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ESTABLISHMENT OF WIPO ARBITRATION SERVICES

prepared by the International Bureau

I. INTRODUCTION

1. The Program for the 1992-93 biennium contains, under Item 04(1) and the heading "Intellectual Property Disputes between Private Parties," an entry authorizing the International Bureau to prepare, convene and service meetings of a working group of specialists to consider the setting up, within the framework of WIPO, of a mechanism to provide services for the resolution of disputes between private parties over intellectual property rights. The entry specifies that "recourse to such a mechanism and services - that could be called, for example, 'WIPO Intellectual Property Arbitration Center' - would be open to private parties (not governments) on a completely voluntary basis, that is, each dispute will come to the mechanism only if all parties to the dispute freely decide that it should" (document AB/XXII/2, item 04(1)).

2. The purpose of the present paper is to report on the activities undertaken pursuant to that item and to seek the approval of the General Assembly of WIPO for the proposed establishment, in the next (1994-95) biennium, of certain services for the resolution of disputes between private parties over intellectual property rights.

II. ACTIVITIES UNDERTAKEN BY THE INTERNATIONAL BUREAU

3. Pursuant to the Program for the 1992-93 biennium, the International Bureau convened a Working Group of Non-Governmental Organizations on Arbitration and Other Extra-Judicial Mechanisms for the Resolution of Intellectual Property Disputes Between Private Parties (hereinafter called "the Working Group") to provide advice on possible services that could be made available by WIPO for the resolution of intellectual property disputes between private parties. The Working Group was composed of 20 to 40 representatives of non-governmental organizations specialized in intellectual property, arbitration institutions, professional associations of arbitrators and leading experts in international arbitration.

4. The first session of the Working Group was held from May 25 to 27, 1992, and the second session from November 25 to 27, 1992. Following the discussions at the second session, the Working Group recommended that the International Bureau consider providing services relating to four dispute-resolution procedures, namely mediation; mediation and default arbitration; direct arbitration; and direct expedited (or "mini-") arbitration. It also suggested that the International Bureau prepare draft rules for the administration of those procedures.

5. A third session of the Working Group was convened from June 2 to 4, 1993. At its third session, the Working Group considered three sets of draft rules, prepared by the International Bureau, which could be adopted by parties for the administration of a dispute, by WIPO, in accordance with one of the four procedures mentioned in the preceding paragraph. The Working Group favored the establishment of services to be provided by WIPO in accordance with those draft rules. The draft rules were contained in WIPO documents ARB/WG/III/2, 3 and 4 and are available on request.

6. In addition, the third session of the Working Group considered draft model contract clauses and draft model submission agreements, which could be used by parties to initiate recourse to one of the procedures proposed to be administered by WIPO for the settlement of a dispute. They are contained in document ARB/WG/III/5. It is set out in the Annex to the present document.

7. In addition to the above-mentioned activities, an official of the International Bureau made presentations at an international conference on the arbitration of intellectual property disputes organized by The Chartered Institute of Arbitrators in London in May 1993, the annual meeting of the Licensing Executives Society International in Berlin in June 1993 and a meeting of the Corporate Counsel Committee of the American Arbitration Association in New York in June 1993, as well participated in a Working Group of the International Chamber of Commerce on the arbitration of intellectual property disputes in June 1993.

III. PROPOSED FUTURE ACTIVITIES

8. This section of the present document contains four parts. The first part sets out a proposal for the International Bureau to establish initial services in relation to certain dispute-settlement procedures, and refers to the reasons why it is considered desirable that those services be established. The second part describes the organizational structure proposed and the

activities to be carried out in order to implement those proposed services in the next (1994-95) biennium. The third part sets out the budgetary implications of the provision of those proposed services in the same biennium. The final part gives details of the planned timing for the establishment of the proposed services.

Proposal to Establish Initial Services

9. It is proposed that the International Bureau make available certain services, which are described below, in relation to the following four dispute-settlement procedures:

(i) Mediation: a procedure in which a neutral intermediary, the mediator, endeavors, at the request of the parties to a dispute, to assist them in understanding their respective positions in relation to the dispute, and in which, while not having the power to impose a settlement, the mediator endeavors to aid the parties in reaching a mutually satisfactory settlement.

(ii) Arbitration: a procedure involving the submission of a dispute, pursuant to an agreement of the parties, to an arbitrator or a tribunal of arbitrators, chosen or approved by the parties, for resolution, in accordance with the law and procedure adopted by the parties, through a binding decision given by the arbitrator or the tribunal.

