

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Dispute Settlement

World Intellectual Property Organization

4.1 Arbitration and Mediation Center

NOTE

The Course on Dispute Settlement in International Trade, Investment and Intellectual Property consists of forty modules.

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WHAT YOU WILL LEARN

This module presents an overview of the role, rules and services of the WIPO Arbitration and Mediation Center (the WIPO Center). The WIPO Center has issued rules for use in various dispute resolution procedures, namely WIPO Mediation, WIPO Arbitration and WIPO Expedited Arbitration. While the WIPO procedures focus on intellectual property disputes, nothing prevents the parties to a dispute from using them in other types of commercial disputes. In the administration of WIPO procedures, the Center makes available its detailed list of specialist arbitrators and mediators.

The first section of this module provides an introduction to WIPO, the WIPO Center's role and a brief overview of the three main procedures it administers. The second section addresses the mediation process and the different steps involved in mediation under the WIPO Mediation Rules. The third section presents an overview of the arbitration procedure under the WIPO Arbitration Rules, the legal framework applicable to the arbitration, the commencement of the arbitration and the composition and establishment of the arbitral tribunal. The fourth section includes a step-by-step analysis of the subsequent stages and procedural elements involved in an arbitration conducted under the WIPO Arbitration Rules and the WIPO Expedited Arbitration Rules, namely: the arbitral tribunal's authority to conduct the proceedings, language of the arbitration, submissions, interim measures, preparatory conference, presentation of evidence, confidentiality, award, and fees and costs.

This module describes the main features and advantages of the procedures designed by the Center. It aims to provide parties and their representatives with the information necessary to select the most appropriate dispute resolution procedure, to draft the corresponding dispute resolution clause to be inserted in an agreement and to gain an insight into the conduct of WIPO procedures.

OBJECTIVES

Upon completion of this module, the reader should be able to:

- Describe the main features and advantages of the procedures designed by the WIPO Arbitration and Mediation Center;
- Select the most appropriate dispute resolution procedure for any given case; and
- Draft appropriate dispute resolution clauses for insertion into an agreement.

1. INTRODUCTION

1.1 WIPO

1.1.1 The Organization

Intergovernmental organization

The World Intellectual Property Organization (WIPO) is an independent, intergovernmental organization established by a Convention signed in Stockholm on July 14, 1967 that entered into force in 1970. Administratively, it forms part of the United Nations system of organizations and has its headquarters in Geneva, Switzerland.

WIPO comprises 179 Member States. The executive head of WIPO is the Director General, who is elected by WIPO's Member States. The secretariat of WIPO is the International Bureau comprising over 1,000 staff members.

1.1.2 Objectives

International protection of intellectual property

WIPO's principal objective is to promote the protection of intellectual property throughout the world through cooperation among States, and, where appropriate, in collaboration with other international organizations.

Innovation and creativity

WIPO recognizes that protection of intellectual property is not an end in itself. Rather, such protection is a means to encourage creative activity, industrialization, investment and honest trade. In WIPO's view, a robust and dynamic intellectual property system supports and encourages technological innovation and artistic creativity.

1.1.3 Main Areas of Activity

Overview

For the promotion of the protection of intellectual property throughout the world, WIPO encourages the conclusion of new international treaties and the modernization of national statutes. Also, WIPO provides technical assistance to developing countries, assembles and disseminates information, and maintains services that facilitate the obtaining of protection for inventions, trademarks and industrial designs. WIPO also promotes other administrative cooperation among Member States.

Administration of treaties

WIPO administers more than 20 treaties and conventions, including for example, the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Madrid Agreement Concerning the International Registration of Marks and the Protocol to that Agreement, and the Patent Cooperation Treaty.

<u>Cooperation for development</u>	In line with its objectives and responsibilities, WIPO devotes substantial activities and resources to cooperation with developing countries. WIPO is responsible for <i>inter alia</i> promoting the protection of creative intellectual activity, facilitating the transfer of technology related to industrial property to the developing countries in order to accelerate their economic, social and cultural development, and organizing easier access to the scientific and technological information contained in millions of patent documents around the world.
<u>Funding</u>	WIPO provides its services to its Member States and to individuals and enterprises who are constituents of those States. Its operations are largely self-financed by means of the fees it charges for services it renders to the private sector, the remainder being funded by contributions from Member States.
<u>Dispute resolution</u>	WIPO provides dispute resolution services through its Arbitration and Mediation Center, examined in this module.

1.2 The WIPO Arbitration and Mediation Center

1.2.1 The Center's Role

<u>Operates since 1994</u>	Based in Geneva, Switzerland, the WIPO Arbitration and Mediation Center is an administrative unit of WIPO's International Bureau. It commenced operations in October 1994.
<u>Alternatives to litigation</u>	The Center administers alternatives to court litigation, for the resolution of commercial disputes between private parties concerning intellectual property. It also serves as a resource center, offering a comprehensive website and a series of publications in the area of dispute resolution of intellectual property disputes.
<u>WIPO Rules</u>	The Center has promulgated WIPO Mediation Rules, WIPO Arbitration Rules and WIPO Expedited Arbitration Rules (together the "Rules") for use in various dispute resolution procedures. Helpful comments and analyses of the WIPO Arbitration Rules appear in the WIPO 1995 publication <i>Conference on Rules for Institutional Arbitration and Mediation</i> . Importantly, the WIPO Rules have been designed for use in any legal system, and in procedures anywhere in the world. Provided there is agreement among the parties to a dispute, any person or entity, regardless of national affiliation, may refer a dispute for resolution under any of the procedures administered by the Center. In the administration of such procedures, the Center draws on its List of Neutrals, comprising highly specialized arbitrators and mediators with expertise covering the entire legal and technical spectrum of intellectual property.

1.2.2 Procedures Offered by the Center

Dispute resolution procedures

The dispute resolution procedures offered by WIPO are nominally categorized as:

- (a) mediation;
- (b) arbitration;
- (c) expedited arbitration; and
- (d) mediation followed by arbitration.

Unlike court litigation, each of these procedures must be agreed to by the parties to the dispute. None should be regarded as written in stone. Rather, each should be regarded as subject to modification as the parties desire in order to “fit the forum to the fuss”.

Each procedure is summarized below and discussed in greater detail in sections 2, 3 and 4.

Mediation

Mediation is a consensual process in which a neutral person facilitates discussion and negotiation between the parties so that the parties themselves can solve their problem. The parties design both the process and the terms and conditions of their solution to their problem. In contrast to adversarial procedures, such as litigation or arbitration, a mediator cannot impose a settlement on the parties. Also, any party can abandon the mediation at virtually any time before signing a settlement agreement.

Arbitration

Arbitration is a consensual procedure in which a neutral person or persons impose a binding decision on the parties. Whereas the parties may design the procedure, the arbitrator designs the terms and conditions of the decision. Also, after a party has agreed to arbitrate, the party cannot unilaterally withdraw from the arbitration process without risking an adverse decision on substantive issues.

Expedited arbitration

Expedited arbitration is a consensual procedure in which the rendering of a decision by the arbitrator is accelerated. In the WIPO expedited arbitration model, only one arbitrator serves. Also, time periods are shortened, and evidentiary hearings are condensed.

Mediation followed by arbitration

In mediation followed by arbitration (sometimes known as “med-arb”), mediation is undertaken first. If the dispute is not entirely settled by way of mediation, arbitration ensues to resolve remaining issues.

1.2.3 Services Offered by the Center

Contract clauses

The Center assists in drafting contract clauses, which refer future disputes under those contracts to a dispute resolution procedure administered by the Center. The Center also assists in drafting agreements for submitting existing disputes to such a procedure.

Good offices

At the request of a party, the Center will provide its “good offices”, whereby it will endeavor to act as intermediary in convening a meeting between the parties to a dispute to discuss submission of their dispute to a WIPO dispute resolution procedure.

Administration of cases

To facilitate the resolution of intellectual property disputes, the Center provides case administration services, including, *inter alia*: assisting parties to select mediators and arbitrators from the Center’s database, advising on the application of the relevant rules, setting the neutral’s fees (after consultation with the parties and the neutral), administering the financial aspects of the proceedings, coordinating case communications, providing free meeting rooms when the proceedings take place in Geneva or arranging meeting rooms when they take place elsewhere, and ensuring that procedures are conducted efficiently.

WIPO List of Neutrals

WIPO maintains a List of Neutrals, ranging from seasoned dispute-resolution generalists to highly specialized practitioners and experts, covering the entire legal and technical spectrum of intellectual property. Parties can draw upon this growing list of over 1,000 independent WIPO arbitrators and mediators from some 70 countries. Their geographical diversity suits the international character of many disputes. The WIPO Center draws from the general WIPO List of Neutrals in the following situations:

- Where a neutral is to be appointed in the context of a pending procedure under the WIPO Rules, the Center, taking into account the specific characteristics of the dispute, recommends or appoints suitable candidates.
- At the request of the parties, the Center will, against a fee, recommend or appoint a mediator or arbitrator in a procedure not administered by the Center.

Tailor-made procedures

The Center is involved in the development and implementation of various tailor-made procedures. Such procedures, which may be based on or be different from arbitration and mediation, are designed for particular categories of intellectual property disputes. A prominent example is the Uniform Domain Name Dispute Resolution Policy (UDRP), which is based on recommendations made by WIPO to address certain abusive practices in the domain name system. Module 4.2 in this series on Dispute Resolution entitled “*Domain Name Dispute Resolution*” provides a description of the UDRP and WIPO’s UDRP service.

Conferences and training

The Center organizes conferences on various matters relating to dispute resolution. It also conducts training programmes for arbitrators and mediators.

Publications

The Center publishes documents and information relating to the resolution of intellectual property disputes.

1.2.4 Advantages of Dispute Resolution Procedures Offered by the Center

<u>Cost-saving</u>	Both mediation and arbitration can save time and money compared with conventional court litigation.
<u>Flexibility</u>	In arbitration and mediation, the parties choose the process, the neutral, issues, applicable rules, language, and place, all to suit their particular needs. Control by the parties, especially in mediation, is a significant feature of these procedures.
<u>Expertise</u>	Technical expertise of an arbitral tribunal or a mediator can be assured.
<u>Confidentiality</u>	Confidentiality may be easier to preserve than in ordinary court litigation.
<u>Single forum</u>	Multiple disputes among the same parties can be resolved in one procedure.

Other advantages peculiar to each procedure are discussed below.

1.2.5 Types of Disputes that May be Submitted to Arbitration or Mediation

Intellectual property focus

The Center's services focus on intellectual property disputes. However, the procedures administered by the Center are not limited to dealing with disputes involving only intellectual property. Disputes with components other than intellectual property may be addressed by the Center's mediation procedures or arbitration rules, or both.

The breadth of the spectrum of disputes to which the Center's procedures apply avoids arguments as to whether or not the specific subject matter of a dispute is appropriate for the Center's procedures and rules. It also enables the parties to roll into one procedure several disputes, of different character, between the parties.

WIPO examples

The subject matter of the arbitration and mediation proceedings administered by the Center in the past has included both *contractual disputes* (e.g. patent licensing agreements, trademark co-existence agreements, software licences, distribution agreements for pharmaceutical products and research and development agreements) and *non-contractual disputes* (e.g. patent infringement).

1.2.6 Who may Refer Disputes to the Center?

Scope

The dispute resolution procedures and resources of the Center are open to all persons and entities regardless of national affiliation. A submitting party (or parties) need not be connected in any way with a Member State or a State that is a party to any treaty or convention administered by WIPO.

Private entities

Individuals, enterprises, and other entities having a recognized legal personality may submit disputes to the procedures administered by the Center. Also, they may seek the good offices services of the Center.

States

When a State enters into a contract, it may be a party to a dispute subject to a procedure administered by the Center if the State has validly expressed its consent in writing to refer any dispute arising from that contract to the procedure.

1.2.7 Fees and Costs

Center's fees

The Center charges a fee for its services in connection with mediation and arbitration procedures. The fees are set out in the WIPO Rules applicable to each procedure. The value of the matter in dispute is relevant in fixing the Center's fees.

Neutral's fees

In accordance with the Center's Rules, a mediator's fees are based on an hourly rate or a *per diem* rate. An arbitrator's fees are based on various factors including time spent and the value of the dispute. However, the parties may agree with a specific neutral to a different fee arrangement for the neutral than that specified in the relevant rules of the Center.

Liability for fees and expenses

Absent an agreement of the parties otherwise or a ruling to the contrary by an arbitral tribunal, each party is to bear its own legal fees and expenses. Similarly, each party is to bear its *pro rata* share of the Center's fees and the neutral's fees and expenses, unless the parties agree otherwise or an arbitrator rules otherwise. In a mediation, both parties normally share the fees and expenses.

1.2.8 Summary

- WIPO provides dispute resolution services through its Arbitration and Mediation Center.
- The Center administers alternatives to court litigation for the resolution of commercial disputes between private parties with a focus on intellectual property.
- The dispute resolution procedures offered by the Center are mediation, arbitration, expedited arbitration, mediation followed by arbitration and variations on these procedures.

- Parties can draw upon the Center’s list of arbitrators and mediators specialized in intellectual property.
- Benefits of WIPO arbitration and mediation procedures over court litigation include: the possibility of resolving multiple disputes in a single forum, flexibility and confidentiality of the proceedings, the possibility to appoint an expert neutral and the opportunity for cost savings.

1.2.9 *Test Your Understanding*

- 1. Which dispute resolution procedures are offered by the Center? Can the procedures administered by the Center be used when the dispute relates to issues other than intellectual property?**
- 2. Can a State be party to a procedure administered by the Center?**
- 3. Is the Center able to recommend neutrals to the parties to a dispute which is not subject to the WIPO Rules?**
- 4. In the absence of a prior contractual clause which refers future disputes to the WIPO Rules, can parties submit an existing dispute to WIPO Mediation, WIPO Arbitration or WIPO Expedited Arbitration?**

2. MEDIATION

2.1 Overview

Mediation is consensual

The Center’s mediation procedures and Rules are premised on the notion that mediation is a process, agreed to by the parties, in which a neutral “mediator” facilitates communication, negotiation and dispute resolution by the parties themselves.

It is not unusual for semantic differences to arise among parties as to what each is talking about when referring to “mediation.” We hope here to assure that parties and their counsel will not lose the opportunity to resolve substantive disputes because of semantic misunderstandings as to the process.

Parties’ process

Whatever it is called, mediation is the parties’ process: the parties design the process, choose the mediator, define the problem, select the issues, consider each other’s real interests and needs, explore and evaluate options, and find a solution to their problem. It is a fluid process. It is not constrained by pleadings, rigid rules, selected items of evidence, lawyers’ eloquence or limited forms of relief.

Non-binding process

Mediation is a non-binding process. The mediator cannot impose a solution on the parties. Any party can abandon the process at any time (sometimes, after one mediation session) before signing a settlement agreement. The only “binding” aspect consists in the terms and conditions of the ultimate settlement agreement. The settlement agreement is as binding as any other contract. And like any other contract, it is the parties’ contract.

Mediation depends on the good faith participation of the parties. It depends also on the skill of the mediator. Importantly, mediation depends on the willingness and ability of all participants to work together to find a creative solution to their problem. Protagonists should become partners.

Participants

Because mediation is the parties’ process, all parties participate – not merely their lawyers. Individual parties and senior representatives of organizations who are parties participate. The senior representatives are authorized to settle and to bind their respective parties. In addition, representatives from other interested entities can, and should, participate (e.g., insurers, indemnitors, principal investors, controlling shareholders, principal lenders, licensors, principal vendors and principal customers). All relevant players should participate in preparing for the mediation, as well as in discussions during mediation sessions.

In the ensuing subsections on mediation, we refer from time to time to relevant WIPO Mediation Rules. Article 2 of the WIPO Mediation Rules confirms that parties are free to agree to variations to those Rules.

2.1.1 Benefits of Mediation

Creating value

Mediation enhances the prospects that the parties can create value, rather than simply distribute value as defined in formal pleadings in an adversarial process. This is so because the parties: (i) jointly control the process and the substantive resolution of their problem; (ii) explicitly address their real interests and needs, not merely their factual and legal positions; (iii) jointly explore creating or repairing various relationships; and (iv) deal together with related disagreements and other complexities.

Bringing parties together

Whereas adversarial proceedings tend to polarize parties, mediation tends to bring them together. In exploring ways to create value and to create or restructure relationships, the parties tend to become partners rather than protagonists. They “enlarge the pie” and discover options unavailable in litigation or arbitration.

