PUBLIC POLICY AND THE ARBITRATION OF INTERNATIONAL INTELLECTUAL PROPERTY DISPUTES

Submitted By

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INTRODUCTION

Parties are relying more on private arbitration, instead of litigation in the courts, to resolve their differences. The arbitration trend is pronounced in international commercial disputes. Arbitration of international commercial disputes encourages orderliness, predictability, and efficiency.(1) It allows parties to remove a dispute from a possibly hostile local court or from one unfamiliar with the problem at issue or lacking the requisite expertise.(2) In addition to these benefits, arbitration has been lauded for its recognition of the autonomy of the parties, whose choice of forum, arbitrators, and governing law and desire for privacy are to be accorded due respect.(3)

The principal convention on international commercial arbitration, the 1958 United Nations Convention on the

(1) Scherk v. Alberto-Culver Co., 417 U.S. 506, 516 (1974).
(2) *Id.*
(3) *Id.* at 518.

Recognition and Enforcement of Foreign Arbitral Awards,[4] to which more than 140 countries are signatories,[5] has helped to unify the standards by which agreements to arbitrate are observed and arbitral awards are enforced. An important aspect of the New York Convention is that respect should be given to arbitration agreements and arbitration awards that do not violate public policy.

International commercial disputes increasingly involve intellectual property (IP) issues, mainly patent, copyright, trademark and trade secret matters. Arbitration becomes an issue when disputing parties have a written agreement, typically a licensing agreement, which contains an arbitration clause. Or, the parties may reluctantly find themselves in court, or on the verge of court, in a complex patent matter and realize that resolution in private before an arbitrator familiar with the technology would better serve their mutual needs.

For many years, IP disputes, particularly those challenging the validity of a patent or trademark, were not considered appropriate for arbitration. A decision concerning or affecting a patent or trademark involved more than just the parties. It necessarily implicated a state grant of a monopoly power. Further, the decision invariably involved complex matters. The conventional wisdom was that the courts were best suited to resolve IP disputes. Many nations have now rejected this anti-arbitration view. Other nations, however, recognize that, for public policy reasons, aspects of an IP dispute may not be

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[4] Convention on the Recognition and Enforcement of Foreign Arbitral Awards, June 10, 1958, 21 U.S.T. 2517 [hereinafter New York Convention or Convention].

[5] *See Scoreboard of Adherence to Transnational Arbitration Treaties*, 21 NEWS AND NOTES FROM THE INSTITUTE FOR TRANSNATIONAL ARBITRATION 10-13 (Autumn 2007) [hereinafter Scoreboard]. Non-parties to the New York Convention include Iraq, Libya, Liechtenstein, Taiwan, and Yemen. The United Arab Emirates recently acceded to the Convention. *Id.*

arbitrated. In this situation, national laws may undermine arbitration.

This article examines the public policy issues relating to the arbitration of international IP disputes.(6) After developing the relevant legal landscape, which includes the major treaties and the international arbitration centers and arbitration rules, it examines the laws of the United States, Switzerland, Germany, and India. Why these countries? The United States and Switzerland, which are at the forefront of arbitration and have sophisticated IP regimes, allow the arbitration of disputes involving patent validity. Germany, while also having a sophisticated regime, has given limited review of patent cases. Consideration is also given to the laws of India, which recently enacted a new arbitration statute that affords a limited view of the public policy exception to arbitration. An analysis is also included of how public policy principles, whether national or international, fit into the landscape. The public policy issues

(6) For a comprehensive and earlier treatment of the subject, *see* William Grantham, *The Arbitrability of International Intellectual Property Disputes*, 14 BERK. J. INT'L L. 173 (1996) [hereinafter Grantham]. Mr. Grantham clarified and demystified the public policy issues about arbitrating international IP disputes. His work also provided insight into the arbitration laws and IP laws of a number of countries. A recent, useful article that surveys the laws of many countries is M.A. Smith, *Arbitration of Patent Infringement and Validity Issues Worldwide*, 19 HARV. J. LAW & TECH. 299 (2006) [hereinafter Smith]. Other helpful articles include Julia A. Martin, Note, *Arbitrating in the Alps Rather Than Litigating in Los Angeles: The Advantages of International Intellectual Property-Specific Alternative Dispute Resolution*, 49 STAN. L. REV. 917 (1997) [hereinafter Martin]; Jennifer Mills, Note, *Alternative Dispute Resolution in International Intellectual Property Disputes*, 11 OHIO ST. J. ON DISP. RESOL. 227 (1996). In 1994, the World Intellectual Property Organization (WIPO) and the American Arbitration Association (AAA) held a conference in Geneva, Switzerland on the arbitration of IP disputes. The informative conference papers are in WORLDWIDE FORUM ON THE ARBITRATION OF INTELLECTUAL PROPERTY DISPUTES (1994) [hereinafter WORLDWIDE FORUM].

relevant to the arbitration of IP disputes are identified and analyzed, with attention given to the manner in which they are accommodated in the arbitration process.

The paper shifts the public policy focus beyond the issue of whether international IP disputes are objectively not subject to arbitration. Lawyers and scholars have discussed this topic at length; some nations have rendered it a non-issue by allowing arbitration of IP disputes. Given that arbitration occurs regularly, the focus should be on the steps needed to assure that the goals of IP laws, and any other relevant public policy matters, are promoted.

THE RELEVANT LEGAL FRAMEWORK

International commercial arbitration did not emerge overnight, or even over a decade. For almost fifty years, lawyers and business and political leaders have been committed to building an effective international legal regime, one that would give due effect to arbitration agreements and awards in light of the reality of business practices and the constraints of national law (national courts, in particular) and international law. In recent years, they have also focused on folding IP disputes within the international arbitration order.

International Agreements

The backbone of the international arbitration regime consists of a series of international agreements that set forth fundamental principles. An understanding of these international agreements, their structure and underlying assumptions, is essential for anyone who studies or is involved in international commercial disputes.

1. New York Convention

a. Background: In 1958, forty-five countries participated in the U.N. conference that culminated in the New York Convention. Some nations were initially reluctant to sign or ratify the Convention. For example, the U.S. delegation, concerned that the United States lacked a "sufficient domestic legal basis" for accepting the Convention,[7] recommended the United States not sign the Convention.[8] The Convention was deemed to embody undesirable principles of arbitration law.[9]

Notably, the Federal Republic of Germany, India and Switzerland joined twenty-two other states which signed the Convention when it was open for signature.[10] India ratified the Convention on July 13, 1960 and it entered into force in India on October 11, 1960.[11] In 1961, India enacted the Foreign Awards (Recognition and Enforcement) Act (Foreign Awards Act) in an attempt to codify India's accession to the

[7] S. COMM. ON FOREIGN RELATIONS, CONVENTION ON FOREIGN ARBITRAL AWARDS, S. EXEC. REP. NO. 90-10, at 1, 4 (1968) (quoting OFFICIAL REPORT OF THE UNITED STATES DELEGATION TO THE UNITED NATIONS CONFERENCE ON INTERNATIONAL COMMERCIAL ARBITRATION 2, 15 (1958)).
[8] *Id.* at 4.
[9] *Id.*
[10] Paolo Contini, *International Commercial Arbitration: The United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards*, 8 AM. J. COMP. L. 283, 291 (1959). The other nations that signed the Convention when it was open for signature are Argentina, Belgium, Bulgaria, Byelorussian Soviet Socialist Republic, Ceylon, Costa Rica, Czechoslovakia, Ecuador, El Salvador, Finland, France, Hashemite Kingdom of Jordan, Israel, Luxembourg, Monaco, Netherlands, Pakistan, Philippines, Poland, Sweden, Ukrainian Soviet Socialist Republic and Union of Soviet Socialist Republic. *Id.* at n.38.
[11] *See* Pemmaraju Sreenivasa Rao, *Enforcement of Foreign Arbitral Awards in India: Condition of Reciprocity*, in INTERNATIONAL ARBITRATION AND NATIONAL COURTS: THE NEVER ENDING STORY, ICCA INTERNATIONAL ARBITRATION CONFERENCE 177 (Albert Jan van den Berg ed. 2001) [hereinafter Rao].

Convention.[12] The Foreign Awards Act came under serious criticism, however, as being inimical to international commercial arbitration. For example, Section 9(b) of the Foreign Awards Act provided that "Nothing in this act shall … apply to any award made on an arbitration agreement governed by the law of India." Due to Section 9(b), in 1993 the Supreme Court of India refused to enforce an arbitral award rendered in London because the arbitration agreement was contained in a contract governed by Indian law.[13] Or as another example, an arbitration award only became effective in India if the prevailing party received a judicial decree. Obtaining the judicial decree was time-consuming and arguably defeated the purpose of the Convention's regime for enforcing awards.[14]

As the world's nations became more focused on arbitration's benefits, attitudes toward the New York Convention changed. By the late 1960s, a serious effort led by the U.S. business community and the legal profession caused the U.S. Senate to give its advice and consent to the Convention subject to the enactment of certain implementing legislation. With the enactment of Chapter 2 to the Federal Arbitration Act (FAA) in 1970,[15] the Convention came into

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[12] *See* Tracy S. Work, Comment, *India Satisfies Its Jones for Arbitration: New Arbitration Law in India*, 10 TRANSNAT'L LAW. 217, 227 & n.3 (1997) [hereinafter Work].

[13] National Thermal Power Corp. v. Singer Corp., [1991] 3 S.C.C. 551. For a criticism of *National Thermal Power*, *see* Jan Paulsson, *The New York Convention's Misadventures in India*, 7(6) INT. ARB. REP. 18 (1992).

[14] Work, *supra* note 12, at 227.

