Efficient resolution of disputes in R&D collaborations, licensing and other technology transfer

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Introduction
The successful development and commercialisation of technology requires a carefully integrated dispute resolution strategy as a key factor in securing the value of technologies and associated intellectual property (IP) rights developed in research and development (R&D) collaborations and their subsequent commercialisation.

Potentially, all parties to international and domestic research and commercial contracts may face intricate questions and conflicts on intellectual property (IP) relating to, for example, ownership of background and foreground IP, including patents, know-how, copyright, trademarks or design, the scope of exploitation rights, infringement of third party rights, and other issues including non-fulfilment or termination of a contract.

If conflicts arise, the need to resolve them in a rapid and cost-effective manner leads companies and R&D entities to increasingly turn to alternative dispute resolution (ADR) mechanisms to resolve issues that were previously directed to the courts. The World Intellectual Property Organization’s (WIPO) Arbitration and Mediation Center (the Center) offers ADR procedures to parties worldwide on a not-for-profit basis thus facilitating the resolution of IP and commercial disputes.
ADR mechanisms include several procedures that allow parties to resolve their disputes out of court in a private forum, with the assistance of a qualified neutral intermediary of their choice. ADR procedures are offered by different arbitral institutions.

The following fact sheet provides an overview of WIPO ADR mechanisms, principles, advantages and case examples to assist SMEs, universities, research centres, researchers and others in making a considered choice on how to resolve future or existing disputes when drafting contract clauses and submission agreements.

1. **IP Rights, Contracts and Disputes**

Intellectual property describes a variety of legal rights that enable their owners to protect in different ways various intangibles, such as ideas and inventions, data and creative expressions, names and commercial reputations.

Different countries protect different types of IP rights in different ways, although their approach has been harmonised to some extent by various international treaties. However, IP rights have territorial effect, and so can exist in parallel in different jurisdictions.

IP rights play a role in various contracts throughout an R&D project life cycle as outlined in the diagram below. When negotiating such contracts, parties should make a carefully considered choice of dispute resolution strategy when negotiating dispute resolution clauses. Where parties use model agreements as a basis for drafting and negotiating their contracts, dispute resolution options may be suggested. For example, the DESCA model consortium agreement, which has been developed for R&D multi-party collaborations, includes an option for WIPO Mediation followed by WIPO Expedited Arbitration.

![Contractual Stages for R&D and Commercialisation](source: WIPO Arbitration and Mediation Center)
IP disputes in the area of R&D and related commercial exploitation may arise in all business areas and may relate to a broad range of issues, such as the following:

- Assignment
- (Co-) ownership (e.g., ownership shares, payment obligations)
- Copyright infringement
- Conflicts arising in IP licensing: definition of licensed rights, products;
  - Obligations of the licensor: warranties and representations, integrity of the IP rights, strength, best technology available, defending against third party claims of property;
  - Obligations of the licensee: return, payment
- Employment issues
- Valuation of IP
- Fulfilment of general contractual obligations (with impact on IP, e.g. payment of renewal fees)
- Inventorship
- Misuse of confidential information
- Patent, trade secret and technology infringements
- Performance and breach of contractual obligations
- Trademark infringement
- Relations with third parties, (e.g. sub-licensing, sub-contracts)
- Unfair competition claims

The territorial nature of IP rights has important consequences from a procedural perspective for the resolution of the increasing number of disputes relating to it. National courts will be reluctant to assume jurisdiction over disputes related to foreign IP rights and can do so only in limited circumstances. Consequently, in disputes relating to cross-border issues and IP protected in different jurisdictions, litigation takes place in the courts of several countries at the same time. The fact that in any cross-border litigation several legal systems are involved creates a number of legal complexities that increase the uncertainty of the outcome and transaction costs (costs, delays, disruptions) associated with litigation in general.

2. Alternative Dispute Resolution Mechanisms

ADR mechanisms include the following procedures:

- **Mediation**: an informal procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of the dispute.
- **Arbitration**: a binding procedure in which the dispute is submitted to one or more arbitrators who make a final decision on the dispute.
- **Expedited Arbitration**: an arbitration procedure that is carried out in a short time and at a reduced cost.
- **Mediation followed, in the absence of a settlement, by [expedited] arbitration**: a procedure that combines mediation and, where the dispute is not settled through the mediation, [expedited] arbitration.
- **Expert Determination**: a procedure in which a technical, scientific or related business issue between the parties is submitted to one or more experts who make a determination on the
matter. The determination is binding, unless the parties have agreed otherwise. (Depending on the parties’ choice, expert determination may be preceded by mediation or followed by (expedited) arbitration.)

