

Euro-Korean Perspectives on the Use of Arbitration and ADR Mechanisms for Solving Intellectual Property Disputes

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ABSTRACT

The complexities of international intellectual property litigation (including jurisdictional issues, choice of law, lis pendens, and the recognition and enforcement of foreign judgments) contribute to explain why arbitration and alternative dispute resolution systems constitute an attractive method for solving intellectual property disputes.

At a time when the European Union has created a new patent court system (as a result of the recent adoption of the European Patent with Unitary Effect and of the Agreement on a Unified Patent Court signed in February 2013) which will include the setting up of a new patent arbitration and mediation center, it is critical that this new institution shall take into account the best practices and the experience developed in these fields in other parts of the world, particularly in Korea which has gained considerable experience on these issues. On this basis, the goal of this article is to present the recent developments relating to the use of arbitration and alternative dispute resolution mechanisms for solving intellectual property disputes in Korea and in Europe from a comparative perspective.

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The authors wish to thank Mr. Liew, Young Hill, Esq., who is a partner at Yulchon, Seoul, Korea and the current co-president of the International Association of Korean Lawyers (IAKL) for his valuable assistance and comments.

I. INTRODUCTION

While it is generally acknowledged that intellectual property rights play a key role in today's knowledge-based and creative economy, judicial enforcement of these rights still poses a complex challenge to state regulators and state courts in all parts of the world.

This can be demonstrated by the recent creation of specialized intellectual property courts with the goal of improving the efficiency of intellectual property dispute resolution. By way of example, Finland¹ and Pakistan² have most recently adopted new regulatory frameworks under which intellectual property disputes shall be submitted to specialized courts.³ This trend shows that in addition to the challenges posed by the enforcement of intellectual property rights from the perspective of *substantive law* (for instance, what shall be the potential liability for intellectual property infringements of intermediaries offering services in the online environment?), delicate *procedural* challenges must also be addressed in order to ensure that intellectual property litigation cases are resolved efficiently for the benefits of all stakeholders.

In view of the remarkable experience gained by Korea in the development of innovative solutions for resolving intellectual property disputes outside of the court room, the aim of this article is to present the current status of IP dispute resolution in Korea (see below II), before evoking European perspectives on these issues in the light of the upcoming creation of a Unified Patent Court in Europe which shall be instituted following the signature by Members of the European Union of the Agreement on a Unified Patent Court on 19 February 2013 and which provides for the creation of an arbitration and mediation center (see below III).

II. THE CURRENT STATUS OF IP DISPUTE RESOLUTION IN KOREA

In the past, intellectual property rights were seen as divided into two major rights categories in the Korean intellectual property community. The first is industrial property rights (including patent rights, design rights, utility model rights, trademark rights) designed to promote industrial development by stimulating

¹ See the document 'Handling of Intellectual Property Matters to Be Centralized to Market Court in Finland' (Roschier newsletter, Feb. 2013), available at <http://www.anpdm.com/article/48435D447349435A437144415C43/5964992/809666#IPTech> (last visit on 24, Nov. 2013).

² See the Intellectual Property Organization of Pakistan Act, 2012 (published on 6 Dec. 2012), available at <http://ipo.gov.pk/UploadedFiles/IPO-Act-2012.pdf> (last visit on 24, Nov. 2013) (establishing Intellectual Property Tribunals, regulated by section 16 seq).

³ The usefulness and adequacy of the creation of specialized intellectual property courts have also been the object of various recent studies: see e.g. the report of the joint project conducted by the International Intellectual Property Institute with the United States Patent and Trademark Office dated 25 Jan. 2012, 'Study on Specialized Intellectual Property Courts', available at: <http://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf>; see also the presentations made at a workshop in Washington D.C. in Feb. 2012, <http://iipi.org/2012/02/presentations-from-seminar-on-specialized-intellectual-property-courts/>

innovation and protecting inventors and investors. The second is copyright (designed to protect creative works of individuals). It is now, however, accepted that similar industrial property rights including trade secrets, computer programs, semiconductor integrated circuit layout designs, databases and publicity rights are also included in the scope of intellectual property.^{4,5}

Formerly, most intellectual property disputes in Korea were settled by litigation. However, in circumstances where the technology industry is rapidly changing, the inability of courts to effectively and efficiently resolve all kinds of IP disputes has become readily apparent. Having recognized these problems, practitioners and academics have actively discussed methods to facilitate the use of ADR (including arbitration) in intellectual property disputes.⁶ Interest in the use of ADR to resolve intellectual property disputes has been growing in Korea, given that institutions dealing with intellectual property, such as the Korea Creative Contents Agency (hereafter 'KOCCA') and the Copyright Commission have recently amended their relevant laws to incorporate ADR.⁷

In this chapter, the authors will discuss (a) the current status of intellectual property conciliation (by introducing conciliation service providers and their roles), (b) the current status of arbitration of IP disputes, (dealing with the arbitrability of IP disputes, arbitration at the Korean Commercial Arbitration Board (hereafter 'KCAB')⁸ and the recognition and enforcement system in Korea, and lastly (c) a Korean Supreme Court's landmark unanimous *en banc* decision⁹ considered to open the doors for civil courts (including arbitration tribunal) to decide on questions of patent validity in patent infringement actions. This decision is expected to expand the scope of arbitrability of patent disputes in Korea. In light

⁴ Seog-Ung O, "Dispute in Intellectual Property Right and Arbitration System", 14(2) *Sports & Law* 203, 205 (2011).

⁵ In Korea, industrial property rights are protected by Patent Act, Utility Model Act, Design Protection Act, Semiconductor Integrated Circuit Layout Design Law. Copyright is governed by Copyright Act and digital contents by Content Industry Promotion Act. Furthermore, trade name, trademark, character and personal information are protected by Trademark Act, Unfair Competition Prevention and Trade Secret Protection Act, Commercial Act and Civil Act and other pertinent special laws. For more information, see Kyung-Han Sohn, "Governing Law on Intellectual Property Disputes", 28 *JUSTICE* 161, 162 (2004)(hereinafter "Kyung-Han Sohn, Governing Law").

⁶ See Sun-Hee Yim & Heon-Hui Lee, "A Study on the Possibility of patent arbitration", 22(1) *Journal of Arbitration Studies* 111, 111-130 (2012); Seog-Ung O, *supra* note 4, at 203-224; Soo Mi Kang, "The Arbitrability of the Subject-matter of Disputes over Intellectual Property Rights", 14(1) *Civil Procedure* 127, 127-155 (2010); Kyung-Han Sohn, "Arbitration of International Intellectual Property Disputes", 17(2) *Journal of Arbitration Studies* 71, 71-100 (2007) (hereinafter "Kyung-Han Sohn, Arbitration"); Kyung-Han Sohn, *Governing Law*, *supra* note 5, at 125-166; Sun-Hee Yun, "ADR in IP Dispute", 13(1) *Journal of Arbitration Studies* 125, 125-166 (2002).

⁷ KOCCA established Content Dispute Resolution Committee in accordance with Article 29 Content Industry Promotion Act on Apr. 2011 and the Korea Copyright Commission established the Copyright Deliberation & Conciliation Commission in 1987 according to Article 83 of the revised Copyright Act of 1986. The Copyright Deliberation & Conciliation Commission was changed into the Copyright Commission in 2007, and lastly the Computer Program Protection Commission was integrated into the Copyright Commission in accordance with Article 114 of the revised Copyright Act of 2009. See Copyright Act of 2009 [Act No. 9625, amended on 22 Apr. 2009, effective since 23 Jul. 2009].

⁸ KCAB is the only permanent-standing arbitration institution in Korea established by Arbitration Act of Korea in 1966.

⁹ Note Korean Supreme Court Decision 2010Da95390 rendered on 19 Jan.2012.

of these recent developments, it is an appropriate time to discuss various aspects of intellectual property disputes and dispute resolution trends from a Korean and European perspective.