Intellectual property disputes

These benefits are especially evident in many intellectual property disputes. It is clear, of course, that an entrenched monopolist, a wilful infringer, or a counterfeiter is not likely to participate in mediation. On the other hand, even where injunctive relief, lost profits, or enhanced damages have been sought, mediation has again and again enabled parties to settle their differences equitably and expeditiously. Mediation has often been employed, and is often the dispute resolution procedure of choice, in pre-dispute resolution agreements and clauses, in disputes as to licensing, inventorship, authorship, ownership, technology transfer, validity, enforceability, infringement, misappropriation, monetary relief and equitable relief.

International disputes

The benefits are especially evident in cross-border and cross cultural disputes. The benefits are also manifest in multiparty and multi-jurisdiction disputes. Differences in laws, procedures, relief available, and attitudes toward intellectual property can more readily be accounted for when the parties negotiate thoughtfully and candidly with the aim of jointly solving their problem than when they litigate vigorously in multiple formal proceedings. Rather than having to harmonize inherently inconsistent court judgments or arbitration awards, the parties can negotiate a consistent solution to complex multiparty, multi-jurisdictional, and multicultural intellectual property disputes.

2.1.2 Agreeing to Mediate

Agreeing to mediate has at least two phases: (i) considering whether mediation is appropriate; and (ii) agreeing in writing to mediate.

Is mediation appropriate?

Getting all parties to the table to consider whether or not to mediate is sometimes a major negotiation in itself. The pronounced benefits of mediation should assist a party and its lawyer in persuading other parties to consider mediation. The logic in solving disputes early, expeditiously and inexpensively ought to help business people consider alternatives to litigation. A lawyer’s professional responsibility to counsel clients as to dispute resolution techniques

in addition to litigation should provide added assistance. The many reasons for at least considering mediation ought to outweigh any psychological barrier to proposing mediation. In today's sophisticated commercial world, such a proposal should not be interpreted by a competent recipient as any indication by the proposer that the proposer's position on the law or the facts is weak.

Written agreement

As for the written agreement to mediate, the Center has crafted clauses that should serve parties well in most situations. These are set out in the ensuing paragraphs. Parties and their lawyers are well advised to resist modifying these clauses, especially the pre-dispute clauses. Parties and their lawyers tend to add details that they envision will suit them if and when a dispute matures. Often, the details that seem useful at the time the agreement or clause is negotiated are no longer relevant, much less useful, at the time the dispute matures. For example, parties may attempt to define the issues before the dispute arises. Or they may detail the characteristics of a neutral. When the dispute matures, the material issues may differ from those envisioned years before. Similarly, the desired characteristics of the neutral may differ when the dispute matures. Indeed, a neutral with the characteristics originally envisioned may not be available, if he or she in fact exists. Also, what seemed to be a reasonable schedule at the time the clause was negotiated may no longer be practicable. These differences can be accounted for in amendments to the original dispute resolution agreement or clause, but this may be more difficult to accomplish than merely defining issues, selecting a mediator, or fixing a schedule without having to revise earlier stipulations.

Mediation clause for future disputes

The Center's recommended mediation clause for future disputes states:

“Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be submitted to mediation in accordance with the WIPO Mediation Rules. The place of mediation shall be The language to be used in the mediation shall be”

In the pre-dispute clause, the parties may quite properly leave the place and language of the mediation to be specified after the dispute matures. For example, an originally specified place may not be convenient for the parties after the dispute arises. By the time the dispute matures, the principal players may have changed, and with them the preferred language.

Submission agreement for existing disputes

The Center's recommended agreement to submit an existing dispute to mediation states:

*“We, the undersigned parties, hereby agree to submit to mediation in accordance with the WIPO Mediation Rules the following dispute:
[Brief description of the dispute]
The place of mediation shall be The language to be used in the mediation shall be”*

In the submission agreement for existing disputes, depending on the extent of their negotiations, the parties may designate an agreed upon mediator, a preliminary schedule, the nature of submissions to the mediator and other procedural details. At this time, the dimensions of the dispute, at least as defined in formal legal terms, have become relatively clear. Accordingly, it may be appropriate to agree on some of the details. If this is done, the parties must be prepared as the mediation progresses to alter course. After the parties have gained confidence in the mediator and have become accustomed to the process, changes with respect to issues, schedule and the like can usually be agreed to without substantial distress. However, a hard-nosed bargainer can find fault in almost every aspect of a negotiation, both procedural and substantive.

2.1.3 Suspension of Running of Limitation Periods

Parties' agreement

To the extent permitted by law, the parties may agree to suspend the running of the applicable limitation periods. This parties' agreement may create a more hospitable atmosphere for negotiating a settlement. On the other hand, an awareness of an imminent lawsuit may do wonders in concentrating the minds of the parties on settlement. The phrase "to the extent permitted by law" indicates that legal limitations may apply in some jurisdictions.

Article 27 of the WIPO Mediation Rules

Article 27 of the WIPO Mediation Rules provides that the parties do agree, to the extent permitted by law, to such suspension from "the date of commencement of the mediation until the date of the termination of the mediation."

2.1.4 Venue of the Mediation

Parties' choice

It is plain from the Center's proposed clauses that the venue of the mediation is, at least initially, within the discretion of the parties. After the mediation is under way, the mediator may participate in the choice of venue.

Face-to face-negotiations

Optimally, mediation sessions should be face-to-face negotiations, with all relevant persons present. Mediation sessions can move from place to place in order to accommodate the needs of parties and other participants.

Video and telephone conferencing

If face-to-face negotiations are not possible on all occasions, video conferencing is possible and has been used in successful mediations. Also, telephone conferencing has been used not only in preliminary organizational discussions, but also in substantive negotiating sessions. While far less satisfactory than video conferencing (which is less satisfactory than face-to-face discussions), telephone negotiations have been successful – for example, with principals meeting face to face and the mediator participating by telephone, and with all principals and the mediator participating by telephone.

Online mediation

Mediating electronically has been proposed and in some cases implemented. However, given the desirability of developing trust, confidence and other relationships (to say nothing of reading body language) through face to face meetings, mediation over the Internet is generally an undesirable alternative. Real-time chat rooms may be useful, but the written word, appearing coldly on a screen, often carries with it implications entirely unintended and exceedingly difficult to reverse.

2.1.5 Commencing the Mediation

Request for mediation

Article 3 of the WIPO Mediation Rules provides that a party to a mediation agreement who wishes to commence a mediation shall submit a Request for Mediation to the Center, and send a copy to the other party (or parties). The Request includes the particulars regarding the parties and their representatives, a copy of the mediation agreement, and a brief statement of the nature of the dispute.

Date of commencement

Article 4 provides that the date of commencement of the mediation is the date the Request is received by the Center. Article 5 provides that the Center shall inform the parties forthwith of its receipt of the Request and of the date of commencement.

These steps are *pro forma* steps in comparison with the effort that may be required to persuade all parties to engage in mediation.

2.1.6 The Mediator

Parties' choice

Article 6(a) of the WIPO Mediation Rules provides that, unless the parties have agreed on the mediator or another procedure for selecting the mediator, the Center will appoint the mediator “after consultation with the parties.” This article is consistent with the notion that mediation is the parties’ process. In practice, the parties are usually best served if they can agree amongst themselves on the mediator. It is even salutary for one party to accept another party’s suggestion for a mediator. A mediator is a neutral facilitator, not a decision imposer. Accordingly, the party accepting another party’s suggestion risks little, if this is what will get the mediation under way.

Acceptance

Article 6(b) provides, importantly, that by accepting the appointment, the mediator undertakes to make sufficient time available to conduct the mediation expeditiously. It serves neither the parties nor the mediation process for a mediator to be unavailable.

Promoting settlement

Article 13(a) provides that the mediator shall promote settlement “in any manner that the mediator believes to be appropriate, but shall have no authority to impose a settlement on the parties.” Two significant parameters emerge from this provision.

Mediator's authority

First, the mediator is authorized by the parties to conduct the mediation in any manner which the mediator believes will best promote settlement.¹ This affords the mediator wide latitude in managing the mediation process. Given this broad authority reposing in the mediator, it is imperative that the parties know the characteristics of prospective mediators and select a person in whom all parties will have confidence.

Facilitator

Second, the mediator is clearly not a decision maker with regard to the substantive issues facing the parties. That is, the mediator's principal role is to facilitate settlement discussions between the parties, and *resolution by the parties*, as to the substantive issues facing them. This is not to say, however, that the mediator cannot perform an evaluative role during the course of the mediation. If evaluation is appropriate and does occur, it is likely that most mediators will hesitate to evaluate the merits of any substantive issue until the mediation is well under way and the mediator and the parties have developed a working relationship grounded in trust and confidence in the mediator.

Other dispute resolution techniques

Article 13(b) provides that the mediator may propose other dispute resolution techniques in the event he/she believes any issue is not susceptible to resolution through mediation. Here again, it is imperative that the parties select a mediator who is (i) able to determine whether or not a substantive issue is susceptible to resolution by mediation; and (ii) familiar with the many other dispute resolution techniques from which one or more apposite procedures may be suggested. Article 13(b) sets out four examples of other techniques that may be suggested:

1. Expert determination;
2. Arbitration;
3. Last offer arbitration; and
4. Arbitration in which the mediator, with the express consent of the parties, serves as arbitrator.

We discuss in more detail each of these alternatives, as well as others, below.

Power to terminate

Article 18(ii) provides that a mediation may be terminated by "the decision of the mediator if, in the mediator's judgment, further efforts at mediation are unlikely to lead to a resolution of the dispute." The power to terminate vested in the mediator by this rule, and thus by the parties who adopt the WIPO Mediation Rules, is another strong incentive for the parties to select a

¹ Article 9 provides that the mediation "shall be conducted in the manner agreed by the parties," and if the parties have not made such an agreement, the mediator "shall, in accordance with these Rules, determine the manner in which the mediation shall be conducted." In practice, parties seldom agree on all specifics as to scheduling, presentations, issues to be mediated, participants, and the like before retaining a mediator. Even if previously agreed to, these details are generally worked out with the mediator. Given the fluid nature of the mediation process, such details are hardly ever cast in stone and often are the subject of continuing negotiation. Thus, in practice, the mediator has substantial control over the process from the moment he or she is retained until the mediation ends.

knowledgeable and experienced mediator. Not only must a mediator be capable of judging soundly whether or not further mediation efforts will be productive, but also a mediator must not be too quick to abandon the process. Persistence and patience are critically important characteristics of a competent mediator.

Number of mediators

The WIPO Mediation Rules refer to only one mediator. However, circumstances may suggest that two mediators participate in the mediation. It is not unusual for intellectual property and other commercial disputes to entail more than one substantive subject of material importance. For example, patent infringement disputes frequently include both technological and financial issues; licensing disputes frequently include the scope of the rights licensed as well as the financial and technological bases for a reasonable royalty; and trademark disputes may include both marketing issues (such as likelihood of consumer confusion) and accounting issues. In these situations, two mediators, each with different areas of expertise, may be warranted. Also, it may be important to have a mediator who is skilled with respect to the mediation process work with a second mediator who is skilled in the technology or the business that is the subject of the mediation. In practice, it is far more typical for only one mediator – a person skilled, at minimum, in the mediation process – to serve as the neutral who facilitates the parties' settlement discussions.

2.1.7 Summary

- Mediation is a consensual and non-binding process.
- Parties and their lawyers participate in the mediation process.
- In mediation, parties cooperate, with the help of a mediator, in finding a mutually beneficial solution, which might not be available in court proceedings.
- The Center makes available clauses to submit to mediation both future and existing disputes, and assists parties in identifying a mediator.
- The mediation process is controlled by the parties.
- Either party may cease to participate after a first meeting.
- The mediator cannot force the parties to participate in the process, nor can the mediator render a binding decision. The primary role of the mediator is to facilitate settlement discussions between the parties.

2.1.8 Test Your Understanding

- 1. Is mediation an appropriate dispute resolution procedure for all disputes? Identify disputes for which mediation is particularly appropriate or inappropriate.**
- 2. Does the pendency of the mediation process suspend the running of the statute of limitations in the jurisdiction of your country?**
- 3. Who should participate in the mediation? Should the business representatives of the parties attend the mediation sessions? If so, why?**

2.2 Conducting the Mediation

Mediator's guidance

In line with Article 9, mediation is the parties' process, and thus its conduct is subject to agreement of the parties. However, in practice, as the mediation proceeds, it is not uncommon for the mediator to assume increasing authority over the conduct of the mediation, as the parties acquire increasing confidence in the mediator. This is not to say a recalcitrant party will be willing to turn over unlimited power to the mediator. But in most mediations of the kind that may utilize the WIPO Mediation Rules, all parties participate in good faith and with a genuine desire to work toward a resolution of their differences. As the mediation proceeds and the parties gain confidence in the mediator, the parties are likely to perceive an increasing need for the mediator's guidance, both procedurally and substantively. Hence, whereas a mediation may commence with the parties in substantial control, as it unfolds the parties often cede increasing authority to the mediator.

Steps in the mediation

Mediation includes various steps. They are not necessarily discrete. More often they blur into one another, with an early step resurfacing at a later stage in the proceeding. Conceptually, the steps include:

1. Preparing for mediation;
2. Commencing the mediation;
3. Appointing the mediator;
4. Initial conference with the mediator and party representatives;
5. Mediation sessions in which ground rules are reviewed, information is gathered, issues are identified, interests and needs of the parties are identified and explored, options are listed, options are evaluated, impasses are dealt with, and an agreement to resolve some or all of the issues or to continue to disagree is entered into; and
6. Subsequent communications between the mediator and one or more parties.

2.2.1 Preparation

Facts, issues, interests, alternatives

A mediation is not likely to resolve differences between parties unless all participants have prepared carefully and fully. This includes the mediator, counsel and each party representative. Preparation must include understanding, *inter alia*:

1. The relevant facts (in contrast to assumptions and speculations);
2. The substantive issues between the parties;
3. The real interests and needs of each of the parties;
4. Market, technology and other relevant factors;
5. All likely participants and their *modi operandi*, including each party's decision-making structure and processes;
6. Who, in addition to the formal parties to the dispute, may be a necessary participant in order to reach a durable settlement;
7. The results of a rigorous litigation risk analysis;
8. The costs and rewards of alternatives to settlement (e.g. litigation or arbitration), including the cost of obtaining, and likelihood of enforcing, any judgment or award; and
9. Terms and conditions of an arrangement that might satisfy all the parties.

Mediation is not a casual conversation. It is a serious, good faith attempt to find a solution to a problem that will satisfy all parties' interests and needs. Preparation is essential. It must occur in depth before the mediation commences. It will continue throughout the mediation as new issues, information and players appear, or as existing ones assume increasing or decreasing importance.

2.2.2 *Initial Conference*

Organizational matters

After the mediation has commenced and the mediator has been engaged, the first event is likely to be a conference among the mediator and party representatives, usually counsel. This is an organizational conference. Often, it is conducted by telephone. Substantive issues to be mediated are outlined, schedules are set, participants are agreed upon, submissions to be made to the mediator are agreed upon, confidentiality is discussed, the need to understand and explore real interests and needs is discussed, and other information the parties ought to consider and the mediator ought to know is discussed. At the conclusion of this conference, the mediator will typically send to the parties a letter summarizing their discussion and their agreements. A copy of the kind of letter this author sends to the parties after the initial conference appears in Annex I to this module.

2.2.3 *Mediation Sessions*

First mediation session

At the first mediation session, the mediator typically introduces all attendees and reviews the ground rules. The mediator allows everyone an opportunity to comment, to assure that all participants have bought into the process. The ground rules will be those discussed previously with counsel and outlined in the mediator's letter.

(i) Participants

Business representatives

Who the participants are is important. From the opening of the first mediation session until the close of the last mediation session, at least one senior business representative from each party should be present and prepared to participate in the process. These representatives should be business people, and not only counsel. Other entities whose participation may be essential to reaching a binding settlement should also be represented at the mediation sessions – by business people and not only by counsel.

In top-down decision-making organizations, finding an appropriate business representative to attend and participate in the mediation may not be difficult. Important criteria are: (i) the business person must have full authority to settle and bind his or her party; and (ii) the business person should not have a direct stake in the problem and its outcome, i.e. the business person should not “own” the problem. In intellectual property disputes, it is often counter-productive to have the inventor serve as the only business representative of a party, or the designer of an infringing product, or the marketing person who authorized the selection of an arguably infringing trademark, or the person accused of misappropriating confidential information. Those persons may appropriately attend mediation sessions, but the ultimate decision-making authority should rest in another business representative from their organization.

In organizations where decisions are arrived at by consensus or by way of a bottom-up process, finding the appropriate business representative may not be so easy. Indeed, in mediations to which such an organization is a party, different representatives of the same organization may appear at different sessions. It is important for the mediator and other parties to understand the cultural basis for these changes in participants. The passage of time and the building of trust – among parties and among the mediator and the parties – will lead to the identity of the person(s) representing the consensus or bottom-up organization who will be able to persuade colleagues as to the merit or lack of merit in proposals. The mediator’s view may be especially important to such an organization, especially if the mediator is regarded as an authority.

