

■ Efficient Resolution of R&D, Technology Transfer and Commercial Disputes

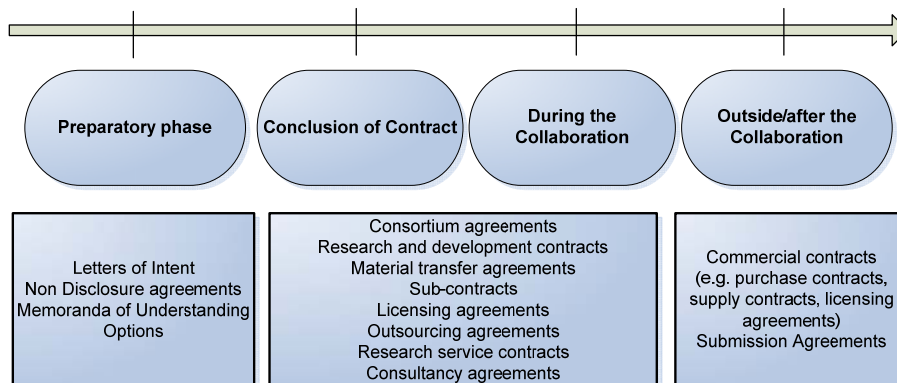
Conference on Licensing, Transfer of Ownership and Dispute Resolution - Commercialization of Intellectual Property Generated in International R&D Projects

Vienna, June 1, 2012

Judith Schallnau, Lawyer, WIPO Arbitration and Mediation Center

Potential Conflicts in R&D, Technology Transfer and Commercial Contracts ²

Contractual Stages for R&D and Commercialization



- Consistency; Agreements involving multiple parties
- DESCA Model Consortium Agreement (Section 11.8 - WIPO Mediation Followed, in the Absence of a Settlement, by WIPO Expedited Arbitration)

Potential Conflicts in R&D, Technology Transfer and Commercial Contracts

■ Research

■ Intellectual property rights:

- Inventorship
- (Co-) Ownership
- Access rights background/ foreground (including licensing)
- Patent infringement

■ Project-management

- Compliance with work plan
- Payment modalities

■ Exploitation

■ Confidentiality (Non-Disclosure Agreements)

■ Control and use of research results (including licensing)

■ Technology valuation (foreground IP – determining conditions for use)

■ Manufacturing, marketing, distribution obligations

■ Payment of royalties

(IP) Dispute Resolution Needs (I)

■ International

■ Creation and exploitation of IP across borders

■ Intellectual property disputes often:

■ Involve parties from different jurisdictions

■ Concern commerce in a multitude of jurisdictions

■ Diverging expectations and understandings of commercial and legal concepts

■ Neutral expertise

■ IP disputes tend to be technical/specialized

■ Law, technical background (patents, software, etc.)

(IP) Dispute Resolution Needs (II)

- Efficiency
- IP covers fast-evolving technology, used in highly competitive markets - Need for time- and cost-efficient procedures
- Confidentiality
- Often required in IP/technology disputes (patented technology, know-how, reputation)
- Preserving party relationships
- IP often developed/exploited in long-term relationships between partners (R&D projects) - industry, SME's, universities, research institutes

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Options Available to Resolve IP Disputes

- Communicate
- Litigate
- Alternative Dispute Resolution (ADR):
 - Mediate
 - Arbitrate
 - Experts

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Court Litigation

- Hurdles in litigating multi-jurisdictional disputes:
 - Different legal systems
 - Expensive & lengthy
 - Risk of contradictory results

