Arbitration, Antitrust and Intellectual Property: A Perfect Storm?

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I Introduction

Arbitrators, particularly in international matters, are frequently called upon to make difficult decisions. The parties, who, for an international arbitration, typically come from different countries, may have, indeed usually do have, markedly different customs, legal systems and expectations. What is fair, customary and usual to one party, may be foreign and an anathema to the other. The

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2 One need not look too far to see examples of such differences. Thus, the appropriate scope of discovery is often the subject of much contention between common law and civil law practitioners. See Garry Born, INTERNATIONAL COMMERCIAL ARBITRATION 1461 et seq. (Wolters Kluwer 2009). There can be substantial differences even among closely related legal systems—consider, for example, the arbitrator disclosure norms in the United Kingdom, where barristers sitting the same chambers have not until recently been considered related for conflict proposes, and those in the United States where such a relationship would almost certainly require disclosure. See, e.g., Michael Polkinghorne, Barristers from the Same Chambers Appearing as Counsel and Arbitrator: Independence Revisited? (White & Case Nov. 2011) available at http://www.whitecase.com/files/Publication/861c6f65d-b599-4924-b50b-b4f8a4d71576/Presentation/PublicationAttachment/13046ff9-10bd-4509-88bfb72fc2692bd9/article_International_Barristers_Chambers_Nov2011.pdf.
ability to reach a just result when faced with these types of issues is a necessary part of the international arbitrator’s skill set.

Yet, even the most experienced arbitrator might be justified in having some difficulty if confronted with a case where, one, it was unclear whether a given body of laws was even applicable; two, these laws varied, often significantly, country to country, and it was unclear which country’s laws applied; three, the laws themselves were typically unclear; and four, failure to get it right certainly could result in vacatur or non-enforcement and might result in third-party civil, and in extreme cases criminal, liability for the parties. This confluence—this arguably perfect storm—potentially can occur when an arbitral tribunal is called upon to resolve an international dispute involving intellectual property (“IP”) and where there are or may be antitrust defenses. The storm occurs because antitrust laws are one of those bodies of laws that are usually considered to be mandatory law, namely national law that may override the parties’ own choice-of-law clause, although it may be unclear as to which nation’s antitrust law should be applied, and the intersection of IP and antitrust laws is itself often not without some doubt.

II The Intersection of Intellectual Property and Antitrust Law

Historically, there has been a recognized tension between antitrust law and IP law. Most antitrust laws have at their hearts the notion that beyond a certain point market power is an evil requiring rectification. At the extreme of market power, monopolies, monopoly power and monopolization are almost always suspect under most antitrust laws. In contrast, the very core of IP law is the granting of legal monopolies to exploit the IP in question.

Sometimes the monopoly granted by the IP has limited commercial effect; sometimes not. The competitive or anticompetitive impact IP may have can depend not only on the importance of the subject of the IP in question and

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3 This paper will use the term “antitrust” to generally refer to laws whose purposes are to promote competition.


5 For example, a patent covering a fundamental invention that is critical across an entire industry will usually simply have more market power than one that covers an incremental improvement that only pertains to marginal parts of the industry.