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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

HKIAC Hoping To Cash In On Increased IP Arbitration

By **Caroline Simson**

Law360, New York (April 8, 2016, 5:55 PM ET) -- A recent initiative by the Hong Kong International Arbitration Centre to add a panel of arbitrators for intellectual property disputes is a positive development as it becomes more common for such disputes to be arbitrated, but it remains to be seen whether the panel will become widely used.

The HKIAC's announcement last month that it had launched a 30-member panel of arbitrators offering extensive experience in IP matters shows that the institution has recognized this as one way to potentially increase its already top-notch reputation and popularity as an arbitral center.

"I think that the HKIAC has very wisely latched onto the fact that there is a growing awareness among the patent bar that international arbitration is necessary to their transactions and maybe tried to capitalize on that," said Mayer Brown partner B. Ted Howes, who leads the firm's U.S. international arbitration practice.

The initiative isn't unprecedented. In Asia, the Singapore International Arbitration Centre already has a panel of arbitrators for intellectual property disputes, and in the U.S., the Silicon Valley Arbitration & Mediation Center annually releases its so-called Tech List of arbitrators and mediators with substantial experience and skill in the technology sector, including intellectual property. Many other major arbitral institutions throughout the world can also provide parties with specialized IP arbitrators.

Such measures can reassure technology companies that may be wary of arbitration due to a perceived lack of relevant expertise among arbitrators, many of whom are known for their knowledge in areas more typically associated with arbitration, like construction disputes.

"With intellectual property disputes, sometimes it's really helpful to have significant knowledge about patent or copyright law and also to have either pre-existing technological knowledge or the ability to learn technology. And so I think what the Hong Kong Centre [has done] ... is quite important," said Morrison & Foerster LLP of counsel Grant L. Kim. "Even though there are a lot of reasons to choose intellectual property arbitration, historically, a number of the technology companies have been very hesitant to do so."

Although international arbitration of intellectual property disputes is on the rise, it's still not used as widely as in other practice areas.

Other institutions offering similar measures have been around for decades and not gotten much use.

The Geneva-based World Intellectual Property Organization, a self-funding agency of the United Nations, offers arbitration and mediation services and boasts a database of more than 1,500 independent WIPO arbitrators, mediators and experts globally. It's been around since 1967, and while WIPO's Uniform Domain Name Dispute Resolution Policy has become widely used, WIPO rules in relation to patents, trademarks and other IP disputes haven't gained much traction.

To some extent, at least among U.S. lawyers, it's a function of habit: Many IP litigators are comfortable with U.S. courts, which are known for their expertise in handling complex IP disputes. But as the number of international IP disputes continues to increase, international parties can often be leery of the potential for a U.S. court to interfere in their dispute.

That's one reason why Hong Kong is ideally situated to become a center for arbitrating such disputes, according to Rt. Hon. Professor Sir Robin Jacob, a retired judge of the Court of Appeal of England and Wales and a professor of IP law at University College London who sits on the HKIAC panel.

"It is likely to be more international and acceptable to non-U.S. parties," he said. "The latter have a fear of control over the arbitration being taken by U.S. courts. ... Why would a Japanese company in dispute with an Indiana company choose to arbitrate in the U.S.?"

As the use of international arbitration has increased over the past few decades, so too has the strength of its awards. The New York Convention, which was enacted in 1958 and is otherwise known as the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, is one of the most important tools for enforcing awards, and it applies to enforcement proceedings in more than 140 signatory countries.

"Whatever advantages that IP attorneys think they get from going to the U.S. courts because they're comfortable there are outweighed by the threat of having a litigation court judgment that's not worth the paper it's written on because you can't enforce it abroad," Howes said. "I think that generally speaking, the IP bar is getting more sophisticated when it comes to international transactions and the understanding that while you want to go to a court you're comfortable with, that's not always an option."

In an effort to assuage any fears about enforcement, the Hong Kong government has begun taking steps to assure parties that any award they win will be enforceable in Hong Kong.

"The Hong Kong government is keen to develop Hong Kong into an IP trading hub. ... [It] considers that clarifying the arbitrability of IP disputes in Hong Kong would be a positive move towards this goal and would stand Hong Kong above other jurisdictions in the Asia Pacific region," said Eugene Low, a partner in Hogan Lovells' Hong Kong office.

The HKIAC's establishment of an IP arbitrator panel coincides with the Hong Kong government's proposal to amend its Arbitration Ordinance to make clear that IP disputes can be arbitrated and enforced in the city-state, giving it what the government hopes will be an edge over competing arbitral seats in the region.

The amendments the Hong Kong government floated would add a specific provision clarifying that disputes over IP rights can be resolved by arbitration. The draft law, which is slated to be introduced into the Legislative Council for deliberation in the second quarter of 2016, is intended to address the lack of any specific provision dealing with intellectual property rights in the ordinance.

Specifically, it would make clear that enforcement of an arbitral award would not be refused in Hong Kong under either the arbitrability ground or the public policy ground merely because the award involves intellectual property rights. In particular, the legislative panel noted that some within the arbitration and IP communities have expressed doubts as to the arbitrability of IP disputes, especially on issues relating to the validity of registered intellectual property rights granted by state agencies or government authorities.

For example, in the U.S. and Belgium, there are statutory provisions that expressly allow the arbitration of disputes relating to the validity or infringement of patents. But notably under the patent law in mainland China, the issue of patent validity is an administrative matter that cannot be submitted to arbitration, according to the consultation paper prepared by Hong Kong's Department of Justice in connection with the initiative.

In other jurisdictions, the legal position is left unclear as there is no legislative provision or court decision addressing the issue.

The proposed rules aren't surprising given Hong Kong's well-known stance toward encouraging arbitration, and with the increasing trend toward IP disputes being arbitrated, it's likely that other governments in the region will take notice, according to Kim.

"I think it's quite important that Hong Kong took this step," he said. “Some courts have held that IP disputes can be arbitrated even without a statute, so it may not have been essential. But adopting a formal law removes any doubt and promotes greater confidence in IP arbitration. And having Hong Kong carry the flag forward on this issue may encourage other countries to adopt similar laws."

--Editing by Christine Chun and Kelly Duncan.