Arbitrability of Intellectual Property Disputes

1. Introduction

The main obstacle to using arbitration to resolve Intellectual Property disputes is the issue of its subject-matter ‘arbitrability’. Intellectual Property Rights are territorial, and are primarily derived from the legal protection granted by the local sovereign power, which affords the grantee certain exclusive rights to use and exploit the right. It is argued that disputes in relation to its grant, validity, and extent of the rights granted should be determined only by the authority which granted the right or, in certain situations, by the courts of that country. This had the effect that rights and entitlements to Intellectual Property, and the legal issues which flowed from those rights, could not usefully be referred to or considered by an arbitration tribunal.¹

Where however, the parties enter into arrangements relating to the development, use, marketing or transfer of IP rights granted, disputes arising from such ‘commercial’ arrangements could be arbitrated without any controversy arising from the issue of its arbitrability. Such matters are generally regarded as inter partes commercial matters and are arbitrable.²

The issue of subject-matter arbitrability is one of the conditions precedent for enforcement of an arbitral award under the 1958 New York Convention. Article II of the

Convention obliges countries to recognize only arbitration agreements over “subject matter capable of arbitration”. Where a subject matter is not considered to be capable of arbitration, the agreement to arbitrate may be considered invalid and thus constituting a ground to resist enforcement under Art V(1)(a) – in that the “agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made.”

Another basis for resisting the enforcement of an award on an IP dispute is that the arbitrability of such disputes is a "public policy" question. As such, if this class of disputes are not arbitrable, an award made on such issues would be contrary to public policy of the enforcing entitling it to refuse enforcement of the award.

2. Position in Singapore

The scheme of the International Arbitration Act (Cap. 143A) of Singapore appears to suggest that subject-matter arbitrability is not in fact a public policy issue.

Section 11 which is headed as ‘Public policy and arbitrability’ states that any disputes which parties have agreed to submit to arbitration may be determined by arbitration unless it is contrary to public policy. It further provides that the fact that any written law confers jurisdiction in respect of any matters on any court of law but does not refer to the determination of that matter by arbitration shall not, of itself, indicate that a dispute about the matter is not capable of determination by arbitration.

Simply put, just because a set of written law requires that a matter be resolved by a particular tribunal or court would not of itself make that subject matter incapable of arbitration and as such not contrary to public policy. It is not difficult to think of subjects that would be contrary to public policy: money laundering, defrauding of third parties, procurement of children, women or drugs, bribery arrangements, …etc. I suggest that IP rights do not really fit well into this basket.

3 See ICC Final Report, supra n. 1 at ¶ 4.11.
A. **Patents**

When the Patents Act 1994 was first enacted, the Registrar of Patents could refer disputes relating to opposition of an application for Patent [ss.59](#). However, this provision was very quickly repealed a year later by Patents Amendment Act 40/95. A search of the Parliamentary records on the reading of the amendment Bill could not yield any specific reason for this move.

The current Patents Act (2005 Revised Edition) (Cap. 221) now still provides however, that “Any dispute as to the exercise by the Government or a party authorised by the Government of the powers conferred by, or as to the terms for doing… may be referred to the court.” The Court “may at any time order the whole proceedings or any question or issue of fact arising in them to be referred, on such terms as the court may direct, to an arbitrator” [Section 58(6) of the Patents Act]. It appears that if sanctioned by the court it

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Opposition, appeal and arbitration

59. —(1) The proprietor of a patent or any other person wishing to oppose an application under sections 55 to 58 may, in accordance with the rules, give to the Registrar notice of opposition; and the Registrar shall consider the opposition in deciding whether to grant the application.

(2) Where an appeal is brought from an order made by the Registrar in pursuance of an application under sections 55 to 58 or from a decision of his to make an entry in the register in pursuance of such an application or from a refusal of his to make such an order or entry, the Attorney-General, or such other counsel as he may appoint, shall be entitled to appear and be heard.

