CONSIDERATIONS PECULIAR TO RESOLVING INTERNATIONAL DISPUTES

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The first salient feature of course, is that international disputes occur between international parties. If the generic definition of conflict is "*conflict arises between two or more individuals, corporations or groups in the fulfilment of the interest, needs or goals of one side are perceived to be incompatible with the fulfilment of the interest, needs or goals of the other side"*. International dispute is by definition a conflict between individuals or corporations from different countries. As a general rule, an international dispute is complex by definition, the Ontario International Commercial Arbitration Act only applies to commercial disputes. Almost every international dispute will likely involve some aspect of intellectual property.

Licenses are probably the greatest single source of *bone fide* intellectual property related disputes. Although intellectual property licenses all share the common general anil authorizing the license seat of exploiting the material in question without fear of challenge for the licensor, the precise purposes, subject matter, form and terms very fugally. The licenses may form part of wider commercial venture (such as a franchise, distribution or agency agreement), or simply be a method of settling an earlier dispute or uncertainty. There may be one off contracts or standard forms. They may be of short or long duration. They may have been well incomprehensively drafted after careful consideration or vague and poorly thought out.[1]

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1 Commission on International Arbitration, Intellectual Property Disputes in Arbitration Final Report, Julian D. M. Lew.

Although disputes arising out of intellectual property licenses are highly variable in nature, they commonly relate to such issues as to where the royalties are payable and the amount of such royalties, the precise extent of the license rights, the circumstances in which a party is entitled to a permanent license, the compensation which should be granted for breach of license and the relevance of alleged infringements of mandatory legal requirements.

In most corporate or business acquisitions, the seller gives warranties about the extent and ownership of the business, intellectual property, the extent and terms of any licenses held or granted, and the status of relevant intellectual property. These are often crucial assets in the underlined transactions and the acquisition agreement will therefore often provide for a revision of the price of a later date insofar as warranties prove inaccurate. Such provisions are a common source of dispute act where an acquisition has taken place. Where there is an arbitration clause, such disputes will require the arbitrator to determine the existence, ownership and extent of the rights, subject to the consideration or arbitrability and finality (and the implications of that determination for the warranties, the other performance obligations, and of course, the financial terms). In the absence of a pre-existing contractual relationship, there would normally be no possibility of referring a matter to arbitration, unless the parties voluntarily submit to this after the dispute has arisen.

In the preparation of an appropriate dispute resolution, it is critical that the parties address the following issues:

1. What is to be the proper law of the contract ?
2. Where is the place of arbitration ?
3. What arbitral procedure or rules will govern the arbitration ?

In international disputes where the contract is made between parties residing in different countries or is made in one country to be performed in another, the validity and effective of an arbitration clause in the context of the overall rights and duties of the parties of the entire arrangement must be determined by the arbitrator. It is well recognized that one law may govern the contract and an another the arbitration process (Russell on Arbitration p. 68). However, until the arbitration actually commences, the only law that governs the situation is the law of the contract. The arbitral procedural law may or may not be the same as the proper law of the arbitration agreement. In the absence of an expressed choice, *prima facie* the arbitral procedural law is the law of the place where the arbitration is held on the ground that is the place most closely connected with the proceedings (see James Miller and Partners [1970] Appeal Case of 583). Where the parties choose a foreign law to govern the arbitral procedure, they may not exclude entirely the mandatory provisions of the law of the place of arbitration. In this regard a party must consider the International Commercial Arbitration Act of Ontario. If an international commercial arbitration is to take place in Ontario, then this act applies and governs the procedure. If the parties choose a private set of arbitral rules, then these rules govern, unless the mandatory provisions of the underline arbitral procedural law override the rules adopted.

The clearest statement is from *Whitworth Street Estates v. Miller* at page 616:

> "*It cannot however be doubted that the Courts would give effect to the choice of the law other than the proper law of the contract. Thus, if parties agreed on an arbitration clause expressed to be governed by English law, but providing for arbitration in Switzerland, it may be held that, whereas English law governs the validity, interpretation and effect of the arbitration clause as such (including the scope of the arbitrator's jurisdiction) the*

> *proceedings are governed by Swiss law. It is also submitted that where the parties have failed to choose the law governing the arbitration proceedings, the proceedings must be considered, at any rate prima facie, as being governed by the law of the country in which the arbitration is held on the ground that is the country most closely connected with the proceedings."*

To avoid any uncertainty, the parties should expressly select the substantiative law applicable (the proper law) as this choice is generally recognized by all national systems of conflict of laws. At the same time, the parties should select the place of arbitration and the arbitral rules applicable. In order to simplify the procedure, it is advisable that the parties, if it wished to conduct the arbitration in Ontario should choose the law of Ontario as the proper law of the contract, Ontario as the place of arbitration with the proviso that the International Commercial Arbitration Act of Ontario will govern the procedure. This act as described in this paper sets out an arbitral procedure which will govern the conduct of the arbitration itself. On the other hand, the parties may wish to select the arbitration rules of, for example the Arbitration and Mediation Institute of Canada or the rules of the International Chamber of Commerce. If you select the rules, these rules may have features which you may consider entirely advantageous or cumbersome when an actual dispute begins.

