Kluwer Arbitration Blog

CIAarb Egypt Branch: Panel Discussion on International Arbitration and Intellectual Property Disputes

Mohamed Moustafa Kamaal (Chartered Institute of Arbitrators), Tarek El Ghadban (Cairo University), and Zyad Loutfi (Reed Smith LLP) · Friday, June 14th, 2024

On 8 March 2024, the Egypt Branch of the Chartered Institute of Arbitrators (CIArb) organised, as part of its "Wednesday One" panel discussions, a conference hosted by the Cairo Regional Centre for International Commercial Arbitration (CRCICA), titled "International Arbitration and Intellectual Property Disputes."

The panel discussion, moderated by His Excellency Ambassador Mohamed Moustafa Kamaal, aimed at tackling the thorny interplay between intellectual property ("IP") and Alternative Dispute Resolution. Dr Zyad Loutfi and Dr Tarek El Ghadban brought into perspectives the different challenges that IP faces within the realms of commercial and investment disputes respectively.

Commercial Disputes and IP Transactions

Loutfi opened the talk by emphasising the mixed nature of IP rights and highlighted their pivotal social function in fostering innovation, economic growth, and cultural development. Whether the debate is about copyright or industrial property, it was noted that IP rights have a private and a public aspect. This is due to their inherent feature of state intervention in granting rights to creators who can subsequently claim such a monopoly against third parties.

Before tackling the crux of the matter pertaining to the arbitrability of IP disputes, Loutfi touched upon the historical role played by the notion of public policy, or *ordre public*. Traditionally, national laws defined arbitrability in terms of public policy and legal systems, including Egypt, only accepted the arbitration of rights of a private nature or those rights that can be subject to a "compromis" or arbitration agreement. Loutfi then put forward how the idea that certain areas of law should only be applied exclusively by state courts continued to haunt the definition of arbitrability for many decades. However, the gradual marginalisation of public policy and the growing trust in international arbitration have allowed the domain of arbitration to extend to areas of economic activity involving significant public interest. Indeed, areas of law traditionally falling within the "*domaine réservé*" of the state have fallen one after the other in the scope of arbitrable claims; these include antitrust, IP, consumer, and securities disputes.

Nonetheless, as noted at the outset, Loutfi carefully noted that given the mixed nature of IP rights, certain jurisdictions still refuse the arbitrability of IP disputes due to the convoluted belief that parties cannot freely dispose of IP rights, and that these rights should remain outside the domain of

arbitration, and remain within the state's exclusive jurisdiction.

Given these public policy considerations, some countries, like South Africa, completely prohibit arbitration of IP disputes altogether while some others accept it in principle, unless the dispute affects the rights of third parties. In general, jurisdictions like France, the United States of America, the United Kingdom, Singapore, Hong Kong, and Canada allow arbitration in respect of the validity, ownership, and infringement of IP rights as long as the arbitral award has an *inter partes* and not an *erga omnes* effect. This means that, *grosso modo*, an arbitral award invalidating a patent in these jurisdictions will not preclude the patent owner from asserting the same patent against third parties.

By contrast, the liberal position of Switzerland was also scrutinised. Since 1975, the Swiss Federal Supreme Court has recognised that IP rights are not subject to the exclusive jurisdiction of the courts,[1)] and, in 1975, the Federal Office of Intellectual Property held that arbitral tribunals are competent to decide on patent issues, including their validity.[2)] As a result, arbitral awards on patent validity are recognised and enforced by the Swiss Federal Institute on Intellectual Property and, thus, have an *erga omnes* effect in Switzerland.

The position of Egypt was inevitably put under the spotlight. As Loutfi mentioned, nothing under Egyptian law prohibits the arbitration of IP rights. Article 183 of the Egyptian IP Code?Law No. 82 of 2002?explicitly states that "where the parties in dispute agree to arbitration, the provisions of the Arbitration Law on Civil and Commercial Disputes No. 27 of 1994 shall apply, unless otherwise agreed." This open-ended language leaves no debate as to the possible arbitrability of IP disputes in Egypt. Nonetheless, arbitrating IP rights in Egypt has no *erga omnes* effect and an IP-related arbitral award will only have an *inter partes* effect. This is mainly because Egyptian courts have no power to invalidate an IP right as this power is only exercised by the relevant administrative bodies.

Before concluding the discussion, Loutfi highlighted some major challenges that IP disputes still face in the realm of commercial arbitration. First, he noted that due care should be given to the choice of seat and to the drafting of arbitration clauses in IP transactions. Parties must ensure that the scope of the latter is sufficiently broad to include contractual disputes over the ownership, validity, and infringement of IP rights. Even if the conventional formulation of "any dispute arising out of or relating to this contract" may suffice, case law shows that parties may still argue that issues of validity and ownership do not stem from the contract (see e.g., *Oracle Am., Inc. v. Myriad Grp. A.G.*, 724 F.3d 1069 (9th Cir. 2013)).

Second, Loutfi underscored how public policy considerations still play a vital role in the recognition and enforcement of arbitral awards. Article 53(2) of the Egyptian Arbitration Law No. 27 of 1994??includes a similar provision to Article 5(2) b of the New York Convention which allows a national court to refuse recognition and enforcement if an award is contrary to the "public policy" of the state. For instance, a Swiss award on the validity of a patent would face some challenges getting enforced in jurisdictions that completely prohibit the arbitration of IP subject matters, like South Africa.

