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## International Arbitration: The Only Way to Resolve Multi-Jurisdictional Patent Disputes in a Single Forum by A.M. Anderson, C.A. Young and B. Razavi

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# **INTERNATIONAL ARBITRATION: THE ONLY WAY TO RESOLVE MULTI-JURISDICTIONAL PATENT DISPUTES IN A SINGLE FORUM**

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## **I. INTRODUCTION**

Globalization and trade liberalization have led to enormous economic benefits for multinational companies and have spread the introduction of new technologies around the world at a greatly accelerated pace. With every new opportunity, however, comes new challenges. One of the more difficult challenges facing multinational companies relates to protection of patent assets across a wildly divergent and fractious international patent landscape. Even those multinational organizations focusing primarily on Europe and the United States are faced with extraordinary difficulties when seeking to protect their patent portfolios against infringement.<sup>2</sup>

Those difficulties arise from strict jurisdictional limitations on the adjudication of foreign patents and the different, frequently inconsistent standards applied between jurisdictions on issues fundamental to patent law. Despite well-intentioned attempts to harmonize patent law and

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<sup>2</sup> While this paper focuses on multi-jurisdictional patent disputes, the same analysis applies to other forms of multi-national intellectual property rights, such as trademarks. Multi-jurisdictional trademark infringement disputes, for example, also would benefit from resolution through international arbitration for the same reasons discussed relating to patent disputes.

provide a streamlined method for litigating patent disputes, the cold, hard reality is that multinational entities seeking to litigate identical patents spanning multiple jurisdictions have virtually no choice but to pursue parallel litigation in each country where disputes arise. There is, thankfully, one exception to this harsh reality: international arbitration.

International arbitration of multi-jurisdictional patent disputes allows parties to litigate, in a single forum, patent infringement and validity issues that would otherwise have to be addressed in separate courts. It also allows the parties to agree to apply one country's substantive patent law, or even a combination of laws from multiple countries, to the dispute. This procedure greatly streamlines the patent litigation process, saving time and money, offering greater consistency and predictability, and enhancing confidentiality. International arbitration of patent disputes is an option that every multinational company should consider, whether in formulating a licensing policy, negotiating or renegotiating individual licenses, or when preparing to begin litigation that could span multiple jurisdictions. In each of these contexts, international arbitration of patent disputes offers significant advantages to traditional litigation.

This article will discuss the difficulties inherent in litigating patents, even identical patents, in Europe and the US. In doing so, it will address the historical development of the law regarding multi-jurisdictional patent litigation in Europe and the US, and how it has led to a fractious, inefficient, and expensive process, both for patentees and alleged infringers. Finally, this article will address the benefits to be realized, in several different contexts, from litigating multi-jurisdictional patent disputes through international arbitration.

## **II. MULTI-JURISDICTIONAL PATENT LITIGATION IS INHERENTLY EXPENSIVE AND INEFFICIENT**

### **A. DIFFICULTIES PRESENTED BY PATENT LITIGATION IN EUROPE.**

The difficulties with enforcing patent rights in Europe start at the most fundamental level. Patent applicants have a choice of methods for prosecuting patents. They can proceed through each state's national patent system, or they can proceed under the European Patent Office ("EPO"). The EPO was created as part of the European Patents Convention ("EPC"), and was envisioned as a way to streamline the prosecution of patents by allowing an applicant to file a single application at the EPO rather than requiring the applicant to file separate applications in each individual state. Although an applicant need only file a single application, the grant of such an application does not result in a single European patent, but rather a bundle of national patents. That is, the grant of an application filed in the European Patent Office results in separate patents from each state specified in the application.

Because successful patent applicants receive a bundle of patents rather than a single European patent, they have numerous pieces of intellectual property to protect. This potentially implicates numerous patent enforcement actions if infringement occurs in multiple jurisdictions. The need for costly, inefficient, and frequently inconsistent parallel patent litigation is one of the greatest drawbacks of the European system of protecting intellectual property.