(iii) Mediation and Default Arbitration: a combined procedure in which the parties to a dispute agree to endeavor first to resolve the dispute through mediation. If a settlement is not reached through mediation, either party may require that the dispute be submitted to arbitration for a binding decision.

(iv) Expedited Arbitration: a procedure which is the same as arbitration, except that the rules pursuant to which the arbitration is conducted are drafted so as to limit the choices that both the arbitrator and the parties might otherwise make with respect to the arbitration process, in order to obtain a quick result at a relatively low cost. It is thus a procedure which might be expected to appeal particularly to those involved in small-scale disputes concerning intellectual property rights, which do not justify, either in terms of personnel or financial costs, resort to court litigation or to conventional arbitration.

10. The services that it is proposed that the International Bureau would provide in relation to the four above-mentioned procedures are essentially of two types. The first type involves making available to parties that so desire the instruments needed to submit a dispute for resolution pursuant to one of the above-mentioned procedures administered by WIPO. Two such instruments are necessary: model contract clauses and submission agreements for initiating recourse to one of the four procedures, and rules for the conduct of each of the four procedures.

11. The second sort of service that it is proposed be provided derives from the rules for the conduct of the four procedures. Those rules envisage that certain functions would be performed by the International Bureau with respect to the conduct of the dispute-settlement procedure. Those functions include the following: (i) whenever the parties to a given dispute cannot agree on

the person of the mediator or arbitrator, the appointment, by the Director General of WIPO, in consultation with the parties and in accordance with the procedures set out in the rules, of the mediator or arbitrator; (ii) the determination, by the International Bureau of WIPO, in consultation with the mediator or the arbitrator and the parties, of the fees of the mediator or arbitrator, in accordance with the procedures set out in the rules, as well as the establishment of the modalities for the payment of those fees; (iii) the processing of notifications initiating any given mediation or arbitration; (iv) the administration of the deposit of fees and costs of any given mediation or arbitration and the rendering of an account of such administration to the parties to the dispute during and after the conclusion of the mediation or arbitration proceedings; (v) on the request of the parties to a given dispute, and where the place of mediation or arbitration is Geneva, the provision, against payment of a fee, of hearing rooms and secretarial and interpretation facilities.

12. It is believed that the essential reason for the need for the provision of the above-mentioned services by WIPO is the absence of an internationally based, neutral institution providing specialist services designed for the resolution of international intellectual property disputes. More explicitly, it is believed that there are at least the following six reasons why it is considered desirable that the International Bureau should offer such services:

(i) Advantages of Extra-Judicial Dispute Settlement: The perceived advantages of extra-judicial dispute-settlement procedures in the commercial sphere in general are all applicable to intellectual property disputes. Those advantages favor the resolution of such disputes in a way that facilitates the productive exploitation of the subject matter of intellectual property titles. The advantages include relative economy of time and cost; the finality and ease of enforcement of arbitration awards; the autonomy of parties to choose the language or languages and the law and procedure to be used in the dispute-settlement procedure; the possibility of ensuring that specialist expertise is represented on the arbitral tribunal or possessed by the mediator; confidentiality; and flexibility in the choice of procedure and the availability of remedies.

(ii) WIPO Mandate: Article 4(i) of the Convention Establishing the World Intellectual Property Organization provides that the Organization "shall promote the development of measures designed to facilitate the efficient protection of intellectual property throughout the world"; Article 4(vii) of the same Convention provides that the Organization "shall maintain services facilitating the international protection of intellectual property." The provision of services designed to ensure the efficient settlement of disputes concerning intellectual property, and thus the productive exploitation of the subject matter of the intellectual property concerned, is an appropriate means of fulfilling those functions of the Organization.

(iii) Continuity: An essential attribute of an institution administering dispute-settlement procedures is the assurance of its continued existence, in order to ensure that, when a dispute occurs under a contract which envisages the submission of disputes to procedures administered by a designated institution, the contractual will of the parties can be satisfied without legal uncertainty and disruption. WIPO clearly satisfies this requirement.

(iv) Neutrality: As an international organization with an international secretariat, WIPO provides the assurance of neutrality that is usually sought by parties with different national attributions.