**WIPO Arbitration and Mediation Center**

Based in Geneva, Switzerland and part of WIPO, the Center is an international not-for-profit dispute resolution service provider. The Center administers dispute resolution procedures under the WIPO Mediation Rules, the WIPO Arbitration Rules, the WIPO Expedited Arbitration Rules, and the WIPO Expert Determination Rules. This includes assistance of parties to find suitable mediators, arbitrators and experts to act in these procedures.

The WIPO Rules are appropriate for all commercial disputes. However, they contain provisions on confidentiality and technical and experimental evidence that are of special interest to parties to IP disputes.

Source: WIPO Arbitration and Mediation Center
2.1. Characteristics of ADR

When determining the appropriate means for resolving an IP or technology dispute, the parties should consider the following characteristics of ADR, particularly mediation and arbitration.

A single neutral procedure: Many IP or technology disputes involve parties from different countries and relate to rights that are protected in several jurisdictions. In such cases, court litigation may well involve a multitude of procedures in different countries. Through ADR, the parties can agree to resolve their dispute under a single law (for arbitration) and in a single forum, thereby avoiding the expense and complexity of multi-jurisdictional litigation.

Party autonomy: Because of its private nature, arbitration offers parties the opportunity to exercise greater control over the way their dispute is resolved. Depending on their needs, they can select streamlined or more extensive procedures, and choose the applicable law, place and language of the proceedings.

Neutrality: Mediation and arbitration can be neutral to the law, language and institutional culture of the parties and thus avoid any home court advantage that one of the parties may enjoy in the context of court litigation, where familiarity with the applicable law and local processes can offer significant strategic advantages.

Expertise: The parties can select mediators and arbitrators who have special expertise in the legal, technical or business area relevant to the resolution of their dispute.

Confidentiality: The parties can keep the proceedings and any results confidential. This allows the focus to be kept on the merits of the dispute, and may be of special importance where - as is often the case in IP or technology disputes - commercial reputations and trade secrets are at stake.

Finality of arbitral awards and party autonomy to settle: Unlike court decisions, which can generally be contested through one or more rounds of litigation, arbitral awards are not normally subject to appeal. In mediation, the parties have the autonomy to settle their dispute.

Enforceability of arbitral awards: The Convention for the Recognition and Enforcement of Foreign Arbitral Awards of 1958, known as the New York Convention, provides for recognition of awards on a par with domestic court judgments without review on the merits. This greatly facilitates the enforcement of awards across borders.
### 2.2. Court Litigation, Arbitration and Mediation Compared

<table>
<thead>
<tr>
<th>Common features of many IP disputes</th>
<th>Court litigation</th>
<th>Arbitration</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International</strong></td>
<td></td>
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</tr>
<tr>
<td>• Multiple proceedings under different laws, with risk of conflicting results</td>
<td>• Single proceeding under the law determined by the parties</td>
<td>• Single proceeding determined by the parties and the mediator</td>
<td>• Procedure conducted in the manner agreed by the parties</td>
</tr>
<tr>
<td>• Possibility of actual or perceived home court advantage of the party litigating in its own country</td>
<td>• Arbitral procedure and nationality of the arbitrator(s) can be neutral to law, language and institutional culture of the parties</td>
<td>• Mediation procedure and nationality of the mediator can be neutral to law, language and institutional culture of the parties</td>
<td>• Parties can determine the duration of mediation</td>
</tr>
<tr>
<td><strong>Technical</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Decision maker might not have relevant expertise</td>
<td>• Parties can select an arbitrator(s) with relevant expertise</td>
<td>• Parties can select a mediator with relevant expertise</td>
<td></td>
</tr>
<tr>
<td><strong>Urgent</strong></td>
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<td>• Procedures often drawn-out</td>
<td>• Arbitrator(s) and the parties can shorten procedure</td>
<td></td>
<td>• Procedure conducted in the manner agreed by the parties</td>
</tr>
<tr>
<td>• Injunctive relief available in certain jurisdictions</td>
<td>• Arbitrator(s) may render provisional measures, the parties are not precluded from seeking court injunctions</td>
<td>• Parties can determine the duration of mediation</td>
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<td><strong>Require finality</strong></td>
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<td>• Possibility of appeal</td>
<td>• Limited appeal option</td>
<td></td>
<td>• Settlement agreement binding between the parties as a matter of contract law</td>
</tr>
<tr>
<td><strong>Confidential/trade secrets and risk to reputation</strong></td>
<td>• Public proceedings</td>
<td>• Proceedings and awards are confidential</td>
<td>• Proceedings and outcome are confidential</td>
</tr>
</tbody>
</table>

Source: WIPO Arbitration and Mediation Center
3. **WIPO Mediation**
Mediation is a non-binding procedure. This means that, even though the parties have agreed to submit a dispute to mediation, they are not obliged to continue with the mediation process after the first meeting. In this sense, the parties remain always in control of a mediation. The continuation of the process depends on their continuing acceptance of it. The non-binding nature of mediation means also that a decision cannot be imposed on the parties. In order for any settlement to be concluded, the parties must voluntarily agree to accept it.