INTERIM ORDERS

It may be critical for one party to stop as quickly as possible the manufacturer and sale of illicit products or some other infringement of intellectual property rights. Arbitrations can be conducted with great expedition if there is an arbitral mechanism agreed upon by the parties which provides clearly for the expeditious appointment of the arbitrator and gives the arbitrator the power to make interim awards. At the same time the prevailing judicial thinking in Ontario is that the Courts will honour a dispute resolution mechanism

agreed upon by the parties. If the parties have committed themselves to a process of negotiation then mediation and then arbitration, then the party is seeking to delay an effective adjudication on an emergency basis may be able to persuade the Court that the dispute resolution mechanism must be followed clearly. Therefore, the parties must ask "*Do the applicable rules of procedure, be the rules of a national system or those of an arbitral institution, contemplated and allow the powers which they are being asked to exercise."* Even where such powers exist do they conflict with the mandatory rule of the place of arbitration or the place where the requested measures are to be enforced. Where an arbitration concerns a licensing agreement, the arbitrator may be asked to make an Order, pending the outcome of the arbitration as follows:

1. Licensee should not use the trade-mark or patent or the confidential know how or secret information of Licensor;

2. Sell products manufactured under the license hold out itself, as one of its subsidiaries as an authorized licensee for the product;

3. Grant sub-licenses to third parties;

4. Take any other action that could possibly affect the validity and/or value of the intellectual property rights.

Therefore, if you are concerned about the ability of a difficult party to slow the dispute resolution process (particularly the arbitration process) so that parties seeking an interim order on an emergency basis can proceed expeditiously and quickly. Hence, the key is whether the arbitration provision or rules incorporated by the parties allows the parties to seek an interim award of a National Court without that action being considered to be

incompatible with the arbitration agreement. It is my recommendation that unless the parties are prepared to nominate an individual who is empowered to grant interim emergency relief in the contract, in other words prior to the dispute arising, then it is better to indicate in the dispute resolution clause that the parties are not precluded from bringing an application to a Court for interim or interlocutory equitable relief which may include injunction. In this regard, the World Industrial Property Organization (WIPO) has proposed supplementary emergency interim relief rules (attached to this article). Article 10 of the proposed rules states that the emergency arbitrator may make "any award" the emergency arbitrator considers urgently necessary to preserve the rights of the parties, pending the final determination of those rights in a subsequent judicial or arbitral proceeding. In particular, the emergency arbitrator may issue an interim injunction or restraining Order, order the performance of a legal obligation by a party, or to a payment of an amount by one party to the other or to another party, order any measure necessary to establish or preserve evidence, order any measure necessary for the conservation of any property and fix an amount of damages to be paid by a party for the breach of the award.

The emergency arbitrator is given power under Article 9 to convene a hearing on the shortest possible notice, as well as to convene ex parte hearings and to make ex parte awards so long as he is satisfied that the other parties has been given notice of the time, date and place of hearing adequate to enable it to be present, or the case of ex parte measures, that such a hearing and award are necessary in order to avoid irreparable harm being done to the rights of the parties, pending a final determination of those rights and subsequent judicial or arbitral proceedings.

Conceptionally, procedures such as proposed by WIPO can be useful in jurisdictions where interim relief is available from a judicial authority only after a lapse of a

considerable period of time. The procedure such as the WIPO emergency arbitrator would also offer a means of obtaining a single procedure, interim relief in several jurisdictions in appropriate cases, provided that the relevant jurisdictions recognize and give affect to the power of arbitral tribunal to grant interim relief. The power to grant interim relief is described subsequently pursuant to the International Commercial Arbitration Act. Note the restricted language of article 17 which indicates that an Order of a tribunal under article 17 of the Model Law for an interim measure of protection and the provision of security in connection with it is subject to the provision of the Model Law as if it were an award. In other words, an interim award by arbitral tribunal can be in force as if it was a final award. The only concern I have is the limited meaning of the words "an interim measure of protection". In the circumstances, the best solution is if the parties are able to negotiate and appoint an emergency arbitrator with wide powers. Failing such a provision, it would be better to rely on the Courts for interim or interlocutory relief.

ENFORCEABILITY OF AWARD

The purpose of arbitration is to arrive at a binding decision on a dispute between the parties. A party who succeeds in an international commercial arbitration expects the award to be performed without delay. However, enforcing the performance of an award against a loosing and resistant party will require recourse to national Courts.