(3) Where an application under sections 55 to 58 is opposed under subsection (1), and either —

(a) the parties consent; or

(b) the proceedings require a prolonged examination of documents or any scientific or local investigation which cannot in the opinion of the Registrar conveniently be made before him, the Registrar may at any time order the whole proceedings, or any question or issue of fact arising on them, to be referred to an arbitrator agreed on by the parties or, in default of agreement, appointed by the Registrar.

(4) The arbitrator to whom any reference is made under subsection (3) shall report his findings to the Registrar.

(5) The expenses of and incidental to a reference to an arbitrator under subsection (3) shall, in default of agreement between the parties, be borne equally by the parties to the reference.
is possible to refer matters relating to the Government’s use of a patented invention to arbitration. Such may even include an issue of the validity of the patent. It follows that unless sanctioned by the court, it may not be possible to refer such matters or any other matters relating to the grant of patent to arbitration.

The legislative approach in Singapore appears to follow that of the UK Patents Act permitting only arbitration in very limited circumstances, and that only with specific sanction of the courts. In Switzerland and the United States, a different approach was taken.

In Switzerland, although there is no specific statutory provision on arbitration of IP disputes, such disputes have been generally accepted as arbitrable. As early as in 1975, the Federal office of Intellectual Property ruled that arbitral tribunals are empowered to decide on the validity of patents, trademarks and designs. Awards with regard to validity of Intellectual Property Rights are recognized as the basis for entries in the register so long as it has obtained a fait from the court at the seat of the arbitration certifying its enforceability. It appears therefore that all aspects of Intellectual Property Rights are arbitrable in Switzerland without any restriction.

The United States Congress has expressly provided for voluntary, binding arbitration of patent validity, enforceability and infringement issues [United States Code, Title 35: Patents, Section 294: Voluntary Arbitration (35 U.S.C. § 294)]. Congress has also provided for the voluntary, binding arbitration of “any aspect” of patent interference disputes [United States Code, Title 35: Patents, Section 135 (d): Interferences (35 U.S.C. § 135 (d)]. Thus, virtually all issues concerning patents can be subject to arbitration in the United States.

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6 See id.
Whichever approach to take is of course a matter of policy for the state to decide. Looking at the experience of Switzerland and the United States, perhaps it may not be too abhorrent to take a more liberal approach and permit all IP disputes (except maybe the examination and initial grant of patent) to be arbitrated.

**B. Copyright**

Unlike grants of patents, a copyright holder does not need to register his right or obtain a certification validating his right. There is therefore no involvement of a state agency certifying and granting of monopoly rights to the copyright holder. There is accordingly less resistance or argument that such rights are not arbitrable.

In Singapore, the Copyright Tribunal is the usual forum for resolving certain disputes between copyright owners and users of copyright materials. The Tribunal’s jurisdiction is set out in Part VII of the Singapore Copyright Act 1987 (Cap. 63) (2006 Revised Edition).

The Tribunal is empowered to:

- resolve disputes relating to rates for licences to perform, broadcast or include in cable programme services for literary, dramatic or musical works;
- settle disputes over such licences;
- ascertain the royalty payable for the recording of musical works and, where applicable, apportion the royalty in respect of a record;
- determine the terms on which the government can use copyright material;
- determine what constitutes "equitable remuneration" for the right to film artistic works for permitted broadcasts or cable programmes;
- determine what constitutes “equitable remuneration” for the making available to the public of a sound recording through a non-interactive digital audio transmission;
• determine what constitutes “equitable remuneration” payable by educational
institutions when they use copyright materials within the permissible limits
allowed under the Copyright Act.”

The Copyright Act has specific provision allowing for resolution of disputes by
arbitration including those matters that fall within the jurisdiction of the Copyright
Tribunal. Although no specific mention is made of infringement or contest actions in the
Act, there is really no reason why such issues could not be referred to arbitration.