(a) *Conciliation of IP Disputes in Korea*

(i) *Introduction*

Many problems with resolving intellectual property disputes through litigation have surfaced. IP litigation often takes too long because courts bear a heavy caseload. As the life-cycle of technically sophisticated products gets shorter, more time-efficient dispute resolution methods are required.¹⁰

There is criticism that the costs of litigation can be excessive in complicated patent cases, especially when conducting proceedings in multiple jurisdictions simultaneously.¹¹ This is because most countries adopt a territorial approach to patent rights. As such, the establishment, transfer and effect of each country's patent rights is determined by the laws of that country. The effect of the patent right only extends to the territory of the relevant country.¹²

In addition to the above, a lack of confidentiality, flexibility, amicability, judicial expertise and international enforceability are additional drawbacks of litigation.¹³

For these reasons, the demand for ADR in intellectual property disputes has been growing. To meet these needs, some non-profit public institutions in the Korean intellectual property industry provide conciliation services.

These institutions include: (1) Korea Copyright Commission, (2) Content Dispute Resolution Committee (CDRC), (3) E-Commerce Mediation Committee (ECMC), (4) Internet Address Dispute Resolution Committee (IADRC), (5) Intellectual Property Right Dispute Committee (IPRDC), (6) Layout Design Deliberation Mediation Committee (LDDMC). These six institutions will be explored further below. It should be noted that a complainant can choose freely among the different conciliation service providers depending upon the type of a dispute.

(ii) *Conciliation Service Providers in Relation to IP Disputes in Korea*

Conciliation services for IP disputes are provided by public agencies in accordance with specific statutes, and generally follow a similar model. It is not mandatory to

¹⁰ Sun-Hee Yun, *supra* note 6, at 130.

¹¹ 'Harmful effect of lawsuits between Samsung and Apple on the surface', Asia Economy Newspaper, 11-07-2012, available at <http://www.asiae.co.kr/news/view.htm?idno=2012071109580012392> (last visit on 26 Nov. 2013). According to this article, the costs of lawsuits between Samsung and Apple which have taken place in multiple jurisdictions is estimated at KRW 230,000,000,000 (= USD 198,714,940 as of 25 Jun. 2013).

¹² Seog-Ung O, *supra* note 4, at 216; Kyung-Han Sohn, Arbitration, *supra* note 6, at 72.

¹³ Kevin (Kap-You) Kim et al., *Arbitration and Practice* 25 (Parkyoungsa, 2012); Young-Jun Mok, *Commercial Arbitration Law* 3-4 (Parkyoungsa, 2011); Kwang Hyun Suk, *Essays in International Commercial Arbitration Law* (1) 11-15 (Parkyoungsa, 2007).

try to conciliate first before going to court. However, parties can choose to have their dispute resolved by conciliation, often in the form of an agreed protocol. The outcome of a conciliation conducted by an administrative agency has the same effect as judicial compromise (*res judicata* effect on the parties only). However, it should be noted that a conciliation conducted by a public agency will not be effective if one or both parties do not agree on the process or the outcome of conciliation.

(1) Korea Copyright Commission

The Korea Copyright Commission was established in 1987 pursuant to Chapter VIII (Articles 112–122) of the Copyright Act.¹⁴ The Commission conciliates disputes in relation to authors' economic rights, neighbouring copyrights and authors' moral rights. The Commission also provides conciliation services for disputes involving copyright in computer program.¹⁵

Table 1. Statistics of Conciliation Cases in the Last Ten Years

<Unit: number of cases>

<i>Classification</i>	'02	'03	'04	'05	'06	'07	'08	'09	'10	Oct. '11.	<i>Total</i>
Request for Conciliation	127	131	97	94	124	78	62	55	62	71	901
Conciliation settled	53	33	37	53	38	24	29	29	23	24	343
Conciliation not settled	51	53	33	19	25	19	21	10	17	28	276

Source: Korea Copyright Commission Statistical Report of Conciliation as of 30 November 2011¹⁶

The Korea Copyright Commission registered 901 requests for conciliation from 2002 to 30 November 2011 and 343 cases were amicably settled (38.1%). In 2011, disputes most frequently involved literary works (twenty-six cases), computer

¹⁴ The current English version of the Korean Copyright Act is available at <http://eng.copyright.or.kr> (last visit on 26 Nov. 2013).

¹⁵ Disputes on computer program copyright were mediated by the Korea Software Copyright Committee (KSCC) but Korea Computer Program Protection Committee (formerly Korea Software Copyright Committee and at a later time Korea Computer Program Deliberation & Conciliation Committee) was integrated into the Korea Copyright Commission as of 23 Jul. 2009. The Computer Program Protection Act was also incorporated into Copyright Act amended on 22 Apr. 2009.

¹⁶ For more information, see http://adr.copyright.or.kr/dataroom/stat_view.do?bd_seq=76&cPage=1&CT_NO (last visit on 26 Nov. 2013).

program (eighteen cases), artworks (seven cases), photographs (six cases) and images (five cases).¹⁷

(2) Content Dispute Resolution Committee (CDRC)

The CDRC was established in April 2011 by the Korea Creative Content Agency (hereafter 'KOCCA')¹⁸ under Article 29(6) of the Content Industry Promotion Act.¹⁹ The CDRC provides conciliation for disputes involving content transactions or the utilization content in games, edutainment and broadcasting. The Committee consists of twenty members who specialize in law, games, music, cultural content, e-learning and consumer protection. Six hundred and twenty-six conciliation cases were registered with the CDRC from its establishment until 31 December 2012. Of these, fifty-seven cases proceeded to a mediation session and fifty-two cases were amicably settled.²⁰ The majority of disputes concerned games (528, 84%). Other industry sectors represented in disputes include edutainment (3%), broadcasting and image (1%) and others (12%).²¹

(3) E-Commerce Mediation Committee (ECMC)

The ECMC was established in April 2000 by the Korea IT Industry Promotion Agency (KIPA)²² under Article 32 of the Framework Act on Electronic Document and Electronic Commerce.²³ The Committee is composed of thirty members consisting of lawyers, law professors and specialists from the E-commerce industry and consumer protection organizations.

The subject-matter of mediation in this Committee includes disputes arising out of electronic commerce, (concerning online payment, social commerce and online games and so forth). Once a settlement has been mediated between the parties it has the same effect as a judicial compromise which has *res judicata* effect on the parties only.

¹⁷ For more information, see Korea Copyright Commission's webpage, available at <http://eng.copyright.or.kr> (last visit on 26 Nov. 2013).

¹⁸ The KOCCA was established on 7 May 2009 to support the growth of the cultural industry by combining Korea Broadcasting Institute, Korea Culture and Content Agency, Korea Game Industry Agency, Cultural Contents Center, and Digital Contents Business Group of Korea IP Industry Promotion Agency according to Article 31 of the Framework Act on Cultural Industry Promotion.

¹⁹ The Online Digital Content Industry Promotion Act was incorporated into Content Industry Promotion Act after an entire revision of the Act in 2010.

²⁰ Among 515 cases which were not referred to mediation session, 238 cases were settled between the parties, thirty-two cases were withdrawn by the Claimants, sixty-three cases were rejected to participate in mediation by the respondents.

²¹ The CDRC, *2011 Content Dispute Mediation Casebook*, Dec. 2011, p. 11; for more information, see the CDRC's webpage, available at <http://www.kcdrc.kr> (last visit on 26 Nov. 2013).

²² The ECMC is currently operated under the National IT Industry Promotion Agency (NIPA) which was opened on Aug. 2009 by integrating the Korea IT Industry Promotion Agency (KIPA), the Institute for Information Technology Advancement (IITA) and Korea Institute for Electronic Commerce (KIEC).

²³ This Act was incorporated into the Framework Act on Electronic Document and Electronic Commerce which came into effect on 1 Jun. 2012.