Although the EPC's efforts to streamline patent prosecution did not carry over to enforcement of patent rights, the lack of a centralized European patent court is not due to a lack of effort. In 1999, the EPO created a Working Party on Litigation to prepare a draft agreement called the European Patent Litigation Agreement ("EPLA"). Progress on the EPLA seemed to be gaining steam in 2006, when the European Commission launched a public consultation regarding European patent policy in general and the EPLA in particular. Later that year, the

European Parliament asked its Legal Service to provide an interim legal opinion regarding EU-related aspects of the possible overlap between the EPLA and the “acquis communautaire,” *i.e.*, the rights and obligations that EU countries share.<sup>3</sup> In February 2007, the Legal Service concluded, through a draft interim legal opinion (which was not intended to be published) that the EPLA would “prima facie constitute a breach of Article 292 EC Treaty.”<sup>4</sup>

Since the inadvertent publication of the Legal Service Opinion, there have been other attempts to establish an European patent court system. Most recently, those efforts have been focused on a draft treaty.<sup>5</sup> This focus on a treaty rather than a regulation resulted from the concern that it may be impossible to find a system on which all 27 EU members will agree.<sup>6</sup> Advancing the European patent court system as a treaty will allow EU members to opt-out, should they choose, and allow non-EU countries to join the patent court system.<sup>7</sup> For now, although the idea of an European patent court system remains alive, it is not clear whether it will ever come to fruition, or when. Furthermore, even if such a system is established, the time to get it established and working will likely be great.

Until an European patent court system is up and running, patent litigants in Europe will continue to face an uncertain legal landscape. In the absence of an European patent court

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<sup>3</sup> European Parliament Public Register of Documents, *European Parliament Resolution on Future Patent Policy in Europe*, Oct. 12, 2006, available at <http://www.europarl.europa.eu/registre/recherche/NoticeDetaillee.cfm?docid+205605&doclang+EN> (last visited Sept. 24, 2008).

<sup>4</sup> Ulrika Lomas, *European Parliament’s Legal Service Says ELPA Is Illegal*, TAX NEWS, Feb. 21, 2007, available at [http://www.tax-news.com/asp/story/story\\_open.asp?storyname=26443](http://www.tax-news.com/asp/story/story_open.asp?storyname=26443) (last visited Sept. 24, 2008).

<sup>5</sup> *See id.*

<sup>6</sup> *See id.*

<sup>7</sup> *See id.*

system, litigants will still need to pursue parallel litigation in multiple jurisdictions that will require them to face the prospect of inconsistent, sometimes irreconcilable results.

Two relatively recent EU court decisions highlighted and exacerbated the problems that have always existed within the current European patent litigation system. In these decisions, the European Court of Justice essentially rejected “the concept of cross-border patent litigation,” deeming patent litigation disputes to be primarily national in character.<sup>8</sup> In *GAT v. LuK*,<sup>9</sup> the European Court of Justice (“ECJ”) ruled that the Brussels Convention grants exclusive jurisdiction on patent validity to the courts of the country from which a patent is issued. As a result, a German court can, for example, exercise jurisdiction to determine whether a French patent is infringed, but it may not determine whether the French patent is valid. In *Roche Nederland BV v. Primus*,<sup>10</sup> the ECJ precluded the possibility of cross-border injunctions when it found that there was not a sufficient connection between various subsidiaries of a company to confer jurisdiction over all of them in the Netherlands. In other words, “acts of infringement committed in different jurisdictions by different defendants did not give rise to the same legal and factual situations.”<sup>11</sup>

The decentralized nature of the current European patent litigation system has always made it possible for parties litigating the same patents to obtain inconsistent, and even contrary rulings. The decisions in *GAT v. LuK* and *Roche v. Primus* only increase the likelihood of such

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<sup>8</sup> Gary Moss & Matthew Jones, *Litigating Patents in Europe: Navigating the Minefield*, BNA INTERNATIONAL, June 2008, <http://www.bnai.com/templates/maincontent.aspx?cat=279&obj=&country=1> (last visited Sept. 24, 2008).

<sup>9</sup> Case No. C-4/03, Jul. 13, 2006.

<sup>10</sup> Case No. C-539/03, Jul. 13, 2006.

