INTELLECTUAL PROPERTY IN THE 21ST CENTURY – THE ADR OPTION

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Alternative Dispute Resolution (ADR) is not a new fad, nor one that will fade away with time. The popularity of ADR as an efficient dispute settlement tool has spread considerably both nationally and internationally in several areas of law. Intellectual Property (IP) has not escaped its reach and the intellectual property law world is gradually learning to grasp its power and effectiveness. It is time for Canada to secure its position as an international ADR powerhouse.

Certainly Canada has been a forerunner in ADR in some respects. It was the first country to adopt the UNCITRAL model law on International Commercial Arbitration at both the provincial and federal level. The model law was adopted by British Columbia in 1985 as its arbitration law. The other provinces followed suit and by 1988 all of Canada had adopted it. Canada has positioned itself well as a neutral country to be seriously involved in international ADR for foreign parties. It only follows, naturally, that we should take our place amongst ADR leaders with respect to intellectual property.

We must admit that the perception currently shared amongst intellectual property professionals is that it is absolutely naïve to think that ADR has a significant role to play in intellectual property disputes. It is **time** to grasp the new reality – ADR in intellectual property disputes is **inevitable** and to dismiss the powerful and important role ADR will play in the intellectual property arena is absolutely naïve indeed.

Many large corporations value intellectual property ADR and the recognition grows that intellectual property ADR may offer a far less expensive alternative, is more effective and provides faster methods of resolving intellectual property conflicts than traditional

legal and administrative actions. In particular, mediation techniques and procedures (which may involve negotiations assisted by a neutral "wise counsel") are now well understood and developed in many countries. These can offer collaborative, creative and successful means for enabling parties in dispute to arrive at amicable settlements – rather than pursue the same objectives through expensive, protracted and hostile proceedings.

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Intellectual property conflicts can often involve parties who cannot be relied upon in negotiation or to abide by settlements. Corporations may prefer to create legal precedents and secure judgment awards. However, conflicts can also involve bona fide businesses where a reliable dialogue can take place. As an example, British American Tobacco has released its *Intellectual Property Resolution Position* that specifies that unless it is vital to create a legal precedent or to take explicit deterrent action, in the absence of express instructions to the contrary, opposing parties capable of being trusted with an agreement are contacted directly, or through external counsel. They will propose to negotiate an early solution. Where appropriate and practicable, non-binding mediation techniques are suggested to help resolve the dispute on a cost share basis using established mediators.

British American Tobacco reviews all conflicts, regardless of how strong they consider their case to be, with a view to arriving at mutually agreed settlements that minimise the cost and pain to both parties while achieving an acceptable solution.[1] They believe this is a more pragmatic and cost-effective approach for everyone involved. And British American Tobacco is also spreading the word! In fact, during an exchange with Michael Leathes, General Manager of BATMark Limited he stated his surprise that Canada does not take more of a pro-active position with respect to intellectual property ADR, especially since Canada is often the ideal neutral ground for mediations between the United States and foreign countries. We understand international intellectual property and are viewed as an ideal ADR venue.

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[1] Michael Leathes, General Manager BATmark Limited *"Intellectual Property Conflict Resolution Position"*

Michael Leathes is not the only one with this progressive view of ADR. Rupert Bondy, general counsel of GlaxoSmithKline, was recently quoted in *LegalDirector* [2] as saying *"we do see great potential for it and particularly for mediation. It saves time and costs and preserves relationships."* In the same publication other corporate leaders were quoted, for example Michael Blacker, head of the Legal Department at AMEC who stated: *"We incorporate ADR procedures into as many of our contracts as possible. When a problem arises these are the first port of call."* John Ashton, head of litigation at Consignia, was also quoted as saying: *"We have done 10 major mediations in the past four years and in nearly every one we have been satisfied with the results."*

The proof is in the pudding. ADR works for intellectual property. Excellent reasons exist to consider the option. Among these are expediency, secrecy, and cost benefits.[3] In addition, parties can exercise a great deal of control over everything from the choice of arbitrator/mediator, to the rules of evidence used. The unique solutions possible are only limited by the imagination and willingness of the parties. As a result, ADR is extremely responsive to the needs of the parties involved.