Unlike a judge or an arbitrator, therefore, the mediator is not a decision-maker. The role of the mediator is rather to assist the parties in reaching their own decision on a settlement of the dispute. The Center will assist them in identifying a mediator appropriate for the model that they wish to adopt.

Mediation is a confidential procedure. Confidentiality serves to encourage frankness and openness in the process by assuring the parties that any admissions, proposals or offers for settlement will not have any consequences beyond the mediation process. They cannot, as a general rule, be used in subsequent litigation or arbitration. The WIPO Mediation Rules contain detailed provisions directed also at preserving confidentiality in relation to the existence and outcome of the mediation.

**WIPO Mediation Case Example**
A public research centre based in Europe and a technology company also based in Europe signed a research and development agreement aimed at developing technological improvements to a phonetic recognition software product. The agreement included a mediation clause under the WIPO Rules.

After several years, the technology company stopped complying with the agreed payment schedule alleging that the research centre had not met the targets set and took unilateral decisions, including hiring other research groups outside the relationship while the contract with the research centre was still in force. The research centre initiated mediation claiming damages. The Center proposed as the mediator a lawyer with experience in technology contracts. After several months of intense negotiations facilitated by the mediator, the parties concluded a settlement agreement.

3.1. **At Which Stages of a Dispute Can Mediation be Used?**
Mediation can be used at any stage of a dispute. Thus, it can be chosen as the first step towards seeking a resolution of the dispute after any negotiations conducted by the parties alone have failed. Mediation can also be used at any time during litigation or arbitration where the parties wish to interrupt the litigation or arbitration to explore the possibility of settlement.

Another common use of mediation is more akin to dispute prevention than dispute resolution. Parties may seek the assistance of a mediator in the course of negotiations for an agreement where the negotiations have reached an impasse, but where the parties consider it to be clearly in their economic interests to conclude the agreement (for example, negotiations on the royalty rate to apply on the renewal of a license).
3.2. How it Works: the Principal Stages in a WIPO Mediation

There are few formalities associated with a mediation. The structure that a mediation follows is decided by the parties with the mediator, who together work out, and agree upon, the procedure that is to be followed. The main steps in the conduct of a WIPO mediation can be described as follows. The procedure outlined should, however, be understood as being for guidance only, since the parties may always decide to modify the procedure and to proceed in a different way.

a. Getting to the Table: The Agreement to Mediate

The starting point of a mediation is the agreement of the parties to submit a dispute to mediation. Such an agreement may be contained either in a contract (such as those in the diagram above on page 2) governing a business relationship between the parties, or it may be specially drawn up in relation to a particular dispute after the dispute has occurred.

| The following recommended clauses apply for both situations and provide a choice between agreeing to mediation alone or agreeing to mediation followed, in the event that a settlement is not reached through the mediation, by [expedited] arbitration. |
| CONTRACT DISPUTE RESOLUTION CLAUSES FOR FUTURE DISPUTES |

| Mediation |
| "We, the undersigned parties, hereby agree to submit to mediation in accordance with the WIPO Mediation Rules the following dispute: [brief description of the dispute] The place of mediation shall be [specify place]. The language to be used in the mediation shall be [specify language]." |

| Mediation followed, in the absence of a settlement, by [Expedited] Arbitration |
| "We, the undersigned parties, hereby agree to submit to mediation in accordance with the WIPO Mediation Rules the following dispute: [brief description of the dispute] The place of mediation shall be [specify place]. The language to be used in the mediation shall be [specify language]. We further agree that, if, and to the extent that, the dispute 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 [Expedited] 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 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 [Expedited] Arbitration Rules. [The arbitral tribunal shall consist of [a sole arbitrator][three arbitrators].] The place of arbitration shall be [specify place]. The language to be used in the arbitral proceedings shall be [specify language]. The dispute referred to arbitration shall be decided in accordance with the law of [specify jurisdiction].” (* The WIPO Expedited Arbitration Rules provide that the arbitral tribunal shall consist of a sole arbitrator.)
SUBMISSION AGREEMENT FOR EXISTING DISPUTES

Mediation
"We, the undersigned parties, hereby agree to submit to mediation in accordance with the WIPO Mediation Rules the following dispute: [brief description of the dispute] The place of mediation shall be [specify place]. The language to be used in the mediation shall be [specify language]."

