally follows the permanent arbitral institutions in that a tribunal can order a party to produce documents, but without coercive power. The tribunal can, however, draw negative inferences if the documents are deemed to be relevant.<sup>150</sup> UNCITRAL Rules, Article 24(3) allows a tribunal to require the production of documents, exhibits, or other evidence.<sup>151</sup> There is no mention of coercion.<sup>152</sup>

Arbitral discovery in America is distinctive. The PAR allowed the arbitrators to issue subpoenas.<sup>153</sup> This is quite innovative when compared to the rules of other arbitral institutions.<sup>154</sup> Section 30 stated that:

The parties may offer such evidence as is relevant and material to the dispute and shall produce such evidence as the arbitrator may deem necessary to an understanding and determination of the dispute. An arbitrator or other person authorized by law to subpoena witnesses or documents may do so upon the request of any party or independently, with notice to all parties.<sup>155</sup>

The current CAR are much the same.<sup>156</sup> CAR rule 31(a) states that the parties may offer such evidence as is relevant and material.<sup>157</sup> Rule 31(d) states who can issue a subpoena for witnesses or documents with no change from the PAR.<sup>158</sup> However, the PAR did not consider the issue of confidentiality.<sup>159</sup> CAR rule 31(c) states: “The arbitrator shall take into account applicable principles of legal privilege, such as those involving the confidentiality of communications between [a] lawyer and client.”<sup>160</sup> Protecting this relationship would make the relationship between patent examiner and client also confidential. This is an important divergence that limits discovery.<sup>161</sup>

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148. LCIA Rules, *supra* note 112, art. 22.1.

149. IBA Rules, *supra* note 133, art. 3.4-5.

150. IBA Rules, *supra* note 133, art. 9.4.

151. Model Law, *supra* note 63, art. 24(3).

152. *Id.* at art. 24.

153. Patent Arbitration Rules § 30 (2005).

154. *See, e.g.*, Model Law, *supra* note 63, art. 27; ICC Rules, *supra* note 108, art. 20.

155. PAR, *supra* note 153, § 30.

156. *See* Commercial Arbitration Rules and Mediation Procedures (2007).

157. *Id.* at R. 31(a).

158. CAR, *supra* note 156, R. 31(d); PAR, *supra* note 153, § 30.

159. PAR, *supra* note 153.

160. CAR, *supra* note 156, R. 31(c).

161. Tom Brody, *Duty to Disclose: Dayco Products v. Total Containment*, 7 J. MARSHALL REV. INTELL. PROP. L. 325, 369 (2008).

The subpoenas are enforced under the Federal Arbitration Act (FAA) if the seat of the arbitration is in the United States.<sup>162</sup> An arbitrator can subpoena witnesses and documents under threat of contempt if the arbitrator's subpoena is not complied with.<sup>163</sup> The AAA arbitration rules are specifically written with this legislation in mind.<sup>164</sup> The IDRP Rules consider the issue of evidence in article 19. No mention is made of subpoenas, but it does state that the tribunal may order parties to produce other documents. In one unreported ICC case a tribunal refused to issue a section 7 subpoena against a foreign national to produce documents. The tribunal held that because the dispute had no connection with the United States, and parties did not contemplate the exercise of this power when they entered into the arbitration agreement, they could not issue a subpoena.<sup>165</sup>

Arbitrators have also been able to order subpoenas to produce third party documents.<sup>166</sup> Even if a section 7 subpoena is not issued, it is a powerful inducement that can remain in the arsenal. However, it should be noted that this provision is not unique. The UNCITRAL Model Law states in article 27 that the tribunal or a party with approval of the tribunal can request for a competent court to assist in taking evidence. The English Arbitration Act<sup>167</sup> also states in section 43(1) that a party may use the same court procedures in legal proceedings to secure a witness or to produce documents or other material evidence.

The AAA Supplementary Rules deal specifically with the preliminary hearing.<sup>168</sup> During this hearing, according to rule 3(c)(3), for the party claiming and the party opposing infringement, an initial disclosure must be made regarding "any document relating to these contentions."<sup>169</sup> These issues were not addressed in the previous PAR, which in its rule 9 dealt with the issue of the preliminary hearing in a very cursory manner.<sup>170</sup> The

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162. Federal Arbitration Act, 9 U.S.C. § 7 (1994).

163. *Id.*

164. *See, e.g.*, PAR, *supra* note 153; CAR, *supra* note 156.

165. *See* ALAN REDFERN, ET AL., *Law and Practice of International Commercial Arbitration* 403 (4th ed. 2004).

166. *See Meadows Indem. Co. v. Nutmeg Ins. Co.*, 157 F.R.D. 42 (M.D. Tenn. 1994).

167. Arbitration Act, 1996, c. 23 (Eng) available at [http://www.opsi.gov.uk/Acts/acts1996/ukpga\\_19960023\\_en\\_1](http://www.opsi.gov.uk/Acts/acts1996/ukpga_19960023_en_1) (last visited Mar. 10, 2009).

168. *See* Supplementary Rules, *supra* note 120, Supplementary Rules for the Resolution of Patent Disputes (c).

169. *See id.* at (c)(9).

170. *See* PAR, *supra* note 153, § 9.

Supplementary Rules also deal specifically with the issue of discovery.<sup>171</sup> Section 3(i) states: “the extent to which discovery, if any, shall be permitted and the procedure and time frame for the discovery.”<sup>172</sup> This clearly states that the parties may or may not engage in the process of discovery, and if they do, it can be limited by agreement.

Institutional rules vary considerably in how they approach evidence.<sup>173</sup> Here it appears that the IBA Rules of Evidence had an appreciable impact.<sup>174</sup> In order to avoid doubt, parties are advised to specifically agree that the arbitration will be conducted according to IBA rules.<sup>175</sup> However, the rules can be adopted after the formation of the tribunal, and the rules can be varied or used as a guideline by the parties or the tribunal.<sup>176</sup>

### B. Experts

Because arbitration is characterized as a process that does not rely upon formal rules of evidence, the selection of arbitrators does not depend upon legal training.<sup>177</sup> This allows the parties to select experts in particular fields to act as arbitrators who are neither former judges nor litigators.<sup>178</sup> The pool of arbitrators is larger than it would be if legal training was required.<sup>179</sup> However, without some indication of the criteria used for determining what kinds of evidence will be admitted and what will be excluded, uncertainty can be injected into a process that is controlled by the parties.<sup>180</sup> The two parties may come to an arbitration from differing legal backgrounds and have divergent expectations. A “battle of experts” may ensue, as both sides try to introduce numbers of specialists to raise or counter factual issues. The legal issues can become submerged in facts. However, litigation is also not immune to this phenomenon.<sup>181</sup> Junk science is particularly an issue where

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171. See Supplementary Rules, *supra* note 120, Supplementary Rules for the Resolution of Patent Disputes (c).

