New Developments of IP Arbitration and Mediation in Europe: The Patent Mediation and Arbitration Center Instituted by the Agreement on a Unified Patent Court

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Abstract

The growing importance of intellectual property assets in today’s economy and transnational business transactions, the complexities and disadvantages of intellectual property litigation before state courts as well as the attractiveness of ADR solutions as such (particularly in terms of confidentiality of expertise) explain why arbitration and other alternative dispute resolution systems (particularly mediation) are increasingly perceived as attractive methods for solving intellectual property disputes at the global level. This trend is also perceivable in Europe as a result of the new patent court system that shall be established on the basis of the recent adoption of the European Patent with Unitary Effect and of the Agreement on a Unified Patent Court signed in February 2013 which will include the creation of a new patent mediation and arbitration center (which will have its seat in Lisbon and in Ljubljana). These developments make it necessary to analyze what are the traps and promises of the new patent arbitration and mediation landscape that will be available in Europe on the basis of this new regulatory [...]
New Developments of IP Arbitration and Mediation in Europe: The Patent Mediation and Arbitration Center Instituted by the Agreement on a Unified Patent Court

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ABSTRACT: The growing importance of intellectual property assets in today's economy and transnational business transactions, the complexities and disadvantages of intellectual property litigation before state courts as well as the attractiveness of ADR solutions as such (particularly in terms of confidentiality of expertise) explain why arbitration and other alternative dispute resolution systems (particularly mediation) are increasingly perceived as attractive methods for solving intellectual property disputes at the global level.

This trend is also perceptible in Europe as a result of the new patent court system that shall be established on the basis of the recent adoption of the European Patent with Unitary Effect and of the Agreement on a Unified Patent Court signed in February 2013 which will include the creation of a new patent mediation and arbitration center (which will have its seat in Lisbon and in Ljubljana). These developments make it necessary to analyze what are the traps and promises of the new patent arbitration and mediation landscape that will be available in Europe on the basis of this new regulatory environment.

SUMMARY: Introduction; 1 The Patent Mediation and Arbitration Center instituted by the Agreement on a Unified Patent Court; a) Introduction; b) Substantive scope of services rendered by the Centre; c) Patents may not be revoked or limited in mediation or arbitration proceedings; d) Improved enforceability of settlements reached through the use of the facilities of the Centre; e) Double seat of the
INTRODUCTION

In today’s global consumer-oriented and technology-based economy, the value and competitiveness of companies are increasingly depending on their intangible assets (that already exist or must be generated in order to remain competitive). It is therefore not surprising that more and more international business transactions relate (at least partly) to intangible assets (which are protected by intellectual property law, such as patents, trademarks, and trade secrets). As a consequence, intellectual property issues regularly arise in international business disputes. Given that international disputes are frequently submitted to out-of-court dispute resolution systems (primarily arbitration but also other types of alternative dispute resolution mechanisms), it logically results that intellectual property disputes also tend to be decided outside of state courtrooms, particularly by arbitral tribunals (which already supports the view that such disputes shall be considered as arbitrable).

In addition to this growing importance of intellectual property in today’s economy, the complexities and risks of intellectual property litigation before state courts which can be particularly burdensome in cross-border intellectual property transactions combined with the advantages of alternative methods of dispute resolution further contribute to explain why arbitration and other alternative dispute resolution systems (particularly mediation) are increasingly considered as attractive methods for solving global intellectual property disputes.

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3 Which include the high costs and length of – parallel – state court litigation, the unpredictability of the outcome, the risk of conflicting and inconsistent decisions, the uncertainties about the courts having jurisdiction, the definition of the governing law, and the risks of unenforceability of foreign court judgments.

4 Particularly confidentiality and expertise.
While the expanding importance of ADR for solving intellectual property disputes is clearly a global phenomenon\(^5\) (and is reflected in the growing legal literature published on this topic\(^6\)), this trend is particularly visible in Europe (on which this paper will focus). It is indeed reflected in the new European patent court system that shall be established on the basis of the recent creation of the European Patent with Unitary Effect and of the Agreement on a Unified Patent Court ("AUPC") which was signed on February 19, 2013\(^3\) by almost all Members of the European Union\(^8\). The AUPC indeed provides for the setting up of a new patent mediation and arbitration center on which this article will focus (see 2. below).

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7 See http://register.consilium.europa.eu/pdf/en/12/st16/st16351.en12.pdf (last accessed on 25.06.2014); the Agreement will need to be ratified by at least thirteen states, including France, Germany and the United Kingdom, to enter into force. See the dedicated website of the Unified Patent Court: http://unified-patent-court.org (last accessed on 25.06.2014); as of June 25, 2014 (http://ec.europa.eu/internal_market/indprop/patent/rationatif/index_en.htm), four countries have ratified the AUPC (Austria, Belgium, France and Sweden); the AUPC was adopted in three official languages (English, French and German) each of which is equally authentic (art. 88 para. 1 AUPC), whereby the AUPC shall be translated in all other official languages of the European Union (art. 88 para. 2 AUPC).

8 See http://ec.europa.eu/internal_market/indprop/patent/rationatif/index_en.htm (last accessed on 25.06.2014); Croatia, Italy and Spain are not participating and Poland is participating but has not signed the AUPC yet.
This trend is also reflected in various national regulations adopted in different European countries. Perhaps most notably (given that France had a relatively restrictive approach relating to the arbitrability of intellectual property disputes), France has recently amended its Intellectual Property Code for the purpose of confirming the admissibility of arbitration for solving intellectual property disputes\(^9\). In Portugal, a recent law has established that certain types of intellectual property disputes shall be subject to mandatory arbitration proceedings\(^10\). Reference can also be made here to the mediation services which are offered for certain types of trademark and design disputes by the Office for Harmonization in the Internal Market (OHIM) which manages the registration of European trademarks and designs\(^11\).

