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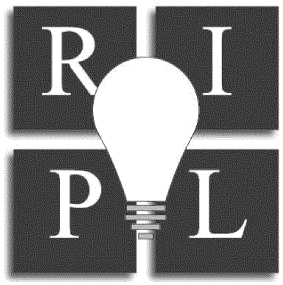

INTERNATIONAL ARBITRATION OF PATENT DISPUTES

WEI-HUA WU

ABSTRACT

This paper discusses the concept of using international arbitration as a method of resolving patent disputes. First, this paper examines the arbitrability of patent validity disputes from a public policy viewpoint. The question is whether, or to what extent, the subject matter of patent validity disputes may be settled by international commercial arbitration. Second, this paper provides suggestions on strategies for organizational decision makers to consider whether it is proper to choose arbitration as a more favorable tool when confronted with a patent dispute. Finally, this paper discusses how to choose the seat of arbitral institution and the applicable law.

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INTRODUCTION

The number of international intellectual property disputes has increased rapidly in recent years.[1] Patent disputes are usually cross-border and thus involve multiple-nations.[2] Domestic patent litigation is exhausting,[3] and international patent disputes add to this burden. What is more, the current methods to protect and enforce patent rights have been insufficient in the United States and many other countries.[4]

The commercial value of a business is increased substantially by intellectual property assets, especially patents.[5] In the United States, the claimed damages by patent infringement over the last decade amounted to 1.5 billion U.S. dollars; around sixty percent of claimants were awarded more than one million dollars in every case.[6] Patent disputes can be a life or death matter for an enterprise. This means that regardless of whether one wins or loses, patent disputes are vital. Resorting to patent litigation may, however, lead to a frustrating process and high costs, particularly in the United States.[7] In fact, patent litigation is expensive and frequently lasts for more than ten years.[8] Many cases cost two to five million U.S. dollars to litigate.[9]

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[1] *See* Marshall A. Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 IOWA L. REV. 273, 280 (1991).

[2] Bryan Niblett, *Arbitrating the CREATIVE*, 50 DISP. RESOL. J. 64, 66 (1995) (noting that intellectual property disputes have an international aspect to them due to the intangible nature of the property).

[3] *See* Murray Lee Eiland, *The Institutional Role in Arbitrating Patent Disputes*, 9 PEPP. DISP. RESOL. L.J. 283, 283 (2009).

[4] Michael L. Doane, *TRIPS and International Intellectual Property Protection in an Age of Advancing Technology*, 9 AM. U.J. INT'L L. & POL'Y 465, 466 (1994).

[5] Robert Pitkethly, *The Valuation of Patents: A Review of patent Valuation Methods with Consideration of Option Based Methods and the Potential for Future Research* 1 (Judge Institute of Management Studies, Working Paper No. WP 21/97, 1997).

[6] *See* Eiland, *supra* note 3, at 283; Carl G. Love, *The Risk/Reward Factors of U.S. Patents*, FINDLAW.COM (Jan. 1996), http://library.findlaw.com/1996/Jan/1/128053.html.

[7] A patent case could last for twenty-five years. *See, e.g.*, Hughes Aircraft Co. v. United States, 140 F.3d. 1470 (Fed. Cir. 1998) (noting that the case was filed in 1973).

[8] *See, e.g.*, *id.*; *see* Love, *supra* note 6.

[9] *See* Eiland, *supra* note 3, at 283–84.

Although U.S. litigation is costly, obstacles from foreign sovereignties make international claims much more difficult than domestic claims.[10] In fact, international patent lawsuits are full of uncertainty because the parties may not be familiar with the rules of foreign jurisdictions. Thus, countries suffering from frequent patent infringement or other intellectual property piracy have developed many effective dispute resolution mechanisms, including international commercial arbitration under The General Agreement on Tariffs and Trade ("GATT") and The World Intellectual Property Organization ("WIPO") framework, to protect internal markets[11]. WIPO settlement procedures from GATT and Trade-related Aspects of Intellectual Property Rights ("TRIPS")[12] are patterned after AAA International Arbitration Rules[13]. Seventy-nine out of 102 members of GATT were developing countries by 1991.[14] After the Uruguay Round of TRIPS negotiations, developing countries were more willing to settle intellectual property disputes under the frame of WIPO rather than GATT.[15] WIPO's Arbitration Rules provide the best mechanism to address long-standing, complicated and professional international patent disputes.[16]

International commercial arbitration is a nongovernmental dispute resolution process based on party autonomy.[17] In general, international arbitration is better than international litigation,[18] particularly in resolving international intellectual property disputes.[19]

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[10] Frank J. Garcia, *Protection of Intellectual Property Rights in the North American Free Trade Agreement: A Successful Case of Regional Trade Regulation*, 8 AM. U.J. INT'L L. & POL'Y 817, 820–21 (1993).

[11] Bal Gopal Das, *Intellectual Property Dispute, GATT, WIPO: Of Playing by the Game Rules & Rules of the Game*, 35 IDEA 149, 174–75 (1994); Harvey J. Winter, *The Role of the United States Government in Improving International Intellectual Property Protection*, 27 J.L. & TECH. 325, 325–26 (1987).

[12] Monique L. Cordray, *GATT v. WIPO*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 121, 122 (1994).

[13] Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, Switzerland, Mar. 3–4, 1994, *Managing an International Arbitration: An Arbitrator's View*, WIPO Publication No. 728 (by Hans Smit), *available at* http://www.wipo.int/amc/en/events/conferences/1994/smit.html.

[14] Robert E. Hudec, *Panel Two: GATT and the Developing Countries*, 1992 COLUM. BUS. L. REV. 67, 71 (1992).

[15] *See* Mitsuo Matsushita, *Panel Three: A Japanese Perspective on Intellectual Property Rights and the GATT*, 1992 COLUM. BUS. L. REV. 81, 82 (1992).

[16] *Id.*

[17] *See* Ernst-Ulrich Petersmann, *Justice as Conflict Resolution Proliferation, Fragmentation, and Decentralization of Dispute Settlement in International Trade*, 27 U. PA. J. INT'L ECON. L. 273, 320–21 (2006).

[18] *See* Andreas F. Lowenfeld, *Introduction: The Elements of Procedure: Are They Separately Portable?*, 45 AM. J. COMP. L. 649, 653–55 (1997); Alan Scott Rau & Edward F. Sherman, *Tradition and Innovation in International Arbitration Procedure*, 30 TEX. INT'L L.J. 89, 91–94 (1995); Hans Smit, *The Future of International Commercial Arbitration: A Single Transnational Institution?*, 25 COLUM. J. TRANSNAT'L L. 9, 11 n.3 (1986). *See generally* Saul Perloff, *The Ties that Bind: The Limits of Autonomy and Uniformity in International Commercial Arbitration*, 13 U. PA. J. INT'L BUS. L. 323 (1992) (providing an overview of international commercial arbitration).

[19] *See* Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, Switzerland, Mar. 3–4, 1994, *Opening Address,* WIPO Publication No. 728 (by Arpad Bogsch), *available at* http://www.wipo.int/amc/en/events/conferences/1994/opening.html.

Under common law, commercial arbitration traces back to at least the fourteenth century.[20] Parties chose arbitration to resolve commercial disputes in civil law countries, too.[21] During the mid-nineteenth century, parties could foresee future disputes at the time they entered into their contracts, and they would prepare arbitration clauses, including the rules and procedures agreed to by the parties themselves, in advance of any disputes.[22] Modern commercial arbitration is supposed to be an objective, friendly and conclusive way to settle commercial disputes.[23] Because of the shortcomings of international patent litigation, international commercial arbitration has reached a dominant position in patent disputes in recent years.[24] International commercial arbitration has become "the preferred method of settling disputes arising out of international commerce."[25] It is no wonder that in *Mitsubishi Motor Corp. v. Soler Chrysler-Plymouth, Inc.,*[26] the United States Supreme Court enforced a Swiss arbitration award, noting that arbitral dispute resolution is consistent with public policy, especially as applied to international commercial transactions.[27] Arbitration has proven to be a helpful way to resolve international trade disputes.[28] In fact, the general preference in international dispute resolution is to utilize arbitration in lieu of litigation.[29]

This paper discusses the concept of using international arbitration as a method of resolving patent disputes. First, this paper examines the arbitrability of patent validity disputes from a public policy viewpoint.[30] The question is whether, or to what extent, the subject matter of patent validity disputes may be settled by international commercial arbitration. Second, this paper provides suggestions on strategies for organizational decision makers to consider whether it is proper to choose arbitration as a more favorable tool when confronted with a patent dispute.[31] Finally, this paper discusses how to choose the seat of arbitral institution and the applicable law.[32]

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[20] William Catron Jones, *History of Commercial Arbitration in England and the United States: A Summary View*, *in* INTERNATIONAL TRADE ARBITRATION: A ROAD TO WORLD-WIDE COOPERATION 127, 129 (Martin Domke ed., 1958).

[21] *See, e.g.*, Henry P. de Vries, *International Commercial Arbitration: A Contractual Substitute for National Courts*, 57 TUL. L. REV. 42, 48 (1982).

[22] *Id.* at 49.

[23] 1 GARY B. BORN, *Overview of International Commercial Arbitration*, *in* INTERNATIONAL COMMERCIAL ARBITRATION 90, 90 (3d ed. 2009).

[24] Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, Switzerland, Mar. 3–4, 1994, *Opening Address,* WIPO Publication No. 728 (by Arpad Bogsch), *available at* http://www.wipo.int/amc/en/events/conferences/1994/opening.html.