Mediation Followed, in the Absence of a Settlement, by [ Expedited] Arbitration
"We, the undersigned parties, hereby agree to submit to mediation in accordance with the WIPO Mediation Rules the following dispute: [brief description of the dispute] The place of mediation shall be [specify place]. The language to be used in the mediation shall be [specify language].

We further agree that, if, and to the extent that, the dispute 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 [ Expedited] 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 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 [ Expedited] Arbitration Rules. [The arbitral tribunal shall consist of [a sole arbitrator][three arbitrators].]* The place of arbitration shall be [specify place]. The language to be used in the arbitral proceedings shall be [specify language]. The dispute referred to arbitration shall be decided in accordance with the law of [specify jurisdiction]."

b. Starting the Mediation

Once a dispute has occurred and the parties have agreed to submit it to mediation, the process is commenced by one of the parties sending to the Center a Request for Mediation. This Request should set out summary details concerning the dispute, including the names and communication references of the parties and their representatives, a copy of the agreement to mediate and a brief description of the dispute. These details are intended to supply the Center with sufficient details to enable it to proceed to set up the mediation process.

c. The Appointment of the Mediator

Following receipt of the Request for Mediation, the Center will contact the parties (or their representatives) to commence discussions on the appointment of the mediator (unless the parties have already decided who the mediator will be). The mediator must enjoy the confidence of both parties and it is crucial, therefore, that both parties are in full agreement with the appointment of the person proposed as mediator. Typically, the Center would discuss the various matters such as the required qualifications of the mediator candidates and envisaged honoraries in order to be in a position to propose the names of suitable candidates for the consideration of the parties.
Following these discussions the Center will usually propose several names of prospective mediators, together with the biographical details of those prospective mediators, to the parties for their consideration. If necessary, further names can be proposed until such time as the parties agree upon the appointment of a mediator. The Center will also fix, in consultation with the mediator and the parties, the fees of the mediator at the stage of the appointment of the mediator.

d. The Mediator’s Work with the Parties

Following appointment, the mediator will conduct a series of initial discussions with the parties, which typically will take place by telephone. At the first meeting, the mediator will establish with the parties the ground rules that are to be followed in the process. The mediator will also discuss with the parties what additional documentation it would be desirable for each to provide and the need for any assistance by way of experts, if these matters have not already been dealt with in the initial contacts between the mediator and the parties. Depending on the issues involved in the dispute and their complexity, as well as on the economic importance of the dispute and the distance that separates the parties’ respective positions in relation to the dispute, the mediation may involve meetings held on only one day, across several days or over a longer period of time.

Naturally, not all mediations result in a settlement. However, a settlement should be achieved where each party considers that an option for settlement exists which better serves its interests than any alternative option for settlement by way of litigation, arbitration or other means. In practice, 68% of WIPO mediation cases settle.

4. WIPO Arbitration and WIPO Expedited Arbitration

Arbitration is a procedure where parties submit a dispute to a tribunal of one or three arbitrators, who issue an internationally enforceable binding decision. Expedited arbitration is an arbitration carried out in a shortened time and at reduced cost.

4.1. The WIPO Arbitration and Expedited Arbitration Rules

The Center administers arbitration procedures under the WIPO Arbitration Rules and under the WIPO Expedited Arbitration Rules. By agreeing to submit a dispute to WIPO (expedited) arbitration, the parties adopt the WIPO (Expedited) Arbitration Rules as part of their agreement to arbitrate their dispute (see box page 8). The WIPO Rules have been designed to fit all commercial disputes. Furthermore, they contain certain provisions that specifically accommodate the characteristics of intellectual property disputes.

4.2. How It Works: The Principal Steps in WIPO Arbitration and WIPO Expedited Arbitration

The WIPO Arbitration Rules contain procedural rules for the conduct of the arbitration and lay down time limits for each stage of the procedure, seeking to bring about a timely closure of the proceedings and rendering of an award.
a. **Starting the Arbitration**

A WIPO arbitration is commenced by the claimant submitting to the Center a Request for Arbitration. The Request for Arbitration should contain summary details concerning the dispute, including the names and communication details of the parties and their representatives, a copy of the arbitration agreement, a brief description of the dispute, the relief sought, and any requests or observations relating to the appointment of the arbitral tribunal. A comprehensive statement of facts and legal arguments, including a statement of the relief sought, may be left to the Statement of Claim to be filed after the appointment of the arbitral tribunal.