Table 2. *Statistics of Mediation Cases in the Last Five Years*
 <Unit: number of cases>

<i>Classification</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>Total</i>
Request for Mediation	2,668	3,631	3,307	4,521	4,546	18,673
Mediation settled						
Settlement by an agreement of both parties	1,409	2,017	1,911	2,586	2,527	10450
Mediation proposal accepted by both parties	33	107	175	24	20	359
Subtotal	1,442	2,124	2,086	2,610	2,547	10,809
Mediation not settled						
Mediation proposal denied by one or both of parties	24	27	25	19	9	104
Refusal to proceed to a mediation	236	362	348	519	448	1913
Subtotal	260	389	373	539	457	2,018
Others	966	1,118	848	1,373	1,542	5,847

Source: MKE/NIPA/ECMC, 2012 *E-commerce Dispute Mediation Casebook*, [Table 1-7], June 2012, p.19.²⁴

In 2011, the total number of mediation cases registered with the CDRC was 4,546. Among 3,004 cases within the scope of the ECMC mediation, it is noteworthy that 2,527 cases were settled by the secretariat before the mediators were appointed, which accounts for 84.1% out of 3,004 cases, ironically, among 477 cases which were referred to the mediators, only twenty-nine cases (1%) were amicably settled by the mediators. The remaining 448 cases (14.9%) were not resolved by

²⁴ For more information, see the ECMC's webpage, available at <http://www.ecmc.or.kr/attach/down.it?no=2898> (last visit on 26 Nov. 2013).

mediation due to the respondent’s refusal to engage in proceedings.²⁵ These statistics show that, in many cases, parties have quickly settled following the intervention of a secretariat with specialized knowledge, but sophisticated cases tend not to be settled by the mediators but go to court.

The number of mediation cases concerning goods transactions was 3,702 (81.4% out of 4,546 cases). The other 844 mediation cases involved services transactions. The most frequently disputed goods were cloths/shoes (12.9%), followed by cosmetics/fancy goods (10.2%) and appliance/cameras (8.0%).²⁶

The majority of service transaction disputes related to the downloading of digital goods (573 cases, 67.9%) cases concerning online games, online advertising and e-learning amounted to 14.8%, 3.7%, and 3.0% respectively.²⁷ Out of 22,829 disputes,²⁸ twelve have dealt with copyright issues. Even if the Committee is expected to deal with trade in counterfeit and pirated goods, no such cases have been submitted to mediation so far.

(4) Internet Address Dispute Resolution Committee (IDRC)

The IDRC²⁹ was established on 8 October 2005 under the Korea Internet Security Agency, in accordance with Article 16 of the Act on Internet Address Resources. The IDRC provides conciliation services to efficiently resolve.kr domain name disputes. The panel of the IDRC is currently comprised of twenty-four professors, lawyers, patent attorneys and researchers with substantial experience and expertise related to internet address disputes.

Table 3. Statistics of Mediation Cases in the Last Ten Years
 <Unit: number of cases>

Classification	Request for Mediation	Conciliation by IDRC			Withdrawal	
		Transfer	Termination	Dismissal		Total
2002	54	21	13	7	41	13
2003	49	17	24	3	44	5
2004	23	4	11	2	17	6
2005	41	8	21	2	31	10
2006	40	17	14	5	36	4

²⁵ The Ministry of Knowledge and Economy (MKE)/NIPA/ECMC, *2012 E-commerce Dispute Mediation Casebook*, Jun. 2012, p.18(hereinafter referred to ‘MKE/NIPA/ECMC’), available at http://www.ecmc.or.kr/board/list.it?c=cate01_07(last visit on 26 Nov. 2013).

²⁶ MKE/NIPA/ECMC, *2012 E-commerce Dispute Mediation Casebook* .23 (June 2012).

²⁷ *Ibid*, at 25.

²⁸ *Ibid*, at 17.

²⁹ The IDRC was formerly the Domain Name Dispute Resolution Committee (DDRC) which was found on 28 Dec. 2002 by the Korean National Internet Development Agency (NIDA).

Classification	Request for Mediation	Conciliation by IDRC				Withdrawal
		Transfer	Termination	Dismissal	Total	
2007	37	12	15	2	29	8
2008	35	6	21	4	31	4
2009	25	7	16	0	23	2
2010	30	5	17	1	23	7
2011	56	15	24	4	43	12
Total	390	112	176	30	318	71

Source: Korea Communications Commission/Korea Internet & Security Agency, 2012 Domain Name Dispute White Paper, [Table 2-2], June 2012, p.101.³⁰

From 2002, when the Domain Name Dispute Resolution Committee (DDRC) started to resolve.kr disputes by conciliation, 126 conciliation cases were registered up until October 2004. The DDRC was dissolved with the Act on Internet Address Resources and the IDRC started to handle conciliation cases from February 2005. The total number of requests for conciliation with the IDRC from 2006 to 2011 was 264.

The IDRC shall notify parties in dispute of a draft decision without delay, after it draws up a draft decision.³¹

When a respondent who receives a draft decision fails to submit any certificates showing that the respondent has filed a lawsuit over the relevant Internet address to the competent court or any certificate showing that the respondent has applied for arbitration in accordance with an agreement between the relevant parties, within fifteen days from the date on which he/she receives a draft decision, such respondent shall be deemed to have accepted the decision of the IDRC, and the applicant may apply for the implementation of such decision to the IDRC.³²

When an applicant applies for the implementation of decision to the IDRC, the IDRC shall request the Internet address management organization, etc. to implement it, and Internet address management organizations, etc shall follow such request without delay.³³ When parties in dispute accept the draft decision, it has the same effect as a judicial compromise which has res judicata effect on the parties only. On behalf of both parties, the conciliation proceedings can be carried out on line.³⁴

³⁰ For more information, see the IDRC's webpage, available at <http://www.idrc.or.kr/jsp/info/boardView.jsp?boardNo=2130>(last visit on 26 Nov. 2013).

³¹ Article 20 (1) of the Act on Internet Address Resources.

³² Article 20 (2) of the Act on Internet Address Resources.

³³ Article 20 (3) of the Act on Internet Address Resources.

³⁴ Articles 15 to 16 of the Enforcement Decree for the Act on Internet Address Resources.

(5) Intellectual Property Protection Committee (IPPC)

The IPPC was established by the Korean Intellectual Property Office (hereafter 'KIPO') under Article 41 of the Invention Promotion Act in 1995. The IPPC provides mediation services for disputes relating to the infringement, assignment and licensing of patents, designs, utility designs and trademark rights. It also administers disputes over compensation to the employees for work-for-hire invention. It is, however, prohibited to request mediation in disputes solely related to invalidation, registration nullification or scope of intellectual property (pursuant to Article 44 of Invention Promotion Act). Once the settlement is mediated between the parties, it has the same effect as a judicial compromise which has res judicata effect on the parties only.

The IPPC has only dealt with 102 mediation requests. Over seventeen years, just twenty-three of these cases were settled. For this reason, the question of the Committee's maintenance or abolition was raised at the parliamentary inspection of state administration in both 2007 and 2011 respectively.³⁵

(6) Layout-Design Review and Mediation Committee (LDRMC)

The LDRMC was established in 1995 by KIPO pursuant to Chapter III (Articles 29–34) of Enforcement Decree of the Act on the Layout-Designs of Semiconductor Integrated Circuits. The LDRMC reviews disputes concerning layout-design licensing of rights and so forth. Once the mediation transcript was made by settlement between the parties, it has also the effect of settlement under a court ruling. To date, no application to the LDRMC has been requested.

*(b) Arbitration of IP Disputes in Korea**(i) The Arbitrability of IP Disputes*

In order to adjudicate intellectual property disputes by arbitration, the subject-matter must fall within the scope of arbitrability according to the law of the relevant jurisdiction.³⁶ The scope of arbitrability in each jurisdiction can be different depending on its own social and economic policies. If the subject-matter of a dispute exceeds the jurisdiction's scope of arbitrability, national courts will not support the arbitration proceedings and may refuse to enforce the arbitral award. Without the national court's support, arbitration cannot operate efficiently even though it is an autonomous dispute resolution method based on the agreement of the parties.

³⁵ 'What is doing the IPPC? – only 1 case settled per year', Newsis Newspaper 26-10-2007, available at <http://media.daum.net/politics/assembly/newsview?newsid=20071026115511033> (last visit on 26 Nov. 2013); 'Useless the IPPC', Asia Economy Newspaper 21-09-2011, available at <http://www.asiae.co.kr/news/view.htm?idxno=2011092114162350892> (last visit on 26 Nov. 2013).

