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The Procedural Benefits of Arbitrating Patent Disputes

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This paper considers how various types of patent disputes can be more efficiently resolved through arbitration, rather than litigation. For this analysis, it takes three types of patent disputes as a control sample – contractual disputes, infringement disputes and FRAND disputes – and assess how these disputes can be better resolved through arbitration in terms of several criteria, namely, the suitability of the decision-makers, the number of forums in which disputes have to separately decided and enforced, procedural flexibility and confidentiality. The paper takes into consideration that certain types of patent disputes, such as infringement disputes and FRAND disputes are unlikely to be subject to pre-existing arbitration agreements. In these types of disputes, parties may make the decision between arbitration and litigation based on strategic and tactical concerns, rather than legal ones. The paper concludes that, given this limitation, it is not possible to categorically state whether arbitration is more suitable than litigation for resolving patent disputes. The most sensible course to follow in adopting arbitration for patent disputes is for legal advisors to be familiar with the intricate benefits and pitfalls of arbitration

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in patent disputes, and to actively consider referring a dispute to arbitration over litigation after a dispute has arisen.

Key Words : Intellectual Property Disputes, Dispute Resolution, Litigation, ADR, Patents, Infringement, Arbitration.

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Ⅰ. Introduction

As international arbitration becomes more popular, various industries have sought to explore the possibilities that arbitration can offer over more traditional methods of dispute resolution. For example, the international construction industry has adopted arbitration as its dispute resolution mechanism of choice, having found that arbitration can provide certain benefits that domestic litigation cannot, such as (i) the ability to choose arbitrators who understand the ground realities of construction projects, (ii) allowing parties to set procedures better suited for complex construction disputes, and (iii) final and non-appealable awards. Other industries have found that arbitration offers more than just an improvement over existing dispute resolution mechanisms; for these industries, arbitration has provided the means for an industry-wide shift in their dispute resolution paradigms. For example, the sporting world has used arbitration to create a highly efficacious global dispute resolution system in the form of the Court of Arbitration for Sport. Similarly, sovereign states have used arbitration to implement a global investor-protection regime through investor-state arbitration. These examples suggest that there is much to be gained by undertaking an industry-by-industry assessment of what arbitration has to offer.

This article suggests that most intellectual property disputes (IP disputes) can be resolved more efficiently in arbitration than in domestic litigation. The article takes three commonly encountered types of IP disputes – contractual disputes, infringement

disputes, and FRAND disputes – and assesses how the following four characteristics of arbitration can contribute to resolving these disputes more efficiently: (i) the ability to choose arbitrators, (ii) the availability of a single-forum for resolving disputes and better cross-border enforceability of awards, (iii) greater procedural flexibility, and (iv) more confidentiality.

This article does not propose that all intellectual property rights can be lumped together in one category. Indeed, from copyrights to trade-secrets to trademarks, intellectual property covers a wide array of rights which cannot be addressed together without distinguishing their purpose and characteristics.

Therefore, in order to avoid inaccurate generalizations, this article is primarily written with patent rights in mind, though some of its observations might also be applicable to other types of intellectual property rights.

Ⅱ. Types of IP Disputes

Even disputes relating to patent rights can be very different from one to the other. This article takes three types of disputes that frequently arise in relation to patent rights (but are by no means exhaustive) and uses them as a control sample to assess the benefits of arbitration in patent-related disputes.

The categorization of IP related disputes below is not meant to be exhaustive. Rather, it only represents three commonly encountered types of IP related disputes. Several authors have categorized IP related disputes into contractual disputes, infringement disputes and ownership disputes.[1] This article does not consider disputes related to IP ownership for the simple reason that in most jurisdictions, such disputes are not arbitrable.[2] Instead, it takes FRAND disputes (disputes relating to commitments by patent holders to license their patents on fair, reasonable and non-discriminatory terms),[3] which would normally be characterized as contractual disputes,[4] as a different

1) Ju-Yeon Lee, Identifying Effective Dispute Resolution Mechanism for Intellectual Property Disputes in the International Context, J*ournal of Arbitration Studies*, Volume 35, No. 3, Korea Association of Arbitration Studies, 2015, pp. 154 to 184, at p. 159.

