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ARBITRATING IP DISPUTES

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- Benny Lo is an independent barrister and international arbitrator based in Hong Kong. He focuses on civil, commercial, company and intellectual property (IP) dispute resolution and advises and represents clients in litigation and international arbitration matters.
- In particular, Benny has a wealth of experience in contentious and non-contentious company matters, and regularly represents clients in winding-up petitions, shareholder disputes, derivative actions, appointment of provisional liquidators and injunction applications.
- With his scientific training in pharmaceuticals prior to becoming a lawyer, Benny devotes part of his practice to IP matters and commercial matters with an IP element, especially patents trademark and copyright. He recently defended BGI Hong Kong against an injunction application based on alleged patent infringement of a non-invasive prenatal testing patent.
- Other than working as an advocate, Benny also regularly sits as an arbitrator. He has to date received six appointments to act as sole arbitrator or co-arbitrator in respect of commercial and IP-related arbitrations conducted under the HKIAC and UNCITRAL arbitration rules. In January 2017, Benny was appointed by the Chief Justice to sit as a Deputy District Judge.

WAYS OF RESOLVING IP DISPUTES

- Negotiation
- Mediation
- Court litigation
- **Arbitration**
- “Giving Up”

(NB: more than one way is often necessary.)

OVERVIEW

- I. **Arbitration** as a Means for Resolving IP Disputes
- II. **The Hong Kong Approach** to Arbitrability of IPRs
- III. **Case Study:** Hong Kong Arbitration of a US Patent Dispute

Part I

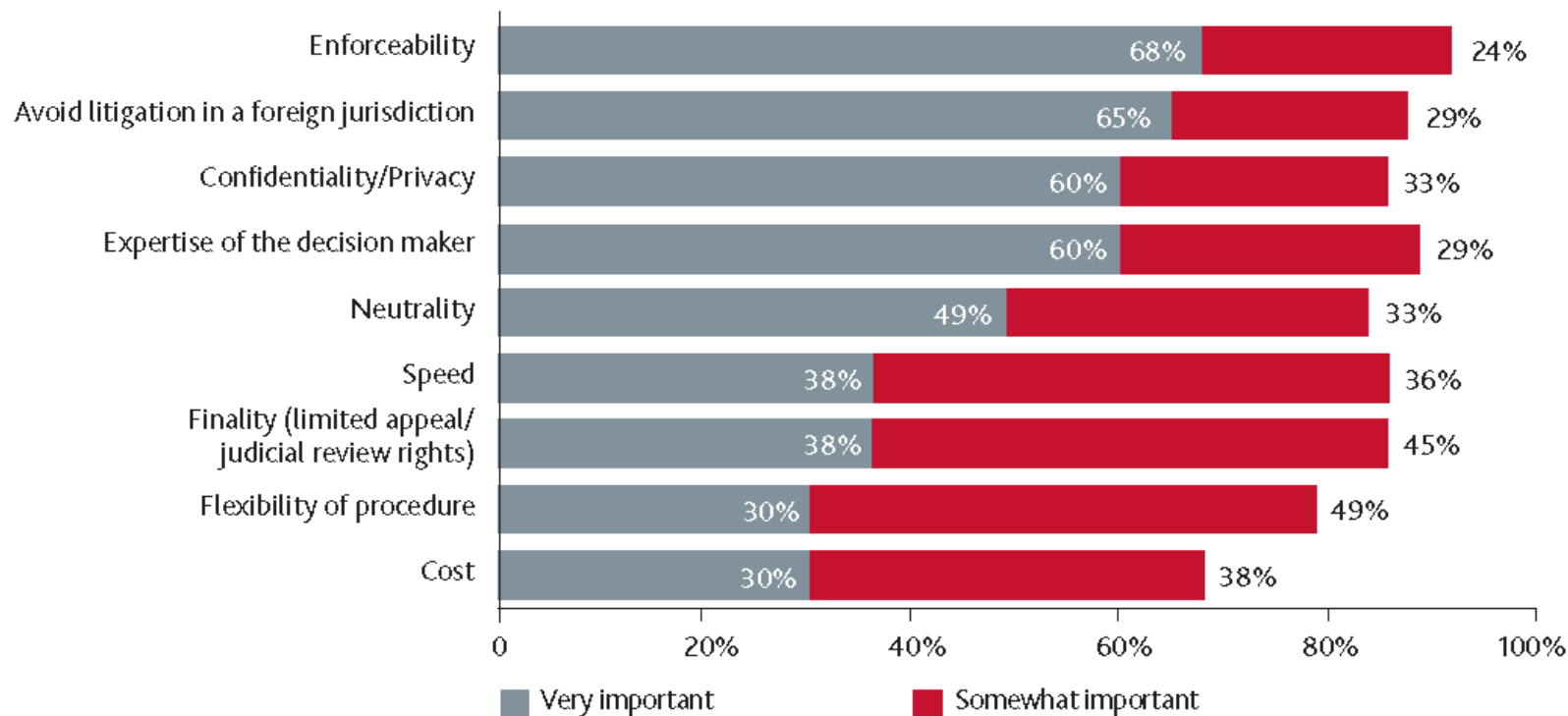
Arbitration as a Means for Resolving IP Disputes

Popularity of arbitration in resolving IP disputes

- **2016 International Dispute Resolution Survey** entitled *“Pre-empting and Resolving Technology, Media and Telecoms Disputes”* revealed that:-
 - **92%** of the respondents agreed that international arbitration is well-suited for resolving TMT disputes
 - **82%** of the respondents indicated it is likely that there will be a general increase in the use of international arbitration to resolve TMT disputes



Why arbitrate IP disputes?