[15] Like many nations, the United States has enacted an arbitration statute. This statute, known as the Federal Arbitration Act (FAA), is contained in Title 9 of the U.S. Code. *See* 9 U.S.C. §§ 1-307 (1994). Chapter 1 of the FAA is commonly referred to as the "domestic FAA" even though it authorizes the enforcement of an arbitration agreement evidencing a

effect.[16] As a treaty, the Convention is the supreme law of the land in the United States.[17]

Other nations, in addition to ratifying the Convention, have enacted specific legislation aimed at improving arbitration. In 1996, the United Kingdom enacted a new arbitration act.[18] Belgium modified its arbitration law in 1985 and the Netherlands did the same in 1986.[19] Latin American nations, including Brazil, either have made changes to or enacted arbitration laws in an effort to encourage arbitration.[20]

In 1996, the Indian Parliament passed sweeping reform in The Arbitration and Conciliation Act, 1996 (1996 Act).[21] The 1996 Act combined the law as to domestic and international

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transaction in domestic or foreign commerce. *See* 9 U.S.C. §§ 1-16 (1994). The FAA's Chapter 2 implements the New York Convention. *See* 9 U.S.C. §§ 1-307 (1994). Chapter 3 implements the Inter-American Convention on International Commercial Arbitration (Panama Convention). *See infra* nn. 72-81 and accompanying text (discussing the Panama Convention).

[16] *See* 9 U.S.C. § 201 (note) (1994) (Historical and Statutory Notes). The New York Convention is republished as a note following 9 U.S.C. § 201 (note). Many nations did not accede to the Convention until the 1970s and 1980s. *See id.*

[17] U.S. Const. art. VI, § 1, cl. 2. *See* Sedco, Inc. v. Petroleos Mexicanos Mexican Nat'l Oil Co. (Pemex), 767 F.2d 1140, 1145 (5th Cir. 1985) .

[18] United Kingdom Arbitration Act, 1996.

[19] *See* Theodore C. Theofrastous, Note, *International Commercial Arbitration in Europe: Subsidiarity and Supremacy in Light of the De-Localization Debate*, 31 CASE W. RES. J. INT'L L. 455, 476-78 (1999). *See also* Stephen K. Huber & E. Wendy Trachte-Huber, *International ADR in the 1990s: The Top Ten Developments*, 1 HOUS. BUS. & TAX L.J. 184, 186-87 (2001) (noting that about thirty-five jurisdictions have adopted the United Nations Commission on International Trade Law Model Law on International Commercial Arbitration).

[20] *See* Bret Fulkerson, *A Comparison of Commercial Arbitration: The United States & Latin America*, 23 HOUS. J. INT'L L. 537 (2001).

[21] Indian Arbitration and Conciliation Act, 1996.

commercial arbitration and instituted changes so that Indian law as to international arbitrations conformed to the United Nations Model Law on International Commercial Arbitration (UNCITRAL Model Law).[22] Among other things, the 1996 Act repealed Section 9(b) of the Foreign Awards Act. It also made it possible for a final arbitral award to be enforced as if it were a decree of the court under the Code of Civil Procedure, 1908.[23]

b. The New York Convention's structure:

The Convention is relatively straightforward. For purposes of this paper, the relevant Convention provisions are as follows:

Article I: the Convention applies to (1) an award made in the territory of a State other than the State where recognition or enforcement of the award is sought; and (2) an award not considered as domestic where its recognition and enforcement is sought.[24]

In ratifying the Convention, many nations, including the United States and India, made reservations so that the Convention applies only to (a) awards made only in the territory of another contracting State (Reciprocity Reservation);

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[22] The Preamble to the 1996 Act states that the UNCITRAL Model Law and UNCITRAL Conciliation Rules "make significant contribution to the establishment of a unified legal framework for the fair and efficient settlement of disputes arising in commercial relations." 1996 Act, *supra* note 21, Preamble.

[23] *Id.* Pt. II, Chap. 1, § 49.

[24] Convention, *supra* note 4, art. I(1). For an explanation as to why the territory and non-domestic criteria were selected, *see* Karamanian, *supra* n.* at 32-33 (discussing how certain European nations argued that an arbitral award could be a foreign award regardless of territorial considerations while other countries were bound to the concept of a foreign award based on territory; both concepts were thus included in the Convention).

and/or (b) to differences arising out of legal relations considered "commercial" under the respective nation's laws (Commercial Reservation).[25]

Article III: a State "shall recognize awards as binding and enforce them in accordance with the rules of procedure where the award is relied upon" under the Convention's rules.[26] The enforcement procedure shall not be more onerous than the procedure for recognizing or enforcing domestic arbitral awards.[27]

Article III is critical: A party is no longer required to reduce an award to judgment in the judicial forum where the arbitration occurred and then attempt to enforce it as a foreign judgment in another jurisdiction.[28]

[25] Convention, *supra* note 4, art. I(3). The reservations appear at the end of the Convention. *See* 9 U.S.C. § 201 (note). India has an interesting twist to its Reciprocity Reservation. India requires that the foreign arbitration have occurred in a signatory country *and* the foreign country must be listed as a reciprocating country in the *Official Gazette*. *See* 1996 Act, *supra* note 21, Pt. II, Chap. I, § 44; *see also* Rao, *supra* note 11, at 177-79. Germany acceded to the Convention subject only to the Reciprocity Reservation. *See* 9 U.S.C. § 201 (note). Switzerland had initially acceded to the Convention subject to the Reciprocity Reservation but on April 29, 1993, it announced to the UN Secretary General of its intention to withdraw this reservation. *Id.*

[26] Convention, *supra* note 4, art. III.

[27] *Id.*

[28] Before the New York Convention, a party seeking to enforce an award under the 1927 Geneva Convention on the Execution of Foreign Awards had to obtain leave for enforcement from the country in which the award was made and then obtain another order of *exequatur* from the country in which it was seeking enforcement. The New York Convention drafters sought to eliminate this process of double *exequatur*. *See* Michael H. Strub, Jr., Note, *Resisting Enforcement of Foreign Arbitral Awards Under Article V(1)(E) and Article VI of the New York Convention: A Proposal for Effective Guidelines*, 68 TEX. L. REV. 1031, 1045 (1990).

Article V: a court "may" refuse to recognize or enforce a foreign arbitral award if it finds that "(a) [t]he subject matter of the difference is not capable of settlement by arbitration under the law of that country; or (b) [t]he recognition or enforcement of the award would be contrary to the public policy of that country."[29] The court looks to the laws of its own country to determine whether the capability requirement or public policy grounds give reason for non-enforcement of the award.

In addition, the court may refuse to recognize or enforce the award, upon proof the arbitration agreement "is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made."[30]

An award can only be vacated or set aside by a court in which, or under the law of which, the award was made.[31] If asked to confirm an award, a court outside of the jurisdiction where the award was entered cannot vacate the award. It can merely elect not to confirm the award if an Article V requirement is met.

Article II: a State shall recognize an agreement in writing under which the parties agree to arbitrate their differences "which have arisen or which may arise between them in respect of a defined legal relationship, whether contractual or not, *concerning a subject matter capable of*

[29] Convention, *supra* note 4, art. V(2)(a)-(b). The Convention also sets forth other grounds for a court to refuse enforcement of a foreign award. *Id.* at art. V(1).
[30] *Id.* art. V(1)(a).
[31] *Id.* art. V(1)(e) (recognizing that a court may refuse to confirm an award that "has been set aside or suspended by a competent authority of the country in which, or under the law of which, that award was made").

settlement by arbitration."[32] A court of a contracting State, when seized of an action "in a matter in respect of which the parties have made an agreement" under the Convention shall refer the parties to arbitration, upon a request by a party, unless the court finds the agreement "*null and void, inoperative or incapable of being performed*."[33]

c. Public policy: Public policy principles come into play directly under the New York Convention through Article V(2)(b), which authorizes a court to refuse to recognize or enforce an arbitral award that violates the public policy of its nation's law. The principles are also indirectly referenced in the capability requirement contained in both Article V(2)(a) and Article II(1) and in the "null and void" language of Article II(3). As Messrs. Redfern and Hunter have observed, the "arbitrability" issue relates to public policy as each state "may decide, in accordance with its own economic and social policy, which matters may be settled by arbitration and which may not."[34] Public policy is not established in a vacuum. A nation's legislators and courts balance "the importance of reserving matters of public interest (such as human rights or criminal law issues) to the courts against the public interest in the encouragement of arbitration in commercial matters."[35]

Some nations recognize "international public policy" as guiding international commercial arbitrations. In other words, some matters may be arbitrated at the international level but

[32] *Id.* art. II(1) (emphasis added). The phrase "agreement in writing" is defined to "include an arbitral clause in a contract or an arbitration agreement, signed by the parties or contained in an exchange of letters or telegrams." *Id.* art. II(2).
[33] *Id.* art. II(3) (emphasis added).
[34] Alan Redfern & Martin Hunter, LAW AND PRACTICE OF INTERNATIONAL COMMERCIAL ARBITRATION 137 (2nd ed. 1991) [hereinafter Redfern & Hunter].
[35] *Id.*

not domestically.(36) Indeed, French law authorizes the setting aside of an international arbitral award "if the recognition or execution is contrary to international public policy."(37) Also, international arbitral awards are "recognized and enforced in France unless such recognition and enforcement is 'manifestly contrary to international public policy.'"(38)

d. Judicial treatment of public policy: National courts have been reluctant to apply public policy principles to void an agreement to arbitrate. The U.S. Supreme Court's landmark decision in *Mitsubishi Corp. v. Soler Chrysler-Plymouth, Inc.*,(39) which held that a civil claim under the U.S. antitrust laws could be arbitrated in Japan under the rules of the Japan Commercial Arbitration Association, illustrates this point. The reasoning of *Mitsubishi* is highly relevant to IP disputes as antitrust claims raise public policy issues similar to those raised by the state's granting of an exclusive right. The Court's reasoning also sheds light on the notion of an "international public policy" as distinguished from "domestic public policy."