Another well-established benefit of ADR, and specifically arbitration, is addressed by Gary Benton in his article *"Cross-Border Intellectual Property Disputes*: *Should My Company Use International Arbitration"* [4] In it he writes:

> [R]elying on a foreign court to protect your intellectual property imposes the disadvantage of being subjected to foreign procedures, customs,

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[2] Felicity Clarke, "A Viable Alternative: Dispute Resolution" (2002) *Legal Director online: Legal Director* www.legaldirector.net

[3] Nancy Neal Yeend & Cathy E. Rincon, "ADR in Intellectual Property: A Prudent Option" (1996) 36 IDEA 601. This article notes in particular that one of the benefits of using arbitration or mediation instead of litigation is conservation of resources as well as the fact that the parties can choose a neutral, control the outcome, and tailor the process.

[4] Gary Benton, "Cross-Border Intellectual Property Disputes: Should My Company Use International Arbitration?"(1998) online: Coudert Brothers LLP <http://www.coudert.com/publications/default.asp?action=displayarticle&id=69>

> language and prejudice. Turning to the Courts in the US or abroad means taking a risk with a Judge who is probably unfamiliar with your product Intellectual Property issue and the foreign laws involved in the dispute.

The article goes on to note that often these problems can be circumvented by using arbitration or mediation instead of the traditional litigation process. To illustrate this point, the American Arbitration Association estimates that 20% of the ADR that they assist with involves international parties who prefer to use internationally accepted arbitration practices instead of leaving themselves open to the potential vagaries of a foreign legal system. This is a large and growing number that reflects the growing realization on the part of legal professionals and corporations that ADR has a potentially very significant role in international business. We repeat – it is **time** to grasp the new reality and its inevitability. It is naïve to dismiss the importance of ADR in intellectual property and Canada's potential to become a major player.

Now, before we move forward and embrace the ADR option, a simple primer is in order, if only to clarify the alternatives and their benefits. Two of the most popular forms of alternative dispute resolution are mediation and arbitration which each offer unique benefits and are appropriate in different circumstances. Often, when one form is not suited to resolving the dispute, the other one will be able to address the issues specific to a particular set of circumstances.

The relatively informal nature of mediation as compared to other forms of ADR and conventional litigation is that it allows parties to feel more comfortable and be less intimidated by the process. This is especially true since mediation is not, strictly speaking, a legal process, although the resulting agreement may be a legal and binding solution. The process is completely confidential, encouraging frank discussion and full disclosure. As the focus is on reaching an agreement, the tensions associated with attaching liability are diminished.

This form of ADR empowers the parties and therefore all things become possible – the only limit is the participants' creativity. Mediation has also been shown to have a

cathartic effect and also provide closure for the parties. This in turn can be helpful in assisting the parties in maintaining a business relationship during and subsequent to the dispute. However, if there is a power differential in the way that the parties deal with each other, arbitration may be more appropriate than mediation.

Arbitration offers its own unique benefits. For example, it permits the parties to select their own arbitrator, which often means a neutral who has a particular technical expertise in the area of the dispute. As well, the parties can determine their own rules of evidence and define for themselves the precise issues to be submitted to the arbitrator. Another tremendous benefit of arbitration is that it facilitates resolution of contract disputes between international companies by providing a system outside the complications of jurisdictional questions that inevitably arise in dealings with international companies.

It is not uncommon in this day and age to see companies incorporated in different jurisdictions, with head offices in yet other jurisdictions and conducting their business in yet another. In such cases, multi-jurisdictional questions often delay or sidetrack resolution of problems that arise. Using ADR is not just a good idea in the abstract: it makes financial sense. The reality today is that even very small companies do business internationally. International litigation is not always affordable and ADR offers a practical alternative. By initiating ADR clauses in relevant contracts, these companies can be certain that they will not become entangled in protracted litigation, possibly in foreign jurisdictions, that would be beyond their financial and business means.[5] Arbitration, utilizing the international rules of dispute resolution acceptable to both parties, can help to turn an otherwise lengthy, drawn-out process into a speedy solution, potentially permitting the parties to continue their business relationship – something that would simply not be possible after a decade of hard-fought litigation.