(v) Specialization: WIPO would be the only arbitration institution offering services designed for and specialized in intellectual property disputes, and can offer the necessary specialized expertise, both through its Secretariat and through its contacts with the leading non-governmental organizations specialized in intellectual property, to maintain such a service.

(vi) Appropriate Rules and Procedures: The rules which would govern the arbitration or mediation proceedings to be administered by WIPO are up-to-date and designed to be quick and cost-effective. They have been prepared with the assistance of international specialists from both the arbitration community and the intellectual property community.

Organizational Structure and Activities Proposed for the Implementation of the Proposed Services in the Next Biennium

13. In order to provide advice and to supervise the activities of the International Bureau in this area, it is proposed that a WIPO Supervisory Board on Arbitration (hereinafter referred to as "the Board") be established. It is proposed that the Board be composed of six persons, appointed by the Director General of WIPO. Two of them would be government officials of member States of WIPO and their appointment would be preceded by the Director General's consulting with the WIPO Coordination Committee. The other four would be selected from among leading international specialists in arbitration in the non-government sector after consultation between the Director General and representatives of the most prestigious non-governmental organizations in the field of intellectual property and/or international arbitration. It is proposed that appointments be made for terms of three years, renewable, and that the Board meet one to three times a year to review past activities and to provide advice on future activities.

14. As far as activities are concerned, it is envisaged that the following six sets of activity would need to be undertaken in order to implement the services that it is proposed be offered by the International Bureau in relation to the four dispute-settlement procedures described above.

15. The first activity would be to make available WIPO Mediation Rules, WIPO Arbitration Rules and WIPO Expedited Arbitration Rules, as well as model contract clauses and submission agreements which could be adopted by parties for the purpose of submitting disputes to a WIPO-administered procedure. The drafts of each of those sets of rules, as well as the drafts of the model contract clauses and submission agreements that are contained in the Annex to the present document, are at present being slightly revised in the light of the observations made at the third session of the Working Group, which met from June 2 to 4, 1993. It is intended that, following their revision, the revised draft rules and revised draft contract clauses and submission agreements be submitted to the Board for final observations. The draft rules and draft model contract clauses and submission agreements would then be finalized before the end of the present biennium.

16. The second activity would be the preparation of lists of mediators and lists of arbitrators, which could be used by the Director General, where he is required to appoint a mediator or an arbitrator in accordance with the corresponding rules. The question of the preparation of such lists is a subject to which the Working Group paid particular attention. It is intended that the International Bureau would draw up draft lists in consultation with non-governmental organizations specialized in intellectual property, as well as with organizations of professional arbitrators. The lists would contain the names of persons willing to serve as mediators or arbitrators, a résumé of the qualifications and experience of those persons and an indication of their specialized areas of expertise. The draft lists would be reviewed and finalized by the Board. The lists would be made available to the prospective parties to a dispute to facilitate an agreed choice of the person of the mediator or arbitrator (the parties could, however, choose also persons not listed) and the lists would serve as the basis for the selection, by the Director General, of the mediator or arbitrator where the parties cannot agree. In accordance with the usual practice of arbitration institutions, it is not intended that the persons appearing on those lists should be certified by WIPO. The Director General (where the parties to the dispute cannot agree on the person of the mediator or arbitrator) could appoint the mediator also from among persons not listed, but in such a case he would first have to consult with representatives of the above-mentioned non-governmental organizations.

17. The third activity would be the performance by the International Bureau of the services envisaged in the draft rules and described in paragraph 11, above, in respect of any dispute that is submitted for resolution in accordance with a procedure governed by WIPO rules.

18. The fourth activity would be the preparation and the making available of information materials concerning the services proposed to be offered by the International Bureau and the dispute-settlement procedures in relation to which those services would be offered. In particular, it is envisaged that an information brochure describing those services and procedures would be prepared and made available, as well as more detailed guide-books explaining the procedures and the rules applicable to the procedures.

19. The fifth activity would be information dissemination and promotion. In this regard, as indicated in the Draft Program and Budget (document AB/XXIV/2, It. 03(11)), it is proposed that an international forum on arbitration and intellectual property be organized by WIPO. It is intended that the said forum will be co-sponsored by the American Arbitration Association. It is planned that this forum would take place on March 10 and 11, 1994, at the headquarters of WIPO.