In *Mitsubishi*, a Japanese car dealer sought to arbitrate a Puerto Rican car dealer's claim under the Sherman Act for conspiracy to divide the market in restraint of trade.(40) The

(36) Robert Briner, *The Arbitrability of Intellectual Property Disputes with a Particular Emphasis on the Situation in Switzerland* in WORLDWIDE FORUM, *supra* note 6, 55, 67-68 [hereinafter Briner]; Redfern & Hunter, *supra* note 34, at 145-46.

(37) Redfern & Hunter, *supra* note 34, at 445 (citing to article 1502.5 of the New French Code of Civil Procedure).

(38) Grantham, *supra* note 6, at 205 (citing to article 1498 of the New French Code of Civil Procedure).

(39) 473 U.S. 614 (1985).

(40) *Id.* at 640. The parties had agreed to arbitrate all disputes, controversies or differences arising out of certain provisions of their sales agreement or for the breach of the agreement in Japan under the rules and

Court acknowledged, and did not challenge the application of, *American Safety Equipment Corp. v. J.P. Maguire & Co.*,[41] which held federal antitrust claims inarbitrable in the domestic context.[42] Relying on *Scherk v. Alberto-Culver Co.*,[43] the Court in *Mitsubishi* stated:

[C]oncerns of international comity, respect for the capacities of foreign and transnational tribunals, and sensitivity to the need of the international commercial system for predictability in the resolution of disputes require that we enforce the parties' agreement [for arbitration in Japan under the rules and regulations of the Japan Commercial Arbitration

regulations of the Japan Commercial Arbitration Association. Mitsubishi had instituted arbitration proceedings in Japan. *Id.* at 617-20.

[41] 391 F.2d 821 (2d Cir. 1968).

[42] Mitsubishi, 473 U.S. at 629 (quoting *American Safety* that "'the pervasive public interest in enforcement of the antitrust laws, and the nature of the claims that arise in such cases, combine to make … antitrust claims … inappropriate for arbitration.'"). *See also id.* at 632 (identifying the reasons articulated in *American Safety* for disallowing arbitration of antitrust claims: (1) private parties, with the threat of a private action for treble damages, play a pivotal role in aiding governmental enforcement of antitrust policy; (2) contracts that generate antitrust disputes may be contracts of adhesion, which 'militates against automatic forum determination by contract;' (3) antitrust issues are complicated and require sophisticated legal and economic analysis, making them 'ill-adapted to strengths of the arbitral process;' and (4) claims concerning antitrust regulation raise public interest concerns that foreign arbitrators, chosen by the business community, are not best-situated to resolve).

[43] 417 U.S. 506 (1974). *Scherk* involved a fraud claim under the Securities Exchange Act of 1934, involving the alleged failure of the German seller of various companies to disclose to the American purchaser that trademark rights sold under contracts between the parties were subject to substantial encumbrances. 417 U.S. at 509. The Supreme Court held that parties' agreement to arbitrate should be enforced given the international considerations at issue. *Id.* at 515-17.

Association], *even assuming a contrary result would be forthcoming in a domestic context*.(44)

That the claim invoked the U.S. antitrust laws, which raise important public policy concerns about competition, market access, the distribution of goods, *etc.*, did not create a presumption against arbitration.(45) By agreeing to arbitrate, a party did not sacrifice any substantive rights. The dispute is to be resolved in an arbitral tribunal, which affords "simplicity, informality, and expedition," instead of an American courtroom.(46)

The public policy concerns of *American Safety* should be weighed against the advantages of arbitrating international commercial disputes and the importance of enforcing the parties' freely-negotiated choice-of-forum clauses.(47) In addressing *American Safety*, the Court noted that the Japanese arbitral forum should not be assumed "inadequate or its

(44) 473 U.S. at 629 (emphasis added). Since 1985, various U.S. circuit courts have abandoned the *American Safety* doctrine. *See, e.g.*, Seacoast Motors of Salisbury, Inc. v. DaimlerChrysler Motors Corp., 271 F.3d 6, 10 (1st Cir. 2001); Kotam Elecs., Inc. v. JBL Consumer Prods., Inc., 93 F.3d 724, 725-28 (11th Cir. 1996), *cert. denied*, 519 U.S. 1110 (1997); Nghiem v. NEC Elec., Inc., 25 F.3d 1437, 1442 (9th Cir.*), cert. denied*, 513 U.S. 1044 (1994). Other circuit courts have questioned whether *American Safety* remains sound law. *See, e.g.*, Sanjuan v. Am. Bd. of Psychiatry & Neurology, Inc., 40 F.3d 247, 250 (7th Cir. 1994), *cert. denied*, 516 U.S. 1159 (1996); Swensen's Ice Cream Co. v. Corsair Corp., 942 F.2d 1307, 1310 (8th Cir. 1991).

(45) 473 U.S. at 625. *See also id.* at 628 (noting that if Congress intended a statute to include protection against waiver of the right to a judicial forum, the statute's text or legislative history would state so: "Having made the bargain to arbitrate, the party should be held to it unless Congress itself has evinced an intention to preclude a waiver of judicial remedies for the statutory rights at issue.") (citation omitted).

(46) *Id.* at 628.

(47) *Id.* at 631.

selection unfair."[48] The sole fact that the subject matter is complex is not troubling; arbitration panels can adapt and have special expertise, and the parties can consider the subject matter in selecting the arbitrators.[49] Similarly, one should not assume that the arbitrators would be hostile to U.S. antitrust laws.[50] Even though the parties' written agreement called for application of Swiss law and the tribunal is "bound to effectuate the intentions of the parties," the Court concluded that the parties had agreed the tribunal would decide the claims under the U.S. antitrust laws.[51]

[48] *Id.* at 633. The dealership made no showing that the agreement to arbitrate was invalid or '[a]ffected by fraud, undue influence or overweening bargaining power;' that 'enforcement would be unreasonable and unjust'; or that proceedings 'in the contractual forum will be so gravely difficult and inconvenient that [the resisting party] will for all practical purposes be deprived of his day in court.'" *Id.* at 632-33 (quoting The Bremen v. Zapata Off-Shore Co., 407 U.S. 1, 12, 15, 18 (1972)).

[49] *Id.* at 633-34.

[50] *Id.* at 634 (refusing "to indulge the presumption that the parties and arbitral body conducting a proceeding will be unable or unwilling to retain competent, conscientious, and impartial arbitrators"). To support this conclusion, the Court was able to refer to the events in the actual arbitration which had already started in Japan. The Court observed that the arbitration panel in Japan consisted of three prominent Japanese lawyers, including a former law school dean, a former judge, and a practicing attorney who had been educated in the United States and had written on Japanese antitrust laws. *Id.* at 634 n.18.

[51] *Id.* at 636. The parties had selected the laws of the Swiss Confederation to govern and construe their contract, but the Court relied on Mitsubishi's concession that American law applied to the antitrust claims and that the U.S. antitrust claims had already been submitted to the Japanese arbitration panel. *Id.* at 637 n.19. The Court wrote that "[t]here is no reason to assume at the *outset of the dispute* that international arbitration will not provide an adequate mechanism," yet it makes this statement after the arbitration proceeding had started. *Id.* at 636 (emphasis added).

The Court also volunteered that the tribunal's failure, if any, to consider the federal antitrust claims should be considered *after* the arbitration when the party seeks to enforce the arbitration award: "[h]aving permitted the arbitration to go forward, the national courts of the United States will have the opportunity at the award-enforcement stage to ensure that the legitimate interest in the enforcement of the antitrust laws has been addressed."(52) At the early stages of a dispute, when a party challenges the agreement to arbitrate, a court should not speculate as to how the tribunal would handle the federal antitrust claims.(53)

As soon as it appeared that clear, albeit improvident, precedent had been established, the Court muddied matters. The Court backpedaled on its "second look doctrine"(54) in stating that, if the parties' choice-of-forum and choice-of-law act as a "prospective waiver of a party's right to pursue statutory remedies for antitrust violations" it "would have little hesitation in condemning the agreement as against public policy."(55)

U.S. courts have been reluctant to bar prospectively a claim from arbitration on public policy grounds. In *Simula Inc. v. Autoliv, Inc.*,(56) involving claims under the U.S. antitrust law

(52) *Id.* at 637-38 & n.19.
(53) *Id.* at 637 n.19.
(54) *See* William W. Park, Colloquium, *The Internationalization of Law and Legal Practice: National Law and Commercial Justice: Safeguarding Procedural Integrity in International Arbitration*, 63 TUL. L. REV. 647, 668-69 (1989) [hereinafter Park] (observing that the Supreme Court's pronouncement in *Mitsubishi* that "American courts will have another bite at the arbitration apple when the time comes to enforce the award" has become known as the "second look doctrine"). Professor Park calls the second look doctrine "dicta." *Id.*
(55) 473 U.S. at 614 n.19.
(56) 175 F.3d 716 (9th Cir. 1999).

and under the Trademark Act of 1946,[57] the court refused to find that the possibility that a Swiss arbitral tribunal would apply Swiss law and not U.S. law made the claim not arbitrable.[58] The court so ruled, even though U.S. law afforded the plaintiff treble damages while Swiss law did not allow these damages. It was sufficient that the law the foreign tribunal applied would not deprive the plaintiff a reasonable recourse.[59]

Non-U.S. courts have adopted a similarly liberal approach in resolving arbitrability issues even after entry of an award. In *Westacre Investments Inc. v. Jugoimport-SDPR Holding Co. Ltd.*,[60] England's court of appeal was asked to hold an arbitral award invalid because the contract giving rise to the award was allegedly unenforceable under English law due to bribery. The court observed that the arbitral tribunal on its own could have considered any public policy reason under Swiss law for not enforcing the contract. Further, the court recognized that English public policy would not be offended "if an arbitral tribunal enforces a contract which does not offend the domestic public policy under either the proper law of the contract or its curial law, even if English domestic public policy might have taken a different view."[61] The decision in *Westacre* is significant. Surely, bribery would give rise to a violation of even "international public policy."[62]

[57] 15 U.S.C. § 1125 (1994).
[58] 175 F.3d at 723.
[59] *Id.*
[60] [1999] 3 W.L.R. 864.
[61] *Id.*
[62] *See* Redfern & Hunter, *supra* note 34, at 145 (stating that "[i]nternational public policy may also limit the scope of what is arbitrable – for example, where bribery or some other form of corruption is involved").