- Cross-border injunctions frequently not favored

- Consolidation of foreign patent infringements frequently not favored

Patent Litigation in Courts

Country	Characteristic of Legal System	Average Length	Average Costs
France	- Civil Law - Unified Litigation - No specialized courts	First Instance: 12-24 months Appeal: 18-24 months	€ 80,000-150,000 (1 st Inst.)
Germany	- Civil Law - Bifurcated Litigation - Specialized courts	First Instance: 12 months Appeal: 15-18 months	€ 50,000 (1 st Inst.) € 70,000 (App.)
Italy	- Civil Law - Unified Litigation - Specialized courts	First Instance: Few months – 24 months Appeal: 18-24 months	€ 50,000-150,000 (1 st Inst.) € 30,000-70,000 (App.)
Spain	- Civil Law - Unified Litigation - Commercial courts	First Instance: 12 months Appeal: 12-24 months	€ 100,000 (1 st Inst.) € 50,000 (App.)
UK	- Common Law - Unified Litigation - Specialized courts - Mediation promoted	First Instance: 12 months Court of Appeal: 12 months Supreme Court: 24 months	€ 550,000-1,500,000 (1 st Inst.) € 150,000-1,500,000 (App.) € 150,000-1,500,000 (Supreme Court)
China	- Civil Law - Bifurcated Litigation - Specialized courts	First Instance: 6 months Appeal: 3 months	USD 150,000 (1 st Inst.) USD 50,000 (App.)
Japan	- Civil Law - Bifurcated Litigation - Specialized courts	First Instance: 14 months Appeal: 9 months	USD 300,000 (1 st Inst.) USD 100,000 (App.)
USA	- Common Law - Unified Litigation - Specialized court of appeals (CAFC) - Jury trial available - Mediation promoted	First Instance: up to 24 months Appeal: 12+ months	USD 650,000-5,000,000* (1 st Inst.) USD 150,000-250,000 (App.)

Source: This chart is based on figures provided in Patent Litigation - Jurisdictional Comparisons, Thierry Calame, Massimo Sterpi (ed.), The European Lawyer Ltd, London 2006.

* Report of the Economic Survey, Prepared Under the Direction of Law Practice Management Committee, AIPLA, Arlington 2011.

What is Alternative Dispute Resolution (ADR)?

- A range of procedures to resolve disputes « out-of-court » in a private forum with the assistance of an independent intermediary (e.g., mediator, arbitrator, expert)
- Mediation
- Arbitration
- Expert Determination
- Combined with a court procedure, i.e. when mandated by competent court
- Normally consensual (ADR contract clause or submission agreement)

Mediation, Arbitration, Expert Determination

- **Mediation:** an informal procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of their dispute, based on the parties' respective interests. The mediator cannot impose a decision. The settlement agreement has the force of a contract.
- **Arbitration:** a procedure in which the parties submit their dispute to one or more chosen arbitrators, for a binding and final decision (award) based on the parties' respective rights and obligations and enforceable as an award under arbitral law.
- **Expert Determination:** a procedure in which the parties submit a specific matter (e.g. technical question) to one or more experts who make a determination on the matter, which can be binding unless the parties have agreed otherwise.

WIPO Arbitration and Mediation Center

- Provision of time and cost-effective alternative dispute resolution (ADR) services for intellectual property and related disputes

- International
- Specialized in IP/technology
- Not-for-profit

- Established 1994, offices in Geneva and Singapore
- Part of World Intellectual Property Organization (WIPO)



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WIPO Arbitration and Mediation Center

- Administering Authority
 - Mediation, Arbitration, Expert Determination, Domain Name Dispute Resolution Procedures
 - Assistance in appointment of neutrals, communication, finance management, logistical and technical assistance
- Resource Center
 - Rules, contract clauses, neutrals database (1500 neutrals from 70 countries)
 - Procedural guidance
 - Tailored dispute resolution services
 - Training and conferences

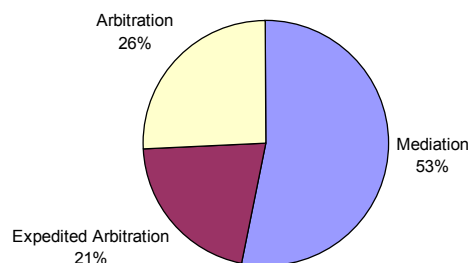


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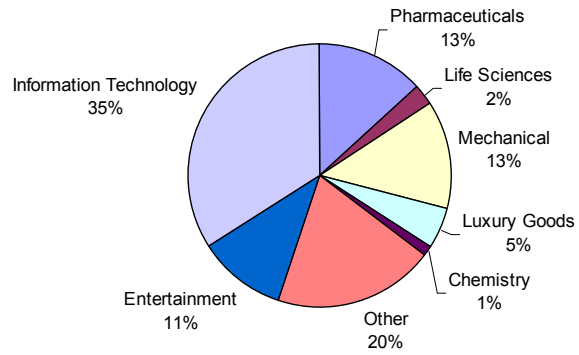
Areas of WIPO Cases