This favorable approach regarding the use of arbitration for intellectual property disputes is also observable in other European countries, beyond the European Union\(^12\).

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9 Code de la propriété intellectuelle ("CPI"), Art. L. 331-1 al. 4 (copyright); art. L. 615–17 al. 2 (patents), art. L. 716-4 (trademarks), art. L. 521-3-1 al. 2 (designs), art. L. 623–31 al. 3 (new variety of plants) and art. L. 722-8 al. 2 (geographic indications); for an analysis, see Jean-Michel Bruguière/Emmanuel Gillet, "Litiges de propriété intellectuelle, l’apport de la loi de simplification et d’amélioration de la qualité du droit du 17 mai 2011", JCP E sept. 2011, n° 37, 1663.


11 This results from Decision nº 2011-1 of the Presidium of the Boards of Appeal of 14 April 2011 on the amicable settlement of disputes ("Decision on Mediation"; see the dedicated website at: https://oami.europa.eu/oamiportal/en/mediation (last accessed on 25/06/2014); this paper will focus on patent arbitration and mediation services to be offered under the AUPC framework and will not present and discuss the mediation services offered by OHIM; on this issue, see Sven Stürmann, Mediation and Community trade marks: new gimmick or real benefit?, Journal of Intellectual Property Law & Practice (2013)8 (9), 708.

12 Switzerland has a long-standing reputation and tradition for offering an arbitration-friendly environment, which also applies as far as intellectual property arbitration is concerned; this position results from old case law (decision of the Swiss Supreme Court published in ATF 71 III 198) and from an official statement of the Swiss intellectual property office on the basis of which the arbitrability of intellectual property disputes was duly admitted (so that a final and enforceable award rendered by an arbitral tribunal seated in Switzerland finding the invalidity of a Swiss patent shall constitute a valid basis for cancelling the patent from the Swiss patent registry), this official statement was published in the Swiss review of intellectual property law in 1976, RSPI 1976, 36 seq.; the growing importance of arbitration in industrial property disputes has also been noted in Italy, see Aldo Frignani, Il futuro dell’intellectuoproprietà industriale: l’arbitrato, Il diritto industriale nº 2/2011, 156; see also Elena ZucconGalli Fonseca, L’arbitrato in materia IP in: Il processoistituzionale (Andrea Giussani ed.; quaderni di AIDA nº 23), Torino 2012, 532; see also the special issue of the Italian journal AIDA (Annaliitaliani del diritto d’autore, della cultura et dello spetacolo), vol. XV (2006), IP, arbitrato e processo, and particularly the article of Giovanni Guglielmetti, Arbitrato e diritti titolati, 3.
1 THE PATENT MEDIATION AND ARBITRATION CENTER INSTITUTED BY THE AGREEMENT ON A
UNIFIED PATENT COURT

A) Introduction

With Regulation (EU) nº 1.257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection and the Council regulation (EU) nº 1.260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, the European Union has adopted a new regulatory framework that facilitates the protection of patents within the European Union. This system creates a “European patent with unitary effect”, i.e., a patent which shall benefit from a unitary effect in the participating Member States of the European Union. The practical implementation of a European patent with unitary effect calls for the creation of a new judicial body which shall be in charge of solving the disputes which relate to these patents: this is the task of the Unified Patent Court (hereinafter: “the Court”), which has been instituted by the Agreement on a Unified Patent Court.

15 It can be noted that the creation of a unitary patent protection system within the EU was not supported by all Member States: Italy and Spain have challenged the Council Decision nº 2011/167/EU of 10 Mar. 2011 authorizing enhanced cooperation in the area of the creation of unitary patent protection before the ECJ; the ECJ has however dismissed their action by a decision of 16 Apr. 2013 (Cases C-274/11 and C-295/11); in a separate action brought on March 22, 2013 (Kingdom of Spain v European Parliament and Council of the European Union Case, case C-146/13) which is still pending, Spain has further requested to declare legally non-existent Regulation (EU) nº 1.257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection and annul that regulation in its entirety (or in the alternative certain provisions thereof); Spain has further initiated another action on 22 March 2013 (Kingdom of Spain v Council of the European Union, Case C-147/13) in order to annul Council Regulation nº 1.260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (the case is still pending).
16 See recitals 24 and 25 of Regulation nº 1257/2012: “(24) Jurisdiction in respect of European patents with unitary effect should be established and governed by an instrument setting up a unified patent litigation system for European patents and European patents with unitary effect; (25) Establishing a Unified Patent Court to hear cases concerning the European patent with unitary effect is essential in order to ensure the proper functioning of that patent, consistency of case-law and hence legal certainty, and cost-effectiveness for patent proprietors. It is therefore of paramount importance that the participating Member States ratify the Agreement on a Unified Patent Court in accordance with their national constitutional and parliamentary procedures and take the necessary steps for that Court to become operational as soon as possible”.
17 See footnote 7 above.
Despite its narrow title, the AUPC is not limited to the creation of a “Unified Patent Court”. The AUPC indeed provides (Article 35) for the creation of a Patent Mediation and Arbitration Centre (hereinafter: “the Center”) in the following terms:

“(1) A patent mediation and arbitration centre (‘the Centre’) is hereby established. It shall have its seats in Ljubljana and Lisbon.