How parties agree to arbitrate IP disputes?

Pre-Dispute Agreements

- OEM and other S&P agreements in respect of protected technologies
- Licensing agreements
- Joint Venture agreements
- Settlement agreement following Court proceedings
- International agreements or treaties

Post-Dispute Agreements

- Agreement to submit dispute to arbitration
- E.g. WIPO Model Submission Agreements

Part II

The Hong Kong Approach to Arbitrability of IPRs

Question of “Arbitrability”

- Q1: Is the subject matter of the dispute “*capable of settlement by arbitration*”?
- Q2: Is the recognition or enforcement of the arbitration award “*contrary to the public policy*” of the country of enforcement?
- Particularly contentious area:
 - Is a dispute over **validity** of registrable IPRs arbitrable?

Hong Kong Arbitration Ordinance (Cap. 609)

- **Prior to June 2016**, the Hong Kong *Arbitration Ordinance* and the Hong Kong courts had not addressed the arbitrability of IP disputes
- **June 2016**, Arbitration Ordinance amended (Part 11A) to clarify that:-
 - (a) *An IPR dispute is capable of settlement by arbitration;*
 - (b) *An arbitral award may not be set aside or refused enforcement only because it involves an IPR;*
 - (c) *Only the parties to the arbitration are bound by the award*
- Amendments shall come into effect on **1 January 2018**

Part III

Case Study:

Hong Kong Arbitration of a US Patent Dispute

FACTS



1. Company A commenced HK arbitration contending that Company B had infringed a US patent belonging to Company A

2. Company B, in its answer to the notice of arbitration, in addition to denying infringement, also counterclaimed for a declaration that the subject US patent is liable to be revoked

3. Company A discovered Company B had petitioned the US Patent Trial and Appeal Board (PTAB) for *inter partes* reviews to challenge the validity of various claims in the US patent

ARBITRATION CLAUSE

The relevant part of the arbitration clause provides as follows:-

*“Any dispute, controversy, difference or claim arising out of or relating to this Agreement or any non-contractual disputes arising out of or relating to it, **including views on the use or infringement of patents and their validity** shall be referred to and finally resolved by arbitration administered by the HKIAC under the HKIAC Rules in force when the Notice of Arbitration is submitted. However the Tribunal’s views on such dispute in question shall only be applicable to a dispute between the parties to this Agreement and not applicable to a dispute with a non-party to this Agreement. The place of arbitration shall be Hong Kong. The number of arbitrators shall be 3.”*

FACTS

Company A

- Applied for an urgent order requiring Company B to withdraw the *inter partes* reviews (i.e. ***“anti-suit” order***)

Company B

- Resisted the application based on the contention that it was entitled to bring the *inter partes* reviews despite the arbitration clause

ISSUES

- What types of disputes shall be referred to arbitration under the arbitration clause?
- Does Company B's challenges under the *inter partes* reviews fall within such types of disputes which are required to be resolved in arbitration?
- If they do, what, if anything, can the Tribunal do about it?

TRIBUNAL'S DECISION

- Arbitration clauses are to be construed on the assumption that the parties intended any dispute to be resolved by the same tribunal (*Fiona Trust and Holding v Privalov* [2008] 1 Lloyd's Rep 254 and *CPC Construction Hong Kong Ltd v Harvest Engineering (HK) Ltd* HCA 2096/2013 applied)
- The arbitration clause provides that any dispute, controversy, difference or claim ***whether contractual or not***, including views on the use or infringement of patents ***and their validity*** shall be referred to and finally resolved by arbitration.

TRIBUNAL'S DECISION

- The attempt to bring the dispute as to the validity of the patents by petitioning for *inter partes* review before the PTAB is a breach of the arbitration clause.
- HK Court has power to restrain the commencement of court proceedings in respect of disputes covered by an arbitration agreement (per G. Lam J in *Ever Judger Holding Co Ltd v Kroman Celik Sanayii Anonim Sirketi* [2015] 2 HKLRD 866)
 - “An anti-suit injunction seeks to enforce the negative aspect of the agreement... not concerned with the institution or prosecution of arbitral proceedings as such, but with restraint of the pursuit of other proceedings in breach of contract. It is more accurately described as measures not in relation to any arbitral *proceedings*, but in relation to the arbitral *agreement*.”

TRIBUNAL'S DECISION

- Given that HK courts have the power to grant anti-suit injunctions, the arbitral tribunal will also have the same power to do so pursuant to ***section 70 of the Arbitration Ordinance***.
- The tribunal also has ***inherent jurisdiction*** to sanction violations of the arbitration agreement or to take any measure necessary to avoid the aggravation of the dispute or to protect the effectiveness of the award.

TRIBUNAL'S DECISION

- **Partial Final Award** granted:-
 - (a) Ordering Company B to withdraw the *inter partes* reviews brought in respect of the subject US patent
 - (b) Restraining Company B from challenging validity of the subject US patent other than before an tribunal under the arbitral agreement
- **Tribunal heard the substantive dispute** over patent infringement and validity over a 5-day hearing at the HKIAC, with HK/US counsel and experts

CONCLUSION

- **Arbitration** is well-suited for resolving IP disputes:
 - Enforceability of awards across New York Convention States
 - Confidentiality of the arbitral process
 - Flexibility of process
 - Technical expertise of arbitral tribunal
 - Consolidation of multi-jurisdiction disputes
- **Hong Kong** is well-suited for IP arbitration:
 - Legislative clarity over arbitrability of IPRs
 - Top seat outside of Europe, a truly independent and neutral forum