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The Arbitrability of International Intellectual Property Disputes

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Arbitration is the leading form of international commercial dispute resolution. However, public policy may be invoked to make certain subject matter inarbitrable. This article deals with one of these putatively inarbitrable areas: intellectual property. It examines from the point of view of general policy the question of whether, and if so, to what extent, there are limits on the subject matter of intellectual property disputes that may be regulated by arbitration. In addition, it surveys the current state of the law on the arbitrability of international intellectual property disputes in a selection of countries.

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I.
INTRODUCTION

International commercial arbitration is today "the preferred method of settling disputes arising out of international commerce."[1] There are both positive and negative reasons for this. On the negative side, parties may be distrustful of foreign legal practices, political systems and economic structures.[2] On the positive side, commercial arbitration offers privacy, procedural flexibility and freedom to choose arbitrators.[3] Such arbitrators may have special technical knowledge and language skills required by the parties.[4] Arbitration also has the benefits of speed, efficiency, and costs less than a typical litigation before municipal tribunals.[5] Finally, international commercial arbitration may facilitate gaining jurisdiction over parties and, thanks to an international treaty structure, produces awards that are enforceable worldwide.[6]

In the Anglo-American legal system, there is evidence of recourse to commercial arbitration dating back to at least the fourteenth century.[7] In England, bodies such as the church, the stock exchange, the legal profession, the insurance market, and even the Jockey Club opted for forms of self-regulation that included machinery for arbitrating disputes among their own members.[8]

1. JULIAN D. M. LEW, APPLICABLE LAW IN INTERNATIONAL COMMERCIAL ARBITRATION ¶ 1 (1978)
2. *Id.*
3. HOWARD M. HOLTZMANN & JOSEPH E. NEUHAUS, A GUIDE TO THE UNCITRAL MODEL LAW ON INTERNATIONAL COMMERCIAL ARBITRATION 3-4 (1989).
4. *Id.* at 3.
5. *Id.*
6. *Id.*
7. William Catron Jones, *History of Commercial Arbitration in England and the United States: A Summary View*, *in* INT'L TRADE ARB. 127, 129 (Martin Domke ed., 1958).
8. F.W. MAITLAND, *Trust and Corporation*, *in* SELECTED ESSAYS 141, 189-95 (H.D. Hazeltine et. al. eds., 1936) (1905).

In civil law countries, as with common law jurisdictions, private parties turned to arbitration for various reasons—most notably perceived shortcomings in "lawyers' law" and the desire to apply commercially tailored solutions to commercial disputes.[9] Early arbitrations were based on agreements to arbitrate, struck when disputes had already arisen. By the mid-nineteenth century, however, parties began to foresee conflicts at the time of contract, and thus, entered into agreements to refer future disputes to arbitration according to rules and institutional procedures designated by themselves.[10] In the second half of the nineteenth century, there was an explosion in the establishment of arbitral institutions, for example, in Britain, Germany, and the United States.[11]

The issue remained whether municipal courts would interfere in the private arbitral process. This issue, by its nature, arose only when one party attempted to withdraw from its commitment to arbitration, either at the stage of the arbitration itself or at later stages, once an award had been made by the arbitral tribunal. Since at least the seventeenth-century, common law courts have enforced arbitral awards.[12] Arbitration was also a feature of early American law, with at least one state, New York, formally adopting the English statutory scheme.[13]

While an arbitral award might be enforceable, the original agreement to arbitrate was widely held to be revocable.[14] English equity courts in the eighteenth century, however, were prepared to compel arbitration even where the right to revoke the arbitral agreement was "good at law."[15] Nevertheless, and despite this more favorable accommodation of private dispute resolution, the courts' approach was balanced against suspicions that arbitration challenged judicial authority by providing recourse to non-judicial alternatives to litigation.[16] An English insurance case declined to compel arbitration where a court trial regarding the same matter had already occurred—it held that "the agreement of the parties cannot oust this Court."[17] A half-century later, the King's Bench took an even tougher line, with Chief Justice Kenyon holding that an arbitral agreement was "not sufficient to oust the Courts of Law or Equity of their jurisdiction."[18]

In civil law jurisdictions, a similar pattern can be seen. A French royal edict in 1560 compelled arbitration in disputes between merchants and restricted the grounds upon which a party can challenge the arbitration procedure or the

9. RENÉ DAVID, L'ARBITRAGE DANS LE COMMERCE INTERNATIONAL 20-21 (1981).

10. DAVID, *supra* note 9, at 40-41.

11. *Id.* at 51.

12. Jones, *supra* note 7, at 131. One early statute provided for court enforcement of an arbitral award. An Act for determining Differences by Arbitration, 9 Will. 3, ch. 15 (1698) (Eng.).

13. Jones, *supra* note 7, at 132-133.

14. Sir Edward Coke held that such an agreement was "by the law and of its own nature countermandable." Vynior's Case, 8 Co. Rep. 81b, 82a, 77 Eng. Rep. 597, 599 (1609). Despite being dictum, this doctrine was adopted and expanded in the seventeenth century. Robert V. Meehren, *From* Vynior's Case *to* Mitsubishi*: The Future of Arbitration and Public Law*, 12 BROOK. J. INT'L L. 583, 585 (1986).

15. Meehren, *supra* note 14, at 586.

16. *Id.*

17. Kill v. Hollister, 1 Wils. K.B. 129, 129, 95 Eng. Rep. 532, 532 (K.B. 1746).

18. Thompson v. Charnock, 8 Term Rep. 139, 140, 101 Eng. Rep. 1310, 1310 (K.B. 1799).

arbitral award.[19] Nevertheless, French courts refused to allow party agreement to oust their power to review arbitration.[20] Although post-Revolutionary revulsion at the legal order of the *ancien régime* brought brief enthusiasm for arbitration in France, a more classic form of statism quickly reasserted itself: under the 1806 Code of Civil Procedure, arbitral awards could only be enforced if they had been reviewed or approved by municipal tribunals.[21] By 1843, France's highest court had invalidated the arbitration agreement altogether.[22] Although this holding was later narrowed to allow for international commercial arbitration, it was not until 1925 that France once more gave statutory authority to domestic arbitration, and then only for disputes arising from commercial matters.[23]

Early arbitration jurisprudence in both common and civil law countries, thus, reveals a fault line between judicial deference to private party choice as to dispute resolution arrangements and public policy fears that the state's interest in resolving conflicts according to its own law will be bypassed by arbitration. This fault line is an ever-present feature of international commercial arbitration, notably because many jurisdictions continue to disfavor private solutions arising in what, for them, is the primarily public domain of the law. In 1956, one Soviet legal encyclopedia declared that "citizens do not make use of arbitral jurisdictions because they address themselves with full confidence to the people's courts."[24] Similarly, although commercial arbitration is widespread, it is often regarded with political and institutional suspicion throughout large parts of the world, including Latin America, Africa, and Asia.[25] At the same time, a significant number of countries in all regions have subscribed, at least in principle, to an international order governing arbitration, notably by ratifying the Convention on the Recognition and Enforcement of Arbitral Awards.[26]

Although the principle of international commercial arbitration is now widely accepted, the policy fault-line remains, most notably when the subject matter of the arbitration appears to impinge upon the state's judicial powers. One trenchant developing country criticism of the model arbitration law proposed by the United Nations Commission on International Trade Law (UNCITRAL)[27] excoriates the international community for attempting to apply normative concepts of international trade law and dispute resolution to subject

19. DAVID, *supra* note 9, at 124-125.
20. *Id.* at 125.
21. *Id.* at 126-128.
22. *Id.* at 128.
23. *Id.*
24. *Id.* at 170.
25. *Id.* at 175-181.
26. Convention on the Recognition and Enforcement of Foreign Arbitral Awards, June 10, 1958 [New York Convention] 21 U.S.T. 2517, 330 U.N.T.S. 38. As of January 1, 1995, some 104 states have ratified the New York Convention. J. INT'L ARB., Mar. 1995, at 113. Perhaps the most prominent non-member of the Convention is Brazil. *Id.*
27. UNCITRAL Model Law on International Commercial Arbitration, U.N. Doc. A/CN.9/263, *reprinted in* [1985] 16 Y.B. U.N. COMM'N ON INT'L TRADE L., 53, U.N. Doc. A/CN.9/SER.A/1985. On the Model Law, *see* HOLTZMANN & NEUHAUS, *supra* note 3.

matter that should remain under the control of national laws.[28] More narrowly, many countries have excluded specific subject matter from arbitration. The Commission that produced the UNCITRAL Model Law noted, *inter alia*, that bankruptcy, antitrust, and securities are not arbitrable in many jurisdictions.[29] Some jurisdictions have also excluded marital,[30] employment, patent, and trademark issues from arbitration.[31]

This article deals with one of these putatively inarbitrable areas, intellectual property. In doing so, it attempts to do two things. First, it examines from the point of view of general policy, the question of whether, and if so, to what extent, there are limits on the subject matter of intellectual property disputes that may be regulated by arbitration. Second, the article surveys the current state of the law on the arbitrability of international intellectual property disputes in a selection of countries. Because the focus of the article is limited to features of intellectual property that present arbitrability questions which are different from those arising in other subject-matter areas, general issues, such as jurisdiction, are only broached insofar as they have a bearing on the main question.

With respect to the discussion of public policy or *ordre public*,[32] this article, in section II, examines the evolution of arbitrability. Originally, arbitration was largely limited to disputes arising from commercial contracts. It is now recognized internationally as having a far wider scope. Next, the article examines specific policy questions which arise in relation to intellectual property disputes, tracing different theoretical and national law approaches and culminating in a demonstration of how these ideas apply in an actual arbitration. The article then discusses the relationship between arbitration and judicial policy in the context of laws which control how the arbitration itself is conducted, and what recognition and enforcement is accorded to the arbitral award. Finally, section II discusses how the public and judicial policy issues raised here might apply in a hypothetical arbitration.

Section III analyzes the state of the law of intellectual property arbitration in a selection of countries. This article examines highly contrasting approaches to the various questions raised in ten states. It also briefly examines the approaches of seven additional states.

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28. M. Somarajah, *The UNCITRAL Model Law: A Third World Viewpoint*, J. INT. ARB., Dec. 1989, at 7, 19-20.

29. HOLTZMANN & NEUHAUS, *supra* note 3, at 39.

30. LEW, *supra* note 1, ¶ 426.

31. W. LAURENCE CRAIG *et. al.*, INTERNATIONAL CHAMBER OF COMMERCE ARBITRATION 87-90 (2d ed., 1990)

32. Arbitration literature tends to use the terms "public policy" and "*ordre public*" interchangeably, although there is a view that the latter term has a wider scope than the former. LEW, *supra* note 1, at ¶ 401 n. 1. In this article, the two terms are taken to have the same essential meaning as far as arbitration and arbitrability are concerned, reflecting Lew's non-inclusive view that "public policy reflects the fundamental economic, legal, moral, political, religious and social standards of every State or extra-national community." *Id.* ¶ 402.

II.
ARBITRABILITY AND INTELLECTUAL PROPERTY

A. Public Policy Considerations

1. The Development of Objective Arbitrability

This article is concerned with so-called "objective" arbitrability: the degree to which a particular subject matter may be referred to international arbitration—leading to a binding award recognizable by municipal courts—without conflicting with applicable national law.[33] The decision that certain subjects are or are not arbitrable is purely a matter of policy:

> The concept of arbitrability, properly so called, relates to public policy limitations upon arbitration as a method of settling disputes. Each state may decide, in accordance with its own economic and social policy, which matters may be settled by arbitration and which may not. In international cases, arbitrability involves the balancing of competing policy considerations. The legislators and courts in each country must balance the importance of reserving matters of public interest (such as human rights or criminal law issues) to the courts against the public interest in the encouragement of arbitration in commercial matters.[34]

Although courts once often disapproved of party-driven dispute resolution that, in their eyes, circumvented judicial jurisdiction, [35] there is now a strong impulse toward arbitration.[36] The use of arbitration has not been merely a function of a change of the party's attitudes towards arbitration. It is also because the judicial system may be saturated, slow, and expensive.[37] Arbitration and other forms of alternative dispute resolution have been advanced to expedite cases and to reduce court workloads while at the same time ensuring the fair resolution of disputes.[38] This impulse is further stimulated on the international level by the distrust many parties in international commerce feel towards foreign legal jurisdictions.[39] As a simple necessity, parties have been allowed to create their own dispute resolution mechanisms in order to stimulate transnational enterprises.

The scope of arbitration has also continued to grow. The old Geneva Protocol on Arbitration Clauses of 1923 was largely limited, by Article 1, to differences over contracts relating to commercial matters.[40] By the time of the 1958

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33. "Objective," as opposed to the idea of "subjective" arbitrability, which holds that arbitration may on occasions be challenged because of the quality of one of the dispute's *parties*—generally an organ of the state—rather than the quality of the *subject matter*.

34. ALAN REDFERN & MARTIN HUNTER, INTERNATIONAL COMMERCIAL ARBITRATION 137 (2d. ed., 1991).

35. *See supra* notes 14-23 and accompanying text.

36. *See supra* note 1 and accompanying text.

37. William H. Rehnquist, *A Jurist's View of Arbitration*, 32 ARB. J. 1-3 (1977).

38. *Id.* at 6-7.

39. *See supra* note 2 and accompanying text.

40. Protocol on Arbitration Clauses 27 L.N.T.S. 158 (24 Sept. 1923). Even under the Geneva Protocol, non-commercial matters were theoretically arbitrable. The relevant part of Article 1 read as follows (emphasis added):

> Each of the Contracting States recognizes the validity of an agreement whether relating to existing or future differences between parties respectively to the jurisdiction of different Contracting States by which the parties to a contract agree to submit

New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the scope of arbitration was acknowledged to have changed.[41] Article II(1) extended international recognition of arbitration to differences arising "in respect of a defined legal relationship, whether contractual or not," thereby admitting the arbitrability of, for instance, tort claims.[42]

2. *The Public Policy Elements of Intellectual Property*

a. *The Intellectual Property Problem*

If intellectual property[43] disputes are to be considered potentially arbitrable—even where a dispute raises the validity and/or ownership of intellectual property—it is necessary to identify those issues that may arise whose scope extends beyond the essentially private domain of traditional arbitration. A patent or a trademark, for instance, is generally a statutorily-created state grant of a limited monopoly or exclusive right of exploitation.[44] Within the judicial sys-

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> to arbitration all or any differences that may arise in connection with such contract relating to commercial matters *or to any other matter capable of settlement by arbitration*, whether or not the arbitration is to take place in a country to whose jurisdiction none of the parties is subject.
>
> Each Contracting State reserves the right to limit the obligation mentioned above to contracts which are considered as commercial under its national law. . . .

Id.

41. New York Convention, *supra* note 26.

42. *Id.* However, Article I(3) of the New York Convention allows for a signatory state, via a reservation, to apply the Convention "only to differences arising out of legal relationships, whether contractual or not, which are considered as commercial under the national law of the State . . ." *Id.* The U.S. is one of the few large countries to have availed itself of this reservation. UNITED NATIONS, MULTILATERAL TREATIES DEPOSITED WITH THE SECRETARY GENERAL, STATUS AS AT 31 DECEMBER 1994 877, 882 (1995).

43. This is not the place to attempt a comprehensive definition of the term "intellectual property," if such were possible. As has been pointed out elsewhere, there is "no universally accepted definition of the term which holds true for all, or even most, jurisdictions." Francis Gurry, *Objective Arbitrability—Antitrust Disputes—Intellectual Property Disputes*, *in* ASSOCIATION SUISSE DE L'ARBITRAGE, OBJECTIVE ARBITRABILITY—ANTITRUST DISPUTES—INTELLECTUAL PROPERTY DISPUTES 111 (Bernard Hanotiau, ed., 1994). For convenience, and as a guide to the general scope of intellectual property as accepted by the 155 member-states of the World Intellectual Property Organization (WIPO), the following list, taken from Article 2(viii) of the Convention establishing WIPO is of use:

> [I]ntellectual property shall include the rights relating to:
>
> - literary, artistic and scientific works,
> - performance of performing artists, phonograms and broadcasts,
> - inventions in all fields of human endeavor,
> - scientific discoveries,
> - industrial designs,
> - trademarks, service marks, and commercial names and designations,
> - protection against unfair competition,
>
> and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.

Id. at 120.

44. Many American legal discussions of intellectual property bridle at the use of the term "monopoly," because it courts the "anti-social and pejorative connotations" of the antitrust laws' prohibition of "monopolization" in the Sherman Act, 15 U.S.C. § 2. J. THOMAS MCCARTHY, DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 210 (1991). In the case of patents, the persistence of their being viewed as a monopoly is doubtless due to their historical roots in the English common

tem of a particular country, a court, as a functioning part of the state apparatus, may determine that a particular patent is invalid or that a given plaintiff does not own the trademark to which it lays claim.[45] Such determinations of ownership or validity, usually arising from defenses to infringement actions, generally follow from private claims against the intellectual property rights holder. These private claims thereby place in question a right arising from the public grant of intellectual property.