2) Ju-Yeon Lee, Identifying Effective Dispute Resolution Mechanism for Intellectual Property Disputes in the International Context, *Journal of Arbitration Studies*, Volume 35, No. 3, Korea Association of Arbitration Studies, 2015, pp. 154 to 184, at p. 160.

3) Defined and discussed in further detail below.

category of IP disputes. The reason for this is that while FRAND disputes fall within the category of contractual disputes by their legal nature, when it comes to considering these disputes in terms of the application of different dispute resolution procedures, they present a unique category of disputes.[5)]

1. Contractual Disputes

These disputes arise out of contracts dealing with intellectual property rights, such as licensing agreements, non-disclosure agreements, and M&A agreements, to name a few. Most contractual disputes do not involve issues relating to the validity or infringement of an intellectual property right. Instead, they usually deal with issues of commercial law, such as payment under a contract, the performance of contractual obligations, compliance with contractual conditions, etc. In this sense, contractual IP disputes are not very different from contractual disputes in other industries.[6)]

2. Infringement Disputes

These are disputes in which one party alleges that another party has infringed its intellectual property rights. Infringement disputes frequently involve issues relating to the validity of the intellectual property right in question, i.e. whether the right that is alleged to have been infringed was valid in the first place. While some jurisdictions allow for issues of validity to be decided in arbitration (e.g. USA, UK, Australia and Canada[7)]) as long as the decision is only valid *inter partes* and is made only for the purpose of deciding the infringement dispute, other jurisdictions require that the infringement dispute is stayed while the issue of validity is separately decided by the relevant patent tribunal or authority. While Korea had previously followed the latter

4) Damein Geradin, The Meaing of "Fair and Reasonable" in the Context of Third Party Determination of FRAND Terms, *George Mason Law Review*, Volume 21, No. 3, 2014, pp. 919 to 956, at p. 921.

5) Jorge L. Contreras and David L. Newman, Developing a Framework for Arbitrating Standards-Essential Patent Disputes, Journal of Dispute Resolution, Volume 2014, No. 1, pp. 23 – 50, at p. 26 et seq.

6) Christopher Boog and James Menz, Arbitrating IP Disputes: the 2014 WIPO Arbitration Rules, *Journal of Arbitration Studies*, Volume 24, No. 3, pp. 105-124, at p. 110.

7) Joseph P. Zammit and Jamie Hu, Arbitrating International Intellectual Property Disputes, *Mealey's International Arbitration Reports*, Vol. 24, No. 6, (June 2009), 330.

approach, the legal position has recently shifted towards the former approach.

Under Korean law, a civil court deciding a claim of infringement can rule on certain aspects of the validity of the patent, without deferring to a specialized tribunal.[8] In *LG Electronics Inc v. Daewoo Electronics Corp.*,[9] the Korean Supreme Court ruled (*en banc* and unanimously) that a civil court can dismiss a claim for damages arising out of infringement on the basis that the patent lacked an inventive step, even if the patent had not been invalidated by the patent authority. Courts may now decide on the validity related aspects of a patent in deciding an infringement dispute, without necessarily affecting the registration of that patent with the government. (Also see Supreme Court decision No 2010Da63133, 15 March 2012, which stated that non-obviousness can be considered in an action for an injunction on the grounds of patent infringement.[10]) Since such a decision would be *inter partes* and does not affect non-parties to the dispute, infringement disputes can also be referred to arbitration under the Korean Arbitration Act, regardless of whether they involve questions relating to the validity of the patent.

Care has to be exercised in referring infringement disputes to arbitration to ensure that all the jurisdictions in which the parties intend to enforce the award allow for infringement disputes involving questions of validity to be arbitrated. However, this is increasingly becoming less of an issue, as more and more jurisdiction take a liberal approach towards permitting parties to resolve such disputes in arbitration, as long as the resulting award is only binding *inter partes*.[11]

Infringement disputes often arise between parties that do not have a pre-existing arbitration agreement which covers the infringement dispute, because they do not have a contractual relationship. Such disputes can only be arbitrated if the parties voluntarily agree to submit their infringement dispute to arbitration. Considering that parties to an infringement dispute have usually adopted adversarial positions by the time the claims are initiated, the chances of both sides agreeing to arbitration are often low.