- Contractual: patent licenses, software/IT, research and development agreements, patent pools, distribution agreements, joint ventures, copyright collecting societies, trademark coexistence agreements, settlement agreements
- Infringement of IP rights
- Domestic disputes, not just international
- The WIPO Center also:
 - Administers Internet domain name disputes (37,000 since 1999)
 - Helps develop special ADR procedures for industry sectors, free of cost

WIPO Cases: Types of Procedures



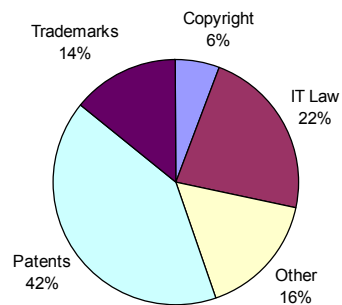
WIPO Cases: Business Areas



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WIPO Cases: Subject Matter



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Routes to ADR

- ADR Clauses in contract for future disputes
- Submission Agreements for existing disputes, e.g. in non-contractual disputes
- Domestic and international
- Arbitration or mediation, or combined (“escalation”)
- Sometimes following prior court litigation between the parties

- Model clauses: <http://www.wipo.int/amc/en/clauses/index.html>

WIPO Dispute Resolution Clause - Mediation followed by Arbitration

- **Try mediation before arbitration, at least until**
 - lapse of time period
 - termination
- **Combining the benefits**
 - arbitration well-prepared

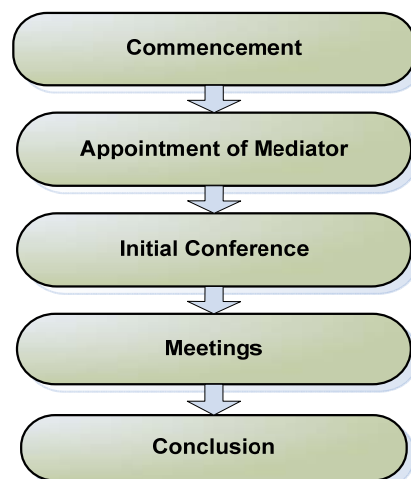
"Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be submitted to mediation in accordance with the **WIPO Mediation Rules**. The **place** of mediation shall be []. The **language** to be used in the mediation shall be [English]"

If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within **[60][90] days of the commencement of the mediation**, it shall, upon the filing of a Request for Arbitration by either party, be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. Alternatively, **if, before the expiration of the said period of [60][90] days, either party fails to participate or to continue to participate in the mediation**, the dispute, controversy or claim shall, upon the filing of a Request for Arbitration by the other party, be referred to and finally determined by arbitration in accordance with the **WIPO Arbitration Rules**. The **arbitral tribunal** shall consist of [a sole arbitrator/three arbitrators]. The **place of arbitration** shall be []. The **language** to be used in the arbitral proceedings shall be [English]. The dispute, controversy or claim referred to arbitration shall be decided in accordance with [] **law**."

