

**ENFORCEMENT OF INJUNCTIVE RELIEF AND ARBITRATION AWARDS
CONCERNING TITLE TO AND ENFORCEMENT OF INTELLECTUAL
PROPERTY RIGHTS IN THE ASIA/PACIFIC REGION**

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This article previously appeared at Vol. 19, No. 4 *Hastings International and Comparative Law Review* 727 (Summer 1996).

Enforcement of Injunctive Relief and Arbitration Awards Concerning Title to and Enforcement of Intellectual Property Rights in The Asia/Pacific Region

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I. INTRODUCTION

The increasing frequency with which rights in intellectual property are licensed and assigned in cross-border transactions makes a neutral forum in which to resolve any disputes regarding the rights or their assignability critical. While the citizens of a particular forum normally feel comfortable within the court system of that forum, citizens of other jurisdictions are often reluctant to submit their disputes to those courts, not necessarily because they perceive any dishonesty or fundamental unfairness in the judicial system, but because they fear bias in favor of the forum's national, and because they believe that the national of that forum may have an advantage resulting from its familiarity with the procedures, operation, and personnel of the system itself. International commercial arbitration long has served as a neutral forum in the resolution of commercial disputes between parties of different national systems. Accordingly it is natural for parties to look to international arbitration as a potential neutral forum in resolving disputes concerning intellectual property rights and related issues. However, intellectual property differs from other commercial property in certain important respects. These differences create uncertainty as to the efficacy of the use of international commercial arbitration in the resolution of international intellectual property disputes.

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The author is grateful for the contributions of the following experts from the following countries: A.A. de Fina (Australia), Henri C. Alvarez (Canada), Roger Best (Hong Kong), Shiro Kuniya and Michiko Kanai (Japan), Tae Hee Lee (Korea), Shearn, Delamore & Co. (Malaysia), Tomas Kennedy-Grant (New Zealand), and Michael Hwang (Singapore). However, any errors or omissions are strictly those of the author.

Intellectual property rights have two distinct sources under the law. First, rights can be created by the act of a sovereign state, and generally the right so created is recorded in a state register and is limited to a stated period of years. Patent rights, certain copyrights, tradenames, trade logos, and insignias, and trademarks are examples of this type of state created property right. Since these are rights created by a sovereign entity, it may be argued that only courts of a sovereign entity have the power to adjudicate issues concerning such rights. It may even be argued that only courts of the sovereign entity which created the rights have the power to issue rulings in connection with such rights.

A second type of intellectual property right is that which is created by the acts of the eventual holder of that right. One example of such right is the trade secret, which is created by acts of the holder of the trade secret. Such acts include the creation of the industrial or commercial secret and its subsequent defense, such as the preservation of its confidentiality and the protection against its inadvertent disclosure. A second example is common law copyrights, which are created in legal systems which embrace the common law by the act of creation by the copyright holder coupled with a notification to the public that the material is copyrighted by the copyright holder on each publication of the copyrighted material. Here there seems to be much less of an argument that only the courts of the state in which such rights were created or the courts of any sovereign state have exclusive jurisdiction to determine issues concerning such rights and obligations.

In either of the above two cases, the rights which are created are rights as against all third parties, rather than against a particular third party, such as a party to a contract. Likewise, registration of a patent right creates rights in the holder of the exclusive use of the patented device or process. Rights created in common law copyright or trade secret law are rights reserved exclusively to the holder of the copyright or maintainer of the trade secret as against all others, much like the state-created rights.

By contrast international commercial arbitration is generally the creature of a contract between two parties, and involves rights and obligations only as between the parties to that contract. The contract of the parties determines the matters which are subject to arbitration, as well as the procedure to be followed and the persons who are to determine the dispute. The parties may make such a determination by specifying all the above in the arbitral agreement or by simply incorporating rules of various arbitral institutions throughout the world or ad-hoc arbitration rules, such as the Arbitration Rules of the United Nations Commission on International Trade Law (“UNCITRAL Arbitration Rules”).

To some extent, the municipal law of the state in which the arbitration is to be held may and frequently does circumscribe the subject matter which the parties can agree to submit to arbitration. The concept of the parties’ ability to choose their procedures and the subject matter which they can submit for resolution is referred to generally as “party autonomy.” The limitations which can be placed upon party autonomy by the laws of the jurisdiction in which the arbitration takes place is generally referred to as the “*lex arbitri*.” Thus, the *lex arbitri* can circumscribe the subject matter which the parties can refer to arbitration.