³⁶ Jacques de Werra, 'Arbitrating International Intellectual Property Disputes: Time to Think Beyond the Issue of (Non) Arbitrability', 299 *RDAI/IBLJ*, No. 3 (2012), p. 301, available at <http://ssrn.com/abstract=2149762> (last visit on 26 Nov. 2013).

In Korea, problems of arbitrability can arise: (i) where the defendant raises an objection to the court's jurisdiction in litigation proceedings alleging the existence of an arbitration agreement,³⁷ (ii) where the respondent to the arbitration challenges the validity of the arbitration agreement on the basis of the subject-matter of the arbitration,³⁸ (iii) where a party to the arbitration applies to set aside an award because the subject-matter of the dispute is not arbitrable,³⁹ and (iv) where a party to the arbitration applies for recognition or enforcement of award.⁴⁰ Among the four situations above, the first two relate to the validity of the arbitration agreement, while the last two are relevant to the grounds for setting aside an award.⁴¹

(1) Regulations on the Arbitrability in Korea

The issue of 'arbitrability' requires to assess whether a certain dispute is capable of being resolved by arbitration. An arbitration agreement over non-arbitrable subject-matter is invalid such that arbitrators cannot render an arbitration award on it. The award can be set aside,⁴² and may not be recognized nor enforced in foreign countries.⁴³

There is no provision specifically addressing the issue of arbitrability in the Arbitration Act of Korea (hereinafter 'the Act').⁴⁴ Instead, there are general clauses to which we can refer to interpret the question of arbitrability under the Act.

Article 1 of the Act provides '[t]he purpose of this Act is to ensure the proper, impartial and rapid settlement of *disputes in private laws* by arbitration' (*emphasis added*). In addition, Article 3(2) of the Act stipulates that '[t]he term "arbitration agreement" means an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of defined legal relationship, *whether contractual or not* [. . .]' (*emphasis added*). Ultimately, the subject-matter of arbitration agreement is limited to disputes in private laws regardless of whether the dispute is contractual or not. Accordingly, claims for damages in relation to torts can also fall within the scope of an arbitration agreement according to the Act.⁴⁵

Furthermore, in Article 36(2)(a) of the Act, an award can only be set aside before a court if the party making the application furnishes proof that '[a] party to

³⁷ Article 9(1) of the Arbitration Act of Korea.

³⁸ Articles 17(1) and 33(2)(c) of the Arbitration Act of Korea.

³⁹ 36(2)(a) of the Arbitration Act of Korea.

⁴⁰ Articles 36(2)(a), 36(2)(a), 38, 39(1) and 39(2) of the Arbitration Act of Korea.

⁴¹ Soo Mi Kang, *supra* note 6, at 130–31.

⁴² Article 36(2)(a) of the Korean Arbitration Act.

⁴³ Article V(2)(a) of the New York Convention.

⁴⁴ The reason why the Arbitration Act of Korea did not expressly regulate the issue of arbitrability was the result of adoption of the UNCITRAL Model Law on International Commercial Arbitration (hereinafter 'UNCITRAL Model Law') in 1999. The UNCITRAL Model Law did not address arbitrability because it was deemed to be interfering with the domestic regulations of the other countries. It seemed that the final decision on the arbitrability was considered as a problem to be solved depending on the substantial rules of law of each country in the end; See Kyung-Han Sohn, Arbitration, *supra* note 6, at 77.

⁴⁵ Seog-Ung O, *supra* note 4, at 209.

the arbitration agreement was under some incapacity under the law applicable to him; or the said agreement is not valid under the law to which the parties have subjected it, or failing any indication thereon, under the law of the Republic of Korea [...].'

Eventually, the question of how to interpret the issue of arbitrability requires defining what are 'disputes in private laws' according to the Arbitration Act of Korea.

(2) The Scope of Disputes in Private Laws

Article 3(2) of the Korean Arbitration Act provides that 'The term "arbitration agreement" means an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of defined legal relationships, whether contractual or not.' Hence, even non-contractual disputes can be settled by arbitration. Article 3(1) of the Korean Arbitration Act prescribes that 'The term "arbitration" means a procedure to settle any dispute in private laws, not by the judgment of a court, but by the award of an arbitrator or arbitrators, as agreed by the parties.' In other words, any dispute under private laws is arbitrable, regardless of whether it is not contractual dispute or not.

Article 2(1) of the former Arbitration Act of Korea⁴⁶ stipulated that:

[t]he term 'arbitration agreement' takes effect through an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of defined legal relationships. However, *it is not applied to the legal relationships of which the parties are unable to dispose* (emphasis added).

Also, Article 2(2) of that Act provided that:

This Act shall not affect any other Act by virtue of which certain disputes may not be submitted to arbitration or may be submitted to arbitration only according to provisions other than those of this Act, nor those treaties which are valid in the Republic of Korea.

The majority of academics consider the term 'the disposable legal relationships' as relating to legal disputes concerning property rights which could be settled by a compromise between the parties.⁴⁷

However, the present Act only provides that disputes in private laws (regardless of whether they involve civil or commercial matters) can be settled by arbitration, without any specific provisions on arbitrability.

As a result, there are various theories on arbitrability in Korea including that: (i) a viewpoint that the subject-matter of arbitrations of which the parties have the rights to dispose by settlement is arbitrable (like under the former Arbitration Act

⁴⁶ The Arbitration Act of Korea in force at present was promulgated and came into effect on 31 Dec. 1999, adopting the UNCITRAL Model Law at its entirety with some exceptions.

⁴⁷ Tae-Hee Lee, *International Contract Law – Theory and Practice* 111 (Bopmunsa, 2001).

of Korea),⁴⁸ (ii) specific provisions stipulating the standards of arbitrability should have been provided in the revised Act and it has resulted in the retrogression of the legislation,⁴⁹ (iii) since the present Arbitration Act of Korea does not specifically stipulate arbitrability, arbitrability should be determined through interpreting the legal relationship of the subject-matter,⁵⁰ and lastly (iv) the history of the Arbitration Act of Korea, a comparative analysis of regulations in major leading countries, and the *ex aequo et bono*⁵¹ principle should be used as standards to decide on the scope of arbitrability.⁵²

With regard to the categories of substantive claims that are capable of resolution by arbitration, disputes related to criminal, constitutional, or administrative law matters are generally regarded as not arbitrable because the scope of arbitrability under the Korean Arbitration Act is limited to disputes under private laws.⁵³ In this regard, some critics argue that the limitation is unnecessarily restrictive.⁵⁴

Recently, the Korean legal community has focused its attention on whether issues on the existence or validity of registrable intellectual property rights are arbitrable, as those issues are of public nature.

(3) The Arbitrability of IP Disputes in Korea

It is difficult to judge the arbitrability of IP disputes generally, without examining the specific types of rights and disputes at issue. With respect to the types of rights, a division needs to be made between rights which require registration with the relevant national authority to be validly granted such as patent rights, trademark rights, design rights and trade name rights⁵⁵ and rights which do not demand such requirements, like copyright and other creative rights.

As for legal rights which do not need registration with a governmental authority, they are generally considered to be arbitrable, because parties can freely agree on the method of dispute resolution.⁵⁶ In other words, the parties to the arbitration can assign their rights to be determined by the arbitral tribunal as they can surrender, assign, license or transfer their rights at their discretion in business.⁵⁷

A distinction should also be made in patent disputes between claims relating to the infringement of rights and the validity of rights.⁵⁸ Where the dispute involves the infringement of rights, it is deemed to be arbitrable because it relates to an issue of torts and is thus governed by private law.⁵⁹

⁴⁸ *Ibid.*, at 145.

⁴⁹ Kyung-Han Sohn, Arbitration, *supra* note 6, at 77; Kwang Hyun Suk, *supra* note 13, at 214–15.

⁵⁰ Young-Jun Mok, *supra* note 13, at 65.

⁵¹ Note Article 29(3) of the Arbitration Act of Korea.

⁵² Soo Mi Kang, *supra* note 6, at 135–36; Sun-Hee Yun & Heon-Hui Lee, *supra* note 6, at 114–15.

⁵³ Young-Jun Mok, *supra* note 13, at 65.

⁵⁴ See, e.g., Kwang Hyun Suk, *supra* note 13, at 28.