Similarly, a Hong Kong court has recognized that the Convention's public policy provision in Article V(2)(b) has been given "a narrow construction."[63] As Justice Litton of the court observed, "woven into this concept [of public policy] is the principle that courts should recognize the validity of decisions of foreign arbitral tribunals as a matter of comity, and give effect to them, unless to do so would violate the most basic notions of morality and justice."[64]

Justice Litton's statement echoed the U.S. Court of Appeals for the Second Circuit in *Parsons & Whittemore Overseas Co. v. Societe General de L'Industrie du Papier*,[65] in which it stated that the public policy defense only applies "where enforcement would violate the forum state's most basic notions of morality and justice."[66] The public policy defense does not authorize the invocation of "national political interests;" instead, "a circumscribed public policy doctrine was contemplated by the Convention's framers" which has a "supranational emphasis."[67]

Consistent with this limited use of the Convention's public policy exception, India's 1996 Act contains an explanation that "for the avoidance of any doubt" an arbitral award "is in conflict with the public policy of India if the making of the award was induced or affected by fraud or

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[63] *See* Hebei Import & Ex. Corp. v. Polyteck Eng'g Co. Ltd., 1999 Y.B. COMMERCIAL ARB. 652.

[64] *Id.* ¶ 66. *But see* Matermaco SA v. PPM Cranes, Inc., 2000 Y.B. COMMERCIAL ARB. 673 (the Commercial Court of First Instance in Brussels held that under Belgian law, a claim involving the termination by the principal of an exclusive distributorship contract cannot be arbitrated on public policy grounds).

[65] 508 F.2d 969 (2d Cir. 1974).

[66] *Id.* at 974.

[67] *Id.*

corruption."[68] In the context of domestic arbitrations, the Supreme Court of India refused to invoke the public policy exception as to an arbitration involving specific performance of a contract.[69] Further, the Court dismissed the appeal of a lower court's enforcement of an arbitral award involving two Indian companies that had arbitrated their contract dispute in London under the Arbitration Rules of the Grain and Food Trade Association before non-Indian arbitrators.[70] The Court in *Atlas Export* held that the arbitration did not conflict with the requirement under section 28 of the Indian Contract Law: "Merely because the arbitrators are situated in a foreign country cannot by itself be enough to nullify the arbitration agreement when the parties have with their eyes open willingly entered into the agreement."[71]

In sum, the public policy exception to international arbitration has emerged as a relatively narrow limitation. No doubt, the overwhelming advantages of arbitration have served as countervailing considerations to any of the purported negative consequences of arbitrating international commercial disputes.

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[68] 1996 Act, *supra* note 21, Pt. II, Chap. I, § 48 (2) (explanation). India's position on public policy should be contrasted with the U.S. position. In *Prima Paint Corp v. Flood & Conklin Manufacturing Co.*, 388 U.S. 395 (1967) the U.S. Supreme Court held that "[u]nless the parties manifest a contrary intention, a party's defense that it was fraudulently induced into signing a contract that contains an arbitration clause should be arbitrated if the parties' agreement to arbitrate covers the dispute." Karamanian *supra* note *, at 58. The court, however, resolves "any claim of fraud in the inducement of the arbitration clause itself." *Id.* In other words, fraud in the inducement as to either the contract containing an arbitration clause or as to the clause itself does not necessarily conflict with public policy.

[69] Olympus Superstructures Pvt Ltd. v. Meena Vijay Kehtan & Ors, [1999] 383 LRI 3 (S. Ct.).

[70] Atlas Ex. Indus. v. M/S Kotak & Co., [1999] 809 LRI 4 (S.Ct.)

[71] *Id.* at ¶ 10.

2. The Panama Convention

While the New York Convention is the principal treaty on international commercial arbitration, other treaties, generally based on regional affiliations, also address arbitration. For example, in 1975, members of the Organization of American States signed the Inter-American Convention on International Commercial Arbitration (Panama Convention).(72) To date, eighteen (18) nations have ratified or acceded to the Panama Convention.(73) In acceding to the Panama Convention, the United States enacted specific implementing legislation under Chapter 3 of the FAA.(74) Some OAS nations have reformed their arbitration laws in an effort to assure that they are aligned with both the New York Convention and/or the Panama Convention.(75)

In many respects, the Panama Convention is similar to the New York Convention. Article 1 recognizes the validity of a parties' agreement "to submit to arbitral decision any differences that may arise or have arise between them with

(72) Inter-American Convention on International Commercial Arbitration, Jan. 30, 1975, 14 I.L.M. 336 (1975) [hereinafter Panama Convention]. For an excellent analysis of the Panama Convention and its implementation in the United States, *see* John P. Bowman, *The Panama Convention and its Implementation Under the Federal Arbitration Act*, 11 AM. REV. INT'L ARB. 1 (2000) [hereinafter Bowman].

(73) *See* Scoreboard, *supra* note 5, 10-13. As of fall 2007, Dominican Republic had signed but not ratified the Panama Convention. *Id.*

(74) *See* 9 U.S.C. §§ 301-306 (1994).

(75) *See, e.g.*, Horatio Falcao, Note & Comment, *Recognition and Enforcement of Foreign Arbitral Awards: A New Chapter in Brazilian Arbitration History*, 8 AM. REV. INT'L ARB. 367 (1997) (discussing Brazil's Arbitration Law which came into effect in 1996); Jose Luis Siqueiros, *Mexican Arbitration – The New Statute*, 30 TEX. INT'L L.J. 227, 230 (1995) (in 1993, Mexico reformed its Commercial Code to "substantially incorporat[e] the UNCITRAL Model Law on International Commercial Arbitration and certain principles selected from the UNCITRAL Arbitration Rules on matters of procedure and costs of arbitration").

respect to a commercial transaction."[76] It further sets forth that the agreement shall be "in an instrument signed by the parties, or in the form of an exchange of letters, telegrams, or telex communications."[77] The Panama Convention is silent about what should happen if a court faces a dispute that arguably is subject to an enforceable arbitration agreement. Unlike the New York Convention, the Panama Convention does not require that the court order the case to arbitration.

Under Article 3, an arbitral decision or award not appealable under the applicable law or procedural rules has the force of a final judgment. Article 5 contains grounds similar to those of the New York Convention for refusal to recognize or execute upon an arbitral decision. Article 5 explicitly recognizes that recognition and execution of an award may be refused if the competent authority of the State in which recognition and enforcement is requested finds "(a) [t]hat the subject of the dispute cannot be settled by arbitration under the law of that State; or (b) [t]hat the recognition or execution of the decision would be contrary to the public policy ('ordre public') of that State."[78] Consistent with its treatment of the public grounds under the New York Convention, the United States has indicated that the "'public policy' ground for refusal to enforce the award, like the others, is to be narrowly defined."[79]

Perhaps the most important difference between the New York Convention and the Panama Convention is that, absent an express agreement between the parties, the Panama Convention calls for application of the rules of

[76] Panama Convention, *supra* note 72, art. 1.
[77] *Id.*
[78] *Id.* art. 5(2)(a)-(b).
[79] *See* Bowman, *supra* note 72, at 12 n.34 (citing SENATE TREATY DOC. NO. 97-12, 97th Cong., 1st Sess. 5 (June 15, 1981)).

procedure of the Inter-American Commercial Arbitration Commission (IACAC).[80] Effective January 1, 1978, the IACAC enacted the UNCITRAL Arbitration Rules, which establish procedures for non-administered arbitrations.[81]

3. Other Dispute Resolution Agreements

In addition to the New York Convention and the Panama Convention, various nations have signed other treaties that could affect international arbitration. Included among these are the Inter-American Convention on Extraterritorial Validity of Foreign Judgment and Arbitral Awards (Montevideo Convention)[82] and the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (ICSID Convention).[83]

The Montevideo Convention, signed by some of the OAS nations, is little used due to the overwhelming influence of the New York Convention and Panama Convention. Nevertheless, like the Panama Convention, it represents a major step forward for the Latin American nations which for many years had distrusted arbitration.

The ICSID Convention, ratified or acceded to by many countries, established ICSID, an autonomous international organization with close ties to the World Bank. ICSID provides arbitration facilities for investment disputes between

[80] *See* Panama Convention, *supra* note 72, art. 3.
[81] *See* Bowman, *supra* note 72, at 29 n.77.
[82] Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitral Awards, May 8, 1979, 18 I.L.M. 1224.
[83] Convention on the Settlement of Investment Disputes Between States and Nationals of Other States, Mar. 18, 1965, 17 U.S.T. 1270, 575 U.N.T.S. 159 [hereinafter ICSID Convention]. India is not a party to the ICSID Convention while the United States, Germany and Switzerland are parties to it. Scoreboard, *supra* note 6, at 10-13.

contracting states and nationals of other contracting states, which the parties consent to submit to ICSID.(84) Additional Facility Rules authorize the ICSID Secretariat to administer certain proceedings between States and foreign nationals which fall outside of the Convention.(85) Also, the ICSID's Secretary-General can act as the appointing authority of arbitrators for ad hoc arbitration proceedings. Thus, a variety of investment disputes could be brought before an ICSID arbitration tribunal. As discussed below, in the context of the North American Free Trade Agreement (NAFTA) and bilateral investment treaties (BITs), regulation of IP may give rise to such a dispute.