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8) Gyooho Lee, Keon-Hyung Ahn & Jacques de Werra, Euro-Korean Perspectives on the Use of Arbitration and ADR Mechanisms for Solving Intellectual Property Disputes, *Arbitration International*, Volume 30, No. 1, 2014, p. 91-123.

9) Korean Supreme Court Decision No. 2010Da95390, 19 January 2012.

10) Supreme Court Decision No. 2010Da63133, 15 March 2012.

11) Christopher Boog and James Menz, Arbitrating IP Disputes: the 2014 WIPO Arbitration Rules, *Journal of Arbitration Studies*, Volume 24, No. 3, pp. 105-124, at pp. 110 - 111.

Nevertheless, based on the substantial benefits that arbitration has to offer, it is possible that sophisticated parties may prefer to submit infringement claims to arbitration if they are fully informed of the benefits.

3. FRAND Disputes

These are disputes that may arise in relation to the standardization of technology by a standard-setting organization. When a standard-setting organization (SSO) designates a certain technology as a standard, the standardized technology is likely to include certain patented components that are essential to its function – these patents are referred to as standard essential patents (SEPs). In order to allow potential users of the standard to implement the standard without infringing these SEPs, the standard-setting organization asks the owner to provide a declaration that the owner will grant an irrevocable license for the use of that patent to persons that implement the standard, on terms that are fair, reasonable and non-discriminatory (FRAND).[12] In this sense, the FRAND commitment is generally considered to constitute a voluntary contract between the SEP holder and the SSO, with the various standard-implementers as third-party beneficiaries.[13] Pursuant to such a declaration, a standard-implementer will seek to negotiate FRAND terms with an SEP owner before implementing the relevant standard. In some cases, the SEP owner and the standard-implementer are unable to agree on what would constitute fair, reasonable and non-discriminatory terms. Such disagreements may have to be resolved through adjudicatory dispute resolution, such as arbitration and/or litigation, and are referred to as FRAND disputes.

Declarations by SEP owners do not commonly contain an arbitration clause, because of which FRAND disputes are usually not subject to mandatory arbitration.[14] The declarations either do not select a forum at all, or select a court or other domestic

12) Pierre Larouche, Jorge Padilla, and Richard Taffet, Settling FRAND Disputes: Is Mandatory Arbitration a Reasonable and Non-Discriminatory Alternative? *HOOVER IP Working Paper Series No. 13003*; Tilburg Law School Research Paper No. 023/2013, 2013, at pp. 1 – 2.

13) Damein Geradin, The Meaing of "Fair and Reasonable" in the Context of Third Party Determination of FRAND Terms, *George Mason Law Review*, Volume 21, No. 3, 2014, pp. 919 to 956, at p. 921.

14) Jorge L. Contreras and David L. Newman, Developing a Framework for Arbitrating Standards-Essential Patent Disputes, Journal of Dispute Resolution, Volume 2014, No. 1, pp. 23 – 50, at p. 29 - 33 et seq.

tribunal to resolve disputes arising from the declaration.[15] However, this does not prevent the standard-implementer and the SEP owner from voluntarily agreeing to refer their FRAND dispute to arbitration rather than going to the courts.

Ⅲ. Advantages of Arbitration

With these three categories of disputes in mind, it is instructive to see how arbitration facilitates parties in resolving their IP disputes more efficiently by providing (i) the ability to choose arbitrators, (ii) a single forum for the resolution of disputes and cross-border enforceability of arbitral awards, (iii) greater procedural flexibility, and (iv) more confidentiality. These criteria represent essential factors for the efficient resolution of IP disputes, both in general,[16] and, as discussed below, for specific types of IP dispute.