⁵⁵ Article 87(1) of the Patent Act of Korea.

⁵⁶ Seog-Ung O, *supra* note 4, at 211.

⁵⁷ Wei-Hua Wu, 'International Arbitration of Patent Disputes,' 10 *J. MARSHALL REV. INTELL. PROP. L.*, 384, 393 (2011).

⁵⁸ Kwang Hyun Suk, *supra* note 13, at 33.

⁵⁹ Kyung-Han Sohn, Arbitration, *supra* note 6, at 77; Kwang Hyun Suk, *supra* note 13, at 34.

But when it comes to the validity of patent rights, academic theory and case law has been divided in Korea. One theory which rejected the arbitrability of validity disputes considered it difficult to categorize these disputes as falling within the scope of disputes in private law, even though they concern property right. As the Korean Supreme Court has determined,⁶⁰ Korean civil courts (i.e., the District and High Courts) seized of an infringement action in which a patent is novel, but obvious, cannot judge the validity of these rights before a separate invalidation proceeding has been conducted before the Intellectual Property Tribunal [(hereafter 'IPT') which is part of the Korean Intellectual Property Office (hereafter 'KIPO')].⁶¹ Like civil courts, arbitral tribunals do not have the power to judge the validity of patent rights. Another argument against arbitrability is that it would be difficult to admit the possibility of settlement between the parties in an invalidation action alleging the invalidity of the patent rights.⁶²

Another view considers that the arbitrability of disputes relating to the validity and invalidation of IP rights should be arbitrable like other IP-related contractual disputes, to give full effect to party autonomy. The effect of an arbitration award is only *inter partes* (i.e., between the parties to the arbitration).⁶³ One decision of the Korean Supreme Court indirectly supports this view, holding that:

a court seized of an infringement matter may decide on whether there is an evident ground for invalidation, and if the court found such a clear ground for invalidation in the results of trials, the infringement action claiming for prohibiting any performance or damages based on the patent is not permitted on the ground of a patent misuse.⁶⁴

In the meantime, in *LG Electronics Inc. v. Daewoo Electronics Corp.*, the Korean Supreme Court in an unanimous *en banc* decision held that the Korean civil courts could dismiss a patent injunction or damages claim for lack of an inventive step even before a patent is formally invalidated by the IPT of the KIPO (*Supreme Court Decision No. 2010Da95390 rendered on 19 January 2012*).⁶⁵ In the past, when a defendant raised a patent invalidity defence and the invalidation action was pending, the civil courts could merely review the infringement issues or stay the

⁶⁰ Note Supreme Court Decision No. 91Ma540 rendered on 2 Jun. 1992; Supreme Court Decision No. 97Hu2095 rendered on 27 Oct. 1998; Supreme Court Decision No. 87Hu1016, 1023 and 1030 rendered on 22 Dec. 1998; Supreme Court Decision No. 98Da7209 rendered on 23 Mar., 2001.

⁶¹ According to the Patent Act of Korea, IPT (Article 133) and the patent court (Articles 186(1) and 187) have exclusive jurisdiction over disputes concerning the registration of a patent and its validity.

⁶² Kwang Hyun Suk, *supra* note 13, at 34.

⁶³ Kyung-Han Sohn, *supra* note 6, at 79; Soo Mi Kang, *supra* note 6, at 148; Sun-Hee Yun & Heon-Hui Lee, *supra* note 6, at 127.

⁶⁴ Note Supreme Court Decision No. 2000Da69194 rendered on 28 Oct. 2004.

⁶⁵ Ji-Eun Kim & Gregory Kang, 'Korean Supreme Court issues a landmark decision holding that civil courts can dismiss patent infringement actions if the patent lacks inventiveness' (LEXOLOGY, 21 Jun. 2012), available at http://www.lexology.com/library/detail.aspx?g=82f175d1-d98d-4299-8011-e520e8e5d6cb&utm_source=lexology+daily+newsfeed&utm_medium=html+email+-+body+-+general+section&utm_campaign=lexology+subscriber+daily+feed&utm_content=lexology+daily+newsfeed+2012-07-11&utm_term= (last visit on 26 Nov. 2013).

infringement action pending a decision on the patent invalidation action.⁶⁶ However, there was criticism that it would be unfair for courts to enforce a patent or delay the infringement action for a period of time when a patent was likely to be invalidated.⁶⁷ In order to solve this problem, the Korean Supreme Court allowed the civil court to dismiss the infringement action when the patent lacks 'novelty' (*Supreme Court Decision No. 86Do51147 rendered on 9 December 1986*).⁶⁸

The recent (above noted) decision of the Korean Supreme Court can be regarded as a landmark decision opening the door for civil courts to decide issues of novelty as well as inventiveness involving infringement of a patent.⁶⁹ There is no reason that this reasoning should not apply equally to arbitral tribunals. Consequently, it is expected that the scope of the arbitrability over disputes relating to intellectual property will expand in Korea. In addition, in *Taeyeon Medical Co., Ltd v. Medtronic, Inc.*,⁷⁰ the Korean High Court ruled that Medtronic's apparatus for Kyphon Balloon Kyphoplasty (later the subject of a patent application) infringed Taeyeon's valid patent, and ordered the destruction of the apparatus and materials made by Medtronic. In the appeal⁷¹ (after Medtronic, Inc. had assigned its standing to sue to Kyophon SAPL), the Korean Supreme Court held that the validity of a patent, including the non-obviousness requirement, can be heard and determined by a court in an action for an injunction against patent infringement.

The approach taken in the *LG Electronics Inc. and Kyphon SARL* has been extended to trademark cases. In *HIWOOD Inc. v. HIWOOD Inc.*,⁷² the Korean Supreme Court held that the court was allowed to hear and determine the validity of trademark registration as a preliminary question where the plaintiff brought an action for injunction or damages. The core holding of the *HIWOOD* Court is as follows:

[I]n cases where it is clear that a trademark registration will be invalidated by a ruling of the IPT, an action for injunction or damages due to trademark infringement is not allowed due to the abuse of the trademark right made by the plaintiff unless there are special circumstances which can allow him/her to do it. Hence, the court hearing an action for injunction or damages due to trademark infringement is empowered to hear and adjudicate the invalidity of the trademark registration as the preliminary question to determine whether the defendant's affirmative defense based on the abuse of the trademark right is correct when his/her defense was raised. This rationale is also applicable to service mark.

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

⁶⁹ The Korea Trade Commission (KTC) also held that the KTC could decide on the validity of a patent in the course of investigation on whether there were unfair trade practices in a case in which a Japanese company filed a petition against a Korean company with the KTC. For more information, see 'KTC can decide on the validity of a patent at its own discretion', *The Lawtimes*, 19 Jul. 2011, available at [http://www.lawtimes.co.kr/LawNews/News/NewsContents.aspx?serial=58457&kind=\(last visit on 26 Nov. 2013\)](http://www.lawtimes.co.kr/LawNews/News/NewsContents.aspx?serial=58457&kind=(last%20visit%20on%2026%20Nov%202013)).

⁷⁰ *Seoul High Court Decision No. 2009Na22763 rendered on 8 Jul. 2010.*

⁷¹ *Supreme Court Decision No 2010Da63133 rendered on 15 Mar. 2012.*

⁷² *Supreme Court Decision No 2010Da10300 103000 rendered on 18 Oct. 2012(en banc).*

There is also an interesting foreign case which dealt with arbitration of intellectual property rights in Korea.