The private challenge to a public right is not an inherent feature of intellectual property disputes alone. In general, it can be said that any private claim or dispute arises from publicly-conferred rights. For instance, there is a public expectation that contracts should be respected and that private parties be given the right to enforce such an expectation or to receive damages for failure to gain an expected benefit. Similarly, the state imposes duties—such as that of exercising care in one's actions towards third parties—and sanctions, arising from private actions, on those who breach such duties. However, the parties may often bargain legally to waive the exercise of such publicly-imposed duties. In doing so, the general duty does not disappear. Rather, its applicability in a particular situation is defined by the agreement of the parties exercising a private choice. Having created a default policy—the duty—the state is prepared, under certain circumstances, to retreat from it in deference to the parties' wishes.

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law of monopolies. ERNEST BAINBRIDGE LIPSCOMB III, 1 WALKER ON PATENTS 1-67 (3d ed., 1984). Continental discussion has been more relaxed about the term: thus, an early French commentator made patents "part of a vaster subject . . . the theory of monopoly." AUGUSTIN-CHARLES RENOUARD, TRAITÉ DES BREVETS D'INVENTION, DE PERFECTIONNEMENT ET D'IMPORTATION ix (1825). In civil law systems generally, as in Anglo-American law, industrial property rights were originally based in royal prerogatives to grant monopolies. PAUL ROUBIER, 1 LE DROIT DE LA PROPRIÉTÉ INDUSTRIELLE 63-65 (1952). The essence of the rights inherent in intellectual property is that they are the exclusive personal property of the owner. *See, e.g.*, DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY, *supra*, at 210 ("[a] patent is personal property that has some of the aspects of the economist's 'monopoly'. . ."); Application of Deister Concentrator Co., 289 F.2d 496, 501-02 n.5 (C.C.P.A. 1961) ("To say one has a 'trademark' implies ownership and ownership implies the right to exclude others."); ALBERT CHAVANNE & JEAN-JACQUES BURST, DROIT DE LA PROPRIÉTÉ INDUSTRIELLE 2 (4th ed. 1993) ("the right of a patentee is none other than a property right . . . . All industrial property rights can be qualified in the same way."). Of course, such rights are only *limited* rights, because they are normally only granted for finite periods. ROUBIER, *supra*, at 98-99. Nevertheless, European Union law appears to be open to the idea that an intellectual property right may be abused through antitrust-style monopolization. *See* Radio Telefis Eireann and Another v. European Commission [the *Magill* case], Joined Cases Nos. C-241-242/91 P (Court Of Justice Of The European Communities, Apr. 6, 1995) (LEXIS, Intlaw library, ECcase file).

45. U.S. law provides for courts to determine the invalidity of a patent as a defense to an infringement claim. 35 U.S.C. § 281. Statutory defenses to trademark infringment claims include abandonment and obtaining the trademark fraudulently. 15 U.S.C. § 1115. In England and Wales, a court may revoke or invalidate a trademark. Trade Marks Act §§ 46, 47 (1994). A court may also revoke a patent for invention. Patents Act § 72 (1977). In France, too, a court has the power to declare a patent invalid. CODE DE LA PROPRIÉTÉ INTELLECTUELLE [C.P.I.] art L.613-25 (Fr.). A court may also revoke a trademark on grounds of improper registration or abandonment. C.P.I. arts. L.714-3, L.714-5. By contrast, in Japan, invalidity may not be raised as a defense in a patent infringement case; only the state Patent Office is competent to invalidate the patent. Law No. 121 of Apr. 13, 1959, as amended, art. 123. *See* TERUO DOI, THE INTELLECTUAL PROPERTY LAW OF JAPAN 33-34 (1980). The Patent Office also has the power to invalidate a trademark. Law No. 127 of Apr. 13, 1959, as amended, art. 46. *See* DOI, *supra*, 153-54.

As a public policy question, the issue of the arbitrability of intellectual property is usually expressed somewhat differently. Generally, intellectual property licensing disputes are considered arbitrable because they raise issues concerning private contractual arrangements between parties.[46] Even in a licensing case, a defense may be raised concerning not the facts or the contractual terms, but the validity or ownership of the intellectual property right that forms the basis of the plaintiff's claim.[47] The validity of an intellectual property right is determined by reference to national statutory principles, which may include public registration of the right.[48] The fact that these rights exist in the sphere of public grants has led courts to suggest that their jurisdiction may not be circumvented by private determinations; i.e., arbitration of the validity of these rights.[49]

What is it that makes these particular state grants part of an immovable state domain? Other state-imposed responsibilities, such as contract and tort, may in certain circumstances be freely waived. Further, the fact that intellectual property rights arise under a state grant is not sufficient to render such rights automatically inarbitrable. Consider the parallel example of real property rights. In common law countries, the real property system is derived from the feudal order, under which the monarch possessed virtually all property;[50] and property rights were granted in the property in different forms, trickling down in various ways to a cadre of holders of such rights.[51] In its modern version, the state has replaced the monarch, but all private property remains, in a sense, a state grant

46. "[C]ontracts *relating* to patents and trademarks may be arbitrated" to decide issues of interpretation and performance. CRAIG, *supra* note 31, at 88 (emphasis in original). Some jurisdictions also allow an arbitrator to decide "whether there has been infringement of patent rights." *Id.*

47. Invalidity is a defense to an infringement claim in many jurisdictions. *See supra* note 45 and accompanying text (on courts' powers to revoke or invalidate intellectual property grants).

48. Copyright laws, for example, usually describe the purpose and meaning of copyright of its equivalents. *E.g.*, 17 U.S.C. § 102(a) (U.S.); Law No. 48 of May 6, 1970, as amended, art. 1 (Japan); C.P.I. arts. L. 111-1 - L. 111-5 (France). They also usually contain provisions on the scope of application of the law. *E.g.*, 17 U.S.C. § 106; Law No. 48 of May 6, 1970, arts. 6-9 *bis*; C.P.I. L. 121-1 - L. 122-12. Patents and trademarks are usually registered. *See. e.g., supra* note 45 and accompanying text (on revocation of registered intellectual property grants). Even copyrights which in signatory countries of the Berne Convention are not subject to formalities, may be registered for other public policy reasons. *See, e.g., infra* note 127 (on copyright registration in the U.S.).

49. One American appellate court, for instance, held that arbitration of a patent's validity was "inappropriate for arbitration proceedings and should be decided by a court of law, given the great public interest in challenging invalid patents." *Beckman Instruments, Inc. v. Technical Development Corp.*, 433 F.2d (7th Cir. 1970), *cert. denied*, 401 U.S. 976 (1971). In other cases, as with moral rights, for instance, the rights at stake are viewed as being both inherent and inalienable, and thereby incapable of being disposed of through a private arrangement. *See. e.g.*, the French moral rights provision at C.P.I. art L. 121-1.

50. Thus, in England, "it has sometimes been supposed that the entire property in the land vested exclusively in the King [after the 1066 Norman invasion] and that to this day the Crown remains the only true owner of the land situated within the jurisdiction." KEVIN GRAY, ELEMENTS OF LAND LAW 52 (2d ed., 1993). While this view has been described as a "fiction," the idea of "radical title" was a "postulate of the doctrine of tenure and a concomitant of sovereignty" in the English colonies. *Mabo v. Queensland*, 175 C.L.R. 1, 47-48 (1993) (Austrl.).

51. For instance, even though the last vestiges of feudal tenure were abolished in 1922, and converted into freehold tenure, it is "still true that every parcel of land in England and Wales is held of some lord—almost invariably the Crown," and that "all occupiers of land are merely—in the feudal sense—'tenants.'" GRAY, *supra* note 50, at 55.

recorded in state registers (which need not even be open to the public).[52] Yet, in these same countries, disputes over the ownership and validity of title in real property are usually arbitrable.[53] Despite the similarity between intellectual property and real property rights, the *ordre public* is not raised in arbitration cases concerning real property title.

It might be argued that to consider intellectual property arbitrability merely in the context of the state's power to grant rights is to view the public policy issue too narrowly. Nevertheless, there is a theory that intellectual property disputes—or aspects of them—are inarbitrable per se.[54] This theory is premised on the idea that even though the state usually remains in the background in other types of private disputes, whether similar—in the case of contract actions—or analogous—as with real property arbitration—intellectual property has certain intrinsic features that compels the state into the foreground, and thereby, invokes the *ordre public*. But, commentators are uncertain as to what this intrinsic feature might be and *why* there is a public policy bar to certain types of intellectual property arbitration.[55]

This is in contrast to antitrust cases, where the arbitrability debate has always been grounded in a palpable policy issue: the need for the state to police certain types of economic activity and to use measures, such as public disclosure and punitive damages, to demonstrate to non-parties the state's disapproval of certain practices.[56] This argument is then extended to private causes of action in

52. In North America, for example, the system of colonial land tenure was originally derived from Crown grant. Upon independence, many states declared lands to be allodial, or held of the state, while others arguably merely transferred to themselves radical title formerly held by the Crown. Either way, real property ultimately belonged to the state. *See* William R. Vance, *The Quest for Tenure in the United States*, 33 YALE L. J. 248, 263 (1924). By contrast, in France the feudal order similarly vested all immovable, or real property in feudal lords, who assigned lands to tenants while retaining rights to charge fees and impose restrictions on alienation. ALEX WEILL et. al., LES BIENS 75-76 (3d ed., 1985). However, the Revolution transformed property into an *individual* right, on a par with movable or personal property. *Id.* at 76. Individual property in France remains a "quasi-sovereign, exclusive and perpetual right." *Id.* at 77. In the nineteenth century this concept was extended to incorporeal intellectual property rights. *Id.* at 78. Nevertheless, despite this private character of property rights, most real property transactions are required by law in France to be recorded publicly. *Id.* at 342-343. Such registration of land is a general feature of most jurisdictions, and normally a public one. Even Great Britain, long a bastion of private records, finally granted public access to its Land Register in 1988. GRAY, *supra* note 50, at 173.

53. For example, arbitral awards involving determinations of title in land have been upheld in English courts at least since 1802. *Doe d. Morris v. Rosser*, 3 East 15, 102 Eng. Rep. 501 (K.B. 1802). However, in some countries real property questions are expressly inarbitrable, a position used to justify the inarbitrability of intellectual property matters. *See, e.g.*, Smadar Ottolenghi, *Israel*, in 11 Y.B. COMM. ARB. 79, 80 (1986). *But see also infra* notes 323-329 and accompanying text (on new attitudes in Israel towards intellectual property arbitration).

54. *See supra* note 31 and accompanying text.

55. For example, none of the authorities cited, *supra* notes 29-31 and accompanying text, explain what is the objection to arbitration involving patent validity.

56. An extensive bibliography of the antitrust question in relation to arbitration can be found in PARKER SCHOOL OF FOREIGN AND COMPARATIVE LAW, COMMERCIAL ARBITRATION: AN INTERNATIONAL BIBLIOGRAPHY 231 *et seq.* (1993). Among the important articles on this question are: Thomas E. Carbonneau, Mitsubishi: *The Folly of Quixotic Internationalism*, 2 ARB. INT'L 116 (1986); Andreas F. Lowenfeld, *The* Mitsubishi *case: Another View*, 2 ARB. INT'L 178 (1986); Wolfgang Kühn, *Arbitrability of Antitrust Disputes in the Federal Republic of Germany*, 3 ARB. INT'L 226 (1987); Jean-Hubert Moitry, *Arbitrage international et droit de la concurrence: vers un ordre*

antitrust, where the state is not a party, but in which the litigants are viewed as proxies for the state interest in the regulation of the economic market. Taking such disputes into the closed, confidential, and anonymous world of arbitration, the argument runs, may eliminate these state police interests from the antitrust process.[57]

This argument has increasingly been rejected.[58] The state, after all, has the police power to attack antitrust violations without requiring private parties to do the work for it. Further, the state may well want to balance any limited loss of its power and influence that may result from removing certain types of questions into the private sphere against other benefits of arbitration.[59] However, the antitrust debate at least has the virtue of having been grounded in a serious discussion of the respective roles of the state and of private parties in such disputes. In the case of intellectual property, one cannot point to a body of similar caselaw or literature to support the premise that certain classes of dispute *inherently* invoke the state interest in such a way that they should automatically be excluded from arbitration.

Indeed, the most convincing argument for limiting the arbitrability of certain types of intellectual property dispute focuses not on the state's interests, but on the arbitrators' power. Because an arbitral award is *merely* a private affair, binding only on the parties and having no wider impact, an arbitrator cannot make an award that has an effect *erga omnes*.[60] Any arbitral award that attempts to invalidate a state grant would by its nature seek to operate *erga omnes*, and thus, would be beyond the arbitrator's powers.[61] A similar argument might be advanced in the case of intellectual property ownership—assuming, that is, that an argument can be found to distinguish the ownership of intellectual property from that of other kinds of property. Because the state grant settles ownership on a particular party, a contrary arbitral finding affects not only the relationship between the parties to the dispute, but makes a declaration as to ownership that inevitably implicates non-parties, and therefore, exceeds the arbitrator's powers. This is seen as calling into question the basis of the state grant of intellectual property rights.

In these circumstances, an arbitral award that appears to challenge the validity or ownership of an intellectual property right would invite judicial inter-

public de la lex mercatoria? REVUE DE L'ARBITRAGE No. 3, 1989, at 3; Frank-Bernd Weigand, *Evading EC Competition Law by Resorting to Arbitration?* 9 ARB. INT'L 249 (1993).

57. The debate over intellectual property arbitrability has looked to antitrust cases not only because of the way they treat the public policy question, but also because of antitrust's concern with the regulation of monopolies, viewed by some (if not all) as questions with analogies in intellectual property law. *See supra* note 44.

58. Notably by the United States Supreme Court in *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614 (1985).

59. These may include the efficiency and cost benefits of arbitration which help the state as well as private parties. *See supra* note 40 and accompanying text.

60. This has long been recognized, including in the context of arbitrating the intellectual property validity. *See, e.g.*, Christopher John Aeschlimann, *The Arbitrability of Patent Controversies*, 44 J. PAT. OFF. SOC'Y 655, 662-663 (1962).

61. *Id.* at 662.

vention in order to assert the *ordre public* and to extend the scope of the dispute beyond the narrow concerns of the parties.[62] However, and fortunately for arbitration, this conflict between preserving the public policy domain and encouraging private dispute resolution, can be resolved in at least two ways. First, arbitration may serve as a surrogate for the juridical or administrative exercise of the state's rights and responsibilities. Secondly, and alternatively, one may examine the degree to which deference is to be accorded to party choice before public policy is implicated.

i.

Intellectual Property Arbitration as an Agent of Public Policy

The first approach to resolving the conflict between the public policy domain and the private dispute resolution domain is to substitute arbitration for judicial or administrative exercise of the state's rights and responsibilities. Thus, in the United States, arbitration of the validity of patents is permitted by statute.[63] However, if the arbitrator finds that the patent at issue is invalid, the award cannot be enforced until the Patent and Trademark Office has been informed of the award's existence.[64] While the arbitration process exists primarily for the parties, it also serves a secondary state interest—protecting the integrity of the patent grant process while encouraging such traditional virtues of the arbitration system as speed, economy and efficiency (*although not, in this example, confidentiality*).

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62. Of course, this bifurcation of private and public issues is in itself problematic, particularly if the public aspect is viewed in terms of efforts to improve collective welfare; i.e., that public policy exists not, abstractly, for the state, but in fact, concretely, for the people, including intellectual property rights holders, who comprise the state. In this context, grants of intellectual property rights can be viewed *both* as the bestowal of certain private monopoly rights upon the grant holders *and* as the expression of the state's interest in stimulating particular forms of economic and entrepreneurial activity. In that context, individual rights, such as the right to assign or license all or part of an intellectual property right, serve as much the state's interest as that of the particular rights holder. This public aspect of these private grants is illustrated by the typical limits placed in many jurisdictions both on obtaining and on holding these rights: originality requirements in copyright; utility specifications in patents; the concepts of trademark abandonment of "working" a patent and of compulsory licensing—even of expiration—all bespeak a public interest in the conduct of intellectual property relations that will nonetheless remain essentially private. Because these lines between public and private interest are difficult to draw, and because the drawing of these lines is itself a public policy question, a pragmatic arbitration tribunal will not attempt to cross them. Instead, it will seek to find a way of fulfilling the wishes of the parties to resolve their disputes by arbitration, while at the same time avoiding the pitfall, both in the framing of issues and their resolution, of appearing to usurp the powers of the state. The pragmatic approach is taken in any case by arbitrators in real world situations:

> An arbitrator in Paris or Geneva or New York or Tokyo, regardless of his attitude or feeling about a given law—be it warranty or anticipatory breach or antitrust—and regardless of his devotion to any given state's national interest, will not act in disregard of the law he believes applicable. Andreas F. Lowenfeld, *supra* note 7, at 183.

