Contract Disputes Over Patents: Effective Dispute Resolution Through International Arbitration

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Some of the most common life sciences contracts that directly concern patents are licensing agreements and joint R&D agreements. In such contracts, disputes can arise over a wide range of patent-related issues, including, for example, the ownership of improvement patents or patents arising out of R&D activities; the scope of contractual utilization rights; patent infringement where the actual utilization exceeds such scope; and the invalidity of patents for which the patent holder claims license fees or remedies for patent infringement.

The growing popularity of international arbitration in patent disputes is due to the following main advantages over court litigation:

- **Confidentiality** – if the arbitration clause is properly drafted, an arbitration is confidential between the parties, whereas court proceedings may be open to competitors and other interested members of the public.

- **Consolidation** – as patents are territorial, court proceedings over patent claims must generally be brought in each country where the patent is registered, whereas arbitration enables the parties to resolve all claims worldwide in one proceeding.

- **Choice and capability** – arbitration enables the parties to choose arbitrators that have the required skill set and to use tools that enable the chosen arbitrators to make a more informed decision on a broader evidentiary basis than many courts.

- **Clock** – arbitration is often faster than a court litigation pursued over several court instances, as confirmed by a working group led by the World Intellectual Property Organization (WIPO) (see Table 1 on p. 129);

- **Costs** – while an arbitration often costs more than a single court litigation, it is often cheaper than several litigations in different countries and, unlike court litigation, can end with full cost compensation for the successful party.

Companies should weigh these advantages carefully against the risks of resolving patent disputes through international arbitration. In particular, unlike in Switzerland, in most countries arbitral awards on patent ownership and patent invalidity cannot be directly registered in the national patent register but are effective and binding only between the parties. While this is often sufficient if the contract is properly drafted, and can even have advantages, parties need to be mindful of this limitation. They also need to be aware of the
risk and potential complexity of putting all of your eggs in one basket by resolving, in one arbitration, claims over patent rights worldwide, which may be governed by different laws.

Here are six tips for effectively resolving patent disputes through international arbitration:

1. **Choose the place of arbitration and the arbitral institution wisely.** Get help from a trusted advisor who can give you a global comparison on the relevant specialized questions, such as how liberal the place of arbitration is regarding patent arbitration, whether the arbitration is confidential and whether effective interim relief is available.

2. **Make the arbitration clause sufficiently broad,** to ensure that it covers patent infringement claims in connection with a contract dispute.

3. **Clearly address and define the contractual rights to patents** such as the requirements and scope of patent (co-)ownership and access rights, the rights of (present and future) affiliates and the rights to improvement patents. Contractually define patent law terms, as different patent laws may define those terms differently.

4. **Clearly define the contractual remedies,** so as to enable arbitral tribunals to make orders that will make the arbitral award fully effective between the parties (e.g., orders to transfer (co-)ownership of a patent).

5. **Draft the requests for relief wisely** to avoid the risk that the requested award goes beyond what is recognized at the place of arbitration and/or the place of patent registration.

6. **Be careful with carveout clauses.** Exclude patent disputes from an arbitration clause in your contract only if absolutely necessary. If you agree to a carveout, one broader commercial dispute may end up being litigated in a number of different parallel proceedings (arbitration and courts in different countries due to the territoriality of patents), and disputes may arise over the proper jurisdiction for certain patent-related contract questions.

These tips are more fully addressed, along with an illustrative practical scenario, in a recent article for *In Vivo,* a well-regarded global publication in the life sciences space, which you find here: [International IP Arbitration – A Blessing or a Bad Idea?](#)