[25] Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, Switzerland, Mar. 3–4, 1994, *The Arbitration of Intellectual Property Disputes,* WIPO Publication No. 728 (by Julian D.M. Lew), *available at* http://www.wipo.int/amc/en/events/conferences/1994/lew.html.

[26] 473 U.S. 614 (1985).

[27] *Id.* at 638; *see* Michael F. Hoellering, *International Arbitration Under U.S. Law and AAA Rules*, 50 DISP. RESOL. J. 25, 28 (1995).

[28] *See* STEPHEN J. TOOPE, MIXED INTERNATIONAL ARBITRATION 5 (1990).

[29] Richard J. Graving, *The International Commercial Arbitration Institutions: How Good a Job Are They Doing?*, 4 AM. U. J. INT'L L. & POL'Y 319, 320 (1989).

[30] *See* discussion, *infra* Part III.

[31] *See* discussion, *infra* Part IV.

[32] *See* discussion, *infra* Part VI.

I. DEFINITION OF PATENT ARBITRATION

Most modern countries have laws that mandate enforcement of arbitration awards made by proceedings that satisfy certain requirements.[33] Thus, in these countries, specific issues that are stipulated in a valid arbitration agreement should be resolved by arbitration.[34] Arbitrations should be established upon the mutual consent of the parties.[35] Therefore, arbitration agreements usually are to be in writing, signed by both parties.[36]

A patent arbitration is a commercial arbitration to settle disputes involving substantive patent law. For patent disputes that merely concern rights or obligations derived from contracts such as patent assignment or licensing, the issues are generally accepted as the proper subject matter of arbitration all around the world.[37] Thus, this paper does not focus on these types of disputes. Instead, this paper focuses on arbitration with regard to the validity of patents. This type of arbitration relates to patent infringement and any defenses the alleged patent infringer may raise that challenge the validity of the patent.[38] Most likely, these types of disputes involve a patentee as claimant and an accused infringer as respondent. In such cases, the accused infringer is eager to avoid or minimize royalty payments by contending that the patent in question is invalid.[39] The definition of validity may vary based on country.[40] For example, some jurisdictions may refer to revocation or enforceability. In any case, patent validity always describes the continuing existence or enforceability of patent rights.[41]

II. ARBITRAL INSTITUTION AND PROCEDURE

Various institutions around the world have created arbitration rules and procedures.[42] For example, the United Nations Commission on International Trade Law ("UNCITRAL") has Arbitration Rules that are *ad hoc*.[43]

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[33] *See* Convention on the Recognition and Enforcement of Foreign Arbitral Awards, June 10, 1958, 21 U.S.T. 2517, 330 U.N.T.S. 3 [hereinafter New York Convention].

[34] *See* NIGEL BLACKABY ET AL., REDFERN AND HUNTER ON INTERNATIONAL ARBITRATION 18–19 (5th ed. 2009); Pieter Sanders, *Unity and Adoption of the Model Law*, 11 ARB. INT'L 1,1 (1995).

[35] *See* NIGEL BLACKABY ET AL., *supra* note 34, at 18–19.

[36] U.N. COMM'N ON INT'L TRADE LAW [UNCITRAL], MODEL LAW ON INTERNATIONAL COMMERCIAL ARBITRATION, U.N. Doc. A/40/17, U.N. Sales No. E.08.V.4 (1985) (amended 2006) [hereinafter UNCITRAL MODEL LAW], *available at* http://www.uncitral.org/pdf/english/texts/arbitration/ml-arb/06-54671_Ebook.pdf; New York Convention, *supra* note 33, at art. II(1)–(2).

[37] *See* Mark Farley, *The Role of Arbitration in the Resolution of Patent Disputes*, 3 TOURO L. REV. 47, 48 (1986).

[38] *See* Eiland, *supra* note 3, at 291.

[39] *E.g.*, Lear, Inc. v. Adkins, 395 U.S. 653, 660 (1969); Rhone-Poulenc Specialites Chimiques v. SCM Corp., 769 F.2d 1569, 1572 (Fed. Cir. 1985).

[40] M.A. Smith et al., *Arbitration of Patent Infringement and Validity Issues Worldwide*, 19 HARV. J.L. & TECH. 299, 304 (2006).

[41] *See id.*

[42] *See, e.g.*, AUSTL. CENTRE FOR INT'L COMMERCIAL ARBITRATION [ACICA], ACICA ARBITRATION RULES (2005), *available at* http://acica.org.au/acica-services/acica-arbitration-rules; SWISS CHAMBERS' COURT OF ARBITRATION & MEDIATION, SWISS RULES OF INTERNATIONAL ARBITRATION (2006), *available at* https://www.sccam.org/sa/download/SRIA_english.pdf.

Additionally, WIPO has arbitral rules specifically designed for intellectual property issues. WIPO's rules were based on the UNCITRAL Arbitration Rules and then modified to create a higher degree of confidentiality and to include procedures specific to intellectual property disputes.[44] Furthermore, the International Chamber of Commerce ("ICC") is known for its arbitration rules.[45] ICC Rule Article 3 of Appendix III allows the ICC to be selected as appointed arbitral institution with *hoc act* rule.[46]

In the U.S., the American Arbitration Association ("AAA") has Arbitration Rules and Mediation Procedures ("CAR")[47] and the Supplementary Rules for the Resolution of Patent Disputes ("AAA Supplementary Rules")[48] to deal with patent disputes. AAA's international branch, International Centre for Dispute Resolution ("ICDR"),[49] also has specific rules—the International Dispute Resolution Procedures ("IDRP").[50]

There are a number of other institutions with arbitration rules across the globe. The London Court of International Arbitration ("LCIA"), for example, was founded in 1892, and has a long history.[51] Its arbitral rules are designed for general cases instead of patent disputes.[52] Additionally, in the middle-east, the Arab Intellectual Property Mediation and Arbitration Society was formed in 2003 in Jordan to handle intellectual property arbitration.[53] In Asia, China formed an intellectual property arbitration center in 2007.[54] The two are relatively young arbitral institutions.

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[43] UNCITRAL ARBITRATION RULES (1976) [hereinafter UNCITRAL RULES], *available at* http://www.uncitral.org/pdf/english/texts/arbitration/arb-rules/arb-rules.pdf.

[44] WORLD INTELLECTUAL PROP. ORG. [WIPO], WIPO ARBITRATION RULES, WIPO Publication No. 446 (2009) [hereinafter WIPO RULES], *available at* http://www.wipo.int/freepublications/en/arbitration/446/wipo_pub_446.pdf.

[45] *See* William K. Slate II, *International Arbitration: Do Institutions Make a Difference?*, 31 WAKE FOREST L. REV. 41, 42 (1996).

[46] INT'L CHAMBER OF COMMERCE [ICC], RULES OF ARBITRATION, app. III, art. 3 (1998) [hereinafter ICC RULES], *available at* http://www.jus.uio.no/lm/icc.arbitration.rules.1998/doc.html.

[47] *See* Eiland, *supra* note 3, at 296; AM. ARBITRATION ASS'N, COMMERCIAL ARBITRATION RULES & MEDIATION PROCEDURES (2009) [hereinafter CAR RULES], *available at* http://www.adr.org/sp.asp?id=22440&printable=true.

[48] *See* Eiland, *supra* note 3, at 296; AM. ARBITRATION ASS'N, RESOLUTION OF PATENT DISPUTES SUPPLEMENTARY RULES (2006), *available at* http://www.adr.org/sp.asp?id=27417.

[49] *See* Eiland, *supra* note 3, at 296; *About the International Centre for Dispute Resolution*, AM. ARBITRATION ASS'N, http://www.adr.org/about_icdr (last visited Jan. 7, 2011).

[50] AM. ARBITRATION ASS'N, INTERNATIONAL DISPUTE RESOLUTION PROCEDURES (2009) [hereinafter IDRP], *available at* http://www.adr.org/sp.asp?id=33994.

[51] *See* Eiland, *supra* note 3, at 295 (discussing the *History of the LCIA*, LONDON CT. INT'L ARBITRATION, http://www.lcia.org/LCIA/Our_History.aspx (last visited Jan. 7, 2011)).

[52] *See* Eiland, *supra* note 3, at 295; LONDON COURT OF INT'L ARBITRATION [LCIA], LCIA ARBITRATION RULES (1998) [hereinafter LCIA RULES], *available at* http://www.lcia.org/Default.aspx.

[53] *The Arab Center for Mediation and Arbitration in Intellectual Property*, ARAB INTELL. PROP. MEDIATION & ARBITRATION SOC'Y, http://www.aipmas.org/AIPMASJudge.aspx?&lang=en.

[54] *IP Arbitration Center Set up in Xiamen as the First of Its Kind in China's Mainland*, ST. INTELL. PROP. OFF. CHINA (Mar. 3, 2007), http://www.sipo.gov.cn/sipo_English/news/iprspecial/200904/t20090417_452710.html.