172. See *id.*

173. See, e.g., IBA Rules, *supra* note 133.

174. See Terry F. Peppard, *New International Evidence Rules Advance Arbitration Process*, 73 WIS. LAW 18 (2000).

175. David W. Rivkin, *Foreward to IBA Rules*, at 1 (1999).

176. See IBA Rules, *supra* note 133, pmbl. para. 2.

177. See Kenneth B. Clark & William A. Fenwick, *Structuring an Arbitration Agreement for High Technology Disputes*, 9 COMPUTER LAW 22, 24 (1992).

178. See *id.* at 24.

179. *Id.* at 23-24.

180. *Id.* at 24.

181. Michael S. Jacobs, *Testing the Assumptions Underlying the Debate About Scientific Evidence: A Closer Look at Juror “Incompetence” and Scientific “Objectivity,”* 25 CONN. L. REV. 1083, 1084-85 (1993).

jurors are involved, as they may lack the technical training required to discern a charlatan from a real scientist.<sup>182</sup> In an arbitration one or more arbitrators can be selected for their specialist knowledge, thereby potentially at least making non-mainstream science less of an issue. A panel of three arbitrators also leaves open the possibility that at least one member of the panel could be a specialist in evidentiary matters.

As a general rule, it appears that it is usual for a tribunal to have the power to appoint experts.<sup>183</sup> This power would depend upon the absence of provisions in the governing law or an agreement between the parties to the contrary.<sup>184</sup> The expert would be needed in order to understand technical issues, and would not take on the powers of another arbitrator.<sup>185</sup> The tribunal may or may not consult the parties in their choice of expert.<sup>186</sup>

The PAR do not treat the issue of experts in detail. PAR section 28 provides that parties can present witnesses and material and relevant evidence.<sup>187</sup> It also states that exhibits, when offered by either party, may be received into evidence.<sup>188</sup> Here, it appears experts are to be determined by the parties and are considered as “witnesses.”<sup>189</sup> The rules do not address the issue of an expert examining evidence *per se*, but it is implied.<sup>190</sup> The CAR, rule 30 notes that the parties can present evidence to support their claim or defense, and that witnesses shall submit to questions from the arbitrator and adverse parties.<sup>191</sup> The issue of experts is unclear from these rules.<sup>192</sup> However, the Supplementary Rules note in rule c(12) that the following may be considered at the preliminary hearing: “the identification and the availability of witnesses, including experts, and such matters with respect to witnesses including their biographies and expected testimony. . .” Rule 3(m) deals with the exchange of expert reports.<sup>193</sup> The first point to

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182. *Id.* at 1091.

183. REDFERN ET AL., *supra* note 165, at 309.

184. *Id.*

185. *Id.* at 367.

186. *Id.* at 310.

187. *See* PAR, *supra* note 153.

188. *See id.*

189. *See id.*

190. *See id.*

191. CAR, *supra* note 156, R.30(a).

192. *Id.* at R.30-33.

193. Supplementary Rules, *supra* note 120, Supplementary Rules for the Resolution of Patent Disputes (c)(12)-(13).

draw from these rules is that an expert is considered a kind of witness. While the issue of testimony is considered, there is no detailed consideration of expert examination of evidence.<sup>194</sup>

The IDRP Rules deal specifically with experts.<sup>195</sup> Article 22(1) states: “The tribunal may appoint one or more independent experts to report to it, in writing, on specific issues designated by the tribunal and communicated to the parties.”<sup>196</sup> This gives the tribunal the power to appoint independent experts as well as to direct their attention to specific issues.<sup>197</sup> Article 22(2) states: “The parties shall provide such an expert with any relevant information or produce for inspection any relevant documents or goods that the expert may require. Any dispute between a party and the expert as to the relevance of the requested information or goods shall be referred to the tribunal for decision.”<sup>198</sup> This stipulates that the expert must be assisted by the parties.<sup>199</sup> This issue might be particularly important in a patent dispute where the subject of the dispute is technical. The tribunal is not in a position itself to experiment, while an expert could be. It is essential that the expert is provided with appropriate evidence, such as samples. According to the AAA, patent disputes are to be resolved with the Supplementary Rules along with the CAR.<sup>200</sup> In this case it appears the ICDR Rules are to be preferred in that they are clearer.

ICC rules do not grant the tribunal authority to appoint experts on its own.<sup>201</sup> Article 20(3) states that the experts are to be appointed by the parties.<sup>202</sup> Article 20(4) states that the tribunal may, after consulting the parties, appoint one or more experts, define their terms of reference, and may receive their reports.<sup>203</sup> At the request of the other party, the parties shall be given the opportunity to question any such expert appointed by the tribunal.<sup>204</sup> The ICC Rules leave much more power in the hands of the

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194. Supplementary Rules, *supra* note 120, Supplementary Rules for the Resolution of Patent Disputes (c).

195. See IDRP, *supra* note 122, art. 22.

196. *Id.* at art. 22(1).

197. *Id.*

198. *Id.* at art. 22(2).

199. *Id.*

200. Supplementary Rules, *supra* note 120, Supplementary Rules for the Resolution of Patent Disputes (a).

201. See ICC Rules, *supra* note 108, art. 20.

202. *Id.* at art. 20(3).

203. *Id.* at art. 20(4).

204. *Id.*

parties. It is also clear that the ICC Rules do not specifically note what form evidence can take. In this case the WIPO Rules are far more specific.<sup>205</sup>

Article 48(b) of the WIPO Rules states that either at the request of a party or via its own motion, a tribunal may order documents or other evidence to be made available to the tribunal or to an expert.<sup>206</sup> The expert may be appointed by the tribunal, and the evidence may be put in the possession or control of the expert for inspection or testing.<sup>207</sup> This broad rule covers all kinds of evidence, not just documents.<sup>208</sup> WIPO Rules clearly foresee a situation where an expert is needed to examine evidence.<sup>209</sup> The WIPO Rules even envisage the issue of a battle of experts and propose a method to reduce what could be a very adversarial process.<sup>210</sup>

Article 55(d) of the WIPO Rules states:

The opinion of any expert on the issue or issues submitted to the expert shall be subject to the Tribunal's power of assessment of those issues in the context of all the circumstances of the case, unless the parties have agreed that the expert's determination shall be conclusive in respect of any specific issue.<sup>211</sup>

The parties can present and question an expert. This is an important consideration, but hardly unique. For example, the LCIA Rules<sup>212</sup> provide in article 22(d) a comprehensive power "to order any party to make any property, site or thing under its control and relating to the subject matter of the arbitration available for inspection by the Arbitral Tribunal, any other party, its expert or any expert to the Arbitral Tribunal." Where the WIPO rules go further is if the issue is not contentious, the parties can agree to accept it as fact.<sup>213</sup> This process is not defined in other institutional rules, although it may exist in practice.

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205. See WIPO Arbitration Rules, available at <http://www.wipo.int/amc/en/arbitration/rules/> (last visited Mar. 10, 2009) [hereinafter WIPO Rules].

206. *Id.* at art. 48(b).

207. *Id.*

208. *Id.*

209. *Id.* at art. 48-49.

210. *Id.* at art. 53-55.