(2) The Centre shall provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement. Article 82 shall apply mutatis mutandis to any settlement reached through the use of the facilities of the Centre, including through mediation. However, a patent may not be revoked or limited in mediation or arbitration proceedings.

(3) The Centre shall establish Mediation and Arbitration Rules.

(4) The Centre shall draw up a list of mediators and arbitrators to assist the parties in the settlement of their dispute.”

This provision is of utmost significance because it constitutes the first official reference in a legal document adopted at the level of the European Union which confirms the availability of arbitration for solving certain types of intellectual property disputes.\(^{18}\)

In addition to art. 35, the AUPC further indicates that the judge in charge of a dispute shall (subject to certain conditions) “explore with the parties the possibility for a settlement, including through mediation, and/or arbitration, by using the facilities of the Centre referred to in Article 35”\(^{19}\).

This is also reflected in the draft Rules of Procedure\(^{20}\), whereby it should be

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\(^{18}\) As indicated (see footnote 11 above), the Office for Harmonisation in the Internal Market (Trademarks and Designs) (“OHIM”) has launched mediation services for solving certain types of trademark and design disputes pending on appeal before the Board of Appeal of OHIM; there is almost no literature on the Center as such; interesting perspectives are expressed (and relevant questions are raised) in the papers of Erik Fick, “EU – UPC/patent arbitration, Is Chapter VII (Article 35) of the UPC Agreement introducing or abolishing patent arbitration in Europe – call for comments”, available at: http://www.eplawpatentblog.com/eplaw/2013/09/eu-upc-patent-arbitration.html (last accessed on 25.06.2014) and of Emmanuel Gillet, Reflections on the European Patent Arbitration and Mediation Center, available at: http://emmanuelgillet.wordpress.com/2013/03/04/reflections-on-the-european-patent-arbitration-and-mediation-center/ (last accessed on 25.06.2014); see also Brevalex, Arbitration and Mediation in the Proceedings before the Unified Patent Court (July 2013), available at: http://www.brevalex.com/mediastore/11/16854_1_EN_original.pdf (last accessed on 25.06.2014).

\(^{19}\) Art. 52 para. 2 AUPC: “in the interim procedure, after the written procedure and if appropriate, the judge acting as Rapporteur, subject to a mandate of the full panel, shall be responsible for convening an interim hearing. That judge shall in particular explore with the parties the possibility for a settlement, including through mediation, and/or arbitration, by using the facilities of the Centre referred to in Article 35”; from a financial perspective, it can also be noted that art. 39 AUPC provides that “the operating costs of the Centre shall be financed by the budget of the Court”.

emphasized that the rules of procedure have not been finalized at the time
of writing of this paper. These provisions convey in any case the impression
that the reference to mediation and arbitration made in the AUPC was
probably conceived by its drafters and negotiators as a tool for the parties
to solve their dispute after a dispute shall be submitted before the Court21.
However, this scenario, even if it not unrealistic, does not cover the quite
frequent cases in which the parties select ADR mechanisms before a dispute
arises. Contracting parties in intellectual property transactions (particularly
in patent license agreements) frequently anticipate the potential occurrence
of future disputes and choose in advance the types of out of court dispute
resolution services and the providers of such services that they will use
should such dispute occur.

b) Substantive scope of services rendered by the Centre

Art. 35 para. 2 first sentence AUPC states that “the Centre shall provide
facilities for mediation and arbitration of patent disputes falling within the
scope of this Agreement” (emphasis added). The scope of application of
the AUPC is defined in art. 3 which provides that the AUPC “shall apply to
any: (a) European patent with unitary effect; (b) supplementary protection
certificate issued for a product protected by a patent; (c) European patent
which has not yet lapsed at the date of entry into force of this Agreement or
was granted after that date, without prejudice to Article 83; and (d) European
patent application which is pending at the date of entry into force of this
Agreement or which is filed after that date, without prejudice to Article
83”. Art. 32 para. 1 AUPC further defines the disputes for which the Court
has exclusive competence, which include “actions for actual or threatened
infringements of patents and supplementary protection certificates and

of procedure (last accessed on 25.06.2014); they show the differences with the 15th edition (available
25.06.2014)) which were subject to public consultations until October 31, 2013: http://www.unified-patent-
court.org/consultations (last accessed on 25.06.2014); the draft Rules of Procedure provide that (art. 11
para. 1) “At any stage of the proceedings, if the Court is of the opinion that the dispute is suitable for a
settlement, it may propose that the parties make use of the facilities of the Patent Mediation and Arbitration
Centre (“the Centre”) in order to settle or to explore a settlement of the dispute. In particular the judge—
rapporateur shall during the interim procedure, in particular at an interim conference in accordance with Rule
104(d)explore with the parties the possibility of a settlement, including through mediation and/or arbitration,
using the facilities of the Centre”.