III. THE ARBITRABILITY OF PATENT VALIDITY DISPUTES

A. Where the debates came from

The legal term "arbitrability" refers to whether certain disputes are capable of resolution by arbitration.[55] Many jurisdictions preclude specific subject matter—marital disputes, employment issues, and intellectual property matters—from arbitration because of public policy.[56] Each jurisdiction may have to consider what subject matter can or cannot be arbitrated in order to comply with its own economic and social policy.[57] In regard to cross-border disputes, international arbitrations relate to the balance of competing public policies between the countries involved.[58]

In light of these subject matter limitations, it is unclear as to whether patent disputes are arbitrable. Patent rights are generally understood to be a state-sanctioned, limited monopoly.[59] Some states often enact statutes to govern how a "patent monopoly" is granted and to what extent the patent is enforced.[60] When disputes arise concerning the scope of a patent's monopoly, the state must determine whether the patent is valid and enforceable. For example, in the United States, courts determine the validity of a patent when patent invalidity is asserted as a defense to an infringement claim.[61] In France, a court can also declare a patent invalid.[62] In Japan, the only authority that can declare a patent invalid is the State Patent Office, not the courts. [63] In the United States, because patent rights must be granted exclusively by a competent public authority,[64] some courts have held that private mechanisms, such as arbitration, cannot declare a patent invalid.[65] This supports the viewpoint that, in general, the disputes regarding the validity of a patent should be decided by a public, governmental power instead of a private entity. Because patents rights are state-sanctioned monopolies, it is the government's

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[55] *See* NIGEL BLACKABY ET AL., *supra* note 34, at 22–23.

[56] *See* W. LAURENCE CRAIG ET AL., INTERNATIONAL CHAMBER OF COMMERCE ARBITRATION 87–90 (3d ed. 2000).

[57] *Id.*

[58] *See id.* at 52–53.

[59] *See, e.g.*, Graham v. John Deere Co. of Kan. City, 383 U.S. 1, 5–6 (1966) (describing patents as a limited monopoly in the historical context of the English Crown). *See also* Liza Vertinsky, *Comparing Alternative Institutional Paths to Patent Reform*, 61 ALA. L. REV. 501, 512 (2010).

[60] *See, e.g.*, 35 U.S.C. §§ 1–376 (2006). Many American legal discussions avoid using the term "monopoly" because it holds a "monopolization" connotation under the Sherman Act, 15 U.S.C. § 2. "A patent is personal property that has some of the aspects of the economist's 'monopoly' but none of the anticompetitive attributes of the illegal antitrust law 'monopoly.'" J. THOMAS MCCARTHY, DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 210 (1991). On the other hand, patent rights have been treated like a monopoly under the English common law of monopolies. *See generally* ERNEST BAINBRIDGE LIPSCOMB III, 1 WALKER ON PATENTS 1–67 (3d ed. 1984). Modern European Union law is much more open to the idea that an intellectual property right may be abused through antitrust monopolization. *See* C-241/91 & C-242/91, Radio Telefis Eireann & Indep. Television Publ'ns. Ltd. v. Comm'n, 1995 E.C.R. I-743, 4 C.M.L.R. 718 (1995).

[61] 35 U.S.C. §§ 1(a), 2(a) (2006).

[62] CODE DE LA PROPRIÉTÉ INTELLECTUELLE [C. PRO. INTELL.] art L.613-25 (Fr.).

[63] TERUO DOI, THE INTELLECTUAL PROPERTY LAW OF JAPAN 33 (1980).

[64] 35 U.S.C. § 111.

[65] *See* Beckman Instruments, Inc. v. Technical Dev. Corp., 433 F.2d 55, 63 (7th Cir. 1970).

responsibility to ensure that public policy supports this monopoly by balancing the needs of the patent holder with the needs of the public. The government is well-positioned to monitor public policy because the government is neutral and has more resources to maintain the justice of balancing competing interests. With such an important focus on public policy, there is doubt as to whether a private entity can adequately balance these competing interests—even a respected arbitral institution. Thus, it is understandable where the debates on arbitrability of patent disputes come from: an arbitration award made by a private arbitral institution may be against public policy when the dispute concerns the validity of a patent.[66]

International attitudes toward the arbitration of issues of patent validity vary greatly from country to country. The United States is one of the few countries that recognize arbitration of disputes involving patent validity.[67] International arbitration agreements may be enforced "even assuming that a contrary result would be forthcoming in a domestic context" in the United States.[68] Canada and Switzerland allow patent validity issues to be settled.[69] France and Italy refuse to allow arbitration of patent validity on the grounds of public policy.[70] In other countries, patent validity is not arbitrable even though the arbitration award would be enforceable only as an agreement between the parties. For example, in the People's Republic of China ("P.R.C."), patent validity arbitration is not permissible[71] because it concerns a subject matter of public law.[72] Because many patent disputes involve the validity of the patent, arbitration of patent disputes is not popular in the P.R.C. Therefore, the P.R.C. declines to recognize or enforce foreign arbitral awards regarding patent validity. Instead, disputes that involve the validity of a patent are handled by the administrative authority and the people's courts in the P.R.C.[73] In other countries, positions that discourage arbitration of patent validity prevail because patent rights are seen as protecting patent owners against any third party infringement, not just a single party in an isolated patent dispute. If the subject matter involves a patent validity dispute that cannot be arbitrated, courts refuse to refer parties to arbitration even when an arbitration agreement exists between the parties.[74]

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[66] *See* Paladino v. Avnet Computer Techs., Inc., 134 F.3d 1054, 1062 (11th Cir. 1998).

[67] 35 U.S.C. §§ 135(d), 294.

[68] Mitsubishi Motors Corp. v. Solar Chrysler-Plymouth, Inc., 473 U.S. 614, 629 (1985).

[69] Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, Switzerland, Mar. 3–4, 1994, *The Arbitrability of Intellectual Property Disputes with Particular Emphasis on the Situation in Switzerland*, WIPO Publication No. 728, at 1.10.3.1 (by Robert Briner), *available at* http://www.wipo.int/amc/en/events/conferences/1994/briner.html.

[70] *Id.* at 2.4, 3.6.

[71] Zhong Cai Fa (中华人民共和国仲裁法) [Arbitration Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 31, 1994, effective Sep. 1, 1995), art. 3, para. 2 (1995) (China), http://www.lawinfochina.com/law/display.asp?db=1&id=710.

[72] *See id.*; M.A. Smith et al., *supra* note 40, at 346.

[73] Arbitration Law of the People's Republic of China, art. 3(2).; Min Shi Su Song Fa (中华人民共和国民事诉讼法) [Civil Procedure Law of the People's Republic of China] (promulgated by the Nat'l People's Cong., Apr. 9, 1991, effective Apr. 9, 1991), arts. 217(2), 260(4) (1991) (China), http://www.lawinfochina.com/law/display.asp?db=1&id=19.

[74] *See* UNCITRAL MODEL LAW, *supra* note 36, at art. 8(1); New York Convention, *supra* note 33, at art. II(3). As of January 2011, 145 nations have adopted the New York Convention. *Status: 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards*, UNCITRAL, http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html (last

Generally speaking, the major patent-exporting countries can be categorized into two groups in terms of their position on the arbitrability of patent validity. The first but smaller group respects party autonomy and allows all kinds of patent issues to be arbitrated. However, the effect of an award regarding the patent validity only exists between the parties. The second group prohibits the arbitration of disputes regarding the patent validity. The second group maintains that arbitral awards determining the validity of patents will not be binding, and arbitration agreements relating to patent validity disputes have no effect at all.[75] Only other kinds of patent disputes, such as those concerning the rights and obligations arising from licensing agreements, are arbitrable.[76] WIPO's Arbitration and Mediation Center, which represents the global tendency, has already arbitrated some patent validity disputes, especially those regarding U.S. and European patents.[77]

There are pros and cons to the arbitrability of patent validity. The arguments are discussed below.

B. The arguments against arbitrability.

Some scholars, who object to the arbitrability of patent disputes, argue that if laws authorize the courts or competent administrative agencies to decide the validity of patents, the disputes involving patent validity should be settled exclusively by these authorities.[78] Arbitration of patent validity, then, would deprive these authorities of exclusive jurisdiction of determining patent validity. Therefore, any patent infringement disputes involving patent validity should be excluded from the resolution by arbitration.[79] The patent right is granted by the sovereign government so only the state or the designated representative of the state can grant or invalidate it.[80]

Another argument against arbitrability is based on the nature of limitation on arbitrators. This point of view argues that because arbitration is a consensual process, the effect of it should be confined to the parties participating in the arbitration voluntarily.[81] Thus, it is impossible for the arbitration tribunals to render an award invalidating a patent because the award would affect the public—an involuntary party. Because an arbitral award is only a private affair, it cannot bind the third party and any arbitral award attempting to invalidate a patent would

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visited Jan. 7, 2011). It is helpful to determine if a country has adopted the New York Convention as well as to what extent or whether that country tolerates the patent validity issues to be arbitrated. *See* Sandra J. Franklin, *Information Technology: Arbitrating Technology Cases: Why Arbitration May Be More Effective Than Litigation When Dealing With Technology Issues*, 80 MICH. BAR J. 30, 32 (2001).

[75] *See, e.g.*, Arbitration Law of the People's Republic of China, art. 3(2); Civil Procedure Law of the People's Republic of China, arts. 217(2), 260(4).

[76] M.A. Smith et al., *supra* note 40, at 305.

[77] *Id.* at 304–05.

[78] *Id.* at 306 (citing patent laws in the United States, India, and the Netherlands).

[79] *E.g.*, Rijksoctrooiwet [Patent Act], art. 80(2)(a)–(b), Stb. 1995, p. 51 (Neth.).

[80] *See* NIGEL BLACKABY ET AL., *supra* note 34, at 124.