(ii) Presentations

Addressing the other party

After all participants have agreed to the ground rules, it is typical for counsel to make presentations with all participants in attendance. This is a significant opportunity for counsel to present to the business representatives from other parties both the merits of counsel’s party’s positions and the reasons why counsel’s party’s proposed settlement arrangement will satisfy each other party’s real needs and interests. Too often, however, counsels miss this opportunity and focus their presentation on the mediator. The mediator need not be persuaded. The other parties’ business people must be persuaded. They will be parties to the settlement agreement.

Tone and style

In making these presentations, counsel must take into account and satisfy the cultural needs of each of the other parties. Harsh accusations may appropriately be replaced with expressions of shared concern that a problem exists. Personal threats may appropriately be set aside and sincere apologies tendered. Expressions of concern or apologies need not carry with them admissions of wrongdoing. Sincere expressions of concern or apology may be worth many millions of dollars, may lead to a new and productive relationship, and may cost no more than the energy needed to overcome the psychological hurdle of uttering the words sincerely.

Counsel's presentations should not be interrupted by the other parties. Ample time will be afforded for responses and rebuttals. Civility in addressing one another in the mediation will help move the parties towards resolution. Interruptions and *ad hominem* attacks will only polarize the parties and magnify the difficulties of achieving resolution.

(iii) Gathering information**Questions, caucuses**

After counsel's presentations, the parties and the mediator may have questions. These questions are best answered with all participants present, if possible. However, it is likely that sooner or later a sensitive topic will be raised, i.e. a subject calling for the disclosure of a party's confidential information. Many mediators will explore with all participants circumstances under which the information sought can be safely disclosed to other parties. If a safe way for disclosing that information cannot be found, the mediator (or a party) is likely to suggest that the matter be pursued between the mediator and each party in private meetings (i.e. caucuses) – without representatives of the other parties present. Private caucuses are virtually inevitable. However, wherever possible, communication with representatives of all parties present often reduces misunderstandings and leads to more expeditious exchanges of information. Also, discussions with all parties present help to maintain dialogue and enable the parties to gain insights about one another and their respective positions, interests and needs, thereby building trust. Repeated rounds of private caucuses, with the mediator shuttling between parties, may appeal to the parties and may succeed in bringing the parties together. However, lengthy private caucuses may also engender concern on the part of the parties who are not caucusing as to what the mediator is discussing and how severely the mediator is being “infected” by the caucusing party. Most mediators are not adversely affected or biased as a result of private caucuses, but the non-caucusing parties may perceive the situation differently.

Meetings of business people

The mediator is likely to have advised all attendees that a time will come when the mediator will want to meet with business people in the absence of counsel, or conversely, with counsel in the absence of business people. Different circumstances will motivate such meetings. The business people are the ones who, ultimately, will agree to a settlement and execute a written agreement. Often it is essential that the senior business people meet with one another, without their counsel and the rest of the entourages, to “cut to the chase”.

With the mediator moderating such meetings, resolution is greatly facilitated. Also, meetings among the mediator and counsel, without others present, may result in progress. However, it often is the person-to-person meetings of business people that are key to resolution of difficult issues.

Flexible process

Importantly, information gathering, identification of issues interests and needs, exploration of options, and the like, typically do not occur in discrete, readily identifiable segments. Several events may occur simultaneously, and they may recur. Some may assume significant prominence in relation to others. One of the beauties of mediation is that it is fluid and not constrained by rigid procedures that must be followed in sequence.

(iv) Impasses

Dealing with impasses

Impasses are inevitable in mediation. They may center on procedure, on substance, or on both. Whereas impasses may discourage the parties, they must never discourage a mediator. It is the mediator's job to expect impasses, to accept them as part of the mediation process, and to address them squarely and fully. Parties can expect that in the face of an impasse, a mediator will attempt to keep the parties talking somehow, on some subject. Just as disputes are opportunities to create value, impasses present opportunities to learn more about each party's interests and needs, the relationship of a possible settlement to others in the market, the effects of changes in technological, economic and political conditions, and other important facts. Most mediators, when dealing with an impasse, will not attempt to reconcile differing interests and needs. Rather, competent mediators will attempt to aid the parties in finding solutions that accommodate all significant interests and needs, even those that conflict.

Reality testing

A mediator's attempt to resolve an impasse is likely to include reality testing. That is, the mediator may,

1. Explore options, even those that may initially seem impracticable;
2. Explore the soundness of a party's position;
3. Inquire as to the cost of settling compared to the cost of litigation or other alternatives to settling;
4. Ask the parties to compare the real rewards of litigation with the cost of settling;
5. Ask a party to tabulate the pros and cons of other alternatives to settling;
6. Ask a party to consider and explain the party's best alternative to a negotiated settlement;
7. Take a party through a rigorous litigation risk analysis;
8. Explore creating other relationships between the parties, or relationships that exist or may exist between affiliates of the parties;
9. Ask each party what it would do if it owned all sides of the dispute;



10. Explore with each party what that party can give up that is of little value to it but of large value to another party;
11. Explore with each party a short-term solution to at least some issues, followed by further negotiation or continued monitoring of the situation;
12. Propose a solution or express an opinion;
13. Propose that an expert provide an opinion with regard to a dispositive issue (see WIPO Mediation Rules, Article 13(i));
14. Propose that the mediator or another person serve as arbitrator with respect to a deal-breaking issue (see WIPO Mediation Rules, Article 13(iii) and (iv)).

Mediator's evaluation

As for number 12 above, it is not unusual for a mediator to perceive, or believe he or she perceives, an objectively fair resolution to a dispute. One of the great temptations facing a mediator is to mention to the parties, if not thrust on them, the mediator's perceived solution. This is dangerous. It is especially dangerous early in the mediation. Evaluations and suggestions for resolving the dispute are best reserved for later stages of the mediation, after the parties have developed trust and confidence in the mediator, and after the mediator has become fully familiar with the parties, their idiosyncracies, their interests and needs, and the material facts. It is the parties' problem. The parties' solution to their problem is more likely to be a durable solution than a solution tabled early on by the mediator.

Resolution of remaining issues

As for number 14 above, this procedure frequently solves the last remaining issue between the parties – typically money issues and issues as to what design, process, code or mark can be used. It is authorized in one form or another by WIPO Mediation Rules, Article 13(b), above. In one form, the mediator assists the parties in agreeing on all issues except the last significant issue. The parties execute a binding agreement as to all the other issues, leaving the amount of money, the definition of the design or process, or the identity of the mark open. The parties expressly agree that the mediator is authorized to resolve the last issue, and insert in the written agreement the missing information. They then initial the margin opposite the newly inserted information. The agreement is thus complete, fully executed and binding.

"Baseball" arbitration

The procedure by which the mediator arrives at the information to be included in the agreement is key. If the issue is the amount of money to be paid by a party, a form of so-called baseball arbitration may be used. That is, after the parties have negotiated the money issue to the point where they seem to have narrowed the gap as much as they can, each party will submit to the mediator *ex parte* the party's last and best number. The mediator is authorized to select only one of the numbers submitted – not a number in between, the average of the numbers, or some other number the mediator regards as fair. This format tends to cause the parties' numbers to converge. This is so because no party wants to submit a number the mediator will consider unreasonably high (the payee's number) or unreasonably low (the payor's number).

Compared to the original numbers proposed by the parties at the beginning of the mediation, the difference between the numbers submitted for this impasse-breaking arbitration process is often trivial. The decision by the mediator is accordingly not difficult. Indeed, the numbers submitted sometimes cross. That is, the payor's number is sometimes higher than the payee's number. In this case, the mediator should advise the parties of the situation, without revealing the precise numbers, and seek guidance as to what the parties wish the mediator to do, e.g. still pick one of the numbers or pick a number between the two numbers. With the latter option, each party does better than expected at the time it submitted its final number.

In the foregoing procedure, the mediator may receive further substantive submissions from the parties in support of their positions as to the reasonableness of the number they propose. These submissions may be oral, written or both. They may include testimony, especially expert testimony, as to the reasonableness of a party's number. Often, however, the mediator is authorized to select a number on the basis of all the mediator has learned and considered during the course of the mediation, without further submissions.

Designs, codes and trademarks

As for issues relating to designs, codes, trademarks and the like, the mediator may arrange for the parties to exchange proposed designs, codes or marks, with each party submitting to the other three versions acceptable to the submitting party. Each party then selects one version from the submitting party that is the least unacceptable to the selecting party. Those selected versions are then submitted to the mediator. The mediator is authorized to select one of the versions submitted to the mediator. The description of the design or code, or the mark itself, selected by the mediator, may then be inserted into the already executed agreement as an annex, and initialled by all the parties.

(v) The end game

Written agreement

Whatever the outcome of the mediation, the parties should not leave the mediation without some writing, endorsed by the parties, summarizing the situation. If the parties have settled their differences, at minimum a memorandum of understanding should be prepared and executed by all parties before they depart. Often, it is left to the lawyers to prepare later a more complete agreement. However, the memorandum of understanding should expressly state it is binding on all the parties. Also, often as the lawyers prepare more complete documentation, new issues arise. The mediation is not over until all issues are resolved.

Adjournment

If the parties agree that they disagree on various issues and the mediation should be terminated or adjourned, these understandings should be recorded in writing and endorsed by the parties. Mediations are often adjourned to permit parties to reflect on events, to gather further information, and to consider and explore newly-surfaced options. If the mediation is adjourned for such reasons, it is well to have a mutually agreed timetable for further communications between the parties or their counsel.

Resuming discussions If the mediation is terminated, that does not mean the parties can no longer talk. All agreements can be modified and amended, even agreements to terminate a mediation. As circumstances change, or the parties acquire new information, or the costs of litigation mount, the parties may find it useful to resume discussions. They may do so with a mediator, who may be the same mediator they originally engaged or another mediator who may seem more suitable if there are changed circumstances.

Follow-up by mediator Also, whether a mediation is formally terminated, or merely adjourned, it is not unusual for a mediator to contact the parties or their counsel from time to time to determine whether they need his/her assistance in finding a solution to their problem and preventing litigation. *Ex parte* telephone calls from the mediator to each party are perfectly appropriate, and indeed, may help move the parties towards an ultimate settlement.

2.2.4 Summary

- A successful mediation requires careful preparation on the part of all participants.
- While parties and their legal representatives participate in the mediation sessions, the mediator might have to meet with parties' business or legal representatives alone.
- If impasses arise, the mediator may explore options through "reality testing."
- Whatever the outcome of the mediation, parties should not leave the mediation without an agreed document summarizing the position.

2.2.5 Test Your Understanding

1. What are the principal steps in a mediation?
2. What issues should be discussed at the initial conference?
3. At the end of the mediation, the mediator should ensure that the parties execute a document. What is the purpose of such a document?
4. What is the role of business people during the mediation process?
5. What are the advantages and disadvantages of caucuses?
6. Should the mediator evaluate or make suggestions on ways of resolving the dispute, and if so, at what stage of the process?

2.3 Confidentiality

Confidentiality in mediation embraces three distinct concepts:

1. Confidentiality around the entire process.
2. The proprietary information of a party.
3. The so-called settlement privilege.

We discuss each of these in turn below.

2.3.1 Confidentiality of the Entire Process

Parties' agreement

The shroud of confidentiality around the entire process is a product of an agreement among the parties and the mediator. Article 15 of the WIPO Mediation Rules addresses this aspect of confidentiality. In adopting the WIPO Rules, the parties, the mediator, and all other participants agree to:

“respect the confidentiality of the mediation and may not, unless otherwise agreed by the parties and the mediator, use or disclose to any outside party any information concerning, or obtained in the course of, the mediation.”

Pursuant to Article 15, each participant is required to sign an “appropriate confidentiality undertaking prior to taking part in the mediation.”

No recordings

Concomitantly with Article 15, Article 14 provides that:

“No recording of any kind shall be made of any meetings of the parties with the mediator.”

This should be understood to refer to verbatim recordings. Participants can be expected to make notes as the mediation progresses. A party representative may prepare a memorandum for other relevant members of management (solely for use in connection with the settlement discussions). And the parties will, of course, prepare memoranda, outlines or complete documentation of any agreement they reach during the mediation.

Exceptions to confidentiality

Like all confidentiality situations, exceptions must be kept in mind. First, the participants to a mediation cannot be bound forever. If the existence of the mediation becomes public information through no fault of any participant, it is not likely that all participants will be bound to maintain confidentiality as to the existence of the process. This does not mean, however, that confidentiality as to the substance of any aspect of the mediation has been compromised. Confidentiality may be eroded only to the extent of the content of the information in the public domain. If the mediation is the result of a court

order, its existence will be a matter of public record. This also does not mean that the events that occur during the mediation, or statements made, are a matter of public record. In addition, most confidentiality undertakings expire by their own terms after a stated period of time or upon the occurrence of specific events.

2.3.2 *Proprietary Information of a Party*

Confidentiality undertakings

Parties and their representatives come to mediations armed with proprietary information. Disclosure of such information is not likely to be undertaken lightly. The mediator is one person to whom a party will disclose at least some of its proprietary information. The mediator will promise not to disclose to anyone any information disclosed to the mediator by a party *ex parte* (e.g. during a private caucus, without first receiving the express permission of the party). In addition, a party receiving confidential information from another party must be prepared to undertake not to disclose or use that information except on expressly stated terms and conditions.

Return or destruction of documents

Article 16 of the WIPO Mediation Rules provides that, unless otherwise agreed by the parties, on termination of the mediation, each:

“person involved in the mediation” shall return to the party providing it “any brief, document or other materials supplied by a party, without retaining a copy thereof.” Also, any notes “taken by a person concerning the meetings of the parties with the mediator shall be destroyed on the termination of the mediation.”

Article 16 relates also to the overall confidentiality of the mediation process discussed immediately above.

A typical agreement “otherwise” among the parties and the mediator is that written submissions of one party to the other or to the mediator, may be destroyed, with the destruction being certified by the destroying party. The reason for this arrangement is that receiving parties and the mediator are likely to mark up documents received during the mediation. Those marks are usually better left undisclosed to any other party, which explains the agreement to destroy rather than return documents.

2.3.3 Settlement Privilege

No reference or use in adversarial proceedings

It is critically important in all settlement discussions, including mediation, that all statements and conduct of a participant during the settlement discussions – or mediation – enjoy immunity from reference or use by an adversary in later adversarial proceedings. Article 17 of the WIPO Mediation Rules addresses this matter:²

“Unless otherwise agreed by the parties, the mediator and the parties shall not introduce as evidence or in any manner whatsoever in any judicial or arbitration proceeding:

- (i) any views expressed or suggestions made by a party with respect to a possible settlement of the dispute;*
- (ii) any admissions made by a party in the course of the mediation;*
- (iii) any proposals made or views expressed by the mediator;*
- (iv) the fact that a party had or had not indicated willingness to accept any proposal for settlement made by the mediator or by the other party.”*

This aspect of confidentiality is important because candor is essential to mediation. The parties must feel free to discuss their views, their interests, their needs, risks, rewards and options. Without this, the likelihood of a durable settlement being reached is substantially diminished. Hence, this ground rule cannot be over emphasized. Often, it will fall to the mediator to remind the parties of this rule, its meaning, its significance and virtue.

2.3.4 Summary

- The entire mediation process is confidential.
- Meetings between the mediator and the parties should not be recorded.
- Documents should be returned or destroyed.
- Statements made during a mediation enjoy settlement privileged status.

2.3.5 Test Your Understanding

- 1. Why is confidentiality important in mediation?**
- 2. Are there exceptions to confidentiality?**

² Many jurisdictions have codified this rule in one form or another. For example, in the United States, Rule 408 of the Federal Rules of Evidence provides:

“Evidence of (1) furnishing or offering or promising to furnish, or (2) accepting or offering or promising to accept, a valuable consideration in compromising or attempting to compromise a claim which was disputed as to either validity or amount, is not admissible to prove liability for or invalidity of the claim or its amount. Evidence of conduct or statements made in compromise negotiations is likewise not admissible [Exceptions omitted].”

2.4 Termination of the Mediation

Circumstances of termination

Article 18 of the WIPO Mediation Rules sets out three circumstances under which a mediation pursuant to those rules may be terminated:

1. The signing of a settlement agreement by the parties “*covering any or all of the issues in dispute.*”
2. The “*decision of the mediator if, in the mediator’s judgment, further efforts at mediation are not likely to lead to a resolution of the dispute.*”
3. The “*written declaration of a party, at any time after attending the first meeting of the parties with the mediator and before the signing of any settlement agreement.*”

The first circumstance is transparent and requires no discussion.

