

Kluwer Arbitration Blog

The Arbitrability of IP Disputes: A Concern of the Past?

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Intellectual property (“IP”) rights are becoming increasingly valuable assets for businesses, especially for sectors like [technology and life sciences](#). These rights can be key to a business’ success. While IP disputes have traditionally been litigated, there has been a notable shift toward ADR, including arbitration. For example, the WIPO Arbitration and Mediation Center, which specializes in the resolution of IP and technology disputes, has recently seen a [significant increase](#) in cases – from 71 new cases in 2014 to 679 new cases in 2023.

At first glance, IP disputes relating to core issues such as infringement or validity may not appear a natural fit for arbitration. This is due to the nature of IP rights, which are designed to grant a form of exclusivity and protection against the world (*erga omnes*), while arbitration, a creature of consent, only binds the parties to the arbitration agreement and the arbitration itself (*inter partes*). Moreover, some IP rights, such as patents and trademarks, are granted by state bodies following the satisfaction of certain criteria and can only be revoked by the said bodies, giving them a public law character that has historically triggered arbitrability concerns.

However, more and more these concerns are considered a thing of the past (see *e.g.*, previous blog posts [here](#) and [here](#)). This piece discusses why most IP disputes are now considered arbitrable and outlines the advantages of using arbitration for IP disputes.

The Trend Toward Arbitrability

While concerns about arbitrability have traditionally been associated with IP disputes, the reality is more nuanced. The question of arbitrability depends on various factors, including the jurisdiction, the type of right, and the type of claim. Generally, IP disputes arising out of contract (*e.g.*, royalties or ownership rights where these are contractually governed) and tort (*e.g.*, passing off or breach of tortious confidentiality) are arbitrable. Infringement claims, which directly impact only a finite number of parties, are also generally arbitrable, but the award will only have an *inter partes* effect. Even claims over unregistered rights, such as copyright, are usually considered arbitrable. Thus, the prevailing trend is in favor of arbitrability.

However, the issue of arbitrability often overlaps with questions about the effects of awards on third parties. Claims relating to ownership as a matter of IP law—as opposed to ownership as a matter of contract law—and the validity of IP rights present greater public policy concerns. Such

claims are relevant to third parties and the process of nullifying IP rights is already within the remit of state bodies.

The position on arbitrability of these claims (particularly with regards to patents) varies significantly by jurisdiction.

Switzerland and Belgium are particularly arbitration-friendly jurisdictions, which not only consider claims over the validity of IP rights arbitrable but also allow for awards over the invalidity to be enforced *erga omnes*. In Switzerland, for example, the Swiss Federal Institute on IP will update the patent register if a Swiss court has declared the relevant arbitration award enforceable (see [Article 177\(1\) of the Swiss Private International Law Act](#) and the Swiss Federal Institute on IP's Decision of 15 December 1975). This is an important development toward showcasing that the concepts of exclusive jurisdiction and arbitrability can be distinguished, given that the Swiss Federal Patent Court is statutorily provided with exclusive jurisdiction over validity and infringement disputes (see [Article 26\(1\) of the Swiss Patent Court Act](#)). In Belgium, arbitration awards that invalidate patents have *res judicata* effect and can be registered with the patent authority, subject to opposition by third parties (see [Articles 51\(1\) and 73 of the Belgian Patent Law](#)).

Most common law countries like England, Canada and Singapore, and certain civil law countries like France, Italy and Portugal take a middle-ground approach, considering validity claims arbitrable but limiting the effect of the awards to the parties involved.

South Africa expressly prohibits arbitration for patent disputes (see [Section 18\(1\) of the South African Patents Act](#)), though curiously does not expressly prohibit trademark disputes (nor copyright disputes). **India** is also one of the countries that seems **less inclined** toward arbitrability of ownership/validity disputes.

