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Arbitrability of IPR Disputes through the Lens of the Iranian Legal System

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A significant number of disputes related to Intellectual Property Rights ("**IPR**") that have been settled by arbitration are reflected in the 2011-2020 World Intellectual Property Organization ("**WIPO**") Caseload Summary. The expansion of the notion of arbitrability to include IPR disputes in recent years illustrates the global trend toward arbitration of IPR disputes despite concerns over the capability of resolving such disputes through arbitration in some jurisdictions, which include Iran, Brazil and South Africa.

This post explores the Iranian approach to the ?rbitr?bility of IPR disputes. In doing so, this post will briefly explain the intellectual property landscape of Iran before discussing the arbitrability of IPR disputes in Iranian intellectual property and arbitration legislations.

The IPR Legal Regime in Iran

IPR essentially deal with creativity and innovation. The IPR regime seeks to "*balance the moral and economic rights of creators and inventors with the wider interests and needs of the society*" through legislation. In the Iranian legal system, the main legislature related to IPR at the domestic level currently are the Act for the Protection of Authors, Composers and Artist Rights 1970, Patents, Industrial Designs and Trademarks Registration Act 2008, the Act on translation and reproduction of books, publications and audio works 1974 and the Act on the protection of rights of computer software creators 2000.

At the international level, Iran is a member of WIPO and has acceded to key intellectual property treaties such as the the Paris Convention for the Protection of Industrial Property, the Madrid Agreement and Protocol for International Registrations of Trademarks, the NICE Agreement for International Classification of Goods and Services, Lisbon Agreement for the Protection of Appellations of Origin and their International Registration. In the context of copyrights, however, Iran has not signed the Berne Convention for the Protection of Literary and Artistic Works. Hence, Iran has not gone as far as the west with respect to its intellectual property legislation.

Arbitrability refers to whether a dispute is capable of resolution by arbitration or whether it can only be adjudicated through the domestic courts. Generally, non-arbitrability is dependent on a number of factors and each state determines whether a dispute is arbitrable by considering its own economic, social and legal circumstances The arbitrability of IPR disputes in the existing Iranian IPR regulations and in the current arbitration legislations will be discussed below.

Arbitrability in the IPR Legislation

Neither of the existing IPR domestic legislation in Iran expressly prohibits recourse to arbitration for IPR disputes. However, pursuant to article 59 of the Industrial Designs and Trade Marks Registration Act, "*disputes related to the application of this Act and the relevant bylaws shall fall within the scope of jurisdiction of the general courts of Tehran that shall be designated by the head of the Judiciary within a maximum period of six months, from approval of the present Ac*t". The wording of this provision is ambiguous and leads to confusion as to whether it provides for the exclusive jurisdiction of the courts in resolving disputes falling under this statute or whether it merely comments on the exclusive jurisdiction of Tehran general courts. Legal scholars note that this article is concerned with the exclusive jurisdiction of the courts of Tehran in cases where they are the only or chosen dispute resolution forum, and not the exclusive jurisdiction of the courts over IPR disputes. This particular article should be read alongside other articles like 18, 41 and 29 dealing with the jurisdiction of the courts over disputes regarding the annulment of the registered patents and trademarks. Therefore, it would seem that only those IPR disputes that require registration at the Iranian Industrial Property Office are to be exclusively settled in the courts. Under this interpretation, state sovereignty and the right of a state to legislate in the public domain is preserved when IPR disputes are arbitrable and article 59, as mentioned above, is indicative of the exclusive jurisdiction of domestic courts over some IPR disputes.

Arbitrability in Iran's Arbitration Legislation

The criteria for arbitrability is mainly set forth in the Iranian Civil Procedure Code and Law on International Commercial Arbitration 1997 ("**LICA**"). Article 496 of the Iranian Civil Procedure Code provides an illustrative list of the non-arbitrable disputes, which include disputes related to insolvency, marriage, divorce and paternity. Additionally, article 34.1 of LICA stipulates that if "*[t]he subject matter of the dispute is not capable of settlement by arbitration under the laws of Iran*", the arbitral award is unenforceable, null and void. There is no express reference as to whether IPR disputes are arbitrable in the arbitration legislations.