211. See WIPO Rules, *supra* note 205, art. 55(d).

212. LCIA Arbitration Rules, *supra* note 113, art. 22.1(d).

213. See WIPO Rules, *supra* note 205, art. 55(d).



During the arbitration, both parties must be allowed an opportunity to present their case. If one party can furnish proof<sup>214</sup> that they were not given a fair hearing, a court can deny or vacate the arbitral award according to article V(1)(b) of the NYC.<sup>215</sup> In the *Generica* case,<sup>216</sup> the court of appeals reviewed a district court's decision confirming an arbitral award. The court found that there was no reason to suppose that the curtailed cross examination of the witness would have changed the outcome of the arbitration.<sup>217</sup> The arbitrators are not bound to hear all evidence, but only evidence they consider relevant.<sup>218</sup> The court found there was no evidence of procedural unfairness in the *Generica* case.<sup>219</sup> If, for example, the tribunal had changed evidentiary rules during a hearing which prevented a party from presenting evidence, the situation would be different.<sup>220</sup>

### C. *Stringent Rules of Evidence?*

Some commentators have suggested that the Federal Rules of Evidence<sup>221</sup> should be used in arbitrations.<sup>222</sup> According to this view, such rules will lead to greater predictability, preclude immaterial evidence, and reduce "surprises."<sup>223</sup> The latter problem is an issue in arbitration. The often long period of discovery-as in litigation-usually does not take place.<sup>224</sup> For this reason, some suggest changes should be made to the Federal rules to suit them to arbitration. As one scholar has suggested:

First, reports from experts expected to testify at the arbitration hearing must be submitted to the arbitrator, preferably prior to the date of the arbitration hearing. Second, parties must be permitted, perhaps even required, to submit summaries of testimony to be offered, and these summaries should be entered into evidence in lieu of reading in depositions. Finally, the hearsay rules must be relaxed to allow some evidence such as

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214. "Proof" has been defined as being heard at a meaningful time and in a meaningful manner." *Mathews v. Eldridge*, 424 U.S. 319, 333 (1976) (quoting *Armstrong v. Manzo*, 380 U.S. 545, 552, 85 S. Ct. 1187, 1191 (1965)).

215. Convention on the Recognition and Enforcement of Foreign Arbitral Awards, United Nations, June 10, 1958, available at [http://www.uncitral.org/pdf/english/texts/arbitration/NY-convention/XXII\\_1\\_e.pdf](http://www.uncitral.org/pdf/english/texts/arbitration/NY-convention/XXII_1_e.pdf) (last visited Mar. 10, 2009) [hereinafter NYC].

216. *Generica Ltd. v. Pharm. Basics, Inc.*, 125 F.3d 1123, 1129 (7th Cir. 1997).

217. *Id.* at 1131.

218. *Id.* at 1130.

219. *Id.*

220. *Iran Aircraft Indus. v. Avco Corp.*, 980 F.2d 141, 146 (2d Cir. 1992).

221. FED. R. EVID. 2008.

222. *Paradise*, *supra* note 5, at 273.

223. *Id.*

224. *Id.* at 276.

reports, documents, and some testimony, to be admitted without following all of the costly procedures for authenticating such items.<sup>225</sup>

However, hearsay evidence must be corroborated through other evidence or other non-hearsay evidence.<sup>226</sup> After these changes, the commentator proposes that the revised rules should be incorporated into arbitration agreements as well as into institutional rules.<sup>227</sup>

While allowing that the introduction of stringent rules of evidence might, in some circumstances, be appropriate, it could also introduce complexity that would lead to increased time and cost.<sup>228</sup> Arbitration is favoured over litigation, particularly in patent related issues, because of time and cost factors.<sup>229</sup> The Federal Rules of Evidence are designed so that misleading evidence does not confuse a lay jury. This is not an issue in arbitration.<sup>230</sup> Without strict rules of evidence, the parties can “educate” arbitrators in the technical matter in dispute.<sup>231</sup> For example, in the *IBM v. Fujitsu* arbitration, the parties held seminars offered by specialists.<sup>232</sup> Under Federal Rules of Evidence in a trial, this would have been effectively impossible.

Such a system of seminars would not, of course, make the arbitrators experts in particular fields of technology, but may acquaint them with the main issues of the dispute. As long as the parties agree among themselves the form this education should take-keeping in mind that each party should have a right to present relevant points-this appears to be a very creative way of dealing with this problem. No matter how technically astute, even a specialist may be unfamiliar with new technology. Another option is for the experts from each side to be heard simultaneously.<sup>233</sup> They can be seated opposite or alongside each other facing the tribunal and they can be asked to comment and respond to the opinions of others.<sup>234</sup> This kind of flexibility is

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225. *Id.* at 274.

226. *Id.* at 278.

227. *See* Paradise, *supra* note 5 at 274.

228. *Id.* at 261-62, 274.

229. *Id.* at 276-77.

230. *Id.* at 270-72.

231. *Id.* at 272.

232. *IBM v. Fujitsu Ltd.*, No. 13T-117-0636-85 American Arb. Ass'n Comm. Arb. Trib. 4 (1987).

233. REDFERN ET AL., *supra* note 165, at 312.

234. *Id.*

a feature of arbitration and can be used to good effect.<sup>235</sup> The information can be compared immediately, and the experts can debate the issue “among themselves,” leaving the arbitrators to more easily reach a judgment.<sup>236</sup>

While it may appear at first that a lack of evidentiary rules hinders arbitration, there is no evidence to suggest that technically complicated arbitrations suffer from a “battle of experts” more than litigation does. “Junk science” can be introduced into court even with rules of evidence, but in the case of an arbitration, there is no need to worry about a technically handicapped jury deciding the issues.<sup>237</sup> With the selection of appropriate arbitrators who can decide on the value of evidence, there appears to be little need for mandatory rules.<sup>238</sup> It is the responsibility of both parties to ensure that the panel is capable of making an accurate assessment. As the need arises, a tribunal may also introduce rules or guidelines by which they will assess evidence.<sup>239</sup> Upon closer examination, the blanket imposition of detailed rules on the arbitral process may hinder rather than assist arbitrators in reaching a decision.<sup>240</sup> This is particularly the case for intellectual property issues that may encompass a broad range of evidence.

## VII. CONFIDENTIALITY

Confidentiality refers to the disclosure of information presented or prepared for arbitration. Apart from the issue of confidentiality in arbitration, IP licenses often contain a confidentiality clause that will persist through the termination of the license.<sup>241</sup> Such protected information would remain confidential in the arbitration as well.<sup>242</sup> This would likely not affect other issues. The identity of certain clients and sales figures might be considered confidential. The interpretation of the licensee’s obligations may not be.<sup>243</sup> Confidentiality in an IP arbitration is potentially of critical importance, but it is a double-edged sword.

On the one side, products or processes in dispute may not have their IP rights fully protected at the time of the dispute.<sup>244</sup> An IP holder may not

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235. *Id.* at 312-13.

236. *Id.* at 313.

237. Paradise, *supra* note 5, at 272.

238. *Id.*

239. See generally REDFERN ET AL., *supra* note 165, at 309.

240. Paradise, *supra* note 5, at 273.

241. Julian D.M. Lew, *The Arbitration of Intellectual Property Disputes*, available at <http://www.wipo.int/amc/en/events/conferences/1994/lew.html> (last visited Mar. 10, 2009).