In some countries, the position is not yet clear. In **Germany**, for example, there is no express prohibition of arbitration over validity or revocation claims. Germany operates a so-called bifurcated system, with patent revocation actions being within the exclusive competence of the German Federal Patent Court, and other actions, such as infringement actions, being within the domain of regional courts, which in turn are not empowered to decide revocation actions. While there is growing case law among the German regional courts and growing commentary in favor of the arbitrability of revocation actions, the Federal Patent Court remains less supportive and has foregone opportunities to decide in favor of the arbitrability of revocation actions. Incidentally, the German Federal Patent Court also construes arbitration clauses narrowly. When discussing clauses referring all disputes arising out of or in connection with the contract to arbitration, it **held** that this was not sufficiently clear to capture claims regarding the validity of patents. By contrast, in the United States the term “*any dispute regarding this agreement*” has been **held** to cover patent validity. A similar approach to the United States would be expected to be taken in England, in line with the *Fiona Trust* principle.

The **new unitary patent system**, including the Unified Patent Court (“**UPC**”), introduced on 1 June 2023, may influence the position on arbitrability in Germany and other EU countries. The [Agreement on the UPC](#) (“**AUPC**”) gives the UPC exclusive competence over infringement and revocation actions over European and unitary patents. However, the AUPC also establishes the independent Patent Mediation and Arbitration Centre (“**PMAC**”). Although not yet operational, under Article 35(2) of the AUPC, the PMAC is empowered to resolve these disputes through

mediation or arbitration, but not to revoke or limit a patent. Limiting the powers of the PMAC seems to defeat the overall purpose of Article 35(2), particularly in light of [Rule 11.2 of the Rules of Procedure of the UPC](#), which enables the UPC to confirm the terms of any settlement or award by consent that revoke or limit a patent. According to [Callens and Granata](#), a working group on the AUPC therefore argued that Article 35(2) is only intended to restrict awards on revocation or infringement from applying *erga omnes*, rather than *inter partes*.

Overall, many countries, and the EU, are moving toward recognizing the arbitrability of validity disputes. Nevertheless, the effect of awards is generally limited to the parties involved. Arbitral tribunals are fully capable of resolving these disputes and limiting awards to *inter partes* effect minimizes public policy concerns. Of course, parties can contractually dispose of their IP rights and agree to be bound by an arbitral award, even if enforcement against third parties is restricted. Moreover, while validity issues may not form the main claim, they can arise tangentially (*e.g.*, to determine whether certain contractual conditions have been fulfilled) or most commonly as a defence against infringement claims. It would, therefore, be more efficient – and would align more with parties’ intentions – to address all these issues during a single procedure.

In light of the above, it seems unnecessary for parties to shy away from arbitration due to arbitrability concerns. Moreover, parties can avoid selecting seats and governing laws of “riskier” jurisdictions – although there is only so much a party can do about likely places of enforcement, which would also be relevant from an arbitrability perspective.

The Impact of the *Inter Partes* “Limitation”

The *inter partes* effect of arbitration awards, although seen as a limitation, does not detract from the advantages of arbitration for IP disputes:

1. **Confidentiality, autonomy, and enforceability:** The usual advantages of arbitration apply, allowing parties to maintain confidentiality, control the dispute resolution process, and obtain a single enforceable decision. This last point is particularly attractive in the IP context where a single dispute often needs to be litigated in multiple jurisdictions.
2. **Parties’ objectives:** In many disputes, it may not matter to the parties if a resolution is limited to the parties involved. For example, a party challenging the validity of a patent may be indifferent to the broader impact of its successful challenge. Similarly, parties may prioritise the commercial outcome of the dispute, without public registration considerations.
3. **Specific performance:** Although a tribunal cannot directly amend IP registers, parties can request that the tribunal order the other party to take the necessary steps to do so. Such an order can be considered specific performance of the contract, rather than granting *erga omnes* relief.

In conclusion, arbitration remains a robust and attractive forum for resolving IP disputes, including “core” disputes. Parties are drawn to the usual benefits of arbitration, including a single forum and wide enforcement prospects. The limitation of arbitration to *inter partes* effect need not be seen as restrictive, and arbitrability issues are rare. What will be interesting to see in future, however, is whether more countries follow the Swiss and Belgian approaches of granting awards on ownership/validity some form of *erga omnes* effect, and whether such reform is impeded by historic arbitrability concerns.

** The views expressed in this article are solely those of the author and do not necessarily reflect the views or positions of Herbert Smith Freehills LLP.*

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