Termination by mediator

As we have said, with regard to the second circumstance, a decision by the mediator to terminate the mediation requires substantial insight and experience on the part of the mediator, and runs the substantial risk of cutting short progress that might have been made. In virtually every mediation, the mediator will arrive at junctures which at the moment will tempt the mediator to abandon the enterprise. Most experienced mediators will recognize these junctures and their emotional effects – and will continue on with their work.

Unilateral termination

The third circumstance – unilateral termination by a party – may occur only after at least one mediation session. Thus, even a reluctant party who agrees to the WIPO Mediation Rules agrees also to participate in at least one mediation session. This is entirely reasonable. Not every dispute can be resolved by mediation. Not every party to a mediation, or other settlement discussion, will be willing to enter into an agreement with an adversary. The alternatives to a settlement agreement may be more attractive than the prospective agreement: precedent that may result from successful litigation may be of high value; victory in litigation may be necessary in order to save the party from financial collapse; a determination of validity and infringement may be necessary to preserve a licensing scheme. On the other hand, at least one earnest effort at resolving differences through mediation is almost always worth the time, energy and modest expense.

Failure to pay deposit

Article 23(c) of the WIPO Mediation Rules, relating to fees paid to the Center, provides that a mediation shall terminate if a party fails after a second notice to pay to the Center the required deposit. Under these circumstances, the mediation terminates in effect before it begins.

2.5 Mediation Fees and Costs

Articles 21 to 24 of the WIPO Mediation Rules relate to fees and costs.

2.5.1 Center's Fees

Article 21 provides for a non-refundable registration fee to be paid to the Center. The amount of the fee is set out in a Schedule of Fees and Costs annexed to the Rules. The amount is 0.10 per cent of the “value of the mediation,” which is determined by the total value of the amounts claimed (Schedule of Fees and Costs, para. 2), up to a maximum fee of US\$ 10,000. Where the Request for Mediation does not state a claim for a monetary amount, or the dispute concerns issues that are not quantifiable in monetary amounts, the registration fee is US\$ 750, “subject to adjustment” (Schedule of Fees and Costs, para. 3). The adjustment is to be made by the Center at its discretion, but after consultation with the parties and the mediator. Monetary claims in amounts other than US dollars are to be converted to US dollars on the basis of the “official United Nations exchange rate prevailing on the date of submission of the Request for Mediation” (Schedule of Fees and Costs, para. 4).

Article 21(c) provides that no action shall be taken by the Center on a Request for Mediation until the registration fee has been paid. Article 21(d) provides that if a party who files a Request for Mediation fails, within 15 days after a second written reminder from the Center, to pay the registration fee, that party shall be deemed to have withdrawn its Request.

2.5.2 Mediator's Fees

Article 22 of the WIPO Mediation Rules provides for the fees for the mediator. Article 22(a) provides that the amount, currency, modalities and time of payment of the mediator's fees shall be fixed by the Center, after consultation with the mediator and the parties. In practice, the Center inquires as to the mediator's hourly rate, advises the parties of that rate, and if the rate is within the ranges set out in the Schedule of Fees and Costs annexed to the Rules, the Center, the mediator and the parties agree on the mediator's rate. The Schedule of Fees and Costs provides that a mediator's hourly rate may range from US\$ 300 to US\$ 600, and the per diem rate may range from US\$ 1,500 to US\$ 3,500. In the course of negotiating the mediator's rate, Article 22(b) provides that the amount in dispute, the complexity of the subject-matter of the dispute, and any other relevant circumstances should be taken into account. It is important that the mediator's fee for services not be coupled directly with the value of the mediation.

Who pays?

The important question of who pays the mediator's fees is left open in the Rules. However, Article 23(a) does provide that the Center “may” require “each party” to deposit an equal amount as “an advance for the costs of the mediation, including, in particular, the estimated fees of the mediator and the

other expenses of the mediation.” Article 23(b) provides that the Center may require supplemental deposits from the parties. Article 24 provides that, in the absence of agreement of the parties, the registration fee, the mediator’s fees, and all other expenses of the mediation (including required travel expenses of the mediator and any expenses associated with obtaining expert advice) shall be borne equally by the parties.

2.5.3 Failure to Pay

Termination

As stated above, Article 23(c) of the WIPO Mediation Rules provides that the mediation shall be deemed terminated, if a party fails to pay the required deposit within 15 days of a second written reminder from the Center. If the requisite payments to the Center are not made, a mediation may not get under way. In theory, it is conceivable that one party will pay all fees of the Center and the mediator relating to the mediation. This is entirely practicable if the parties have agreed to this arrangement. However, if there is no such agreement, and if a party to the mediation is intent on aborting the mediation, another party’s payment of all fees may not assure that the mediation will proceed. If the parties have entered into a mediation agreement and one party declines to participate, significant contract issues may arise between or among the parties. For tactical reasons, one party may want to tender the total of the fees due to the Center in order to buttress a claim against the recalcitrant party. The nuances of these kinds of difficulties are subtle at best, if not unfathomably murky.

Final accounting

Article 23(d) provides that, after termination of the mediation, the Center shall render an accounting to the parties, and return any unexpended balance due the parties, or require payment of any amount owing from the parties.

Insufficient deposits

The reluctance of a party to pay its agreed share of fees or costs associated with the mediation may manifest itself some time after receipt by the Center of a Request for Mediation. In a protracted mediation, or in a case where the mediator’s fees were underestimated, the amount deposited with the Center may prove insufficient as the mediation gets under way. For example, if the parties agree to mediate for several days beyond the original day(s) set aside for the mediation, circumstances may dictate that the mediation continue without interruption after the first day(s). This may afford the mediator, the parties, and the Center little or no opportunity to agree on a supplement to previous deposits. If the mediator senses, or a party threatens, that any hope for resolution will disappear unless the parties continue without interruption, the mediator may well feel bound to continue to assist the parties. At the end of the mediation, whether successful or not, the mediator may find that a substantial portion of the mediator’s services have not been covered by deposits with the Center.

Solutions

To take into account those situations where one party defaults on its obligation to deposit moneys with the Center, or where more than one party fails to cover a shortfall, the mediator may (a) require that the parties maintain the

funds on deposit with the Center as an “evergreen” fund which must always be maintained at a minimum level; and (b) require that all parties and all counsel agree jointly and severally to be responsible for all of the mediator’s fees and expenses associated with the mediation. These kinds of requirements are especially important in mediations where one or more parties, regardless of their *bona fides*, are (a) in financial straits; or (b) subject to material changes in circumstances beyond their control.

2.5.4 Summary

- A mediation is terminated by a settlement agreement, a termination decision of the mediator, or a declaration by either party.
- The parties pay to the Center a non-refundable registration fee.
- The fees of the mediator are fixed by the Center, after consultation with the mediator and the parties.
- The parties must deposit moneys with the Center to cover the costs of the mediation.

2.5.5 Test Your Understanding

1. **A dispute in which the amount at issue is US\$ 5 million is referred to WIPO Mediation; calculate the registration fee.**
2. **What fees and costs should be considered to determine the amount of the deposit to be paid by the parties?**

2.6 Liability

Waiver

Article 25 of the WIPO Mediation Rules provides that:

“except in respect of deliberate wrongdoing,” neither the mediator, WIPO, nor the Center shall be liable to any party for “any act or omission in connection with any mediation conducted under these Rules.”

This kind of waiver on the part of the parties is commonplace in the rules of most dispute resolution providers. Neither mediators nor dispute resolution institutions are likely to agree to provide services if parties are permitted to seek relief from the mediator or the institution when parties perceive a mediation, or a settlement agreement, has gone sour due to a mistake by the mediator or the institution. Deliberate wrongdoing is one thing. Negligent conduct is another. In any event, in a procedure like mediation, it is not likely that the conduct of an experienced, competent mediator will give rise to any complaint by a party – even if a mediation does not result in a settlement agreement.

Waiver of defamation

Consistent with the settlement privilege referred to in paragraph 2.3 above, Article 26 of the WIPO Mediation Rules provides that any statements or

comments made or used by the parties or their representatives, or the mediator, in preparation for or in the course of the mediation shall not be relied on as the basis for any action for defamation, libel, slander or any related complaint.

2.7 Role of the Center as Administering Authority

Various roles of the Center are apparent from the preceding discussions.

Mediators database

The Center maintains extensive data on potential mediators from many countries and with many skills, whether in mediation, technology, business, language or otherwise. On request, the Center provides assistance to parties in identifying potential mediators, and in arranging for candidates to consider serving.

Financial administration

The Center administers financial matters relating to the mediation, thus saving the mediator the chore of dealing with the parties on that subject.

Organizational support

The Center assists the parties in starting and organizing the mediation. It takes steps to assure that the mediation stays on track, and does not fail through inattention by either the parties or the mediator.

Agreeing to mediate

Another important role the Center plays is assisting the parties to agree on mediation or another appropriate dispute resolution procedure. Occasionally, parties to a dispute are unfamiliar with the alternatives to litigation. Often, one or more parties are unwilling to be the first to propose mediation or other alternatives to litigation. The Center can provide services to the parties to assist them in overcoming these barriers to getting to the table.

2.7.1 Summary

- Except in respect of deliberate wrongdoing, neither the mediator, WIPO nor the Center are liable in connection with a mediation conducted under the WIPO Rules.
- The Center assists parties to identify potential mediators with the necessary expertise, deals with financial issues and provides general organizational support.

2.7.2 Test Your Understanding

Discuss relevant criteria for the selection of a suitable mediator.

3. ARBITRATION, INCLUDING EXPEDITED ARBITRATION

3.1 Overview

3.1.1 *Arbitration Defined*

Consensual adjudication

Arbitration is a consensual, adjudicative process in which a third person (or persons) resolves a dispute within agreed upon parameters.

Comparison to mediation

Mediation and arbitration are similar to the extent they are consensual processes in which a neutral person participates. However, mediation and arbitration differ fundamentally with respect to the role of the neutral and the structure of the process. In arbitration, unlike mediation, the third person neutral imposes on the parties a resolution of the dispute. In mediation, as we have seen, the parties construct their own resolution. The neutral (the mediator) serves only to facilitate the parties' negotiations to find their own resolution.

In arbitration, unlike mediation, the arbitrator is constrained by a formal definition of the issues to be resolved (e.g. in the form of pleadings, or in the arbitration agreement), the applicable substantive law, the applicable arbitral law, applicable arbitral rules, factual and expert evidence the parties choose to adduce, and arguments submitted by counsel. Also, arbitrators may take into account the law and the public policy of the place(s) where an arbitral award is likely to be enforced or challenged, in an endeavor to assure that the award will be durable and enforceable.

Binding decision

Also in arbitration, unlike mediation, the views of the arbitrator on the merits of the defined issues are binding on the parties. Non-binding, advisory opinions of an arbitrator may be sought and agreed to by the parties, but the majority of arbitral awards in commercial disputes are binding on the parties.

3.1.2 *Benefits of Arbitration for Intellectual Property Disputes*

Party autonomy

One of the main virtues of arbitration is that the parties can "forum shop" in every sense. This is especially important in intellectual property disputes in which the issues are typically wide ranging and complex. Some of the benefits for the parties are that they can:

1. Choose the arbitrator(s);
2. Choose the issues to be arbitrated;
3. Choose the place of the arbitration;
4. Choose the substantive law that will control the merits of the dispute;
5. Choose the procedural rules;
6. Choose the schedule;
7. Choose exhibits, witnesses and other evidence to be adduced including arranging for tests and site visits;
8. Choose the form of relief to be awarded;
9. Choose the form of the award; and
10. Agree to facilitate enforcement of the award. In contrast to litigation in national courts, these features may afford substantial advantages.

As stated, WIPO offers parties two separate arbitration procedures: WIPO Arbitration and WIPO Expedited Arbitration. The following sections relate to both proceedings except where specific reference is made to the WIPO Expedited Arbitration Rules. WIPO Expedited Arbitration is further summarized in section 4.10 below.

Enforceable award

Another feature also provides a substantial advantage: an arbitral award rendered in a country that is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) may be enforced relatively easily in any of the more than 120 signatory countries to the Convention. No such all-encompassing Convention or Treaty or legal regime applies to judgments rendered in national courts. Thus it is far more likely that an arbitral award, as opposed to a court judgment, can be enforced around the world.

Usual concerns

Arbitration may not be appropriate in every intellectual property dispute. First, the parties must agree to arbitrate. For substantive, tactical or other reasons, one or more parties may not wish to enter into such an agreement. Immediate injunctive relief may be needed before an arbitration tribunal can be assembled. One or more parties may perceive a need for extensive discovery. One party may need a precedent-setting judgment from a national court. One or more parties may want the procedural safeguards of an established national court system (e.g. due process, evidentiary rules and the right to appeal). Arbitrability and enforceability of an award may be in doubt with respect to key issues. Cultural differences, prior “bad” experiences, and general mistrust of arbitration may pose high barriers to arbitration.

Addressing concerns

Of the foregoing notions as to why arbitration may not be appropriate for a particular dispute, only the need for immediate equitable relief may withstand scrutiny. As we see from the ensuing sections, arbitration can often satisfy all the concerns of the parties. Such reservations should be examined carefully before arbitration is rejected.

3.1.3 Recommended WIPO Contract Clauses and Submission Agreements

Model clauses and agreements

WIPO has prepared recommended clauses and agreements for arbitration. Most commercial arbitrations, whether domestic or international, arise out of pre-dispute arbitration clauses. Accordingly, the arbitration clause in an agreement directed to other relationships between the parties is of significant importance.

Attention to drafting

Regrettably, dispute resolution clauses in general, and arbitration clauses in particular, are often inserted at the last minute with little attention paid to their language or implications. Or when attention is paid to a proposed clause, it is often over-engineered – with excessive detail that may not be relevant at the time a dispute arises many years later. We discuss some of these phenomena below.

Pre-dispute clause

WIPO’s recommended pre-dispute arbitration clause states:

“Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. The arbitral tribunal shall consist of [three arbitrators][a sole arbitrator]. The place of arbitration shall be The language to be used in the arbitral proceedings shall be The dispute, controversy or claim shall be decided in accordance with the law of”

Amending standard clauses

Lawyers are sometimes tempted to tinker with standard pre-dispute arbitration clauses. In some situations this may be helpful, but in many instances it is harmful. Often, lawyers feel compelled to embellish a standard clause with specificity as to the identity of the arbitrator(s), their characteristics, limited issues to be arbitrated, time limits, discovery to be taken, evidence to be presented, the form of the award and the like. These details usually lead to more difficulties than they resolve. At the time a pre-dispute arbitration clause is drafted, it is at best difficult to predict the shape and complexion of potential future disputes. Unless the parties contemplate that one leg of their dispute resolution process will be in national courts with another leg concurrently in arbitration, they are usually better served by agreeing to a broad clause, intended to encompass all disputes arising under, out of, or relating to the underlying agreement. At the time the clause is invoked, the parties can negotiate the details in light of the circumstances then relevant. It is possible that such negotiations will be difficult. However, it is more than likely that the specifics of a pre-dispute arbitration clause agreed to years before the dispute arises will spawn even more difficult negotiations, as the parties consider whether and how to undo what was previously agreed to in a currently hostile environment arising out of the break-down of the underlying agreement.

The eleventh-hour circumstances under which many arbitration clauses are negotiated and agreed to also render it advisable to rely on standard clauses, such as the WIPO recommended clause. Such clauses cover all the important bases.

**Post-dispute
submission agreement**

WIPO's recommended post-dispute submission agreement for WIPO arbitration states:

"We, the undersigned parties, hereby agree that the following dispute shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules:

[Brief description of the dispute]

The arbitral tribunal shall consist of [three arbitrators][a sole arbitrator]. The place of arbitration shall be The language to be used in the arbitral proceedings shall be The dispute shall be decided in accordance with the law of"

**Elaborating standard
agreements**

Elaboration of WIPO's recommended post-dispute submission agreement may well be warranted – to the extent the parties and their counsel understand and are able to agree on details such as names of arbitrators, timetables, discovery to be taken, evidence to be adduced, and the form of the award. Such elaboration is entirely appropriate after the dispute has arisen. A caveat is that the parties' agreement to schedules and timetables before the arbitral tribunal is in place may make it difficult to find otherwise desirable arbitrators who can meet the parties' expectations.

**Med-Arb submission
agreement**

WIPO has also prepared a recommended agreement for submitting a dispute first to mediation, and if that fails, to arbitration.

Multi-step, pre-dispute resolution clauses are finding increasing acceptance in international commercial agreements. Similarly, post-dispute, multi-step procedures are increasingly accepted. These processes may comprise mediation followed by arbitration, as contemplated in the WIPO recommended clause. They may also comprise negotiation, followed by mediation, followed by arbitration. The popularity of multi-step processes reflects recognition by parties and counsel of the virtues of the parties attempting to solve their dispute by way of negotiating their own resolution, while relying on arbitration as the last alternative.