4. TRIPS, NAFTA and BITs

In addition to treaties that allow for the recognition and enforcement of arbitration agreements and awards, the international framework includes treaties that establish substantive IP principles. The Uruguay Round of the General Agreement on Tariffs and Trade (GATT) resulted in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).(86) With TRIPS, the process for the convergence of IP norms worldwide has been put into high gear.(87) For example, subject to certain exceptions, all nations belonging to the World Trade Organization (WTO) must make patents "available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial

(84) *Id.* art.1 (2), art. 25(1).
(85) *See* http://www.worldbank.org/icsid/about/main.html.
(86) Trade-Related Aspects of Intellectual Property Rights, 33 I.L.M. 81 [hereinafter TRIPS].
(87) *See* Laurinda L. Hicks & James R. Holbein, *Convergence of National Intellectual Property Norms in International Trading Agreements*, 12 AM. U. J. INT'L L. & POL'Y 769 (1997).

application."[88] Member nations are obligated to comply with nearly all aspects of the Berne Convention, which affords copyright protection to literary and artistic works,[89] and computer programs are to be protected as if they were literary works under the Berne Convention.[90]

Further, disputes under TRIPS are subject to the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).[91] The DSU provides for state-to-state dispute resolution, including a process for "expeditious arbitration."[92]

The NAFTA, among the United States, Mexico and Canada, also sets forth substantive standards of IP rights.[93] In addition to these standards, the NAFTA provides a state-to-state settlement dispute process under Chapter 20 and it also affords "the IP owner *as investor* the possibility of bringing the host State to binding international arbitration" under NAFTA Chapter 11.[94] For example, a U.S. IP owner may claim that a Canadian law relating to IP amounts to unfair or inequitable treatment or expropriation.[95] NAFTA provides that a disputing

[88] TRIPS, *supra* note 86, art. 27(1). The exceptions are significant. Nations may exclude from patentability inventions (a) needed to protect *ordre public* or morality; (b) specific methods for treatment of humans or animals; and (c) biological processes. *Id.* art. 27(2), (3). Least-developed countries that are WTO members have an additional ten years.

[89] *Id.* art. 9(1)

[90] *Id.* art. 10(1)

[91] TRIPS, *supra* note 86, art. 64.

[92] *See* UNDERSTANDING ON RULES AND PROCEDURES GOVERNING THE SETTLEMENT OF DISPUTES art. 25, Apr. 15, 1994, 33 I.L.M. 1226.

[93] NORTH AMERICAN FREE TRADE AGREEMENT pt. VI, ch. 17, Dec. 17, 1992, 32 I.L.M. 612 [hereinafter NAFTA].

[94] Allen Z. Hertz, *NAFTA Revisited: Shaping the Trident: Intellectual Property under NAFTA, Investment Protection Agreements and at the World Trade Organization*, 23 CAN.-U.S. L.J. 261, 267 (1997) (emphasis added).

[95] NAFTA, *supra* note 93, arts. 1115-38.

investor may submit the claim to arbitration before various bodies, including ICSID under the Additional Facility Rules.[96] As one commentator has observed:

The definition of an 'investment' that falls within Chapter 11 includes intellectual property. In effect, Chapter 11 provides for compensation of foreign investors in the event of a 'regulatory taking' in the host country. Under the provisions covering expropriation and compensation, a Party that has failed to protect intellectual property rights in accordance with Chapter 17 can be subject to arbitration. An arbitral judgment of the fair market value of the lost investment and associated costs can be awarded to the aggrieved investor.[97]

In recent years, important arbitral awards for money damages have been rendered under NAFTA Chapter 11, although none of these awards involved IP. If arbitral tribunals begin to issue awards based on IP regulations in a NAFTA state, important public policy issues will be at stake, just as they have arisen in the Chapter 11 environmental disputes. Of note, many of the more than 2000 BITs in force define "investment" to include intellectual property and also

[96] *Id.* art. 1120.

[97] Judy Rein, *International Governance Through Trade Agreements: Patent Protection for Essential Medicines*, 21 J. Int'l Bus. 379, 396 (2001) (footnotes omitted). As Ms. Rein also noted, the expropriation and compensation provision does not apply to "the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation or creation of intellectual property rights to the extent that such issuance, revocation, limitation or creation is consistent with Chapter Seventeen (Intellectual Property)." NAFTA, *supra* note 93, art. 1110(7). *See also* Daniel M. Price, *Chapter 11-Private Party vs. Government, Investor-State Dispute Settlement: Frankenstein or Safety Valve*?, 26 CAN-U.S. L.J. 107, 109 (2000) (observing that investment contractual rights under Chapter 11 include IP rights). The NAFTA contains other limitations on the investment claims which may be relevant in the IP context.

provide investor-state arbitration of treaty violations relating to the investment.

Institutional Support

International conventions and agreements merely reflect legal commitments and intentions. International arbitration requires arbitration rules, lawyers who understand the rules, qualified arbitrators who also know the rules and have the expertise to address the dispute at issue, and other means of support. Over the past decade, considerable resources have been devoted to establishing the infrastructure for international commercial arbitration, particularly as to IP disputes.

1. World Intellectual Property Organization (WIPO)

WIPO's Arbitration and Mediation Center was created in 1994 in Geneva, Switzerland with the recognition that arbitration and other alternative dispute resolution means could "accommodat[e] the specific characteristics of intellectual property disputes."(98) As part of WIPO, a United Nations specialized agency, the Center "is an international center offering mediation, arbitration and other services for the resolution of international commercial disputes involving intellectual property."(99)

(98) Francis Gurry, *The WIPO Arbitration Center and Its Services*, 5 AM. REV. INT'L ARB. 197 (1994) (Mr. Gurry has been the Center's Director and is currently the Deputy Director General of WIPO).

(99) Robert H. Smit, Report, *General Commentary on the WIPO Arbitration Rules, Recommended Clauses, General Provisions and the WIPO Expedited Rules: Articles 1 to 5; Articles 39 and 40*, 9 AM. REV. INT'L ARB. 3 (1998) [hereinafter Smit].

The Center provides support for the arbitration of international IP disputes. It maintains a list of qualified arbitrators with experience in IP and international arbitration. The Center also hosts conferences on topics relating to arbitration and IP law. Under the auspices of WIPO, parties can elect to have regular arbitration, expedited arbitration or mediation followed, in the absence of a settlement, by arbitration.(100)

The Center has two principal sets of rules: (1) WIPO Arbitration Rules (WIPO Rules); and (2) WIPO Expedited Arbitration Rules (WIPO Expedited Rules).(101) As one commentator has observed, the WIPO Rules "while heavily influenced by the arbitration rules of [UNCITRAL] and the AAA International Rules, were tailored to accommodate the specific characteristics of intellectual property disputes."(102) For example, the WIPO Rules allow the arbitral tribunal, at the request of a party, to "issue any provisional orders or take other interim measures it deems necessary," and they provide that any such order could be considered an "interim award."(103) The availability of interim measures is critical when the immediate protection of the IP may be the sole issue in dispute.(104) The power to issue interim relief can be exercised *ex parte*.(105) Also, the WIPO Rules have confidentiality provisions as to the existence of the arbitration,

(100) *Id.*

(101) Both sets of rules can be found at the WIPO website. *See* http://arbiter.wipo.int/arbitration/index.html.

(102) Smit, *supra* note 99, at 10.

(103) WIPO Rules, *supra* note 101, art. 46(a)(c). A request for interim measures to a a judicial authority "shall not be deemed incompatible with the Arbitration Agreement, or deemed to be a waiver of that Agreement." *Id.* art. 46(d).

(104) *See* Richard Allan Horning, Report, *Interim Measures of Protection*, 9 AM. REV. INT'L ARB. 155 (1998).

(105) *Id.* at 166.

disclosures made during the arbitration and the award.[106] They establish a process for the designation and treatment of confidential information, including the authorization of the appointment of a confidentiality advisor to resolve confidentiality issues.[107] Further, the WIPO Rules specify procedures for the use of experiments, technical primers and models, drawings or other reference materials, and for site visits as necessary.[108]

Parties can also elect to arbitrate under the WIPO Expedited Rules, which provide for a quicker arbitration at a lower cost. The WIPO Expedited Rules provide for a sole arbitrator and the deadlines are shorter than those under the WIPO Rules.[109]

The WIPO Arbitration Center is administering significant international IP arbitrations.[110] Aside from arbitrations, an important activity of the Center (and for which it has received considerable attention) has been domain dispute resolution, in which the Center implements the Uniform Domain Name Dispute Resolution Policy (UDRP) adopted by the Internet Corporation for Assigned Names and Numbers (ICANN). The disputes principally involve cyber-squatting and reverse domain name hijacking.[111] The domain dispute resolution, however,

[106] WIPO Rules, *supra* note 101, arts. 73-75.
[107] *Id*. art. 52.
[108] *Id.* arts. 49-51.
[109] *See generally*, WIPO Expedited Rules, *supra* note 101.
[110] A WIPO representative has confirmed this fact to me on a number of occasions. Of course, details about the arbitrations are confidential. For general information about WIPO arbitrations, see http://www.wipo.int/amc/en/arbitration/case-example.html.
[111] *See* Ian L. Stewart, Note, *The Best Laid Plans: How Unrestrained Arbitration Decisions Have Corrupted the Uniform Domain Name Resolution Policy*, 53 Fed. Comm. L.J. 509, 512-513 (2001).

does not result in a binding arbitral award.[112] Indeed, the process contemplates that a judicial outcome could override the UDRP proceeding although WIPO has indicated that the parties do not frequently seek recourse in the courts.[113]

2. Other Arbitration Centers

For years, the International Chamber of Commerce (ICC) in Paris, France, the American Arbitration Association (AAA) with its national office in New York, and the London Court of International Arbitration (LCIA) have provided services for the arbitration of disputes. The ICC reported that five percent (5%) of its cases registered in 2000 involved IP, based on the type of contract out of which the dispute arose.[114] The AAA has International Rules and a new International Centre for Dispute Resolution. It also has Patent Arbitration Rules, although these rules are not directed at international IP disputes. Along with these institutions, and as discussed above, ICSID offers arbitration services in international disputes.