242. *Id.*

243. *Id.*

244. *Id.*

even want the existence of a dispute with a licensor to be known.<sup>245</sup> Confidentiality would therefore be appreciated as a critical feature.<sup>246</sup> On the other side, if the arbitration is confidential, it may not be possible for parties to use any part of the proceedings in a subsequent court action.<sup>247</sup> The nature of confidentiality depends upon what the parties have agreed upon.<sup>248</sup>

For example, it is possible to specify the form of the award.<sup>249</sup> Arbitrators can be required to decide a narrow issue in the dispute, for instance, specifying the figure owed from one party to another, without specifying the reasons.<sup>250</sup> This may be of particular interest to those who would want to limit the diffusion of an adverse award, in case it is known that a patent would not withstand scrutiny.<sup>251</sup> This is essentially confidentiality by a “back door” contractual method.<sup>252</sup> If no agreement was reached, confidentiality would depend upon the rules the parties designated to govern the dispute.<sup>253</sup> Only if neither party has adequately covered the issue is the law of the forum applied.<sup>254</sup> The issue can be summarized that the parties cannot take for granted that arbitration will be confidential.<sup>255</sup> This is despite the fact that arbitration is a private method of settling a dispute.

245. *Id.*

246. *Id.*

247. Lew, *supra* note 241.

248. *Id.*

249. REDFERN ET AL., *supra* note 165, at 379.

250. *See id.* at 374-75. It is possible under the English Arbitration Act of 1996, section 69(1), to dispense with the reasons for the award. This is also considered to be an agreement to exclude an appeal to a court on a point of law. *See* Andrew Tweeddale & Keren Tweeddale, *Arbitration of Commercial Disputes: International and English Law and Practice*, 867 (Oxford 2007).

251. Lew, *supra* note 241.

252. *Id.*

253. *Id.*

254. *See* L.Y. Fortier, *The Occasionally Unwarranted Assumption of Confidentiality*, 15 *ARB. INT'L* 131 (1999).

255. This is following the reasoning in the case *Esso Australi Resources Ltd. v. The Honourable Sidney James Plowman* 183 *CLR* 10 (1995). The Austrian court held that the requirement to conduct the case in camera did not prohibit disclosure of documents and information from the arbitration. This was particularly the case for public authorities, but it remains to be seen if this reasoning is applied in other cases in different countries. *Id.*

Arbitrators do not have a duty of confidentiality in some jurisdictions. This is the case in the United States,<sup>256</sup> England<sup>257</sup> and Germany.<sup>258</sup> Interestingly, the English Arbitration Act<sup>259</sup> does not mention the issue. It has been left to be defined by the common law. The situation is different in Sweden, where there is a duty to confidentiality but there are no provisions for legal sanctions.<sup>260</sup> In the United States the issue of confidentiality is linked with issues of invalidity of a patent. 35 U.S.C. section 294 states that if the issue is raised by the defendant, an arbitrator is obliged to consider invalidity.<sup>261</sup> The arbitration itself is confidential, but the statute specifies that the parties must give written notice of the award to the USPTO.<sup>262</sup> The notice must state if the invalidity was considered in arbitration.<sup>263</sup> The notice is available to the public.<sup>264</sup> If in the course of proceedings the patent was found to be invalid, challenges from other parties-either via arbitration or litigation-are possible.<sup>265</sup> An arbitral award is similar to a court judgment in its *res judicata* effect for those issues covered by the award.<sup>266</sup> To counter this problem, a patentee may draft a specific arbitration clause that states the defendant will not raise the issue of invalidity in an arbitration covered under the agreement.<sup>267</sup>

In U.S. litigation, the issue of confidential information is covered by Rule 26(c) of the Federal Rules of Civil Procedure.<sup>268</sup> This section provides for protective orders that can limit the scope of discovery or prohibit the public disclosure of information.<sup>269</sup> The requesting party must demonstrate "good cause" and must show that there was an effort made to resolve the dispute without court action.<sup>270</sup> The information, if disclosed, must cause a very serious injury to business interests, which must be demonstrated for

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256. *Gramling v. Food Machinery and Chemical Co.*, 151 F. Supp. 853, 860-61 (W.D.S.C. 1957).

257. *Roylance v. General Medical Council* [2000] 1 A.C. 311 (P.C. 1999).

258. Supreme Court 1930 (RG 2 129).

259. See Arbitration Act 1996, *supra* note 167, available at [http://www.opsi.gov.uk/Acts/acts1996/ukpga\\_19960023\\_en\\_1](http://www.opsi.gov.uk/Acts/acts1996/ukpga_19960023_en_1) (last visited Mar. 10, 2009).

260. Svea Court of Appeal, T8735/01, 6 September 2002, *Czech Republic v. CME*.

261. See 35 U.S.C. § 294.

262. *Id.*

263. *Id.*

264. *Id.*

265. The patent may still be enforced against non-parties to the arbitration. See 35 U.S.C. § 294(c)(2002).

266. *Am. Renaissance Lines, Inc. v. Saxis S.S. Co.*, 502 F.2d 674, 678 (2d Cir. 1974).

267. See *Koppikar*, *supra* note 10, at 167.

268. FED. R. CIV. P. 26(c).

269. *Id.*

270. *Id.*

every item of confidential information.<sup>271</sup> In practice this is a very high standard to meet.<sup>272</sup>

The FAA<sup>273</sup> does not address the issue of confidentiality. The AAA rules (PAR and CAR) do not consider the issue specifically, though as noted before, CAR Rule 31(c) deals with preserving the confidential nature of a relationship.<sup>274</sup> The PAR Supplemental Rules state in rule (c)(1) that the preliminary hearing may include the execution of a confidentiality agreement.<sup>275</sup> The fact that it is first on the list is suggestive of the relative importance of confidentiality in a patent arbitration. However, it does not have detailed treatment in the PAR Supplemental Rules. The IDRP does consider confidentiality in a way that applies to IP. Article 34 states: “Confidential information disclosed during the proceedings by the parties or by witnesses shall not be divulged by an arbitrator or administrator.”<sup>276</sup> It leaves open the issue of what the parties can divulge, but this can be covered by a confidentiality agreement.

In contrast the *ad hoc* rules from the International Institute for Conflict Prevention & Resolution have detailed provisions dealing with confidentiality. Rule 17 details confidentiality and states that the parties will insure that their agents, employees, attorneys, and experts agree in writing to be bound by the rule.<sup>277</sup> It further provides that, after a short time, all documents will be returned or destroyed, and that each party and each arbitrator shall certify under oath the compliance with this requirement.<sup>278</sup> UNCITRAL Rules state that the hearings are to be held *in camera* unless the parties agree differently.<sup>279</sup> The award is to be made public only with the consent of the parties.<sup>280</sup> ICC Rules in Appendix 1 of Article 6 specify that “the work of the court is confidential” and this “must be respected by everyone who participates in that work.” In contrast, the LCIA Rules

271. *Id.*

272. *United States v. IBM*, 67 F.R.D. 40, 47 (S.D.N.Y. 1975).

