Removing Uncertainty about Industrial Property Arbitration in France

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Introduction

The French Association of Industrial Property Attorneys (l’Association des Conseils en Propriété Industrielle) (“ACPI”) is a very old association created at the end of the 19th Century, well before the regulation of the profession, with the objective of organizing the services of patent and trademark attorneys of the time around strong principles of ethics and quality of work.

This association participated in the development of industrial property, notably in the field of alternative solutions to the resolution of conflicts.

It delegated the logistical arrangement of arbitral procedures to an independent institutional arbitration center, the International Arbitration Chamber of Paris (la Chambre Arbitrale Internationale de Paris), in accordance with a specific regulation which proposes a list of arbitrators, highly specialized in this field.

I. Overview of the Types of Cases in the Field of Industrial Property

In France, according to the applicable law, civil proceedings related to patents may only be brought before the French court of first instance (le Tribunal de Grande Instance), and today, only the Paris court of first instance has jurisdiction over such claims.¹

However, the law goes on to state that these legal provisions shall not prevent recourse to arbitration, the parties being obliged to expressly provide consent for arbitration should they decide to pursue such recourse.

Such consent is generally provided via an arbitration clause contained in a contract signed by the parties, whether a contact for the license of industrial property rights (for example a patent), a patent assignment contract, a contract for the transfer of know-how (patented or otherwise), a contract for the transfer of technology, etc.

Where implementation challenges occur, recourse to arbitration to find a solution to these contractual implementation difficulties never really posed a problem.

However, recourse to arbitration may also take place where, once the dispute has arisen, the parties mutually agree to submit their dispute to arbitration.

We are thus in the presence of an arbitration agreement, via which the parties may decide to bring before an Arbitral Tribunal a dispute arising out of the execution of contractual relations, or out of a problem of non-contractual liability, and thus why not, a problem of patent infringement.

Before comparing the relative advantages and disadvantages of arbitration versus litigation in the field of patent litigation, it is necessary to determine whether all disputes are arbitrable or whether only certain disputes pose difficulties (B) and, in order to do that, quickly review the types of problems which may arise out of a dispute regarding a patent (A).

A. The difficulties which may arise in a patent dispute

Overall, five types of litigation may arise:

- the litigation of the validity of a patent or its revocation,
- the litigation of infringement,
- the litigation of the ownership of a patent,
- the litigation of patent use contracts,
- the litigation of eviction, that is, everything concerning measures of expropriation, ex officio licenses, or obligatory licenses.

In order to determine what is arbitrable and what is not, it is necessary to first examine the legal provisions which

¹ Article L 615-17 of the French Code of Intellectual Property
show us that it is not possible to compromise on legal challenges involving public authorities and their public establishments and, more generally, in all cases which involve public policy.  

It is also important that the question submitted to arbitration concern the rights which the parties have at their free disposition.

It is on this basis that litigation of eviction has been considered as excluded from the various causes of actions which are arbitrable.

Originally, it seemed as if litigation regarding the validity of patents and the revocation of a patent rendered by a judge were also excluded as unarbitrable, due that they were legally designated as having an erga omnes effect, which would certainly be put into question by an arbitral award announcing a decision on such a question between the parties.

But things evolve.

B. What are the arbitrable disputes today?

- Firstly, disputes regarding difficulties in contractual execution have been regarded as arbitrable since the 1960’s.

- Disputes seeking the revocation/validity of patents

Abandoning the initial position of non arbitrability of these disputes, the Court of Appeal of Paris, and later the French Court of Cassation, decided that the revocation/validity of patents were arbitrable to the extent that an arbitral tribunal is not asked to rule on the primary issue. The question of the validity of a patent, debated as an incidental question, could thereby be submitted to an arbitrator, given that an eventual holding of invalidity would have no effect except as between the parties.

- Disputes in infringement, taking into account the position adopted by our courts, of alleged infringement of a patent during the execution of a contract other than a work contract.

- The arbitrators could rule on the demands of allocation of damages given that they were not interested in the question of public policy (except seizure for counterfeiting or “saisie-contrefaçon”).

- With regards to disputes regarding questions of the ownership of patents, their interests come from the private sector, and they are considered for the past twenty years as arbitrable. The tribunals have thus admitted that a dispute concerning the paternity of an invention created during a contract other than a work contract.

- Finally, disputes regarding eviction will remain non arbitrable (expropriation, ex officio licenses, or obligatory licenses) as well as disputes of criminal actions under a public policy justification.

C. International Contracts

When an international contract is involved, the parties have every interest to resort to arbitration. The parties may therefore choose the appropriate applicable law, except of course with regards to the required procedural rules, and will be therefore placed in a situation of equality with regards to the national norms which concern industrial property. In addition, it is important to have recourse to a neutral tribunal, which is sensitive to various cultures, to judicial habits and to the language of the parties, seated, in addition, in a country which is free from all forms of pressure and without needing to support the weight of a judicial procedure.