In *Halide Group, Inc. v. Hyosung Corporation*,⁷³ the plaintiff (Halide Group, Inc.) entered into a contract with the defendant (Hyosung Corporation) for the design, engineering, and licensing of a Fluorine (F₂) Gas and Nitrogen Trifluoride (NF₃) Gas production facility to be constructed in Ulsan, Korea.⁷⁴ The plaintiff sought a declaration that it had not breached the contract and that the defendant had an obligation to pay it the remaining balance due under the contract. It also sought a preliminary injunction restraining the defendant from using the plaintiff's technology pending the resolution of the dispute between the parties. The contract included an arbitration clause stating as follows:

The parties shall use best efforts to negotiate and amicably resolve any dispute or claim arising out of or in connection with this Agreement. Any such dispute or claim which cannot be settled amicably by the parties hereto shall be finally resolved by arbitration in the defendant's country. The arbitration proceedings shall be conducted in the English language by a panel of three arbitrators, with one arbitrator selected by each of the parties, and the third arbitrator selected by the two arbitrators selected by the parties. Any award rendered shall be final and binding on the parties and judgment may be entered thereon in any competent jurisdiction. Notwithstanding the foregoing, either party hereto may seek preliminary injunctive relief from any court of competent jurisdiction pending the outcome of such arbitration proceedings.⁷⁵

Having found that the dispute between Halide and Hyosung as to whether the parties had breached their respective obligations under the contract fell within the scope of the contract's arbitration clause, the *Hyosung* court held that Halide's requested declaratory judgment as to the merits of its claims was 'the province of the arbitrator and not the [c]ourt to interpret a contract where there is a "plausible" claim of arbitrability.'⁷⁶ The *Hyosung* court, however, was not persuaded that the plaintiff would suffer irreparable injury without a preliminary injunction

⁷³ See F.Supp.2d 1, 2010 WL 4456928 (E.D.Pa., 2010) (No. CIV. A. 10-02392).

⁷⁴ In accordance with Article 2.1 of the contract, 'Hyosung agreed to pay Halide a USD 1,750,000.00 license fee for 'license with the exclusive right in Korea and China to use any intellectual property right and Technical Information in order to construct, operate and maintain the [Ulsan] Plant or Additional Plants, and to produce, sell, and export the Products [F₂ Gas and NF₃ Gas]' (the 'License'). Pursuant to Article 3.1 of the [a]greement Hyosung also agreed to pay Halide a USD 3,800,000 engineering fee for a Basic Engineering Design Package, a Detail Engineering Design Package, Technical Services, Training, and Procurement Services (all as defined in the [a]greement) and other services if requested by Hyosung and mutually agreed to by the parties. Halide asserts that Hyosung has not yet paid it USD 741,000 of the engineering fee and USD 800,000 of the license fee. Hyosung does not deny that it has withheld certain payments from Halide. Instead, Hyosung asserts that Halide breached the [a]greement and that it has properly withheld payment from Halide pursuant to Article 14 of the [a]greement. Halide disputes the allegation that it has breached the Agreement and thus disputes the propriety of Hyosung's withholding of payments. Halide also contends that Hyosung has no right to use the License until Hyosung has paid the remaining balance due for the License under the [a]greement'. See F.Supp.2d 1, 2010 WL 4456928 (E.D.Pa., 2010) (No. CIV. A. 10-02392).

⁷⁵ For Article 23.7 of the contract providing for arbitration of disputes, see F.Supp.2d 2, 2010 WL 4456928 (E.D.Pa., 2010) (No. CIV. A. 10-02392).

⁷⁶ *Ibid.* at 3.

but noted that ‘a district court has the authority to grant injunctive relief in an arbitrable dispute, provided that the prerequisites for such relief are satisfied.’⁷⁷

(ii) *The Current Status of IP Arbitration Cases at the KCAB*

(1) Introduction

The only institution authorized to administer international and domestic commercial arbitrations in Korea is the ‘KCAB’. The KCAB was established in 1966 with the aim of promoting international trade and facilitating the resolution of disputes arising out of international trade according to the promulgation of the Arbitration Act of Korea in the same year.⁷⁸ The KCAB is a non-profit organization and it is one of the oldest dispute resolution institutions in the Asia Pacific region.

The KCAB had only one set of arbitration rules, which applied to both domestic and international arbitration cases administered by the KCAB until January 2007. Thereafter, the KCAB implemented a separate set of Rules of International Arbitration (hereafter ‘the International Rules’) to facilitate and promote international arbitration. Despite the KCAB’s efforts to encourage parties to arbitrate disputes in accordance with the International Rules,⁷⁹ there was only one case registered with the KCAB, which should be settled according to the International Rules. This was due to the fact that a general reference in an arbitration clause to the KCAB Rules was not sufficient to make the International Rules applicable.⁸⁰

To resolve this issue, the KCAB further amended the International Rules (which came into force 1 September 2011).⁸¹ The most prominent feature of the revisions is the division of the former rules into Domestic and International Arbitration Rules. Under Article 2(d) of the newly revised International Rules, when one of the parties, at the time of the conclusion of the arbitration agreement, had its place of business in any state other than Korea, or the place of arbitration expressed in the arbitration agreement is in a state other than Korea, the International Rules will

⁷⁷ To seek preliminary injunctive relief, plaintiff must prove: ‘(1) irreparable injury if relief is not granted to prevent a change in the status quo pending the outcome of an arbitration; (2) a reasonable probability of eventual success on its claims; (3) that the possibility of harm to other interested persons if injunctive relief is granted would not outweigh the harm it will suffer if injunctive relief is denied; and (4) that the injunction it seeks will serve the public interest’. See *Thompson v. Nienaber*, 239 F.Supp.2d 478, 485 n. 9 (D.N.J.2002).

⁷⁸ The Arbitration Act of Korea was completely overhauled in 1999 to substantially adopt the UNCITRAL Model Law on International Commercial Arbitration, making Korea one of the most arbitration-friendly countries in Asia Pacific region. Korea has also been a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (‘New York Convention’) since 1973, and is also a member of ICSID.

⁷⁹ There was only one case pursuant to the International Rules from 1 Feb. 2007 to 31 Aug. 2011.

⁸⁰ In other words, the parties had to indicate their preference for the International Rules in writing, otherwise, the Domestic Arbitration rules were applied by default.

⁸¹ As of 30 Apr. 2013, 43 cases were newly requested for arbitration pursuant to the revised International Rules from 1 Sep. 2011.

be applied by default. The revised rules apply to arbitration agreements entered into after 1 September 2011.⁸²

(2) Statistical Report on Arbitration Cases of KCAB

Arbitration Cases Generally

In 2011, the KCAB received a total of 323 requests for arbitration, including seventy-seven international cases. Seventy-five per cent (thirty-nine cases) of all international arbitrations registered with the KCAB related to international commerce. Other industry sectors to feature in KCAB international arbitrations in 2011 included construction, maritime, and finance. Cases involving domestic construction disputes and commercial disputes were two largest groups by industry sector in 2011, with 42.7% and 36.2% respectively.

Table 4. Statistics of Arbitration Cases (2010–2011)
(Unit: No. of Cases, Mil USD)

<i>Year</i>	<i>2011</i>		<i>2010</i>	
Category	<i>No. of cases</i>	<i>Amount</i>	<i>No. of cases</i>	<i>Amount</i>
Domestic	246	243	264	462
International	77	137	52	73
Total	323	380	316	535

Source: Performance Report of the Arbitration Department at the KCAB for 2011 (January 2012).

On average, it took 137 days to resolve domestic arbitration cases and 184 days for international cases in 2011. In aggregate, it took an average of 146 days from the date of the receipt of the Request for Arbitration to the issuing of the final award, or the settlement or withdrawal of the case, which represents a reduction of eight days compared to the previous year. This data shows that the KCAB has been administering arbitration proceedings in a fast and efficient manner.⁸³

⁸² In addition, there are some important amendments in the International Rules including the introduction of the expedited procedures, but we will not discuss any further on this matter because they are beyond our subject for discussion.

⁸³ Keon-Hyung Ahn, Robert Gallo & Won-Suk Oh, 'Seoul: A Crossroad for Arbitration between the Middle East and East Asia', *Int'l. J. Arab Arb.*, vol.4, N°2, 2012, p.52, available at <http://www.kluwerarbitration.com/search.aspx?q=Keon-Hyung%20Ahn>(last visit on 26 Nov. 2013).

