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IPBA Vancouver 10.5.2014: Arbitration of Intellectual Property Disputes

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Introduction

Globally, IP disputes are on the rise. In China alone, the number of civil IP cases accepted by the local Courts in 2011 was more than 59,000 up by approximately 40% as compared to 2010[1].

IP disputes can be resolved through litigation or alternative dispute resolution (ADR) avenues such as arbitration and mediation.

Companies are actively seeking expeditious, cost-effective and just avenues to resolve their IP disputes.

Malaysia

Arbitration for intellectual property disputes in its infancy compared to other jurisdictions around Asia Pacific region.

The current body that administers IP registrations in Malaysia is the Intellectual Property Corporation of Malaysia (MyIPO) which deals with registrations and opposition proceedings involving registrations of patents, trade marks, industrial designs and geographical indications. See http://www.myipo.gov.my/

Singapore

On 1 April 2013 the Government of Singapore adopted an *'Intellectual Property (IP) Hub Master Plan: Developing Singapore as a Global IP Hub in Asia'*. Source: http://www.ipos.gov.sg/

The strengths of ADR identified by the Master Plan at paragraph [5.3.5] include:

(i) A single forum to resolve multi-jurisdictional disputes (especially in complex cross-border contractual arrangements);
(ii) Avoiding the complexities of different local legal systems;
(iii) Cross-border enforcement through the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards; and
(iv) Significant cost savings where ADR is well-managed.

[1] '*Intellectual Property (IP) Hub Master Plan: Developing Singapore as a Global IP Hub in Asia*', April 2013 [para 5.1.1]. Source: *http://www.ipos.gov.sg/*.

The Master Plan notes that the use of ADR in respect of IP disputes (especially validity and infringement issues) is still relatively uncommon because of a number of factors (see paragraph [5.3.3]).

(i) Uncertainty over the arbitrability of IP disputes, particularly disputes involving IP validity, and the corresponding uncertainty of the enforceability of arbitral decision of such disputes, across different jurisdictions.
(ii) Conventional preference and familiarity of parties of using litigation to resolve IP-related disputes.
(iii) Companies may favour going to Court depending on their international business strategies, for example to seek immediate injunctions on their competitors.
(iv) In most jurisdictions, the finality of an arbitral award limits the scope of appeal. Parties may prefer litigation due to the ability to appeal a court judgment.
(v) Lack of a contractual relationship between parties to IP disputes. More often than not, IP infringement disputes occur between parties without any prior contractual relationship.

Litigating IP Disputes in Courts - Advantages

- In most if not all cases, there is no prior agreement between the IP owner and infringer to resolve their disputes through arbitration. Arbitration is therefore limited to disputes in IP rights arising from a contractual relationship between the contracting parties.
- Actions in Court can be filed against third parties.
- Wide area of interim remedies available to the litigant pending the final outcome of proceedings.
- In some jurisdictions, trials are expected to be resolved expeditiously and efficiently. (eg. *Malaysian position following the advent of the Rules of Court 2012*)

Litigating IP Disputes in Courts - Disadvantages

- Due to lack of specialist judges in most jurisdiction, the disposal of IP cases in Courts may take longer.
- Court proceedings are formal and they are open to public.
- In common law jurisdictions, proceedings are adversarial, therefore this may not be something familiar to parties of civil jurisdiction.
- There are jurisdictional limitations to the enforceability of Court judgment.

Arbitrating IP Disputes – Advantages

- Parties can choose arbitrators with specialist technical expertise, or even opt to use a specialist arbitral institution such as WIPO.
- Confidentiality is protected in arbitration. Important as IP and technology disputes commonly involve products or processes that are still in the development phase.
- Enables parties to resolve cross-border or multi-jurisdictional disputes at a single forum, and have the arbitral award enforced across multiple jurisdictions by virtue of the New York Convention. This can save parties significant time and cost.