1. Choice of Arbitrators

IP disputes usually require highly specialized technical knowledge. Parties that opt for arbitration of their disputes can agree to appoint arbitrators who possess such technical expertise. This allows parties to save time and costs which they would otherwise have to incur in order to explain such technical concepts to a non-specialized decision maker.

Even in cases where the subject matter of an IP dispute can be considered to be accessible to a layperson who is not specialized in dealing with scientific or technical subject matter, parties can benefit from having arbitrators who are able to dedicate more time to understand the underlying technical issues, as opposed to judges whose heavy dockets may not allow them the same luxury.

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15) Pierre Larouche, Jorge Padilla, and Richard Taffet, Settling FRAND Disputes: Is Mandatory Arbitration a Reasonable and Non-Discriminatory Alternative? *HOOVER IP Working Paper Series No. 13003*; Tilburg Law School Research Paper No. 023/2013, 2013.

16) Other authors have considered the same question have also considered largely similar criteria. See, Ju-Yeon Lee, Identifying Effective Dispute Resolution Mechanism for Intellectual Property Disputes in the International Context, *Journal of Arbitration Studies*, Volume 35, No. 3, Korea Association of Arbitration Studies, 2015, pp. 154 to 184, at p. 166 - 170. See also, Christopher Boog and James Menz, Arbitrating IP Disputes: the 2014 WIPO Arbitration Rules, *Journal of Arbitration Studies*, Volume 24, No. 3, pp. 105-124, at pp. 110 - 116

As the following paragraphs discuss, while the ability to choose one's arbitrators is useful in all types of IP disputes, it is especially useful in infringement claims and FRAND disputes.

Contractual disputes

In the context of contractual disputes, the benefit of being able to appoint arbitrators with specialized knowledge will differ from case to case. Some contractual disputes will relate strictly to questions of contractual interpretation and will not require specialized technical knowledge, while others will be more fact intensive, requiring the decision-maker to understand the technical subject matter underlying the dispute. Since parties to a contract will not know the nature and complexity of their disputes in advance, opting for arbitration provides them the benefit of being able to appoint a suitable decision-maker after the dispute has arisen. Indeed, based on the size and complexity of the dispute, parties can often also decide whether they want the dispute to be heard by a sole arbitrator or a three-member tribunal.

Infringement disputes

The benefit of decision-makers with specialized technical knowledge is especially clear in infringement disputes, where the issues in question will usually require an understanding of the underlying engineering and scientific bases of the intellectual property right in question. Arbitrators with specialized knowledge are likely to identify and understand crucial technical facts more quickly, saving time and costs. They are also more likely to render a decision based on a more accurate understanding of the facts.

FRAND disputes

In FRAND disputes, arbitration offers parties the ability to appoint arbitrators who belong to the particular industry to which the patent in question relates. Parties have the option to appoint professional arbitrators who regularly practice in the relevant industry, or even commercial persons from within the industry, as their arbitrators. These arbitrators can offer greater insight into what constitutes fair, reasonable and non-discriminatory terms, given that they are likely to have a better idea of the commercial aspects of the patent. Judges, on the other hand, even those specialized in patent

disputes, are unlikely to have detailed knowledge of any one particular industry. For example, a judge or jury is unlikely to be familiar with commercial practices in the fields of telecommunications or industrial chemistry. And while parties can present expert testimony or evidence to explain such practices to judges or juries, this will likely require additional time and costs.

2. Single Forum and Ease of Cross-border Enforceability

In arbitration, parties can agree to resolve several disputes together in a single proceeding, which they may otherwise have had to resolve in different forums across different jurisdictions. Moreover, once a dispute is decided, the resulting arbitral award can easily be enforced in different jurisdictions, subject only to very limited grounds for refusing enforcement. These advantages are useful in all types of IP disputes, but they are especially relevant in the case of infringement disputes.

Contractual disputes

In most legal systems, contractual disputes can fall within the jurisdiction of more than one court by default. For example, a US court may have jurisdiction by virtue of long-arm statutes or tag jurisdiction, while a Korean court may concurrently have jurisdiction because the place of performance is in Korea. Absent an arbitration agreement or an exclusive jurisdiction clause, each party may prefer to submit the dispute to a different court. Such situations can give rise to parallel proceedings or questions of *lis pendens*. These issues can be avoided if parties opt for arbitration (though, admittedly, they can also be avoided by including an exclusive jurisdiction clause in the contract.)

