The Arbitrability of Patent Infringement and Patent Validity

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The focus of this paper is on the use of arbitration to resolve patent disputes and, more specifically, the use of arbitration to resolve disputes about patent infringement and patent validity. One key question explored is why parties so rarely agree to arbitrate issues of patent infringement and validity. Put another way, what does the future look like for the arbitration of patent infringement disputes? Should we expect any significant increase in the use of arbitration to resolve cases?

I The Arbitrability of Patent Infringement and Patent Validity

The first issue that needs to be addressed is whether patent infringement and patent validity disputes can be arbitrated as a matter of law. In the United States, the answer is clear: the Patent Act, as amended in 1982, expressly provides that parties may arbitrate issues of patent infringement and patent validity. See 35 U.S.C. §294. It has been reported that the same is generally true under the laws of Australia, Belgium, Canada, and Switzerland. In certain other countries, such as Finland, Germany, and Sweden, patent infringement disputes may be arbitrable, but not patent validity. While this is an evolving area of the law, it appears that there is a trend in favor of patent arbitrability,

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2 “Despite optimism regarding its potential for the resolution of patent issues, binding arbitration has not been successful in significantly decreasing the patent caseload of the public courts.” M.A. Smith et al., Arbitration of Patent Infringement and Validity Issues Worldwide, 19 HARV. J.L. & TECH. 299, 301 (2006).
4 A survey of the arbitrability of patent disputes under the laws of 15 countries may be found in William H. Baker, Arbitrating Patent Infringement Disputes, 5 Convergence 90, 103–04 (2009). A survey of the laws of Canada, France, The Netherlands, India, Australia, Japan and The People’s Republic of China may be found in Smith, supra n.2.
5 See Baker, supra n.4, at 103–04.
provided that the award is limited to the parties to the arbitration. The law in the United States, including Section 294 of the Patent Act, will be further addressed below.

A  The Benefits of Arbitrating Patent Infringement Disputes

There is a long history of excellent articles discussing the substantial benefits of using arbitration to resolve patent disputes. A number of the reasons for choosing arbitration for the resolution of general commercial cases apply to patent disputes, particularly in the context of international transactions. These general advantages include the ability of the parties in an arbitration (i) to choose a neutral forum, (ii) to select the arbitrators, (iii) to obtain a quicker decision, (iv) to have flexibility as to procedures, (v) to avoid the perceived risks of a jury trial, (vi) more control over the costs of the proceeding, (vii) increased privacy, (viii) finality of the award (limited grounds for appeal), and (ix) international enforcement of awards under the New York Convention.

The literature also identifies certain benefits that apply to the arbitration of patent disputes in particular. These include the ability to select arbitrators who are knowledgeable about patent law and the technology at issue, the assumed limited effect of a finding of invalidity or non-infringement in an arbitration award on others who are not parties to the arbitration, the problem of lack of finality of U.S. court litigation of patent disputes because of the very high

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6 See Trevor Cook & Alejandro I. Garcia, INTERNATIONAL INTELLECTUAL PROPERTY ARBITRATION 51–52 (Wolters Kluwer 2010) (a survey by the authors revealed that practitioners “in Argentina, Austria, China (P.R.), Greece, Japan and Portugal considered, in general, that arbitral tribunals would have the power to decide all types of IP disputes, including issues of invalidity with inter partes effect.” By contrast, “in a pure domestic arbitration context, practitioners in Chile, Colombia, India, Ireland, Russia, South Korea and the United Arab Emirates expressed certain concerns as to the arbitrability of IP disputes, in particular in relation to the invalidity” of IP rights.).


8 See generally Cook & Garcia, supra n.6, at 27–33; see also sources cited in note 7, supra.

9 A thoughtful examination of this issue may be found in the accompanying essay by Paul B. Klaas, Technical Expertise Of Advocates and Arbitrators In International Technology Arbitrations: Benefit or Burden?

10 See Cook & Garcia, supra n.6, at 39–40 (because arbitration awards “only bind the parties to the dispute,” and, with rare exception, “cannot invalidate asserted IPR with erga omnes effect,” arbitration “would be a safer option than legal proceedings to protect the