[5] "Patent Mediation" (2002) 7-9 WIPO Magazine 15, online: WIPO website <http://www.wipo.org/publications/general/121/2002/July-sept.pdf>

Enforcement of arbitral awards is a key issue to the utility of ADR: there would be no sense in arbitrating if the award could not be enforced. The *Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (New York 1958, the "New York Convention") has been adopted in 132 countries [6] (as of November 12, 2002) and offers recognition and enforcement of arbitral awards worldwide. Even more significant is a growing body of case law crafting a general principle that arbitration decisions are enforceable and not easily overturned.

Knowing that awards are generally enforceable should increase the arbitration comfort level, encouraging companies to use ADR. As a case in point, the following is an example of a dispute that only a few short years ago would have been resolved with litigation, but today, in part because courts have been consistently enforcing ADR decisions, is being resolved by way of ADR.

The case involves a software developer, its client and an employee. The client hired away the employee who had been working on the client's files and intellectual property for a number of years. The company chose to use mediation to resolve the dispute instead of suing the employee or the client, with whom the company had a long-standing relationship that it wanted to maintain. Court proceedings were avoided and the matter was resolved amicably and expeditiously.[7] As Peter Grove wrote in the same article where this case was reported, *"the high-tech community needs to deal with business disputes quickly and efficiently. ADR, which includes mediation and arbitration, provides creative solutions."* [8] These solutions meet those needs but do not sacrifice the best interests of the parties.

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[6] The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958). Text of the Convention is available online on the UNCITRAL website <http://www.uncitral.org/english/texts/arbitration/NY-conv.htm>. The status of the Convention is also available online < http://www.uncitral.org/english/status/status-e.htm>

[7] The case was reported by Peter Grove, "Mediation and Arbitration Alternatives For Intellectual Property Disputes" (1999) online: British Columbia International Commercial Arbitration Centre <http://www.bcicac.com/cfm/index.cfm?L=157&P=167>

[8] *Idem.*

Intellectual property litigation is costly, time-consuming and technically complex. It often involves a "battle of the experts" – which necessitates high costs for examinations – and discovery is inevitably intricate and voluminous. Parties frequently pursue every avenue open to them (regardless of their chance of success) and appeal to the highest levels available out of principle and despite the merits of the case. All of these add to the cost and duration of the litigation.

In addition, at least part of a trial will often involve actually educating the judge on the technology involved in a patent dispute or the intricacies of trade-mark law. This particular aspect of intellectual property litigation represents a significant shortcoming of this traditional means of dispute resolution. Often judges do not have any scientific background or knowledge of trade-mark prosecution and tests of confusion, leaving the parties to spend large amounts of time (and money) providing explanations as to the technology applied or principles to be considered. As stated by Gregg A. Paradise in his article about the arbitration of patent infringement disputes:

> Standard litigation in the federal court system, however, is ill equipped to handle the complex issues presented in patent infringement cases. Patent infringement claims usually require comprehension of complex inventions, related prior art, and alleged infringing devices. The testimony given by experts in the technology is often conflicting. Judges and jury members who lack technical expertise often are overwhelmed and confused by such material and lack the background to resolve the conflicting assertions. This confusion can lead to lengthy trials and improper judgments.
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> The United States court system is not designed for accurate, efficient resolution of major disputes such as patent infringement cases. Indeed, former Chief Justice Warren E. Burger stated: [Primary reliance on the adversarial process as a means of resolving disputes is] a mistake that must be corrected... for some disputes, trials will be the only means, but for many claims, trails by the adversarial contest must in time go the way of the ancient trial by battle and blood. Our system is too costly, too painful, too destructive, [and] too inefficient for a truly civilized people. [9]

All of this time- and cost-consuming effort serves only to bring the judge to a basic minimum understanding necessary to consider the issues before him or her. This can

[9] Gregg A. Paradis, "Arbitration of Patent Infringement Disputes: Encouraging the Use of Arbitration Through Evidence Rules Reform " (1995) 64 Fordham L. Rev. 247, pp. 247-248

be avoided when the parties contract a mediator/adjudicator who is already familiar with the technology and intricacies involved to cost-effectively assist in resolving the dispute.