[81] William Grantham, *The Arbitrability of International Intellectual Property Disputes*, 14 BERKELEY J. INT'L L. 173, 187 (1996).

exceed the arbitrator's powers.[82] In addition to this, arguments against arbitrability of patent validity rely on the separation of public law from private law.[83] Since patent validity falls in the category of the public law, it has no arbitrability.

C. The arguments for arbitrability.

1. With respect to the inter partes *effect*

The argument for arbitrability suggests that because most patent jurisdictions around the world allow a patentee to surrender, assign, license or transfer his patent right to others,[84] the patentee could also exhaust his patent rights in an arbitration award by choosing arbitration as the conclusive and final solution for his patent dispute. Where both the arbitrator and the parties have agreed to the result, who could reject arbitrability? The international tendency is in conformity with this viewpoint. The ICC arbitration tribunal arbitrated and awarded a patent validity dispute in 1989.[85] In an interim award, the ICC tribunal held that a patent validity dispute could not be separated from other issues in the same dispute in the arbitration.[86] The ICC tribunal reasoned that a patent owner had considerable capacity to assign, waive, or restrict its rights.[87] In a patent infringement or invalidity dispute, the patent owner can entirely or partially surrender his rights against the other party.[88] He can also notice his waiver or surrender to Patent Office.[89] He can sell, donate or transfer all or part of his rights.[90] He can also provide the patent in part or in its entirety as security or pledge.[91] The patentee can dispose of his rights to the same extent as that of any other property, which means that the party in arbitration can assign his rights to the arbitral tribunal.[92] "In principle, therefore, there is no legal obstacle that bars an Arbitral Tribunal, thus empowered by the parties, to rule, as a preliminary matter, on the material validity of a patent".[93] Such an award is binding between the parties.[94]

The arguments against arbitrability often focus on vague references to the public policy of the patent grant instead of clearly and deliberately defining what exact

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[82] *See* Christopher John Aeschlimann, *The Arbitrability of Patent Controversies*, 44 J. PAT. OFF. SOC'Y 655, 662 (1962).

[83] *See* Grantham, *supra* note 81, at 183.

[84] *E.g.*, 35 U.S.C. § 261 (2006); Patentgesetz [PatG] [Patent Act], Dec. 16, 1980, BGBL. I at 1, §§ 58, 64 (Ger.).

[85] Interim Award in Case No. 6097 of 1989, 4 Int'l Comm. Arb. 76 (ICC Int'l Ct. Arb.). For more discussion, see P. Schlosser, *Notwendige Reformen des deutschen Rechts der Schiedsgerichtsbarkeit*, 8 ZEITSCHRIFT FÜR WIRTSCHAFTSRECHT 492, 499 (1987).

[86] Interim Award in Case No. 6097 of 1989, 4 Int'l Comm. Arb. 76.

[87] *Id.*

[88] *Id.*

[89] *Id.*

[90] *Id.*

[91] *Id.*

[92] *Id.*

[93] *Id.*

[94] *Id.*

public qualities are involved in patent validity arbitrability.[95] In fact, even if an arbitration award refuses to recognize the validity of a patent, this outcome merely affects the parties involved and is not binding on third parties.[96] Because the outcome is not binding on third parties, the arbitration has nothing to do with the public policy. The result of an award that finds a patent invalid merely affects contractual rights and obligations between the parties of the arbitration. As such, the power of states to register, grant, and invalidate patents sill remains intact.[97]

If the state's power remains intact through this type of *inter partes* resolution, there is little to suggest that patent validity must be excluded from arbitration. For example, even in the case of antitrust, an area of law statutorily reserved for the federal government, courts have allowed parties to settle antitrust disputes through arbitration.[98] In the case of patent validity, neither statutes nor case law seem to support the argument that this issue must be excluded from *inter partes* arbitration.[99] Instead, courts have indicated that state laws do not preclude arbitration of patent validity. In Switzerland, two decades ago, the Federal Office of Intellectual Property stated that arbitral tribunals could decide the validity of industrial property—patents, trademarks, and designs.[100] These arbitration awards, accompanied by certificates issued by a Swiss court, are registered in the Federal Office of Intellectual Property.[101] For international arbitration awards, this certificate will be issued pursuant to Article 193.1 of the Federal Private International Law statute of 1987.[102] Other states, such as India, would seem to allow arbitrability of patent validity, as demonstrated by their court's *inter partes* approach to patent validity generally. Courts in India can judge the validity of a patent and apply it only to the parties involved in the dispute.[103] In some countries, parties still can litigate for patent rights based on the validity of the patent at issue while the court thinks that patent should be invalid.[104] An arbitration panel could do exactly the same thing. As long as the parties can solve their disputes through private settlements with the risk that public interests may not be fully represented, then why are they prohibited from arbitrating patent validity or invalidity?

2. With respect to the erga omnes *effect*

Even the bold argument that takes the third-party effect into consideration is more or less convincing. The arguments are introduced below.

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[95] *See* Beckman Instruments, Inc. v. Technical Dev. Corp., 433 F.2d 55, 63 (7th Cir. 1970).

[96] *E.g.*, Interim Award in Case No. 6097 of 1989, 4 Int'l Comm. Arb. 76.

[97] *See* Grantham, *supra* note 81, at 199; Eiland, *supra* note 3, at 292.

[98] Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc., 473 U.S. 614, 633–35 (1985) (finding that some antitrust claims under the Sherman Act are arbitrable). The Court cites the Federal Arbitration Act and encourages arbitration when possible. *Id.* at 626.

[99] *See id.*

[100] *See* Briner, *supra* note 69, at n.25.

[101] *Id.* at 2.2.2.

[102] *Id.*

[103] M.A. Smith et al., *supra* note 40, at 313.

[104] *Id.* at 304–05.

This argument suggests that the relevant interests of the public are both the state's interests and the private interests of nonparties. The public interest behind the patent system is to stimulate innovation by protecting the return for the inventors and investors.[105] Rather than keeping innovation secret, the patent system encourages inventors to make their patent innovations public in exchange for a limited monopoly on the certain invention.[106] Then the question becomes whether there is a balance between the social costs of a patent and the social benefits of that patent? In other words, can the arbitrability keep such a balance?

The courts have rejected the viewpoint that arbitrators lack the ability to resolve technical issues.[107] In fact, the freedom to choose competent arbitrators upon specific disputes can make arbitration a better way to settle such patent validity disputes than litigation[108] Therefore, the arbitrators have the capacity to maintain such a balance. Furthermore, in arbitration, the public interest behind patent validity can be adequately represented by the parties of a dispute.

In addition, most parties in patent validity disputes are corporations instead of natural persons, so it is hard to say whether the patentee or the alleged infringer will be the more powerful party. If one of the parties is a weak consumer, then consumer arbitration clauses are often invalidated.[109] Thus, powerful parties in an arbitration process will do their best to approach the truth that can benefit the public. In those cases, the public interests coincide with the parties' own interests. In some ways, the public's interests are represented in the arbitration process. For example, an arbitration award that deems a patent invalid would make the technology publically available. By making the technology publically available, such an award serves the public interest. On the other hand, if it is hard and expensive to prove the invalidity,[110] the result of the arbitration is still in conformity with the current patent granted by the competent administrational agency representing public interest. The benefit or status of a third party or the public will not recede even an inch.

D. My Views

First, the monopoly inherent in the nature of the patent does not necessarily lead to the denial of arbitrability. The arbitrability of patent validity is not bound to derogate public policy. The concept of public policy is so abstract that it should be applied very carefully. We cannot reach a particular conclusion merely based on abstract and empty theories. In other words, if the effect of an arbitration award involving patent validity only exists between disputing parties and does not bind a

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[105] *See* U.S. CONST. art. I, § 8, cl. 8; Rebecca S. Eisenberg, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 U. CHI. L. REV. 1017, 1017 (1989).

[106] *See* Pennock v. Dialogue, 27 U.S. (1 Pet.) 1, 19–20 (1829).

[107] *See, e.g.*, Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1198 (7th Cir. 1987).

[108] Robert H. Smit, *General Commentary on the WIPO Arbitration Rules, Recommended Clauses, General Provisions and the WIPO Expedited Arbitration Rules: Articles 1 to 5; Articles 39 and 40*, 9 AM. REV. INT'L ARB. 3, 5 (1998).

[109] *See* M.A. Smith et al., *supra* note 40, at 311.

[110] *See* 35 U.S.C. § 282 (2006) ("A patent shall be presumed valid.").

third party, it will not relate to monopoly or public interests. Thus, the monopoly or public policy cannot be the pretext to preclude arbitrability. Even though such arbitration awards would be based on the invalidity of a patent as between the parties, the patent in question could remain valid as to the public and to the government authority.[111] Similarly, an arbitration award could recognize the validity of a patent even where the public denies recognition, pursuant to the final and conclusive judgment of the government authority. In fact, according to due process principles, if a party does not participate in the arbitration process, he cannot be bound by the arbitration award absent consent.[112] In an infringement dispute, once the respondent argues the validity of the claimant's patent, the arbitrator must decide whether the claimant actually owns a valid patent. Assuming that the arbitrator decides the patent is invalid, that patent right is still enforceable in other disputes because the state has not revoked those rights.[113] A third party has no right to share in the victory of the respondent because she has not taken part in the arbitration.[114] She has not fought with the respondent side by side. Therefore, the determination of invalidity is only applicable to the parties in the current dispute. In fact, the enforceability of the arbitration award is only between the parties.[115] The arbitration does not actually invalidate the patent at issue to the public. Such relief is granted under some arbitral rules without influencing public policy interests.[116] Sometimes, at the request of the parties, the arbitral tribunal may deal with the case according to principles of equity and the arbitrator's conscience.[117] This means that the arbitration tribunal can decide a case not strictly according to laws; and instead, its decisions can be different from those made by courts or government agencies who must strictly comply with the laws.

