

Jurisdiction important when opting for arbitration in IP disputes

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The Portuguese Constitutional Court recently ruled that in arbitration proceedings prescribed by law, the arbitration panel may rule on the validity of patents. In voluntary arbitration, however, the arbitration panel may not rule on validity as this is reserved for state courts. By contrast, in the United States, the law explicitly recognises that certain intellectual property rights – including their validity – may be subject to arbitration. These examples illustrate the major differences in arbitrability of IP disputes. This means that careful consideration should be given to the choice of jurisdiction, as this will in part determine whether IP arbitration is suitable for your purposes.

In a contractual relationship, such as licensing IP or jointly developing IP, it is common for parties to include an arbitration clause in their contract, especially in cross-border situations. This is motivated by the many advantages arbitration offers over regular litigation.

Arbitration as an attractive alternative

Despite many international and regional treaties aimed at harmonisation, IP rights still usually retain a strong connection with the specific jurisdiction in which the right is registered or protection is conferred. As a result of these local differences, “one-stop shop” litigation is not possible or desirable in many cross-border IP disputes. Parties must go to different courts and through multiple stages of litigation to eventually resolve the dispute.

In these situations, arbitration could offer an attractive alternative, as it presents parties with a non-governmental dispute resolution mechanism that can end the dispute in a single set of proceedings. Additional benefits include that parties are generally free to determine: (i) the composition of the arbitration panel (for example, a specific expertise), (ii) the place of arbitration, (iii) the arbitration institute and set of procedural rules (for example, the International Chamber of Commerce, WIPO Arbitration and Mediation Centre). Other benefits are that, further to the New York Convention, arbitral awards can be enforced in over 150 countries and arbitral proceedings can be handled confidentially.

In many cases, this makes arbitration an interesting option to explore.

Arbitration has its limits

Naturally, arbitration also has its downsides. Specifically in IP disputes, the decision to opt for arbitration should include consideration of local differences.

The most problematic issue is that not all countries allow parties to submit their entire IP dispute to arbitration, and in many jurisdictions, this is still a black box. In some jurisdictions (for

example, the US, Canada, France), the law explicitly recognises arbitration for certain IP rights. However, in other countries, either exclusive jurisdiction may exist for certain state courts which could restrict IP arbitration (the Netherlands is an example of this), or explicit legal restrictions may apply to challenging the *validity* of an IP right in arbitration. In the latter case, however, the restriction does not necessarily preclude raising the question of validity as a *defence* against an infringement claim.

Other major differences relate to the effect of the arbitral award. In most jurisdictions, arbitral awards only have effect between the parties (known as the *inter partes* effect). But in a few jurisdictions (for example, Switzerland and Belgium), awards regarding IP rights can have effect towards everyone (*erga omnes* effect). In addition, in most jurisdictions it is not possible to enter arbitral awards in IP registers, while this is required in some jurisdictions (such as Switzerland, Belgium, the US) in order to have effect.

Finally, whether any of the foregoing is relevant may depend on the type of IP right at stake in a specific case.

Advice

All in all, arbitration may be an attractive alternative to litigation. The differences between jurisdictions, however, also mean that this decision should be made only after careful consideration of the merits, geographical scope and procedure. In addition, consent is needed from the opposing party. We are happy to provide further advice in this respect.

Click [here](#) for a link to the recent Portuguese ruling.