<sup>11</sup> Moss & Jones, *supra* note 8.

findings. In fact, at least twice in 2007, courts in different EU countries reached opposite conclusions regarding the infringement and validity of equivalent patents. In January 2007, a court in the UK upheld a lower court's revocation of a medical patent held by a US corporation, affirming the finding that it was invalid for obviousness.<sup>12</sup> One day later, a court in the Netherlands upheld the validity of the Dutch equivalent of the same patent, found infringement, and ordered the infringer to pay damages and stop selling its infringing product.<sup>13</sup> Similarly, in March 2007, a British court found a patent relating to anti-counterfeiting technology invalid. But just two days later, the German Federal Patent Court found the German equivalent of that patent to be valid and infringed by the same defendant involved in the British litigation. The same patent has since been invalidated in France, and validated in the Netherlands.<sup>14</sup>

Perhaps the most well-known example of EU courts reaching different patent infringement and validity rulings arose from the *Epilady* litigation between Epilady, Inc. and Remington. There, British and German courts disagreed about whether an identical claim for a device including a rotating helical spring that plucked hairs from the leg was infringed by a device including a rotating rubber bar with slits in it.<sup>15</sup> (The British court found no infringement; the German court found infringement.)

Thus, in light of the inconsistent infringement and validity decisions that may result from parallel patent litigation in Europe, litigants cannot be assured of obtaining what should be one of

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<sup>12</sup> *Angiotech Pharms. Inc. v. Conor Medsystems Inc.*, [2007] EWHC Civ 5, Jan. 16, 2007.

<sup>13</sup> *Conor Medsystems Inc. v. Angiotech Pharms. Inc.*, [2007] HDC 2007/101, Jan. 17, 2007.

<sup>14</sup> All of these cases arose out of *Document Security Systems, Inc. v. European Central Bank*, [2005] Case No. T-295/05, Sept. 17, 2005. The cases concerned European Patent No. 0455750B1.

<sup>15</sup> See *Improver v. Remington*, (1989) RPC 69 (UK); *Improver v. Sicommerce/Remington*, (1990) IIC 572 (Ger.).

the fundamental benefits of litigation – resolution of disputes. If a patent is deemed valid and infringed in one jurisdiction, and invalid or not infringed in another, neither party to a patent infringement action can assert victory or lay claim to the legal high ground.

The current European patent litigation system also cannot guarantee a patentee complete relief. Patent litigation in Europe is extraordinarily expensive.<sup>16</sup> In 2003 a study of the European Patent Office revealed that the cost necessary to litigate and try a patent suit where more than €1 million was in dispute ranged from €200,000 to €1.5 million at the trial level and €150,000 to €1 million at the appellate level.<sup>17</sup> These costs are undoubtedly much higher now. Pursuing parallel patent litigation in multiple jurisdictions has the obvious effect of multiplying these already extraordinary legal fees and costs, potentially several times over. The need to incur multiple legal fees and costs may serve as a very effective deterrent to patentees suing in every jurisdiction where infringement may occur. Patentees who believe their patents are being infringed in multiple jurisdictions may never obtain complete relief because they either do not have the money to pursue parallel litigation, or they simply make the tactical decision that the relief available in some jurisdictions is not sufficient to justify the cost. As a result, the very structure of the European patent litigation system may preclude many patentees from obtaining complete relief. It may also provide an incentive for patent infringement, particularly when an infringer knows that the patentee cannot afford to commence an action in every jurisdiction.

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<sup>16</sup> Great Britain is traditionally the most expensive European forum for patent litigation, followed by Germany, and then the Netherlands and France.

<sup>17</sup> European Patent Office, *Assessment of the Impact of the European Patent Litigation Agreement (EPLA) on Litigation of European Patents*, Feb. 2006, at Annex 1, available at [http://documents.epo.org/projects/babylon/eponet.nsf/0/A5FBEBDD6F564356C12572BD00488DEC/\\$File/impact\\_assessment\\_annex1\\_2006\\_02\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/A5FBEBDD6F564356C12572BD00488DEC/$File/impact_assessment_annex1_2006_02_en.pdf) (last visited Sept. 24, 2008).

Pursuing parallel patent litigation in multiple European patent jurisdictions also has other drawbacks. Although maintaining the confidentiality of commercially sensitive information is an issue that must be addressed in any litigation, the risks of inadvertent (or intentional) disclosure of such information necessary increases purely as a matter of odds with each new suit filed. Thus, parties engaged in parallel litigation in multiple jurisdictions necessarily subject themselves to a greater risk that confidential information will be disclosed.

The European patent litigation system, lacking any venue for resolving multi-jurisdictional patent disputes, simply does not present a good choice for multinational organizations seeking to resolve patent-related disputes in an efficient and cost-effective manner. The fact that it also presents the risk of inconsistent decisions perhaps makes the current European patent litigation system a forum of nearly last resort for multinational companies.