II. The advantages of arbitration for disputes relating to industrial property

The decision whether to choose arbitration to resolve industrial property conflicts must be taken on a case-by-case basis, in depending on each situation.

In the international sphere, the real interest of an industrial property arbitration is the treatment by a single arbitral tribunal of disputes which would otherwise be brought before courts in several countries. In fact, the risk is that the various courts conduct parallel proceedings according to the law of each of the States at hand. With regards to the parties, the risk is great, given that, in addition of the difficulty of managing parallel cases, no harmony between such decisions is ensured and significant costs are linked to each proceeding. Therefore, recourse to arbitration is a strict and effective approach with regards to the management of differences.

2 Article 2060 of the French Civil Code
3 Article 2059 of the French Civil Code
4 Article L.613-27 of the French Code of Intellectual Property
5 Paris, 1st Chamber, February 28th, 2008
6 Civil Chamber 1, June 12th, 2013
7 CA Paris 1ère Ch. 31-10-2001
Confidentiality, if it is not waived by the parties, presents an additional undeniable advantage. The obligation of confidentiality covers all elements of the arbitral procedure, the arbitral award, as well as all information concerning the subject of the dispute and the arguments which the parties present during the case. This obligation is imposed upon both the arbitrators, as well as the parties and the arbitral institution. It is well known that at the heart of high stakes which concern companies, safeguarding innovation is a question of crucial importance. True, patents play a decisive role in this protection. However, often the patent use contracts coupled with contracts for the transfer of technology or know-how, and in a context of greater and greater competition, arbitration is ideal for companies which seek to ensure confidentiality in order to not have one of its innovative concepts stolen, to preserve trade secrets or an un-patented know-how. Inversely, the acts of a completed judicial procedure are public and thus accessible to the competition.

Another advantage of arbitration must be taken into account – the absence of formalism and the flexibility in the progression of the proceedings. The ACPI Rules allow for the organization of a flexible and effective procedure with very short deadlines, leaving great freedom to the parties and to the arbitrators regarding the choice of progression of the proceedings. Where the arbitration is domestic, the arbitrators are exempted from following the rules established by the courts, except as otherwise decided by the parties. Where the arbitration is international, the arbitrators have great freedom in the running of the proceedings, as long as they respect the principles guaranteeing a fair trial. In addition, the awards are not appealable, and only a set-aside proceeding is open to the parties.

Hence, frequently, the arbitrators will resolve the dispute more quickly than judges, which necessarily reduces the cost.

According to the statistics established by the World Intellectual Property Organization, national judicial litigations last an average of three years and international judicial litigations last an average of three and a half years, whereas an arbitration award is rendered in a period of around one year. The cost of an extranational judicial procedure is generally greater than $850,000 whereas an arbitration procedure generally costs around $400,000.

Finally, the parties find in arbitration, in choosing their arbitrators, a response to their need to entrust their disputes to neutral persons, who inspire trust in them due to their mastery of the arbitration procedure, but also due to the perfect awareness of the questions concerning industrial property, necessary to decide a dispute, and a particular sensibility to the new stakes in the field which companies are confronted with.

III. The interest of recourse to arbitration according to the arbitration rules conducive to industrial property – an arbitration placed under the auspices of the CIAP

The CIAP made the choice to propose to the parties a specific set of Rules – the ACPI Rules (le Règlement de l’ACPI) – which treats cases relating to industrial property and proposes a list of arbitrators highly specialized in this field.

Recourse to arbitration according to the Rules of the AIPA supposes the agreement of the parties to do so. The arbitration agreement must, therefore express target the Rules of the Association of Industrial Property Attorneys, which provides for the organization of an arbitration procedure under the auspices of the Chamber of International Arbitration of Paris (“CIAP”) (Chambre Arbitrale Internationale de Paris) (“CAIP”). There is no ideal arbitration clause, but it is never too much to remind that such a clause must embrace all disputes arising out of the relations between the parties – subject to the provisions previously stated – and be clear and simple.

A. The Role of the Court of Arbitration

It is useful to mention the allocation of responsibilities between the Permanent Court of Arbitration of the ACPI, its Arbitration Commission, the CIAP and the arbitral tribunals.

In reality, the Permanent Court of Arbitration is composed of the CIAP and the Arbitration Commission which determines the strategies of the development of arbitration and other modes of dispute resolution at the ACPI and ensures the application and evolution of its Rules.