273. The Federal Arbitration Act, 9 U.S.C. § 1 available at [http://www.chamber.se/arbitration/shared\\_files/laws/arbitract\\_us\\_cont.html](http://www.chamber.se/arbitration/shared_files/laws/arbitract_us_cont.html) (last visited Mar. 10, 2009).

274. CAR, *supra* note 156, R. 31(c).

275. PAR, *supra* note 153.

276. IDRP, *supra* note 122, art. 34.

277. CPR Rules for Non-Administered Arbitration of Patent and Trade Secret Disputes, available at <http://www.cpradr.org/pdfs/patentrulesmasterchanges05.pdf> (last visited Mar. 10, 2009).

278. *Id.*

279. UNCITRAL Model Law, *supra* note 135.

280. UNCITRAL, *supra* note 135.

requires that the parties keep confidential all awards and materials in the arbitral proceedings created for the purpose.<sup>281</sup> All documents produced for the purpose are confidential unless they were already in the public domain.<sup>282</sup>

The WIPO Arbitration Rules pay special attention to this issue. Article 52 defines confidential information as being expressed in any medium, though here the main focus is on trade secrets.<sup>283</sup> These rules even provide for appointing an expert to report upon the nature of the information and determine what measures, if any, can be used to protect it.<sup>284</sup> The WIPO Rules go much further than protecting trade secrets; article 73 deals with the confidentiality of the existence of the arbitration.<sup>285</sup> Except when connected to a court challenge to an arbitration or enforcement action, “no information concerning the existence of an arbitration may be unilaterally disclosed. . . unless required to do so” by a competent authority.<sup>286</sup> Article 74 deals with the confidentiality of disclosures made during the arbitration.<sup>287</sup> Article 75 covers the confidentiality of the award.<sup>288</sup>

Article 76 deals with the confidentiality of the Center and arbitrator.<sup>289</sup> No other set of institutional rules impose such stringent confidentiality rules. This issue was clearly regarded as of central importance in IP disputes. Yet, even here is a public interest element. Article 76(b) states: “. . .the Center may include information concerning the arbitration in any aggregate statistical data that it publishes concerning its activities provided that such information does not enable the parties or the particular circumstances of the dispute to be identified.”<sup>290</sup> This provision is clearly in keeping with information collection, and is consistent with an “academic” need to know.

The parties have no duty of confidentiality in Germany. However, the duty can be imposed either through a clause in the arbitration agreement or via institutional rules. The German Institute of Arbitration has arbitration rules that contain relatively strict provisions.<sup>291</sup> This is likely to “fill in the gap” left by German legislation and induce international arbitration. Section

281. LCIA Rules, *supra* note 113, art. 30.

282. LCIA Rules, *supra* note 113.

283. WIPO Rules, *supra* note 205, art. 52.

284. WIPO Rules, *supra* note 205.

285. *Id.* at art. 73.

286. *Id.*

287. *Id.* at art. 74.

288. *Id.* at art. 75.

289. *Id.* at art. 76.

290. *Id.* at art. 76(b).

291. DIS Arbitration Rules, available at <http://www.dis-arb.de/scho/schiedsordnung98-e-Euro.html> (last visited Mar. 10, 2009).

43 of the rules outlines the duty of confidentiality, but information of the arbitral proceedings may be published in compilations of statistical data, but this will exclude identification of the persons involved.<sup>292</sup> As long as this information is of limited content, for “statistical purposes” as stated, this appears to be a small compromise.<sup>293</sup> Even a small amount of information, a key fact, may be enough to allow a careful reader to identify participants in an IP dispute. This provision is similar to the WIPO Rules.

Confidentiality in arbitration raises important issues regarding supervision. EC officials have raised concerns about companies concluding agreements that are in violation of competition provisions in the EC Treaty.<sup>294</sup> A particular case was between two European companies that had concluded a market sharing agreement in violation of Article 85 of the EC Treaty.<sup>295</sup> The agreement was under Swiss law, and one original signed contract was secreted in a Swiss bank.<sup>296</sup> No copies were allowed to be made, and the arbitrators could not refer to it in their decision.<sup>297</sup> In cases like these, arbitration can be used to flout the law.

Some commentators suggest that the confidential nature of arbitration also works against the public interest: “Keeping patent proceedings confidential not only denies the public notice and suppresses problematic laws, but also withholds the empirical evidence that is necessary to evaluate whether ADR is efficacious in resolving patent disputes.”<sup>298</sup> It is difficult to evaluate this statement, as public notice of patent disputes must be provided to the USPTO in order to be enforced. However, there is still a risk. Most arbitration laws and institutional rules allow the parties to keep the details of the arbitration confidential, it is possible that neither party would desire to publicize particulars of invalidity, and there is the possibility that the parties could collude and suppress evidence.<sup>299</sup> In litigation, this is less of a concern.<sup>300</sup> Indeed, the heart of a patent is the grant of a limited monopoly

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292. *Id.*

293. *Id.*

294. Jacques Werner, *Application of Competition Laws by Arbitrators, The Step Too Far*, 12 J. INT'L ARB. 23, 23 (1995).

295. *Id.* at 23-24.

296. *Id.* at 24.

297. *Id.*

298. See Lim, *supra* note 33, at 183.

299. M.A. Smith, et al., *Arbitration of Patent Infringement and Validity Issues Worldwide*, 19 HARV. J.L. & TECH. 299, 312 (2006).

300. See *id.* at 312.



in exchange for public disclosure. The public is aware of the scope of the patent, and at the expiry of that term, the information is in the public domain. Arbitration is far from the public domain, and unlike court proceedings, details are not usually published. The public may therefore run the risk of not being informed of invalid patents. If this became a common event it could influence inventive output. It may also have a disproportionate effect on small to medium sized businesses that would be “out of the loop.”

As to the effectiveness of arbitration in resolving disputes, it appears that the basic information from arbitral institutions suggests that arbitration is increasingly used for IP issues. According to many commentators, as well as the specialized WIPO Rules, confidentiality is a critical issue in IP arbitration. According to WIPO Rules, as well as the rules of the German Institute of Arbitration, there is some provision for public access to information.<sup>301</sup> Whether this is enough might be a matter for debate. However, the special need to keep arbitration confidential, particularly those arbitrations involving IP issues, might lead to tilting the scale more towards confidentiality and less towards complete disclosure.

#### VIII. INTERIM RELIEF

An arbitral tribunal can award economic damages, but there are other remedies that are essential in patent disputes. Patent rights give an inventor the right to exclude others from using, making, selling, or importing an invention.<sup>302</sup> A party may be positioned in the market with a project that is being challenged by a competitor who has no right to be making, selling, or importing an invention. Damages, particularly to the reputation of a product, may be difficult to quantify in monetary terms. It may be an irreparable alteration of the *status quo*. An infringer who could not be restrained with an interim order, if they lost the infringement arbitration, may be in the same position as they were in before. They may be compelled to take out a license. The end result is that with no real incentive to take out a license beforehand, litigation may be increased. This is certainly not the intention of arbitration.