#### B. DIFFICULTIES PRESENTED BY PATENT LITIGATION IN THE US.

Empirical reviews of the outcome of US patent infringement actions tried to a jury show that foreign companies lose 64% of the time when the opposing party is based in the US.<sup>18</sup> Moreover, all US patent litigants, whether foreign or domestic, can anticipate incurring significant legal fees and costs. In the US in 2007, it cost an average of \$600,000 to litigate and try a patent infringement case in which less than \$1 million was at risk.<sup>19</sup> When the amount at risk increased to between \$1 and \$25 million, the cost rose to \$2.5 million.<sup>20</sup> For the largest of

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<sup>18</sup> Robert W. Hahn & Hal J. Singer, *Assessing Bias in Patent Infringement Cases*, 21 HARV. J.L. & TECH. 457, 475 & n.105 (2008) (citing Kimberly A. Moore, *Xenophobia in American Courts*, 97 NW. U. L. REV. 1497, 1509 (2003) (“Domestic parties won 64% of the cases decided by a jury when their adversary was foreign, while foreign parties prevailed in the remaining 36% of such cases.”)).

<sup>19</sup> American Intellectual Property Law Association, REPORT OF THE ECONOMIC SURVEY 2007, at 25.

<sup>20</sup> *Id.*

cases – where more than \$25 million was at risk – that figure rose to an average of \$5 million.<sup>21</sup> These figures do not include any actual damage award, nor do they include any legal fees or costs relating to an appeal. In light of the expense and the historical lack of success, it is easy to see why foreign companies are not enthused about being involved in patent litigation in the US.

In addition to the costs and historical lack of success that foreign companies encounter when faced with US patent litigation, recent US court decisions may cause them to think even harder about patent litigation in the US. Two of these decisions create the likelihood that foreign companies will more frequently be haled into court to defend the validity of their patents. Another decision virtually forecloses the possibility that US courts will be allowed to decide infringement and validity questions aimed at foreign patents. As a result, neither US nor foreign companies can count on US courts to provide a single venue for resolution of patent infringement and validity questions arising from US and foreign counterpart patents.

### **1. Invalidity challenges from licensees are more likely.**

Until recently, a party licensed to practice a patent could not challenge its validity unless it terminated or breached the license agreement. But in 2007, in *MedImmune, Inc. v. Genentech, Inc.*,<sup>22</sup> the US Supreme Court recognized the Hobson's Choice that the standing requirement created for licensees, noting that “promising to pay royalties on patents that have not been held invalid does not amount to a promise not to seek a holding of their invalidity.”<sup>23</sup> As a result, the Supreme Court revised the rules regarding standing to challenge a licensed patent, holding that a

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<sup>21</sup> *Id.*

<sup>22</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 S. Ct. 764 (2007) (official U.S. Reports pagination pending).

<sup>23</sup> 127 S. Ct. at 776.

patent licensee who has not breached a license (that is, remains current on all payments and license obligations) may sue for a declaration that the licensed patent is invalid.

The Federal Circuit has recently interpreted the ruling in *MedImmune* to mean that its former requirement that a party have a “reasonable apprehension” of suit before commencing a declaratory judgment action no longer exists. This ruling applies not only to patent licensees, but also to parties to whom a license is offered who may not yet be engaging in any activities that could be alleged to infringe. In *SanDisk Corp. v. STMicrosystems, Inc.*,<sup>24</sup> a patent owner initiated licensing discussions by identifying several of its patents that “may be of interest” to another party, and suggested that the parties meet to discuss a cross-licensing agreement. At the meeting, the patent owner demonstrated why it believed the other party infringed, but noted that it had “no plan whatsoever” to sue the other party.<sup>25</sup> Based on those facts, the Federal Circuit found that a “substantial controversy” existed to support a declaratory judgment action.<sup>26</sup> The statement that there was no plan to sue did not preclude the other party from initiating a declaratory judgment action because the patent holder had “engaged in a course of conduct that show[ed] a preparedness and willingness to enforce its patent rights despite [the patent holder’s] statement.”<sup>27</sup> Under the revised declaratory judgment standard set forth in *SanDisk*, “where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, [federal court jurisdiction] will arise and the party need not risk a suit for

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<sup>24</sup> *SanDisk Corp. v. STMicrosystems, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007).

<sup>25</sup> *Id.* at 1376.