A Few ADR Clause Pointers (Mediation and Arbitration)

- Use model clauses as basis and modify only as necessary
 - Do not divide per type of right, remedy, dispute, or party case status
- Combine options, include mediation
 - Like court cases, many ADR cases get settled
 - Consider suitability of expert determination before arbitration
- If arbitration, 'make it fit' (e.g. expedited)
- 'Institutional' or 'ad hoc'?
 - Hard to agree on procedure once dispute arisen
 - Do you know suitable neutrals
 - Which administering institution

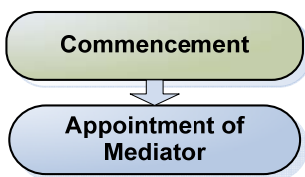
WIPO Mediation



WIPO Case: WIPO Mediation in the Automotive Sector (I)

- U.S. company/ Swiss company
- Patent infringement dispute related to U.S. patents owned by U.S. company (automotive sector)
- Settlement agreement 2007
- Dispute Resolution clause: WIPO Mediation followed by WIPO Arbitration
- Request for mediation in May 2009

Commencement and Appointment of the Mediator



- Request for mediation
 - Commencement (Arts. 3-5)
 - Administration fee (Art. 21) (Art. 6-7)
- Appointment of mediator
 - Parties, or Center after consultation with parties (Art. 6)
 - Impartiality and independence (Art. 7)

WIPO Schedule of Fees and Costs - Mediation

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Schedule of Fees and Costs - Mediation

The Center believes that mediation should be cost effective. In consultation with parties and mediators, the Center ensures that fees charged in a WIPO mediation are appropriate in light of the circumstances of the dispute.

ADMINISTRATION FEE	MEDIATOR'S FEES (*)	
0.10% of the value of the mediation, subject to a maximum of \$10,000	\$300-\$600 per hour	\$1,500-\$3,500 per day

(All amounts are in United States dollars) (*) Indicative rates

1. The amount of the administration fee shall be 0.10% of the value of the mediation, subject to a maximum administration fee of \$10,000.
2. The value of the mediation is determined by the total value of the amounts claimed.
3. Where the Request for Mediation does not indicate any claims for a monetary amount or the dispute concerns issues that are not quantifiable in monetary amounts, an administration fee of \$1,000 shall be payable, subject to adjustment. The adjustment shall be made by reference to the administration fee that the Center, after consultation with the parties and the mediator, determines in its discretion to be appropriate in the circumstances.
4. Any monetary amounts in dispute expressed in currencies other than United States dollars shall, for the purposes of calculating the administration fee, be converted to amounts expressed in United States dollars on the basis of the official [United Nations exchange rate](#) prevailing on the date of submission of the Request for Mediation.

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WIPO Mediation in the Automotive Sector (II) Appointment of the Mediator

- WIPO Center proposed list of candidates
- Parties chose from such list
 - Patent practitioner
 - Knowledge of U.S. patent laws
 - Fluent in English
 - Experience in mediating patent infringement disputes

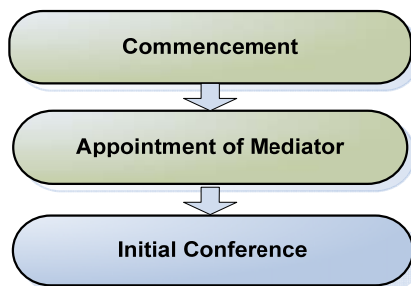
What Happens Once A Mediator Is Appointed?

■ Mediator takes over the process

■ Five phase process:

- Preparation Phase
- Opening phase
- Exploration Phase
- Bargaining Phase
- Concluding Phase

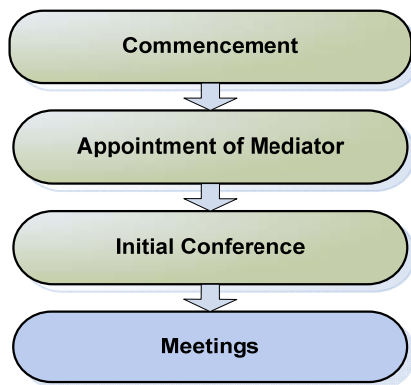
Preparatory (Telephone) Conference



➤ Preparation Phase

- Agreement on:
- Timetable of Mediation
- Documents to be submitted
- Participants in Mediation Meeting
- Party Representation (representatives with decision making power)

Mediation Meeting



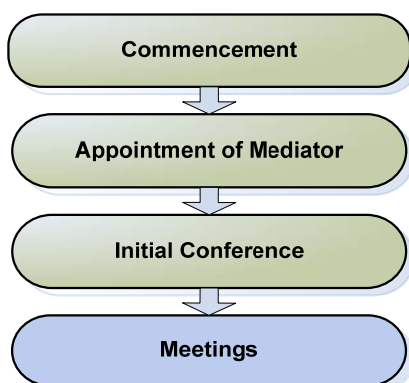
➤ Opening Phase

- Introduction mediator:
- Role of mediator
- How the days might run (joint sessions, caucus)
- Principles (confidentiality, without prejudice, parties' authority to settle)

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- Parties' opening statements summarizing their positions
- Patent attorney's role?