Second, for the sake of international commerce and party autonomy, the public policy concept should be interpreted narrowly.[118] At least, it should be exercised by careful thought and restraint because the subject matter involving public policy does not always lead to the negation of arbitrability. For example, real property is granted through registration with a public authority. "It has sometimes been supposed that the entire property in the land vested exclusively in the King [after the 1066 Norman invasion] and that to this day the Crown remains the only true owner of the land situated within the jurisdiction" in England.[119] In North America, the colonial land tenure came from the Crown's grant. After the independence of the United States, the states declared that they owned all the lands formerly owned by the Crown.[120] In modern times, it is the state instead of the King who grants and

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[111] *See* Aeschlimann, *supra* note 82, at 661–62.

[112] New York Convention, *supra* note 33, at art. V(1)(b).

[113] *See* M.A. Smith et al., *supra* note 40, at 304–05.

[114] *Id.* at 311–12

[115] *See id.* at 320.

[116] *See, e.g.*, *id.* at 353.

[117] *See, e.g.*, UNCITRAL RULES, *supra* note 43, at art. 33.

[118] *See* Parsons & Whittemore Overseas Co. v. Societe Generale De L'Industrie Du Papier, 508 F.2d 969, 973 (2d Cir. 1974); Llewellyn Joseph Gibbons, *Creating a Market for Justice; A Market Incentive Solution to Regulating The Playing Field: Judicial Deference, Judicial Review, Due Process, and Fair Play in Online Consumer Arbitration*, 23 NW. J. INT'L L. & BUS. 1, 60–62 (2002).

[119] Grantham, *supra* note 81, at 182 n.50 (quoting KEVIN GRAY, ELEMENTS OF LAND LAW 52, 55 (2d ed. 1993)).

[120] *Id.* at 183 n.52.

records those rights in state registries.[121] This feature is shared with patents. Real property is even "more public" because it belongs to the King in tradition. If parties can settle their disputes related to real estate with arbitration awards, why not settle patent validity disputes through arbitration? Intellectual property and real property are similar, and patent validity and real estate are analogous. There is no public policy problem in an arbitration regarding real property title. After all, if a person may give up, transfer, or assign his private rights or interests to another person, why would he not be able to surrender his private rights or interests to the other party by an arbitration award, whether the rights or interests are based on patent, real estate or other private property? When he gives up his rights to a specific person, what is the disadvantage for the public or any third party? Why should he not be able to enjoy the freedom to surrender his patent rights? The right to surrender is exactly a part of the right *per se*. For this reason, the subject matter itself connecting to public policy is one thing; the arbitration of that subject matter is another.

In summary, if we confine the effect of a patent validity determination to the parties in the single dispute, it is not necessary to discuss the competence of the arbitration tribunal to settle patent validity disputes for the public or third parties. As for parties in the dispute, they voluntarily choose the arbitration tribunal, so there is no competence problem.

IV. THE PROCEDURAL MATTERS OF PATENT ARBITRATION

A. Documents

The first thing to consider about documents in a patent arbitration is privilege. Some documents in patent arbitration may be privileged, such as the communication between a patent agent and a client. It is the client relationship as well as the client information which must be protected.[122] Arbitrators cannot review documents that are claimed as privileged. If they do, the award of the arbitration is likely to be set aside.[123] CAR rule 31(c) states: "The arbitrator shall take into account applicable principles of legal privilege, such as those involving the confidentiality of communications between a lawyer and client."[124] For the same reason, there is also a confidential relationship between patent examiner and client.[125]

The second thing regarding documents is discovery. Discovery is very expensive and frequently costs more than one million dollars in the United States.[126] Under

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[121] *Id.* (citing William R. Vance, *The Quest for Tenure in the United States*, 33 YALE L. J. 248, 263 (1924)).

[122] *See* Eiland, *supra* note 3, at 298 n.128 (citing PATRICIA SHAUGHNESSY, ATTORNEY-CLIENT PRIVILEGE: A COMPARATIVE STUDY OF AMERICAN, SWEDISH, AND EC LAW 255 (2001)).

[123] *Id.* (citing LARS HEUMAN, ARBITRATION LAW OF SWEDEN: PRACTICE AND PROCEDURE 385–87 (2003)).

[124] CAR RULES, *supra* note 47, at r. 31(c).

[125] *See* Tom Brody, *Duty to Disclose: Dayco Products v. Total Containment*, 7 J. MARSHALL REV. INTELL. PROP. L. 325, 369 (2008).

[126] Douglas Doskocil, *Knowing Your Toolset: How to Use ADR to Your Advantage During Patent Litigation*, 44 IDEA 247, 248–49 (2004).

the common law system, there is full disclosure of documents.[127] Parties and tribunals may decide to what extent they should disclose. However, in civil law courts, the discovery is usually limited.[128] In arbitration, parties may agree to certain discovery but the tribunal has only limited power to compel discovery.[129] As to international arbitral institution rules, UNCITRAL Rules, Article 24(3) allows a tribunal to require the production of documents, exhibits, or other evidence.[130] It is not clear if it is compulsory or not. The ICC Rules Article 20(5) states that during the proceedings, the tribunal "may summon any party to provide additional evidence."[131] The Arbitration Institute of the Stockholm Chamber of Commerce Rules ("SCC Rules") Article 26(3) states that tribunals have authority to order production of documents or other evidence.[132] The LCIA Rules Article 22.1 stipulates that tribunals can order a party to produce documents or classes of documents.[133] The International Bar Association ("IBA") Rules of Evidence states that a tribunal can request a party to produce documents.[134] Such a "request" is not coercive. However, the tribunal may reach negative inferences if the requested documents are relevant to the arbitral subject matter.[135] Finally, the Patent Arbitration Rules Article 30 empowers the arbitrators to summon a witness.[136]

B. Experts

It is not necessary for selected arbitrators to have a legal background because the arbitral procedure does not strictly adhere to a government's laws.[137] However, a "battle of experts" may be raised, as both parties in arbitration would like to introduce their own expert.[138] The technology decision is crucial in patent arbitration. Therefore, whoever has the power to decide the expert is of importance.

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[127] *See generally* FED. R. CIV. P. 26–37 (providing U.S. discovery rules for Federal Courts). *E.g.*, *id.* at 33(a)(1) (allowing parties twenty-five written interrogatories, unless the parties agree to more or leave of court is granted); *id.* at 30(a)(2)(i) (requiring leave of the court to take more than ten depositions).

[128] *See* Eiland, *supra* note 3, at 299.

[129] *See generally* W. Scott Simpson & Omer Kesikli, *The Contours of Arbitration Discovery*, 67 ALA. LAW. 280 (2006) (discussing the varying degrees of limited power that the Federal Arbitration Act provides to arbitrators to compel discovery).

[130] UNCITRAL MODEL LAW, *supra note* 36, at art. 24(3).

[131] ICC RULES, *supra* note 46, at art. 20(5).

[132] ARBITRATION INST. OF THE STOCKHOLM CHAMBER OF COMMERCE, ARBITRATION RULES art. 26(3) (2010) [hereinafter SCC RULES], *available at* http://www.sccinstitute.com/skiljedomsregler-4.aspx.

[133] LCIA RULES, *supra* note 52, at art. 22.1.

[134] INT'L BAR ASS'N [IBA], IBA RULES ON THE TAKING OF EVIDENCE IN INTERNATIONAL ARBITRATION, arts. 3.4, 3.5 (2010).

[135] *Id.* at art. 9.4.

[136] *See* CAR RULES, *supra* note 47, at art. 30.

[137] Eiland, *supra* note 3, at 302 (citing Kenneth B. Clark & William A. Fenwick, *Structuring an Arbitration Agreement for High Technology Disputes*, 9 COMPUTER LAW 22, 24 (1992)).

[138] *Id.* at 302 (citing Michael S. Jacobs, *Testing the Assumptions Underlying the Debate About Scientific Evidence: A Closer Look at Juror "Incompetence" and Scientific "Objectivity"*, 25 CONN. L. REV. 1083, 1084–85 (1993)).

If parties have not agreed on how to choose their experts, the arbitral tribunal has the power to appoint an expert or experts.[139] The CAR Rule Article 30 stipulates that the parties can produce evidence, including witnesses, to support their claim or defense, and the witnesses shall be questioned by the arbitrators and the adverse party.[140] The IDRP Rules Article 22(1) states: "[t]he tribunal may appoint one or more independent experts to report to it, in writing, on specific issues designated by the tribunal and communicated to the parties."[141] Additionally, Article 22(2) states:

> The parties shall provide such an expert with any relevant information or produce for inspection any relevant documents or goods that the expert may require. Any dispute between a party and the expert as to the relevance of the requested information or goods shall be referred to the tribunal for decision.[142]

According to the AAA, patent disputes should be resolved with the Supplementary Rules along with the CAR.[143] The ICC Rules Article 20(3) states that experts are to be appointed by the parties.[144] Article 20(4) states that the tribunal may, after consulting the parties, appoint one or more experts, define their terms of reference, and may receive their reports.[145] The WIPO Rules Article 48(b) states that either at the request of a party or via its own motion, the arbitral tribunal may order documents or other evidence to be made available to the tribunal or to an expert.[146]

C. Interim Relief

A patentee has the right to exclude others from using, making, selling, or importing an invention.[147] However, once infringement is found, it is usually hard to price the damage.[148] The best way to protect patentees is to prohibit potential infringers from using, making, selling, or importing the invention. Therefore, injunctive measures are necessary in certain circumstances.