An award handed down by an arbitration tribunal in an international commercial arbitration generally affects only the rights and obligations as between the parties to the arbitration itself. Thus, third parties are generally unaffected by the determination by an arbitrator of a dispute between two other parties. The third parties’ rights remain whatever they were prior to the issuance of the arbitration award.

Contrast this situation with that involving a decision by the court of a sovereign state which finds that a patent is invalid or that the claims are considerably more narrow in scope than the patent holder would have us believe. The findings of that court have implications as to all third parties otherwise

affected by the patent. Thus a decision affecting the validity or scope of an intellectual property right made in the course of resolving a contractual dispute as to the use of that right could potentially affect the rights of third parties who are not parties to the contract itself. The question with which one is confronted is whether the *lex arbitri* or the law of the place where enforcement is sought will permit a private determination of rights affecting third parties or whether those laws will permit a private party to adjudicate rights established by sovereign act.

II. THE NEW YORK CONVENTION ON THE RECOGNITION AND ENFORCEMENT OF FOREIGN ARBITRAL AWARDS

One of the reasons that international commercial arbitration has become a mainstay in the resolution of international commercial disputes is not only that it provides a neutral forum for the resolution of such disputes, but also that the awards rendered by an international arbitral tribunal are readily enforceable in jurisdictions throughout the world. This is in large part because of The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (“The New York Convention”).¹ No analogous international convention exists for the enforcement of foreign judgments. The grounds for opposition to enforcement of an award are strictly limited by The New York Convention. Of the seven grounds for opposition, which are listed in Article V of The New York Convention, only three have special relevance to intellectual property awards. They are:

1. The arbitration agreement is not valid under the law chosen by the parties, or if the parties have not made such a choice, under the law of where the award was made.

New York Convention, Article V(1)(a);

¹ 330 *United Nations Treaty Series* 38, No. 4739 (1959).

2. The subject matter of the award was not arbitrable under the law of the state in which enforcement is sought. Article V(2)(a); and
3. The award is against the public policy of the state in which enforcement is sought. Article V(2)(b).

These particular objections are especially relevant to the arbitration of intellectual property disputes, since, as discussed, *supra*, it may be contended that only a sovereign state may determine questions concerning all or certain aspects of the rights to intellectual property. When an award determining rights to intellectual property is sought to be enforced, a key question will be whether the law of the place where enforcement is sought recognizes the arbitrability of or the enforceability of awards concerning interests in intellectual property and, if so, to what degree. There is no uniform answer to this question, as the laws of jurisdictions vary considerably in this regard.

In assessing the arbitrability of and the enforceability of arbitral awards concerning intellectual property rights in the various Asia/Pacific jurisdictions, I have relied on the opinions of legal practitioners in each jurisdiction experienced in both arbitration and intellectual property law as well. In many of the jurisdictions, there is no statutory law or reported decisions on the issues at hand, and the lawyers have had to draw upon their general knowledge and experience to hypothesize as to how the municipal courts would view the situation. The following is a survey of various jurisdictions in the Asia/Pacific Region and an analysis as to the application of each particular national law.

III. ARBITRABILITY OF AND ENFORCEMENT OF WARDS CONCERNING INTELLECTUAL PROPERTY IN THE ASIA/PACIFIC REGION

A. North America

1) United States of America

By statute in the United States, arbitrators are expressly authorized to determine disputes concerning patent rights. 35 U.S.C. §294(a). The arbitration may include issues of validity of the patent, the scope of the patent claims, as well as whether or not the patent claims have been infringed. 35 U.S.C. §294(b). The statutes provide for registration of arbitration awards in the United States Patent and Trademark Office. 35 U.S.C. §294(d); 37 C.F.R. § 1.335. One limited statutory exception to this general availability of arbitration concerning patent rights in the United States is the jurisdiction of the United States International Trade Commission over intellectual property issues arising in a 19 U.S.C. §1337(a) proceeding, which jurisdiction is mandatory and cannot be displaced by an agreement to arbitrate.²

While there is no similar express statutory authorization concerning copyright disputes, it is assumed that binding arbitration of copyright disputes are permissible as well.³ The same is true of issues concerning trademarks and trade secrets.⁴

The issue of whether an arbitral tribunal may enjoin certain conduct related to intellectual property rights is an issue which is separate but related to the issue of arbitrability and enforceability. Obviously, an arbitral tribunal has no powers of enforcement, so that the enforcement of any injunctive relief

² See, generally, D. Plant, "Arbitrability of Intellectual Property Issues in the United States," *Worldwide Forum on the Arbitration of Intellectual Property Disputes* 29, World Intellectual Property Organization, Geneva (1994).