Municipal Law

In addition to the international treaties and agreements and the arbitration centers with the capacity to handle international IP disputes, the relevant legal landscape also includes municipal law. An arbitration panel merely has the authority to issue an award. For an award to be enforced, the prevailing party must file the award with a court in a nation

[112] *See, e.g.*, Sallen v. Corinthians Licenciamentos LTDA, 273 F.3d 14, 18 (1st Cir. 2001) (explaining that under the UDRP, a disappointed respondent can file a court action within ten days of the panel's decision).
[113] *Id.* at 31 (citing WIPO, THE MANAGEMENT OF INTERNET NAMES AND ADDRESSES: INTELLECTUAL PROPERTY ISSUES: FINAL REPORT OF THE WIPO INTERNET DOMAIN NAME PROCESS 150(v) (Apr. 30, 1999)). *See also* http://www.wipo.int/amc/en/center/faq/domains.html#12.
[114] *See 2000 Statistical Report*, 12 ICC INT'L CT. ARB. BULL. 11 (2001).

where it seeks to execute on the award and have the award reduced to a judgment. If the country in which enforcement is sought is a party to the New York Convention or Panama Convention, for example, the enforcement procedure should be relatively stream-lined. But, even under the conventions, there is still the issue of whether the award itself violates the "public policy" of the nation in which enforcement is sought. As *Mitsubishi* illustrates, in international matters, included in the public policy analysis is the strong interest in encouraging arbitration of commercial disputes.

Further, the award itself could be vacated under the law in which the arbitration occurred. An arbitration panel facing a dispute involving IP should also ask whether the dispute is one that is capable of settlement by arbitration under the law chosen by the parties to govern their dispute. When the award is submitted for enforcement, the court reviewing the award may find that the subject matter of the dispute was not one that could have been resolved by arbitration.

As Professor William Park has noted, national law is essential to the arbitration process as it:

> . . .gives arbitration its legally binding character . . . The authority of an arbitrator, therefore, derives not only from the consent of the parties, but also from the several legal systems that support the arbitral process: the law that enforces the agreement to arbitrate, the forum called on to recognize and enforce the award, and the law of the place of the proceedings.(115)

Difficulties abound, however, in determining which national law is relevant and under what circumstances. Further, application of the relevant law to a specific dispute can be problematic.

(115) Park, *supra* note 54, at 656-57 (citations omitted).

Below is a brief discussion of the national laws as to the arbitration of IP disputes in the United States, Switzerland, and Germany. Reference is also made to the laws of India, although this author was unable to find any cases that address the arbitrability of international IP disputes in India. The discussion is intended to provide the reader with a general sense of how nations with considerable involvement in IP matters handle the arbitrability issue as to some IP claims. As to the law of the European countries, the author has drawn on the works presented at the 1994 WIPO conference and on Grantham's assessment of the law. The recent survey by Smith also provides important analyses that help shape the assessment.(116)

a. United States

Effective February 27, 1983, the U.S. Congress authorized the arbitration of any dispute "relating to patent validity or infringement" arising under a contract containing an agreement to arbitrate.(117) Also, parties to an existing patent validity or infringement dispute may agree in writing to have the dispute arbitrated.(118) The arbitrator is obligated to consider any defense to the patent under 35 U.S.C. § 282 if a party raises the defense.(119) The section 282 defenses include specific grounds for invalidity of the patent or any other fact or act made a defense under Title 35.(120)

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(116) *See* Smith, *supra* note 6.
(117) 35 U.S.C. § 294(a) (1994).
(118) *Id.*
(119) *See* 35 U.S.C. § 294(b) (1994).
(120) 35 U.S.C. § 282 (1994). "[V]irtually every defense to a claim under a United States patent may be the subject of binding arbitration under Section 294." David W. Plant, *Arbitrability of Intellectual Property Issues in the United States*, in WORLDWIDE FORUM, *supra* note 6, at 29, 31 [hereinafter Plant].

An arbitration award is final and binding but only as to the parties to the arbitration; it shall have no force or effect as to a third party.(121) In other words, the award is not *erga omnes*. When an award is made, the patentee, assignee or licensee must provide notice to the Director of the U.S. Patent and Trademark Office.(122) Upon receiving the notice, the Director is to file the notice in the record of the prosecution of the patent.(123) The award is not enforceable until the notice is filed with the Director.(124) Thus, arbitration's promise of confidentiality is not completely satisfied if the award is in the USPTO file. Nevertheless, even in a non-patent matter, if the award is challenged, it must be filed with the court for entry of a judgment, so it is quite common for awards to find their way into the public realm.

Further, in 1984, the U.S. Congress authorized that parties to a patent interference may "determine such contest or any aspect thereof by arbitration."(125) As under section 294, the award is dispositive of the issues between the parties; notice of the award must be given to the Director; and the award is not enforceable until the notice is given.(126) The FAA applies to the patent arbitrations.(127)

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(121) 35 U.S.C. § 294(c) (1994).
(122) 35 U.S.C. § 294(d) (1994).
(123) *Id.*
(124) 35 U.S.C. § 294(e) (1994). One could argue that the requirement of filing the award with the Director is inconsistent with article III of the New York Convention, which states that the confirmation process for foreign awards be no more onerous than the process for domestic awards. Given that both a domestic and foreign award involving a patent would need to be filed with the Director, the treatment as to foreign and domestic awards is arguably the same and thus article III is not violated. This author has had a search done of the USPTO records and found very few filed arbitration awards.
(125) 35 U.S.C. § 135(d) (1994).
(126) *Id.*
(127) 35 U.S.C. §§ 135(d); 294(b) (1994).

As one observer has noted, the Congress enacted these laws due to the increasing number of patent cases and the expanding growth of patent protection.(128) In particular, as to section 294, the House Judiciary Committee recognized that arbitration would "'enhance the patent system and thus will encourage innovation,' and 'could relieve some of the burdens on the overworked Federal courts.'"(129)

Due to the legislative changes, arbitration of U.S. patent disputes is occurring regularly as to both domestic and international disputes relating to patents.(130) Given the limited

(128) Gregg A. Paradise, Note, *Arbitration of Patent Infringement Disputes: Encouraging the Use of Arbitration Through Evidence Rules Reform*, 64 FORDHAM L. REV. 247, 255-56 (1995).

(129) *Id.* at 257 (quoting H.R. Rep. No. 542, 97th Cong., 2d Sess. 13 (1982)).

(130) *See, e.g.*, Flex-Foot, Inc. v. CRP, Inc., 238 F.3d 1362 (Fed. Cir. 2001) (affirming district court decision under the domestic FAA not to set aside an arbitration award, rendered by a panel of three patent attorneys, that held that an accused device literally infringed certain claims of a patent; also affirming the district court's permanent injunction enjoining the infringer from challenging the validity and enforceability of the patent); Rhone-Poulenc Specialties Chimques v. SCM Corp., 769 F.2d 1569 (Fed. Cir. 1985) (holding that whether SCM operated within the scope of a specific claim of a patent is arbitrable based on the parties' agreement to arbitrate "any controversy or claim arising out of or relating to" a cross-licensing agreement and based on section 285); Telectronics Pacing Systems, Inc. v. Thixomat, Inc. v. Takata Physics Int'l, Co., No. 01 Civ. 5449, 2001 U.S. Dist. LEXIS 10812 (S.D.N.Y. July 30, 2001) (holding that wholly-owned subsidiary of Japanese parent company that had signed a licensing agreement containing an agreement to arbitrate could participate in the arbitration before the ICC, which sought a declaratory award that the subsidiary and the parent had not infringed on the licensor's patents or misappropriated trade secrets); Smithkline Beecham Biologicals, S.A. v. Biogen, Inc., No. 95 Civ. 4988, 1996 U.S. Dist. LEXIS 5836 (S.D. N.Y. 1996) (confirming award in favor of Biogen as to royalties owing under a license agreement even though an arbitration panel in the UK had ruled in favor of Smithkline under a separate license agreement); Miner Enterprises, Inc. v. Adidas AG, No. 95 C 1982, 1995 U.S. Dist. LEXIS 17822 (N.D. Ill. Nov. 30,

number of reported judicial opinions on the subject, one must assume that the arbitration system is working well. The same assumption must hold true for other types of disputes involving IP, *e.g.*, copyright, trademark, and trade secret matters. As David Plant reported in 1994, public policy is not a concern as to the arbitrability of copyright cases and as to other IP matters.(131)

A recent decision of the U.S. Court of Appeals for the Federal Circuit illustrates the judicial trend favoring the arbitration of international IP disputes. In *Deprenyl Animal Health, Inc. v. University of Toronto Innovations Foundation*,(132) a Kansas-based corporation had a license agreement with a Canadian technical licensing company that helps market the invention of University of Toronto professors.(133) The license agreement covered technology that ultimately became a U.S. patent.(134) The agreement provided for arbitration of any disagreement "in connection with the interpretation, application or effect of" the license agreement under the Arbitrations Act (Ontario) and it further provided that the agreement would be "interpreted and construed" under the laws of the Province of Ontario, Canada.(135)

1995) (holding that under section 294(a) the issue of inventorship could be resolved in a Swiss arbitration).