21 See the Communication from the Commission to the European Parliament, the Council and the European
Economic and Social Committee, An Industrial Property Rights Strategy for Europe COM(2008) 465 final, of
.PDF, last accessed on 25.06.2014), p. 12: “Although ADR would not be mandatory, a judge of the integrated
patent jurisdiction would investigate with the parties the possibilities for settlement of the dispute by the
arbitration and mediation centre.”
related defences, including counterclaims concerning licences” (art. 32 para. 1 (a) AUPC)

From the wording of art. 35 para. 2 first sentence AUPC, it seems that the mediation and arbitration services of the Centre would only be available for patent disputes relating to a European patent or a European patent with unitary effect (as defined above). *A contrario*, the Centre would not be in a position to offer its mediation or arbitration services for other types of disputes relating to other patents or even other types of intellectual property rights. This substantive limit to the scope of services to be rendered by the Centre is difficult to justify knowing that it can be expected that contracting parties to a global patent transaction (potentially a patent license agreement) which would not be limited to European patents and/or European patents with unitary effect (but would also cover – for instance – US patents, Japanese patents, or even trademarks or know-how) will have an interest in submitting their dispute to the arbitration and/or mediation rules of the Centre only if this can ensure the *global* settlement of their dispute. The Centre should consequently also have the power to handle a dispute arising out of these patents or other intellectual property rights which would fall outside the scope of the AUPC even if this is not supported by the wording of Art. 35 para. 2 first sentence. There is no justification why the facilities to be offered by the Centre should be limited to patents which fall within the scope of the AUPC. Quite to the contrary, the interests of the parties as well as the need to foster efficient dispute resolution mechanisms should make it possible for the parties to submit their dispute to arbitration and/or mediation by using the facilities of the Centre even if their dispute is not limited to patents falling within the exclusive competence of the Court. In other words, the powers of the Centre to manage mediation or arbitration proceedings does not need to necessarily mirror the jurisdictional power of the Court to handle patent disputes falling within its (exclusive) competence.

In a similar way, the question arises whether parties shall be able (based on the principle of party autonomy) to submit a dispute about a European patent with unitary effect (or a European patent) to another arbitration and mediation service provider located in the European Union (potentially the London Court of International Arbitration or the International Chamber of Commerce in Paris), in Europe (the WIPO Arbitration and Mediation Center

\[22\] Whereby “patent” means “a European patent and/or a European patent with unitary effect” (art. 2 (g) AUPC).

\[23\] Which is quite frequent in practice given that license agreements can cover different types of intellectual property rights and different countries / regions of the world.

\[24\] This broader approach is also supported by Gillet (footnote 18).
in Geneva) or even in other parts of the world\textsuperscript{25}. Given that arbitration and mediation are based on the consent of the parties, it can be assumed that the parties should be free to choose the arbitration and mediation institutions and the arbitration and mediation rules that they shall see fit for efficiently solving their disputes even if the dispute is about a European patent with unitary effect or a European patent. In other words, the Center should not have any exclusivity to handle arbitration or mediation proceedings relating to European patents with unitary effect or a European patent, it being noted that art. 35 para. 2 first sentence indicates that the “the Centre shall provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement” (emphasis added) without expressing in any manner that the Center should benefit from any exclusivity for this purpose (contrary to the exclusive competence granted to the Court by art. 32 para. 1 AUPC). This consequently means that the parties shall not be constrained to use the facilities of the Center and to apply its arbitration and/or mediation rules (that shall be adopted in the future, as provided under article 35 para. 3 AUPC) even if the arbitration and/or mediation proceedings relate to a European patent with unitary effect or a European patent, provided that the arbitral tribunal shall comply with the limits of its powers resulting from art. 35 para. 2 AUPC which provide that “patents may not be revoked or limited in mediation or arbitration proceedings\textsuperscript{26}. From this perspective, the Court should decline its jurisdiction to decide a dispute relating to a European patent with unitary effect (even if such dispute would fall under the exclusive jurisdictional power of the Court under art. 32 AUPC) if the parties are validly bound by a preexisting arbitration agreement under which they would have agreed to submit their dispute to arbitration (even if the Center is not in charge of such arbitration).

On this basis, if the parties to a patent transaction covering a European patent with unitary effect or a European patent are bound by an arbitration agreement providing for the submission of their disputes to the Center or to another arbitration institution, this choice made by the parties should be binding on the Court. The Court should consequently give due deference to such choice for arbitration made by the parties which reflects a fundamental

\textsuperscript{25} It being noted that the submission of a dispute to institutional mediation or arbitration rules does not necessarily mean that mediation or arbitration proceedings will necessarily be geographically or legally connected to the country or city of location of the relevant institution providing mediation and arbitration services (e.g. a WIPO arbitration does not necessarily have its seat in Switzerland/in Geneva).

\textsuperscript{26} On this issue, see below (c); this seems to be confirmed by Rule 11 (2) of the draft Rules of Procedure which indicate that “[p]ursuant to Rule 365 the Court shall, if requested by the parties, by decision confirm the terms of any settlement or arbitral award (irrespective of whether it was reached using the facilities of the Centre or otherwise), […]” (emphasis added).
principle of international arbitration\footnote{27}. The exclusive competence granted to the Court by art. 32 AUPC for disputes relating to a European patent with unitary effect or a European patent should consequently not prevent such finding because the exclusivity granted to the Court by this provision for deciding patents disputes only means that national state courts shall have no power to decide on the relevant disputes (because of such exclusivity). This is supported by art. 32 para. 2 AUPC which provides for a residual competence of the national courts for disputes which do not fall within the exclusive competence of the Court (“The national courts of the Contracting Member States shall remain competent for actions relating to patents and supplementary protection certificates which do not come within the exclusive competence of the Court”).

On this basis, if the parties have decided to submit their disputes to arbitration (whereby the wording and formulation of the arbitration clause will define the nature and scope of the disputes that shall fall within the jurisdictional power of the arbitral tribunal), the Court shall be bound by this choice. It shall consequently decline its jurisdiction if the action which would be initiated before it in spite of the arbitration clause falls within the scope of such clause.