C. Trade Mark

In the area of trade mark disputes, the most notable use of Alternative Dispute
Resolution (“ADR”) is in the area of Domain Name Disputes. These administrative
proceedings have been led by WIPO for Top Level Domain Names. The Singapore
Domain Name Dispute Resolution Service (“SDRP Service”) manages disputes
involving “.sg” Domain Names. The Secretariat (“SDRP Secretariat”) jointly operated
by the Singapore Mediation Center and the Singapore International Arbitration
Centre.

Apart from domain name disputes, which in any event fall outside the ambit of the
Trade Marks Act, the Act provides that actions for contests and infringement of
registered marks are to be referred to the Registrar of Trade Marks or the courts as the
case may be. As the Trade Marks Act, unlike the Patents Act, makes no reference to
arbitration it could arguably be said that parties could still refer their disputes, including
contesting validity, and seeking redress for infringement, to arbitration on the basis of s
11 IAA, that the reference to courts and the lack of reference to arbitration in the Act,
“shall not, of itself, indicate that a dispute about the matter is not capable of
determination by arbitration”.

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9 S 170 Copyright Act.
D. Unregulated Trade secrets/processes

In the unregulated areas of trade secrets and processes, there is also no statutory barrier against parties seeking resolution through non-litigious means. Such disputes could arise at the R&D stage prior to patenting or in cases where the owners choose not to patent their secret invention formula or process, at any time throughout the life of the IP until it falls into the public domain.

3. Some cases relating to IP heard at SIAC

Over the last 3 years, SIAC have seen some cases referred to it for arbitration such as:

(a) Funding party and a Research Institution in China
Breach of confidentiality/misuse of research information: A dispute arose between a foreign fund provider and a Chinese research institution from an agreement in which the funding party was to enjoy exclusive right of IP arising out of research and findings resulting from the research by the institution. The funding party alleged that the institution had breach confidentiality over the relevant technology and information relating to the research resulting in staff being able to access and use research information for other parties.

(b) Foreign company and a US national
Allegation of failure to provide information technology products, services and technical training primarily for mobile and wireless applications, and to develop other information technology products and services.

(c) Arbitration between a Singapore Company and a Taiwanese Company
Delay in completion of design of IC chips for DVD-ROM games application, issue of ownership of design, and defects in design of the eventual product.

(d) Arbitration between a German Company and a Korean Company
Claim for wrongful termination of ‘Technical Assistance and Trademark License Agreement’.
(e) Arbitration between an American Company and two Singapore companies

Claim for breach of a License Agreement for use of certain intellectual property and grant of an exclusive license to use of a trade name.

(f) Arbitration between a Swiss Company and a Chinese Company

Claim for breach of a License Agreement for limited license to use certain information, training and intellectual property pertaining to a certain technology for the purpose of commercializing, manufacturing and selling systems incorporating such technology.

In recent years, IP issues are becoming more closely linked to the growth of the IT industry. The ‘Singapore Information Technology Dispute Resolution Advisory Committee’ was set up in 1997, SITDRAC to advice on Dispute Resolution mechanisms for IT disputes and this would include IP issues that arise in IT. The SITDRAC members include the Singapore Information Technology Federation (SITF), Singapore Computer Society (SCS), Singapore International Arbitration Centre (SIAC), Singapore Mediation Centre (SMC) and the Information Technology Management Association (ITMA). SITDRAC has essentially been coordinating seminars to propagate the use of ADR for IT disputes.

4. Conclusion

The limits of arbitrability of Intellectual Property disputes have not been tested in Singapore courts. The ambit of s 11 of the IAA, too has not undergone judicial scrutiny. However, if the policy is to give the greatest opportunity to parties to proceed with arbitration is pursued in Singapore, then arbitrability ought to be given a generous interpretation when applied to patents and trade mark cases like what is being done in Switzerland and the United States.