There is also a restriction under article 139 of Constitution which requires authorization from the board of Iranian Ministers/Parliament before disputes pertaining to public and state properties can be referred to arbitration. Yet, this article is vague as to the arbitrability concept. Its wording gives rise to doubts as to which disputes may be arbitrable. Indeed, Iranian courts have interpreted the wording in different ways. For instance, the First Instance Court had ruled that there was no restriction on referring disputes involving governmental companies to arbitration and article 139 was merely applicable to governmental properties (judgement number 8809970228700102, 3 May 2009). However, in the same case, the Appeal Court reversed this and held that since the party was an insurance company and the shares belonged to the government, the properties also belonged to the government. Therefore, the dispute was not deemed to be arbitrable.

More importantly, the Comprehensive Draft Bill on Arbitration ("**Comprehensive Draft Bill**") was recently drafted with contribution by the Judiciary and the Iran Chamber of Commerce in order to foster the use of arbitration in light of the Sixth Development Plan which sets out the general goals and the economic, cultural and social development plans of Iran for 2016 to 2021. The Sixth Development Plan has also adopted a pro-arbitration policy by stating that arbitration should be promoted in Iran. At the time of writing, the Comprehensive Draft Bill has not yet been ratified in the Parliament but can be relied on to better understand the latest approach of the legislator. Article 5.3 of the Comprehensive Draft Bill states that "*if one of the parties is a*

governmental entity like Industrial Patent Office or the Ministry of Culture and Islamic Guidance, the IPR disputes are not arbitrable". In other words, both disputes that require registration in the governmental authorities like the disputes related to the registered IPR, patents, designs or trademarks are not arbitrable. This is due to the exclusive jurisdiction of the Iranian domestic courts over some registered IPR disputes. Disputes related to marriage, divorce, paternity, custodianship and insolvency are also considered non-arbitrable pursuant to articles 5.1 and 5.2.

Further, according to the note in article 5 of the Comprehensive Draft Bill, "*the disputes related to infringement of rights, transfer of rights, exploitation privileges and similar to these issues are arbitrable*". For the first time, Iranian legislation contains a provision on the resolution of IPR disputes in Iran that expressly allow for it to be arbitrable. Contrary to the registered IPR that are territorial in nature, disputes regarding the transfer of trade secrets, for example, which do not require to be registered and have private and confidential nature do not raise the sovereignty or public policy defense. The logic behind this categorization here is to avoid a situation where the arbitrators invalidate actions undertaken by the governmental authorities in response to the respondents' challenging the registered IPR and initiating a jurisdictional defense.

While disputes concerning breaches of IPR, assignments of ownership or interpretation of license agreements ought to be arbitrable, challenges on the validity of IPR should not be resolved through arbitration. Given the fact that the issues of validity and ownership of IPR are associated with enforcement by the governmental IPR offices, the protection of these rights is territorial. These include, for instance, patents that are granted by a government for an invention.

On the global front, public policy restrictions and accordingly reservation of the exclusive jurisdiction of the state courts are the major grounds for the non-arbitrability of certain types of IPR disputes. It seems that the prescribed arbitrability of the IPR disputes in the Comprehensive Draft Bill are not merely concerned with whether they fall within the ambit of public policy. Instead, it is whether they fall under the exclusive jurisdiction of the national tribunals over registration of these rights.

Concluding Remarks

The current position on the arbitrability of IPR disputes under Iranian law still remains unsettled. It remains to be seen whether the Comprehensive Draft Bill will eventually be ratified in the Parliament or not. No specific case law has been reported in this regard and future case laws would be welcomed to clarify the issues discussed above.

However, the existing domestic regulations and the Arbitration Bill suggests that the types of IPR disputes need to be differentiated. To this effect, only the disputes related to a governmental entity or those that require registration should be deemed non-arbitrable. It is recommended that the domestic laws include express provisions which authorize the resolution of certain IPR through arbitration. In other words, there exists a strong need to modify the current legal framework for arbitration in order to have an enhanced arbitration-friendly environment to resolve complex IPR disputes more efficiently and effectively. Until such a reform is achieved, parties should take into account whether the applicable law of their contract and the law of the state where the award will finally be enforced recognizes the arbitrability of the IPR or not.

At the international level, the heavy caseload, highly technical subject matter of disputes, as well as agility, neutrality, specialty and confidentiality of the proceedings are reasons to shift towards

arbitration as the preferred forum of dispute resolution for IPR disputes. In Iran, however, some of the IPR practitioners are not yet acquainted enough with the peculiarities of arbitration and prefer litigation. Hence, more initiatives should be taken to promote training in arbitration generally as well as for the IPR disputes.

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