(131) Plant, *supra* note 120, at 37-38 (discussing principally *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191 (7th Cir. 1987), which rejected the public policy argument against arbitration of the validity of a copyright).

(132) 297 F.3d 1343 (Fed. Cir. 2002).

(133) *Id.* at 1346.

(134) *Id.* at 1346-47.

(135) *Id.* at 1347.

The Canadian corporation learned that the parent of the Kansas corporation had announced FDA approval of Anipryl, a drug used to treat canine cognitive dysfunction.(136) The Kansas corporation filed suit in the federal district court of Kansas seeking a declaration that the license agreement does not apply to Anipryl and that the patent is invalid and not infringed by the sale of Anipryl.(137) The Canadian corporation then filed a notice of arbitration in Canada.(138) The Kansas corporation, in turn, filed a lawsuit in a Canadian court seeking a declaration that the dispute "is incapable of being the subject of arbitration in Ontario."(139)

The U.S. district court dismissed the case on the ground it lack personal jurisdiction over the Canadian corporation while not reaching the issue of the arbitrability of the claim.(140) All of the Canadian proceedings were stayed while the decision of the U.S. district court was appealed.(141)

On appeal, the U.S. Court of Appeals for the Federal Circuit reversed the dismissal due to lack of personal jurisdiction.(142) Nevertheless, the Federal Circuit ordered the district court on remand to stay proceedings pending arbitration in Canada.(143) The holding is significant because the court recognized the compelling advantages of arbitration of international IP disputes. In particular, the court stated that "[n]othing prevents patent-related disputes such as this one from being resolving in binding foreign arbitration" and it further recognized that "[s]ection 294 is not limited to

(136) *Id.*
(137) *Id.* at 1348.
(138) *Id.*
(139) *Id.*
(140) *Id.*
(141) *Id.*
(142) *Id.* at 1356-57.
(143) *Id.* at 1357-58.

domestic arbitration, nor is there any compelling reason to so interpret its authorization of the arbitration of disputes over patent-related rights."[144] Citing *Mitsubishi*, the court emphasized the strong policy reasons for arbitration of international disputes[145] and that "[t]hese concerns apply with vital force to the resolution of disputes regarding patent rights."[146] Further, the court rejected the argument that an arbitration proceeding in Canada would likely involve the application of Canadian law to the validity of a U.S. patent and that Canadian law could estop the Kansas corporation from challenging the patent's validity.[147] Relying again on *Mitsubishi*, the Federal Circuit indicated there was no reason to presume, before the arbitration, that the Canadian arbitral panel would apply Canadian law to the patent validity issue, and that it was uncertain as to whether that issue fell under the arbitration clause.[148] The court then concluded that international comity warranted a stay of proceedings pending the outcome of the arbitration in Canada.[149] It also stated that if the Canadian court determines that the non-infringement or invalidity issues fall outside the scope of the arbitration clause, the U.S. district court could address those claims at that time.[150]

With *Deprenyl*, the Federal Circuit adopted a strict adherence to the rationale of *Mitsubishi* in upholding the arbitration of international IP disputes, even though the arbitration could involve application of a foreign law to a U.S.

[144] Id. at 1357.
[145] *Id.* (noting that "international comity, respect for foreign tribunals, and the commercial system's need for predictable dispute resolution" favor international arbitration).
[146] *Id.*
[147] *Id.*
[148] *Id.* at 1357-58.
[149] *Id.* at 1358.
[150] *Id.*

patent. Like *Mitsubishi*, the opinion is remarkable for its elevation of the benefits of arbitration in the international context over other possible policy issues.

b. Switzerland

Switzerland, like the United States, has a strong pro-arbitration stance, particularly as to international commercial arbitrations.(151) Switzerland has one set of rules for domestic arbitration and another set for international arbitrations. Chapter 12 of the Swiss Private International Law Act of December 18, 1987 (PIL) governs arbitrations involving at least one party neither domiciled nor a resident in Switzerland.(152) Under article 177, "[a]ny dispute involving property may be the subject-matter of an arbitration."(153) Property "covers any kind of property (real and personal property, tangible and intangible assets of all kind)."(154) As Briner has observed, under the PIL, and even under Switzerland's domestic arbitration statute, IP disputes are arbitrable.(155) Arbitration of IP disputes has "always been recognized" and the jurisdiction afforded the State courts as to patent matters is not exclusive.(156)

The PIL expressly authorizes the tribunal to "order provisional or protective measures" at the request of a party, unless the parties have otherwise agreed, and it allows the

(151) Canada, as well, joins the United States and Switzerland in allowing the arbitration of a broad range of issues relating to the patent. *See* Martin, *supra* note 6, at 945.
(152) *See* Switzerland Private International Law Act 1987 art. 176(1) *reprinted in* Redfern & Hunter, *supra* note 34, at 784 [hereinafter PIL].
(153) *Id.* art. 177(1).
(154) *Id.* art. 177(1) n.1.
(155) Briner, *supra* note 36, at 71. Under Swiss law a claim could be inarbitrable under the domestic law but arbitrable under the PIL. *Id.* at 68.
(156) *Id.* at 72.

tribunal to seek judicial assistance if the party does not comply with the order.(157)

An arbitral award is to be deposited with the Swiss court of the seat of the arbitral tribunal, and upon a party's request, the court "shall certify the enforceability of the award."(158) According to Briner, "[a]wards rendered in connection with the validity of IP rights are recognized as the basis for entries in the register" so long as the appropriate court certificate accompanies the award.(159) As Grantham has also noted:

[As like in the United States], in Switzerland, the Federal Office of Intellectual Property adopted the view more than twenty years ago that arbitral tribunals could decide the validity of industrial property-patents, trademarks, and designs. These decisions, if accompanied by a certificate of enforceability issued by a Swiss court with jurisdiction over the seat of arbitration, will be entered in the federal intellectual property register. By making the arbitration tribunal, in a sense, do the work of the public authorities, the integrity of the ordre public is not compromised.(160)

An award can be set aside under Swiss law if it is "incompatible with public policy."(161) Nevertheless, in *Fincantieri-Cantieri Navali Italiani S.p.A. v. M. et Tribunal Arbitral*,(162) the Federal Supreme Court held that a Swiss tribunal properly exercised jurisdiction over a dispute involving two Italian companies and a certain individual, M, even though the dispute involved M's request for unpaid commissions on transactions involving Iraq, which violated the United Nations'

(157) PIL, *supra* note 152, art. 183(1), (2).
(158) *Id.* art. 193
(159) Briner, *supra* note 36, at 72. *See also* Grantham, *supra* note 6, at 186.
(160) Grantham, *supra* note 6, at 186.
(161) PIL, *supra* note 152, art. 190(2)(e).
(162) ATF 118 II 353 (June 23, 1992).

embargo on commercial activities with Iraq. The court rejected the Italian companies' claim that arbitration violated public policy. Swiss law established the relevant public policy and no showing was made that, under Swiss law, deference to a foreign law of inarbitrability was required.(163) As a result, as Briner has concluded, a restriction on article 177 requires two conditions: (a) a violation of public policy and (b) the fact that the public policy "imperatively requires the application of the foreign law which contains such a rule of non-arbitrability."(164)

c. Federal Republic of Germany

Germany authorizes the arbitration of patent infringement disputes.(165) This is so even though the *Bundespatentsgericht*, the Federal Patent Court, has jurisdiction over nullity (validity) proceedings and the patent chambers of the District Court handle patent infringement matters.(166) As Mr. Pagenberg has observed, patent rights can be assigned or licensed, "[i]t goes without saying that a patentee can renounce his patent" and therefore, "there are no limitations to the arbitrability of patent infringement matters."(167)

As to nullity proceedings, a declaration that a patent is invalid would violate the public order.(168) Nevertheless, a

(163) Grantham, *supra* note 6, at 193.
(164) Briner, *supra* note 36, at 74.
(165) Jochen Pagenberg, *The Arbitrability of Intellectual Property Disputes in Germany*, in WORLDWIDE FORUM, *supra* note 6, at 81, 86 [hereinafter Pagenberg].
(166) *Id.*
(167) *Id.*
(168) *Id*. *See also* Hilmar Raeschke-Kessler, *Some Developments on Arbitrability and Related Issues*, in INTERNATIONAL ARBITRATION AND NATIONAL COURTS: THE NEVER ENDING STORY, ICCA INTERNATIONAL ARBITRATION

clever arbitral tribunal could avoid the issue by merely holding that the patent is not enforceable or is "limited to the exact wording of the claims in view of identical prior art, so that the infringement must be denied."[169] Further, under Germany's civil procedure rules, "[a]n arbitration agreement regarding matters not concerning private property is valid to the degree to which the parties are entitled to reach a settlement over the issue at dispute."[170] Hence, there is an argument that an arbitral tribunal's decision even on patent validity could be binding between the parties to the dispute is that is a matter that the parties could have settled.[171]

d. India

As noted, the author has not located an Indian case that directly analyzes the propriety of arbitrating international IP disputes.[172] The Indian courts, however, have addressed two issues that could be relevant to the arbitrability issue.

First, over the years, the Indian courts have struggled with the Convention requirement that the arbitration clause cover a commercial transaction. In 1965, the Bombay High Court held in *Kamani Engineering Corp. v. Societe de Traction*[173] that "disputes arising out of the transfer of technology cannot be submitted to international arbitration on the ground that technical assistance contracts are not

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CONFERENCE 44, 48 (Albert Jan van den Berg ed. 2001) [hereinafter Raeschke-Kessler].

[169] *Id.* at 87.

[170] Smith, *supra* note 6, at 335.

[171] *Id.*

[172] *Id.* at 340 (recognizing that "[t]he arbitrability of substantive patent law claims in India is not well settled" but also recognizing that the patent law authorizes arbitration in cases involving the government's use of a patented item).