Mediation Meeting (cont'd)



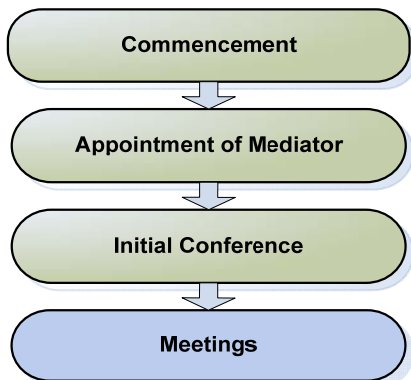
➤ Exploration Phase

- Mediator and parties have conversation (joint or separate) about legal, commercial, personal aspects
- Identify key issues and needs
- Identify potential common ground
- Importance of preparation

▪ WIPO Case

- Joint/private sessions with/without mediator
- Interest to continue collaboration/ to concentrate financial and human resources on ongoing business

Mediation Meeting (cont'd)



➤ Bargaining Phase

- Communicating offers
- Checking the BATNA
- Confirming cost of continued litigation or arbitration

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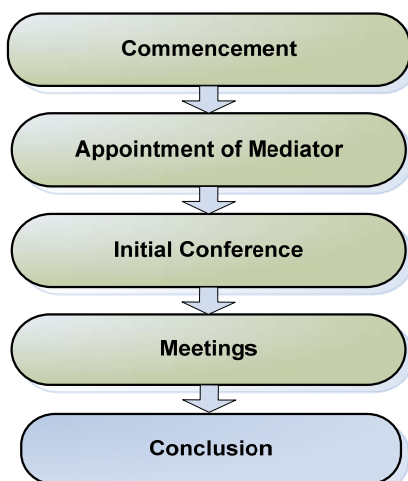
- Early agreement on framework for royalty payments
- Further discussions on business aspects
- Involved emotions as well
- Mediator checked the BATNA and confirmed cost of continued arbitration :

If you leave this room without settlement agreement, what are your options? How much will an arbitration in the US related to five patents cost you?

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Conclusion of the Mediation - Art. 18



➤ Concluding Phase

- Termination under the WIPO Rules:
- Settlement agreement
- Withdrawal by one or both parties
- Decision of the mediator

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- Settlement in the afternoon of second day:
- Term Sheet: down-payment, annual instalments, net sales based royalty
- Re-drafted original licensing agreement, final agreement until September 2009