The threat of injunction is therefore a major motivating force to compel an infringer to settle. It is no easy matter to determine if the arbitral tribunal can order an injunction in an international arbitration. First, the arbitration agreement must be examined, as the parties can agree to restrict the available remedies. If this is silent, the rules that govern the agreement, if any, must

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301. WIPO Rules, *supra* note 205.

302. 35 C.F.R. § 271 (2005).

be examined. The *lex fori* may allow only certain issues to be decided by a tribunal, no matter what the intention of the parties. At the same time the law of the state that granted the patent is also important. It is possible that the seat of arbitration requires that a court intervene to apply interim measures. If the seat is not in the place that issued the patent, this would require courts to assist a foreign arbitration with an interim measure.<sup>303</sup>

Some countries, like Sweden, will not enforce orders for interim relief from arbitrators.<sup>304</sup> This does not mean the arbitrators cannot order interim measures.<sup>305</sup> The SCC rules contain provisions for interim measures.<sup>306</sup> But no matter what the position of interim relief in local law, arbitration may still be an unsuitable solution if interim measures are required. It takes time to establish an arbitral tribunal, and if a party needs immediate action it may be faster to seek it from a competent court.<sup>307</sup> As an example, in France arbitrators can grant the same interim measures as judges.<sup>308</sup> Such interim measures would be issued as interim awards, assuming they are closely related to the matter in dispute.<sup>309</sup> The national court may also take conservatory or provisional measures, and this is the preferred method.<sup>310</sup> A provisional award requires confirmation by the court before it is enforced.<sup>311</sup> A court can also be involved in the granting of an interim injunction before the tribunal is formed.<sup>312</sup> This is a different matter.

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303. See John A. Fraser, III, *Congress Should Address the Issue of Provisional Remedies for Intellectual Property Disputes Which Are Subject to Arbitration*, 13 OHIO ST. J. ON DISP. RESOL. 505, 534 (1998).

304. See Heuman, *supra* note 129, at 333.

305. Certain interim measures may be enforced in Sweden if they are provisional awards. See *id.* at 333. Such an award must be a specific issue that is severable and independent from the substantive issue to be decided later. It should presumably be enforceable under the New York Convention even if it is not termed an award. See *id.*

306. Article 32 states that the arbitral tribunal may, at the request of a party, grant any interim measure it deems appropriate. It may take the form of an order or award.

*Arbitration Rules*, Stockholm Chamber of Commerce (2007), available at [http://www.sccinstitute.se/\\_upload/shared\\_files/artikelarkiv/2007\\_scc\\_magnusson\\_shaughnessy\\_siar\\_2006\\_3.pdf](http://www.sccinstitute.se/_upload/shared_files/artikelarkiv/2007_scc_magnusson_shaughnessy_siar_2006_3.pdf) (last visited Mar. 10, 2009).

307. See Lew, *supra* note 241.

308. See *id.*

309. See *id.*

310. See *id.*

311. See *id.*

312. See *id.*

The UNCITRAL Model Law on International Commercial Arbitration has recently been amended to provide stronger interim relief.<sup>313</sup> The model law now clearly states in Article 17(A)(1)(a) that the party requesting the interim measure must satisfy the Tribunal that: “Harm not adequately repairable by an award of damages is likely to result if the measure is not ordered, and such harm substantially outweighs the harm that is likely to result to the party against whom the measure is directed if the measure is granted. . .”<sup>314</sup> There also has to be a “reasonable possibility” that the requesting party will succeed on the merits. This places the grounds for granting interim relief on solid footing. Article 17(B) grants the tribunal powers to grant preliminary orders.<sup>315</sup> These can be made by a party directly to the tribunal; the opposing party need not be notified.<sup>316</sup> The preliminary order accompanies an interim measure, and is a direction not meant to frustrate the purpose of the interim measure.<sup>317</sup> The preliminary order is binding, but cannot be enforced by a court.<sup>318</sup> These provisions in the amended law, while possibly not specifically designed to deal with IP, are significant considerations for a party contemplating arbitration.

As an interesting aside, the FAA<sup>319</sup> was not influenced by the UNCITRAL Model Law, as was the arbitration law of many other nations. The Federal Act does not provide for interim measures, which has led to some inconsistent judgments by a minority of U.S. courts. This has led one commentator to suggest that section 3 of the FAA should be amended to specifically empower arbitrators to grant provisional or interim relief. However, in practice most courts enforce interim measures ordered by arbitral tribunals if the power was granted to the tribunal by the arbitration agreement.<sup>320</sup> In most cases this leaves the issue to be covered by institutional rules.<sup>321</sup> There is great variation in how institutions handle the subject.

The PAR stated simply in Rule 33: “The arbitrator may issue such orders for interim relief as may be deemed necessary to safeguard the property that is the subject matter of the arbitration, to preserve evidence, and/or to protect trade secrets or other proprietary information that might be

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313. The UNCITRAL Model Law of 1985, section 17, was only a paragraph. See UNCITRAL, *supra* note 135.

314. *See id.* at art. 17(A)(1)(a).

315. *See id.* at art. 17(B).

316. *See id.*

317. *See id.* at art. 17(C).

318. *See id.* at art. 17(C)(5).

319. 9 U.S.C. §§ 1-14 (2000).

320. *See Fraser III, supra* note 303, at 540.

321. *See id.*

disclosed during the arbitration.”<sup>322</sup> It is interesting to note here that there is a distinction between “property,” which would presumably include patents, and “trade secrets,” which are linked with proprietary information. The rule is labeled “Interim Measures,” but also clearly deals with the issue of confidentiality, which does not receive specific treatment in the other PAR rules. This section was drafted in a particularly confusing way, and it is perhaps no surprise that it was recently withdrawn.

Rule 34 of the CAR is clear, as it deals only with interim measures.<sup>323</sup> It does not deal with the issue of proprietary information. It states that an arbitrator may take whatever interim measures deemed to be necessary, including injunctive relief.<sup>324</sup> These may take the form of an interim award, but the tribunal may require security for costs.<sup>325</sup> Request for interim measure is not incompatible with the right to arbitrate.<sup>326</sup> CAR Rule 34 states the issue in ways that are applicable to issues beyond IP, in keeping with the broad based purpose of these rules.<sup>327</sup> The Supplemental Rules establish in Rule L-3 that the necessity of injunctive relief may be included on the agenda at the preliminary hearing.<sup>328</sup> From the relative position of injunctive relief on the list, one may assume it is of lesser importance, but this may be due to the fact that parties may usually resort to court action rather than waiting for the constitution of an arbitral tribunal.

The CAR also has “Optional Rules for Emergency Measures of Protection.”<sup>329</sup> It provides for emergency measures to be considered by an emergency arbitrator before an arbitrator is selected to consider the dispute.<sup>330</sup> According to Optional Rule 4, the emergency arbitrator can order an interim award if the party seeking it can show that immediate and irreparable loss or damage would result if the emergency relief was not granted.<sup>331</sup> The emergency arbitrator must state their reasons for granting

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322. CAR, *supra* note 156.

323. *Id.* at R. 34.

324. *Id.* at R. 34(a).

325. *Id.* at R. 34(b).

326. *Id.* at R. 34(c).

327. *Id.* at R. 34.