20. In addition to the proposed international forum, it is proposed that the International Bureau conduct one or several training programs for prospective mediators and arbitrators. Such training programs would be available, against payment of a fee, to those in the intellectual property community desiring to have greater knowledge of the procedures of mediation and arbitration. The faculty for the training programs would comprise experienced specialists in mediation and arbitration and in intellectual property.

21. The sixth activity would comprise research and evaluation. Insofar as research is concerned, a range of other extra-judicial dispute-settlement procedures exists in addition to the four in respect of which it is proposed that the International Bureau provide services. The International Bureau would study and monitor the development of those other procedures. In particular, it would study the feasibility of proposing the introduction of a further procedure, corresponding to a modified version of a combined mediation and arbitration procedure, which it was suggested in the discussions of the Working Group would be particularly suitable for the legal and dispute-settlement culture of Japan and possibly other Asian countries. Insofar as evaluation is concerned, the International Bureau would seek to obtain, on an entirely voluntary basis, an evaluation from parties to a dispute-settlement procedure administered by it, following the termination of that procedure, in order to assess whether, and, if so, what sort of, improvements could be introduced in the services offered by the International Bureau.

Budgetary Implications

22. The basis on which it is proposed that services be provided by the International Bureau is that such services be self-supporting financially after incurring the initial start-up expenses outlined in the succeeding paragraphs. The revenue to finance the services would mainly come from fees payable by parties to disputes submitted to a WIPO-administered procedure.

23. It is not expected that many disputes would be submitted for resolution in accordance with WIPO-administered procedures in the next (1994-1995) biennium. This expectation is based on the fact that the services would be new, and therefore not at first well-known in the market. In addition, it is expected that most disputes would be submitted pursuant to a clause inserted in a contract, in which the parties agree to submit disputes under that contract to a WIPO-administered procedure. It is thus to be expected that a significant period of time would elapse between the conclusion of the contract containing such a clause and the occurrence of a dispute under the contract.

24. It is thus not proposed that any additional staff be engaged during the next biennium for the purpose of establishing the services in question. However, it is proposed that WIPO pay to the members of the Board their travel and subsistence expenses, as well as a daily honorarium, whenever they are invited to come to Geneva for meetings or consultations. Furthermore, WIPO could, where necessary, engage and have consultants, particularly to assist the International Bureau in the preparation of the information materials described in paragraph 18, above, (namely, an information brochure and several guide-books). Such expenses would be met from the funds available (if the draft budget is approved) under Item 03 of the draft Program and Budget for the 1994-95 biennium.

Timing

25. It is intended that the services that it is proposed be offered by the International Bureau be made available around the middle of 1994. During the first part of 1994, the International Bureau would make the preparations for the offering of those services.

26. The WIPO General Assembly is invited to note the plans contained in this document and to approve the proposals contained in paragraphs 9 to 11 (establishment of the services), 13 (establishment of the Board), 15 to 21 (the six types of activities) and 24 (budgetary implications), above.

[Annex follows]

ANNEX

DRAFT MODEL CONTRACT CLAUSES AND SUBMISSION AGREEMENTS

prepared by the International Bureau

(WIPO document ARB/WG/III/5 of May 11, 1993)

1. The present document contains draft model contract clauses and draft model submission agreements that would be made available for adoption by parties in order to initiate recourse to the dispute-settlement procedures which it is proposed be administered by WIPO and which are described in document ARB/WG/III/1 ("Services Proposed to be Offered by WIPO").
2. A draft model contract clause and a draft model submission agreement is included for each of the four procedures that would be offered by WIPO, namely
 - mediation,
 - mediation and default arbitration,
 - direct arbitration,
 - direct mini-arbitration.
3. The draft model contract clauses are intended for adoption by parties as part of a contract defining a business relationship between the parties. Such a clause would provide the means by which the parties would be required to submit any dispute arising by virtue of the contractual relationship to the corresponding WIPO-administered procedure.
4. The draft model submission agreements are intended for adoption by parties, on an ad hoc basis, in respect of a given dispute that exists between them and would provide the means by which the parties would agree to submit that dispute to the corresponding WIPO-administered procedure.
5. It is understood that, the model clauses and agreements being contractual provisions, parties would be free to adapt them so as to stipulate desired modifications to the corresponding WIPO Rules that would apply to the dispute between them under the procedure governed by those Rules.

MEDIATION

Contract Clause

6. "Any dispute, controversy or claim arising out of or relating to this contract, or the breach, termination or invalidity thereof, shall be submitted to mediation in accordance with the WIPO Mediation Rules."