For a valuable discussion of this public/private dichotomy, *see* Edward M. Morgan, *Contract Theory And The Sources Of Rights: An Approach To The Arbitrability Question*, 60 So. Cal. L. Rev. 1059 (1987).

63. 35 U.S.C. §§ 135(d), 294. *See* the discussion of patent arbitrability in the United States section, *infra* notes 291-302 and accompanying text.

64. 35 U.S.C. § 294(e).

Similarly, in Switzerland, the Federal Office of Intellectual Property adopted the view more than twenty years ago that arbitral tribunals could decide the validity of industrial property—patents, trademarks, and designs.[65] These decisions, if accompanied by a certificate of enforceability issued by a Swiss court with jurisdiction over the seat of arbitration, will be entered in the federal intellectual property register.[66] By making the arbitration tribunal, in a sense, do the work of the public authorities, the integrity of the *ordre public* is not compromised.

ii.

Intellectual Property Arbitration as an Exercise of a Contractual Waiver of Legal Rights

A second approach to the public-private conflict with respect to the validity and/or ownership of state intellectual property grants is to examine the degree of deference given to the parties' choice before public policy is implicated. Private arbitration, by definition, arises because, at some point, the parties had contracted to refer their disputes to a non-judicial tribunal. This is so even where the cause of the dispute does not itself arise from a contract. Seen from the perspective of a contractual arrangement, two observations can be made about the relationship between the parties in an intellectual property context.

First, virtually any right in a registrable state grant of an intellectual property right can be licensed or assigned. [67] In an infringement case, the arbitrator is being asked to determine who among the parties holds a particular right, a proper assignment, or license of such right. If the validity of the intellectual property right is raised as a defense, the significance of the validity issue for the arbitrator lies only as a factor in determining who holds which right under the contract. Assume that the arbitrator determines that the intellectual property right in dispute is invalid. From this perspective, there can be no infringement. But, outside the arbitral tribunal, the intellectual property right continues to be

65. Decision of Dec. 15, 1975. *See* SWISS R. INDUS. PROP. & COPYRIGHT 36-38 (1976).

66. In an international arbitration, this certificate is issued pursuant to Art. 193.1 of the federal Private International Law statute of 1987, whose text can be found in section 291 of the RECUEIL SYSTÉMATIQUE DU DROIT FÉDERAL (or in its German-language counterpart, the SYSTEMATISCHE RECHTSSAMMLUNG DES BUNDESRECHTS). *See* Robert Briner, *The Arbitrability of Intellectual Property Disputes with Particular Emphasis on the Situation in Switzerland, in* WORLD INTELLECTUAL PROPERTY ORGANIZATION, WORLDWIDE FORUM ON THE ARBITRATION OF INTELLECTUAL PROPERTY DISPUTES 77 (1994). It appears, however, that registration of industrial property validity awards is comparatively rare and that the registration requirement may be dropped with respect to domestic awards. *See* Dominique Brown-Berset, ARBITRATION AND INTELLECTUAL PROPERTY—SWISS REPORT 48, unpublished report submitted to A[ssociation]I[nternational de]J[eunes]A[vocats] 1995 Annual Congress (on file with the author).

67. *E.g.*, in Japan, "[p]atents, as any kind of tangible property are assignable in whole or in part." DOI, *supra* note 45, at 53. In France, a trademark, "exploited or not, registered or not, may be assigned by the titleholder . . ." CHAVANNE & BURST, *supra* note 44, at 601. In the U.S., patents are assignable in law. 35 U.S.C. § 261. So are trademarks. 15 U.S.C. § 1060. Copyrights are also assignable, in whole or in part. 17 U.S.C. § 201(d)(2). However, moral rights in literary and artistic property may not be assignable, as in France. C.P.I. L.121-1. Nevertheless, in some jurisdictions, moral rights may be waivable. *See. e.g.*, 17 U.S.C. 106A(e)(1).

valid because the state apparatus has not revoked it. Thus, the defendant's non-infringement is predicated not on legal invalidity—on which the arbitration tribunal can make no finding *erga omnes*—but on an adjudication *inter partes* that the defendant's use of the intellectual property is non-infringing. The arbitrator, thus, awards the defendant something analogous to an equitable remedy: a right to use the disputed intellectual property. The arbitrable award simply regulates the enforceability of rights between the parties. It does not invalidate them generally.

The second observation on the relationship between parties is that public policy is not offended when the parties waive certain legal rights. Thus, parties may agree not to seek particular types of relief in the event of a dispute: eschewing preliminary or final injunctive relief, say, in favor of monetary damages. Similarly—if more controversially—parties might agree that certain claims or defenses with respect to the contract are simply barred. A U.S. court, for instance, upheld a "no-contest" clause in a copyright license that prevented a licensee from challenging the validity of the licensor's copyright in the event of a dispute.[68] Further, it is well established that certain forms of relief which are unavailable to most courts, such as prospective relief, may be granted under some arbitration rules without infringing public policy interests.[69]

By this token, there is arguably nothing wrong with allowing parties to an intellectual property agreement to agree to permit or to exclude certain causes of action or remedies in the event of a dispute. Parties might agree that the validity of a trademark could be made an issue in arbitration even if the arbitral award could not invalidate the mark itself. Similarly, an arbitrator might, through party choice, allow one party to raise a defense on the ground that the other party does not own a disputed patent. Deference to the parties' wishes, which is strongly embedded in international arbitration policy, justifies allowing sophisticated parties—in return for the clear and known benefits of arbitration—to waive or to alter the legal rights they would otherwise have through recourse to the judicial system.

68. Saturday Evening Post v. Rumbleseat Press, Inc., 816 F.2d 1191 (7th Cir. 1987).

69. Sometimes, rules specify that the arbitral tribunal shall apply the law designated by the parties and may, at the request of the parties, act as *amiable compositeur* or *ex aequo et bono*, deciding the case according to principles of equity and the arbitrators' conscience. *See, e.g.*,, UNCITRAL Arbitration Rules art. 33, 15 I.L.M. 701; American Arbitration Association International Arbitration Rules art. 29, AMERICAN ARBITRATION ASS'N, THE INTERNATIONAL ARBITRATION KIT 139, 146 (Laura Ferris brown ed., 4th ed., 1995); WIPO Arbitration Rules art. 59, WORLD INTELLECTUAL PROPERTY ORGANIZATION, WIPO MEDIATION RULES, WIPO ARBITRATION RULES, WIPO EXPEDITED ARBITRATION RULES 22, 34 (1995). However, rules may provide for the arbitrator to grant *any* remedy or relief within the scope of the arbitral agreement that appears just and equitable. *See, e.g.*, American Arbitration Association Commercial Arbitration Rule 43, THE INTERNATIONAL ARBITRATION KIT, *supra*, at 151, 158. Clearly, in order to obtain the kinds of remedy discussed here, the arbitration agreement will have to give the arbitrator the necessary powers. For a brief, clear discussion of *amiable composition*, *see* CRAIG, *supra* note 31, at 309-315.

3. *Arbitrability in Practice—ICC Case No. 6097*

The above theoretical positions have already been incorporated into the practical business of making arbitral awards. In 1989, an International Chamber of Commerce (ICC) arbitration tribunal considered an issue involving patent validity. [70] In an interim award, the tribunal held that such a dispute could be arbitrated and that the issue should not be separated from other clearly arbitrable issues in dispute.[71]

The parties had agreed that their contract would be interpreted according to Japanese law, but that the law of the Federal Republic of Germany would apply to the alleged infringement of industrial property rights.[72] The place of the arbitration, to be conducted under ICC rules, was Zurich and the applicable law was the Swiss Concordat.[73]

The tribunal pointed out that the claimant's case was grounded in a single fact situation underlying both breach of contract and patent infringement issues.[74] The parties also intended, as expressed through their arbitration agreement, to see their differences resolved via arbitration. Thus, the tribunal argued, it would

> be contrary to the meaning and purpose of these arbitral proceedings to divide jurisdiction according to the different legal aspects of a single alleged factual situation and to declare that the Arbitral Tribunal would only have jurisdiction over claims based on breach of contract while national courts would have jurisdiction over claims grounded in law (such as those alleging patent infringement).[75]

As for the issue of patent validity, the tribunal noted that only a national court with proper jurisdiction could invalidate a patent *erga omnes*.[76] Further, the tribunal did not attempt to claim the statutory powers granted to arbitrators in the United States or in Switzerland to rule on the validity of patents.[77] Nevertheless, the tribunal did believe itself to be "entitled to confirm whether the Claimant can substantiate the allegations based on its patents despite Defendant's objections, or whether Defendant can prove that the material covered by the patents in question was not in fact patentable."[78]

The tribunal noted that a patent owner had considerable flexibility to assign, to waive, or to restrict its rights:

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70. Interim Award in Case No. 6097 (1989), ICC CT. ARB. BULL., Oct. 1993, at 76.
71. *Id.*
72. *Id.* at 77.
73. *Id.* The Private International Law statute, *supra* note 66, whose Chapter 12 covers international arbitration, entered into force on January 1, 1988. Hitherto, all Swiss-based arbitration, domestic and international, was governed by the country's Intercantonal Concordat on Arbitration, which harmonizes the procedural rules applied to arbitration by the signatory cantons and which continues in force with respect to internal arbitration. *See* François Perret, *L'arbitrabilité des litiges de propriété industrielle—II. En droit comparé: Suisse/Allemagne/Italie*, *in* ARBITRAGE ET PROPRIÉTÉ INTELLECTUELLE 75 (Institut de Recherche en Propriété Intellectuelle Henri-Desbois, ed., 1994); *see also* Dominique Brown-Berset, *supra* note 66, 54-55, n.29.
74. Interim Award in Case No. 6097, *supra* note 59, at 77.
75. *Id.*
76. *Id.* at 78.
77. On these powers, *see supra* notes 63-66 and accompanying text.
78. Interim Award in Case No. 6079, *supra* note 70, at 79.

> In a dispute concerning the infringement or invalidity of a patent, the owner of the patent at issue may wholly or partially waive its rights against the other party; it may also undertake to make this waiver or restriction known to the Patent Office; transfer the right to exploit the patent to the other party either in exchange for payment or free of charge; commit itself not to exercise all or part of its rights; sell the patent in whole or in part; assign its total or partial rights to the patent's exploitation to a third party, or give it as security. The patent holder is thus free to transfer its material rights under a patent to the same degree as those to any other property.[79]

Because such wide rights were available to a patent holder, a party to an arbitration could assign the contractual power to transfer such rights under a patent to the arbitral tribunal.[80] "In principle, therefore, there is no legal obstacle that bars an Arbitral Tribunal, thus empowered by the parties, to rule, as a preliminary matter, on the material validity of a patent."[81] Such a determination would be binding *inter partes*.[82]

The arbitral award, thus, avoided challenging the competent courts' jurisdiction as far as the validity of the patent was concerned. It also forcefully set forth the parties' right to use contract law to define the disposition of their material rights under an arbitral award. As a demonstration of some of the issues raised in this section, Case No. 6097 is persuasive. However, Case No. 6097 does not address—because the tribunal was not called upon to do so—the policy issues that arise where a subject matter is claimed to fall outside the scope of arbitration. These are dealt with in the following section.

B. Stages of Application of Public Policy

The general issues arising with respect to arbitrability, discussed above, turn into specific problems when an arbitration comes into contact with a particular jurisdiction. This contact can take place at several stages, but most typically arises in three instances: (1) where the place whose law governs the substance or merits of the dispute is called to rule upon the arbitrability of the subject matter at issue; (2) where the law of the place of arbitration has a view of the arbitrability of the subject matter; and (3) where the parties go to court to enforce the arbitral award.[83] Although these jurisdictional distinctions are essential to understand when the judicial system may intervene in the arbitral pro-

79. *Id.*
80. *Id.*
81. *Id.*
82. *Id.*
83. Detailed examination of the choice of law issues raised by international arbitration is beyond the scope of this article. It is sufficient to say that as far as arbitrability is concerned, it may be possible for different laws to apply to different elements of a dispute, according to the technique of *dépeçage*, or "dismemberment," leading, in an extreme case, to divergent concepts of *ordre public* being applied to different parts of a dispute. *See* Andreas F. Lowenfeld, *The Mitsubishi Case*, *supra* note 56, at 183-89. As a practical matter, Professor Lowenfeld suggests persuasively that if an arbitral tribunal convened under one state's law does not feel able, for reasons of *ordre public*, to apply the law of another state that conflicts rules suggest should control an element of the dispute, the tribunal should simply dismiss that element of the claim without prejudice and proceed with the rest of arbitration. *Id.* at 188. The law of the seat of arbitration may of itself circumvent a classic conflicts of law approach to arbitrability by designating what subject-matter is arbitrable. For a

cess, the reasoning underlying a judicial determination of arbitrability or non-arbitrability will often be similar, if not identical, regardless of when the court intervenes.

1. The Policy of the Jurisdiction Whose Law Governs the Arbitration Agreement

The arbitration agreement between the parties will usually specify which law will govern the substance of the dispute. But, what if the specified law objects to the arbitrability of the subject matter? [84] Of course, a challenge to the tribunal's jurisdiction may well be heard by the tribunal itself. The doctrine of *Kompetenz-Kompetenz*, according to which a tribunal has the power to define its own procedural principles,[85] is enshrined in many institutional rules and will control in the absence of explicit conflicts with national law.[86] Although an arbitrator may apply extra-national principles of commercial usage to a claim of non-arbitrability,[87] the parties' choice of law should suffice to determine arbitrability and to permit the arbitration to proceed, as long as the parties do not select a law that disallows the arbitrability of the subject matter.[88] This choice of law is of course separate from any other law that might restrain a party from entering into an arbitration agreement.[89] If such law is not part of the law governing the arbitration, the arbitrator is likely to disregard it.[90]

An explicit policy statement, in a statute or in controlling judicial decisions, that a particular subject matter may not be arbitrated according to the law governing the arbitral agreement will likely decide the issue of arbitrability, at least insofar as domestic arbitration is concerned.[91] But what if the arbitrability issue

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discussion of this aspect of the question, see Fincantieri-Cantieri Navali Italiani S.p.A. et Oto Melara S.p.A. v. M. et Tribunal Arbitral, ATF 118 II 353, 355 (June 23, 1992) (Switz.).

84. A related question involves the responsibility of the arbitrator to raise the issue of his or her competence if it is not raised by the parties. Some legal systems, *e.g.*, Swiss *domestic* arbitration, may require the arbitrator to make an *ex officio* declaration of incompetence in the face of certain mandatory applicable rules. *See* Bernard Hanotiau, *Objective Arbitrability, Its Limits, Its Problem Areas*, *in* OBJECTIVE ARBITRABILITY, *supra* note 43, at 27-28. However Swiss *international* arbitration, as governed by the Private International Law statute, while requiring the tribunal to rule on its own competence (art. 186.1), also demands that the issue of incompetence be raised "in advance of any defense on the merits" (art. 186.2), perhaps suggesting that the defending party is responsible for addressing the issue.

85. HOLTZMANN & NEUHAUS, *supra* note 3, at 478-479.

86. For relevant institutional rules, see, e.g., UNCITRAL Arbitration Rules, *supra* note 69, art. 1.2; LONDON COURT OF INTERNATIONAL ARBITRATION, RULES art. 5.2 (1985); COURT OF ARBITRATION OF THE INTERNATIONAL CHAMBER OF COMMERCE, RULES OF CONCILIATION AND ARBITRATION, art. 11 (1988); WIPO ARBITRATION RULES, *supra* note 69, art. 36. *See also* UNCITRAL Model Law on International Commercial Arbitration, art. 19, Y.B. U.N. COMM'N ON INT'L TRADE L., *supra* note 27, at 124; Swiss Public International Law statute, *supra* note 66, art. 186.

87. CRAIG, *supra* note 31, at 81.

88. *See, e.g.*, European Convention on International Commercial Arbitration art. VI.2(a), 484 U.N.T.S. 350, 372 (1961), where priority in deciding the validity of an arbitration agreement is given to "the law to which the parties have subjected their arbitration agreement."

89. *See* CRAIG *et. al*, *supra* note 31, at 93, citing national laws restraining state entities from entering into foreign arbitration agreements.