Parties and their counsel should research and understand the extent to which multi-step dispute resolution agreements and clauses are enforceable. Also, they should be aware of the possible use of the provisions of such agreements or clauses to attempt to forestall participation in an ensuing step. On occasion, a reluctant party will contend that an ensuing step is premature because another party has not complied with the terms and conditions governing a prior step. For example, parties hesitant to engage in arbitration have argued that an adversary has not negotiated in good faith or mediated in good faith, a condition precedent to arbitration.

All the above-mentioned clauses and submission agreements, are made available by the WIPO Arbitration and Mediation Center on its website and in its publications.

3.1.4 Place of Arbitration

Selection

Selection of the place of the arbitration is far from a trivial matter. Article 39(a) of the WIPO Arbitration Rules provides that, unless the parties agree otherwise, the Center shall select the place of the arbitration, taking into account observations of the parties and “the circumstances of the arbitration.” The parties themselves should agree on the place of arbitration. Often, in negotiating the terms and conditions of an agreement to arbitrate, the place of arbitration is a significant bargaining chip.

Arbitral law

The place of the arbitration normally determines the applicable arbitral law.

The arbitral law is taken into consideration to determine issues such as whether a dispute is arbitrable, interim measures of protection, the conduct of the arbitration (to the extent not provided by the WIPO Arbitration Rules), the form and validity of the arbitral award and any challenges as to its validity brought before the courts of the place of the arbitration. A jurisdiction that is not hospitable to arbitration is not the best place to arbitrate. If all parties and their counsel intend to conduct the arbitration in good faith and as efficiently as possible, the arbitral law may not play a significant role. However, if a party finds it necessary to seek judicial intervention in aid of the arbitration, an inhospitable court will not be helpful.

Arbitrability

In intellectual property arbitrations, it is important that the law and public policy of the jurisdiction where the arbitration occurs permit arbitration of the intellectual property issues in dispute.

The law or public policy of some jurisdictions does not permit binding arbitration of intellectual property rights granted by or registered with a government agency. Such jurisdictions hold that a right granted by the government can be diminished or denied only by the granting or registering governmental authority. Thus the issue of arbitrability may arise when the issue of validity of the intellectual property right in question is at stake. However, even then it is possible to obtain an *inter partes* award, which may be all the parties require.

Under Article V.1 (a) of the New York Convention, a party may challenge recognition and enforcement of an award by a court, if the party proves that the arbitration agreement is not valid under the arbitral law chosen by the parties, or where the parties have not made such a choice, under the arbitral law of the country where the award was made. This provision gives rise to

complex issues when, for example, patents granted in different jurisdictions are the subject of an arbitration. The parties must be fully aware of the ramifications of requesting that the arbitral tribunal adjudicate the validity, enforceability, and infringement of all such patents, if one or more of the patents have been granted in a jurisdiction that forbids arbitration of these issues (even *inter partes*) and the award needs to be enforced in that jurisdiction.

Elements to be considered

Convenience of parties, witnesses, and counsel, concomitant costs, plus local arbitral law, may be important factors to a party considering arbitration. Not only are convenience and cost important, but also whether or not witnesses, documents, equipment, facilities and the like will be available in the place of arbitration. A party's claim or defense may fail if it is unable to present evidence because a witness is not available or if inspection of a remotely located facility is not possible.

Changing place of arbitration

Because arbitration is a consensual process, it is important that the tribunal consult with the parties before changing the place of arbitration. If the parties agree, no legal problem should arise – unless the proposed place of arbitration is not “arbitration-friendly”. If a party objects to a change in place of arbitration, the tribunal must consider submissions of the parties on that issue before determining whether or not to proceed elsewhere.

Venue of hearings

The parties' choice of the place of arbitration is without prejudice to their freedom, and the tribunal's freedom, to hold hearings wherever they consider appropriate. This is confirmed by Article 39(b) of the WIPO Arbitration Rules which authorizes the arbitral tribunal, after consultation with the parties, to conduct hearings at any place the tribunal deems appropriate. Video conferencing during the hearing and pre-hearing videos of testimony, tests and facilities may solve the problem of otherwise unavailable evidence. Another solution may be for the arbitral tribunal to hold hearings at a place where the evidence is available.

3.1.5 Laws Applicable to the Arbitration

(i) Arbitral law

As we have seen in the preceding section, the law applicable to the arbitration, i.e. the arbitral law, is usually the law of the place of arbitration. Article 59(b) (also, Article 3) provides that this is the case under WIPO Arbitration Rules. Article 59(b) acknowledges that the parties may agree on another arbitral law. However, unnecessary disputes could arise if the parties designate an arbitral law other than the law of the place of the arbitration. If the parties and the tribunal contemplate conducting hearings in more than one jurisdiction, they must consider the ramifications of conducting part of the proceeding under an arbitral law that may differ from the arbitral law of the original place of hearing.

(ii) Law applicable to the arbitration agreement

The law chosen by the parties to govern the substance of the dispute will normally also cover (as is the case under the WIPO model arbitration clause) the validity of the underlying commercial contract and, as part of that contract, the arbitration agreement. Article 59(c) more broadly provides that an arbitration agreement is to be regarded as “effective” if it conforms to either the law or rules of law applicable in accordance with Article 59(a) below, or the law applicable in accordance with Article 59(b), above.

(iii) Law applicable to the substance of the dispute

Article 59(a) provides that the tribunal shall decide the substance of the dispute in accordance with the law or rules of law chosen by the parties.

This law need not be the same as the arbitral law. In the absence of clear party agreement, the law that governs the substance of the dispute will depend on the nature of the dispute. For example, if the dispute centers on the interpretation and enforcement of an agreement, the law governing the interpretation of the agreement would apply (i.e. the law set out in the governing law clause). If the dispute centers on the construction and enforcement of an intellectual property right and the parties have not chosen a different governing law, the law of the jurisdiction granting or registering the right applies. As we note above, if intellectual property rights granted or registered in different jurisdictions are the subject of the arbitration, if the parties have not agreed otherwise, the law of the granting or registering jurisdiction will control the construction and enforcement of each right.

Article 59(a) provides also that, in the event the parties have not chosen the law governing the substance of the dispute, the tribunal shall determine and apply the appropriate law. In doing so, the tribunal is to take into account the terms of any relevant contract and applicable trade usages.

(iv) Law applicable to the enforcement of the award

The law governing the enforcement of the award is the law of the place of enforcement. This is also important in intellectual property arbitrations. Article V.2 of the New York Convention provides that a court in the country where recognition and enforcement of an award are sought may refuse recognition and enforcement if (a) the subject matter of the dispute is not arbitrable under the law of that country; or (b) recognition or enforcement of the award would be contrary to the public policy of that country. Importantly, the court may raise and rely on these grounds on its own motion. Thus, a court may invoke these grounds notwithstanding that the challenging party has not proved that recognition or enforcement would be inappropriate.

3.1.6 Summary

- Arbitration is a consensual adjudicative process.
- An arbitral award rendered in a country that is signatory to the New York Convention may be enforced in any one of the more than 120 signatory countries to the Convention.
- Arbitration is based on an agreement by the parties to refer to arbitration a dispute at the time when they concluded their contract or after a dispute arises.
- The place of arbitration normally determines the applicable arbitral law controlling the procedure. Separate laws might apply to the underlying arbitration agreement, the substance of the dispute and the enforcement of the award.

3.1.7 Test Your Understanding

1. **What are the principal advantages of arbitration? Which of those advantages apply especially to intellectual property disputes?**
2. **Is it advisable to include in an arbitration clause details as to the identity of the arbitrator(s)?**
3. **What is the legal relevance of the “place of arbitration”? Must hearings and meetings be conducted at the place of arbitration?**

3.2 Commencing the Arbitration

3.2.1 Request for Arbitration and Answer to the Request

Date of commencement

Articles 6 and 7 of the WIPO Arbitration Rules provide that the date of commencement of the arbitration is the date on which the Request for Arbitration is received from the Claimant by the Center. Thereafter, as set out in Article 8, the Center informs the Claimant and the Respondent of the receipt of the Request and of the date of commencement of the arbitration.

Request for Arbitration

Article 9 sets out the required contents of the Request for Arbitration. Article 10 provides that the Request may be accompanied by the Statement of Claim referred to in Article 41.³ Whereas the Request for Arbitration is a *pro forma* document containing, *inter alia*, only a brief description of the dispute (Article 9(iv)), the Statement of Claim contains a comprehensive statement of facts and legal arguments supporting the claim and is accompanied by documentary evidence (Article 41(b) and (c)).

Answer to the Request

Article 11 provides for an Answer to the Request to be filed with the Center within 30 days of the Respondent’s receipt of the Request for Arbitration. The Answer is to include “comments” on the “elements” of the Request and

³ Article 10 of the WIPO Expedited Arbitration Rules provides that the Request for Arbitration shall be accompanied by the Statement of Claim (emphasis added).

“may include indications of any counter-claim or set-off.” Article 43(a) requires the Claimant to reply to a counter-claim or set-off appearing in the Answer as well as in the later Statement of Defense. In line with normal practice, a reply to a counter-claim in the Answer should be served, filed and accepted. Article 12 provides that, if the Request includes a Statement of Claim, the Answer may (but is not required to) include a Statement of Defense referred to in Article 42.⁴

Registration and administration fees

It is important to note that Articles 67 and 68 require that:

- (a) registration fees accompany the Request for Arbitration; and
- (b) administration fees be paid by the Claimant, and by the Respondent if a counter-claim is filed. Article 68(e) provides that if a party fails to pay any administration fee due, it shall be deemed to have withdrawn its claim or counter-claim. Article 70(e) is to the same effect with respect to a party’s failure to deposit amounts relating to the costs of the arbitration.

3.2.2 Representation

Parties’ choice

Article 13(a) of the WIPO Arbitration Rules provides that parties may be represented by persons of their choice, “irrespective of, in particular, nationality or professional qualification.” Thus, for example, the WIPO Rules permit a counsel admitted in a specific jurisdiction to represent a party in a WIPO arbitration regardless of where the arbitration is situated. However, the parties and their counsel must be aware of the relevant provisions of the applicable arbitrable law regarding persons authorized to represent parties in the place of the arbitration. The local arbitral law may take precedence over arbitral rules chosen by the parties.

Article 13(b) provides that each party shall ensure that its representatives have sufficient time available to enable the arbitration to proceed expeditiously.

Article 13(c) provides that the parties may also be “assisted by persons of their choice.” Presumably, this includes non legal advisers and experts.

3.2.3 Summary

- The date of commencement of the arbitration is the date on which the Center receives the Request for Arbitration from the Claimant.
- The Answer to the Request for Arbitration must be filed with the Center within 30 days of the Respondent’s receipt of the Request for Arbitration.
- Parties may be represented by persons of their choice.

⁴ Article 12 of the WIPO Expedited Arbitration Rules provides that the Answer to the Request shall be accompanied by the Statement of Defense.

3.2.4 Test Your Understanding

What are the consequences of a party's failure to pay the administration fee?

3.3 Composition and Establishment of the Tribunal

3.3.1 The Arbitral Tribunal

"Arbitrator, arbitrator, arbitrator"

It is often said that the key to arbitration is "arbitrator, arbitrator, arbitrator." Experience has demonstrated that this is indeed so.

Number of arbitrators

Article 14(a) of the WIPO Arbitration Rules provides that the tribunal shall consist of the number of arbitrators agreed by the parties. Article 14(b) provides that, in the absence of agreement by the parties, the Center shall appoint a sole arbitrator, except where the Center in its discretion determines that three arbitrators are appropriate.⁵

Sole arbitrator

A single arbitrator may be entirely adequate, especially where the arbitrator is thoroughly experienced and familiar with the subject matter of the issues to be arbitrated. Both scheduling issues and costs are reduced if only a single arbitrator is appointed.

Three arbitrators

On the other hand, where the subject matter of the arbitration is especially complex, or where the parties want the benefit of the judgment of more than one arbitrator, three arbitrators may be the better choice. If the parties can bear the added expense and can resolve the more difficult scheduling issues, they may benefit from the wisdom of three persons. Assuming collegiality and respect among the arbitrators, three arbitrators may be more likely to render an even-handed decision than a sole arbitrator. Also, the award is more likely to cover all relevant issues objectively. And biases and tendencies of a single arbitrator are more likely to be balanced through deliberations among three arbitrators.

As we see below, a typical three-person tribunal comprises an arbitrator appointed by each party to a two-party arbitration, with the two party-appointed arbitrators then appointing the chair or presiding arbitrator. In international arbitration, all three arbitrators, even those appointed by the parties, are to be impartial and independent. This may not always be the case in some domestic arbitrations. To assure that no misunderstandings arise during the course of the arbitration as to communications with arbitrators or the role of arbitrators in conducting the arbitration and in deliberations, the parties and all arbitrators should agree expressly that all three arbitrators will indeed be neutral and impartial. While Article 22(a) requires each arbitrator to be impartial and

⁵ Article 14 of the WIPO Expedited Arbitration Rules provides that the Tribunal shall consist of a sole arbitrator.

independent, a party appointed arbitrator may assume responsibility for seeing to it that all claims and defenses raised by the party appointing that arbitrator are considered by the tribunal, but a party-appointed arbitrator should not be an advocate for the appointing party's cause.

3.3.2 Appointment Procedures

Control by the parties

Article 15(a) of the WIPO Arbitration Rules provides that, if the parties have agreed upon an appointment procedure other than that set out in Articles 16 to 20, that procedure shall be followed. Article 15(b) provides that if the tribunal has not been established pursuant to the parties' procedure within the period of time agreed by the parties, or in the absence of such agreed period within 45 days after commencement of the arbitration, the tribunal shall be established pursuant to the default provisions of Article 19.⁶ Because a competent and acceptable arbitrator, or arbitrators, is critical to the successful implementation of an agreement to arbitrate, it is important that the parties assume full control of the appointment of the tribunal to assure that they are satisfied with the tribunal and to forestall later challenges to the tribunal, the tribunal's conduct of the arbitration, or the award rendered by the tribunal.

Appointment of sole arbitrator

Article 16 relates to the appointment of a sole arbitrator. Article 16(a) provides that if the parties fail to reach an agreement on procedure, they should appoint the arbitrator jointly – implicitly emphasizing the importance of their control over the selection of the arbitrator. Article 16(b) provides that if the parties do not make the appointment within an agreed period of time, or 30 days after commencement of the arbitration,⁷ in the absence of an agreed time, a sole arbitrator shall be appointed in accordance with the default provisions of Article 19.

Appointment of three-member tribunal

Articles 17 and 18 relate to the appointment of three arbitrators.

Article 17(a) provides that, if the parties have not agreed on a procedure to appoint the arbitrators, the arbitrators shall be appointed in accordance with Article 17.

Article 17(b) provides that the Claimant is to appoint an arbitrator in its Request, and the Respondent is to appoint an arbitrator within 30 days of receiving the Request. Within 20 days of the appointment of the second arbitrator, the two party-appointed arbitrators are to appoint the presiding arbitrator.

⁶ *It is fair to interpret Article 2 of the WIPO Arbitration Rules as permitting the parties and the Center to agree to modifications of time periods set out in Articles 15 to 19. Circumstances do not always permit these deadlines to be met in connection with the appointment of arbitrators, especially in international disputes in which arbitrators of particular nationalities and qualifications, with no conflicts of interest or time, must be identified, considered, approached and engaged. Article 38(c) empowers the tribunal to extend periods of time "in exceptional cases." These are necessarily periods of time set out in the Rules regarding events occurring after the tribunal is constituted.*

⁷ *In the case of WIPO Expedited Arbitration, Article 14(b) provides that, if the appointment of the sole arbitrator is not made within 15 days after the commencement of the arbitration, the sole arbitrator shall be appointed by the Center.*

Article 17(c) provides that, where the Center determines that a three-member tribunal shall be appointed, pursuant to Article 14(b), the Claimant shall appoint an arbitrator within 15 days of receiving notice from the Center that the tribunal is to consist of three arbitrators. The Respondent is to appoint the second arbitrator within 30 days of receiving the notice from the Center. As in Article 17(b), the two party-appointed arbitrators are to appoint the presiding arbitrator within 20 days of the appointment of the second arbitrator.

Article 17(d) provides that, if the appointment of any arbitrator is not made within the time period referred to in the preceding paragraphs, that arbitrator shall be appointed in accordance with the default provisions of Article 19.

Multiple parties

Article 18 contemplates the real and difficult situation where the interests of two or more parties on one side of the dispute do not coincide, thus complicating the appointment of three arbitrators where the parties have not agreed to a procedure for appointment. Article 18 sets out an eminently practicable solution.