<sup>26</sup> *Id.* at 1382.

<sup>27</sup> *Id.* at 1383.

infringement by engaging in the identified activity before seeking a declaration of its legal rights.”<sup>28</sup>

The *MedImmune* and *SanDisk* rulings are likely to significantly increase the number of declaratory judgment actions brought by licensees and other parties to whom licenses are offered. They will also likely cause an increase in the number of validity challenges that patent owners face in the US. Their historical lack of success in US patent litigation suggests that foreign companies will suffer more from the easing of restrictions on patent challenges than they will benefit.

## **2. US Jurisdiction over foreign patents is extremely limited.**

In some cases, an US court could exercise jurisdiction over foreign patents if it found that the issues relating to the foreign patent (infringement or invalidity) formed a “common nucleus of operative fact” with issues raised by a separate US patent. In *Voda v. Cordis Corp.*,<sup>29</sup> the plaintiff claimed that a competitor infringed three US patents, and sought to amend his complaint to add claims that the competitor had also infringed his Canadian, UK, French and German equivalent patents as well. The Court of Appeals for the Federal Circuit ruled that, for all practical purposes, US courts cannot exercise jurisdiction over claims seeking to determine the infringement or validity of foreign patents. The court found that in virtually every instance, exercising such jurisdiction would interfere with the laws of sovereign nations, could impose unnecessary burdens on US courts, and might be fundamentally unfair.<sup>30</sup>

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<sup>28</sup> *Id.* at 1381.

<sup>29</sup> *Voda v. Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007).

<sup>30</sup> *See id.* at 904.

While the holding of *Voda* effectively precludes US courts from exercising jurisdiction over foreign patents, the Court's ruling left open the possibility that limited exceptions might exist, provided two obstacles can be overcome: (1) the US court must effectively find that the infringement and invalidity questions relating to a foreign patent are the same as those presented by a US patent; and (2) the US court must affirmatively find that exercising jurisdiction over the foreign patent-related matters would not interfere with the laws of a sovereign nation, would not unnecessarily burden the US court, and would not be unfair. A finding that such circumstances exist is highly unlikely, particularly in light of the minority opinion in *Voda*, which noted that US courts are now effectively foreclosed from exercising jurisdiction over foreign patents.

For foreign companies, patent litigation in the US offers little of interest. As a result of *MedImmune* and *SanDisk*, foreign companies are more likely than ever to be haled into US court to defend the validity of their patents. Nevertheless, as a result of the *Voda* decision, they cannot reasonably hope to have US courts address the infringement or validity of patents from other jurisdictions, even if they are identical to the patents involved in the US litigation. Given that they will be forced to incur significant legal fees and costs, and the low historical odds of success, foreign companies may not look to US courts as a favored venue for patent litigation.

Thus, as a result of the recent developments in US patent law, particularly as they relate to litigation of foreign patents, US courts can hardly be considered a viable forum for multi-jurisdictional patent disputes. The costs likely to be incurred in US courts, in conjunction with the historical lack of success foreign companies have had in US courts, only reinforces this conclusion. Because neither the European patent litigation system nor US courts provide a single forum for resolution of multi-jurisdictional patent disputes, multinational organizations are, or should be, looking for alternative means of resolving patent disputes that are more

efficient, less costly, more flexible, and more consistent than traditional European and US patent litigation. International arbitration can provide all of these benefits and more and thus should be seriously considered by any organization anticipating the possibility of multi-jurisdictional patent litigation.

### **III. BENEFITS OF INTERNATIONAL ARBITRATION**

#### **A. POSITIVE SIGNS IN US AND EUROPEAN LAW.**

Both European and US law encourage arbitration of patent disputes. US law specifically provides for voluntary arbitration of patent disputes, and establishes that the results of a patent-related arbitration are considered final and binding between the parties.<sup>31</sup> In Europe, the arbitrability of infringement claims is unlimited. Although questions of patent invalidity may not be arbitrable in every country (in Germany, for example, the Federal Patent Court has exclusive jurisdiction over claims relating to the validity of German patents), parties are not required to simply assume the validity of a patent. Even in those instances when the validity of a patent is not arbitrable, remedies in patent-related arbitrations can be customized to achieve the same results between the parties as if there had been a litigation finding of invalidity: the patent can be deemed unenforceable or can be limited to the precise wording of the claim vis-à-vis the prior art.