Once the parties resolve their dispute in a particular forum, the next obstacle will be enforcing the judgment in other jurisdictions. Admittedly, cross-border enforcement may not be an issue in all contractual IP disputes. While the decision may have to be implemented in more than one jurisdiction, compulsory execution in jurisdictions other than the one in which the decision was issued will only be necessary if the judgment-debtor cannot be made to comply by the court that issued the judgment (for example, if the judgment debtor does not have a sufficient presence in that jurisdiction and has

little to lose by refusing to comply with the judgment). Nonetheless, where a decision issued in one jurisdiction does have to be enforced in other jurisdictions, the judgment-creditor is likely to face considerable difficulty in enforcing a judgment as opposed to enforcing an arbitral award. If the parties dispute is submitted to arbitration, the arbitral award can efficiently be enforced in a large number of jurisdictions by virtue of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958 (the New York Convention).

Infringement claims

Infringement disputes that relate to patent rights are subject to the territoriality principle, which states that a patent is only valid within the territory of the state that granted the patent. Therefore, disputes relating to the infringement of patent rights have to be litigated separately in each of the states where the infringement is alleged to have occurred (under the intellectual property law of that state). In other words, a court judgment deciding a patent infringement claim in favour of the patent in one country does not, by default, oblige the infringing party to cease the alleged infringement in other countries.[17)]

However, if parties agree to submit their infringement claims for several different jurisdictions to one arbitration proceeding which will decide each of the claims in accordance with the law applicable to them, the outcome of the arbitration will be enforceable as between the parties in the various jurisdictions for which the claims were submitted.[18)] Parties must take care to ensure that infringement disputes are considered to be arbitrable in the jurisdictions in which the award is likely to be enforced – particularly for infringement disputes which involve issues of the patent's validity – as the award may not be capable of enforcement in jurisdictions where the underlying dispute is not arbitrable.[19)]

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17) Ju-Yeon Lee, Identifying Effective Dispute Resolution Mechanism for Intellectual Property Disputes in the International Context, *Journal of Arbitration Studies*, Volume 35, No. 3, Korea Association of Arbitration Studies, 2015, pp. 154 to 184, at p. 163.

18) Matthew A. Smith, Marina Cousté, Temogen Hield, Richard Jarvis, Mrinalini Kochupillai, Barry Leon, Jacobus C. Rasser, Masamitsu Sakamoto, Andy Shaughnessy, Jonathan Branch, Arbitration of Patent Infringement and Validity Issues Worldwide, Harvard Journal of Law & Technology, Volume 19, No. 2, 2006, pp. 299 – 357.

19) See discussion above.

Another benefit of arbitration in relation to infringement disputes is that, under the UNCITRAL Model Law on International Commercial Arbitration and various other arbitration laws, domestic courts can issue interim measures in aid of an on-going arbitration, even if the arbitration itself is seated abroad.[20] This means that parties can seek interim measures in relation to their IP rights without having to institute separate claims proceedings in all the relevant jurisdictions, based only on the arbitration proceedings already initiated.

FRAND disputes

In the case of FRAND disputes, since the SEP owner's declaration to provide an irrevocable license on FRAND terms usually constitutes a contractual commitment, the considerations with regard to the forum of dispute resolution and cross-border enforceability are largely similar to the discussion on contractual disputes above.

3. Procedural Flexibility

Arbitration allows parties to structure their dispute resolution processes to suit their needs, resulting in savings of time and costs. And while court proceedings in some jurisdictions may allow parties the option to employ some of the procedural mechanisms listed below, it is usually only in arbitration that parties can be sure of being able to enjoy procedural flexibility.