The Arbitration Commission has another role: it establishes the list of arbitrators of the ACPI with people competent in the field of industrial property which it thereafter submits to the CIAP. Then, the Arbitral Chamber puts this list at the disposition of the parties without charge on its website.
In addition, another attribution of the Commission is the elaboration of an arbitration fee table which the parties can consult on the website of the CIAP. However, due to the circumstances, the arbitration fees can be exceptionally fixed at an amount greater or less than the table provides. In this sense, the decision is taken conjointly by the President of the CIAP and the President of the Arbitration Commission of the ACPI.

Finally, the Commission may decide, on request, to allow for an urgent procedure.

With regards to the CIAP, its mission is to administer the procedures with the help of the Permanent Secretariat composed of jurists specialized in arbitration who speak multiple languages.

The mission of the constitution of arbitral tribunals is entrusted to the CIAP. However, the Arbitration Commission of the ACPI, seized by CIAP, often sovereignly rules on challenges against arbitrators.

Let us recall that the ACPI proposes a list of arbitrators composed of counsels, engineers or consultants and jurists (lawyers), experienced specialists, who perfectly master the intricacies of industrial property and who possess competence which is up to par with the technical or scientific field concerned.

In addition to the requirements regarding the necessary skills in dispute resolution, the arbitrators who are included in the list of arbitrators of the ACPI must practice or have practiced in the past a function of Counsel in Industrial Property or attorney (Article 7, al. 1 of the Rules). Finally, in the exercise of their mission, the arbitrators must comply with a certain number of obligations, such as the obligation of independence and impartiality and expressly accept certain obligations defined by the law and by the jurisprudence, for example, ensure its mission with competence, diligence and poise, conform to the dispositions of the ACPI Rules or to each derogation which the parties have agreed to in their arbitration agreement.

B. Dispute Resolution Under the ACPI Rules

The ACPI Rules are adapted to both internal and international industrial property dispute resolution.

The ACPI proposes several arbitration procedures adapted to various disputes.

Firstly, the ACPI Rules provide for a procedure without appeal, on the legal questions. It is a very complete procedure which allows for the analysis of all aspects of the dispute via a thorough adversarial debate. This procedure is adaptable to most cases in question. In principle, the arbitral tribunal rules on points of law, except where the parties have entrusted it with the mission of ruling on an equitable basis. A definitive award is rendered within a maximum deadline of six months, but may be extended in the case of exceptional circumstances. The parties may not appeal this award.

Secondly, the parties may seek to apply the urgent procedure. This procedure is characterized by very short deadlines, imposed by the Rules, and by the fact that the mission of the arbitrators only lasts for three months, but may be extended in the case of exceptional circumstances. However, the costs of the arbitration are higher.

The urgent procedure may be sought in order to rule solely on a provisional measure or a warranty. Indeed, it is important to protect the industrial property through such measures, which may notably aim to cease the infringement or to prevent it, however such measures ordered by the arbitrators do not apply to third parties.

The Arbitral Tribunal may be constituted by a panel or by a sole arbitrator, if the parties have expressly so provided. Except for an agreement by the parties on the name of the sole arbitrator, the Arbitral Chamber will nominate him or her ex officio. The choice of sole arbitrator will be made from the ACPI list or off the list as long as the arbitrator nominated exercised or previously exercised a function as Counsel in industrial property or as an attorney.

In order to reduce the costs and the procedural deadlines, Article 21, al. 2 provides that the Arbitral Tribunal may rule on documents if the parties have asked it to do so or accept that it does so.

In addition, the ACPI offers, through mediation rules, the possibility of recourse at any moment to a mediation procedure in order to seek to finish the dispute through common accord. In order to facilitate the recourse to mediation, the arbitral rules now contain an Article 2 which allows the parties to a dispute to resort to mediation at any stage of the arbitration proceedings.

The representation of the parties is admitted only by a counsel in industrial property or by an attorney. A special power to represent a party to the arbitration is necessary.

It is important to note that the notice of arbitration must be addressed to the Arbitral Chamber. The date of the commencement of the arbitration proceedings will be that of the reception of the notice by the Secretariat of the Arbitral Chamber.

The compensation of the arbitrators and of the center is made according to the fee table published on the website of the CIAP, established according to the amount of the dispute.
Conclusion

The ACPI (*Association des Conseils en Propriété Industrielle*), under the Presidency of Guillaume de La Bigne, presented 2014 as a year marked by a rise in the power of actions of the ACPI. A result which very much illustrates the importance accorded to questions linked to industrial property by businesses, which now make up part of their strategy and competitiveness.

For these companies and in a context which is more and more favorable to arbitration – even if the principle of the arbitrability in certain zones of industrial property are still being established – the CIAP is bringing its know-how in the field of conflict resolution, the result of its extensive experience of almost 90 years and, in collaboration with the ACPI, places it at the disposition of the parties.

For further information
http://www.acpi.asso.fr/notre-association/chambre-arbitrage/