The question is different with respect to mediation. The issue whether the Court will decline its jurisdiction if an action is initiated before it by a party in spite (and in breach of) a mediation clause is more tricky. Some uncertainty (also in the European Union\footnote{28}) remains whether the breach of a mediation clause implies that the court which is seized in spite of such breach should decline its jurisdiction and refer the parties (and specifically the claimant) to first submit to the mediation proceedings in compliance with the terms and conditions of the mediation clause\footnote{29}, an alternative approach being to consider that the breach of the mediation clause merely

\footnote{27}{Art. 2 para. 3 of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (of June 10, 1958): “The court of a Contracting State, when seized of an action in a matter in respect of which the parties have made an agreement within the meaning of this article, shall, at the request of one of the parties, refer the parties to arbitration, unless it finds that the said agreement is null and void, inoperative or incapable of being performed”; the issue however to what extent the Court instituted by the AUPC would be bound by such obligation and whether it can be assimilated to “the court of a Contracting State”; for a discussion, see Ficks (footnote 18).}


\footnote{29}{See High Court of England and Wales, Wah (Aka Alan Tang) and Anor v Grant Thornton International Ltd and others, [2012] EWHC 3198 (Ch); Singapore High Court, International Research Corp PLC v Lufthansa Systems Asia Pacific Pte Ltd and another, [2013] 1 SLR 973; [2012] SGHC 226; on these cases, see Shaun Lee, Mandatory Mediation: Multi-tier Clauses and the Court System (April 11, 2013), available at: http://singaporeinternationalarbitration.com/2013/04/11/mandatory-mediation-multi-tier-clauses-and-the-court-system/ (last accessed on 25.06.2014).}
triggers breach of contract remedies without procedural consequences. A similar issue arises with respect to mediation – arbitration (med-arb) system under which the parties agree on a multi-tiered dispute resolution system by which the dispute shall first be submitted to mediation before arbitration proceedings can be initiated. The issue will be to decide whether the initiation of arbitration proceedings without initial submission to mediation is admissible or not, and what sanctions shall be triggered in case of non-compliance with the contractual dispute resolution mechanism. In this respect, it may be considered whether this issue could be addressed in the mediation and arbitration rules that shall be adopted by the Center (it being noted that IP ADR services suggest standard med-arb clauses).

**c) Patents May Not Be Revoked or Limited in Mediation or Arbitration Proceedings**

Article 35 para. 2 *in fine* AUPC provides that “a patent may not be revoked or limited in mediation or arbitration proceedings”. This provision thus limits the use of ADR for solving patent disputes given that neither the validity nor the scope of a patent can be affected by mediation or arbitration proceedings. It, however, remains somewhat unclear how this provision must be interpreted from the perspective of both arbitration and mediation.

With respect to arbitration, does this provision mean that the arbitral tribunal shall have no power at all to decide on the issue of patent validity or patent scope in any circumstances, or shall the arbitral tribunal have the power to decide on these issues but only with effect *inter partes* (so that this shall not affect the registration of the patent at such and its effect on third parties). It is adequate to consider that arbitral tribunals should have the power to decide on these issues with effect between the parties (*inter partes*) because it is most common that the issue of partial or total invalidity of a patent must be addressed in disputes relating to the contractual use of such patent. This is particularly the case in patent license agreements on the

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31 See the various WIPO clauses, particularly those relating to mediation followed by (expedited) arbitration, available at: http://www.wipo.int/amc/en/clauses/ (last accessed on 25.06.2014).

32 Article 79 AUPC similarly provides that “The parties may, at any time in the course of proceedings, conclude their case by way of settlement, which shall be confirmed by a decision of the Court. A patent may not be revoked or limited by way of settlement.” (emphasis added).

33 The view was expressed by the Commission that the Center should deal with cases “where validity is not at stake”, see the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, *An Industrial Property Rights Strategy for Europe* COM(2008) 465 final, of July 16, 2008 (see footnote 21 above), p. 12: “In the context of work on the Community patent
basis of which the licensee may raise the argument that it shall not be bound to pay royalties because the licensed patent would allegedly not be valid.

This can be supported by the rationale that the exclusive jurisdictional power of the Court with respect to decisions on revocation or scope of patents (as provided by Article 65 AUPC) is justified essentially to the extent that such decisions have an effect against third parties, i.e., that a decision of the Court revoking entirely or partly a patent shall be reflected in the relevant patent registry (Article 65 para. 5 AUPC): for European patents with unitary effect, the relevant registry will be the “register for unitary patent protection”\(^34\). Consequently, if there is no effect on third parties, the exclusive jurisdictional power of the Court is not justified so that arbitral tribunals may also decide on the validity of a patent with effect \textit{inter partes}\(^35\).

With respect to mediation, it seems quite restrictive to hold that “a patent may not be revoked or limited in mediation [...] proceedings” (as provided by Article 35 para. 2 \textit{in fine} AUPC) given that it may result from mediation proceedings that the patent owner shall accept to revoke or limit its patent as a result of the deal struck between the parties in dispute in the course of the mediation. Article 35 para. 2 \textit{in fine} AUPC must in any case be read in conjunction with other rules applicable in connection with the AUPC.

Rule 11 para. 2 of the draft Rules of Procedure states in this respect that “[p]ursuant to Rule 365 the Court shall, if requested by the parties, by decision confirm the terms of any settlement or arbitral award (irrespective of whether it was reached using the facilities of the Centre or otherwise), including a term which obliges the patent owner to limit, surrender or agree to the revocation of a patent or not to assert it against the other party and/or third parties [...].” Rule 365 para. 1 further indicates that “[w]here the parties have concluded their action by way of settlement, they shall inform the judge-rapporteur. The Court shall confirm the settlement by decision of

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34 As defined in Art. 2 (e) of Regulation nº 1.257/2012, “Register for unitary patent protection” means “the register constituting part of the European Patent Register in which the unitary effect and any limitation, licence, transfer, revocation or lapse of a European patent with unitary effect are registered”.