Contractual disputes

The ability to organize arbitral proceedings in accordance with the nature of the dispute is particularly useful in contractual disputes, in which the complexity of possible disputes can range from a relatively straight-forward dispute regarding contractual interpretation that requires little to no evidence, to a fact intensive dispute involving vast amounts of evidence and expert testimony. In arbitration, parties can either agree or ask the tribunal to structure the proceedings in accordance with the size and complexity of the dispute, in order to minimize the time and costs that they have to spend on resolving the dispute.

20) UNCITRAL Model Law on International Commercial Arbitration, Article 17 J.

Infringement disputes

There are several procedural mechanisms that are frequently employed in arbitration which can prove useful in infringement disputes. For example:

a) Parties can agree to bifurcate the arbitration proceedings into liability and quantum stages. Pursuant to such a bifurcation, the tribunal first issues a partial final award on liability, and only if liability is established does it invite submissions and holds hearings on the quantum of damages in order to issue an award on quantum. This can have immense cost saving consequences for parties involved in infringement disputes, which usually involve extensive submissions on the quantum of loss suffered. By bifurcating the proceedings, parties can avoid the time and costs required for making submissions on the quantum of loss suffered if the tribunal finds that there was no infringement in the first place.
b) In complex disputes involving many disparate issues, parties often have to deal with all the major issues concurrently. This requires lengthy submissions and long hearings which obstruct the quality of counsel's presentation and the decision-maker's understanding of the case. In arbitration, parties can agree to arrange the proceedings so that each major issue is dealt with in a separate hearing, before moving on to the next issue (though without a separate award on each issue, as that would require the tribunal to spend a disproportionate amount of time drafting several partial awards). In this manner, the parties and their counsel can dedicate adequate time and energy to each issue without over-extending their resources, while also providing the tribunal a more convenient means of fully understanding the issues in dispute.
c) A useful example of flexible arbitral procedures that facilitate the resolution of IP disputes can be found in the WIPO Arbitration Rules, which provide for the appointment of a confidentiality advisor to determine whether certain information is confidential and how it should be protected.[21] This mechanism can prove especially useful in infringement disputes, where there may be large amounts of confidential information that the parties are reluctant to disclose.

21) Art. 54(d) of the WIPO Arbitration Rules.

FRAND disputes

FRAND disputes can benefit from the procedural flexibility afforded by arbitration by allowing parties to structure their proceedings in such a manner that they can hold mediations or negotiations at various points during the proceedings. For example, WIPO provides a model submission agreement in which parties can agree to WIPO mediation followed by arbitration for FRAND disputes.[22] This recognizes the fact that parties to FRAND disputes are often essentially involved in a commercial disagreement, which can be facilitated by rule-based adjudication, but which is likely to be best resolved by negotiation. Parties can also adopt procedures that allow them to stay arbitral proceedings at a later stage in the proceedings in order to allow the parties to engage in mediation and resume the proceedings if the mediation is not successful. This has the added benefit of allowing parties to engage in mediation after they have heard the opposing side's legal arguments and have had an opportunity to ask the other party to produce relevant internal documents, which reduces the chances of either party taking an unreasonable position that is unsupported by the facts.

4. Confidentiality

Since arbitration is essentially a private dispute resolution mechanism between parties, it allows parties to provide for stricter terms of confidentiality.

While confidentiality is crucial in all disputes that involve proprietary information, it is especially beneficial in FRAND disputes, where the disclosure of such proceedings may weaken a patent owner's position in ongoing negotiations with other parties. Arbitration allows parties to FRAND disputes to resolve their dispute while keeping the very existence of the dispute confidential.

However, in relation to confidentiality, it is important to note that certain jurisdictions may require arbitral awards in infringement disputes to be disclosed to a patent authority, particularly awards that deal with questions relating to the validity of intellectual property rights.[23]

22) Available online at http://www.wipo.int/amc/en/center/specific-sectors/ict/frand/annex3/

23) For example, see 35 U.S.C. §294(d). See also, Christopher Boog and James Menz, Arbitrating IP Disputes: the 2014 WIPO Arbitration Rules, *Journal of Arbitration Studies*, Volume 24, No. 3, pp. 105-124, at p. 113.