Default appointment

Article 19(a) is the default provision applicable where a party fails to appoint an arbitrator in accordance with Articles 15, 17 or 18. The Center then appoints the arbitrator. Article 19(b) applies where a sole or presiding arbitrator has not been appointed in accordance with Articles 15, 16, 17 or 18. The Center invites the parties to rank proposed candidates.⁸ Ultimately, the Center selects the arbitrator.

Parties and their counsel should bear in mind that Article 19(c) authorizes the Center to appoint the sole or presiding arbitrator if the Center determines in its discretion that the provisions of Article 19(b) are not appropriate.

3.3.3 Appointment Considerations

Selection criteria

Article 20(a) of the WIPO Arbitration Rules provides that an agreement of the parties concerning nationality of arbitrators “shall be respected.” Article 20(b) provides that, where the parties have not agreed on the nationality of a sole or presiding arbitrator, such arbitrator shall be a national of a country other than the countries of the parties – “in the absence of special circumstances such as the need to appoint a person having particular qualifications.” Taking into account desired qualifications, conflicts of interest, availability in terms of time, and arbitral experience, the nationality of a sole or presiding arbitrator may fade to a secondary place in the hierarchy of criteria such an arbitrator must meet. Negotiations among the parties, party-appointed arbitrators, and the Center with respect to the selection of an appropriate presiding arbitrator, or among the parties and the Center with respect to a sole arbitrator, may be both intense and time-consuming.

⁸ No list procedure is provided in the WIPO Expedited Arbitration Rules. However, if the parties request the Center to do so, it will provide to each party an identical list of candidates for the parties to express their preferences in accordance with the procedure described in Article 19(b) of the WIPO Arbitration Rules.

Communication with candidates and the tribunal

Article 21 of the WIPO Arbitration Rules provides that no party or anyone acting on behalf of a party shall have any *ex parte* communication with any candidate for appointment as arbitrator, “except to discuss the candidate’s qualifications, availability or independence in relation to the parties.”

This is a difficult issue. Of course, parties and their counsel want to know what a candidate’s biases or predilections are with regard to the merits of the substantive issues. But this very subject must not be discussed with the candidate. To help to minimize the risk of a future challenge to an arbitrator, the conduct of the proceedings, or the ensuing award, parties and their counsel may consider (a) preparing a memorandum of any discussion with a candidate; (b) filing the memorandum with the Center; (c) submitting a copy of the memorandum to the adversary; (d) conducting interviews with candidates on an *inter partes* basis; or (e) conducting interviews on the basis of jointly agreed upon questions. Parties seldom go beyond step (a).

Communication after appointment

After a party-appointed arbitrator is appointed, all *ex parte* communications with any party relating to the arbitration are inappropriate, again with an exception. It is common and acceptable for each of the party-appointed arbitrators in a three person tribunal to confer with their respective appointing party concerning candidates for presiding arbitrator in terms of their qualifications, availability and independence. However, while each party and its counsel may research privately the biases and tendencies of candidates for presiding arbitrator, these subjects should not be part of the discussion with the party-appointed arbitrator. The party-appointed arbitrator’s role in the arbitral process may be compromised if the presiding candidate’s biases or views on the merits are discussed.

A sole arbitrator, or the presiding arbitrator, may have an *ex parte* communication with a party or its counsel regarding matters such as scheduling joint telephone conferences, but little beyond that. This rule is set out in Article 45, which prohibits *ex parte* communication with any arbitrator with respect to any matter of substance relating to the arbitration, except,

1. Communications concerning matters of “a purely organizational nature, such as the physical facilities, place, date or time of the hearings;” or
2. As otherwise provided in the WIPO Rules or permitted by the tribunal.

Impartiality and independence

Article 22(a) of the WIPO Arbitration Rules requires that each arbitrator, including party-appointed arbitrators, be “impartial and independent.”

“Impartial” means that the arbitrator will decide the issues in the arbitration on the merits and the record, not on prior commitments to one side or another,

or one position or another. A person who has never seen an invalid patent is not necessarily impartial with respect to patent validity issues. “Independent” means the arbitrator has no materially significant relationship with any party or party representative and has no financial or other interest in the outcome of the arbitration.

**Disclosure before
accepting appointment**

Article 22(b) requires prospective arbitrators to disclose, before accepting appointment, to the parties, the Center and any arbitrator already appointed “any circumstances that might give rise to justifiable doubt as to the prospective arbitrator’s impartiality or independence, or confirm in writing that no such circumstances exist.” The short answer to any doubts as to whether or not a candidate should disclose is “disclose, disclose, disclose.”

Later disclosures

Article 22(c) requires the same disclosures from arbitrators previously appointed, “if at any stage during the arbitration, new circumstances arise that might give rise to justifiable doubt as to any arbitrator’s impartiality or independence.” A question might arise as to whether or not an arbitrator is required to make such a disclosure regarding another arbitrator. It seems that such disclosure should be made.

3.3.4 Availability

Arbitrators

Time is a valuable commodity in arbitration. Article 12(a) of the WIPO Arbitration Rules provides that, by accepting appointment, each arbitrator is deemed to make available sufficient time to enable the arbitration to be completed expeditiously. Like other competent professionals, arbitrators are busy people. It is imperative that they take this undertaking seriously.

Counsel and parties

The same holds true for counsel and the parties. If the parties intend to conduct and complete the arbitration expeditiously, the parties, their counsel, and other party representatives must also undertake to make available “sufficient time.” Counsel and other representatives of the party are often quick to seek extensions of time and adjournments. Legal work tends to fill newly created voids. Arbitrators have difficulty in denying joint requests for extensions and adjournments.

**Extensions and
adjournments**

But senior management of a party may want to trim costs and accelerate resolution of the issues arbitrated. When a party requests or concurs in an extension or adjournment, to assure that it is indeed the party (i.e. its senior management) who authorizes the request or concurrence, senior management should expressly endorse the party’s request or concurrence on the record. Two salutary consequences flow from such endorsement: (a) the party’s request or concurrence, and its ramifications, will have been carefully considered – and may even be withdrawn; and (b) the party will find it difficult to later criticize the rate of progress in the arbitration.

3.3.5 Challenges to Arbitrators

Justifiable doubt

Article 24(a) of the WIPO Arbitration Rules provides that any arbitrator may be challenged by a party “if circumstances exist that give rise to a justifiable doubt as to the arbitrator’s impartiality or independence.” Thus, any party may at any time challenge any arbitrator.

Time limit

Article 24(b), however, limits a party who appointed the arbitrator or concurred in the arbitrator’s appointment to a challenge to that arbitrator only for reasons of which the party “becomes aware after the appointment has been made.” Thus, while a party may challenge such arbitrator, the party must demonstrate that it became aware of the grounds for the challenge only after the appointment, even if those grounds existed prior to the appointment. This suggests that, at minimum, a party appointing or concurring in the appointment of an arbitrator must do its homework.

Procedure

Articles 25 to 29 set out the procedure for dealing with challenges. Importantly, Article 27 provides that the tribunal may, in its discretion, suspend or continue the arbitral proceedings during the pendency of the challenge. If there is no agreement by all parties to proceed, it seems that few circumstances would warrant a sole arbitrator’s continuing the proceedings pending a bona fide challenge.

3.3.6 Release from Appointment and Replacement of an Arbitrator

Release

Article 30 of the WIPO Arbitration Rules provides that an arbitrator may be released from appointment at his/her own request, either with the consent of the parties or by the Center.

Article 31 provides that the parties may jointly release an arbitrator, even absent a request by the arbitrator.

Article 32 provides that the Center may release an arbitrator, at the request of the parties or on the Center’s own motion, if the arbitrator has become *de jure* or *de facto* unable to fulfil, or fails to fulfil, the duties of an arbitrator. In the event of such release, Articles 26 to 29, relating to the procedure for dealing with challenges, apply.

Replacement

With respect to replacing an arbitrator, Article 33(a) provides that the appointment procedures of Articles 15 to 19 apply. Article 33(b) limits the right of an appointing party when that party’s appointed arbitrator has been released.

Suspension

Importantly, and in contrast to Article 27, Article 33(c) provides that pending replacement of an arbitrator, the arbitral proceedings shall be suspended, unless the parties agree otherwise.

Hearing

Article 34 provides that when a substitute arbitrator has been appointed, the tribunal shall determine, in light of observations of the parties, whether all or some part of any prior hearings should be repeated.

Truncated tribunal

Article 35 deals with the circumstances under which, and procedures for determining whether, a truncated tribunal (i.e. a tribunal in which an arbitrator fails to participate) may proceed with the arbitration.

3.3.7 Liability and Defamation

Article 77 of the WIPO Arbitration Rules provides that, except in respect of “deliberate wrongdoing,” arbitrators, WIPO and the Center shall not be liable to a party for “any act or omission in connection with the arbitration.”⁹

Article 78 provides that the parties and the arbitrators (by accepting appointment) agree that any statements made or used during the arbitration shall not be relied on “to found or maintain any action for defamation, libel, slander or any related complaint.”

3.3.8 Jurisdiction of the Tribunal**Determination by tribunal**

Article 36(a) of the WIPO Arbitration Rules adopts the virtually universal rule that the arbitral tribunal has the power to determine its own jurisdiction. Article 36(b) adds that the tribunal has the power to determine the existence or validity of any contract of which the arbitration agreement “forms a part or to which it relates.”

Challenges to jurisdiction

Article 36(c) provides that challenges to the tribunal’s jurisdiction must be raised no later than (i) in the Respondent’s Statement of Defense with respect to the Claimant’s claim; or (ii) in the Claimant’s Statement of Defense with respect to a counterclaim or set-off raised by the Respondent.

Challenge to authority

Article 36(c) provides also that a plea that the tribunal is exceeding the scope of its authority must be raised as soon as the matter alleged to be beyond the scope of its authority is raised during the arbitral proceedings. However, the tribunal may consider a later plea, if the tribunal considers the delay justified.

Article 36(d) provides that challenges to jurisdiction and scope of authority may be determined by the tribunal as a preliminary matter or in the final award. It is not uncommon for tribunals to defer determination of these jurisdictional questions until the final award.

An important question as to the tribunal’s jurisdiction arises when an entity which is not a signatory to the agreement containing an arbitration clause or

⁹ See comments on Article 25 of the WIPO Mediation Rules in section 2.6 above.

to an agreement to arbitrate is named as the Claimant or the Respondent. Arbitration is consensual. Consent to an agreement to arbitrate may be evidenced in various ways in addition to signing an agreement. For example, the issue may arise with respect to, among others,

1. A third-party beneficiary to a contract containing an arbitration clause.
2. A principal whose agent is a party to an agreement to arbitrate.
3. A member of a group of companies where another member signed a contract containing an arbitration clause.
4. A subsidiary of a corporation which is a party to an agreement to arbitrate.
5. A sub-contractor whose agreement with the contractor contains an arbitration clause, where the arbitration clause is incorporated by reference into another contract to which the sub-contractor is not a party.
6. Proposed consolidation of multiple arbitration proceedings regarding similar issues, and in part, the same parties.

These jurisdictional questions typically require thorough factual and legal investigations by the tribunal. If possible, they should be dealt with at the contracting stage, i.e. when the agreement to arbitrate is negotiated and executed.

3.3.9 *Summary*

- The arbitral tribunal shall consist of the number of arbitrators agreed by the parties.
- If the parties have agreed upon an appointment procedure, that procedure shall be followed, otherwise, a list procedure will be followed.
- Each arbitrator shall be impartial and independent.
- By accepting appointment, each arbitrator is deemed to make available sufficient time to enable the arbitration to be conducted expeditiously.

3.3.10 *Test Your Understanding*

- 1. How do the WIPO Arbitration Rules address the impartiality and independence of the arbitrator(s)?**
- 2. Who decides on a challenge to the jurisdiction of the arbitral tribunal under the WIPO Arbitration Rules?**

4. CONDUCTING THE ARBITRATION

The WIPO Arbitration Rules include Articles 37 to 58 under the heading of Conduct of the Arbitration. We have previously mentioned some of these articles. We deal here with Articles 38, 40, 41 to 44, 46, 47, 48, 51 to 53 and 55 to 58.

4.1 Tribunal's Authority with Respect to Conducting the Proceedings

Article 38(a) of the WIPO Arbitration Rules provides that the tribunal may conduct the arbitration “in such manner as it considers appropriate.” Effective management of the proceedings requires that this authority rest with the tribunal. The tribunal’s authority is apparent from many of the Rules discussed in this subsection.

Equality and opportunity to present the case

At the same time, Article 38(b) provides that, in “all cases,” the tribunal “shall ensure” that the parties are “treated with equality” and “each is given a fair opportunity to present its case.” The tribunal must afford the parties a genuine opportunity to be heard in full, in order to forestall future challenges to the arbitral award. For example, Article V.1(d) of the New York Convention provides that a court may refuse recognition and enforcement of an award if the challenging party proves the arbitral procedure was not in accordance with the agreement of the parties. Article V.1(b) adds failure to give the challenging party proper notice of the proceedings and the party’s inability to present its case as further grounds for challenging an award.

It is common for arbitrators, at least at the beginning of an evidentiary hearing and at its close, to seek from the parties assurances on the record that each has been treated with equality and has been given a fair opportunity to present its case. The purpose, of course, is to enhance the enforceability of the ensuing award and reduce challenges to it.

Due expedition

Also, Article 38(c) provides that the tribunal “shall ensure” that the arbitral procedure takes place with “due expedition.” At the same time, the tribunal may, in exceptional circumstances, extend periods of time “fixed by the Rules, by itself or as agreed to by the parties.”

4.2 Language of the Arbitration

Language of the arbitration agreement

Article 40(a) provides that, unless the parties agree otherwise, the language of the arbitration shall be the language of the arbitration agreement – subject to the “power of the Tribunal to determine otherwise,” having regard for the parties’ observations and the circumstances of the arbitration. Similarly, Article 40(b) provides that the tribunal may order that documents be translated into the language of the arbitration.

4.3 Submissions

Statement of Claim

Article 41(a) of the WIPO Arbitration Rules provides for the filing of a Statement of Claim within 30 days after notice of the constitution of the tribunal. Article 41(b) provides that the Statement of Claim shall include a comprehensive statement of the facts and legal arguments supporting the claim, including a statement of the relief sought. Article 41(c) provides that the Statement of Claim is to be accompanied by supporting documentary evidence. We have seen that Article 10 provides that the Request for Arbitration may be accompanied by a Statement of Claim.

Statement of Defense

Articles 42(a) and (b) provide that “the Respondent shall, within 30 days after receipt of the Statement of Claim, or within 30 days after receipt of notification from the Center of the establishment of the Tribunal, whichever occurs later, communicate its Statement of Defense to the Claimant and to the Tribunal.”¹⁰

The Statement of Defense mirrors the Statement of Claim in format and content. Article 42(c) provides that any counter-claim or set-off shall be asserted in the Statement of Defense – or in exceptional circumstances, at a later stage, “if so determined by the Tribunal.”

Further written statements

Article 43(a) provides that the Claimant shall reply to a counter-claim or set-off. Article 43(b) provides that the tribunal may, in its discretion, “allow or require” further statements.

Amendments

Article 44 provides that a party may amend or supplement its claim, counter-claim, defense, or set-off, unless (a) the parties have agreed otherwise, or (b) the tribunal considers it “inappropriate” to allow such amendment, having regard to its nature or delay in making it, and to the requirements of Article 38(b) and (c) for equality, fair opportunity and expedition.

4.4 Interim Measures

Tribunal’s authority

Article 46(a) provides that, at the request of a party, the tribunal may make interim orders, including injunctions and measures for the conservation of goods. The tribunal may order that such measures be subject to security being furnished by the requesting party.

Security

Article 46(b) authorizes the tribunal, if requested by a party and “required by exceptional circumstances,” to require a party to provide security for a claim or counter-claim, as well as for a party’s costs that may be awarded pursuant to Article 72.

¹⁰ Article 11 of the WIPO Expedited Arbitration Rules provides that “within 20 days from the date on which the Respondent receives the Request for Arbitration and Statement of Claim from the Claimant, the Respondent shall address to the Center and to the Claimant an Answer to the Request which shall contain comments on any of the items in the Request for Arbitration.” Further, Article 12 of these Rules states that the Answer to the Request shall be accompanied by the Statement of Defense.

Form

Article 46(c) states that the tribunal's measures and orders under this Article may be in the form of an interim award. Concomitantly, Article 62(a) authorizes the tribunal to make "preliminary, interim, interlocutory, partial or final awards."