90. *Id.*

91. *Id.*

is raised as a question of general policy, touching on the particular state's own idea of *ordre public*? It is important here to distinguish between public policy that controls the arbitrability of the subject matter of the dispute and that which affects the issue upon which the arbitral tribunal is called upon to rule—for instance, a public policy that makes a disputed contract impossible to perform.[92] Further, not all disputes that touch on the *ordre public* are inarbitrable.[93] In enforcement cases, discussed in greater detail below, courts have emphasized that arbitration need significantly violate a state's most fundamental principles before public policy can be implicated.[94]

In the discussion of *ordre public*, the distinction between national and international (or extra-national) arbitration is also important. Increasingly, jurisdictions differentiate between disputes involving only domestic entities, and those arising between domestic and foreign parties or, where all parties are foreign, those subjected to the jurisdiction's law.[95] This distinction may lead national courts to recognize international arbitral agreements which might be illegal under national law.[96] Further, the national-international distinction may also raise the idea of a separate international order, which is not to be confused with purely national interests. This point has been emphasized by courts, again in the context of enforcement:

> In equating "national" policy with United States "public policy," the appellant quite plainly misses the mark. To read the public policy defense as a parochial device protective of national political interest would seriously undermine the [New York] Convention [on the Recognition and Enforcement of Foreign Arbitral Awards]'s utility. The provision was not meant to enshrine the vagaries of international politics under the rubric of "public policy." Rather, a circumscribed public policy doctrine was contemplated by the Convention's framers and every indication is that the United States, in acceding to the Convention, meant to subscribe to this supranational analysis.[97]

The idea of an international *ordre public* goes beyond the relatively limited sphere of fundamental issues. These issues, governed by what in public international law would be regarded as *ius cogens* would, for instance, render inarbi-

92. *See* the discussion of the *Fincantieri* case, *infra* notes 109-112 and accompanying text.

93. *See, e.g.*, Moitry, *supra* note 56, at 7.

94. *See, infra*, note 117-125 and accompanying text.

95. Parties of the same nationality might of course submit themselves to arbitration under their own law but at a foreign seat of arbitration. In such an instance, the arbitrator would have to look to the applicable law to determine whether the dispute had "national" or "international" characteristics. For example, in the U.S., an arbitration agreement or arbitral award "which is entirely between citizens of the United States shall be deemed not to fall under the [New York] Convention [on the Enforcement and Recognition of Foreign Arbitral Awards] unless that relationship involves property located abroad, envisages performance or enforcement abroad, or has some other reasonable relation with one or more foreign states." 9 U.S.C. § 202.

96. See CRAIG, *supra* note 31, at 91. *See also* H. Booysen, *The Municipal Enforcement of Arbitration Awards against States in Terms of Arbitration Conventions, with Special Reference to the New York Convention—Does International Law Provide for a Municipal Law Concept of an Arbitrable Act of State?* 12 S. AFR. Y.B. INT'L L. 73, 98-99 (1986-87).

97. Parsons & Whittemore Overseas Co. Inc. v. Société Générale de l'Industrie du Papier (RAKTA), 508 F.2d 969, 974 (2d Cir. 1974).

trable disputes over contracts *contra bonos mores*. [98] However, it need not necessarily go as far as establishing, as some have urged, an international *lex mercatoria* of arbitrable subject matter.[99] Instead, the creation of an international *ordre public* might be argued to embody the elements of customary international law in that there is: (1) a pattern of repeated judicial action in deferring to international rather than national norms in determining non-domestic arbitrability, and (2) a widening sense that such deferral is not simply a voluntary accommodation of international arbitration, but is *opinio juris*, an obligatory acceptance of the principle as part of international law.[100]

2. *The Policy of the Place of Arbitration*

It has been suggested that as "a matter of principle, the arbitrability of a dispute should not be decided by application of the law of the seat of the arbitration." [101] However, arbitration rules often provide for mandatory insertion of the law of the seat of the arbitration into the arbitral process.[102] For instance, the UNCITRAL Rules govern the arbitration except where there is applicable local law from which the parties cannot derogate.[103] Similarly, the arbitral tribunal must comply with any local law requiring filing or registration of the arbitral award.[104]

Nevertheless, the jurisdiction in which the arbitration takes place, if well chosen by the parties, may facilitate a finding that the subject matter of the dispute is arbitrable. Thus, in Switzerland, any issue involving property may be the subject of arbitration.[105] Further, a party that is "a State, an enterprise dominated by or an organization controlled by one" cannot use its national law to attack the arbitrability of the dispute.[106] Similarly, in the U.S., the State of

98. See, e.g., the discussions of Judge Gunnar Lagergren's much-cited refusal to arbitrate a dispute over a contract whose object was the bribery of government officials in CRAIG, *supra* note 31, at 83 *and* REDFERN & HUNTER, *supra* note 34, at 145.

99. *See* Moitry, *supra* note 56. The modern literature on *lex mercatoria* is vast; a good—if sometimes heterodoxical—survey of the issues, including *lex mercatoria*'s relation to international arbitration and the rules it can be said to contain, is provided by Lord Justice Mustill, *The New* Lex Mercatoria*: The First Twenty-Five Years*, in LIBER AMICORUM FOR LORD WILBERFORCE 149 (M. Bos & I. Brownlie eds., 1987).

100. On custom, see G.M. DANILENKO, LAW-MAKING IN THE INTERNATIONAL COMMUNITY 75-129 (1993). Danilenko's discussion is principally concerned with custom as a source of international law in terms of art. 38(b) of the Statute of the International Court of Justice. This provision, however, applies custom as "evidence of a general practice accepted as law," and can be generalized beyond the ICJ context.

101. Hanotiau, *supra* note 84, at 31.

102. WIPO Arbitration Rules, *supra* note 69, art. 59(b) states that:

> The law applicable to the arbitration shall be the arbitration law of the place of arbitration, unless the parties have expressly agreed on the application of another arbitration law and such agreement is permitted by the law of the place of arbitration.

103. UNCITRAL Arbitration Rules, *supra* note 69, art. 1(2).

104. *Id.* art. 32(7). *See* Karl-Heinz Böckspiegel, *The Relevance of National Arbitration Law for Arbitrations under the UNCITRAL Rules*, 1 J. INT'L ARB. 223, 225-26 (1984).

105. Swiss Private International Law statute, *supra* note 66, art. 177.1. The words "involving property," cover "any kind of property (real and personal property, tangible and intangible assets of all kind[s])." REDFERN & HUNTER, *supra* note 34, at 784 n.2.

106. Swiss Private International Law statute, *supra* note 66, art. 177.2.

California provides wide protection to the integrity of international arbitration, including disputes arising from data or technology transfer and intellectual or industrial property, trademarks, patents, copyrights and software programs.[107] California also allows the tribunal to set its own procedures.[108]

This type of regime at the seat of arbitration may virtually defeat the public policy exception to arbitrability while leaving enforceability of the award under the policy of the another state. The Swiss federal supreme court recognized this possibility in *Fincantieri*,[109] which concerned the sale of military equipment to Iraq. In a Swiss arbitration, an agent claimed unpaid commissions from Italian manufacturers, who in turn claimed that the United Nations' embargo on commercial activities with Iraq, effective both in Italy and Switzerland, created a public policy bar to the arbitrability of the dispute.[110] The court held that non-arbitrability under foreign law would only be respected if such deference was imperatively required by *Swiss* public policy.[111] In passing the Private International Law statute, the Swiss legislature recognized that an award rendered under these circumstances might not be enforceable in a foreign state: it was up to the parties to weigh the risks they ran.[112]

3. *The Policy of the Place of Enforcement of the Arbitral Award*

For practical purposes, and as far as this article is concerned, the issue of enforceability of arbitral awards centers on the New York Convention for the Recognition and Enforcement of Foreign Arbitral Awards of 1958, which has been widely ratified. [113] The key enforcement provisions are contained in Article V of the Convention.[114] Article V(1)(a), which requires a party to request

107. CAL. CODE CIV. PROC. § 1297.16(p)-(q)
108. *Id.* §§ 1297.11 *et seq.*
109. ATF 118 II 353 (1992). *See supra* note 83.
110. *Id.* at 354.
111. *Id.* at 357.
112. For a more detailed discussion of *Fincantieri*, see Briner, *supra* note 66, at 74.
113. *See supra* note 26.
114. Article V provides:

> 1. Recognition and enforcement of the [arbitral] award may be refused, at the request of the party against whom it is invoked, only if that party furnishes to the competent authority where the recognition and enforcement is sought, proof that:
>
> (a) The parties to the [arbitration] agreement . . . were, under the law applicable to them, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made; or
>
> (b) The party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or
>
> (c) The award deals with a difference not contemplated by or not falling within the terms of the submission to arbitration, or it contains decision on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be recognized and enforced; or
>
> (d) The composition of the arbitral tribunal was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place; or

non-recognition or non-enforcement of the arbitral award on grounds including the non-validity of the arbitration agreement, has apparently never been successfully used in a suit to strike down an award.[115] However, Article V(2) and in particular Article V(2)(b), which allows a "competent authority"—not necessarily at the request of a party—to refuse recognition or enforcement of an award contrary to public policy, remains an actively-used and crucial provision of the Convention.[116]

As noted above in the discussion of *ordre public* in the context of the law of the arbitration agreement, the distinction between international and national public policy is particularly important to arbitrability because a breach of international public policy is very difficult to show. One American court stated:

> We conclude, therefore, that the [New York] Convention's public policy defense should be construed narrowly. Enforcement of foreign arbitral award may be denied on this basis only where enforcement would violate the forum state's most basic notions of morality and justice.[117]

Similarly, a German court accepted public policy violations "in extreme cases only," [118] while a Swiss decision said there had to be "a violation of fundamental principles of the Swiss legal order, hurting intolerably the feeling of justice."[119]

Perhaps because of the high threshold imposed by the public policy exception, van den Berg found no more than six cases (of 140 surveyed) where enforcement was denied because of public policy.[120] Two of the cases involved procedural errors made by arbitrators[121] and a third covered arguably non-com-

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(e) The award has not yet become binding on the parties, or has been set aside or suspended by competent authority of the country in which, or under the law of which, that award was made.

2. Recognition and enforcement of an arbitral award may also be refused if the competent authority in the country where recognition and enforcement is sought finds that:

(a) The subject matter of the difference is not capable of settlement by arbitration under the law of that country; or

(b) The recognition or enforcement of the award would be contrary to the public policy of that country.

New York Convention, *supra* note 26. Additionally, Article II(1) calls for recognition of arbitration agreements "concerning a subject matter capable of settlement by arbitration." *Id.* However, at both recognition and enforcement stages, "the question of arbitrability is the same." ALBERT JAN VAN DEN BERG, THE NEW YORK CONVENTION OF 1958 359 (1981). Generally, van den Berg's book is an indispensable survey of the New York Convention, to which this section of this article is indebted: all cases cited herein are discussed in greater detail by van den Berg, particularly at 359-82.

115. VAN DEN BERG, *supra* note 114, at 291.

116. The issue of arbitrability is in fact covered by Article V(2)(a). New York Convention, *supra* note 26. However, it is the public policy feature of Article V(2)(b) that has tended to subsume the arbitrability issue, arguably rendering the former provision "superfluous." VAN DEN BERG, *supra* note 114, at 360. Thus, for the purposes of this article, the focus will be on Article V(2)(b).

117. RAKTA, *supra* note 97, at 974.

118. Oberlandesgericht (OLG) [Court of Appeal] of Hamburg, April 3, 1975. It is not customary in Germany to publish the names of parties. *See* VAN DEN BERG, *supra* note 114, at 365.

119. Billerbeck & Cie. v. Bergbau-Handel G.m.b.H., ATF 93 I 265 (May 3, 1967). *See also* VAN DEN BERG, *supra* note 114, at 365.

120. *See generally*, VAN DEN BERG, *supra* note 114, at 359-382.

121. OLG of Hamburg, April 3, 1975; OLG of Cologne, June 10, 1976; both discussed in VAN DEN BERG, *supra* note 114, at 366-67.

mercial subject matter where the state had availed itself of the commercial reservation to the Convention.[122] A fourth decision, where a nationalization was held to be a non-arbitrable state act, was subsequently vacated following settlement by the parties.[123] A fifth case held that a provision of French law providing for late penalties for payment violated American public policy.[124]

In summary, of those cases van den Berg surveyed, just one final enforcement judgment concerned the arbitrability of a subject-matter which was deemed to offend public policy notions and was refused enforcement of the arbitral award.[125] Although parties should be aware of any arbitrability questions that might arise under the laws controlling their arbitration, it is unlikely that a properly-made arbitration award will be denied enforcement on *ordre public* grounds in a New York Convention signatory state.

C. Intellectual Property Arbitration in Practice

1. Arbitration and the Varieties of Intellectual Property

Insofar as the arbitrability of intellectual property raises special issues additional to those raised by the general arbitrability question, a distinction exists between intellectual property—such as patents and trademarks—whose grant is noted in public registers, and those other types of intellectual property which are not registered either because their existence inheres at the moment of creation—as with copyright—or because they involve limited rights whose existence and scope have to be determined in relation to other parties when a dispute develops. The significance of this distinction—if, indeed, there is any—lies in the principle that registration inserts a more extensive public policy concern into the legal provision in question. Thus, a public record indicating that a particular right

122. B.V. Wijsmuller v. United States, 1976 A.M.C. 2514; VAN DEN BERG, *supra* note 114, at 367. On the commercial reservation, see *supra* note 42.

123. Libyan American Oil Co. (LIAMCO) v. Socialist People's Libyan Arab Jamahirya, 482 F.Supp. 1175 (D. D.C. 1980), *dismissed as moot*, Order, D.C. Cir. Nos. 80-1207 & 80-1252 (1981). For a full discussion of the *LIAMCO* case, as well as of generally more successful attempts to enforce the same arbitral award in France, Sweden and Switzerland, see CRAIG, *supra* note 31, at 650-53. The authors note that within six months of its controversial finding of non-arbitrability, the same Washington D.C. court ignored its previous decision and recognized an arbitral award granting compensation for businesses nationalized by Iran. American Int'l Group v. Iran, 493 F. Supp. 522 (D. D.C. 1980).

124. Laminoirs-Trefileries-Cableries de Lens, S.A. v. Southwire Co., 484 F.Supp. 1064 (N.D. Ga. 1980). As VAN DEN BERG, *supra* note 114, points out at 365 n. 354, this decision is "out of tune" with prevailing American jurisprudence.

125. Audi-NSU Auto Union A.G. v. S.A. Adelin Petit & Cie (Cass. June 28, 1979) Pasicrisie Belge (1979) I, 1260; VAN DEN BERG, *supra* note 114, at 367, 370-71. The case arose under a provision of Belgian law that provided that disputes involving exclusive distributorship agreements are not capable of settlement by arbitration. In a similar case the same year, the Belgian commercial court stayed arbitration on the same grounds. Case no. RG 7763/77 (Commercial Ct. of First Instance, Brussels, Sept. 13, 1979), *cited in* REDFERN & HUNTER, *supra* note 34, at 147 n. 80. On its facts, the *Audi-NSU* award might have been enforceable in a jurisdiction other than Belgium, if that country's exclusive distributorship law were deemed insufficient to raise an issue of international public policy. It should further be noted that the Belgian Supreme Court vacated the arbitration agreement's choice of law provision on grounds of *fraude à la loi*; hypothetically, it could be argued that the court might thus have chosen to apply Belgian law under conflicts rules and thereby render the subject-matter non-arbitrable, regardless of policy considerations.

exists is said to serve the state's interest in regulating the intellectual property market and the public's interest in avoiding infringement through a clear and accessible general statement of who owns which rights.

In practice, however, the line drawn is less clear. For instance, under the Berne Convention, the registrations of copyright cannot be made a condition of copyright protection.[126] But, as a policy matter, a country may have other reasons for continuing to encourage copyright registration: the United States does so despite its accession to the Berne Convention in 1989.[127]

Further, registered or not, the rights that are created under the umbrella of intellectual property are highly variegated:

> Some are acquired, pursuant to a statutory application procedure. This is the case for patents, trademarks, registered industrial designs and plant variety rights. Others arise upon the act of creation, which is the case for copyright, unregistered industrial designs in certain countries and rights in the topographies or layout-designs of integrated circuits in certain countries. Yet others are more akin to tortious remedies. They consist of a universally enjoyed right not to suffer certain kinds [of] misconduct without a legal remedy. Such is the case for unfair competition, which, generally speaking, protects business agents from certain classes of dishonest business conduct, such as misrepresenting one's products to be the products of another by imitating certain features of the packaging or presentation of the other's products. There cannot be, therefore, one coherent policy against the arbitrability of disputes concerning intellectual property rights that is based on the fact that those rights are acquired pursuant to a uniform, State-administered granting procedure.
>
> Similar diversity exists in the legal nature of intellectual property rights. Some, such as patents, trademarks, industrial designs and copyright, are property rights in the classical sense of conferring a legal power to exclude all other from the commercial use of the subject matter of the rights. Others, however, are more limited exclusionary rights. This is the case of trade secrets, where the possessor of the trade secret has no rights against an independent discoverer of the trade secret. It is also the case for other rights of protection against unfair competition, which are exercisable only against a limited class of wrong-doers and are not able to be sold or traded in the usual way that property rights may be. A right to protection against misleading advertising, for example, may not be sold or licensed.[128]

If there is nothing intrinsically coherent about either the rights conferred by different types of intellectual property or the means by which they are obtained or granted, then any policy objections to the arbitration of intellectual property disputes cannot apply as a function of a particular quality of intellectual property unless, at some fundamental level, they can be shown to apply to *all* forms of intellectual property. As has already been seen, however, the arbitration of

126. Berne Convention for the Protection of Literary and Artistic Works, art. 5(2), Sept. 9, 1886, revised in Paris, Jul. 24, 1971, 25 U.S.T. 1341, 1349-1351, 828 U.N.T.S. 221, 233.