However, in some jurisdictions the arbitral institution has no power to order interim measures.[149] In France, arbitrators can grant the same interim measures as

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[139] *Id.* at 302–04.

[140] CAR RULES, *supra* note 47, at 30(a).

[141] IDRP, *supra* note 50, at art. 22(1).

[142] *Id.* at art. 22(2).

[143] *See* AM. ARBITRATION ASS'N, RESOLUTION OF PATENT DISPUTES SUPPLEMENTARY RULES (2006), *available at* http://www.adr.org/sp.asp?id=27417.

[144] ICC RULES, *supra* note 46, at art. 20(3).

[145] *Id.* at art. 20(4).

[146] WIPO RULES, *supra* note 44, at art. 48(b).

[147] 35 U.S.C. § 271 (2006).

[148] *See id.* § 284; Eiland, *supra* note 3, at 314.

[149] *See* Eiland, *supra* note 3, at 315 (citing John A. Fraser, III, *Congress Should Address the Issue of Provisional Remedies for Intellectual Property Disputes Which Are Subject to Arbitration,* 13 OHIO ST. J. ON DISP. RESOL. 505, 534 (1998)).

judges.[150] The UNCITRAL Model Law on International Commercial Arbitration Article 17(A)(1)(a) states that the party requesting the interim measure must establish that "[h]arm not adequately repairable by an award of damages is likely to result if the measure is not ordered, and such harm substantially outweighs the harm that is likely to result to the party against whom the measure is directed if the measure is granted."[151] Additionally, under these rules, an arbitral tribunal has the right to issue grants preliminary—by Article 17(B)—without notice to the other party.[152] Although some jurisdictions have been influenced by the UNCITRAL Model Laws to provide interim measures, the Federal Arbitration Act ("FAA")[153] was not.[154] In practice, most courts will enforce interim measures issued by arbitral tribunals if the arbitration was derived by an arbitration agreement.[155] The ICC Article 23(1) states, "[u]nless the parties have otherwise agreed, as soon as the file has been transmitted to it, the Arbitral Tribunal may, at the request of a party, order any interim or conservatory measure it deems appropriate."[156] Furthermore, the ICC Article 2 states that the arbitrators may "[o]rder any conservatory measures or any measures of restitution that are urgently necessary to prevent either immediate damage or irreparable loss and so to safeguard any of the rights or property of one of the parties."[157] The WIPO Arbitration Rules are specifically designed to satisfy the demands of intellectual property arbitration detailing the interim measures.[158] Article 46(a) states, "[a]t the request of a party, the Tribunal may issue any provisional orders or take other interim measures it deems necessary, including injunctions."[159] Article 46(d) states that a request of a party for interim measures is not incompatible with or deemed a waiver of the Arbitration Agreement.[160] Additionally, the CAR Rule 33 states that "[t]he arbitrator may issue such orders for interim relief as may be deemed necessary to safeguard the property that is the subject matter of the arbitration, to preserve evidence, and/or to protect trade secrets or other proprietary information that might be disclosed during the arbitration."[161] The word "property" presumably includes patents.[162] The SCC rules Article 32 states that the arbitral tribunal may order interim measures at the request of a party.[163] The CAR Rule 34 states that an arbitrator may take necessary interim measures

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[150] Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, Switzerland, Mar. 3–4, 1994, *The Arbitration of Intellectual Property Disputes*, WIPO Publication No. 728 (by Julian D.M. Lew).

[151] UNCITRAL MODEL LAW, *supra* note 36, at art. 17(A)(1)(a).

[152] *Id.* at art. 17(b)(1).

[153] 9 U.S.C. §§ 1–14 (2006).

[154] Eiland, *supra* note 3, at 316.

[155] *Id.* (citing John A. Fraser, III, *Congress Should Address the Issue of Provisional Remedies for Intellectual Property Disputes Which Are Subject to Arbitration*, 13 OHIO ST. J. ON DISP. RESOL. 505, 540 (1998)).

[156] ICC RULES, *supra* note 46, at art. 23(1).

[157] ICC, RULES FOR A PRE-ARBITRAL REFEREE PROCEDURE, art. 2.1(a) (Jan. 1990), *available at* http://www.iccwbo.org/court/arbitration/id4427/index.html. *See* Eiland, *supra* note 3, at 318–319.

[158] Eiland, *supra* note 3, at 319.

[159] WIPO RULES, *supra* note 44, at art. 46.

[160] *Id.*

[161] CAR RULES, *supra* note 47, at r. 33.

[162] Eiland, *supra* note 3, at 317.

[163] SCC RULES, *supra* note 132, at art. 32.

including injunctive relief.[164] The Supplemental Rules Rule L-3 states the agenda at the preliminary hearing.[165] The CAR's "Optional Rules for Emergency Measures of Protection" provides for emergency measures before the constitution of the tribunal.[166] According to Optional Rule 4, the interim award can be issued once the party seeking it shows the possibility of immediate and irreparable loss or damage.[167]

If a patentee agrees to arbitrate for an infringement dispute, he does not give up the interim relief in the arbitration unless restricted by the context of the arbitration agreement.[168]

V. ADVANTAGES OF INTERNATIONAL PATENT ARBITRATION

A survey in 2006–2007 compared the most important advantages of international arbitration regarded by practitioners in the west and east:[169]

Advantages	**East**	**West**
Forum is neutral	*88%*	*78%*
Forum has expertise	*83%*	*76%*
Results are more predictable	*36%*	*42%*
Voluntary compliance	*42%*	*24%*
Treaties ensure compliance abroad	*85%*	*69%*
Confidential procedure	*76%*	*56%*
Limited discovery	*47%*	*56%*
No appeal	*64%*	*58%*
Procedure is less costly	*36%*	*20%*
Less time consuming	*57%*	*35%*
More amicable	*52%*	*35%*

As for patent disputes, the advantages of international arbitration are discussed below.

A. Saving time

Arbitration can be faster than litigation. Patent litigation often lasts for more than ten years.[170] And because courts often bear a heavy caseload, it may be a long

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[164] CAR RULES, *supra* note 47, at r. 34.

[165] CAR RULES, *supra* note 47, at r. L-3; Eiland, *supra* note 3, at 317.

[166] CAR RULES, *supra* note 47, at r. O-1; Eiland, *supra* note 3, at 317.

[167] CAR RULES, *supra* note 47, at r. O-4; Eiland, *supra* note 3, at 317–18.

[168] Eiland, *supra* note 3, at 319 (citing Paul M. Janicke, *Maybe We Shouldn't Arbitrate: Some Aspects of the Risk/Benefit Calculus of Agreeing to Binding Arbitration of Patent Disputes*, 39 HOUS. L. REV. 693, 707 (2002)).

[169] Shahla F. Ali, *Approaching the Global Arbitration Table: Comparing the Advantages of Arbitration as Seen by Practitioners in East Asia and the West*, 28 REV. LITIG. 791, 833 tbl.1 (2009).

wait for an available docket.[171] Although figures for an "average" time for international patent litigation are difficult to obtain, an average of 1.12 years was found for each patent suit in the U.S. district courts from 1995–1999.[172]

Arbitration, on the other hand, is available at any time the parties are ready to negotiate. Parties do not have to wait for the court to be ready. Once disputing parties choose summary adjudication, arbitration can be even more expedient.[173] As such, arbitration appears to be a much more time-efficient solution.

B. Saving Costs

While litigation may be slow and expensive, arbitrations can expedite cases and reduce courts' caseload without sacrificing the fairness of the resolution.[174] International commercial arbitration can be much cheaper than international lawsuits because arbitration is quicker and has fewer requirements than formal litigation.[175] The costs spent in litigation such as hiring expert witness, paying for discovery, and preparing exhibits can be huge, especially in complicated patent disputes.[176] The parties can save on costs by appointing or electing proper arbitrators who are specialists in the subject matter at issue. Parties do not have to educate the judge or jury with the necessary knowledge regarding the patent at issue. In the United States, the general rates range between $250–400 per hour for an expert panelist.[177]

Cost saving for arbitration is more apparent where there are parallel motions regarding the same dispute or patent. Several lawsuits are more likely to arise in a cross-border infringement. It will cost a lot to conduct lawsuits in multiple jurisdictions at the same time. A single international arbitration may replace all the possible lawsuits in order to save costs as well as avoid inconsistent judgment results.[178]

Further, the awards of arbitration are much harder to challenge than a judgment, therefore the cost of appellate lawyers and expert witnesses can be saved.[179] In general, there is no appeal for an award, which is final and conclusive.[180]

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[170] Eiland, *supra* note 3, at 284.

[171] Tom Arnold, *Fundamentals of Alternative Dispute Resolution: Why Prefer ADR*, *in* PATENT LITIGATION, 1993, at 670 (PLI Pats., Copyrights, Trademarks, and Literary Prop. Course, Handbook Ser. No. 376, 1993), *available at* WL, 376 PLI/Pat 655.

[172] Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889, 908 (2001).