National courts

Article 46(d) provides that a party's request to a judicial authority for interim measures or for security, or for implementation of any order of the tribunal under this Article, shall "not be deemed incompatible with the Arbitration Agreement, or deemed to be a waiver of that Agreement."

4.5 Preparatory Conference

Management of arbitration

It is customary in international commercial arbitration for the tribunal to convene a preparatory or scheduling conference soon after the tribunal is constituted. This is important in order to effect proper management of the arbitration. Article 47 of the WIPO Arbitration Rules provides for such a conference following the submission of the Statement of Defense.

Means

Preparatory conferences are sometimes conducted in person with the tribunal and counsel present. At other times they are conducted by telephone. Where possible, conferences in person are preferable.

Issues

At preparatory conferences, the following, among other matters, may be discussed and agreed to:

1. Evidentiary hearing dates;
2. Schedules for submitting witness lists, witness statements and exhibits;
3. Dates for submission of pre-hearing memorials;
4. Schedules for pre-hearing exchanges of information;
5. Appointment of tribunal experts;
6. Site visits and *inter partes* tests and experiments;
7. Use of video conferencing and other electronic facilities at the hearing;
8. Confidentiality stipulations and orders;
9. Specifications of points at issue;
10. Communications with arbitrators; and
11. The role of the presiding arbitrator in deciding procedural and other pre-hearing issues.

The United Nations Commission on International Trade Law (UNCITRAL) makes available Notes on Organizing Arbitral Proceedings which helpfully include 19 items that may be considered in organizing arbitral proceedings. These notes and their annotations are available at the UNCITRAL website: <http://www.uncitral.org>.

4.5.1 *Summary*

- The tribunal may conduct the arbitration in such manner as it considers appropriate.
- The tribunal shall ensure that the parties are treated with equality and given a fair opportunity to present their case and that the procedure takes place with due expedition.
- Unless the parties agree otherwise, the language of the arbitration proceedings shall be the language of the arbitration agreement.
- The Claimant shall file a Request for Arbitration followed by a Statement of Claim, and the Respondent shall provide an Answer to the Request followed by a Statement of Defense; further written statements might follow.
- It is customary for the tribunal to convene a preparatory conference shortly after the tribunal is constituted.

4.5.2 *Test your understanding*

- 1. When are the Answer to the Request and the Statement of Defense due in a WIPO Arbitration and in a WIPO Expedited Arbitration?**
- 2. Can one of the parties to an arbitration agreement apply to a judicial authority for interim measures against the other party? When might this option be particularly important?**
- 3. Write a draft procedural timetable by reference to the WIPO Arbitration Rules.**

4.6 Presentation of Evidence

WIPO Arbitration Rules Articles 48 to 51 and 53 to 55 cover various aspects of the presentation of the parties' cases.

Tribunal's control

The tribunal normally has full control of the evidentiary hearing. The International Bar Association has made available rules on the taking of evidence in international commercial arbitration (IBA Rules) that provide in Article 8.1. that "[t]he Arbitral Tribunal shall at all times have complete control over the Evidentiary Hearing." Whether or not, in addition to the WIPO Rules, the IBA Rules are adopted by the parties and the tribunal, parties can expect this axiom to be applied in international commercial arbitration.

Admissibility

Consistent with conventional practice and with Article 38(a), Article 48(a) of the WIPO Arbitration Rules provides that the tribunal shall determine the admissibility, relevance, materiality and weight of evidence. Article 49(b) provides that the tribunal may order the production of documents or other evidence the tribunal considers "necessary or appropriate," including making available for inspection or testing property in a party's possession.

<u>Experiments</u>	Article 49 provides for the conduct and use of both <i>ex parte</i> and <i>inter partes</i> experiments, including notice by a party of intended reliance on <i>ex parte</i> experiments and the repetition of such tests on an <i>inter partes</i> basis.
<u>Site visits</u>	Article 50 provides for inspection by the tribunal of a “site, property, machinery, facility, production line, model, film, material, product or process as it deems appropriate.”
<u>Primers and models</u>	Article 51 provides for the joint presentation by the parties of technical primers and models, drawings or other materials to assist the tribunal in understanding the issues.
<u>Hearing</u>	Article 53(a) of the WIPO Arbitration Rules provides for a hearing for the presentation of evidence by fact witnesses and experts and for oral argument, if either side so requests or if the tribunal determines the need to hold a hearing. If no hearing is held, the proceedings are conducted on the basis of documents and other materials.
<u>Private hearings</u>	Article 53(c) provides that all hearings shall be “in private”, unless the parties agree otherwise. Article 53(d) provides that the tribunal shall determine whether and how a record shall be made of any hearings.
<u>Witnesses</u>	<p>Article 54 gives the tribunal control of the presentation of witnesses’ testimony at evidentiary hearings. Among other provisions, Article 54(b) gives the tribunal discretion, on the grounds of redundancy and irrelevance, to limit or refuse the appearance of any witness, whether of fact or expert. Article 54(d) provides that, in the event witness testimony is in written form, the tribunal may condition the admissibility of the testimony on the availability of the witness for oral testimony, and Article 54(f) provides that the tribunal can sequester witnesses.</p> <p>Article 8.2 of the IBA Rules describes the order and procedure for the presentation of witness evidence. It also provides that the tribunal can arrange that all fact witnesses who are to testify on the same subject testify concurrently about the subject and in confrontation with each other.</p>
<u>Expert reports</u>	Article 55 relates to expert reports and opinions. Article 55(a) permits a tribunal, after consultation with the parties, to appoint one or more independent experts to report to the tribunal on specific issues. Subject to the confidentiality provisions and procedures of Article 52, Article 55(b) provides that the tribunal shall communicate a copy of an Article 55(a) expert’s report to the parties, who may express in writing their opinion on the report, and who may examine “any document on which the expert has relied in such a report.” According to Article 55(d), an expert’s opinion shall be subject to assessment by the tribunal, unless the parties agree that the expert’s determination shall be conclusive on the points at issue.
<u>Conferencing</u>	On the subject of Article 55 of the WIPO Arbitration Rules, Article 5.3 of the IBA Rules permits – if not encourages – conferencing among experts. That is,

all experts who are to appear for oral testimony on a specific subject at the evidentiary hearing are to confer and attempt to agree or at least narrow their differences, and then testify concurrently on that subject.

Access to documents

Second, with respect to expert reports, whether those of party experts or tribunal experts, the documents disclosed to parties relating to an expert's report should not be limited to the documents on which the expert relied in the report (see Article 55(b)). Rather, each party should have access to all documents considered by the expert, especially those that do not support the expert's opinion.

4.7 Default, Closure and Waiver

4.7.1 Default

Consequences

Under Article 56 of the WIPO Arbitration Rules, default by a party leads to different consequences, depending on timing and which party is in default. Article 56(a) provides that, if a claimant, without showing good cause, fails to submit a Statement of Claim in accordance with Article 41, the tribunal shall terminate the proceedings.

Under Article 56(b), if a respondent, without showing good cause, fails to submit a Statement of Defense in accordance with Article 42, the tribunal may, nevertheless, proceed with the arbitration and render an award. In practice, if the tribunal does elect to proceed, it must assure that the respondent is (i) fully and timely apprised of all events in the arbitration; and (ii) invited and afforded a real opportunity to participate, e.g. in submitting evidence and arguments. Article V.1(b) of the New York Convention provides that a ground for refusing to recognize and enforce an award is that the party against whom the award is invoked was not given proper notice of "the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case."

Article 56(c) provides that the tribunal may proceed with the arbitration and render an award if a party, without showing good cause, fails to avail itself of the opportunity to present its case within the period of time determined by the tribunal. Article V.1(b) of the New York Convention is relevant here also.

Inferences

Article 56(d) provides that, if a party without showing good cause fails to comply with any provision of the Rules or any direction of the tribunal, the tribunal "may draw the inferences therefrom that it considers appropriate." Articles 9.4. and 9.5 of the IBA Rules permit the tribunal to draw adverse inferences if, *inter alia*, a party fails without a satisfactory explanation (i) to produce documents ordered by the tribunal to be produced; or (ii) to make available other relevant evidence, including testimony ordered by the tribunal to be produced.

4.7.2 Closure of Proceedings

Under Article 57(a) of the WIPO Arbitration Rules the tribunal shall declare the proceedings closed “when it is satisfied that the parties have had adequate opportunity to present submissions and evidence.” The tribunal is not likely to declare the proceedings closed until the tribunal has received the last post-hearing submission from the parties, including supplemental submissions.

Article 57(b) provides that, in exceptional circumstances, the tribunal may reopen the proceedings at any time before the award is rendered, upon its own motion or upon application of a party.

4.7.3 Waiver

Article 58 of the WIPO Arbitration Rules provides that, if a party, who knows that a Rule or direction of the tribunal has not been complied with, proceeds with the arbitration without promptly objecting to the non-compliance, it shall be deemed to have waived its right to object.

4.8 Confidentiality

Possible limitations

Articles 52 and 73 to 76 of the WIPO Arbitration Rules relate to confidentiality. Privacy and confidentiality are important features of arbitration. At the outset, it should be kept in mind that privacy and confidentiality of arbitration agreements, proceedings and awards may not last forever. It is immediately apparent that, upon requesting a court to enforce or set aside an arbitration award, the award and the underlying arbitration agreement will become a matter of public record (e.g. New York Convention, Article IV and Article 75 of the WIPO Rules). Also, governmental agencies, principal investors, indemnitors, insurers, licensors, licensees, competitors, and others in litigation or arbitration with respect to the same subject matter (e.g. the same patent, trademark, copyright) may have a legitimate interest in the award and what occurred during the arbitral proceedings.

Existence of the arbitration

Articles 73(a) and (b) of the WIPO Rules provide that no information concerning the existence of the arbitration may be unilaterally disclosed by a party to a third party, except,

“to the extent necessary in a court challenge to the arbitration or an action for enforcement of the award,”
 unless a party *“is required to do so by law or by a competent regulatory body,”* or
“for the purpose of satisfying any obligation of good faith or candor owed” to a third party.

These exceptions, as well as those noted below in connection with Article 75, alert the parties to the real possibility that the cloak of confidentiality with

respect to the arbitration agreement, the award and the arbitral proceedings themselves may be pierced for reasons beyond their control.

Confidential information

Articles 52 and 74 of the WIPO Arbitration Rules relate to confidential information disclosed during the arbitral proceedings. Article 52(a) provides a classic definition of confidential information. Article 52(b) and (c) set out a procedure whereby the tribunal determines whether or not a party's information is indeed confidential and eligible for protection pursuant to terms and conditions to be settled by the tribunal.

Disclosures made during the arbitration

Article 74 relates to confidentiality of disclosures made during the arbitration. In addition to the Article 52 provisions concerning the confidentiality of particular information, any documentary or other evidence given by a party or a witness in the arbitration "shall be treated as confidential."

Award

Article 75 provides that the award shall be treated as confidential and may be disclosed to a third party only if and to the extent that:

1. The parties consent; or
2. The award falls into the public domain "*as a result of an action before a national court or other competent authority;*" or
3. The award must be disclosed "*to comply with a legal requirement imposed on a party or in order to establish or protect a party's legal rights against a third party.*"

Duties of Center and arbitrator

Article 76 states that, unless the parties agree otherwise, the Center and the arbitrator:

"shall maintain the confidentiality of the arbitration, the award and, to the extent that they describe information that is not in the public domain, any documentary or other evidence disclosed during the arbitration, except to the extent necessary in connection with a court action relating to the award, or as otherwise required by law."

Confidentiality advisor

Article 52 (d) and (e) concern a procedure unique to WIPO arbitrations. These paragraphs provide that, in exceptional circumstances, the tribunal may, at the request of a party or on its own motion after consultation with the parties, designate a "confidentiality advisor" who will,

"determine whether the information [designated by a party as confidential] is to be so classified, and, if so, decide under which conditions and to whom it may in part or in whole be disclosed."

The role of the confidentiality advisor is similar to that of a Special Master, who, in United States litigation, may be appointed to review documents claimed

to be subject to a privilege or otherwise confidential. The WIPO procedure ensures that the tribunal will not see information that may not become a part of the record or may become a part of the record only on a restricted basis.

Enlarged role

Article 52(e) of the WIPO Arbitration Rules permits increasing the role of the confidentiality advisor. Pursuant to Article 52(e), the tribunal may, at a party's request, or on its own motion,¹¹

“appoint the confidentiality advisor as an expert in accordance with Article 55 [tribunal appointed expert] in order to report to it, on the basis of the confidential information, on specific issues designated by the Tribunal without disclosing the confidential information either to the party from whom the confidential information does not originate or to the Tribunal.”

This enlarged role of the confidentiality advisor carries implications as to due process and should be considered carefully by both the parties and the tribunal before it is invoked. A party may find itself on the losing end of a procedural or substantive determination based on information neither that party nor the tribunal is privy to. That ruling may affect other rulings in the arbitration. Notwithstanding the provisions in Article 55(c),¹² relating to a party's opportunity to question the expert, this opportunity may be a nullity if the party cannot see the report or the documents and information on which the expert relies. For those parties who are not privy to information claimed by an adversary to be confidential, reposing this authority in a confidentiality advisor appointed by the tribunal is a major step.

4.8.1 Summary

- The tribunal determines the admissibility, relevance, materiality and weight of evidence.
- If either party so requests, or if the tribunal so decides, a hearing can be held for the presentation of evidence by witnesses or for oral argument.
- After consultation with the parties, a tribunal may appoint one or more independent experts to report to the tribunal on specific issues.
- The tribunal shall declare the proceedings closed when it is satisfied that the parties have had adequate opportunity to present submissions and evidence.
- The WIPO Rules aim to safeguard the confidentiality of the arbitration, any disclosures made during the arbitration, and the award. In addition, they provide for means of protecting the disclosure by one of the parties of confidential information to the other party or, in exceptional circumstances, to the tribunal.
- In exceptional circumstances, the tribunal may appoint a confidentiality advisor.

¹¹ In contrast to Article 52(d), under Article 52(e) the tribunal's "consultation with the parties" is not required.

¹² Article 55(b), relating to the parties' right to see a tribunal expert's report and documents relied on, expressly subjects that right to Article 52.

4.8.2 Test Your Understanding

- 1. What are the consequences of a party defaulting in arbitration proceedings? Could a party's default prejudice the enforcement of an arbitral award under the New York Convention?**
- 2. Consider what would happen if one of the parties submitted documentary evidence in support of its case but asked the arbitrator to keep it confidential from the other party.**

4.9. The Award

Articles 59 to 66 of the WIPO Arbitration Rules relate to the award and other decisions.

Substance

As noted, Article 59(a) relates to the law governing the substance of the dispute. It provides that the tribunal shall decide the substance of the dispute in accordance with the law or rules chosen by the parties. If the parties fail to designate that law, the tribunal shall apply the law or rules that the tribunal considers appropriate. The tribunal is to have due regard for the terms of any relevant contract and "applicable trade usages." The tribunal may decide as *amiable compositeur* or *ex aequo et bono* (that is, according to principles of equity and the tribunal's own conscience) only if the parties have expressly authorized it to do so.

Procedure

Article 59(b) provides that the law applicable to the arbitration shall be the arbitration law of the place of the arbitration, unless the parties have expressly agreed on another arbitral law "and such agreement is permitted by the law of the place of arbitration." Article 59(c) provides that the arbitration agreement shall be regarded as effective if it conforms to either the law of the substance of the dispute (Article 59(a)), or the arbitral law (Article 59(b)). Presumably, conformity to one law but not the other would be in technical compliance with Article 59(c). In any event, when concluding the agreement, the parties should ensure that it complies both with the substantive law and the arbitral law, because lack of compliance might invite a challenge to the award under Article V.1(a) of the New York Convention.

Currency, interest

Article 60(a) and (b) provide that the tribunal may award monetary amounts in any currency and that it may apply simple or compound interest at rates it considers to be appropriate without being bound by "legal rates of interest."

Majority decision

Article 61 states that, unless the parties have agreed otherwise, where there is more than one arbitrator, any award, order or other decision of the tribunal shall be by a majority. In the absence of a majority, the presiding arbitrator shall make the award, order or other decision. Experience in other contexts has shown that because all arbitrators are impartial, only rarely is a majority view unattainable. In the event of this rare occurrence, however, since the presiding arbitrator is authorized to render the award, the arbitration will not be brought to a hopeless standstill.

Interim awards

Article 62(a) authorizes the tribunal to make “preliminary, interim, interlocutory, partial or final awards.” As we have seen above, Article 46(c) provides that provisional orders and other interim measures may take the form of an award.