Table 5. *Statistics of Duration of Arbitration Proceedings (2010–2011)*
(Unit: No. of Cases, days)

Category	2011		2010		Rate (%)	
	No. of Cases	Average Duration	No. of Cases	Average Duration	No. of Cases	Average Duration
Domestic	256	137	260	139	-1.5	-1.4
International	59	184	58	218	1.7	-15.6
Total/ Average	315	146	318	154	-0.9	-5.2

Source: Performance Report of the Arbitration Department at the KCAB for 2011 (January 2012)

IP Arbitration Cases Registered with the KCAB

From 2007 to 2011, the KCAB received thirty-three IP-related arbitration cases including twenty-seven domestic cases and six international cases.⁸⁴ Over this period, IP arbitration cases amount to 2.3% of all cases registered with the KCAB. It is encouraging to note that the number of IP arbitration cases registered with the KCAB in 2011 was significantly higher in comparison to previous years.⁸⁵

Table 6. *Statistics of IP Arbitration Cases (2007–2011)*
(Unit: No. of Cases)

Category	IP Arbitration Cases			Total Arbitration Cases	Rate (%)
	Domestic	International	Subtotal		
2007	4	1	5	233	2.1
2008	8	0	8	262	3.1
2009	6	0	6	318	1.9
2010	2	1	3	316	0.9

⁸⁴ Among six international arbitration cases, two cases involve American parties and two other cases concern a Taiwanese party and a Saudi Arabian party respectively.

⁸⁵ Among 10 IP-related arbitration cases in 2011, 3 cases relate to technology license rights and patent rights respectively, and two cases relate to musical concert license rights and lastly two cases involve on-line game license rights. The last two cases (including Counterclaim between the same parties) concern disputes arising out of the internet game distribution and service agreement, in which one of the biggest Korean media & entertainment company granted licensing rights to a Taiwanese media company to distribute the internet game in Taiwan.

Category	IP Arbitration Cases			Total Arbitration Cases	Rate (%)
	Domestic	International	Subtotal		
2011	7	4	11	323	3.4
Total	27	6	33	1,452	2.3(Average)

Source: KCAB Arbitration Database

90.9% (30 cases) of all IP arbitrations registered with the KCAB in 2011 related to patent rights and license rights. Other rights to feature in IP arbitrations include copyright, trademark and design rights. Cases involving license rights consisted of technology license rights (fourteen cases, 70%), musical concert license rights (two cases, 10%) and online game license rights (two cases, 10%).

Table 7. Statistics of Rights Involved among IP Arbitration Cases (2007–2011)
(Unit: No. of Cases, %)

Category	No. of Cases	Rate (%)
Patent	20	60.6
License	10	30.3
Copyright	2	6.1
Trademark & Design	1	3.0
Total	33	100.0

Source: KCAB Arbitration Database

Interestingly twelve out of thirty-three cases (36.4%) were amicably settled during the arbitration proceedings. It goes to show that arbitration has a critical advantage for IP disputes.

With regard to the remedies, it is noteworthy that specific performance was ordered in four cases⁸⁶ out of twenty cases in which a standard award was issued (i.e., not a consent award).⁸⁷

⁸⁶ Among these four cases, three cases involve patent rights and one case concerns trademark & design rights. As to the former three cases, the extension of patent license agreement was ordered by the arbitral tribunal in one case, and performance of transfer/registration process with the Korean Intellectual Property Office (KIPO) on the patent right was ordered in two other cases. With respect to the latter case, the restitution of trademark and design right which relates to a restaurant franchise agreement was ordered by the tribunal.

⁸⁷ Article 52(1) of the Domestic Arbitration Rules of KCAB also provides:

‘The Tribunal may in the award order the specific performance of a contract, grant equitable and reasonable damages or other relief which falls within the scope of the arbitration agreement of the parties.’

Table 8. *Statistics of Outcomes of IP Arbitration Cases (2007–2011)*
(Unit: No. of Cases, %)

Category	No. of Cases	Rate (%)
Standard Award	20	60.6
Consent Award	7	21.2
Withdrawal	5	15.2
Terminated by the Secretariat	1	3.0
Total	33	100.0

Source: KCAB Arbitration Database

(iii) *Recognition and Enforcement of International IP Arbitration Awards in Korea*

An arbitral award has the same legal effect between the parties as a final and conclusive judgment by a court. In order to enforce such an award in Korea, however, the successful party is required to obtain an enforcement judgment from the court. As is intended under the New York Convention, the Korean courts allow only very limited grounds for non-enforcement of arbitral awards.⁸⁸ The judiciary is also supportive of arbitration agreements, and relatively flexible in its approach to upholding these agreements.⁸⁹

Reference can be made to a recent decision rendered by the Supreme Court of Korea⁹⁰ which concerned a Korean company and a US company, in which the defendant attempted to resist the enforcement in Korea of a foreign arbitral award on the basis of the plaintiff's allegedly fraudulent conduct. The Supreme Court rejected the defendant's arguments, ruling that the enforcement of a foreign arbitral award may only be refused when: (i) there is compelling and objective evidence of fraudulent conduct that is punishable by law; and (ii) the defendant could not have been aware of such fraudulent conduct, thereby depriving the defendant of the ability to challenge the case or defend itself in that regard.

In principle, the grounds for refusing recognition/enforcement for intellectual property rights do not differ from the grounds for refusing recognition/enforcement for other laws. The Court's position with regard to IP arbitration can be found in several lower court precedents which shall be examined further. These IP-related cases seem to be in conformity with the position of the Supreme Court

⁸⁸ See Article 36 (Application for Setting Aside Award to Court) of the Arbitration Act of Korea.

⁸⁹ For example, it has been long established that injunctions aimed at interfering with arbitration proceedings in the presence of a valid and binding arbitration agreement are not permitted by Korean courts. See *Supreme Court Decision No. 96Ma149 rendered on 11 Jun. 1996*.

⁹⁰ See *Supreme Court Decision No. 2006Da20290 rendered on 28 May 2009*. See Kevin Kim, Sue Hyun Lim & James Morrison, 'From backstage into the spotlight: the rise of international arbitration in Korea', 15(1) *Arbitration Newsletter* 98, 100-103 (Mar. 2010); Byung-Chol (BC) Yoon, 'Supreme Court rules on the standard for refusing to enforce arbitration awards allegedly obtained by fraud', 15(1) *Arbitration Newsletter* 98, 98-100 (Mar. 2010).

precedents in non-IP cases,⁹¹ which narrowly define the grounds for refusing the recognition and enforcement of international arbitral awards.

(1) *Seoul High Court Decision 94Na11868 Rendered on 14 March 1995*

The Plaintiff, a US company headquartered in California, was developing and supplying computer software programs and the Defendant, a Korean company, was a personal computer manufacturer. The two parties concluded a software license agreement, in which the Defendant was to pay license fees for selling the Defendant's computers with Plaintiff's software installed to the United States. When the Defendant paid only 60% of the agreed license fee, the Plaintiff initiated an arbitration with the American Arbitration Association (AAA). The Arbitration tribunal rendered an award in favour of the Claimant. The Defendant made the argument that the license agreement was an unfair trade act prohibited by the Monopoly Regulation and Fair Trade Act and thus contravened the public order of Korea. The Defendant argued it qualified as a 'case in which the enforcement of an arbitral award would be contrary to the public policy of that country' stipulated by Article 5(2)(b) of the New York Convention.

In disposing of the case, the Court ruled that even if the grounds for violation of public policy based on Korean law were determined with Korean public policy as the standard, the grounds for refusal must be interpreted restrictively in consideration of the stability of the international trade order. Even if the license agreement at issue did violate the Monopoly Regulation and Fair Trade Act, as claimed by the Defendant, the contract was validly governed by the laws of California. This decision was subsequently applied by the Seoul Central District Court in a similar manner in *Seoul Central District Court Decision 2006GaHap36924* rendered on 16 November 2006.

(2) *Seoul Central District Court 2006GaHap36924 Decision Rendered on 16 November 2006*

The Plaintiff, a Korean company, granted a license to manufacture and sell building stone made from concrete molds, decorative brick and stone products, to the Defendant, a US company, with an agreement that the Defendant manufacture the above products. The Plaintiff sought arbitration with the American Arbitration Association (AAA) for violation of the contract. The award was rendered in favour of Plaintiff.