328. CAR, *supra* note 156, at R. L-3.

329. CAR, *supra* note 156.

330. *Id.* at R. O-1.

331. *Id.* at R. O-4.

the emergency relief.<sup>332</sup> This is a method of handling a problem without going to a court for assistance.

The ICC rules state in Article 23(1): “Unless the parties have otherwise agreed, as soon as the file has been transmitted to it, the Arbitral Tribunal may, at the request of a party, order any interim or conservatory measure it deems appropriate.”<sup>333</sup> The wording here is from the French “mesures provisoires ou conservatoires.” It is more or less clear that the tribunal can, at the request of a party, order what is termed in English an interim injunction.<sup>334</sup> Article 23(2) states:

Before the file is transmitted to the Arbitral Tribunal, and in appropriate circumstances even thereafter, the parties may apply to any competent judicial authority for interim or conservatory measures. The application of a party to a judicial authority for such measures or for the implementation of any such measures ordered by an Arbitral Tribunal shall not be deemed to be an infringement or a waiver of the arbitration agreement and shall not affect the relevant powers reserved to the Arbitral Tribunal.

The latter article is what could be said to be standard procedure among arbitral institutions. However, it clarifies an issue that may arise in practice. Even before a tribunal is formed, the parties can go to a court without waiving their right to arbitration.<sup>335</sup>

The ICC recognizes that, in some cases, where immediate interim relief is required, arbitration may not be a good option.<sup>336</sup> This is apparently why the ICC rules, unlike the ICDR rules, specifically address a situation where recourse to a court is required.<sup>337</sup> The ICC rules also cover a pre-arbitral referee procedure. Article 2 states that the referee may: “. . .[O]rder any conservatory measures or any measures of restitution that are urgently necessary to prevent either immediate damage or irreparable loss and so to safeguard any of the rights or property of one of the parties.”<sup>338</sup> This article in no uncertain terms applies to IP issues. However, in order for expedited

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332. *Id.*

333. ICC Rules, *supra* note 108, art. 23(1).

334. *Id.* at art. 23(2).

335. *Id.*

336. ICC, *Current and Emerging Intellectual Property Issues for Business – A Roadmap for Business and Policy Makers* 50 (2007), available at [http://www.iccwbo.org/uploadedFiles/ICC/policy/intellectual\\_property/pages/IP\\_Roadmap-2005.pdf](http://www.iccwbo.org/uploadedFiles/ICC/policy/intellectual_property/pages/IP_Roadmap-2005.pdf) (last visited Mar. 10, 2009).

337. ICC Rules, *supra* note 108.

338. Rules for a Pre-Arbitral Referee Procedure, Jan. 1990, at Art. 2.1(a), available at <http://www.iccwbo.org/court/arbitration/id4427/index.html> (last visited Mar. 10, 2009).

arbitration to take place the parties must specifically agree. In practice few parties agree to appoint a pre-arbitral referee.<sup>339</sup>

The WIPO Arbitration Rules<sup>340</sup> are specifically designed to meet the needs of IP arbitration, and it is no surprise that interim measures of protection are considered in detail. Article 46(a) states: “At the request of a party, the Tribunal may issue any provisional orders or take other interim measures it deems necessary, including injunctions. . . .”<sup>341</sup> Article 46(d) of the WIPO Arbitration Rules also specifies that a request by a party to a court for interim measures or for the implementation of any such measure or order granted by the Tribunal is not incompatible with, or deemed a waiver of, the Arbitration Agreement.<sup>342</sup> Article 46 remains unchanged from the WIPO Arbitration Rules to the WIPO Expedited Arbitration Rules (in fact only a few details were changed).<sup>343</sup>

An important question arises in respect of granting interim relief. If a patent holder has agreed to arbitrate an infringement dispute, do they give up the option of pursuing interim relief in the arbitration? The situation in the United States is fairly clear in that, unless restricted by the wording of the arbitration agreement or special circumstances, an arbitrator can grant injunctive relief.<sup>344</sup> This may, at times, be an express provision, but mostly may be implied by either the generality of the submission clause, or by the way the rules have been worded for the conduct of future arbitration.<sup>345</sup> In case law, U.S. courts have held that they deem the arbitrator and not the courts to have issued an injunction.<sup>346</sup>

If any common themes emerge, it is that the issue of interim relief is complicated. The parties may make a different agreement from the institutional rules, but in general the arbitral institutions have rules that allow it. It may be at the request of a party, or an issue for the tribunal to order on

339. Peter Sherwin, et al., *Proskauer on International Litigation and Dispute Resolution*, Jan. 2008, at III(B)(5)(e), available at <http://www.proskauerguide.com/arbitration/19/III> (last visited Mar. 10, 2009).

340. WIPO Rules, *supra* note 205, at 18-104.

341. *Id.* at art. 46(a).

342. *Id.* at art. 46(d).

343. In the WIPO Expedited Rules, the section on “Interim Measures of protection and security for costs” is Article 40, WIPO Rules, *supra* note 205, at 40, available at <http://www.wipo.int/amc/en/arbitration/expedited-rules/> (last visited Mar. 10, 2009).

344. Paul M. Janicke, *Maybe We Shouldn't Arbitrate: Some Aspects of the Risk/Benefit Calculus of Agreeing to Binding Arbitration of Patent Disputes*, 39 HOUS. L. REV. 693, 707 (1992).

345. *See id.* at 707.

346. *Ruppert v. Egelhofer*, 148 N.E.2d 129 (N.Y. 1958).

its own motion. If enforcement is an issue, it is a matter for the local court to decide. In this case it may be helpful if the interim relief is termed a “preliminary award.” Court intervention might also be an option to obtain interim relief in a speedy manner before the tribunal is formed. In the latter case some institutions, such as the ICC and ICDR, have special rules that allow the appointment of an emergency arbitrator. These seem not to be a popular option.

## IX. CONCLUSION

Arbitration can be an effective way of settling disputes, or part of a dispute, that involves patents. However, according to jurisdiction, some issues, such as patent validity, may not be arbitrable. In this case arbitration can be used for part of the dispute, perhaps bearing upon licensing alone.<sup>347</sup> Issues of patent validity can be settled via litigation. It may also be possible in some jurisdictions for the tribunal to request a ruling on validity, although this may sacrifice confidentiality.<sup>348</sup> Regarding validity in the United States, the arbitral process will not be able to compete with litigation.<sup>349</sup> If a patent has survived review in the Federal Circuit, it is granted a greater amount of respect in the industry than one that has not been “confirmed.”<sup>350</sup> Parties may even agree that an arbitral award will be vacated or modified if the patent in dispute is later found to be invalid or unenforceable.<sup>351</sup> When taken in this light, a high value patent might be better served by a trial than by arbitration.

Litigation and arbitration have particular strengths and weaknesses. Interestingly, in U.S. law an arbitral tribunal can order awards that a court cannot.<sup>352</sup> This can include the possibility of granting an accused infringer a license based on the plaintiff’s misuse of a patent.<sup>353</sup> Costs are a critical issue. For example, for a plaintiff there are lower discovery and expert costs, but the final settlement may not be as high as it would have been through litigation.<sup>354</sup> Since most patent suits cost between one and two

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347. See Smith et al., *supra* note 299, at 340-41.