Arbitrating IP Disputes – Disadvantages

- Arbitration can only take place between parties who have an arbitration agreement. Difficulties arise where the dispute may involve a third party.
- Award is only binding upon 2 parties (or more) to the arbitration agreement.
- Where recourse is only available in Court for certain issues, duplicity of proceedings may arise.
- Arbitration is not cheap.

The Legislation – Malaysia

Arbitration for intellectual property disputes in its infancy compared to other jurisdictions around Asia Pacific region.

Arbitrations in Malaysia is governed by the Arbitration Act 2005 ("AA 2005").
The AA 2005 is based on the UNCITRAL Model Law on International Commercial Arbitration ("Model Law").

There is no express provision pertaining to IP disputes in AA 2005.

However, Section 4 of AA 2005 provides:

"4. Arbitrability of subject-matter

(1) Any dispute which the parties have agreed to submit to arbitration under an arbitration agreement may be determined by arbitration unless the arbitration agreement is contrary to public policy.

(2) The fact that any written law confers jurisdiction in respect of any matter on any court of law but does not refer to the determination of that matter by arbitration shall not, by itself, indicate that a dispute about that matter is not capable of determination by arbitration."

As the IP legislation in Malaysia such as the Patents Act 1983, the Copyright Act 1987, the Trade Marks Act 1976 and the Industrial Designs Act 1996 are silent on the arbitrability of IP disputes, it is perceived that if there is an arbitration agreement between the parties and the dispute is one that comes within Section 4 of AA 2005 as being arbitrable, parties would be free to arbitrate their disputes.

The Institution – Malaysia

The Kuala Lumpur Regional Centre for Arbitration ("KLRCA") was established in 1978 under the auspices of the Asian-African Legal Consultative Organisation (AALCO). It was the first regional centre established by AALCO in Asia to provide institutional support as a neutral and independent venue for the conduct of domestic and international arbitration proceedings in Asia. (See: http://klrca.org.my/)

KLRCA has developed new rules to cater to the growing demands of the global business community such as the KLRCA i-Arbitration Rules, the KLRCA Fast Track Rules as well as the Mediation and Conciliation Rules.

KLRCA also operates the Kuala Lumpur Office of the Asian Domain Name Dispute Resolution Centre (ADNDRC) (http://www.adndrc.org) since 2009.

Disputes handled by the ADNDRC are governed by the Uniform Domain Name Dispute Resolution Policy (UDRP) and the Uniform Domain Name Dispute Resolution Policy Rules (UDRP Rules) as well as the ADNDRC Domain Name Dispute Supplemental Rules.

The Legislation – Singapore

International Arbitration in Singapore is governed by the International Arbitration Act (Cap. 143A) ("IAA"). The IAA also incorporates the Model Law.

By contrast, the IP legislation in Singapore such as the Patents Act (Cap. 221) and the Copyright Act 1987 (Cap. 63) (but not the Trade Marks Act) provide for resolution of disputes by arbitration[2].

[2] Article by Professor Lawrence Boo titled "***Arbitrability of Intellectual Property Disputes***" delivered at the 4th International Association for the Protection of Intellectual Property (AIPPI) Forum in Singapore, 4 - 6 October 2007.

https://www.aippi.org/download/reports/forum/forum07/12/ForumSession12_Presentation_Lawrence_Boo.pdf

The Institution - Singapore

The Singapore International Arbitration Centre ("SIAC") was established in 1991 to meet the demands of the international business community for a neutral, efficient and reliable dispute resolution institution in a fast-developing Asia. Its operations are overseen by a Board of Directors that comprises luminaries in the international arbitration arena. (See: http://www.siac.org.sg/)

Conclusion

Arbitration in IP disputes is a growing area.

It remains to be seen if legislatures would take the initiative to revamp the existing legislation that governs IP rights to make way for more developments in this area.

The government would also play an important role in providing for the infrastructure to develop this area of dispute resolution, in particular towards resolving disputes concerning IP rights.

Equally important if not more, there is a need for specialist arbitrators for IP disputes.