European support of international arbitration is exemplified by two UK court decisions. These decisions demonstrate the UK's commitment to enforcing arbitration agreements and arbitration awards. In *Fiona Trust & Holding Corporation & Others v. Yuri Privalov & Others*,<sup>32</sup> the English Court of Appeal was asked to decide whether an arbitration provision in a

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<sup>31</sup> See 35 U.S.C. § 294 (2006) (providing for voluntary arbitration of patent disputes).

<sup>32</sup> *Fiona Trust & Holding Corporation & Others v. Yuri Privalov & Others*, [2007] EWCA Civ 20, Jan. 24, 2007.

contract that was allegedly obtained as a result of bribery could be enforced. In its January 2007 decision, the court found that the arbitration provision was a separate agreement that could be enforced even if the larger contract which contained it was found to be invalid. The court also noted that the language in the arbitration provision regarding its scope should be liberally construed.

In *Noble Assurance Company and Shell Petroleum Inc. v. Gerling-Konzern General Insurance Company UK Branch*,<sup>33</sup> the English High Court demonstrated its willingness to use an anti-suit injunction to protect arbitration awards that have already been rendered as well as arbitration proceedings that are ongoing. In that case the court was asked to issue an anti-suit injunction precluding the parties from pursuing litigation in the US that sought to rescind a contract for misrepresentation. The misrepresentation claim related to a contract that had previously been the subject of an arbitration between the parties in London and for which a final award had been rendered. In its February 2007 decision, the Court found that the misrepresentation claim could have been raised in the London arbitration, and therefore could not be raised in the US case.

Two recent decisions of the US Supreme Court also show the US legal system's support for maintaining arbitration as an efficient and cost-effective means for resolving disputes. Both decisions were based on the Federal Arbitration Act ("FAA"),<sup>34</sup> a robust, pro-arbitration statute passed by Congress in 2000 that replaced "judicial indisposition to arbitration with a 'national

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<sup>33</sup> *Noble Assurance Company and Shell Petroleum Inc. v. Gerling-Konzern General Insurance Company UK Branch*, [2007] EWHC 25322, Feb. 22, 2007.

<sup>34</sup> See Federal Arbitration Act, 9 U.S.C. § 1 *et seq.* (2006).

policy favoring [it] and plac[ing] arbitration agreements on equal footing with all other contracts.’”<sup>35</sup>

In February 2008, the US Supreme Court in *Preston v. Ferrer* reversed a lower court decision that would have ignored an arbitration provision in the parties’ contract in favor of review by a state administrative forum.<sup>36</sup> Because both parties had agreed to arbitrate all disputes arising out of their contract, the Court held that the FAA superseded a California statute that would have otherwise conferred jurisdiction upon a state administrative body. The Court in *Preston* offered an unqualified endorsement of the binding nature of arbitration clauses, noting that “[w]hen parties agree to arbitrate all questions arising under a contract, the FAA supersedes state laws lodging primary jurisdiction in another forum, whether judicial or administrative.”<sup>37</sup>

Second, in March 2008, *Hall Street Associates, L.L.C. v. Mattel, Inc.* rejected a litigant’s attempt to obtain sweeping review of an arbitrator’s award that would have exceeded the limited and expedited review provided for by the FAA.<sup>38</sup> In unequivocal terms, the US Supreme Court declared that the FAA formed “the substance of a *national policy favoring arbitration* with just the limited review needed to maintain arbitration’s essential virtue of resolving disputes straightaway.”<sup>39</sup> The Court stressed efficiency-based policy justifications, noting that “[a]ny other reading opens the door to the full-bore legal and evidentiary appeals that can ‘rende[r]

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<sup>35</sup> *Hall St. Assocs., L.L.C. v. Mattel, Inc.*, 128 S. Ct. 1396, 1402 (2008) (quoting *Buckeye Check Cashing, Inc. v. Cardegna*, 546 U.S. 440, 443 (2006)).

<sup>36</sup> *Preston v. Ferrer*, 128 S. Ct. 978, 989 (2008).

<sup>37</sup> *Id.* at 981.

<sup>38</sup> *Hall St. Assocs., L.L.C. v. Mattel, Inc.*, 128 S. Ct. at 1403.