Ⅳ. Discussion and Conclusion

Based on the examination of various criteria in the preceding sections, while arbitration has much to offer in terms of resolving intellectual property disputes, the value and added efficiency of arbitration will differ from case to case, depending on the nature of the dispute (i.e. contractual disputes, infringement disputes and FRAND disputes) and also on the particular facts and circumstances of each case (i.e. whether there is technical subject matter involved, whether the parties wish to enforce the award in more than one jurisdiction, whether the parties require industry specialists with commercial knowledge of the particular industry in question, etc.). There are also certain legal pitfalls which have to be avoided, particularly with regard to the enforcement of infringement disputes bearing on the validity of a patent, depending on the jurisdictions in which parties want to enforce their arbitral awards.

In addition, deciding whether to go to arbitration will involve strategic considerations that go beyond issues of law. For example:

a) In infringement disputes, however unjustified, a resource-rich party may wish to make resolution of the dispute costlier for the opposing party, in which case it would not want to agree to arbitration in order to force the other party to have to initiate separate litigation proceedings in several different jurisdictions.
b) On the other hand, a small company that is very dependent on a particular patent may not want to put all its eggs in one basket, and may prefer to litigate its infringement dispute in several jurisdictions, and may also want to avail itself of the appeals process available in litigation, so as to minimize the risk of an adverse decision.
c) Parties in FRAND disputes may not want to commit to confidential arbitration, and may instead want to put pressure on the opposing party by making the failure of negotiating FRAND terms public through initiating proceedings in the domestic courts.
d) Parties in contractual disputes may feel that they do not need to enforce their awards in multiple jurisdictions, and may instead prefer to refer their disputes to well-reputed domestic courts for faster and less costlier resolution (this may particularly be the case where appeals from first instance decisions are unlikely).

These strategic considerations usually play a smaller role in most commercial disputes because the parties have to decide whether they want to opt for arbitration at the outset of their commercial arrangement, at the time of the signing of their contract. Since most parties will not be able to predict their strategic needs in relation to future disputes at the start of a business relationship, they will usually not discard arbitration based on such strategic concerns. However, in infringement disputes and FRAND disputes, where a prior arbitration agreement is less likely to exist, and the decision to refer disputes to arbitration has to be made after the dispute has arisen, parties may prefer to go to the courts to gain a strategic advantage.

Therefore, it would seem that while arbitration provides the most benefits in infringement disputes (where arbitration's cross-border enforceability of awards and interim measures can save considerable costs) and FRAND disputes (where confidentiality can prevent affecting negotiations with other parties and the use of commercially familiar industry experts can result in more informed decision), it is also these disputes where parties are more likely to find litigation a more attractive option than arbitration, for strategic reasons.

That said, there already seems to be a healthy number of IP cases that are being referred to arbitration. The WIPO Caseload Summary states that WIPO has "*administered some 450 mediation, arbitration and expert determination cases. Most of these cases have been filed in recent years.*"[24] In addition, as of 2008, the International Chamber of Commerce's International Court of Arbitration had estimated that 10% of its annual caseload involves an IP element.[25] This shows that parties are already relying on arbitration to resolve their intellectual property disputes, though perhaps not to the same extent as in other industries such as construction and engineering or energy.

While there may be ways of enforcing mandatory arbitration – particularly in FRAND disputes, where mandatory arbitration can be achieved by adding an arbitration clause to an SEP-holder's declaration), it is likely that many industry players may not be willing to limit their options in this manner for the reasons stated above.

In conclusion, given the diverse nature of patent disputes, it is not possible to give a blanket statement as to whether arbitration is preferable over litigation in IP dispute. In cases where an arbitration agreement does not already exist, it is important for

24) Available online at http://www.wipo.int/amc/en/center/caseload.html.

25) Joseph P. Zammit and Jamie Hu, Arbitrating International Intellectual Property Disputes, *Mealey's International Arbitration Reports*, Vol. 24, No. 6, (June 2009), 330.

commercial parties and legal advisors to be familiar with the benefits and pitfalls of arbitration in relation to various types of patent disputes, and to enter into discussions with the counterparty on whether all parties can benefit from voluntarily referring their disputes to arbitration.

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