Reasons

Articles 62(b) and (d) to (g) cover formalities. Article 62(c) provides that an award shall state reasons on which it is based, unless the parties have agreed otherwise and the applicable arbitral law does not require a statement of reasons. Parties and their counsel should consider carefully whether or not the award should state reasons. For example, an award with reasons finding for a patent owner may provide the party accused of infringement with a road map as to how not to infringe. An award with reasons may influence a court considering whether or not to enforce the award. An award with reasons may support assertions of collateral *estoppel* or *res judicata*. A losing party may, for its own internal reasons, want an award with reasons.

Length of proceedings

Article 63(a) encourages that (i) arbitration proceedings be declared closed within nine months of the delivery of the Statement of Defense or the establishment of the tribunal, whichever comes later; and (ii) the final award be made within three months thereafter.¹³ Articles 63(b) and (c) set out procedures the tribunal is to follow if the due dates under Article 63(a) are not met.

Limitation of right to appeal

Article 64(a) provides that, by agreeing to arbitrate pursuant to the WIPO Arbitration Rules, the parties:

“undertake to carry out the award without delay, and waive their right to any form of appeal or recourse to a court of law or other judicial authority, insofar as such waiver may validly be made under the applicable law.”

With respect to this provision, parties and their counsel must be aware of the implications of the applicable arbitral law, as well as the law of places where the award may be enforced. For example, waiver of challenges to the award under Article V of the New York Convention may be prohibited. Accordingly, parties should consider the implications of the applicable laws of any jurisdiction where the award is likely to be enforced.

Settlement

Article 65(a) authorizes the tribunal to “suggest” that the parties explore settlement. It leaves open the tribunal’s role thereafter. However, the parties and the tribunal may agree that the tribunal shall serve as settlement facilitator. This is a delicate role for the arbitrator to fill.¹⁴

Other grounds of termination

Article 65(b) provides that in the event of settlement by the parties before the award is made, the tribunal shall terminate the arbitration, and, if requested by

¹³ Article 56(a) of the WIPO Expedited Arbitration Rules provides that the expedited arbitration proceedings should be declared closed within not more than three months after either the delivery of the Statement of Defense or the establishment of the tribunal, whichever event occurs later, and that the final award should, whenever reasonably possible, be made within one month thereafter.

¹⁴ Some of the issues, plus proposed terms of an agreement, are discussed in Plant, *Resolving International Intellectual Property Disputes*, ICC 1999, pp. 105 et seq.

the parties, record the settlement in the form of a “consent award.” The tribunal is not obligated to give reasons for such an award.

Article 65(c) provides for termination of the arbitration by the tribunal before the award is made if “the continuation of the arbitration becomes unnecessary or impossible for any reason” other than settlement. Such termination is subject to objections from a party.

Correction of the award

Article 66(a) allows a party to request, within 30 days of receipt of the award, correction of “clerical, typographical or computational errors.” Article 65(b) permits the tribunal to make any such correction on its own initiative within 30 days after the date of the award. Article 65(d) permits a party to request, within 30 days after receipt of the award, the tribunal to make an additional award “as to claims presented in the arbitral proceedings but not dealt with in the award.” Before deciding on the request, the tribunal shall give the parties an opportunity to be heard. If the tribunal elects to render such additional award, it is encouraged to do so within 60 days of the receipt of the request.

4.10 Expedited Arbitration: Special Features

As noted, WIPO provides for expediting the arbitration process by way of modifications to the WIPO Arbitration Rules. The discussion in the preceding section on arbitration applies to expedited arbitration except in the following respects:

1. The Statement of Claim must accompany the Request for Arbitration;
2. The Statement of Defense must accompany the Answer to the Request;
3. There is only one arbitrator;
4. Except in exceptional circumstances, hearings may not exceed three days;
5. Other time periods are shortened;
6. Lower registration and administration fees apply; and
7. Fixed fees for the sole arbitrator apply to disputes where the value in dispute is up to US\$ 10 million.

The Center makes available a list of the modifications to the WIPO Arbitration Rules as well as a consolidated text of the WIPO Expedited Arbitration Rules.

The differences have also been highlighted in footnotes to the previous sections dealing with WIPO Arbitration.

4.11 Fees and Costs

Articles 67 to 72 of the WIPO Arbitration Rules address fees and costs. The Schedule of Fees and Costs is annexed to the WIPO Rules and to this module.

Registration fee

Article 67 provides for a registration fee of US\$ 2,000 to be paid to the Center by the claimant, and the Center shall take no action on a Request for Arbitration until the registration fee has been paid (Article 67(c)). Article 67(d) provides that, if the Claimant fails to pay the registration fee within 15 days of receiving a second reminder, the claimant shall be deemed to have withdrawn the Request for Arbitration.

Administration fee

Article 68(a) provides for payment by the claimant to the Center of an additional “administration fee.” In the event of a counter-claim, Article 68(b) provides that the respondent shall pay an administrative fee. The administration fee is set out in the Schedule of Fees and Costs and is based on the value of the claim plus the value of the counter-claim. The minimum fee is US\$ 2,000 and the maximum fee is US\$ 25,000. Where a claim or counter-claim is not for a monetary amount, the Center determines the administration fee. Article 68(d) provides that where the amount of a claim or counter-claim is increased, the administration fee may be increased in accordance with the Schedule of Fees and Costs. Article 68(e) states that if a party fails within 15 days of receiving a second reminder to pay any administration fee due, that party shall be deemed to have withdrawn its claim or counter-claim, or the increase in its claim or counter-claim.

Fees of the arbitrators

Article 69 provides that the arbitrators’ fees shall be fixed by the Center, after consultation with the arbitrators and the parties. The Center’s Schedule of Fees and Costs provides an indicative rate of US\$ 300 to US\$ 600 per hour.¹⁵ The WIPO Rules and the Schedule of Fees and Costs provide that, prior to the establishment of the arbitral tribunal, the Center shall fix an arbitrator’s hourly or daily fee rate, in consultation with the parties and the arbitrator. In so doing, the Center shall take into consideration such factors as the amounts in dispute, the number of parties, the complexity of the dispute and the status and any special qualifications required of the arbitrator.

Deposits

Article 70(a) and (b) provide for deposits by the parties with the Center of an advance for costs and for supplementary deposits. Article 70(c) contemplates one party making the full deposit in the event another party defaults with respect to its payments. If a party fails within 15 days after a second reminder to pay the required deposit, that party shall be deemed to have withdrawn the relevant claim or counter-claim (Article 70(e)). Although counter-intuitive, it may be in the interest of a claimant or counter-claimant to pay all fees, when another party fails to pay its share. This may be the case if the claimant considers

¹⁵ In a WIPO Expedited Arbitration, the arbitrator’s fees will be fixed unless the value in dispute exceeds US\$ 10 million (the arbitrator’s fee will be US\$ 20,000 if the value in dispute is up to US\$ 2.5 million or US\$ 40,000 if the value in dispute is over US\$ 2.5 million and up to US\$ 10 million). If the value in dispute exceeds US\$ 10 million, the arbitrator’s fees will be determined by the Center in consultation with the parties and the arbitrator.

it likely that the tribunal will issue an award for the claimant.

Costs of the arbitration

Articles 71 and 72 relate to the tribunal’s fixing and awarding costs of the arbitration. Article 71 (a) provides that the costs of the arbitration fixed by the tribunal shall include:

1. The arbitrators’ fees;
2. Travel and other expenses of the arbitrators;
3. Costs of expert advice and other assistance required by the tribunal;
and
4. “[S]uch other expenses as are necessary for the conduct of the arbitration proceedings” (e.g. cost of meeting and hearing facilities).

Article 70(c) provides that, subject to agreement of the parties, the tribunal shall apportion the costs of arbitration and the registration and administration fees between the parties “in the light of all the circumstances and the outcome of the arbitration.”

Award of costs incurred by a party

Article 72 authorizes the tribunal, subject to agreement of the parties otherwise and “in light of all the circumstances and the outcome of the arbitration,” to order a party to pay some or all of the “reasonable expenses incurred by the other party in presenting its case” (including legal representatives and witnesses).

4.12 Summary

- The tribunal shall decide the dispute in accordance with the law or rules chosen by the parties.
- The arbitration law of the place of arbitration governs the procedural aspects of the arbitral proceedings.
- Under applicable arbitration laws and conventions, as well as the WIPO Rules, the possibilities for appealing an arbitral award are limited.
- The WIPO Expedited Arbitration Rules modify the WIPO Arbitration Rules to allow for a speedier procedure.
- The fees of the arbitrator in a WIPO Expedited Arbitration are fixed, unless the value in dispute exceeds US\$ 10 million.

4.13 *Test your understanding*

- 1. A dispute between two companies arises. The amount in dispute is US\$ 5 million. Compare WIPO Arbitration and WIPO Expedited Arbitration proceedings in the following respects:**
 - (i) the normal length of proceedings, assuming that no stays or extensions apply to the proceedings; and**
 - (ii) the likely cost of arbitration proceedings, namely registration fee, administration fee and fees of the arbitrators (a) if a three-person Tribunal is appointed in the WIPO Arbitration; and (b) if a sole arbitrator is appointed in the WIPO Expedited Arbitration. Assume for this purpose that the arbitrator(s) fees are US\$ 300 per hour and each of the arbitrators spends a total of 50 hours reviewing the pleadings, attending the preparatory conference and the hearing and drafting the award.**

- 2. In what circumstances might expedited arbitration be preferable to standard arbitration?**

5. CONCLUSION

In the event parties cannot resolve a dispute through one-on-one negotiation, mediation or arbitration or a combination of the two may serve the parties well. If the parties choose either or both, the WIPO Arbitration and Mediation Center, with its rules, procedures, neutrals specialized in intellectual property, facilities and experienced staff, will surely serve the parties well.

6. FURTHER READING

6.1 Center's Web site and Publications

Web site

The Center's web site contains the WIPO Rules and clauses in different languages, as well as guides and models for the procedures administered by the Center. It also offers constantly updated information on the Center's activities including WIPO workshops on arbitration and mediation which are held regularly. Interested parties can use the web site to register for Center events or to subscribe to the Center's mailing lists. The address of the Center's web site is: <http://arbiter.wipo.int>.

Publications

It is possible to order publications about the Center, its services and ADR. These are listed at: <http://arbiter.wipo.int/center/publications/index.html>.

6.2 Bibliography

Below is a selection of publications on arbitration and mediation of intellectual property disputes. A more extensive bibliography on those issues is contained at the Center's web site.

- *WIPO Arbitration and Mediation Rules*
WIPO Publication No. 446
- *Dispute Resolution for the 21st Century: The WIPO Arbitration and Mediation Center*
WIPO Publication No. [445]
- *Guide to WIPO Mediation*
WIPO Publication No. 449
- *Worldwide Forum on the Arbitration of Intellectual Property Disputes, Geneva, 1994*
WIPO Publication No. 728
- *WIPO Conference on Rules for Institutional Arbitration and Mediation, Geneva, January 20, 1995*
WIPO Publication No. 741
- *WIPO Conference on Mediation, Geneva, March 29, 1996*
WIPO Publication No. 750
- *Biennial Conference of the International Federation of Commercial Arbitration Institutions (IFCAI) on the Institutional Response to Changing Needs of Users hosted by WIPO, Geneva, October 24, 1997*
WIPO Publication No. 759
- *The American Review of International Arbitration 1998 / Vol. 9.*
(comprising a series of papers examining various aspects of the WIPO Arbitration Rules).

- *Plant, David W.*
Resolving International Intellectual Property Disputes
ICC Publication No. 592, 1999

6.3 Contact Details

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6.4 Annexes

Annex 1

Sample letter written by the mediator to the parties organizing the mediation (in a situation where court proceedings were also pending)

[DATE]

[Counsel for Parties]

[Matter] – Mediation

Dear Counsel:

Pursuant to our telephone discussion of today, this is the letter I have undertaken to send to you.

I understand that you and your respective clients have retained me to serve as mediator in this matter. I shall attempt here to set out the ground rules we have discussed.

The mediation will occur, at least initially, on [Date], at [Place]. I suggest that we plan on full days, with the first day beginning at 9 a.m. Local Time.

I understand that no later than the close of business on [About One Week Before First Mediation Session], I shall receive from each party a brief written submission, provided to me at least in part in confidence and on an *ex parte* basis. Each submission should include the following:

1. Pleadings in the pending action.
2. Significant motions and other papers filed in court, together with court opinions and orders, in the pending action with respect to claims, defenses and positions.
3. Court opinions, orders, and judgments filed in other actions concerning the [Intellectual Property In Issue].
4. Discussion of the submitting party's factual and legal position and relief sought, including copy of the [IP registration, etc.], information about the accused [product, conduct, etc.], plus citation to and copy of controlling authority.
5. Discussion of the strengths and weaknesses in the submitting party's positions stated in Paragraph 4. above (and concomitantly, the weaknesses and strengths in the other party's positions as understood by the submitting party).
6. Discussion of the submitting party's real interests and needs in this matter, including description of the market, business relationships between the parties, and state of the relevant technology.
7. Discussion of the other party's real interests and needs.
8. Discussion of how to increase value for both parties, rather than merely distribute current value between the parties (e.g. create a new business relationship).
9. Discussion of what litigation through trial and appeal is likely to achieve for each party, with probability of success assigned to each claim and defense (i.e. a litigation risk analysis).
10. Estimate of the cost to each party to date of the pending litigation, plus likely cost to each party through trial and likely cost to each through appeal, as well as the cost of enforcing any judgment in favor of a party.

11. Summary of settlement discussions to date.
12. Terms and conditions of a proposed settlement agreement.

Each party's submissions should not exceed 20 pages total, excluding copies of pleadings, opinions, and the like (of which I shall need only one copy each). Each party's senior business mediation representatives should participate in the preparation of the party's mediation submissions.

For each party, at each mediation session, an officer with full authority to settle and bind the party must be present and prepared to participate. It is important to have a senior business person present in addition to senior counsel. I understand that each party plans to have such a senior business person present. I understand these persons will include [Names and Titles]. I understand also that both parties believe that no other entity (e.g. an insurer, investor, licensee) need participate in the mediation.

At the first mediation session, we shall commence by reviewing the ground rules. Short oral presentations by counsel will follow. Thereafter, we shall see how matters unfold.

All communications in this mediation between the parties and between a party and me shall be confidential and subject to Rule 408, Federal Rules of Evidence [or other rules applicable to settlement discussions]. Because this is mediation, *ex parte* communications with me are appropriate. I shall not disclose to the other party what one party has told me without express permission from that party. At the conclusion of the mediation, I shall destroy all papers in my possession relating to the mediation, except (1) correspondence relating to billing, and (2) a three or four line sketch of the mediation in which parties are not identified, subject matter is not specified, and terms of any settlement are not disclosed. The purpose of the latter sketch is to answer inquiries as to my experience in the field of mediation.

I have advised you that my hourly rate for services in connection with this mediation will be US\$___ per hour. I understand that counsel and the parties will be jointly and severally responsible for paying my fee plus my reasonable expenses associated with the mediation (primarily, travel). I expect to bill counsel shortly after the completion of the first two day session for my services and expenses through those dates. If further services are required, I shall bill approximately monthly — depending on the nature of the services and expenses.

If the foregoing is acceptable to each of you and your respective clients, I shall appreciate your so advising me in writing — either by endorsing the foot of this page and returning a copy of this letter to me, or by way of a separate letter.

If you have any questions between now and [First Mediation Session], I shall be glad to talk with either or both of you.

I look forward to receiving your submissions on [Date] and to working with you and your clients.

With warm regards.

Sincerely yours,

Annex 2**WIPO Schedule of Arbitration Fees and Costs****Arbitration/Expedited arbitration**

(All amounts are in United States dollars)

Type of Fee	Amount in Dispute	Expedited Arbitration	Arbitration
Registration Fee	Any Amount	\$ 1,000	\$ 2,000
Administration Fee *	Up to \$ 2,5 M	\$ 1,000	\$ 2,000
	Over \$ 2,5 M and up to \$ 10 M	\$ 5,000	\$ 10,000
	Over \$ 10 M	\$ 5,000 + 0,05% of amount over \$ 10 M up to a maximum fee of \$ 15,000	\$ 10,000 + 0,05% of amount over \$ 10 M up to a maximum fee of \$ 25,000
Arbitrator(s) Fees *	Up to \$ 2,5 M	\$ 20,000 (fixed fee)	As agreed by the Center in consultation with the parties and the arbitrator(s) Indicative rate(s) \$ 300 to \$ 600 per hour
	Over \$ 2,5 M and up to \$ 10 M	\$ 40,000 (fixed fee)	
	Over \$ 10 M	As agreed by the Center in consultation with the parties and the arbitrator	

* Each bracket indicates the total amount of the fees payable in a dispute, e.g. the administration fee payable in an expedited Arbitration when the amount in dispute is \$5 million is \$5,000 (and not a fee of \$6,000 which would have resulted from adding the fees of \$5,000 and \$1,000).