

# Briefing session on “Promoting the development of Hong Kong as an intellectual property (IP) trading hub”

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Arbitration and Mediation for resolving disputes in IP trading

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# Background to the trend for alternative dispute resolution (ADR) in IP Disputes

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- ❑ International (parties/subject matters/disputes)
- ❑ Different laws & legal systems
- ❑ Technical (not often dealt with by courts)
- ❑ Confidentiality is important
- ❑ Time, costs, abuse
- ❑ New York Convention 1958 : 149 contracting states, requires contracting states enforce arbitration agreements & awards

# Arbitration Simply Described

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“a private process<sup>1</sup> in which parties agree<sup>2</sup>, to have their dispute decided for them<sup>3</sup> by a 3rd party arbitrator<sup>4</sup> resulting in a binding decision imposed<sup>5</sup> upon them by the arbitrator, which can be enforced by law.”

# Role of the Judge/Arbitrator

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(a) The coin

(b) P with complete intellectual integrity - look at the head side

D with same integrity– look at the tail side

Judge/Arbitrator look at the edge of coin. P & D to persuade J/A

J/A puts the coin down be it head or tail

# Why Arbitrate:

## Summary of advantages of Arbitration

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- ❑ One single proceeding with choice of law by the parties instead of multiple proceedings in different jurisdictions
- ❑ A neutral tribunal to avoid actual or perceived home court advantage
- ❑ Choice of arbitrators with relevant expertise
- ❑ Expedited procedures
- ❑ Provisional interim relief without precluding court injunctions
- ❑ Limited rights of appeal to facilitate finality
- ❑ Private proceedings to avoid leakage of trade secrets and risk to reputation

# Arbitration as Compared to Other Forms of Dispute Resolution

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## 1. It is Consensual

### a. There must be an agreement to arbitrate

- may take the simple form of a clause within the main contract (before dispute has arisen)

- a submission agreement (after dispute has arisen)

- [Sample: WIPO Contract Clauses and Submission Agreements]

### b. The agreement is the basic source of the powers of the arbitral tribunal to arbitrate

### c. The concept is recognised by international treaties

- New York Convention (NYC)

- UNCITRAL Model Law

# Arbitration as Compared to Other Forms of Dispute Resolution

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2. The Decision is Final, Binding and Enforceable
  - a. Enforceable in 149 states which have acceded to the NYC subject to national laws with regard to the exact procedure
  - b. In the context of an international commercial arbitration it begins by way of the parties' private agreement to arbitrate, followed by the private arbitral process and ends with an award enforceable in most countries of the world

# Arbitration as Compared to Other Forms of Dispute Resolution

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3. Parties Choose Their Dispute Resolution Decision Makers
  - a. Tribunal is entrusted by the parties with the right and obligation to reach a decision which will be binding upon them
  - b. Arbitrator must be neutral, must act fairly and impartially
  - c. Specific qualifications, skill and experience of the arbitrator may be dictated (as opposed to judges with a general background)

# Arbitration as Compared to Other Forms of Dispute Resolution

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## 4. Private and Confidential

a. Essentially a private process

b. Reflected in institution arbitration rules

Art. 53(C) [WIPO Arbitration Rules](private hearing)

Art. 52(a) defines “confidential information”

[UNCITRAL Arbitration Rules Article 25.4] (hearings in camera)

c. Documents disclosed and the evidence given should also remain private

d. limitations that may be determined on a case by case basis

# Arbitration as Compared to Other Forms of Dispute Resolution

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## 5. Flexible Procedures

Parties and arbitrators are free to choose

- a. the procedures
- b. their home lawyers and advisers
- c. the applicable law
- d. the seat of arbitration
- e. the place of hearing

# Mediation Simply Described

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“a private<sup>1</sup>, non-binding<sup>2</sup>, third party mediator facilitated<sup>3</sup> process for parties to reach their own binding agreement<sup>4</sup> to settle a dispute”

Mediator's role: not a judge, arbitrator or legal adviser

Aim : not to determine who is right or wrong

# Why Mediate:

## Summary of advantages of Mediation

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- ❑ Preservation of parties' relationship (often important in the context of IP trading eg. research & development / technology transfer/licence/distribution/ JV agreements ). Parties being reliant on each other
- ❑ Parties control over the dispute settlement process
- ❑ Confidential
- ❑ Avoid Reputation risks
- ❑ Speedy

# Why Hong Kong

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- Geographically convenient with good infrastructure (communications/transportation/ accommodation /time zone)
- Pool of specialists (home grown and imported)
- common law style legal system (familiar to the international IP community)
- bilingual
- Arbitration Ordinance – good supporting legislation
- Party to the New York Convention (through China)

# Make HK attractive: Offering Good Administration

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1. Recommended Hong Kong standard arbitration /mediation clauses specially adapted for IP disputes

2. Institutional (administered arbitration) support

overriding goals

- Efficient process: time and money
- Quality result: fair and enforceable

a. Administration support and supervision are particularly helpful at the beginning when the respondent is usually reluctant to cooperate

# Administering Institutions

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- b. Assist in the selection and appointment of tribunal, fixing the fees of arbitrators, and handling the payment of expenses and other administrative matters
- c. Institution Rules may be adopted for the efficient conduct of the arbitration
- d. Scrutiny of the award lend its name to the process

- [-Function is to facilitate administration but do not themselves arbitrate the merits or mediate
- Availability of procedural guidance to neutral
  - At request, hearing/meeting assistance
  - At option of parties: Electronic Case Facility]

# Suitable Arbitration/Mediation Rules

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- Contain IP-specific elements
  - e.g. Confidentiality, technical evidence, interim relief

But: the Rules can apply to all commercial disputes

- Commercial contract may have IP component
- IP contract may have 'regular' commercial dispute

Combining guidance with flexibility

- Arbitration Rules pre-structure the entire proceeding
- For most part can be modified by arrangement between arbitrator(s) and parties
  
- Bridging/accommodating different legal/procedural traditions



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# Thank You!