International Arbitration of Intellectual Property Validity

Joel E. Lutzker
Counsel, Ocean Tomo LLC
Greenwich, Connecticut, USA

INTRODUCTION

Intellectual property (IP) litigation is widely perceived to be highly complex, unpredictable, and expensive. IP litigation is also frequently international in scope, involving IP rights emanating under the laws and procedures of multiple jurisdictions. Arbitration offers many obvious advantages over national courts and administrative agencies for resolution of these disputes, including the ability to select arbitrators with specialized expertise, the ability to adjudicate IP rights on an international scale, as well as increased speed, enhanced confidentiality, and the ability to craft case-specific, tailored procedures.

International arbitration is the norm in many areas of commerce. Arbitration permits parties to select procedures that they find reliable and familiar. Parties who are wary of local legal systems and foreign practices often will feel far more comfortable in submitting their disputes to an international arbitral panel. Thanks to United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention), arbitration awards are generally enforceable in member countries, and, indeed, are more easily enforced than national court decisions. Since international arbitration is a creature transcending national borders and largely untethered from the physical seat at which it is held, disputes concerning IP from “foreign” jurisdictions can be heard.

2 Many countries, China being a notable example, are signatories to the New York Convention but are not parties to conventions or appropriate bilateral treaties requiring recognition and enforcement of foreign court judgments. Thus, United States money judgments are not typically enforceable in China, while arbitration awards complying with the New York Convention are.
In contrast, national courts may be reluctant to decide cases involving foreign IP rights, on grounds of comity or because they feel that they do not have subject matter jurisdiction. In the United States, for example, it has been held that a federal court does not have jurisdiction to decide patent infringement and validity of a foreign patent, even when the foreign patent dispute is ancillary to an infringement suit under a corresponding U.S. patent. ³

Even if a national court is willing to entertain an international dispute involving foreign IP rights, its lack of familiarity with foreign law may present significant disadvantages and inefficiencies that could be overcome through selection of an arbitral panel having expertise in the laws of the key jurisdictions involved. Thus, compared to arbitration, the courts may be very unattractive fora for resolution of multinational intellectual disputes. On a best-case basis, resort to the courts may require time-consuming, expensive, and potentially inconsistent overlapping litigation in multiple jurisdictions.⁴

Many IP disputes directly or indirectly implicate issues concerning the validity or enforceability of the underlying IP right involved. While validity issues most commonly arise in patent matters, validity issues may also exist in trade secret, trademark, and copyright matters. However, in many countries, arbitral awards on validity are unenforceable, or are enforceable for some types of IP but not for others. For this and other reasons, despite the obvious attractions and virtues of arbitration, the arbitration of IP validity issues presents special challenges to the parties and arbitrators. This article will explore those challenges and suggest techniques to overcome them.

Putting aside the question of whether IP validity or enforceability is arbitrable, the mechanics of the arbitration should also be considered. Such

³ Voda v. Cordis Corp., 476 F.3d 887 (Fed. Cir. 2007). In Voda, the court concluded that allowing a U.S. court to decide issues relating to a foreign patent would violate United States’ treaty obligations that compel it to recognize the national nature of patents and would contravene principles of comity.

⁴ For example, a patent licensing dispute between Nokia Corp. and Qualcomm Corp. involving cell phone technology spawned parallel litigations in the United States, France, the United Kingdom, Germany, China, and Italy. See “US Firm Trio Settle Nokia-Qualcomm Dispute,” The Lawyer.com, Aug. 4, 2008, http://www.thelawyer.com/cgi-bin/item.cgi?id=134047&d=415&h=417&f=416.