<sup>39</sup> *Id.* at 1402 (citing *Dean Witter Reynolds Inc. v. Byrd*, 470 U.S. 213, 217, 219 (1985)) (emphasis added).

informal arbitration merely a prelude to a more cumbersome and time-consuming judicial review process[]’ . . . and bring arbitration theory to grief in post-arbitration process.”<sup>40</sup> As such, *Hall Street* represented yet another confirmation of the binding nature of arbitration clauses. Significantly, given its facts, it implicitly suggests that courts will look favorably upon arbitration agreements that are reached *after* litigation has already begun.

In sum, these four recent decisions demonstrate that high courts in both Europe and the US not only accept, but strongly encourage arbitration. Moreover, the cases underscore the crucial point that arbitration is good policy insofar as it saves time and resources, while simultaneously promoting the intent of the parties who contracted for the arbitration in the first place. The *Noble Assurance* and *Fiona Trust* cases demonstrate the UK courts’ willingness to ensure the viability of international arbitration as an alternative to litigation. In turn, the *Preston* and *Hall Street* cases evidence US courts’ firm commitment to the pro-arbitration letter and spirit of the FAA. Together, these cases evidence positive signs in European and American law with respect to the arbitration of disputes, while simultaneously showing specific benefits of this means of dispute resolution.

#### B. SPECIFIC BENEFITS OF INTERNATIONAL ARBITRATION.

In contrast to the myriad problems posed by pursuing patent litigation in European or US courts, international arbitration offers solutions with no major drawbacks. International arbitration provides a much more efficient mechanism for resolving patent disputes because it allows claims having their genesis in multiple jurisdictions to be addressed in a single forum. This not only greatly reduces the inherent cost of resolving patent disputes, but it also eliminates the risk of inconsistent rulings. It allows the parties to agree to a customized resolution process

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<sup>40</sup> *Id.* at 1405 (quoting *Kyocera Corp. v. Prudential-Bache Trade Servs., Inc.*, 341 F.3d 987, 998 (2003)).

that applies the procedural rules and substantive law as chosen by the parties. This, in turn, should, at least in theory, make the dispute resolution process less contentious. The fact that international arbitration is a private dispute resolution mechanism also helps to ensure that confidential information remains confidential. All in all, on virtually every front, international arbitration of multi-jurisdictional patent disputes offers advantages that do not exist in any other form of dispute resolution.

### **1. Single Forum.**

Rather than litigating the same basic dispute in multiple jurisdictions, parties who choose to resolve patent-related disputes via international arbitration can obtain resolution of all of the disputes in a single proceeding. Provided the parties can agree, the single forum can be customized to apply the procedural rules and substantive law of a single jurisdiction, multiple jurisdictions, or a blend of laws taken from multiple jurisdictions. This allows the parties to be represented by a single set of counsel who need only be familiar with the rules and substantive law deemed to control the arbitration. Without arbitration, parties are usually need to hire separate counsel in each jurisdiction where litigation is commenced.

Moreover, arbitration allows the parties to exercise control over determining who will decide their dispute and to ensure that the arbitrators have knowledge of the subject matter of the dispute. No other dispute resolution process offers such assurances. The advanced selection of an administering body, an agreed-upon location, and perhaps even an arbitrator or a panel of arbitrators (or at least the required qualifications for the arbitrators) also guarantees that both parties are satisfied with the forum before the dispute is resolved. This prevents forum shopping and creates an eminently more level playing field for parties who are headed toward disputes.

## **2. Monetary Savings.**

Second, including an International Arbitration Clause (“IAC”) in a license agreement or agreeing to arbitration is a significant money-saver. As mentioned previously, according to recent estimates, a typical patent case in the US costs about \$2 to \$4 million to litigate. Arbitration, on the other hand, costs about \$1 to \$1.5 million. That sum pays for three arbitrators, a two-week hearing, attorneys’ fees, plus expenses to cover limited discovery.<sup>41</sup> While that sum may be substantial, it is still hundreds of thousands of dollars, if not more than a million dollars, less than traditional litigation, especially if such litigation has to be conducted in multiple jurisdictions. International arbitration awards also have limited appealability, thereby further reducing costs. Moreover, international arbitral awards are readily enforceable,<sup>42</sup> resulting in ease of enforcement and concomitant cost savings.