[173] 5 1965 A.I.R. 114 (Bombay).

contracts of a commercial nature."[174] This approach reflected a view of commercial that had little, if any, respect for the goals of international arbitration. Nevertheless, as Ebb points out, in the 1970s, at least one commentator had observed that commercial law as reflected in modern works covered "'patents and trademarks, royalty and know-how agreements, consultancy.'"[175] In recent years, Indian courts have recognized that the term "commercial" should be given a liberal construction "'having regard to the manifold activities which are an integral part of international trade today.'"[176] If there is any doubt about the approach to be given commercial, the passage of the 1996 Act, with its emphasis on the UNCITRAL Model Law, puts it to rest. Under the UNCITRAL Model Law, the term "'commercial' should is to be interpreted broadly.[177]

Second, in recent years, the Supreme Court of India extended the rule that provisional judicial measures could be secured in an arbitration proceeding to an international commercial arbitration being conducted outside of India.[178] Under the 1996 Act, as to arbitrations that occur in India, a party may apply to a court for interim measure of

[174] Lawrence F. Ebb, Book Note, 8 AM. REV. INT'L ARB. 203, 205 (1997) (reviewing D. P. MITTAL, NEW LAW OF ARBITRATION ADR & CONTRACT IN INDIA (1997)) [hereinafter Ebb].
[175] *Id.* (quoting A.E. Kamali, INTERNATIONAL COMMERCIAL ARBITRATION 6, 7, 52-53)).
[176] *Id.* (quoting R.M. Inv. and Trading Co. v. Boeing, 1994 A.I.R. 1136, 1140 (S.Ct.)). *See also* Rao, *supra* note 11, at 177-8 and n.4 (stating that "'commercial' is interpreted liberally by the Indian courts with a view to promote international trade and facilitate thereby expeditious settlement of disputes").
[177] Ebb, *supra* note 174, at 206 (quoting Article I of UNCITRAL Model Law).
[178] *See* Bhatia Int'l v. Bulk Trading S.A., [2002] 4 SCC 105.

protection.[179] The authorization for interim measures is located only in the 1996 Act's Chapter I, which does not address international arbitrations. As a result, a number of courts had held that interim measures are not available in arbitrations being conducted outside of India.[180] In 2002, the Supreme Court of India ruled in *Bhatia Int'l v. Bulk Trading SA*[181] that interim measures under Chapter I, section 9 are available in arbitrations outside of India "unless the parties by agreement, express or implied, exclude all or any of its provisions" and thus, "the laws or rules chosen by the parties would prevail."[182]

Bhatia should promote the arbitration of international IP disputes. A critical concern in IP disputes generally is the need to get some form of injunctive relief pending review of the case on the merits. *Bhatia* extends the right to seek interim judicial measures from a court in India without jeopardizing the ability to arbitrate a dispute outside of India.

PUBLIC POLICY RECONSIDERED

The paper now gives a brief assessment of some of the public policy issues. It will not revisit in detail the thoughtful and carefully crafted arguments that Grantham, Martin, and others have made to diffuse the notion that the state's exclusive grant somehow makes a claim related to the grant immune from private dispute resolution. As these authors have noted, many IP claims between private parties can be settled in private, or the IP rights at issue can be freely

[179] 1996 Act, *supra* note 21, Pt. I, Chap. I, § 9.
[180] *See* Jyoti Sagar, *Interim Measures by Local Court in Arbitration Held Overseas-Developments in India*, in 16 NEWS AND NOTES FROM THE INSTITUTE FOR TRANSNATIONAL ARBITRATION 3 (Autumn 2002) (citing cases).
[181] [2002] 703 LRIU 1 (S. Ct.).
[182] *Id.* ¶32.

assigned or licensed away. Disputes involving state grants of other property, *e.g.*, real property title based on registration in state records, are routinely resolved in private arbitration without anyone raising a concern. For those who have a concern, they can take comfort in that the arbitral award only affects the parties in the dispute; to the extent the public needs to know, the patent records at the registrar's office will show the results of the award. Besides, we should trust the arbitrators to resolve only the disputes before them while minimizing any intrusion into the public order.[183] Indeed, most of the world's developed nations have engaged in the "balancing" of concerns and, as a result, have allowed some arbitration of IP disputes.

Instead, this paper will focus on two practical issues and one, perhaps more theoretical, issue related to public policy and the arbitration of international IP disputes. The analysis is relatively brief as it is hoped that the issues will identify certain problems that could form the basis of discussion and additional review.

In terms of the practical issues, the author accepts that given the shortcomings of the judicial process, particularly as to IP disputes and international disputes, in general, non-judicial dispute resolution is beneficial. The current system, as set forth above, contains a variety of problems that could be considered to interfere with the well-defined goals of arbitration. Two of these problems that could pose unique problems in the IP realm are (1) lack of access to interim measures; and (2) the lack of attention given as to whether the award would violate public policy.

[183] The arguments set forth in this paragraph are articulated and developed in Grantham, *supra* note 6, at 180-88, 220-21.

As discussed above, an advantage of arbitration is efficiency. In the IP world, in particular, the ability to obtain an immediate injunction to prevent an infringement is important to preserve the status quo while the arbitration goes forward. While many arbitration rules authorize tribunals to issue interim measures, and to do so on an expedited basis, the rules only come into effect once a tribunal is constituted, which takes time. Aside from this problem, the more disturbing news is that if the national courts are called into the dispute, which occurs frequently in the United States, they may not order the interim relief. Indeed, just recently, a U.S. federal district court refused to award a pre-arbitration writ of attachment on the ground that the arbitration rules to which the parties had agreed, the China International Economic and Trade Arbitration Commission (CIETAC), authorized a procedure for the parties to obtain provisional measures.(184) U.S. courts are divided as to whether judicial interim relief is appropriate under the New York Convention when the parties have agreed to arbitrate.(185) As Professor Brower argues, the Convention authorizes interim measures. Until national courts consistently recognize that they can play a limited role in supporting arbitration, the benefits of an injunction, which may be essential to resolving the IP dispute, will not be realized.

Fortunately, India and other nations have adopted the UNCITRAL Model Law which allows for interim measures in

(184) China Nat'l Products Import/Ex. Co. v. Apex Digital, Inc., 155 F. Supp.2d 1174 (C.D. Cal. 2001).

(185) *See* Charles H. Brower, II, Note, *What I Tell You Three Times is True: U.S. Courts and Pre-Award Interim Measures under the New York Convention*, 35 VA. J. INT' L. 971, 986-87 (1996) (describing the "[m]urky" three-way split of authority in the federal circuit courts of appeal on the whether the district court can order an attachment in aid of future arbitrations).

certain circumstances. Many arbitration rules also authorize interim measures.

The second problem is again a practical one but it is perhaps more disturbing in terms of its significance. *Mitsubishi* put off the rigorous public policy analysis until the enforcement stage.(186) *Westacre,* which considered the case at the enforcement stage, refused to engage in the rigorous public policy analysis; instead, the court cleverly shifted the focus to the Swiss arbitral tribunal, as surely that body must have given careful study to the public policy matters in rendering the award. Under Swiss law, the tribunal, in turn, need not engage in the public policy analysis unless the public policy requires that foreign law apply and the foreign law renders the claim inarbitrable. In fact, tribunals in Switzerland have refused to apply foreign law to the question of the arbitrability of a dispute even when that law arguably made the claims inarbitrable.(187)

As a result, it is possible that no duly constituted body is giving effect to the public policy principles as the New York Convention requires. Eventually, if a Swiss tribunal invalidates a German patent, and the prevailing party seeks to enforce the award in Germany, the house of cards may begin to fall. Yet then, it is still possible that the German court could hold that international arbitrations are different, and principles of comity require that the award be enforced.

Finally, all of the detailed language in conventions, agreements, arbitration rules, arbitral awards, and court decisions could cause one to lose sight of the big picture. The

(186) One could argue, however, that the U.S. Supreme Court in *Mitsubishi* engaged in the public policy "balancing" and, due to the international concerns, ruled in favor of arbitration at the cost of enforcement of U.S. antitrust laws.

(187) Briner, *supra* note 36, at 66-67.

grant of a patent power has "potentially important economic and social consequences."[188] A decision affecting the power could have serious public consequences, even though the award is only *inter partes*. For example, if in an infringement action involving a valuable pharmaceutical product, the arbitral tribunal holds there is no infringement because the patent is not enforceable (as opposed to declaring the patent invalid) the effect could still be quite devastating. The manufacturer, the holder of the patent, may elect not to allocate resources to the product due to the arbitral award, which in turn could have adverse health results. While the same result would hold true with an adverse judicial decision, at least in the litigation arena there is a level of transparency and openness, and in certain jurisdictions, there is the possibility that interested parties could be involved in the process. Or at least in litigation, due to the absence of the closed door behind which decisions are made in secret, the mere fact of the dispute would have been known to the rest of the world.

[188] Christopher Wadlow, ENFORCEMENT OF INTELLECTUAL PROPERTY IN EUROPEAN AND INTERNATIONAL LAW 161 (1999).

CONCLUSION

Parties from around the world appear eager to have their international commercial disputes, including IP disputes, resolved swiftly and effectively in a non-judicial manner. A system is in place to meet this need, although it is subject to basic, sometimes conflicting, principles given the influence of national laws.

While in the grand scheme the "law" is considered a means of resolving parties' differences, it does not, or at least should not, lack a normative component. In the international arbitration context, the normative component is embedded in the New York Convention. Public policy should shape what arbitration agreements and awards are enforced. As municipal courts, arbitral tribunals, and private parties struggle with the meaning of "public policy" in an increasingly homogeneous business world, they must remember that their private dispute resolution could implicate broader social concerns. With the right to go private comes even a greater duty on behalf of all of the relevant actors to assure that the rules are followed.