Finally, Loutfi underlined the importance of tackling the issue of "confidentiality" of arbitral proceedings and explained that parties should not assume that their proceedings will be confidential solely because they opted for arbitration. This is because arbitral institutions take

varied approaches to confidentiality. Indeed, some rules include an express duty of confidentiality that extends both to the parties and the arbitrators. For instance, article 53 of the CRCICA 2024 Arbitration Rules and articles 75 to 78 of the WIPO Arbitration Rules extend the confidentiality to the existence of the arbitration, the information disclosed during the arbitration, and the award. By contrast, the ICC 2021 Arbitration Rules provide relatively limited or almost no confidentiality protection. Interestingly, according to article 20 of the ICC 2021 Arbitration Rules, "upon the request of any party, the arbitral tribunal may make orders concerning the confidentiality of the arbitration proceedings […] and may take measures for protecting trade secrets and confidential information." Therefore, confidentiality should be an important topic when selecting the applicable set of arbitral rules.

Investment Disputes and IP Assets

El Ghadban shifted the debate to the realm of investor-state dispute settlement. Building on the previous discussion, El Ghadban divided his remarks into three themes: the past, the present, and a glimpse into the potential future.

The first part was a look into the past with a teleological study of the relationship between international investment law and the protection of IP rights. El Ghadban was of the view that although the substance of international law has evolved, the components of the relationships it regulates have remained unchanged since the first attempts to conceptualise it. Citing to an example of a colonising state using new technologies and processes to farm colonised lands,he stated that international law is present in the once-lawful exploitation of occupied lands, international investment can be seen in the introduction of foreign capital and know-how to create a profitable enterprise in the (unwilling) host state, and what would be called IP today is present in the use of novel techniques and technologies to increase profit.

For most of their history, international investment law and IP law followed similar steps. In both cases, the first protection envisioned was through the use of force, or what is sometimes called "gunship diplomacy." Slowly, bilateral treaties, such as the *Cobden-Chevalier* treaty of 1860,[3)] started regulating commerce and investments, including IP rights, between the parties on the basis of reciprocal obligations. Finally, multilateral agreements created international organisations with the aim of resolving international disputes of this nature. The differences appeared in the second half of the 20th century, when specialised mechanisms were put in place for the international protection of IP rights, namely the WTO's international dispute resolution mechanism.

Three characteristics that are inherent to the dispute resolution mechanism and influence their capacity to satisfy the requirements of the modern IP and international investment market can be discerned: the high potential for imbalance or gridlock, the inflexible proceedings, and the dependence on the states for protection of private rights. International investment law also struggled with the same difficulties at different points of its existence. However, the developments in this field ultimately overcame these difficulties.

The second part of El Ghadban's presentation tackled the contemporary state of the relationship between the international protection of IP rights and international investment law. Using the tools of international investment law to protect the cross-border transfer of know-how and technology was far from a novel idea, as noted by El Ghadban. However, reviewing it in light of the modern developments in international IP dispute resolution can prove useful. A comparative study of the Egyptian Investment Law no. 72 of 2017 ("Egyptian Investment Law") and the newest

developments of international investment law allow for a hopeful conclusion.

The definition of "investment" in the Egyptian Investment Law shares all the characteristics commonly used in international investment law. Pursuant to its Article 1, an investment is identified in any assets used for the constitution, expansion, development and/or management of a project contributing to the comprehensive (or significant) and sustainable development of the Egyptian economy. The direct influence of international case law is evident: the language referring clearly to the *Salini* test (Salini Costruttori S.p.A and Italstrade S.p.A v. Kindgom of Morocco, ICSID case No. ARB/00/04), as influenced by subsequent cases, namely Joy Mining Machinery Ltd v. Arab Republic of Egypt (ICSID Case No. ARB/03/11). Moreover, the Egyptian law follows the interpretation adopted in other more recent cases (cf. i.e., Bridgestone Licensing Serves, Inc. *et al.* v. Republic of Panama, ICSID case No. ARB/16/34, 14 August 2020), by including intellectual property rights in the types of assets that qualify as investments.

El Ghadban also stated that recent developments in international investment law suggest that the system is undergoing a recalibration. Its first objective was protecting foreign investors against the considerably more powerful host-states. However, the change in relative strengths between multinational corporations and states has slowly pushed international investment law to adapt. Applying this logic to international IP disputes, future questions would be more geared towards the possibility for a host-state to successfully initiate arbitration proceedings against an investor's IP-related investment, due to a violation of their rights in a manner that harmed the state's population, its environment and/or its previously declared strategic interests.

Concluding Remarks and Discussion

The panelists' remarks were followed by a rich discussion with the audience, composed of a combination of IP and international law specialists. The exchange showed a strong appetite for a more direct method of international protection of IP rights. The questions centered around the arbitrability of IP rights, the events that trigger the international protection of foreign IP investments, and the relationship between international IP law and general international law.

The speakers concluded by underlining the most recent trends in international commercial arbitration and in IP investor-state dispute settlement cases. Moving forward, the use of international dispute settlement tools for disputes with an IP component will undoubtedly cause some growing struggles for both fields. Nevertheless, the most recent developments suggest a promising future.

References

?1 BGE 71 III 192 para. 2.

?2 Statement of the Federal Office dated December 15, 1975, published in Schweizerisches Patent, Muster und Marken blatt vol I (1976), p. 10.

?3 British State Papers (BSP) 50/48/0:0.

This entry was posted on Friday, June 14th, 2024 at 8:31 am and is filed under CIArb, Egypt, Intellectual Property, International Investment Law
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