127. Registration of copyright is no longer a condition of protection in the U.S. 17 U.S.C. § 408(a). However, if a copyright is registered, the defense of innocent infringement is foreclosed. 17 U.S.C. § 402(d). United States and non-Berne country authors must register before they can be allowed to bring suit for copyright infringement. 17 U.S.C. § 411. Also, statutory damages and attorney fee awards may be curbed because of non-registration. 17 U.S.C. § 412.

128. Gurry, *supra* note 43, at 113.

many types of disputes involving intellectual property rights is entirely uncontroversial.

If some aspects of intellectual property are unquestionably arbitrable and if there is nothing inherent in either the creation or the exercise of these rights that gives rise to concerns about arbitration, any policy problem over intellectual property arbitrability must lie elsewhere. The remaining issue to be addressed, therefore, concerns the types of intellectual property disputes that may arise.

2. *Intellectual Property Arbitration—A Hypothetical Case*

In the abstract, much has already been said in this article about the scope and limits of the intersection of public policy and intellectual property. A better sense of the contours of these issues can perhaps be had by a hypothetical case that explores and illustrates the issues of infringement, ownership, and validity as they effect intellectual property arbitration.

a. Infringement

Take the case where a producer, *P*, makes a motion picture called *Acid Test*, a drama about cut-throat competition within the chemical industry, where *P* began his career many years ago making training videos. A television station, *S-TV*, obtains a license from *P* entitling it to broadcast *Acid Test* twice within a period of twelve months. *S-TV* broadcasts the film three times in eighteen months. *P* brings an action against *S-TV* for breach of contract and copyright infringement. If the parties go to arbitration, the issue to be decided will involve establishing the facts underlying the alleged breach; if infringement is found, compensatory damages and injunctive relief may be awarded. In such a case, an arbitral tribunal can easily make an award which will be binding on the parties and enforceable where necessary.

At the same time, a chemical company, *C*, for which *P* once made a training video, claims *P* used trade secrets obtained from the company to make his feature film and invokes the arbitration clause in their contract. [129] Once again, in resolving the factual question of whether *P* used *C*'s trade secrets or not, the arbitral tribunal should encounter no public policy obstacle.

b. Ownership

The next stage comes when *S-TV* claims that *P* does not own the rights to *Acid Test*. If the issue concerns the contractual validity of some other grant of rights to *P*, once again, the scope of such an inquiry would appear to be well within the competence of any properly-constituted arbitral tribunal. But, what if *P*'s title to the underlying copyright is alleged to be defective? Assume that *F*, a former collaborator of *P*, claims that she is the author of *Acid Test* and that she,

129. Assume for the purposes of this purely hypothetical case that all parties agree to arbitration in all disputes, and that the arbitral tribunal's powers to overcome procedural obstacles—to the joinder of parties, multiparty arbitration, counterclaims and so on—are virtually limitless.

not *P*, has the sole right to license it to *S-TV*, which she has done, thereby making the third showing of the film lawful.

The arbitral tribunal, in considering this defense, must decide who owns the underlying copyright to the film, *P* or *F*. What objection can there be to such a determination being arbitrable? One way of answering this is to point out that the copyright itself and the ownership of it are separate concepts. At its creation, copyright inheres in each element of the film—the script, the music, the film itself. [130] As discussed previously, ownership questions can be treated equitably by arbitrators, as if the dispute involves an assignment of rights between the parties, rather than a search for a definitive determination of the ownership rights in question.

Further, if the tribunal wanted to attack the ownership question directly, rather than treat it as analogous to an issue of assigned rights, policy should allow an arbitrator to determine the ownership of private ownership rights. In the same vein, some countries permit the arbitration of issues affecting the ownership of real property rights, which, unlike copyright, frequently appear on public registers.[131]

c. Validity of Title

Acid Test's or *P*'s difficulties multiply, however, when two new parties appear. *O*, the owner of the patents to a high-fidelity sound system, claims that *P* did not license the right to use the system in the recording of the soundtrack to *Acid Test*. *P* admits to having used the sound system, but contends that *O* holds no valid patent in this instance because it had only registered the system with respect to audio and video tape, not film.

Furthermore, *B*, a manufacturer of a car battery charge verification system, trademarked ACID TEST, claims that *P* has infringed his trademark. *B* also claims that the image of the chemical industry in the film would tend to tarnish, disparage, and dilute the value of his chemical-based product. *P* denies any likelihood of confusion between his film and *B*'s battery tester. *P* further asserts that *B* has abandoned his mark in the country in which *S-TV* is based because *B* has failed to commercialize his product for a number of years since the local franchise-holder went bankrupt.

The arbitrator, thus, must consider two validity questions, both concerning registered intellectual property. [132] The most typical argument against the arbi-

130. *See, e.g.*, 17 U.S.C. § 102(a); C.P.I. § 111-2.

131. Recall that the Swiss Private International Law statute permits arbitration of any property dispute involving international parties. *See supra* note 105 and accompanying text. Recall also that England and Wales allow arbitration of real property ownership disputes, the decisions from which may bind those "claiming under" a party to the arbitration agreement. *See supra* note 53. *See also* Arbitration Act, 1950 s. 16; Bryan Niblett, *Note on the Arbitration of Intellectual Property Disputes in England*, unpublished paper submitted to ICC Working Group on Intellectual Property, June 1993 (copy on file with author).

132. *P* has admitted using the sound system, so will have infringed *O's* patents if they are valid with respect to films. It is further assumed that the arbitrator has power to rule on the infringement and unfair competition questions, leaving just the abandonment aspect of the claim at issue.

trability of such a question would be that outlined previously in this article, that the arbitrator was somehow circumventing the public grant system (assuming that validity is not explicitly arbitrable, as in the U.S. and Switzerland). In fact, the public grant system remains intact. The arbitrator's decision has no binding effect other than on the parties, who have chosen for their own reasons to pursue arbitration rather than resort to the courts, with their jurisdiction *erga omnes*. The public grants stand, and the arbitrator is powerless to do anything about them.

Further, public benefit may be gained from the determinations of the arbitral system. An adverse decision on the patent or trademark validity issues in this hypothetical might encourage *O* to ensure that his patents extend to feature films. *B* might eliminate the risk of trademark abandonment by ensuring that his mark is duly exploited. In the patent context, *O*'s ingenuity in developing the sound system—and thereby creating a public good—would be properly rewarded by means of a public grant. As far as *B*'s trademark is concerned, the public interest in seeing the mark exploited in commerce would be served by encouraging *B* to use the mark to engage in commercial activity.

Nothing the arbitral tribunal does can prevent other parties in other disputes from choosing to go to court to seek to invalidate the intellectual property rights belonging to *O* and *B*. But, where parties opt for arbitration—and create another public benefit, namely efficiency and economy—an arbitral tribunal's determination of validity may enhance the very public purpose for which intellectual property grants are established.

III.
INTELLECTUAL PROPERTY ARBITRATION LAWS IN A SELECTION OF COUNTRIES

This section presents a detailed summary of the state of arbitration law as it relates to the resolution of intellectual property disputes in ten representative countries.[133] Capsule summaries of the state of the relevant law are also provided for an additional seven countries.[134]

A. Argentina

1. General

Argentina allows "any question between parties," except those that may not be the object of settlement, to be referred to arbitration.[135] A number of questions are expressly excluded from arbitral consideration, notably penal actions

133. The ten countries were chosen for their geographical range, significant levels of intellectual property activity and differences in their legal systems and approaches to arbitration.

134. These seven countries add nuance and depth to the survey while not offering the same level of detail as provided by the ten principal countries studied.

135. CÓDIGO PROCESAL CIVIL Y COMERCIAL DE LA NACIÓN [CÓD PROC. CIV. Y COM.] arts. 736, 737. The information for this section, including references to national and provincial statute law, is taken from Roque J. Caivano, *El arbitraje y la propiedad intelectual*, 6 DERECHOS INTELECTUALES 117-49 (1994). Generally, this section will focus on national arbitral law, as being most relevant for

derived from illicit acts;[136] issues relating to the validity or nullity of marriage, and the civil standing and capacity of family members;[137] rights of succession;[138] causes arising outside commerce;[139] causes relating to acts that are prohibited, impossible, immoral, or contrary to good custom;[140] and, generally, other questions which interest the *ordre public*.[141] Parties may choose to allow the arbitrator to act as *amiable compositeur*.[142]

A final arbitral award has the same legal effect as a judicial finding, permitting execution of the award by the same means.[143] Argentina is a party to the New York Convention[144] and also provides for enforcement of awards made in non-Convention states.[145]

The Argentine Constitution contains general provisions concerning the freedom to use or to dispose of property, and the inviolability of property. It also provides that authors and inventors have exclusive ownership of their works, inventions, and discoveries for a term specified by law.[146]

2. *Intellectual Property Arbitration*

Although intellectual property disputes that are capable of settlement may be referred to arbitration, there are some obstacles. Copyright,[147] trademark,[148] patent,[149] and industrial model and design[150] laws provide for penal sanctions in the event of infringement. As seen above, actions arising from illegal acts are not arbitrable. However, arbitration may be allowed where civil remedies are

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international arbitration issues. Caivano cites widely, however, to the provincial codes of Buenos Aires, Cordoba and Santa Fe.

136. CÓD. PROC. CIV. Y COM. art. 842.

137. *Id.* arts. 843, 845, 846 and 847.

138. *Id.* arts. 848 and 1175.

139. *Id.* arts. 844 and 953.

140. *Id.* arts. 844 and 953.

141. *Id.* arts. 844 and 21.

142. Id. art. 769.

143. Caivano, *supra* note 135, at 134.

144. J. INT'L ARB., *supra* note 26, at 113.

145. Such awards must conform to the requirements of CÓD. PROC. CIV. Y COM. art. 519 *bis*.

146. CONST. ARG. arts. 14, 17 part 1a; *see also* Caivano, *supra* note 135, at 137 for a discussion of leading cases extending the constitutional protection of property to all classes of property, real and personal. The only difference between intellectual and other property rights, Caivano says, is the constitutional requirement that intellectual property rights be subjected to limited terms.

147. Argentine Copyright Law No. 11.723. A two-part French-language translation of the original text can be found in 47 DROIT D'AUTEUR 97, 109 (1933). Subsequent amendments, in French and English respectively, are published in the Lois et traités/Law and Treaties supplements to DROIT D'AUTEUR and COPYRIGHT, June 1990, Argentina Text 1-01. Depending on library practice, these supplements and others referred to in this section may be found with the monthly issue in question, or, collected by country in separate binders from the publisher, WIPO, called COPYRIGHT AND NEIGHBORING LAWS.

148. Argentine Law on Trademarks and Designations No. 22.362. An English-language translation can be found in the Law and Treaties supplement to INDUS. PROP., Feb. 1982, Argentina Text 3-001. These supplements have been collected by country in separate binders from WIPO called INDUSTRIAL PROPERTY LAWS AND TREATIES.

149. Argentine Patent Law No. 111. An English-language translation can be found in two parts in 8 INDUS. PROP. 334 (1969) and 9 INDUS. PROP. 20 (1970).

150. Argentine Industrial Designs Law No. 16.478. An English-language text can be found in 9 INDUS. PROP. 40 (1970).

sought for intellectual property infringement and where an arbitral clause has been agreed upon before the dispute arises.[151] The remedies include injunction, exclusion from registration of infringing intellectual property, recovery of property, and damages resulting from infringement.[152]

In addition, administrative bodies may refer intellectual property matters to expert arbitral tribunals,[153] including the National Intellectual Property Register[154] and the Office of Patents.[155] Parties may also submit an opposition to trademark registration to arbitration,[156] while a court may submit issues related to industrial model or design disputes to an expert arbiter.[157]

B. Belgium

1. General

Any issue that is capable of settlement can be the subject of arbitration in Belgium.[158] The following issues are inarbitrable: those that cannot be settled or where one of the parties does not have the capacity or power to settle,[159] disputes involving public bodies, and those involving subject matter expressly prohibited by law.[160] Belgium has also ratified the New York Convention.[161]

2. Patents

In general, disputes capable of settlement and related to patents are arbitrable.[162] Further, Belgian patent law expressly permits arbitration of the ownership, validity, infringement, and licensing of patents.[163] Contests of compulsory licenses[164] and disputes over the expiration of patents for non-payment of the annual fee are not arbitrable.[165] In addition, the Belgian Supreme Court has

151. Caivano, *supra* note 135, at 140-41.

152. *Id.* at 140. It is not clear whether, in the event of a case raising both penal and civil sanctions, the civil issue would be separable and therefore arbitrable.

153. CÓD. PROC. CIV. Y. PEN. art. 773 (Arg.).

154. Law 11.723 *supra* note 147, arts. 81 and 83.

155. Law 111, *supra* note 149, art. 39.

156. Law 22.362, *supra* note 148.

157. Law 16.478, *supra* note 150.

158. Chomé et al., *Report by the Belgian Group, in* ASS'N INT'L PROTECT. PROP. INDUS., XXXV[e] CONGRÈS: RAPPORTS DE GROUPES Q 106; POSSIBILITÉ DE L'ARBITRAGE EN MATIÈRE DE LITIGES CONCERNANT LA PROPRIÉTÉ INTELLECTUELLE ENTRE PERSONNES DE DROIT PRIVÉ 29 (1991) [XXXV[e] CONGRÈS].

159. Belgian Judicial Code art. 1704, *cited in Report by the Belgian Group, supra* note 158, at 29.

160. *Report by the Belgian Group, supra* note 158, at 29.

161. J. INT'L ARB., *supra* note 26, at 113.

162. *Id.*

163. Loi sur les brevets d'invention (du 28 mars 1984) art. 73 § 6, MONITEUR BELGE, Mar. 9, 1985, at 2774 . An English text can be found in the Law and Treaties supplement to INDUS. PROP., Oct. 1987, and INDUSTRIAL PROPERTY LAWS AND TREATIES *supra* note 148, Belgium Text 2-004. Art. 51 § 1 recognizes that an invalidity ruling may be made by an arbitral tribunal; art. 11 similarly acknowledges that contested ownership of a patent application may be arbitrated.

164. Loi sur les brevets d'invention, *supra* note 163, art. 73 § 6. The award of compulsory patent licenses is reserved to the appropriate Minister. *Id.* art. 31.

165. *Report by the Belgian Group, supra* note 158, at 30. The license fee is governed by Loi sur les brevets d'invention, *supra* note 163, art. 40 § 2.

held that the validity of patents is a matter of general interest and not of *ordre public*.[166]

3. *Trademarks, Drawings, and Models*

Belgian law on trademarks, drawings, and models is governed by uniform Benelux codes that do not mention arbitration.[167] In particular, these codes grant the courts sole competence to decide actions based on the uniform law.[168] For this reason, among others, some legal commentators have held that trademark disputes are inarbitrable in Belgium.[169] Others, however, have argued that these provisions are designed only to prevent administrative agencies from interfering in trademark, not to prohibit arbitration of such disputes which, the argument runs, is consequently permissible.[170] Further, there is wider agreement that restricting drawing and model disputes to the civil courts is intended only to deny jurisdiction and not to prevent arbitration.[171]

4. *Other Forms of Intellectual Property*

Although the lower civil court, the Tribunal of First Instance, has sole competence to hear copyright disputes,[172] it is generally held that, as with drawings and models, there is no intent to inhibit arbitration of such matters.[173] It also appears probable that disputes concerning integrated circuit topography, know-how, computer software, commercial names, unfair competition, and restrictive trade practices are all arbitrable.[174] Similarly, plant variety disputes are arbitrable,[175] except where they relate to compulsory licenses, which are excluded from arbitration by statute.[176]

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166. Cass. Apr. 13, 1983, Pasicrisie Belge (1983) I, 167, *cited in Report by the Belgian Group*, *supra* note 158, at 30.

167. Trademarks are covered by the Loi uniforme Benelux sur les marques, 1962, *amended* 1983. An English text can be found in the Law and Treaties supplement to INDUS. PROP., June 1987, and INDUSTRIAL PROPERTY LAWS AND TREATIES, *supra* note 148, Multilateral Treaties Text 3-002. Drawings and models are governed by the Convention Benelux en matière de dessins ou modèles (du 25 octobre 1966). An English text can be found in the Law and Treaties supplement to INDUS. PROP., Feb. 1990, and INDUSTRIAL PROPERTY LAWS AND TREATIES, *supra* note 148, Multilateral Treaties Text 4-003.

168. Loi uniforme Benelux sur les marques, *supra* note 167, art. 14(D); Convention Benelux en matière de dessins ou modèles, *supra* note 167, art. 16.

169. *See, e.g., Report by the Belgian Group*, *supra* note 158, at 32, 33.