³ *Id.*

⁴ *Id.*, at 30.

depends upon the courts of the jurisdiction in which enforcement of such relief is sought. This may turn not only on that jurisdiction's view of whether intellectual property disputes are arbitrable, but also on whether an arbitral tribunal has the power to issue injunctive relief. In the United States, certain rules that are designed to deal with the arbitration of intellectual property rights specifically provide that the arbitral tribunal can issue injunctive relief. *See, e.g.*, AAA Patent Arbitration Rules (Rule 42) and Center for Public Resources Rules for Nonadministered Arbitration of Patent and Trade Secret Disputes (Rule 13.3).

As one can see from the above, the United States is one of the most liberal jurisdictions in recognizing and enforcing awards dealing with intellectual property and in enforcing injunctive relief concerning intellectual property rights awarded in arbitrations.

2) Canada⁵

In Canada, the situation is vastly more uncertain. There are no statutes or cases yet dealing with the arbitrability of patents, copyrights, and trade secrets. However, foreign awards dealing with these subject matters are presumably enforceable under The New York Convention. Canada takes an expansive view of arbitrability and the public policy exception to enforcement has been strictly construed by Canadian courts. Interim awards providing preliminary injunctive relief would be much more problematic. There is no clear guidance in this area in Canadian decisions or statutes.

⁵ The author wishes to thank and to acknowledge the contributions of Henri C. Alvarez of Russell & DuMoulin, Vancouver, British Columbia, Canada, for his analysis of Canadian law.

B. Asia

1) Australia⁶

In Australia the question of validity of intellectual property rights is one which is exclusively for Australian state courts. Thus, it is questionable whether an Australian court would enforce an award rendered in another jurisdiction which invalidated an Australian patent, and it is unknown how Australian courts would treat an award from another jurisdiction which invalidated a patent issued under the laws of a jurisdiction other than Australia.

It is believed that the issue of whether or not a patent or copyright is infringed would clearly be an enforceable award, whether under the law of Australia or where an Australian court was being asked to enforce a foreign award which dealt with an issue of infringement. Non-statutory matters are generally held to be arbitrable by Australian courts. Recent decisions of Australian courts make it clear that an award in the form of a preliminary injunction would not be enforceable under The New York Convention in Australia.⁷

2) Hong Kong⁸

An international arbitral award which establishes the validity or invalidity of a patent, copyright, or trademark, or adjudicates the infringement of same, is enforceable in Hong Kong **as between the parties to the arbitration.**

⁶ The author wishes to thank and to acknowledge the contributions of A.A. de Fina, the President of the Australian Centre for International Commercial Arbitration, Melbourne, Victoria, Australia, for his analysis of Australian law.

⁷ *Re Resort Condominiums International, Inc.* [1995] 1 Qd.R. 406, (Queensland, Australia).

⁸ The author wishes to thank and to acknowledge the contributions of Roger Best of Clifford Chance, Hong Kong, for his analysis of Hong Kong law.

A preliminary award enjoining the use of intellectual property is enforceable against an individual or corporate citizen of Hong Kong under S. 14(6)(h) of the Hong Kong Arbitration Ordinance [CAP 341].

3) Japan⁹

In Japan, Article 786 of the Japanese Code of Civil Procedure provides that an agreement to arbitrate shall be effective only in the case where the parties have the power to settle the disputed issue. The validity of a patent or trademark under Japanese law is a matter exclusively for the Japanese patent office and is not a matter which is subject to arbitration. Therefore, an arbitration award which establishes the validity of a patent or trademark would not be enforceable in Japan, at least to the extent that such an award would affect third parties. To the extent that the parties have arbitrated the validity of a patent or trademark as it affects their relationship *inter se*, it is likely the Japanese court would enforce such an award. This discussion assumes that patent and trademark issues are arbitrable under Japanese law, and this is not clear under the law. Authorities are split on this issue.¹⁰

As copyright is a creation of the acts of the holder of the copyright exclusively establishing his rights to a copyright and not by any act of the state in Japan, an award determining validity or infringement of a copyright would seem to be readily enforceable under Japanese law. The issue of infringement of a patent, trademark, or copyright is generally felt by scholars to be enforceable in Japan. An award which preliminarily enjoins the use of intellectual property in Japan would not be enforceable in Japan, because of the Japanese position that this is not a final and conclusive arbitration award.