There are still many who remain of the view that ADR is not a viable option for Canada. This is far from true and this view likely persists due only to the lack of solid precedent, which is due in part to the fact that ADR resolutions are confidential unless the parties decide otherwise. To assist in fully comprehending the positive impact of ADR in this field, we have compiled actual examples of ADR use and realistic possibilities for using ADR, in a wide variety of intellectual property law disputes:

- **Licensing**: ADR is especially apt at dealing with ancillary intellectual property issues, such as licenses. ADR and in particular arbitration is already being used to settle license disputes. In a recent decision, the ICC Arbitration Tribunal made an interim award regarding an exclusive license. The Tribunal found that the exclusive license had lapsed due to failure to make payments. [10]

- **Transfer of Intellectual Property Rights**: ADR is also suited to situations where intellectual property is being bought or sold. These issues are often incidental to larger issues when, for example, when there is a merger and acquisition. In such a case, the assignment of trade-marks or patents can sometimes hold up the process. If the parties agree to arbitration beforehand to settle any disputes that arise, they will have in place a quick and efficient process for dealing with the ordinary wrinkles that occur in the course of large deals.

- **Franchising and Distributor Agreements**: These kinds of contracts are premised on the transfer of sensitive information and an ongoing business relationship. ADR is ideally suited to such situations because the process is less acrimonious and faster than litigation. This allows parties to focus on and resolve the dispute and then maintain their relationship.

[10] "ICC Tribunal Finds Possible Violation in Hormone Patch Case" (1996) 11 Mealey's Int'l Arb. Rep. 10

- **Trade Secrets and Confidential Information**: Because ADR assures confidentiality, it is ideally suited to resolving intellectual property law issues that cannot be protected by traditional methods such as trade-marks or patents. Parties can engage in resolving the dispute knowing that their competitors will not find out and there will be no negative press associated with the problem or the resolution.

- **Research Contracts and Technologically Intensive Joint Ventures**: Joint ventures are extremely common in today's high tech market and can occur in a wide variety of circumstances. Where one company provides goods or services to another company it may be in both their interests to develop a new technology. While neither individually has the resources, together they may be able to conduct the necessary research and development. In other instances, the research may be underwritten by a number of established companies or even the government. Often these kinds of contracts are long-term, may involve more than two parties and can include not only financial but also human resources. There is a huge potential for conflict – not just over resources, but also new technology or inventions that may be unexpected. In this case the parties also have an interest in continuing to work through problems that arise so as to carry on their business relationship together and ultimately achieve their common goal. ADR is an excellent dispute resolution mechanism that the parties can employ to significantly increase the chance of a resolution that will allow the parties to continue working together. Case in point – a recent (2000) arbitration decision wherein a dispute had arisen during the course of a *Distribution and Joint Development Agreement* between two parties, Xillix and Olympus.

  As it turns out, in this case, after effective resolution via arbitration, it came to light that the dispute actually arose out of genuine misunderstandings between the parties – there had been no original bad faith. The parties resolved to cross license the patents of interest pertaining auto-florescent imaging and even

offered apologies to each other. Xillix's President and CEO, Pierre Leduc, statement on the decision illustrates the many benefits of using ADR to resolve disputes:

> We are pleased that Xillix and Olympus have been able to reach a business resolution that allows both companies to benefit from advances in the field of auto-fluorescence. This Agreement should resolve any concerns regarding the strength of Xillix's Intellectual Property as a world-wide leader in auto-fluorescence imaging and we are well positioned for the future. Now that this dispute has been put behind us, we plan to accelerate aggressively Xillix's latest development.[11]

The General Manager of Olympus made similar comments about being pleased that the dispute between the two parties was at an end and they could both continue to work together in their research and development activities.[12]

- **When Know-How is Not Patentable**: In a context like robotics, which often involves artisan-like skills where the intellectual property derived from research may not lend itself to patentability, resolving disputes confidentially becomes essential. ADR offers quick and confidential resolutions in these cases.

- **Venture Capital Disputes**: Emerging technologies are yet another area where disputes require utmost confidentiality in order to protect the value of the intellectual property. In such cases, disclosing the subject matter of the dispute in a court action is counter-productive and may strategically hurt one of the parties. That can be avoided by using ADR.