170. Julian D.M. Lew, Interim Report of ICC Working Party on Intellectual Property Disputes and Arbitration, unpublished report, June 23 1995, at 6, *citing* M. Storme and B. Demeulenare, INTERNATIONAL COMMERCIAL ARBITRATION IN BELGIUM 26 (1989) (on file with author).

171. *Id. See also Report by the Belgian Group*, *supra* note 160, at 31.

172. Belgian Judicial Code art. 569, *cited in Report by the Belgian Group*, *supra* note 160, at 31.

173. *See supra* note 170.

174. *Report by the Belgian Group*, *supra* note 158, at 30-33.

175. *Id.* at 30.

176. Arrêté royal sur la protection des obtentions végétales (du 22 juillet 1977) art. 60. MONITEUR BELGE, Oct. 13, 1977, 1264. An English text can be found in the Law and Treaties supplement to INDUS. PROP., Sept. 1978, and INDUSTRIAL PROPERTY LAWS AND TREATIES, *supra* note 148, Belgium Text 1-002.

C. China

1. General

For several decades, arbitration has been the most common method of dispute resolution between Chinese and foreign parties.[177] A new arbitration law, which came into force on September 1, 1995,[178] establishes arbitration rules and in a separate chapter addresses international disputes.[179] The new law is peculiar in that it charges the Chinese International Chamber of Commerce (CICC) with establishing "foreign-related" arbitral tribunals.[180] The CICC has in turn delegated to the China International Economic and Trade Arbitration Commission (CIETAC) the duty to handle all non-maritime foreign-related economic cases.[181] Under the new law, "economic" activities include issues arising not only from commercial matters, but also from, *inter alia*, intellectual property questions.[182] The CIETAC, thus, appears to have exclusive jurisdiction over such disputes in China at present.[183]

The standing of foreign arbitral awards, it is claimed, has become "ambiguous" under the new law.[184] Under the Chinese Code of Civil Procedure, any dispute arising from "economic, trade, transport or maritime activities" and containing a "foreign element" is barred from Chinese courts if the parties have concluded an arbitration agreement and submitted the dispute to an arbitral institution.[185] The Code of Civil Procedure further provides for enforcement of an arbitral award by the courts.[186] China has also ratified the New York Convention[187] and provides recourse to its courts to enforce international arbitral awards.[188] In the past, Chinese courts have recognized and enforced foreign arbitral awards pursuant to the Convention.[189]

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177. Sally A. Harpole, *International Arbitration in the People's Republic of China under the New Arbitration Law*, ICC INT'L CT. ARB. BULL., May 1995, at 19.

178. Arbitration Law of the People's Republic of China. An unofficial English translation of the law appears in INT'L ARB. REP., Oct. 1994, at B-1.

179. *Id.* Chapter Seven is concerned with international questions. *Id.*

180. Harpole, *supra* note 177, at 19. "Foreign-related" arguably extends further than the term "international," and may include Chinese legal entities containing foreign investment. *Id.* at 20.

181. *Id.* at 19.

182. Arbitration Law, *supra* note 178, art. 65. *See also* Harpole, *supra* note 177, at 20-21.

183. Harpole, *supra* note 177, at 19. Just before promulgation of the Arbitration Law, CIETAC itself adopted new arbitration rules, discussed by Michael J. Moser, *China's New International Arbitration Rules*, J. INT'L ARB., Oct. 1994, at 5-24.

184. Moser, *supra* note 183, at 20.

185. Chinese Civil Procedure Law art. 257, *cited in Report by the Chinese Group*, XXXV[e] CONGRÈS, *supra* note 158 p.45.

186. Chinese Civil Procedure Law arts. 217, 259, *cited in* Gide Loyrette Nouel, *Arbitrage en matière de propriété intellectuelle en République Populaire de Chine*, unpublished paper submitted to ICC Working Group on Intellectual Property, July 1993, at 3 (on file with author). Gide Loyrette Nouel is a Paris-based law firm.

187. J. INT'L ARB., *supra* note 26, at 113.

188. Chinese Civil Procedure Law art. 269, *cited in* Gide Loyrette Nouel, *supra* note 186, at 3. The public order exclusion similarly applies to non-Convention arbitration, which is otherwise enforceable through Civil Procedure Law arts. 217 and 259. *Id.*

189. Harpole, *supra* note 177, at 24.

2. *Intellectual Property Arbitration*

a. Infringement and Contract Disputes

The 1991 Copyright Law permits arbitration of copyright contract disputes.[190] In copyright infringement disputes, however, the statute only provides for referral to mediation, not arbitration, followed by proceedings in a people's court (court proceedings may begin immediately if the parties do not wish mediation.)[191] Nevertheless, expert Chinese opinion believes that disputes over intellectual property infringement and those arising from contracts are arbitrable.[192] The National Copyright Administration's functions (NCA), established under statute, include:

> [T]o approve the establishment of collective administration of copyright, foreign-related copyright agencies and arbitration agencies on dispute of copyright contracts, and to supervise and guide their work.[193]

The NCA is also responsible for implementing international copyright treaties and for interpreting the rules implementing such treaties in China.[194]

b. Ownership and Validity

Although there is no express legislation governing the arbitration of intellectual property validity, some Chinese jurists believe that validity, as an issue related to public interest and order, is not arbitrable. [195] Intellectual property questions may arise in disputes over technology contracts, which the parties may refer to a state-specified arbitral body.[196] However, the arbitration rules with respect to this provision preclude the making of an arbitral award—without taking advice from a competent authority—where the issue concerns ownership of or a claim on a patent, or a right to exploit, use, or assign know-how.[197] This has been read as imposing a public policy dimension on technology contract arbitration.[198]

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190. Chinese Copyright Law art. 49. An unofficial English translation of the Copyright Law may be found in the Laws and Treaties supplement to COPYRIGHT, Feb. 1991, and in COPYRIGHT AND NEIGHBORING LAWS AND TREATIES, *supra* note 147, China Text 2-01.

191. Chinese Copyright Law, *supra* note 190, art. 48.

192. *Report by the Chinese Group*, *supra* note 185, at 45.

193. Implementing Regulations of the Copyright Law of the People's Republic of China art. 7(3). An unofficial English translation may be found in the Laws and Treaties supplement to COPYRIGHT, Nov. 1991, and in COPYRIGHT AND NEIGHBORING LAWS AND TREATIES, *supra* note 147, China Text 3-01.

194. Chinese International Copyright Treaties Implementing Rules arts. 20, 21. An unofficial English translation may be found in the Laws and Treaties supplement to COPYRIGHT, April 1993, and in COPYRIGHT AND NEIGHBORING LAWS AND TREATIES, *supra* note 147, China Text 4-01.

195. *Report by the Chinese Group*, *supra* note 185, at 45.

196. Chinese Law on Technology Contracts art. 51. An unofficial English translation may be found in the Laws and Treaties supplement to the INDUS. PROP., Dec. 1989, and in INDUSTRIAL PROPERTY LAWS AND TREATIES, *supra* note 148, China Text 6-001. The law does not define the term "technology contract" which "may seem to cover technology transfer contracts, patent licenses and software contracts." Gide Loyrette Nouel, *supra* note 186, at 2

197. Arbitration Rules of the Arbitral Body for Technical Contracts art. 44, *cited in* Gide Loyrette Nouel, *supra* note 186, at 2.

198. *Id.*

D. France

1. Arbitration and Arbitrability

French statute law permits the arbitration of disputes concerning any freely disposable right. [199] Disputes raising questions of state or of individual capacity, and issues covering divorce, the interests of public authorities and public bodies, and more generally, all questions of *ordre public*, are not arbitrable.[200] Within this regime, France expressly permits the arbitration of industrial property disputes concerning both patents[201] and trademarks.[202]

French law further embraces the concept of an international *ordre public* and of rules for international arbitration different from the internal regime.[203] Thus, arbitration is international if it implicates international commercial interests:[204] a wide-ranging and flexible formula. Further, international arbitral awards will be recognized and enforced in France unless such recognition and enforcement is "*manifestly* contrary to *international* public policy."[205] A judicial determination that an arbitral award offends the international *ordre public* may be appealed.[206]

One important issue that arises in that light is who should have the competence to determine arbitrability in those cases that might raise an *ordre public* issue, such as the validity of a mark or patent. Some commentators have held that even where such an issue arises in a dispute relating to an otherwise arbitrable contract—for instance, where the defending party claims a patent in dispute is not valid—the arbitrator is required to declare his or her incompetence and end the proceedings.[207] However, French courts have held that the arbitrator can determine the application of *ordre public* limits to the arbitral proceedings. Thus, in one instance, the Paris Court of Appeal upheld arbitration and the arbitrator's ability to decide on *ordre public* aspects of the case where the dispute concerned the execution of a patent licensing contract and not directly the validity of the patent itself.[208] This rule is also clear in the case of international

199. CODE CIVIL [C. CIV.] arts. 2059, 2060.

200. *Id.*

201. C.P.I., *supra* note 45, art. L. 716-4. An English-language translation of the first part of this law, concerning literary and artistic property, can be found in the Laws and Treaties supplement to COPYRIGHT, Sept. 1995, and in COPYRIGHT AND NEIGHBORING LAWS AND TREATIES, *supra* note 147, France Text 3-01. A translation of the second part, concerning industrial property, can be found in the Laws and Treaties supplement to INDUS. PROP., Oct. 1994, and in INDUSTRIAL PROPERTY LAWS AND TREATIES, *supra* note 148, France Text 1-001.

202. C.P.I. art. L.615-17.

203. NOUVEAU CODE DE PROCÉDURE CIVILE [NOUV. C. PR. CIV.] arts. 1492, 1498. An annotated English-language translation of Book IV of the code (arts. 1442-1507), dealing with arbitration, can be found in REDFERN & HUNTER, *supra* note 34, at 750-763.

204. NOUV. C. PR. CIV. art. 1492.

205. *Id.* art. 1498 [emphasis added]. France has also ratified the New York Convention. J. INT'L ARB., *supra* note 26, at 113.

206. NOUV. C. PR. CIV. art. 1502(5).

207. *See, e.g.*, the authorities cited in Jean-Claude Dubarry and Eric Loquin in *Chroniques de législation et de jurisprudence françaises: tribunaux de commerce et arbitrage*, 46 REVUE TRIMESTRIELLE DE DROIT COMMERCIAL ET DE DROIT ÉCONOMIQUE 294 (1993).

208. Paris, 3 Feb. 1992, PIBD, 1992, III, 359, *cited in* Dubarry and Loquin, *supra* note 207, at 293.

arbitration where, in a major competition case, it was held that the arbitrator could assess the arbitrability of a case which implicated the international *ordre public.*[209]

2. *Intellectual Property Arbitration*

The statutory regime covering arbitration of trademark and patent disputes is intended to be permissive, allowing all arbitration that does not offend the provisions of Civil Code articles 2059 and 2060. [210] Arbitrability is likely to be denied in disputes over the validity of registered intellectual property grants.[211]

Within this limit, disputes arising from patent contracts, questions concerning the ownership of patents, and infringement claims are generally considered to be arbitrable.[212] Similarly, as far as trademarks are concerned, contract disputes, ownership issues and infringement claims can likely be arbitrated.[213]

There is no specific statutory provision for arbitration of other forms of intellectual property disputes. There is a statutory reservation of disputes concerning literary and artistic property to "competent tribunals."[214] However, this reservation is not intended to bar arbitration of such disputes.[215] Thus, it seems likely that, as with patents and trademarks, disputes arising as to the infringement, ownership, or licensing of other intellectual property rights will be arbitrable.[216]

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209. Société Labial v. Sociétés Mors et Westland Aerospace, Paris 1re ch. (19 May 1993), 120 J. DU DROIT INT'L 957 (1993); REV. DE L'ARBITRAGE, No. 4, 1993, at 651.

210. *See supra* notes 199-200 and accompanying text.

211. *See, e.g.*, Georges Bonet and Charles Jarrosson, *L'arbitrabilité des litiges de propriété industrielle*, ARBITRAGE ET PROPRIÉTÉ INTELLECTUELLE, *supra* note 73, at 66-68; Binn, *et al.*, *Report by the French Group*, *in* XXXVe CONGRÈS, *supra* note 158, at 79, 81.

212. Bonet & Jarrosson, *supra* note 211, at 66-67. The penal sanction for patent infringement in art. L. 615-14 of the code de la propriété intellectuelle might not inhibit the arbitral tribunal from making an award. *Id.* at 70. However, a dispute involving an ownership claim by an employee—involving the labor code, considered normally to be a matter of *ordre public*—might not be arbitrable. *Id.* at 67. Nor might an ownership claim following the judicial seizure of property be the subject-matter or arbitration. *Id.*

213. *Id.* 68. The same reservations concerning patent infringement and ownership would apply to trademarks. *Id.*

214. C.P.I. art. L.331-1.

215. Bruno Oppetit, *L'arbitrabilité des litiges de droit d'auteur et droits voisins*, *in* ARBITRAGE ET PROPRIÉTÉ INTELLECTUELLE, *supra* note 73, at 124.

216. *See, e.g.*, *Report of the French Group*, *supra* note 211, at 82-83. Bruno Oppetit, *supra* note 215, suggests that as the French concept of *droit d'auteur* is rooted in the *droit moral* (and consequently distinguishable from more purely economic underpinnings of the Anglo-Saxon law of copyright), that authors' rights may not be considered simply as those "which may be freely disposed of," in the language of Code Civil art. 2059. Acknowledging that the tendency in French law—as well as French life—is to conceive of such rights as mainly economic ones, Oppetit suggests that, nonetheless, there may be limits on the arbitrability where such rights are found to bear on the fundamental sources of authors' rights. *See generally, id.*

E. Germany

1. General

In Germany, an arbitration agreement may only cover subject matter which the parties can settle in a private settlement agreement. [217] The arbitration agreement is not effective if one of the parties has exploited its economic or social superiority to coerce the other party to accept an arbitration agreement which gives it priority in the arbitration proceedings.[218] Courts may invoke the public policy exception to disallow arbitration clauses in what are regarded as standardized sales adhesion agreements that have not been bargained for.[219] Disputes involving non-commercial relationships may be referred to arbitration, although the arbitration agreement in these cases must have been concluded in writing.[220]

German law follows the New York Convention as far as enforcement and recognition of international arbitral awards are concerned.[221] The wording of the implementing legislation, however, emphasizes the non-enforceability of an arbitral award if one of the parties is required to execute the award in a manner which is unlawful under *German* law.[222]

2. Patents

The prevailing opinion is that there are no limits to the arbitrability of patent infringement disputes in Germany. [223] Nevertheless, the Bundespatentsgericht (the federal patent court) has exclusive jurisdiction as far as patent jurisdiction is concerned.[224] Further, it has been argued that patent validity cannot be the object of a settlement, and therefore, is *per se* inarbitrable.[225] However, it has been argued that, regardless of the patent court's jurisdiction, an arbitral tribunal may make decision relating to patent validity whose effect will be limited *inter partes*.[226] According to this view, an alleged patent infringer could prevail if the arbitration tribunal declares the patent to be unenforceable or limited to the exact wording of the claims in view of identical prior art, thereby precluding an infringement claim.[227]

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217. Zivilprozessordnung [ZPO] § 1025. *See* Jochen Pagenberg, *The Arbitrability of Intellectual Property Disputes in Germany*, *in* WORLDWIDE FORUM ON THE ARBITRATION OF INTELLECTUAL PROPERTY DISPUTES, *supra* note 66, at 83.

218. ZPO § 1025 II. *See* Ulrich Fritze, *Report by the German Group (Summary)*, *in* XXXV[e] CONGRÈS, *supra* note 158, at 10.

219. Law on General Sales Conditions [AGBG] § 9. *See* Pagenberg, *supra* note 217, at 84.

220. ZPO § 1027. *See* Pagenberg, *supra* note 217, at 83.

221. J. INT'L ARB., *supra* note 26, at 113.

222. ZPO § 1044(2) no. 2. *See* Pagenberg, *supra* note 217, at 84. This same clause also contains the standard "contrary to good morals and public order" language. *Id.*

223. *Id.* at 86.

224. *Id.*

225. *See* François Perret, *supra* note 73, at 78; Pagenberg, *supra* note 217, at 86-87.

226. P. SCHLOSSER, DAS RECHT DER INTERNATIONALEN PRIVATENSCHIEDSGERICHSBARKEIT 232 (2d ed. 1989), *cited in* Perret, *supra* note 73, at 78-79.