35 This is in essence the solution which is adopted under the US Patent Act (35 U.S.C. 294) which provides in its relevant part that: “(a) A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract” and that “(c) An award by an arbitrator shall be final and binding between the parties to the arbitration but shall have no force or effect on any other person”.

and an integrated patent jurisdiction system, the creation of a patent arbitration and mediation centre at Community level is being explored to deal with cases where validity is not at stake” (emphasis added).
the Court [Rule 11.2] and the decision may be enforced as a final decision of the Court”.

These provisions therefore show that the parties, and specifically the patent owner, can agree to limit or revoke totally or partly its patent in a settlement and that the settlement will be duly enforced, once approved by the Court.

This consequently means that, in spite of the wording of art. 35 para.2 AUPC, a mediation proceeding can lead to a settlement between the parties in which can ultimately lead to the revocation or limitation of the patent.

d) Improved enforceability of settlements reached through the use of the facilities of the Centre

Article 35 para. 2 AUPC states “[a]rticle 82 shall apply mutatis mutandis to any settlement reached through the use of the facilities of the Centre, including through mediation”. Article 82 AUPC addresses the enforceability of the decisions to be rendered by the Court by stating that such decisions shall enforceable in all contracting Member States. Art. 35 para. 2 AUPC confirms the EU policy promoting the enforceability of settlements resulting from mediation which is anchored in the Mediation Directive.

Pursuant to article 35 para.2 AUPC, the application by analogy of art. 82 covers “any settlement”, whereby “settlement” refers to an agreement between the parties in dispute which is entered into in order to settle a dispute. This is reflected in art. 79 AUPC (which bears the title: “Settlement”) and provides that “[t]he parties may, at any time in the course of proceedings, conclude their case by way of settlement, which shall be confirmed by a

36 Rule 365 further provides (para. 2) that “[a]ll the request of the parties the Court may order that details of the settlement are confidential”.
37 Article 82 para. 1 AUPC: “Decisions and orders of the Court shall be enforceable in any Contracting Member State. An order for the enforcement of a decision shall be appended to the decision by the Court”.
38 See footnote 28; article 6 (Enforceability of agreements resulting from mediation) of the Mediation Directive provides that “1. Member States shall ensure that it is possible for the parties, or for one of them with the explicit consent of the others, to request that the content of a written agreement resulting from mediation be made enforceable. The content of such an agreement shall be made enforceable unless, in the case in question, either the content of that agreement is contrary to the law of the Member State where the request is made or the law of that Member State does not provide for its enforceability”.
39 This is confirmed by the German version of art. 35 para. 2 which provides that “Artikel 82 gilt für jeden Vergleich, der durch die Inanspruchnahme der Dienste des Zentrums, auch im Wege der Mediation, erreicht wordenist, entsprechend” (emphasis added); the French version is not as clear given that it broadly indicates that “L’article 82 s’applique mutatis mutandis à tout règlement d’un différend par le biais des services fournis par le centre, y compris la médiation”(emphasis added), whereby the reference to “tout règlement d’un différend” is broader to the extent that it could potentially cover arbitral awards.
decision of the Court. A patent may not be revoked or limited by way of settlement”. As a result, arbitral awards, even if they would be issued at the end of arbitration proceedings conducted under the rules of the Center (to be adopted under art. 35 para. 3 AUPC), will not fall under the concept of “settlement” referred to in Article 35 para. 2 AUPC.

Article 35 para. 2 AUPC provides that the improved enforceability will apply to “any settlement reached through the use of the facilities of the Centre, including through mediation” (emphasis added) thereby implying that a settlement can be reached outside of a mediation. This is not surprising because a settlement could also be reached “through the use of the facilities of the Centre” without being limited to mediation, i.e. a settlement could also be reached in the course of an arbitration proceeding. It is indeed not uncommon that a settlement is reached once arbitration proceedings have been initiated and are underway. This is confirmed by the experience made by other providers of IP arbitration services.

Article 35 para. 2 AUPC means that a settlement “reached through the use of the facilities of the Centre” will be enforced in the same way as formal decisions rendered by the Court. While such improved enforceability of settlement transactions is good news as such, it can be wondered why this feature shall only apply to settlements “reached through the use of the facilities of the Centre” (as provided by Article 35 para. 2 AUPC). This seems to imply that there would be a legal incentive to use the facilities of the Center because only such use would trigger the improved enforceability of settlement transactions. This does not appear as a legitimate solution because Article 35 para. 2 AUPC could thus be perceived as privileging the services offered by the Center by comparison to other providers of ADR services. This approach also conflicts with the basic freedom of the parties to select the ADR service providers that they consider as being the most adequate for helping them to solve their dispute. It is therefore difficult to conceive why settlements “reached through the use of the facilities of the Centre” should benefit from a privileged treatment by comparison to settlements reached through other means. The “use of the facilities of the Centre” does and cannot imply that a settlement reached through such

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40 Arbitral awards will be enforceable under the rules of the New York Convention, for a discussion, see E. Ficks (footnote 18).

41 According to the statistics of the WIPO Arbitration and Mediation Center, the settlement rate in arbitration proceedings is 40%: http://www.wipo.int/amc/en/center/caseload.html (last accessed on 25.06.2014).