- **Short Life Cycles**: A quote from *Arbitration and Mediation in International Business* by Christian Bűhring-Uhle aptly summarizes the advantages of using ADR, in this case mediation, in an industry that has short product life cycles:

[11] Xillix's press release August, 4, 2000, "Xillixs and Olympus Reach Business Resolution to Outstanding Disputes" , online < http://www.xillix.com/press_desc.cfm?press_id=37>
[12] *Idem.*

> In a micro-electronic patent or computer software copyright dispute, litigation or arbitration can take longer than the life-cycle of the product concerned: a preliminary injunction can kill an entire product line, and a damage award will invariably come too late, at a time when the victim may have already been ruined.[13]

It is this suitability of ADR to these types of disputes that leads to the use of ADR when computer technology is involved. For example, in 1998 alone, 284 cases involving computer technology were filed with the American Arbitration Association and this figure was up from 184 cases in 1995.[14] This trend promises to continue.

A further case in point is the highly publicized dispute between Biogen and Schering-Plough, who settled royalty payments involving US sales of Alpha Interferon Products through arbitration.[15] The dispute arose originally when Schering-Plough discontinued payment to Biogen of royalties on US sales of the Alpha Interferon Product because of a US court decision that gave a narrow interpretation to the Biogen Patent for the product. The arbitrated settlement was a one-time payment of between $45 and 50 million dollars that represented but a portion of the amount that was originally in dispute between the parties. As Thomas J. Bucknum, Biogen Executive Vice President and General Counsel stated:

> We are very pleased to have reached a settlement in this matter and we look forward to moving beyond this dispute in our relationship with Schering-Plough.[16]

Upon successful resolution, both parties were able to maintain a business relationship and continue working together effectively.

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[13] Christian Bűhring-Uhle, *Arbitration and Mediation in International Business* (Kluwer Law International, 1996), p.313

[14] Joe Auer, "Arbitration Could be Better Alternative in IT Contract Disputes" (1999) Computer World online: Computerworld < http://www.computerworld.com/news/1999/story/0,11280,34735,00.html>.

[15] For details see "Biogen and Schering-Plough Settle Royalty Payment Arbitration" (2002) online: Findlaw < http://news.findlaw.com/prnewswire/20021018/18oct2002065646.html> and Schering-Plough press release < http://www.sch-plough.com/news/2002/business/20021018.html>.

[16] "Biogen and Schering-Plough Settle Royalty Payment Arbitration" (2002) online: Findlaw < http://news.findlaw.com/prnewswire/20021018/18oct2002065646.html>

- **Trade-mark disputes**: These disputes benefit from ADR, as confidentiality, speed and cost are major considerations in the sophisticated world of branding. The time, costs and public exposure to oppose and litigate in a multitude of jurisdictions is extraordinary and often a logistics nightmare. To settle on neutral territory (i.e. Canada) via a qualified ADR panel is an immense advantage. Further, the results can be tailored to the specific issues at hand. Canada's position as a friendly neutral cannot be ignored. It is this place in the international scene that we should be embracing, especially since we have the trade-mark expertise and are certainly well respected internationally as first-rate practitioners.

After implementing its *Conflict Resolution Policy* for its international counsel, Michael Leathes of BATMark Limited) introduced it at a conference attended by British Amerian Tobacco's international counsel, its competitors, and their intellectual property counsel. The latter were, needless to say, initially bemused and skeptical as to their invitation to the presentation. The results were astounding. Within a year British American Tobacco's intellectual property litigation cases were reduced by 20%. More critically, they now habitually talk to competitors prior to getting into litigation or trade-mark oppositions. Even more astonishing is that its competitors are following suit and taking the initiative to behave comparably in return. In fact, one of its largest competitors has even **proposed** mediation to Michael Leathes! The tide has turned and rapidly the world is growing to appreciate the benefits of ADR in intellectual property disputes. Time and resources are maximized and shareholder value is increased without compromising the company's intellectual property or business interests. Mr. Leathes and BAT's foresight has meant that they have taken a leadership role in the area of ADR in intellectual property disputes. No doubt its approach will be emulated internationally as ADR continues to increase in profile.

A number of excellent examples of both patent mediation and arbitration provide further evidence of the power of ADR. An example of a patent mediation is one that was pursued through the auspices of the *World Intellectual Property Organization* (WIPO)

Arbitration and Mediation Centre: a technology company with international patents had disclosed a patented invention to a manufacturer through a consulting contract. The manufacturing company began selling products that used the patent. Instead of suing for patent infringement, the parties entered into negotiations for a license agreement but could not agree on royalties. The mediator, selected from the roster of neutrals of the WIPO Arbitration and Mediation Center, the only Intellectual Property specific ADR Institution in the world, was able to help the parties to come to a settlement that covered all of the issues, including the royalties, **in only two days**. This hostile situation turned into a starting point for an excellent business relationship.