227. Pagenberg, *supra* note 137, at 87.

Patent claims made by employees under the Act on Employees' Inventions are subject to compulsory arbitration, during which court actions on the claims are barred.[228] However, this law has been held not subject to the *ordre public* and may be avoided in international contracts by stipulating different law.[229]

3. *Other Forms of Intellectual Property*

As with patents, arbitral tribunals can decide on all legal matters relating to intellectual property rights, including ownership, validity (subject to the public policy restraint on *erga omnes* adjudications discussed in the section on patents), scope of protection, infringement, and licensing. [230] Arbitral tribunals should also have the power to issue provisional orders, such as injunctions, subject to general due process provisions.[231] Disputes involving royalties collection societies are subject to compulsory arbitration; the Patent Office has established a panel for these purposes.[232]

F. Italy

1. *General*

Parties may refer disputes to arbitration in Italy, except where such disputes: (1) are precluded by statute (labor, social security and medical aid issues),[233] (2) involve questions of marital separation and personal status,[234] or (3) involve rights whose disposal the parties are not allowed to determine.[235] Where a dispute arises over subject-matter that cannot be the object of settlement, the public prosecutor (Publico Ministero) is obliged to intervene in the suit.[236]

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228. Arbeitnehmererfindungsgesetz §§ 28 *et seq.* *See* WORLD INTELLECTUAL PROPERTY GUIDEBOOK: FEDERAL REPUBLIC OF GERMANY (Bernd Rüster ed., 1991) §§ 2G[1][a][i], 2G[1][a][ix].

229. *Id.* § 2G[1][a][ix].

230. *Report by the German Group*, *supra* note 218, at 11.

231. *Id.*

232. WORLD INTELLECTUAL PROPERTY GUIDEBOOK: FEDERAL REPUBLIC OF GERMANY, *supra* note 228, § 4G[5][b].

233. CODICE DI PROCEDURA CIVILE [C.P.C.] art. 806. *See* Giorgio Recchia, *Arbitration and Patent Disputes*, unpublished report to the F[éderation] I[nternationale de] C[onseils en] P[ropriété] I[ndustrielle] Forum, Rome, 8 (1993) (on file with author). A highly edited version of this paper, including English translations of some of the relevant statutory provisions, can be found in Recchia, *Arbitrating Italian IP conflicts*, MANAGING INTELLECTUAL PROPERTY, Mar. 1994, at 25-27. References herein are to the full version of the paper.

234. C.P.C. art. 806.

235. *Id.*

236. C.P.C. art. 70. *See* Recchia, *supra* note 233, at 9; *see also* Giovanni F. Casucci & Mario Franzosi, *L'arbitrabilité des litiges en propriété industrielle. La situation Italienne*, unpublished paper given at the WIPO Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, 1994 (copy on file with author).

2. *Patents and Trademarks*

The public prosecutor is expressly granted *ex officio* powers to intervene in trademark or patent validity cases by both Trademark Law [237] and the Law on Patents for Inventions.[238] In addition, actions concerning patents[239] and trademarks[240] must be submitted to the state courts, regardless of the parties' nationality. These provisions, more procedurally than substantively, have created an *ordre public* bar to some arbitration raising issues of intellectual property validity.[241] Thus, the Italian Supreme Court has held that any decision on trademark validity should be taken by state courts with the participation of the public prosecutor.[242]

However, the Supreme Court has also ruled that the validity of trademark may be adjudicated where arbitrators are required to examine contractual claims connected with the validity of the mark.[243] The same view was taken where validity was raised in a dispute arising from the sale of a company and an associated mark.[244] Thus, despite limits by Article 806 of the Code of Civil Procedure and Article 1966 of the Civil Code on the arbitrability of disputes involving disposable rights, intellectual property claims in Italy are in fact arbitrable when parties transfer or waive otherwise indisposable rights where they are not in breach of the law.[245] Consequently, Italian courts hold inarbitrable only those trademark and patent claims that legally require the intervention of the Public Prosecutor in the civil proceeding.[246] Further, Italian courts will not enforce foreign arbitral awards under the New York Convention if they cover subject matter which in Italy would have required the intervention of the Public Prosecutor.[247]

3. *Other Types of Intellectual Property*

Arbitration is allowed in disputes capable of settlement concerning other forms of intellectual property. However, actions raising the author's identity,

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237. Testo delle disposizioni legislative in materia di marchi registrati, *as last amended* December 4, 1992 [Trademark Law], art. 59. An English-language translation can be found in the Laws and Treaties supplement to INDUS. PROP. & COPYRIGHT, Feb. 1995, and in INDUSTRIAL PROPERTY LAWS AND TREATIES, *supra* note 148, Italy Text 3-001.

238. Testo aggionato delle disposizioni legislative in materia di brevetti per invenzioni industriali, *as last amended* Oct. 19, 1991 [Law on Patents for Inventions], art. 78. GAZETTA UFFICILE (Mar. 5, 1987; Mar. 3, 1989; Nov. 4, 1991). An English-language translation can be found in the Laws and Treaties supplement to INDUS. PROP., July/Aug. 1992, and in INDUSTRIAL PROPERTY LAWS AND TREATIES, *supra* note 148, Italy Text 2-001.

239. Law on Patents for Inventions, *supra* note 239, art. 75.

240. Trademark Law, *supra* note 238, art. 56.

241. Casucci & Franzosi, *supra* note 236, at 1.

242. Scheck Enterprises A.G. v. Soc. Del Grandes Marques, Cass., Sept. 15, 1977, No. 3989, *cited in* Recchia, *supra* note 233, at 3.

243. Giordani v. Battiati, Cass., October 3 1956, No. 3329, *cited in* Recchia, *supra* note 233, at 4.

244. Quaker-Chiari & Forti S.p.A. v. Europe-Epargne Italia s.r.l., Cass., May 19, 1989, No. 2406, *cited in* Recchia, *supra* note 233, at 4.

245. Recchia, *supra* note 233, at 5.

246. *Id.*

247. *Id.*

bearing on moral—and therefore, non-disposable—rights, are arguably non-arbitrable. [248]

G. Japan

1. The Arbitral System and Intellectual Property

Arbitration is provided for in Japan by articles 786-805 of the Code of Civil Procedure, unchanged since its promulgation in 1890, and itself based on the 1877 German Code of Civil Procedure. [249] Any dispute which can be disposed of by a compromise between private parties can be referred to arbitration.[250] Because intellectual property disputes are amenable to such compromise, they are deemed to be arbitrable.[251] However, an arbitral award declaring invalid a patent, utility model, design or trademark cannot be enforced absent an invalidation decision from the Patent Office.[252]

Nevertheless, there is a view among Japanese experts that a claim of invalidity would be allowed as a defense in arbitration proceedings, in part because a compromise under the Japanese system involves "reasons which are unrelated to legal analysis, including business or political considerations."[253]

Further, it appears that any dispute concerning non-registered intellectual property—copyrights, know-how, non-patented aspects of computer software and trade names—can be submitted to arbitration.[254] Arbitrators may award damages, enjoin infringing activities, impose damages for non-compliance, and order destruction of products infringing upon a patent.[255]

2. Recognition and Enforcement

The grounds for cancellation of an arbitration award are limited and do not explicitly contain a public policy exclusion. [256] However, Japan has ratified the New York Convention, and thereby, recognizes the public policy exception of Article V(2)(b).[257] Further, it has been argued that it is "reasonable" to apply the statutory provisions for enforcement of foreign court judgments, which include a public policy exception[258] to foreign arbitral awards.[259] One case has

248. G. Pellegrino et al., *Report of the Italian Group*, *in* XXXV[e] CONGRÈS, *supra* note 158, at 120-121.

249. Teruo Doi, *Law and Practice in Japan for the Recognition and Enforcement of Foreign Judgments and Arbitral Awards*, 20 AIPPI J. 119, 132-33 (1995); *see also Report by the Japanese Group*, *in* XXXV[e] CONGRÈS, *supra* note 158, at 125.

250. MINJI SOSHOHO [MINSOHO] art. 786; *see also Report by the Japanese Group*, *supra* note 249, at 125. This report contains an English translation of the relevant Code provisions at 132-135.

251. *Report by the Japanese Group*, *supra* note 249, at 126.

252. *Id.*

253. *Id.* at 126-27.

254. *Id.* at 129-30.

255. *Id.* at 130.

256. MINSOHO art. 801.

257. J. INT'L ARB., *supra* note 26, at 113.

258. MINSOHO art. 200. This article allows for enforcement of a final foreign judgment provided that (i) jurisdiction of the foreign court is not denied by law or treaty; (ii) there has been proper service on the Japanese defendant; (iii) the judgment is not contrary to public order or good morals in Japan; and (iv) that there is a mutual guarantee between the relevant jurisdictions. Doi, *supra* note

held that a foreign arbitral award should be regarded as conclusive unless it violates public order or good morals.[260]

Japanese courts, however, appear to construe the public policy exception narrowly in international cases. In one instance, a court upheld a California court decision awarding punitive damages against a Japanese defendant. The court held that it was a matter of a country's judicial policy to determine the kind of damages to apply in tort cases.[261] In another case, involving the licensing of rights to a television film, a California judgment enforcing an arbitral award in favor of the licenser was enforceable in Japan even though the underlying contract had breached Japanese exchange control laws. The district court held that such a breach did not violate public policy and good morals in Japan, and the High Court upheld that decision.[262]

H. Switzerland

1. General

Arbitrations involving at least one party neither domiciled nor resident in Switzerland are governed by Chapter 12 of the Swiss Private International Law statute. [263] Any dispute involving property, including intellectual property, may be referred to arbitration.[264] An arbitral award may be challenged where it is incompatible with public policy.[265] As has been seen from the *Fincantieri* case, Swiss courts are unlikely to consider the public policy of foreign jurisdictions as disabling arbitrability in Switzerland even if the same policy might create enforcement difficulties in other countries at a later stage.[266]

2. Intellectual Property Arbitration

As discussed previously, Switzerland permits arbitration of all intellectual property disputes, including question of validity (subject to registration of the award with the authorities). [267] The Public International Law also permits arbi-

249, at 121. This article contains English translations of Japanese statutes pertaining to enforcement of foreign judgments and arbitral awards.

259. Doi, *supra* note 249, at 133.

260. Komori Webb USA, Inc. v. K.K. Ito Tekkosho, HANJI (No. 1232) 138 (Nagoya District Court, Ichinomiya Branch, Feb. 26, 1987), *cited in* Doi, *supra* note 249, at 133.

261. Northcon I v. Katayama and Mansei Kogyo K.K., HANJI (No. 1376) 79 (Tokyo District Court, February 18, 1991), *cited in* Doi, *supra* note 249, at 128-29.

262. Ralph A. Fields v. K.K. Taiheiyo Television, HANJI (No. 586) 73 (Tokyo District Court, September 6, 1969), *aff'd*, Tokyo High Court, May 28, 1970, *cited in* Doi, *supra* note 249, at 129-30.

263. Swiss Private International Law statute, *supra* note 66, art. 176.1. International parties may choose to apply the Intercantonal Concordat on Arbitration. *See supra* note 66.

264. Swiss Private International Law statute, *supra* note 66, art. 177.1. By contrast, art. 5 of the Concordat provides for arbitration related to any right which may be freely disposed of by the parties, unless such disposal is barred by law. *See* Briner, *supra* note 66, at 71.

265. Swiss Private International Law statute, *supra* note 66, art. 190.2.e.

266. *See supra* notes 109-112 and accompanying text. Switzerland has ratified the New York Convention. J. INT'L ARB., *supra* note 26, at 113.

267. *See supra* note 66 and accompanying text.

tration of the validity of intellectual property grants made in *other countries*.[268] There may, of course, be problems in enforcing such an award outside Switzerland.[269]

J. United Kingdom

1. General

a. Jurisdiction

At the outset, it should be noted that the United Kingdom consists of three separate jurisdictions—England and Wales, Scotland and Northern Ireland—that do not benefit from a common judicial and statutory regime. While the following discussion holds true for England and Wales, there may be instances where differences of applicable law and judicial interpretation arise in the United Kingdom's other jurisdictions.

b. Intellectual Property: Definition

In England and Wales, the term "intellectual property" is statutorily defined as "any patent, trademark, copyright, design right, registered design, technical or commercial information or other intellectual property." [270] Trademarks include service marks, and design rights include semiconductor layouts.[271] Intellectual property rights are governed primarily by statutes which cover the entire United Kingdom, the most recent being the Copyright, Designs and Patents Act of 1988.[272] However, the law of confidence has been developed independently by the courts and applies differently in Scotland than in England and Wales.[273]

c. Arbitral process

International arbitrations are controlled by the Arbitration Act of 1975, which implemented the New York Convention. The Arbitration Acts of 1950 and 1979, which govern domestic arbitration, supplement the Arbitration Act of 1975. Although the 1979 Act provides for judicial review of arbitral decisions with the parties' consent[274] and at the courts' initiative,[275] the parties have the right, by means of an exclusion agreement, to waive judicial review and to ex-

268. *See* Brown-Berset, *supra* note 66, at 33. Brown-Berset suggests that WIPO Arbitration Rules art. 62(e)—permitting the arbitral tribunal to contact the WIPO Arbitration Center "with regard to matters of form, particularly to ensure enforceability of the award—would suggest an onus on the arbitrator to take care that the award conform to the law of the likely place of enforcement. *Id.* at 35.

269. *See id.*

270. Supreme Court Act 1981, § 72.

271. Niblett, *supra* note 131, at 1.

272. *Id.*

273. *Id.* On the law of confidence in England and Wales, *see* FRANCIS GURRY, BREACH OF CONFIDENCE (1984).

274. Arbitration Act, 1979, § 1(3)(a).

275. *Id.* §.1(3)(b)

clude the right of appeal.[276] This is subject to certain exceptions which are unlikely to arise in an international intellectual property arbitration context.[277]

The arbitral tribunal may make provisional or interlocutory awards under § 14 of the 1950 Act provided there is no contrary intention expressed in the arbitration agreement. These powers may be reinforced by the courts, which have statutory powers under the 1950 Act to preserve property or evidence relevant to the dispute and to make interim injunctions.[278]

By adopting the New York Convention, the United Kingdom has thereby adopted the public policy exception to enforcement.[279] However, there is "no reason to suppose that a foreign arbitration award dealing with intellectual property would not be recognized or enforced" in the UK either because of this exception or because of the inarbitrability of the subject matter.[280]

2. *Patents*

Although the various United Kingdom arbitration statutes do not make specific provision for patent disputes, Section 53(2) of the 1977 Patents Act permits the Comptroller General of Patents to refer an opposed compulsory patent license application to an arbitrator, either where the parties consent or "the proceedings require a prolonged examination of documents or any scientific or local investigation which cannot, in the opinion of the comptroller, conveniently be made before him." The arbitrator is appointed by the parties or, in the event of failure to agree, by the Comptroller. Further, any disputes arising over Crown (i.e., state) use of patents may be referred by the court holding jurisdiction over the case to a judge sitting as arbitrator, according to section 58(12) of the Act.[281]

3. *Other Forms Of Intellectual Property*

No specific provisions relating to the arbitrability of intellectual property disputes exist beyond the statute relating to patents discussed above. However, it appears likely that an arbitrator would have freedom to rule on a wide range of issues, even validity, provided the scope of the arbitration agreement permitted it.[282] The power of an arbitrator to grant prospective relief—for instance, governing the future use of a copyright—is recognized by the English courts, whose own powers the arbitral tribunal thus exceeds.[283]

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276. *Id.* § 3.
277. *Id.* §§ 3(5)-(7), 4.
278. Arbitration Act, 1950, § 12(6)(g)-(h).
279. Arbitration Act 1975 § 5(3).
280. Niblett, *supra* note 131, at 3.
281. *Id.* at 2-3.
282. *Id.* at 4.
283. *Id.*

K. *United States of America*

1. *General*

The United States of America is today regarded as one of the countries most favorable to the resolution of disputes, both domestic and international, by arbitration. [284]

The Federal Arbitration Acts of 1925 and 1970, as amended, govern both domestic and international arbitration.[285] In addition, individual states have passed their own arbitration statutes which govern where federal law does not apply.[286] A number of leading cases, most notably the much-discussed 1985 Supreme Court decision *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*[287] (enforcing an international arbitration agreement where a dispute arising from that agreement raised, *inter alia*, questions of American antitrust law), have indicated a general willingness among federal courts to defer to the wishes of parties expressed in arbitration agreements, to compel international arbitration when provided for in such agreements, and to extend the scope of arbitrability to areas hitherto reserved to the courts on public policy grounds.

Nevertheless, even the American scheme is not complete and fully-formed. A statutory basis exists for the arbitrability of patent validity, but not for that of trademarks and copyrights, although it now appears likely that courts would interpret existing law to admit such arbitration. One important case, *Farrel Corp. v. United States ITC*,[288] held that there was a statutory bar to patent arbitrability where the underlying dispute raised an unfair competition issue within the competence of the United States International Trade Commission.[289]

Despite this limit, might the courts of the U.S. interpret the public policy exception to enforcement under the New York Convention more broadly than elsewhere? Indeed, the *Mitsubishi* decision might be read as encouraging this view. That case compelled arbitration in Japan where an issue of American

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284. *See. e.g.*, Andrew Rogers, *Arbitrability*, 1992 ASIA-PAC. L. REV 1.

285. 9 U.S.C. § 1 *et seq.* Chapter 1 (§§ 1-16) governs domestic arbitrations, and international cases in so far as they are not covered by the implementation of the New York Convention in Chapter 2 (§§ 201-08).