[173] Schlessinger v. Rosenfeld, Meyer & Susman, 40 Cal. App. 4th 1096, 1103 (1995).

[174] *See* Grantham, *supra* note 81, at 179.

[175] *See* Christopher P. Hall & Scott J. Newton, *International Arbitration Bodies: A Survey*, N.Y. L.J., June 16, 1992, at 6.

[176] *See* Michael H. Diamant et al., *Alternatives to Going to Trial Settlement and ADR Methods*, *in* LITIGATING TRADEMARK, TRADE DRESS, AND UNFAIR COMPETITION CASES (ALI-ABA Course of Study), available at WL, SF75 ALI-ABA 243, 246 (2000).

[177] *Id.*

[178] *See* Eiland, *supra* note 3, at 286 (discussing the case in the U.K. finding non-infringement of the "Epilady" razor as compared to the German court that found infringement for the same "Epilady" razor).

[179] Eiland, *supra* note 3, at 288.

C. Confidentiality

Although the degrees of confidentiality in arbitration differ,[181] confidentiality can be an advantage of international patent arbitration. For example, in English law, confidentiality is implied even when the parties do not stipulate to a confidentiality clause in their agreements.[182] According to the rules of the LCIA and the Singapore International Arbitration Centre, parties cannot reveal any facts about the arbitration, including their participation.[183] Therefore, confidentiality can be a good reason for the parties to choose arbitration; it is easier in arbitration to keep secrets out of the press and competitors.[184] In arbitration, it is more likely that secret information will remain confidential.[185] Specifically in patent validity disputes, parties are more likely to keep silent to maintain their technology advances.

D. Predictability

One of the important reasons why parties choose arbitration to resolve their disputes is that the arbitration is predictable. The parties may not trust the application of foreign law, legal practices, political systems, social culture and economic structures. The arbitration can avoid circumstances in which the courts, according to its private international law, have to apply foreign law as the applicable law. In arbitration, parties are allowed to select the applicable law as well as the seat of arbitration.[186] If the applicable law is likely to be more familiar to the parties, they are better able to predict the result of the arbitration. Hence, the parties can avoid the uncertainty of a jury decision and enhance certainty. The determination of a jury is always uncertain and is frequently a zero-sum game. In contrast, the arbitration can create a win-win situation.

E. Harmony

Arbitration is usually regarded as a tool to resolve the disputes with minimal damage to business relationships.[187] Especially in patent disputes, the claimant and the respondent generally have a business relationship. If they can maintain their

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[180] *See* New York Convention, *supra* note 33, at art. V (providing limited methods of appeal). Errors of law and fact are not included. *Id.* However, an award can be set aside by court in country where the arbitration took place, generally for violations of that country's public policy. *See id.*

[181] *See generally* L.Y. Fortier, *The Occasionally Unwarranted Assumption of Confidentiality*, 15 ARB. INT'L 131 (1999) (detailing confidentiality in arbitrations).

[182] *See* M.A. Smith et al., *supra* note 40, at 316.

[183] *Id. See also, e.g.*, LCIA RULES, *supra* note 52, at art. 30; SINGAPORE INTERNATIONAL ARBITRATION CENTRE, INTERNATIONAL RULES, R. 34.6 (1997), *available at* http://www.siac.org.sg/cms/pdf/Rules1997.pdf.

[184] *See* Union Oil Co. of Cal. v. Leavell, 220 F.3d 562, 568 (7th Cir. 2000).

[185] *See id.*

[186] *See, e.g.*, Scherk v. Alberto-Culver Co., 417 U.S. 506, 519 (1974).

[187] MICHAEL BUHLER ET AL., PRACTITIONER'S HANDBOOK ON INTERNATIONAL ARBITRATION 9 (Frank-Bernd Weigand ed., 2002).

relationship the arbitration, they can go on to benefit from each other after the resolution.[188] In contrast, parties may attack each other in a lawsuit, destroying future business opportunities without maintaining a friendly business relationship.

F. Flexibility

When parties agree to an arbitration clause, they may choose the arbitration institution and location as well.[189] However, the entire arbitration need not occur at the seat of the arbitration institution. It depends on where the parties, lawyers, evidence, documents and witnesses are located. Furthermore, parties and arbitrators can choose anywhere to arbitrate. This opportunity is relatively convenient and flexible for international patent disputes, particularly in cases in which multi-national infringement is claimed.

G. Expertise

In civil law jurisdictions, judges in general have no technology background.[190] And, under common law systems, such as United States, the juries, who also may have little technology background, are used to determining the facts.[191] Thus, some patent issues involving complex technology may be too complicated and difficult for juries.[192] In fact, scholars have found that juries side with patentees more often on patent validity issues than with judges.[193]

In commercial arbitration, the parties are more likely to choose the experts and the procedures.[194] This will allow the parties convenience and flexibility. In patent cases specifically, experts chosen by the parties to be the arbitrators can judge the technology issues independently. In such cases, the arbitrators can review the expert reports instead of following it with blind deference. The arbitrators are likely not to be the rubber stamp of expert witnesses. In contrast, the jury and even the judge may be limited by the expert report because they lack the necessary knowledge in patent law. Compared to a jury, selected arbitrators with technology expertise can consider the patent issues more precisely and avoid bias.

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[188] *See* Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, Switzerland, Mar. 3–4, 1994, *The Arbitration of Intellectual Property Disputes*, WIPO Publication No. 728 (by Brian Niblett), *available at* http://www.wipo.int/amc/en/events/conferences/1994/niblett.html.

[189] *See* Eiland, *supra* note 3, at 309.

[190] *See* Paul M. Schoenhard, *Reversing the Reversal Rate: Using Real Property Principals to Guide Federal Circuit Patent Jurisprudence*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 299, 304–05 (2007).

[191] *See* U.S. CONST. amend. VII.

[192] *See* Eiland, *supra* note 3, at 287.

[193] *See id.* (quoting evidence from James F. Davis, *Judicial Management of Patent Litigation in the United States: Observations from the Litigation Bar*, 9 FED. CIR. B.J. 549, 549–50 (2000)).

[194] *See* Grantham, *supra* note 81, at 175.

VI. THE TACTICS FOR A DECISION MAKER TOWARD INTERNATIONAL PATENT ARBITRATION

A. Is it proper to offer or accept an offer of arbitration or an arbitration agreement?

As a decision maker, the first thing to consider in a patent dispute is whether it is proper to stipulate to an arbitration clause in the commercial contract. Should the enterprise offer the arbitration clause? When the other side offers an arbitration clause, should the decision maker accept it? In circumstances where there is no arbitration clause in the contract, should the party offer or accept the offer to bring the current dispute to arbitration?

Generally speaking, the decision maker should consider the value or potential benefit and loss of the patent at issue. If the value or future profit or loss is high enough and the party's pocket is deep enough, is it worth beating the enemy in court? The long and lasting front line in litigation is a war of attrition to defeat the foes. However, the fruits will be nice and sweet. Without any compromise, which could happen in arbitration, a party can collect a large amount of damages or benefit greatly from using the patent at issue.

On the contrary, if the value of the patent in question is not high enough, or a party lacks sufficient resources to fight to the end, it would be better to enter into an arbitration to settle to protect the future of his enterprise. This is why research has found that disputes of patents with less value are more likely to be arbitrated.[195] When a large amount of money is involved, litigation is always preferred.[196] More precisely speaking, the party with more financial advantages may prefer litigation to its rivals.[197]

However, the imbalance of resources between the parties may not be the most critical factor. Because an award only affects the parties in the dispute, a loser in arbitration may not suffer from a total loss in the market. The party who assesses itself is more likely to lose in litigation and still be willing to enter an arbitration agreement.

If an injunction is issued by a court holding that the patent in question cannot be utilized until the final and conclusive judgment is made, the patent becomes valueless because the litigation period may last longer than the life cycle of the patent; the efforts of litigation would be in vain. Arbitration would be a better choice in such a situation because the length of interim relief, if any, would survive the life of the patent. On the other hand, the choice of arbitration means that the parties may waive the access to interim relief if the chosen arbitral institution cannot provide proper interim measures. The parties may try to use arbitration just for insurance purposes or to demonstrate their patent rights to competitors.[198]

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[195] *See* Eiland, *supra* note 3, at 284 (citing Vivek Koppikar, *Using ADR Effectively in Patent Infringement Disputes*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 158, 165–66 (2007)).

[196] *See id.*

[197] *See id.* at 287 (citing William Kingston, *The Case for Compulsory Arbitration: Empirical Evidence*, 22 EUR. INTELL. PROP. REV. 154, 154–55 (2000)).

[198] *Id.* at 295.

B. What is the proper arbitration institution and the proper applicable law to choose?

Once the decision is made to resort to arbitration, the parties should be very careful in choosing the seat of arbitration and the applicable substantial law. Different arbitration institutions may have different arbitral procedures, which may be favorable or harmful to a given side. For example, if the key evidence is in one party's hands and that party does not want such evidence to be available to the other side, it may choose an arbitral institution without full discovery.[199] If one party wants to control the selection of experts as arbitrators or witnesses, or it needs emergent measures to protect its patent, it may choose an arbitral institution with the procedure more favorable to it. As such, it is necessary to "search and research" before selecting the arbitration forum.