Of course, it is inevitable that not all disputes will be between parties intent on maintaining ongoing relationships or reaching an amicable solution. However, this does not mean that ADR is an inappropriate approach. Take for instance a licensing case between Johnson & Johnson and Amgen Inc. over the right to sell Erythropoetin (EPO). The drug, which was developed and manufactured by Amgen, is an anemia treatment that represents significant revenue to the company. The arbitrator, a former U.S. Federal Court Judge, issued the ruling that denied Amgen's (the patent owner's) request to terminate the License Agreement. The Judge also concluded that Johnson & Johnson had breached the terms of the license agreement and Amgen was awarded $150,000,000. Ultimately, although neither party had an outright victory, both abided by the decision and were satisfied with the process and the outcome.[17]

ADR is not appropriate in every circumstance. Gregg Paradise addresses some of the difficulties of using arbitration in patent disputes. One of the main problems he identifies is the lack of adherence to the rules of evidence. He feels this may lead arbitrators, who are not judges, to improperly consider unreliable evidence. He proposes a number of changes to the U.S. Federal Rules of Evidence that would ameliorate these

[17] See "JJ to pay Amgen $159 mln in drug license case", October 19, 2002, online: Reuters AlertNet http://www.alertnet.org/thenews/newsdesk/N18380182; "Johnson & Johnson Statement on Amgen Arbitration" online: Johnson & Johnson press release http://www.jnj.com/news/jnj_news/20021018_172151.htm and "Amgen wins Arbitration and Awarded $150 Million Against Johnson & Johnson" online: Amgen press release <http://www.amgen.com/news/news02/pressRelease021018.html>.

problems, but until then, these limitations will continue to exist for those who wish to use ADR to resolve their patent disputes. [18] Another problem was identified by Lord David Hacking, a Fellow of the Chartered Institute of Arbitrators, who stated that while a large portion of arbitration occurs in the pharmaceutical industry, there are two reasons why in the area of pharmaceutical patent disputes ADR is simply not an appropriate solution: (a) the industry is highly regulated, even to the pricing of goods; and (b) the products are always, at one time or another, patented. Lord Hacking is certain that there are many opportunities for pharmaceutical companies to use arbitration, although he is quite skeptical as to its value in the area of patent infringement.[19]

However, these exceptions do not detract from the many opportunities for using ADR in intellectual property disputes. ADR is still at an early stage in its development. In addition, there is no denying that it is being used more and more internationally.

A significant document that addresses what is happening internationally in the area of Intellectual property arbitration is the *Final Report on Intellectual Property Disputes and Arbitration: A Report of the ICC Commission on International Arbitration.*[20] The report, as well as additional statistics obtained from the ICC,[21] present an exciting picture that shows that ADR is being used in intellectual property law disputes of all kinds.

For example, in the period between 1990 and 1995 11.7% of the arbitration cases filed at the ICC contained an intellectual property aspect. There were 199 cases between those years and over fifty nations were involved. The statistics from 1997 to 2001 are also instructive as they show the break down of those intellectual property law disputes into specific areas:

1997 **1999**

[18] Gregg A. Paradis, loc. Cit, pp. 247-279.

[19] "Arbitration And The Pharmaceutical Industry", Pharmaceutical Times, May 2001 online: InPharm <http://www.inpharm.com/intelligence/pubs/pt010501.pdf>

[20] "Final Report on Intellectual Property Disputes and Arbitration: a report of the ICC Commission on International Arbitration Working party on Arbitration and Intellectual Property under the chairmanship of Julian M. D. Lew" (1998) The ICC International Court of Arbitration Bulletin vol. 9/No1

[21] Statistics obtained from Esther van Rossen, Documentation and Research, ICC Court of Arbitration.