348. The arbitral tribunal can seek assistance from a court where it has no jurisdiction. See Smith et al., *supra* note 299, at 314.

349. See Lim, *supra* note 33, at 177.

350. See *id.*

351. AAA Resolution of Patent Disputes Supplementary Rules (2006), available at <http://www.adr.org/sp.asp?id=27417> (last visited Mar. 10, 2009).

352. See Smith et al., *supra* note 299, at 327.

353. A U.S. court can render a patent temporarily unenforceable but cannot grant a license. See Smith et al., *supra* note 299, at 328.

354. Koppikar, *supra* note 10, at 165.

million dollars, if the damages sought are below this figure, it would be wise to consider arbitration.<sup>355</sup> If high damages are sought, in the region of tens of millions of dollars, it is likely that litigation would be a better option, although some preliminary issues such as claim interpretation may be addressed using arbitration.<sup>356</sup> Clearly from this assessment an arbitration clause that submits all claims arising from a contract to arbitration would not be advisable.

The parties must also make a choice if they want to operate on an *ad hoc* or on an institutional basis.<sup>357</sup> Without an institution the arbitration is likely to cost less. There may also be greater flexibility without institutional rules.<sup>358</sup> However, in order for an *ad hoc* arbitration to work effectively the parties must cooperate to a greater degree than in institutional arbitration.<sup>359</sup> It is certain that taking the dispute to court would be the most expensive option, so the added expense of an institution might be worth the cost.<sup>360</sup> In a 2005 Fulbright & Jaworski Litigation Trends Survey, almost two-thirds of respondents favored institutional over *ad hoc* arbitration.<sup>361</sup> It is unfortunate that this survey did not go into greater detail as to why institutional arbitration was favoured. No doubt there were factors, such as name recognition or prestige, involved. At the same time differences between institutional rules may have played a role.

Some institutional rules are more or less favourable to a particular kind of dispute. However, it appears from the statistical evidence that the larger arbitral institutions handle a proportionately larger amount of IP disputes. For U.S. and U.K. companies, the AAA/ICDR was the preferred institution, and the ICC was in second place.<sup>362</sup> Without a detailed survey it is difficult to be sure, but it appears that companies use those institutions they know from other arbitrations to handle IP disputes. Large institutions, such as the AAA, have special patent arbitration rules, and these have been recently

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355. *Id.* at 166.

356. *See id.*

357. A Comparison Between the ICC Arbitration Rules and the UNCITRAL Arbitration Rules (Alway Associates, February 1995), available at <http://www.alway-associates.co.uk/legal-update/article.asp?id=72> (last visited Mar. 10, 2009).

358. *Id.*

359. *Id.*

360. *Id.*

361. AAA/ICDR Named Top Choice for U.S. and U.K. Corporations, American Arbitration Association, <http://www.adr.org/sp.asp?id=27996>.

362. *Id.*



altered. To date, WIPO has had over 100 requests for arbitration.<sup>363</sup> Because the arbitration and mediation center was only founded in 1994, this demonstrates that the larger arbitral institutions may face increasing competition from WIPO.

Various arbitral institutions deal with evidence in very different ways. The CAR, based on a particularity of American law, allow an arbitrator to issue a subpoena that can be enforced under the FAA. This is a particularly compelling reason for arbitrating a dispute in the United States under the AAA rules, which clearly spell out the powers of an arbitrator.<sup>364</sup> In contrast, other national laws and arbitral institutions—even if they allow a court to assist taking evidence—leave the issue unclear. The issue of experts is more complicated. WIPO rules are geared specifically for patent related issues and the need for experts. Other arbitral institutions consider experts as witnesses, and allow the tribunal to decide how to deal with the issue. At this juncture it is important to consider if stringent rules of evidence would help or hurt the arbitral process.

There is an increasing tendency for arbitration to take on the form of a mini-trial. Lawyers, experts, and formal rules of evidence and procedure add considerably to cost and time. This has been well demonstrated by the rise in the amount of IP arbitration, and a corresponding decline in the amount of litigation. But it cannot be assumed that the current situation is the best of all possibilities. Arbitrating patent related issues does not have a long history, and there is little information regarding what the parties want. A high degree of confidentiality may be blocking the progress of institutional rules. It is difficult to tell at this early stage how significant a factor this is or may become in influencing future rules.

The result of arbitration is and has been mostly confidential, even when judicial confirmation of the award is ordered. Scholars and commentators have sought to overcome this difficulty with practitioner surveys, yet it appears that arbitral institutions and other professional organizations would be in the best position to generate this kind of primary research.<sup>365</sup> In the United States public notice must be supplied of the arbitral award, including if invalidity was considered, before it can be enforced. This may be a good model for other nations to follow as well, but does it go far enough? The parties to an arbitration clearly value confidentiality, but if too stringent, the process may become rapidly out of step with current needs. A balance must be struck.

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363. WIPO Caseload Summary, available at <http://www.wipo.int/amc/en/center/caseload.html> (last visited Mar. 10, 2009).

364. AAA, *supra* note 361.

365. See Janicke, *supra* note 344, at 726.

Many arbitral institutions contain detailed provisions for interim relief. How effective these are is a matter of debate. It appears that parties in need of rapid action go to a competent court. The United States follows the laws of most other nations in allowing parties to pursue judicial interim relief without losing their right to arbitrate. Institutional rules differ substantially at times with regard to who can order interim relief, but it is standard for institutional rules to allow it.

To return to the central question, what role do institutional rules play in an unfolding patent dispute? First, it is clear that only particular kinds of patent disputes, those not considering validity and perhaps those involving relatively low value patents tend to be arbitrated.<sup>366</sup> There are reasons why litigation will remain the preferred method for settling patent disputes. If a patent survives litigation, it has been confirmed. Changes to institutional rules to make the process more “stringent” may have the effect of raising the cost and make litigation more rather than less attractive for low value patents. For the foreseeable future, it may be that arbitral institutions should focus on their niche and not try to introduce detailed rules to confuse the issue. As long as such central tenants of flexibility of evidential rules, a high degree of confidentiality, and recourse to courts for interim relief are present, it seems parties will continue to arbitrate some - or some parts of - patent disputes.<sup>367</sup> On the other hand, complacency is unwise as well.

The WIPO Arbitration and Mediation Center was only recently established, yet has a growing caseload of arbitrations. WIPO rules are specifically tailored to IP issues. Without a doubt these rules are the most detailed in their coverage of the powers of the arbitral tribunal. The WIPO rules do not impose rules that risk making arbitration into litigation, but rather clarify issues that may arise, particularly involving patents. In a highly technical field, such as patent law, arbitrators can be selected for their technical training rather than legal knowledge. As a result, it may be best to clearly delineate issues that could present a problem for those with no legal background. In this way, WIPO Rules strive to make the legal issues crystal clear. Time will tell if this is an effective way of conducting arbitrations involving patent issues, but following current trends, it appears that this is a model that should be adopted by other arbitral institutions.

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366. See Lim, *supra* note 33, at 177.

367. Smith et al., *supra* note 299.