Within 30 days of receipt of the Request for Arbitration, the respondent must file an Answer to the Request, which should contain comments on elements of the Request for Arbitration and may include...
indications of a counter claim or set off. If the claimant filed its Statement of Claim with the Request for Arbitration, the Answer to the Request may also be accompanied by the Statement of Defense.

**The Language Used in Arbitration**

The parties decide the language in which the arbitration will take place. They may choose a single language or they may choose to use two languages and to have interpretation, although the latter choice will obviously increase the costs of conducting the process.

If they do not, under the WIPO Arbitration Rules, the language of the arbitration is that of the arbitration agreement, subject to the tribunal’s power to determine otherwise having regard to observations of the parties and the circumstances of the case.

**b. Establishing the Arbitral Tribunal**

The parties may choose the number of arbitrators on the tribunal. In the absence of agreement, the Center appoints a sole arbitrator, except in cases where the Center determines in its discretion that a tribunal of three arbitrators is more appropriate. A typical three member tribunal consists of two party-appointed arbitrators and a presiding arbitrator appointed by the two party-appointed arbitrators.

**c. Conducting the Arbitration**

The Statement of Claim must be filed within 30 days of the constitution of the arbitral tribunal and the Statement of Defense must be filed within 30 days of the receipt of the Statement of Claim. The tribunal may schedule further submissions. Soon after it has been established, the tribunal will hold preparatory discussions on, inter alia, case schedule, hearing dates, evidence and confidentiality stipulations.

If a party requests, or by tribunal discretion, a hearing may be held for the presentation of evidence by witnesses and experts and for oral argument. If no hearing is held, the proceedings are conducted on the basis of submitted documents and other materials.

When the arbitral tribunal is satisfied that the parties have had adequate opportunity to present submissions and evidence, it will declare the proceedings closed. This should happen within nine months of either the delivery of the Statement of Defense or the establishment of the tribunal, whichever occurs later. The final award should be delivered by the tribunal within three months of the closure of the proceedings. The award becomes effective and binding on the parties as from the date it is communicated by the Center. International arbitral awards are enforced by national courts under the New York Convention.
WIPO Pharma Patent License Arbitration

A French pharmaceutical research and development company licensed know-how and patented pharmaceuticals to another French company. The license agreement includes an arbitration clause that provides that any dispute will be resolved under the WIPO Arbitration Rules by an arbitral tribunal consisting of three members in accordance with French law. Faced with the licensee’s apparent refusal to pay the license fee, the R&D company initiated arbitration proceedings.

d. WIPO Expedited Arbitration

Parties who place a premium on time effectiveness can opt for the procedural framework established by the WIPO Expedited Arbitration Rules. The WIPO Expedited Arbitration Rules condense the principal stages of a WIPO arbitration described above, allowing the procedure to be conducted in a shortened time frame and at reduced cost. Notably there is, in principle, only one exchange of pleadings. There normally is a sole arbitrator, thus avoiding the potentially more lengthy appointment and decision making process of three member tribunals. Proceedings should be declared closed within three months, as opposed to nine months, of either the delivery of the Statement of Defense or the establishment of the tribunal.

WIPO expedited arbitration is particularly appropriate where the value in dispute does not justify the cost of more extensive litigation or arbitration procedures, or where parties urgently need a final and enforceable decision on a limited number of issues. WIPO expedited arbitration proceedings have been concluded with a final award in as little as five weeks. Expedited arbitration may be less suited for complex disputes that are likely to require extensive production of evidence, expert analysis or lengthy hearings.

Since the complexity of an arbitration can be hard to predict, it is important that expedited proceedings remain sufficiently flexible to ensure a full hearing of complex cases. While expedition is desirable, due process is paramount. The WIPO Expedited Arbitration Rules do not depart from the general principle, enshrined in Article 32(b), that each party must be given a fair opportunity to present its case.

Practical information

For queries and case filing please contact:

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Fax: +41 22 740 3700
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Useful Resources
For further information on the topic please also see:

- Posted information on WIPO procedures, cases and clauses: http://www.wipo.int/amc/en/
- WIPO Arbitration, Mediation, and Expert Determination Rules and Clauses:
- Specific information on WIPO ADR in Research and Development/Technology Transfer:
- Bibliography on Intellectual Property Arbitration and Mediation:
  http://www.wipo.int/amc/en/center/bibliography/general.html

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