Note: Parties may wish to consider adding either or both of the following:

- (i) The place of the mediation shall be... [city or country]
- (ii) The language(s) to be used in the mediation shall be...

Submission Agreement

7. "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]"

Note: Parties may wish to consider adding all or any of the following:

- (i) The parties agree that the mediator shall be...
- (ii) The place of the mediation shall be... [city or country]
- (iii) The language(s) to be used in the mediation shall be...

MEDIATION AND DEFAULT ARBITRATION

Contract Clause

8. "Any dispute, controversy or claim arising out of or relating to this contract, or the breach, termination or invalidity thereof (hereinafter referred to as "the dispute"), shall be submitted to mediation in accordance with the WIPO Mediation Rules.

If the dispute has not been settled pursuant to the mediation procedure within 60 days of the initiation of the mediation, the dispute shall be settled by arbitration in accordance with the WIPO Arbitration Rules and judgement upon the award rendered by the arbitral tribunal may be entered in any court having jurisdiction therefor."

Notes: Parties may wish to consider adding, after the first paragraph, either or both of the following:

- (i) The place of the mediation shall be... [city or country]
- (ii) The language(s) to be used in the mediation shall be...

Parties may also wish to consider adding, after the second paragraph, any or all of the following:

- (i) The place of the arbitration shall be... [city or country]
- (ii) The language(s) to be used in the arbitral proceedings shall be...
- (iii) The substance of the dispute shall be governed by the laws of...

Submission Agreement

9. "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]"

If the dispute has not been settled pursuant to the mediation procedure within 60 days of the initiation of the mediation, the dispute shall be settled by arbitration in accordance with the WIPO Arbitration Rules and judgement upon the award rendered by the arbitral tribunal may be entered in any court having jurisdiction therefor."

Notes: Parties may wish to consider adding, after the first paragraph, either or both of the following:

- (i) The place of the mediation shall be... [city or country]
- (ii) The language(s) to be used in the mediation shall be...

Parties may also wish to consider adding, after the second paragraph, any or all of the following:

- (i) The place of the arbitration shall be... [city or country]
- (ii) The language(s) to be used in the arbitral proceedings shall be...
- (iii) The substance of the dispute shall be governed by the laws of...

DIRECT ARBITRATION

Contract Clause

10. "Any dispute, controversy or claim arising out of or relating to this contract, or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the WIPO Arbitration Rules and judgement upon the award rendered by the arbitral tribunal may be entered in any court having jurisdiction therefor."

Note: Parties may wish to consider adding any or all of the following:

- (i) The place of the arbitration shall be... [city or country]
- (ii) The language(s) to be used in the arbitration shall be...
- (iii) The substance of the dispute shall be governed by the laws of...

Submission Agreement

11. "We, the undersigned parties, hereby agree to settle by arbitration in accordance with the WIPO Arbitration Rules the following dispute:

[Brief description of the dispute]

We confirm that judgement upon the award rendered by the arbitral tribunal may be entered in any court having jurisdiction therefor."

Note: Parties may wish to consider adding any or all of the following:

- (i) The place of the arbitration shall be... [city or country]
- (ii) The language(s) to be used in the arbitration shall be...
- (iii) The substance of the dispute shall be governed by the laws of...

DIRECT MINI-ARBITRATION

Contract Clause

12. "Any dispute, controversy or claim arising out of or relating to this contract, or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the WIPO Mini-Arbitration Rules and judgement upon the award rendered by the arbitral tribunal may be entered in any court having jurisdiction therefor."

Note: Parties may wish to consider adding any or all of the following:

- (i) The place of the mini-arbitration shall be... [city or country]
- (ii) The language(s) to be used in the mini-arbitration shall be...
- (iii) The substance of the dispute shall be governed by the laws of...

Submission Agreement

13. "We, the undersigned parties, hereby agree to settle by arbitration in accordance with the WIPO Mini-Arbitration Rules the following dispute:

[Brief description of the dispute]

We confirm that judgement upon the award rendered by the arbitral tribunal may be entered in any court having jurisdiction therefor."

Note: Parties may wish to consider adding any or all of the following:

- (i) The place of the mini-arbitration shall be... [city or country]
- (ii) The language(s) to be used in the mini-arbitration shall be...
- (iii) The substance of the dispute shall be governed by the laws of...

[End of Annex and of document]