## **3. Consistency and Predictability.**

Third, international arbitration of multi-jurisdictional patent disputes provides much-needed consistency and predictability in outcomes. Not only are multiple jurisdictions which may reach differing results avoided, but the arbitrators can be experts with respect to the disputed product or technology – a welcome rejoinder to and substitute for the necessarily generalist judge. Ultimately, international arbitration allows the parties to agree in advance on many aspects of the dispute resolution process. After-the-fact judge and forum-shopping are avoided, providing peace of mind for both sides that they will be able to resolve any disputes in a predictable and impartial way.

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<sup>41</sup> M. Scott Donahey, *International Arbitration of Patent Disputes*, Annual Meeting of AIPPI United States (Nov 3., 2006).

<sup>42</sup> Approximately 150 countries now have adopted the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, under which member states agree to recognize and enforce international arbitration awards in their states.

#### **4. Efficiency.**

Fourth, international arbitration is faster and more efficient than litigation, especially if the litigation must otherwise be conducted in multiple jurisdictions. In traditional litigation (especially in the US), pretrial discovery can take months if not years to complete, thereby also driving up costs. With international arbitration, discovery is normally more limited and focused. Moreover, traditional litigation can take years to complete, especially when appeals are considered, whereas an arbitration proceeding usually is far more contained in duration. In fact, the parties can agree to a period of time in which the entire arbitration must be completed, thus gaining greater control over the overall trajectory of their dispute.

#### **5. Confidentiality and Collegiality.**

Fifth, international arbitration provides greater guarantees of privacy and confidentiality than traditional litigation. Hearings and filings can be entirely private, and the parties may be able to arrange for arbitral awards to remain private (*i.e.*, not filed with the administering body) so long as voluntary compliance does not fail. This promotes a crucial but often-overlooked advantage: reduced contentiousness. By letting the parties choose their own procedural rules; focused and limited discovery; hearing format, location, and timing; whether to allow summary disposition; and the conditions and extent to which injunctive relief and damages will be available in advance, the dispute at hand will invariably be resolved with less inter- and intra-party disagreements than would otherwise be the case. As any party to a major patent litigation can attest, it is impossible to place a value upon such a benefit.

#### **C. TIMING FOR AN AGREEMENT TO ARBITRATE.**

Choosing international arbitration as a dispute resolution mechanism is best done before any dispute arises. To the extent practicable, contracts between patent holders and third-parties,

particularly licensees, should include an IAC. Although preferable to address international arbitration in advance of a dispute occurring, it is not necessary. Parties to existing contracts can revise their contracts to include IACs, particularly when disputes relating to patents from multiple jurisdictions arise. Such revisions can be undertaken as a matter of wise business practice, or they can also be pursued if any party to the contract suspects that a dispute is on the horizon and wishes to provide for the most efficient and effective method of resolving the dispute. Although there are no guarantees that an invitation to arbitrate will be accepted, parties to a dispute that has just arisen (for example between competitors) or an ongoing litigation should consider approaching their opponent with a proposal to opt out of traditional litigation in favor of pursuing international arbitration. This is particularly wise when parallel litigation has begun or seems likely to commence, or when serial litigation also is likely. With very few exceptions, international arbitration is likely to make the most sense for all parties, including alleged infringers. It is a rational and reasonable means of resolving multi-jurisdictional patent disputes

#### **IV. CONCLUSION**

The problems companies face when forced to resolve multi-jurisdictional patent disputes through litigation are well known, and are often viewed as unavoidable. Presently, no court exists that can resolve cross-border patent disputes, and to create one continues to be tremendously difficult, especially given that such a court would need to be staffed by top patent judges from most, if not all, participating countries.<sup>43</sup> This leaves multinational organizations

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<sup>43</sup> See, e.g., Joseph Straus, *Patent Litigation in Europe—A Glimmer of Hope? Present Status and Future Perspectives*, 2 WASH. U. J.L. & POL'Y 403, 418 (2000), available at <http://law.wustl.edu/journal/2/p403straus.pdf> (last visited Sept. 24, 2008) (discussing a hypothetical pan-European patent court conceived of by Mr. Justice Brinkhoff of the Hague Court of Appeals).

without the “one-stop patent shop” they so urgently need. But most, if not all of the pitfalls that plague multinational patent litigation can be avoided if parties keep their mind open to the possibility of resolving their disputes in a forum other than litigation. Those organizations that are open to the possibility of resolving their multinational patent disputes through international arbitration will benefit by having their disputes resolved more quickly, with less expense and inconvenience, and with greater consistency, confidentiality, and ease of enforcement.