286. This is not the place to discuss in detail the complex—and controversial—procedural issues raised by the overlaps in the American state and federal legal systems, particularly as related to arbitration. Originally, the Federal Arbitration Act of 1925 appears to have been regarded as an attempt to codify and, to an extent, harmonize arbitration rules among the states. In the intervening years, the Act and its successors have come to represent an overarching federal arbitration scheme whose jurisdiction mainly trumps state law. Many intellectual property rights—notably patents, trademarks and copyrights—are governed by federal statutes. (Some rights, such as those involving certain types of unfair competition, the right to privacy and the right of publicity, exist under state law where not preempted by federal statutes.) However, the laws under which intellectual property disputes may arise—notably contract laws—are matters for the states, not for the federal government. In framing the arbitral agreement, where choice of American law arises, parties need to be aware of these important nuances.

287. 473 U.S. 614 (1985).

288. 949 F.2d 1147 (Fed. Cir. 1991), *cert. denied sub. nom.* Pomini Farrel, S.p.A. v. Farrel Corp., 504 U.S. 913, 112 S. Ct. 1947 (1992).

289. It is also possible—though not tested before the U.S. courts—that there is a similar statutory bar in cases involving the Federal Trade Commission. *See* David W. Plant, *Arbitrability of Intellectual Property Issues in the United States*, *in* WORLDWIDE FORUM, *supra* note 66, at 34.

antitrust law was raised, but noted that an arbitrator's failure to impose the triple damages remedy demanded by U.S. law—but often resented in other countries—might lead an American court to refuse to enforce the award on public policy grounds.[290] If followed, this view could greatly narrow the "international public policy" theory discussed above.

2. *Patents*

Any dispute relating to patent validity or infringement may be referred to arbitration by agreement of the parties. [291] The arbitration proceedings are covered by 9 U.S.C. §§ 1 *et seq.*, the Federal Arbitration Act. The arbitral tribunal may consider the same defenses as could be raised at a judicial proceeding.[292]

Arbitral awards are binding *inter partes* only.[293] Parties may agree that the arbitral award will be modified where a court later makes a final decision on the validity or enforceability of the patent.[294] The patentee is required to give the Commissioner of Patents and Trademark notice of an arbitrator's award.[295] The arbitral award is not enforceable until such notice has been given.[296]

In addition, where a patent interference suit arises, the parties may also go to arbitration over any aspect of the claim, governed by the Federal Arbitration Act, with the same obligation to notify the Commissioner of the award before enforcement can take place.[297] However, the Commissioner of Patents and Trademarks has the reserved right to determine patentability.[298]

The inclusion of the § 282 defenses in the § 294 arbitration provision "has foreclosed any serious question as to the scope of patent issues properly subject to binding arbitration. . . . [V]irtually every defense to a claim under a United States patent may be the subject of binding arbitration under Section 294."[299]

In addition, patent issues not arising under § 294, such as those relating to patent license royalty agreements or State law claims, are also likely to be arbitrable.[300]

3. *Trademarks*

There is no explicit statutory provision for trademark arbitration to match the framework established to cover patent disputes. Increasingly, however,

290. *Mitsubishi Motors*, *supra* note 287.
291. 35 U.S.C. § 294(a).
292. 35 U.S.C. § 294(b). Although a patent is presumed valid, permitted defenses to a patent claim are noninfringement and invalidity. 35 U.S.C. § 282.
293. 35 U.S.C. § 294(c).
294. *Id.*
295. 35 U.S.C. § 294(d).
296. 35 U.S.C. § 294(e).
297. *Id.*
298. 35 U.S.C. § 135(d).
299. Plant, *supra* note 289, at 31.
300. *Id.* at 34-35.

courts have tended to uphold the arbitrability of trademark infringement claims.[301] In determining the issue, courts have tended to look favorably on trademark arbitrability where the scope of the arbitration agreement is expressed broadly.[302]

4. Copyright

As with trademarks, there is no statutory provision for copyright arbitrability. Nevertheless, it appears clear that infringement cases are now arbitrable, given the broad sweep of judicial policy in favor of arbitration generally. In 1982, one appellate court remarked that the "only 'public interest' in a copyright claim concerns the monopoly inherent in a valid copyright." [303] However, more recently, another appellate court has ruled in favor of the arbitrability of copyright validity.[304] The court reasoned that, in the light of the *Mitsubishi* case (where an antitrust issue was held arbitrable), a copyright monopoly, less extensive and more easily avoidable (through the creation of close substitutes) than the monopolies discouraged by antitrust law, should also be arbitrable.[305]

In light of *Saturday Evening Post* and subsequent cases, it is now likely that all issues affecting copyright, including copyright, will be arbitrable in the United States given a well drafted arbitration clause.[306]

5. Other Forms of Intellectual Property

Trade secret misappropriation cases—principally issues of state rather than federal law—were generally, until *Mitsubishi*, held inarbitrable because they often raised antitrust issues which previously were precluded from arbitration on policy grounds. [307] Since *Mitsubishi*, however, courts have tended to uphold the referral of trade secrets disputes to arbitration.[308]

L. Capsule Summaries of Intellectual Property Arbitration Law in Selected Other Countries

1. Brazil

Disputes involving property rights may be arbitrated in Brazil.[309] Intellectual property disputes that are arbitrable include those capable of settlement such as patent licenses, trademark assignments, publishing contracts and franchising agreements.[310] However, validity questions raise public order issues that proba-

301. Plant, *supra* note 289, at 40-41, discusses the small number of trademark cases, some unreported, where arbitrability has been raised.
302. *Id.* at 42.
303. Kamakazi Music Corp v. Robbins Music Corp., 684 F.2d 228, 231 (2d Cir. 1982).
304. Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191 (7th Cir. 1987).
305. *Id.* at 1198-1199.
306. For discussion of other cases, see Plant, *supra* note 289, at 36-38.
307. Discussed, with case illustrations by Plant, *supra* note 289, at 41-43.
308. *Id.*
309. CÓDIGO DE PROCESSO CIVIL arts. 1072-1102, *cited in* Selma Maria Ferreira Lemes, *Arbitragem em Propriedade Intelectual Instituiçoes Arbitrais*, 17 PATENTES & MARCOS 2 (1995).
310. *Id.* at 2-3.

bly render disputes arising thereof inarbitrable.[311] Further, Brazil has not ratified the New York Convention. In the case of foreign arbitral awards, enforcement has to be reviewed by the Federal Supreme Court for compliance with service requirements and public policy interests before being referred to a state court for execution.[312]

2. Canada

Canada ratified the New York Convention in 1986; [313] the federal government and most provinces have also enacted the UNCITRAL Model Law.[314] It has been argued that there are no restrictions of any kind on the arbitrability of any intellectual dispute issue in Canada.[315] However, the issue of whether there is a public policy exclusion to the arbitrability of intellectual property validity has not come before the courts.[316]

3. Finland

A foreign arbitral award can be denied recognition and enforcement in Finland, which has ratified the New York Convention if it is contrary to Finnish public policy. [317] Arbitration is available in all instances where the parties can freely dispose of the matters in question.[318] Disputes over ownership of intellectual property rights can only be referred to arbitration in respect of unregistered rights. Ownership of registered rights—concerning patents, trademarks, trade names, integrated circuits, plant varieties, designs and utility models—are not arbitrable.[319] Similarly, validity disputes with respect to registered rights are not arbitrable.[320] However, validity and ownership questions may be considered in arbitration as a preliminary to a determination of an arbitrable dispute.[321] Further, disputes over the scope of intellectual property rights and their infringement appear to be arbitrable.[322]

311. *Id.* at 3.

312. *Report by the Brazilian Group, in* XXXV[e] CONGRÈS, *supra* note 158, at 38.

313. Andrea Rush, *Emerging trends in Canada*, MANAGING INTEL. PROP., Mar. 1994, at 16.

314. *Id. See also* Daniel Bereskin & Jacques Léger, *Report by the Canadian Group, in* XXXV[e] CONGRÈS, *supra* note 158, at 40.

315. *Id.* at 41.

316. *Id.* at 40-41.

317. Arbitration Act 1992, § 52. *See* Inga Pontynen, *Memorandum on Arbitration and Intellectual Property Rights in Finland*, unpublished paper submitted to ICC Working Group on Intellectual Property at 3 (July 1993) (copy on file with author).

318. *Id.* at 1.

319. *Id.* at 1-2.

320. *Id.*

321. *Id.* at 2.

322. *Id.*

4. Israel

A single court case in 1993[323] overturned the received wisdom that in Israel intellectual property disputes were not arbitrable on public policy grounds.[324] The court compelled arbitration under the rules of a trade association, to which the plaintiff and one of the defendants belonged,[325] which provided for referral of all disputes to an arbitral tribunal. The court further held that there was no bar to arbitrating an infringement claim where invalidity of a patent or registered design was raised as a defense.[326] The arbitral award would be binding between the parties, but would have no force *erga omnes*:[327] if the patent or registered design were held to be invalid by the arbitral tribunal, their registration would remain in force until canceled according to law.[328]

The overall picture of the arbitrability of intellectual property in Israel is still not clear. As of 1992—the year before the *Golan* case—there was not one court precedent addressing the issue.[329]

5. Netherlands

Netherlands law permits arbitration with respect to a defined legal relationship, whether contractual or not. [330] An arbitration agreement may not serve to determine legal consequences which the parties are not free to determine.[331]

Courts are required to decline jurisdiction where a valid agreement provides for foreign arbitration,[332] although such a court retains jurisdiction to grant interim measures or protection where requested by one of the parties to the foreign arbitration.[333] The Netherlands have ratified the New York Convention[334] and have provided for enforcement of foreign awards pursuant to it and other relevant international treaties.[335]

It has been argued that the provisions of Code of Civil Procedure 1020(3) make arbitration of validity issues impossible.[336] This view is reinforced in the case of trademark by the exclusive jurisdiction given to the court by the uniform

323. Golan Work of Art Ltd. v. Bercho Gold Jewellery Ltd., Tel Aviv District Court civil case 1524/93, *cited in* Vidal Pearlman, *Arbitration of IP in Israel*, MANAGING INTEL. PROP., Mar. 1994, at 23. The following account of *Golan* is taken from this article.

324. *See, e.g.*, S. OTTOLENGHI, ARBITRATION LAW AND PROCEDURE (3d. ed., 1991), *cited in* Pearlman, *supra* note 323, at 23.

325. The court compelled arbitration between the plaintiff and the one defendant even though other defendants, not members of the trade association, would continue to be pursued in court.

326. Pearlman, *supra* note 323, at 23.

327. *Id.*

328. *Id.*

329. Arnan Gabrieli, *Report by the Israeli Group*, *in* XXXV[e] CONGRÈS, *supra* note 158, at 115.

330. Arbitration Act 1986, incorporated in the Code of Civil Procedure art. 1020(1). The arbitration provisions of the Code of Civil Procedure (arts. 1020-1076) are available in an English translation in REDFERN & HUNTER, *supra* note 34, at 764-83.

331. Dutch Code of Civil Procedure, *supra* note 330, art. 1020(3).

332. *Id.* art. 1074(1).

333. *Id.* art. 1074(2).

334. J. INT'L ARB., *supra* note 26, at 113.

335. Dutch Code of Civil Procedure, *supra* note 330, art. 1075.

336. *See, e.g.*, Nora Mout Bouwman, *Bespoke Tailoring or Lottery*, MANAGING INTEL. PROP., Mar. 1994, at 19.

Benelux law, discussed earlier in the context of Belgium.[337] However, there is a growing view, as in Belgium, that validity and ownership may be arbitrated provided the effects of the arbitral award are limited *inter partes*.[338] Disputes arising from licensing and infringement issues are considered to be arbitrable.[339]

6. Spain

The 1988 Arbitration Act allows parties to submit to arbitration issues arising "in matters of which they may make free disposition pursuant to law." [340] This has been read as conferring a freedom to arbitrate property-based disputes.[341] Issues touching on public order, the jurisdictional monopoly of the state and on detriment to a third party may not be arbitrable.[342] Further, such disputes are not arbitrable if they are "inseparably joined with others of which the parties may not make free disposition."[343] Spain has ratified the New York Convention, and recognizes the public policy exclusion to enforcement and recognition.[344]

While there does not appear to be any bar to the arbitrability of matters relating to the exploitation and assignment of industrial and intellectual property rights, validity and ownership disputes may be inarbitrable.[345] Disputes over non-exclusive copyright licenses may be referred by the parties to the state-appointed Intellectual Property Arbitration Commission.[346]

7. Sweden

The Swedish Arbitration Act permits arbitration in all disputes that can be settled by agreement between the parties should the dispute be handled in an ordinary court. [347] Generally, all disputes of a commercial nature where the parties are in control of the subject matter of the dispute are arbitrable.[348]

While pure validity questions may be reserved to state jurisdiction and, in consequence, not be arbitrable, disputes relating to licensing, ownership and infringement of intellectual property rights may be arbitrated.[349]

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337. *See supra* note 158-176 and accompanying text.

338. *Report by the Dutch Group, in* XXXV[e] CONGRÈS, *supra* note 158, at 158.

339. *Id.* at 157-58.

340. Spanish Arbitration Act art. 1. An English-language translation of the Act may be found in BERNARDO M. CREMADES, ARBITRATION IN SPAIN 146-61 (1991).

341. CREMADES, *supra* note 340, at 24.

342. *Report by the Spanish Group, in* XXXV[e] CONGRÈS, *supra* note 158, at 58.

343. Spanish Arbitration Act, *supra* note 340, art. 2(1)(b).

344. The Spanish Arbitration Act, *supra* note 340, art. 59(2) applies the domestic public policy exclusion, in art. 45(5), to foreign awards. Foreign awards are defined in art. 56 as those which have not been rendered in Spain. *Id.*

345. *Report by the Spanish Group, supra* note 342,. at 62.

346. CREMADES, *supra* note 340, at 134.

347. Stefan Bernhard, *National Report—Sweden*, unpublished paper submitted to ICC Working Party on Intellectual Property Arbitration at 1 (June 1993).

348. *Id.*

349. *Id.*

IV.
CONCLUSION

One way of looking at the arbitrability question in relation to the foregoing discussion is to state that all intellectual property disputes are arbitrable unless the *ordre public* is implicated in an explicit and palpable way. What are the contours of such an implication of public policy? In other words, which interests involving the subject matter of arbitration go beyond the merely private concerns of the parties to a dispute? The answer lies in the way in which arbitration intersects with intellectual property rights.

An exclusionary property right confers rights on the holder as against the rest of the world. Inasmuch as intellectual property rights are similarly exclusionary, they contain a *per se* implication of a virtually infinite number of parties. But, the main feature of arbitration is that it eschews determinations of rights as against the world: it is simply interested in making such a determination with respect to the parties who freely submit their dispute to the arbitral process. Although arbitrators—unless the parties have agreed otherwise—must make decisions within the applicable law, they, unlike judges, are not required to create statements of law that will affect future actions. It is clear, for instance, that in a substantial number of jurisdictions a bald assertion by an arbitral tribunal that a patent or trademark is invalid will create a risk of non-enforcement of the award. It should be equally clear that such a determination goes beyond what is expected of an arbitrator. At the center of the arbitral process is the *dispute*. Issues of intellectual property validity or ownership only arise insofar as they touch on a dispute—in other words, for the most part, as defenses to infringement and breach of contract suits.

The arbitrator's role is to resolve the dispute between the parties—no more, no less. From this perspective, it can be argued that an *inter partes* award can only implicate the *ordre public* if it does some fundamental violence to public policy. The grounds for determining such an extreme incursion on the public interest are already clear: an arbitrator cannot enforce a contract to perform a corrupt act, for instance. But an arbitral award on intellectual property questions can be said to leave the *ordre public* completely unruffled: those rights that are registered remain registered, and those rights that are inherent remain in place. All that changes is something in the relationship between the parties to the dispute alone. This is something that in virtually every case could be achieved by the lawful assignment of disposable rights.

Because this argument may not be acceptable to all—although it is becoming increasingly acceptable in many countries—arbitrators and parties to arbitration should proceed pragmatically, attempting to envisage the difficulties that may arise, particularly at the enforcement stage. More importantly, parties must ensure that the arbitrator has the power in law to make the award that will cure their dispute. The arbitrator must make an award whose terms and justification lie within the law governing the arbitration. Even if enforcement problems arise later, such problems can be greatly limited by attention to both the form and substance of the arbitral award. As the survey of countries shows, existing

law—even in those states most resistant to certain types of arbitration—may allow parties to achieve the type of settlement they seek, even if issues arise that, if presented in a different manner, might be held to implicate the *ordre public*. In any case, as is recognized, for instance, in Switzerland, possible enforcement problems are part of the risk parties take when they choose arbitration. They make a free choice, and will normally benefit from the advantages of their decision. Deferring to such free choices is an important feature of public policy, too.