⁹ The author wishes to thank and to acknowledge the contributions of Shiro Kuniya and Michiko Kanai of the Oh-Ebashi Law Office of Osaka, Japan, for their analysis of Japanese law.

4) Korea¹¹

Korean law is as unsettled as most of the laws surveyed as to whether an arbitrator can deal with issues concerning the validity of an intellectual property right, such as a patent or trademark. It is generally thought that the validity of a patent or a trademark is not arbitrable in Korea. An award which was made in another jurisdiction and brought to Korea for enforcement which deals with the validity of a patent or trademark would probably not be enforceable in Korea as against public policy, under the public policy exception to The New York Convention. Awards concerning infringement of patents or trademarks would probably both be arbitrable and enforceable in Korea. Such awards would not determine the rights vis-a-vis third parties, but would only involve the rights of the parties to the arbitration *inter se*. Likewise, awards concerning the validity of a foreign copyright would probably be enforceable in Korea, since Korean law does not require the registration of such a foreign copyright for enforceability.

The enforceability of an award in the form of a preliminary injunction enjoining certain use of intellectual property rights is the subject of disagreement in Korea. Some commentators argue that the award in the form of a preliminary injunction is a form of conservatory measure intended to safeguard the intellectual property and, as such, is enforceable. However, others have argued that an award granting a preliminary injunction is an improper form of preliminary relief and as such is not final and, therefore, unenforceable. Thus, the subject of enforceability of an award in the form of a preliminary injunction in Korea is still an open question.

¹⁰ See, Kumakura, Yoshio "Intellectual Property and Arbitration (3) (*Chiteki shoyuken to chusai*)," *JCA Journal* 89.8, pp. 2-8; c.f., Matsumoto, Shigetoshi "Intellectual Property and Arbitration (*Chitekizaisanken to chusai*)," pp. 56-57, *Jurist*, Dec. 15, 1988 (No. 924).

5) Malaysia¹²

There are apparently no decisions in Malaysia dealing with the enforceability of intellectual property awards, nor are there statutes directly on point. However, the arbitration laws of Malaysia are based on the English Arbitration Act. Under English law, title to property rights, including intellectual property rights, are generally held to be subject to arbitration.¹³ Also an award in the form of a preliminary injunction is probably enforceable so long as the award is directed only to the parties to the arbitration.¹⁴ This would be consistent with English law on the subject.

6) New Zealand¹⁵

There are apparently no decisions in New Zealand on the subject of the arbitrability of or the enforceability of awards dealing with the validity or infringement of intellectual property rights. However, given New Zealand's accession to the New York Convention, it is highly likely that such arbitral awards would be enforceable.

A preliminary award in the form of injunctive relief would probably not be enforceable in New Zealand in that it would lack the requisite "finality."

7) People's Republic of China

The question of the enforcement of foreign arbitral awards dealing with intellectual property in the People's Republic of China is a subset of the question of the enforceability of all foreign arbitral

¹¹ The author wishes to thank and to acknowledge the contributions of Tae Hee Lee of Lee & Ko, Seoul, Korea, for his analysis of Korean law.

¹² The author wishes to thank and to acknowledge the contributions of Shearn, Delamore & Co., Kuala Lumpur, Malaysia, for its analysis of Malaysian law.

¹³ B. Niblett, "The Arbitration of Intellectual Property Disputes," *Worldwide Forum on the Arbitration of Intellectual Property Disputes 197-202*, World Intellectual Property Organization, Geneva (1994).

¹⁴ *Id.*

awards in the People's Republic of China under The New York Convention. The fact of the matter is that, although the People's Republic of China is a party to The New York Convention, very few awards that have been submitted pursuant to that convention have been enforced.¹⁶ The great majority of the awards have been denied enforcement.¹⁷ This dilemma is compounded by the lack of respect that the People's Republic of China has shown to the intellectual property law of foreign jurisdictions. This has been the subject of much debate and diplomacy during recent years.