42 A more neutral approach is reflected in Rule 11 para. 2 of the draft Rules of Procedure which provide that “[p]ursuant to Rule 365 the Court shall, if requested by the parties, by decision confirm the terms of any settlement or arbitral award (irrespective of whether it was reached using the facilities of the Centre or otherwise), […]” (emphasis added).
use would have a higher quality, reliability or fairness from a substantive perspective because settlements ultimately reflect the mutual intentions of the parties in dispute (even though settlements can be reached thanks to the assistance and guidance of third parties, and particularly of the Center). The use of the facilities of the Center further does not necessarily imply that the parties to the settlement have any geographic connection with the territory of the European Union. One may therefore also consider that settlements reached through the use of the facilities of other EU-based (or even non-EU based) IP mediation dispute resolution providers should also benefit from the mutatis mutandis application of art. 82 AUPC.

There is consequently no justification why the improved enforceability (as provided by art. 35 para. 2 AUPC) shall not be available if the parties to a dispute reach a settlement without using the facilities of the Center.

e) Double seat of the Center

Article 35 para. 1 AUPC indicates that the Center will have two seats – in Ljubljana (Slovenia) and in Lisbon (Portugal) respectively\(^43\). The issue arises as to whether the parties shall be free to choose the seat of the arbitration under the patent arbitration system enabled by article 35 AUPC, knowing that this element is obviously of key importance for the parties in making the choice to submit a given dispute to arbitration: it affects the issues of the potential challenges against the arbitral awards before national courts (e.g. annulment proceedings against arbitral awards) as well as the nationality of the awards, which is of relevance for the purpose of the future enforceability of the award in foreign countries.

In this respect, even though the double seats of the Center in Portugal and in Slovenia can be explained and understood from a political perspective, this localization should not prevent the parties to localize the arbitration in other countries to the extent that the parties feel it necessary in view of their respective interests. While Portugal and Slovenia are both parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards\(^44\) so that the parties’ choice of Lisbon or Ljubljana as the seat of the arbitration will not prevent them from benefiting from the advantages of the New York Convention in terms of global enforceability.

\(^43\) This rather unusual solution appears to be the result of a political decision, rather than being dictated by an established pre-existing expertise and tradition of the relevant cities / countries for offering ADR services for intellectual property disputes.

\(^44\) See the list of contracting parties at: http://www.uncitral.org/uncitral/fr/uncitral_texts/arbitration/NYConvention_status.html (last accessed on 25.06.2014).
of the arbitral award, the parties may still want to submit an arbitration relating to a European patent with unitary effect or to a European patent to another arbitration service provider and to choose a seat in other countries than Portugal or Slovenia (and potentially in non EU-countries) for various reasons (including the neutrality of the country where the arbitration shall be localized and of the law that shall govern the arbitration)\(^\text{45}\).

It should also be avoided that arbitration clauses shall insufficiently identify the seat of the arbitration, which might particularly result from an inadequate contractual wording which would, by way of example, submit disputes to the “mediation and arbitration Center under article 35 AUPC”: in such a case, the difficulty would result from the double seat of the Center (in Lisbon and Ljubljana). It can be expected that this risk can be significantly reduced or even eliminated by the standard contractual arbitration clauses that may be made available by the Center, as done by other (IP) ADR institutions.

f) **List of mediators and arbitrators**

One must also note the somewhat unclear wording of article 35 para. 4 AUPC which provides that “[t]he Centre shall draw up a list of mediators and arbitrators to assist the parties in the settlement of their dispute”\(^\text{46}\), given that it is not the function of arbitrators to “assist the parties in the settlement of their dispute” but rather to **decide** the dispute (in a way comparable to what state courts would do), and that the parties should as a matter of principle have the power to choose who shall decide their dispute (arbitration) or help them to solve it (mediation) without being unduly constrained in their choice.

**CONCLUDING REMARKS**

Article 35 AUPC is of high legal as well as symbolic importance in the European intellectual property regulatory landscape because it officially confirms for the first time at the EU level that patent disputes (subject to the limits which have been evoked resulting from article 35 para. 2 AUPC) can be subject to arbitration. By doing so, it somehow puts aside the diverging solutions that exist under the respective national arbitration laws in the

\(^{45}\) See also E. Ficks (footnote 18).

\(^{46}\) This wording was already reflected in the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, an Industrial Property Rights Strategy for Europe COM(2008) 465 final, of July 16, 2008 (see footnote 21 above), p. 12: "The centre would establish a Community list of mediators and arbitrators who could assist the parties in settlement of their dispute". 
various Member States relating to the issue of arbitrability of patent (and more generally of intellectual property) disputes. As a result, it appears unlikely that an arbitral award rendered by an arbitral tribunal instituted under the arbitration rules of the Center (on the basis of article 35 AUPC) might not be enforced in a Member State of the European Union on the ground that under the national laws applicable in such country a patent dispute would not be arbitrable. From this perspective, article 35 paves the way for a broader arbitrability of patent disputes within the European Union.