As to the applicable law, different applicable substantial laws may lead to different arbitral results. When deciding the proper seat of arbitration and the applicable law, it is important to consider the problem of recognition and enforcement of foreign arbitration awards in a specific jurisdiction.[200] Even where the forum and applicable law are not ideal, they may still be the best choice where the award can be recognized and enforced in a state in which the opposing party has adequate property to discharge his obligation under an arbitration award. On the other hand, if the forum or applicable law appears to favor one side, this choice may not be recognized by the country in which the party plans to attach or seize property. The reasons vary. For example, the state where the forum of arbitration is, or the state which is supposed to enforce a foreign award, may not be a member of 1958 New York Convention.[201] Besides, the state that is meant to recognize the award may have special public policy concerns, such as political or religious factors, and refuse to enforce the arbitral award at issue.[202] The problems of enforceability of foreign arbitral awards focus on the New York Convention for the Recognition and Enforcement of Foreign Arbitral Awards of 1958, which has been widely ratified. The enforcement provisions are stipulated in Article V.[203] The New York Convention requires courts in member states to enforce arbitral awards made by foreign law if, *inter alia*, the award was made according to the arbitration agreement and the arbitral proceeding has met minimal standards of fairness such as proper service, the award concerns a subject matter with arbitrability, and the award does not violate principles of public policy in the state in which enforcement is sought.[204] Under the framework of the New York Convention, the party opposing enforcement has the burden of establishing that the foreign arbitral award is not enforceable.[205] A

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[199] *See* John W. Hinchey et al., Presentation at Center for International Legal Studies Salzburg Conference: Discovery in International Arbitration (June 15–18, 2008) (on file with The John Marshall Review of Intellectual Property Law).

[200] New York Convention, *supra* note 33, at art. I (providing a method of enforcing arbitral awards).

[201] *Id.* at art. VIII.

[202] *Id.* at art. V. *See also* Parsons & Whittemore Overseas Co. v. Societe Generale De L'Industrie Du Papier, 508 F.2d 969, 973–74 (2d Cir. 1974) (detailing the narrowness with which public policy defenses under art. V of the New York Convention should be interpreted).

[203] New York Convention, *supra* note 33, art. V.; *see also* ALBERT JAN VAN DEN BERG, THE NEW YORK CONVENTION OF 1958, 291–94 (1981).

[204] New York Convention, *supra* note 33, at art. V(1).

[205] *Parsons*, 508 F.2d at 973.

decision maker should pay more attention to instances where the other party may provide a public policy defense declaring the arbitration agreement unenforceable. Such a defense, particularly with patent validity disputes, is likely to be legitimate and accepted.[206]

Another consideration for decision makers is whether the applicable law allows the arbitrability of patent validity and to what extent its effect reaches. This is important to understand before selecting the applicable law to be drafted in an arbitration clause. If the parties have stipulated the applicable substantive law in their arbitration clause, then the stipulated law determines arbitrability. If not, the law of the place of arbitration will govern.[207] The WIPO arbitration rules maintain that the law applicable to the arbitration shall be the law of the place of arbitration, unless the parties have expressly agreed on the application of another arbitration law and such agreement is permitted by the law of the place of arbitration.[208] In general, the applicable law to arbitrate a patent dispute is the substantive law of the country that issued the patent in question.[209] This is because the conditions or requirements of granting a patent are specified by the granting country's laws. For example, in the United States, the judgments of patentability in a foreign court are not binding on U.S. courts when patent validity is at issue.[210]

In a nutshell, it is crucial to create a plan for selecting the arbitral institution and applicable law before the patent war begins. A decision maker in an enterprise is like the supreme commander of a field force who may determine the life or death of that enterprise. However, no matter how sophisticated a decision maker may be, he cannot make the tactical decisions alone. The prediction of the result of an arbitration or litigation by the possible jurisdictions and possible applicable laws is in a highly specialized field of law. At a minimum, only lawyers familiar with international commercial arbitration law, private international law, international civil procedure law, comparative civil law, and comparative substantial patent law may have the capacity to complete this great and complex mission.

C. How to choose the proper arbitrator?

The basic factors to consider when selecting proper arbitrators are the fame, record, experience, expertise, and possible conflicts of interest. Since a patent dispute may involve complicated technological and scientific knowledge, the background of the arbitrator is significant. An excellent arbitrator can find the faults of an expert report and make the right decision. Sometimes there are hundreds or even thousands of arbitrators who fulfill the requirements of above-mentioned basic factors.[211] Similar to choosing the right juror in a jury trial, selecting the proper arbitrator is a deep skill.. The history of a candidate is always important.

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[206] Kojo Yelpaala, *Restraining the Unruly Horse: The Use of Public Policy in Arbitration, Interstate and International Conflict of Laws in California*, 2 TRANSNAT'L LAW. 379, 460 (1989).

[207] 1 BORN, *supra* note 23, at 180.

[208] WIPO RULES, *supra* note 44, at art. 59(b).

[209] *See id.* at art. 59(a).

[210] *E.g.*, Cuno Inc. v. Pall Corp., 729 F. Supp. 234, 238–39 (E.D.N.Y. 1989).

[211] *See, e.g., Members of the Panel of Conciliators and of Arbitrators*, INT'L CENTRE FOR THE SETTLEMENT OF INVESTMENT DISPUTES (July 2010), http://icsid.worldbank.org/ICSID/

D. Other considerations

Generally speaking, a decision maker in an intellectual property organization has to utilize a cost-benefit analysis to decide whether arbitration should be used to resolve patent validity disputes before entering an arbitration agreement. He has to consider at least the following factors: (1) Who will claim and who will defend? Who will be the other side of party? Who will be the co-claimant and who will be the co-defendant? (2) What is the potential risk? (3) For the potential issues, who is likely to win in court? (4) How long will the potential litigation last? How disruptive will it be to the client? (5) What will be the costs and fees to fight in a lawsuit or in arbitration? (6) How will the other side assess the dispute and all of the above-mentioned factors? Will the other side decide that the procedure does not produce unacceptable risks and is likely to have lower costs?[212]

CONCLUSION

The sovereign-grant arguments to challenge the arbitrability of patent validity are not convincing. There is no ground to distinguish patent arbitration from other kinds of commercial arbitration. The sovereign-grant arguments are so abstract that they lack any base of actual practice. The sovereign-grant argument is also nothing more than smoke and illusions. It argues that only the sovereign itself has the power to extinguish the rights it rendered. The sovereign-grant arguments forget the fact that the arbitral effect only exists *inter partes*; the international tendency is to accept the arbitrability of patent validity. However, it is clearly not popular if the arbitration could affect third parties as to a patent's validity. Even where a country accepts arbitration of a patent's validity, the effect is limited to the parties in the dispute and does not affect the public. Further, there is no issue of public policy. The parties of a patent validity dispute merely want to allow neutral arbitrator to determine their rights and obligations to one another. An arbitration award, based on the parties' express or implicit promises to conform their conduct to the award, generates new contractual rights to replace the old rights.[213] The parties have the rights and autonomy to make such decisions themselves without the intervention of a third person.[214] Through arbitration, the parties hope to simply clarify the legal relationship between them. Enforcing an arbitration award as to specific parties does not mean that the holdings of the arbitration need to apply to third parties. Therefore, the argument suggesting that third parties would be adversely affected by enforcing arbitration awards that encompass patent validity is against the trend. It cannot work well.

ICSID/DocumentsMain.jsp (providing a list of qualified investment specialists who can be conciliators or arbitrators in an ICSID tribunal).

[212] *See* Paul M. Janicke, *supra* note 168, at 695.

[213] *Id.* at 701 n.42 (citing SIR MICHAEL J. MUSTILL & STEWART C. BOYD, THE LAW AND PRACTICE OF COMMERCIAL ARBITRATION IN ENGLAND 27 (2d ed. 1989)).

[214] *See* Paul M. Janicke, *supra* note 168, at 701.

The public policy provisions in the New York Convention Article V should be construed very narrowly.[215] The refusal of enforcement of foreign arbitral awards should be based on the fact that the enforcement violates the forum state's most fundamental values, morality, or justice.[216] If we adopt a broad definition of public policy, it will deduct the functions of international commercial arbitration and hinder international commerce. Even if the arbitration of patent validity disputes violates the public policy of a given state, patent validity could be separated from the rest of the patent dispute and submit the narrow issue of patent validity to the governmental body with authority to decide patent validity. Then, the final and conclusive judgment regarding validity could be used by the arbitral tribunal in making its final decision.

Patent disputes are special because they usually concern foreign elements and high-level technology. Hence, international commercial arbitration has become an important consideration for replacing cross-border patent litigation. In fact, there are several advantages provided by international commercial arbitration in resolving patent disputes, including time-savings, cost-savings, confidentiality, predictability, harmony, flexibility, and expertise, among others. Possible disadvantages of arbitration can be mitigated by considering these three factors when drafting the arbitration clause. If a party requires interim measures, it must make sure that such measures are available under its choice of arbitral institution. The party must also ensure that the arbitration award can be enforced in the targeted state.

The tactics in choosing international commercial arbitration for a patent dispute are highly law-oriented. Deliberate legal research and thoughtful planning based on that research are necessary. Due to the high value of patents, handling a patent dispute has become an enduring war in which numerous financial resources, human capital, and precious time will be invested. The result may be a life or death matter for an enterprise. Unless a party has confidence in gaining more through litigation, arbitration can reduce the risks involved and bring more certainty to patent disputes.

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[215] *See, e.g.*, Parsons & Whittemore Overseas Co. v. Societe Generale De L'Industrie Du Papier, 508 F.2d 969, 973–74 (2d Cir. 1974).

[216] *See id.* at 974.