More recently some commentators have stated that Chinese arbitral institutions are prepared to arbitrate disputes regarding foreign intellectual property law.¹⁸ It remains highly questionable whether foreign awards concerning foreign intellectual property law and the rights of Chinese nationals vis-a-vis foreign intellectual property would be enforced in local courts in the People's Republic.

8) Singapore¹⁹

In Singapore, an arbitral award concerning the validity of a Singapore patent, trademark, or copyright is probably not arbitrable, and, therefore, is not enforceable in Singapore. An award finding criminal infringement of a Singapore intellectual property right is probably unenforceable. An international arbitration award made in another jurisdiction which concerns property rights established by non-Singaporean law is more likely to be enforceable in Singapore, although there are no cases

¹⁵ The author wishes to thank and to acknowledge the contributions of Tomas Kennedy-Grant, Auckland, New Zealand, for his analysis of the laws of New Zealand.

¹⁶ C.S. Smith, "China Bolsters Rule of Law for Business; Court Moves to Make Arbitration Awards Enforceable," *The Wall Street Journal*, December 26, 1995.

¹⁷ M. Mosher, "The Recognition and Enforcement of Foreign Arbitral Awards: A Survey of the Asia-Pacific Region," *The ICC International Court of Arbitration Bulletin*, Vol. 5, No. 2, November 1994 20, at 23-24.

¹⁸ Shaoje Chi, "China Arbitration Overhauled," *les Nouvelles, Journal of the Licensing Executives Society*, Vol. XXX, No. 4, December 1995, at 191.

¹⁹ The author wishes to thank and to acknowledge the contributions of Michael Hwang of Allen & Gledhill, Singapore, for his analysis of the laws of Singapore.

directly on point. Although the same considerations of arbitrability and public policy under Singapore law would be applied to foreign arbitral awards concerning foreign intellectual property law as would be applied to foreign arbitral awards concerning Singaporean intellectual property law, the Singaporean courts would probably be less rigid in their application of such public policy considerations in the former instance.

To the extent that an intellectual property dispute is considered arbitrable and enforceable under Singapore law, an award in the form of a preliminary injunction concerning such intellectual property rights would be enforceable under the Singapore International Arbitration Act. It is less clear whether such an award would be enforceable under The New York Convention, but the fact that Australian courts have held that such preliminary relief is not enforceable and that this decision, although not binding on a Singapore court, would be persuasive, leaves one to believe that a preliminary award enjoining the use of intellectual property would be much more difficult to enforce in Singapore under The New York Convention, than it would be where enforcement is sought under the Singapore International Arbitration Act.

IV. CONCLUSION

One who engages in the arbitration of disputes concerning intellectual property rights in the international arena is embarking on a voyage in largely uncharted waters. In the Asia/Pacific Region, other than in jurisdictions such as the United States, present law offers very little guidance as to whether such an arbitral award would be enforceable. The sovereign nature of the establishment of certain intellectual property rights argues against their arbitrability. Moreover, intellectual property rights frequently involve the rights of one party as against the general public, whereas a dispute in arbitration seeks to determine only the rights and obligations of the parties to the arbitration itself. Thus, if an

arbitrator should find that a patent or a trademark is invalid, a court might enforce that award as against the other party to the arbitration, but might refuse any effect of that determination as to the rights and obligations of third parties. The licensing and assignment of intellectual property rights is becoming increasingly more common in international transactions. Parties require a neutral forum in which disputes concerning such intellectual property rights can be resolved in an international context. International arbitration, which has been used to resolve international commercial disputes for decades and which has gained wide acceptance throughout the world, is the first place to which one turns to find such a neutral forum. In fact, the World Intellectual Property Organization (“WIPO”) has established an arbitration center in Geneva, Switzerland, expressly to deal with the resolution by international arbitration of such intellectual property disputes. The present treatment of arbitral awards concerning intellectual property rights in various national jurisdictions in the Asia/Pacific Region suggests that an international or regional convention may be needed to insure that such awards which may be rendered by arbitral tribunals, such as those established under the auspices of the WIPO Arbitration Center, would be enforceable under The New York Convention. Absent such a convention, one can only hope that the course one has charted will somehow lead to a safe harbor.

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