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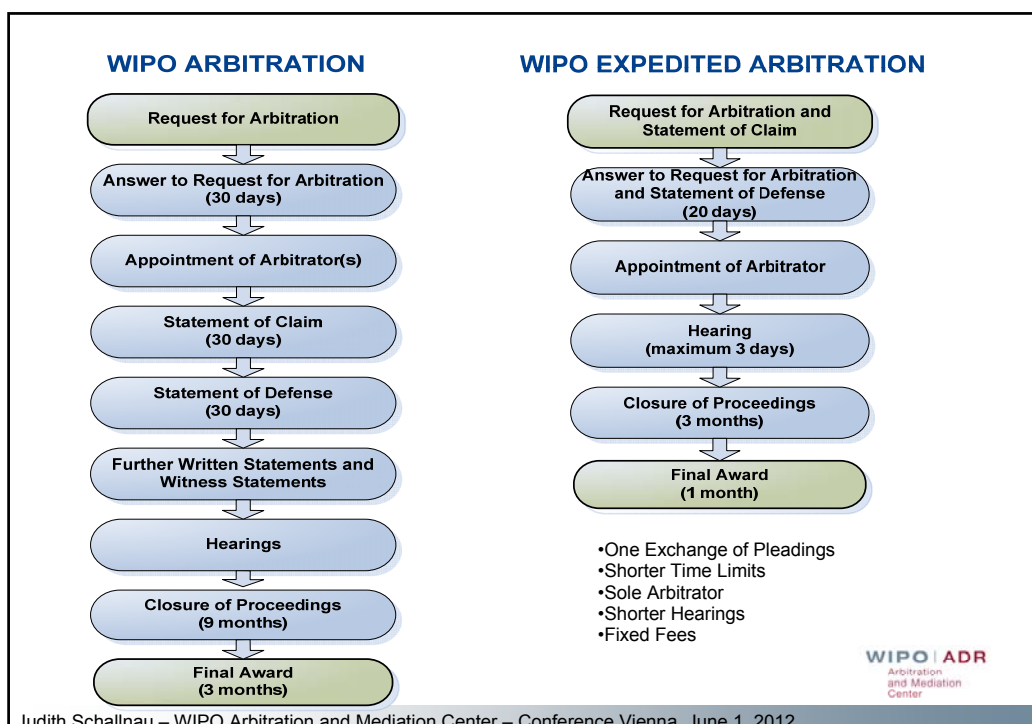
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WIPO Pharma Mediation (I)

- European university holding pharmaceutical patent applications in several countries
- Pharmaceutical company
- License option agreement, company exercised option
- 3 years negotiations of license agreement
- Parties unable to agree on terms of license
- Submission agreement to WIPO mediation

WIPO Pharma Mediation (II)

- Parties requested the WIPO Center to appoint a mediator
- Qualifications: lawyer, working experience in pharma industry, licensing experience
- Parties requested mediator to help them reach an agreement on the terms of the license
- One-day meeting session: parties identified issues and improved legal understanding
- Continued direct negotiations on this basis, reached settlement agreement



Basic Arbitration Principles

- Voluntary process agreed by the parties
- Binding procedure
- Guaranty of due process
- Cost-effectiveness and expeditious procedure
- Final, no appeal
- Enforceability of the award
 - New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958
 - 145 Member States (all EU Member States)
 - International arbitral awards to be recognized and enforced like final national court judgments (limited grounds to reject enforcement)

WIPO Arbitration Rules

- Arbitration agreement (Arts. 1-9)
- Number of arbitrators (Art. 14)
- Parties choice in appointment of arbitrator(s) (Arts. 16-17)
- Impartiality and independence (Art. 22)
- Challenge of arbitrators (Arts. 24-29)
- Confidentiality (Arts. 52, 73-76)
- Interim measures (Art. 46)
- Types of evidence common in IP disputes
- Award (Art. 62)

Costs (Expedited) Arbitration

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The Center believes that arbitration should be cost effective. In consultation with parties and arbitrators, the Center ensures that all fees charged in a WIPO arbitration are appropriate in light of the circumstances of the dispute. The costs of arbitration depend on different factors, including the amount in dispute and its complexity. The parties' conduct will also have an impact on the costs of the arbitration.

WIPO Expedited Arbitration provides for fixed arbitration costs when the amount in dispute is up to US\$ 10 million.

TYPE OF FEE	AMOUNT IN DISPUTE	EXPEDITED ARBITRATION	ARBITRATION
Registration Fee	Any Amount	\$1,000	\$2,000
Administration Fee *	Up to \$2.5M	\$1,000	\$2,000
	Over \$2.5M and up to \$10M	\$5,000	\$10,000
	Over \$10M	\$5,000 +0.05% of amount over \$10M up to a maximum fee of \$15,000	\$10,000 +0.05% of amount over \$10M up to a maximum fee of \$25,000
Arbitrator(s) Fees *	Up to \$2.5M	\$20,000 (fixed fee)	As agreed by the Center in consultation with the parties and the arbitrator(s)
	Over \$2.5M and up to \$10M	\$40,000 (fixed fee)	Indicative rate(s) \$300 to \$600 per hour
	Over \$10M	As agreed by the Center in consultation with the parties and the arbitrator	