Article 35 AUPC further confirms the global trend promoting the use of ADR for resolving intellectual property disputes, as a favorable alternative to complex and costly patent litigation proceedings, particularly for small and medium enterprises. While this trend constitutes goods news for all stakeholders given that ADR can offer tailored mechanisms and solutions which can adequately accommodate the interests and needs of the parties, certain issues will still need to be carefully reflected upon and shall continue to be carefully monitored in an international and comparative perspective. It will be particularly important to ensure that the mediation and arbitration rules that shall be adopted by the Center shall reflect best practices of international arbitration which are characterized by the autonomy of the

47 It should be noted that some Member States of the European Union accept a very broad arbitrability of intellectual property disputes, and particularly of patent disputes; this is the case of the Belgium Patent Act of March 28, 1984 which expressly provides that the exclusive power to decide patent cases granted to specified courts (on the basis of Art. 73) shall not “preclude opposition in respect of the ownership of a patent application or of a patent, the validity or the infringing of a patent or the determination of the compensation referred to in article 29 or in respect of patent licenses other than compulsory licenses submitted to arbitration tribunals”. It further provides that (art. 51 para. 1) “(if a patent is revoked, in whole or in part, by a judgment or a decision or by an arbitration award, the decision on revocation shall constitute a final decision in respect of all parties, subject to opposition by third parties. Final revocation decisions shall be entered in the Register” (emphasis added).

48 This view was officially expressed in the process of adoption of the AUPC by the Committee on Industry, Research and Energy in its opinion for the Committee of Legal Affairs on jurisdictional system for patent disputes (2011/2176(INI)) of November 24, 2011 in which the Committee stated that it “welcomes the establishment of a mediation and arbitration centre as part of the agreement, and stresses that one of its main aims must be to reduce red tape and keep litigation costs down for the parties involved” (available at: http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&mode=XML&reference=A7-2012-9&language=EN, last accessed on 25.06.2014).

49 See the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, An Industrial Property Rights Strategy for Europe COM(2008) 465 final, of July 16, 2008 (see footnote 21 above), p. 12 (“Complementing ADR facilities for patents outside the Community framework, this centre (i.e. the Center) could ensure proximity and better accessibility to patent disputes by SMEs”.

50 Some issues can be adequately addressed in the Mediation and Arbitration Rules that shall be established by the Center (on the basis of Article 35 para. 3 AUPC) as well as in the standard arbitration and mediation clauses that can be made available for use by the parties (as done by all major arbitration and mediation service providers).

51 This is why several global intellectual property institutions are monitoring the on-going developments of IPR ADR; this is particularly the case of AIPPI which has set up a Special Committee on this topic (Q225) that the author of this paper has the privilege to chair (https://www.aippi.org/?sel=questions&sub=listicommitees&viewQ=225#225, last accessed on 25.06.2014).
parties to adopt dispute resolution mechanisms which shall be adapted to their needs and interests. On this basis, parties should particularly be free to select the law that shall apply to their dispute (for arbitration) and the language that shall be used. As for any other provider of dispute resolution services, the market and the users will ultimately decide the success of the Center. In this respect, the Center may potentially develop its arbitration activities for solving FRAND patent disputes as reflected by the recent high profile EU Samsung competition investigation in the course of which Samsung made commitments on April 29, 2014 which have been declared legally binding by the European Commission. According to these commitments, Samsung will not seek injunctions in the European Economic Area (EEA) on the basis of its standard essential patents (SEPs) for smartphones and tablets against licensees who sign up to a specified licensing framework. Under this framework, any dispute over what are fair, reasonable and non-discriminatory (so-called “FRAND”) terms for the SEPs in question will be determined by a court, or if both parties agree, by an arbitral tribunal. The commitments therefore provide a “safe harbour” for all potential licensees of the relevant Samsung SEPs. What is of interest is that the dispute over FRAND can be settled at the choice of the parties “under the rules of arbitration of the ICC, unless the Parties mutually agree that the arbitration tribunal will be the the patent mediation and arbitration center as established under article 35(1) of the Agreement on a Unified Patent Court”. The Center could thus potentially offer its future services for solving these types of disputes. Interestingly, the arbitration proceedings which are contemplated in the Samsung Commitments provide for an appeal against the arbitral award that shall be rendered by a first arbitral tribunal before a second arbitral tribunal. The commitments further provide that the arbitration will be conducted in English, that it will be governed by the laws of England and Wales and that the “seat of the arbitration will be in an EEA jurisdiction in which national laws permit Parties to agree to make an

52 See Brevalex (footnote 18), p. 9.
53 Case 39939 Samsung – Enforcement of UMTS standard essential patents; see the dedicated webpage of the case at: http://ec.europa.eu/competition/eljade/isef/case_details.cfm?proc_code=c_39939(last accessed on 25.06.2014).
54 Art. 9(a) of Samsung’s commitments (hereinafter: “the Commitments”), which are available at http://ec.europa.eu/competition/antitrust/cases/doc_docs/39939/39939_1502_5.pdf (last accessed on 25.06.2014); the wording of the commitments is not necessarily optimal given that the arbitral tribunal should not be confused with the Center itself (the arbitral tribunal is independent from the institution managing the arbitration proceedings).
55 It being noted that the WIPO arbitration and mediation center has also launched specific services for FRAND disputes, see http://www.wipo.int/amc/en/center/specific-sectors/ict/frand/ (last accessed on 25.06.2014).
56 See art. 9(f) of the Commitments (footnote 54).
arbitration decision subject to appeal to a second arbitration tribunal⁵⁷. This mechanism consequently confirms the parties’ interests in adopting tailor made dispute resolution mechanisms.

As a final word, it is essential that the Center’s arbitration and mediation rules and the proceedings that shall be conducted under the aegis of the Center shall ensure that all parties involved in a dispute (and particularly intellectual property owners) will benefit from a dispute settlement system that shall meet their legitimate expectations and that shall efficiently address the challenges of intellectual property ADR mechanisms.

⁵⁷ See art. 9(c) and (d) of the Commitments (footnote 54).