Area of Dispute	Number of Cases
Technical	38
Technical Assistance	13
Patent and Trade Marks	12
Transfer of Technology	7
High Tech	2
Intellectual Property Rights	2
TOTAL	**74**

1998

Area of Dispute	Number of Cases
License	20
Technical Assistance/Know How	14
Patent and Trade Marks	8
Transfer of Technology	2
High Tech	2
Intellectual Property Rights	1
Total	**47**

Area of Dispute	Number of Cases
Technical Assistance/Know How	10
Trade Mark/Patent/Licensing	18
Other	8
Total	**36**

2000

Area of Dispute	Number of Cases
Technical Assistance/Know How	4
Trade Mark/Patent/Licensing	23
Other	1
Total	**28**

2001

Area of Dispute	Number of Cases
Know How	16
Trade Mark/Patent/Licensing	34
Other	3
Total	**53**

As these figures indicate, ADR is not only being used for a large variety of intellectual property cases that have not traditionally been seen as areas that can be arbitrated or mediated. Clearly, ADR is being used in patent and trade-mark disputes where intellectual property is the central issue and not merely peripheral (e.g. a contract dispute with intellectual property elements). Moreover, many of the cases clearly involve highly technical aspects that benefit from having a technically skilled adjudicator or mediator, which as we have seen, is one of the benefits of ADR over traditional litigation.

In addition to these telling statistics, the ICC Report includes summaries of how ADR is being used in intellectual property disputes in a wide variety of countries.

- **United States** – is at the forefront of the ADR movement, supporting ADR through both statute and court decisions. For example, Arbitrators are expressly authorized to determine disputes concerning patent rights. While there is no express statutory authorization concerning copyright disputes it is clear that binding arbitration is permissible in that area of law as well. The same is true of issues concerning trade-marks and trade secrets. As one article has noted *"the United States is one of the most liberal jurisdictions in recognizing and enforcing arbitration awards and injunctive relief where intellectual property rights are concerned."*[22]

  In recent years, in the United States Court of Appeals for the Federal Circuit has been very pro-arbitration. It has upheld a number of arbitration awards relating to patent infringements. One example of this is the case of *Medical Engineering Corporation*.[23] The U.S. courts have also construed an ICC Arbitration Clause in a Patent License Agreement to include *"issues as to the scope of the claims of the license patent as well as infringement issues"* in the case of *Rhone-Poulenc Specialties Chimiques* v. *SCM Corp*.[24] Clearly, the United States has given very broad powers to arbitrators and allowed ADR to become an increasingly important part of intellectual property law disputes. The only limit presently on ADR is that US Federal Law does not allow Arbitrators to invalidate patents. This was reinforced by the decision in *Ballard Products* v. *Wright*.[25] However, arbitration of the validity of the US Patents has been sanctioned by statute for over ten years. The statutory powers allow arbitrators to have many of the powers of a Judge in a regular court.[26]

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22 M. Scott Donahey, "Enforcement of Injunctive Relieve and Arbitration Awards Concerning Title to and Enforcement of Intellectual Property Rights in Asia and the Pacific Rim"(1996) 19 Hasting Int'l & Comp. L. Rev 727.

23 976 S.2d 746 Federal Circuit 1992.

24 769 S.2d 1569 Federal Circuit 1985.

25 *823 S.2d 527,531 Federal Circuit 1987*.

26 David Plant, "Binding Arbitration of U.S. patents" (1993) 10 Journal of International Arbitration 79

- **Switzerland** – there has been national legislation passed that facilitates the use of ADR, even for issues such as patent validity.[27]

- **France** – all kinds of intellectual property law disputes can be arbitrated. Only issues of patent validity are not within the power of an arbitrator to decide.[28]

- **Italy** – there is a similar restriction as in France to findings of invalidity in respect of patents, however all other issues can be decided by the use of ADR.

- **Germany** – an arbitrator cannot declare patent void, but ADR can force a party to request to have it annulled by the Patent Office, essentially amounting to the same thing.[29] Fundamental reforms of the Laws of Arbitration in Germany that came into effect in 1998 and were aimed at promoting the country as a seat of international arbitration[30] have helped to create a pro-ADR environment that promotes the use of arbitration and mediation to resolve intellectual property law disputes.