(All amounts are in United States dollars)

WIPO Arbitration R&D Biotech/Pharma Dispute (I)

- European biotech company held several patents for the extraction and purification of a compound with medical uses
- License and development agreement with a large pharmaceutical company with expertise in the medical application of the substance related to its patents
- Development agreement contained a clause referring to WIPO Arbitration Rules
- Biotech company filed request for arbitration alleging that the pharmaceutical company had deliberately delayed the development of a biotech compound

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WIPO Arbitration R&D Biotech/Pharma Dispute (II)

- Parties chose one out of the Center's list of proposed candidates with experience in biotech/ pharma
- Written submissions
- Three-day hearing in Geneva for examination of witnesses
- On the last day, following a suggestion made by the arbitrator, the parties held a private meeting and agreed to settle their dispute
- Continued to cooperate towards the development and commercialization of the biotech compound

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Complex WIPO Patent Arbitration (I)

- US and Asian parties: US and European patents
- Settlement Agreement of prior litigation in US and Europe
- WIPO Arbitration Clause:
 - Trial Tribunal: Sole US Arbitrator jurisdiction re. US Patents and Sole European Arbitrator jurisdiction re. European Patents
 - Appeal Tribunal: 3 arbitrators
 - New York place of arbitration
 - New York applicable law

Complex WIPO Patent Arbitration (II)

- Lawyers representing parties agreed:
 - Use WIPO ECAF
 - Timetable for proceedings
 - Scope of discovery
 - Protective order Art. 52
 - Preliminary claim construction of US and European patents
 - Hearing schedule
- Arbitration lasted 18 months following appointment of arbitrators

WIPO ADR – Meeting (IP) Dispute Resolution Needs (I)

- International
 - Parties designate a single forum for resolving the entire dispute
 - Comprehensive and consistent resolution (rather than patchwork of court decisions)
 - No party is forced to litigate in the other's home country
 - International (procedural) standards
 - International Enforceability arbitral awards: New York Convention
 - Mediation is not rooted in any jurisdiction or law
- Neutral expertise
 - In ADR, parties control selection of neutral(s) with expertise in the relevant legal, technical or business area
 - WIPO Center list

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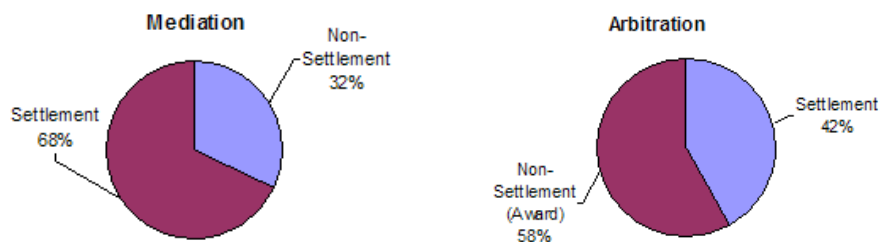
WIPO ADR – Meeting (IP) Dispute Resolution Needs (II)

- Efficiency
 - ADR offers party control (short deadlines)
 - Comprehensive dispute resolution
 - One procedure, one law, one language, same lawyers, expert neutral(s), final result (award or settlement): time- and cost efficient
- Confidentiality
 - Except as agreed otherwise or required by law, all participants to preserve confidentiality regarding:
 - Existence, Disclosures, Award
 - Specific protection of trade secrets
 - WIPO Mediation Rules also prohibit disclosure in subsequent proceedings
- Preserving party relationships:

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Settlement in WIPO-Administered Cases



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Additional Information

- Download model clauses: <http://www.wipo.int/amc/en/clauses/>
- Contact information:
 - General queries and case filing: arbiter.mail@wipo.int;
+41 22 338 8247
 - Direct contact: judith.schallnau@wipo.int
+41 22 338 7256
- Posted information on procedures, neutrals and case examples:
<http://www.wipo.int/amc/en/>
- Thank you

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