- **Hong Kong** – an International Arbitral Award that establishes the validity or invalidity of a Patent, Copyright or Trademark or adjudicates on the infringement of the above is enforceable in Hong Kong as between the parties. The Secretary General of the Hong Kong International Arbitration Centre has indicated that while that body does not keep track of any intellectual property specific arbitration, approximately 20 - 30% of the cases that have been arbitrated in the past two years have dealt with intellectual property law issues, in particular in

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[27] ICC Report, loc. Cit., p.56

[28] *Idem.* . p. 57

[29] *Idem.* p. 59

[30] Daniel Paul Simms, "Arbitrability of Intellectual Property Disputes in Germany" (1999) 13 Arbitration International 193

computer software disputes. All these cases involved scenarios where one party was a Chinese licensee and the other party was a foreign, generally a US, licensor.[31] While intellectual property ADR is still in its nascent phase in Hong Kong, it is used with growing frequency because of its advantages. Often it is the only acceptable solution for both parties, since neither party wants to litigate in a foreign country under foreign law. In addition to this there are cultural differences that encourage foreign investors to use Arbitration, in particular an increased sensitivity to overt confrontation.

- **China** – the enforcement of arbitral awards is an issue that hasn't been entirely dealt with in China. Although China is a party to the Convention, very few awards have actually been enforced. Nonetheless, China is one jurisdiction where many parties choose to use ADR instead of litigating through the courts.[32] In this way the matter can be dealt with outside of the context of a particular country's judiciary.

The future is clear as stated by Rodney Kyle in *"Arbitration Makes Sense in International Intellectual Property Disputes"* in the *Dispute Resolution Journal* November 2001/January 2002:

> The increasing frequency with which rights and Intellectual Property are licensed and assigned in cross-border transactions makes a neutral forum in which to resolve disputes regarding those rights or their assignability critical. While the citizens of a particular country normally feel comfortable within the court system of that forum, citizens of foreign jurisdictions are often reluctant to submit their disputes to such courts.

- **United Kingdom** – A recent case, *Cable & Wireless* v. *IBM United Kingdom Ltd,*[33] demonstrates the court's commitment to ADR: the judge, drawing an

[31] Article 35 of Chinese Regulations for the Protection of Computer Software explicitly provides for mediation and arbitration as dispute settlement mechanisms. See "Regulations for the Protection of Computer Software" online: http://www.qis.net/chinalaw/prclaw93.htm

[32] See for instance Chinese Regulation for the Protection of Computer Software, above; and Scott M. Donahey, loc. Cit.

[33] [2002] EWHC 2059 Comm Ct

analogy between ADR agreements and agreements to arbitrate, concluded that an agreement to refer the dispute to ADR *"represents a free-standing agreement ancillary to the main contract and capable of being enforced by a stay of the proceeding or by injunction absent any pending proceedings."* [34]The decision by the court shows that they are willing to enforce ADR contracts and are committed to using ADR.

ADR has made its mark in the copyright arena as well. The landmark example of this is the 1987 case involving IBM and Fujitsu's battle over software rights.[35] The copyright issues raised by the dispute were settled through arbitration – a further example of how ADR can work even if the parties have no incentive to cooperate with each other. Adversaries in a copyright dispute are not usually under contract to each other – they have no prior business relationship and apparently every reason to litigate. When this case was first decided, the issue of enforceability was still a serious one facing the courts. The issue of enforceability is now much more settled, however, it is commendable that the parties were willing to take this approach.

ADR is not only viable, but also essential. While it may not be appropriate for all intellectual property law disputes, it can be used for most – even, as we have seen, between acrimonious parties, provided both are committed to the process. The potential for ADR is also expanding because of the courts' commitment, as evidenced by their enforcement of arbitration and mediation. Its popularity as an efficient dispute settlement tool has spread considerably.

Canada must no longer sit comfortably back. Canada needs to become an active player and fully grasp the power and effectiveness of ADR in resolving intellectual property law disputes.

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[34] Freshfileds Bruckaus Deringer "Landmark judgment endorses mediation as alternative to litigation", October 18, 2002, online: < http://www.freshfields.com/ news/dynamic/Pressrelease.asp?newsitem=230>

[35] Anita Stork, "The Use of Arbitration in Copyright Disputes: IBM v. FUJITSU" (1987) 3 High Tech. L.J. 241

It is apparent from the large number of examples discussed in this paper that ADR is an appropriate and effective option. The international experience demonstrates that Canada lags behind by failing to recognize the importance of ADR in resolving intellectual property disputes. It is absolutely naïve to ignore the significance of ADR, especially when the international community is embracing it. It is time for Canada to move forward onto the international stage and join the ranks of the world's ADR leaders.