During the arbitration, the Defendant argued that the Korean Prosecutor's Office had dismissed the criminal charge that the Defendants violated the copyright law by copying the products covered in the agreement. Therefore,

⁹¹ Specifically, the relevant rulings are as follows:

Supreme Court Decision 89DaKa20252 rendered on 10 Apr. 1990, Supreme Court Decision 2001Da20134 rendered on 11 Apr. 2003, Supreme Court Decision 93Da53054 rendered on 14 Feb. 1995.

recognizing and enforcing an arbitral award prohibiting the copying of the product would be contrary to Korea's public policy.

With regard to this argument, the Court ruled that the purpose of Article 5(2)(b) of the New York Convention is to prevent the recognition or enforcement of an award from harming the basic morals and social order of the enforcing country, the determination must be made consideration not only domestic circumstances, but also the stability of the international trade order.⁹² It is interesting to note that, recently, the Seoul High Court reversed the Seoul Central District Court's decision (Case No. 2010Gahap31926) and declined to render an enforcement judgment in favour of the plaintiffs. The High Court ruled that, in the foreign Judgment, the foreign court merely states that 'the Plaintiffs are entitled to a decree of a specific performance of the parties' MOA and Exclusive License Agreement against the Defendants.' and it does not provide any specifics. Therefore, to ascertain the contents of the specific performance sought, one must have recourse to the relevant contracts and litigation records in addition to the Judgment. Thus, by reference to the Civil Execution Act, the judgment is not a proper '*jiphaeng-gwonwon*' since it does not specify the category, substance or bounds of the performance that should take place, and therefore cannot be enforced in Korea. The plaintiffs are appealing this decision to the Supreme Court (Case No. 2012Da23832).⁹³

(iv) Korean Principles on International Intellectual Property Litigation

(1) In General

The Korean Principles on International Intellectual Property Litigation approved by the Korea Private International Law Association on 26 March 2009 (hereinafter 'KOPILA Principles')⁹⁴ purport to set forth the rules for international jurisdiction, conflict of laws, recognition and enforcement of foreign adjudication, and arbitration on international intellectual property disputes.⁹⁵

The Korean Principles define registered intellectual property rights as 'Intellectual Property Rights being effective by registration or deposit such as patent', distinguishing registered from non-registered intellectual property rights.⁹⁶ In addition, Article 2 of the Korean Principles defines the terms

⁹² See *Supreme Court Decision 2001Da20134 rendered on 11Apr. 2003*.

⁹³ For more information, See Hyungkeun Lee, "Seoul High Court Declines to Enforce California Judgment Providing for Specific Performance", 1 *Korean Arbitration Review* 49, 49-52 (KCAB, 2012).

⁹⁴ KOPILA Principles were approved at the general meeting held by the Korean Private International Law Association on 26 Mar. 2010. The Drafting Committee for the Korean Principles consists of five members: Professor Kyung-Han Sohn at Sungkyungwan University School of Law, its chairman Professor Kwang Hyun Suk at Seoul National University School of Law, Chief Judge Seong Ho Lee at Seoul High Court, Chief Judge Ta Ak Rho at Patent Court, Professor Gyooho Lee at Chung-Ang University School of Law, and Jin-A Park at Ewha Women's University School of Law.

⁹⁵ Article 1 of the KOPILA Principles.

⁹⁶ Article 2 subpara. 3 of the KOPILA Principles.

'State',⁹⁷ 'Registered State',⁹⁸ 'Protecting State',⁹⁹ 'Habitual Residence',¹⁰⁰ 'International Intellectual Property Disputes',¹⁰¹ 'Existence/Validity Disputes',¹⁰² 'Non-negotiated Contract',¹⁰³ 'Interim Measures',¹⁰⁴ 'Adjudication',¹⁰⁵ 'Preliminary Questions',¹⁰⁶ 'Foreign Adjudication',¹⁰⁷ 'Foreign Arbitral Award',¹⁰⁸ 'Recognition State'¹⁰⁹ and 'Enforcement State'.¹¹⁰ These Principles apply to civil or commercial disputes regarding intellectual assets including existence/validity disputes.¹¹¹ Hence, the Korean Principles extend their application to administrative trials on disputes regarding the grant, validity, abandonment, or cancellation of intellectual property rights.¹¹² Also, the Korean Principles deal with interim measures, taking into account their importance in intellectual property-related disputes.¹¹³

⁹⁷ Article 2 subpara. 4 of the KOPILA Principles prescribing that "'State" means a territory or region that maintains independent legislative and judicial body'.

⁹⁸ Article 2 subpara. 5 of the KOPILA Principles stating that "'Registered State" means a State in which Intellectual Property Rights are registered or deposited, or in which IPRs are deemed to have been registered or deposited by provisions of a treaty'.

⁹⁹ Article 2 subpara. 6 of the KOPILA Principles prescribing that "'Protecting State" means a State that grants Intellectual Property Rights or for which their protection is sought. In case of infringement of IPRs, it means the State of infringement regardless of their registrations of the rights. In order to be qualified a place of infringement, its market must be substantially affected by the infringement. If the case is infringement of the moral rights of an author, the rights must be affected within the State'.

¹⁰⁰ The term 'Habitual Residence' refers to 'the place where a party habitually resides, including the party's principal place of business. The Habitual Residence also includes the State where it has its statutory seat of legal entity or the State under whose law it was incorporated or formed'. See Art. 2 subpara. 7 of the KOPILA Principles.

¹⁰¹ It connotes intellectual property disputes whose parties have Habitual Residence in a different State, and include disputes related to intellectual property rights that are registered or protected in a foreign State and disputes that occurred by activities related to intellectual property rights in a foreign State'. See Art. 2 subpara. 8 of the KOPILA Principles.

¹⁰² It is defined as 'disputes regarding granting, validity, abandonment, or cancellation of intellectual property rights'. See Art. 2 subpara. 9 of the KOPILA Principles.

¹⁰³ It means a 'contract that is concluded with the terms and conditions determined in advance by one party for repeated use'. See Art. 2 subpara. 10 of the KOPILA Principles.

¹⁰⁴ It is defined as 'provisional seizure, provisional disposition, and other provisional measures against a party ordered by a judge or arbitrator in reply to a petition of the other party prior to the final judgment or arbitral award'. See Art. 2 subpara. 11 of the KOPILA Principles.

¹⁰⁵ It refers to 'judgments, decisions, orders, etc. rendered by a court or administrative body including interim measures and decisions on disputes between private parties such as invalidity of a patent'. See Art. 2 subpara. 12 of the KOPILA Principles.

¹⁰⁶ They mean 'the problems of which the determination is unavoidable as a prerequisite for the adjudication process, but that need not be explicitly included in the conclusion of an adjudication of a court or, of an arbitral award'. See Art. 2 subpara. 13 of the KOPILA Principles.

¹⁰⁷ It means an adjudication that is not regarded as domestic adjudication. See Art. 2 subpara. 14 of the KOPILA Principles.

¹⁰⁸ It means an arbitral award that is not regarded as one under the law of Enforcement State. See Art. 2 subpara. 14 of the KOPILA Principles.

¹⁰⁹ 'Recognition State' is a State that recognizes or is requested to recognize a foreign adjudication or a foreign arbitral award. See Art. 2 subpara. 15 of the KOPILA Principles.

¹¹⁰ 'Enforcement State' is a State that enforces or is requested to enforce a foreign adjudication or a foreign arbitral award. For more information, see Art. 2 subpara. 15 of the KOPILA Principles.

¹¹¹ Art. 3 of the KOPILA Principles.

¹¹² KOPILA, *A Commentary to the KOPILA Principles*, at 4.

¹¹³ Article 2 subparagraph 11 of the KOPILA Principles; See KOPILA, *A Commentary to the KOPILA Principles*, at 5.

As mentioned above, the Korean Principles distinguish registered from non-registered intellectual property rights, taking into account the fact that the term 'Protecting State' (or the State where protection is sought) cannot be clearly defined whereas the term 'Registered State' is straightforward, and that a law governing registered intellectual property rights needs to be differentiated from one governing non-registered intellectual property rights in terms of the rights' initial ownership.¹¹⁴ In other words, initial ownership of registered intellectual property rights is governed by the law of each Registered State while initial ownership of non-registered intellectual property rights is governed by the law of State in which the intellectual assets are first created or devised, such as the law of the State of Habitual Residence of the person who created or devised them.¹¹⁵ If there is more than one person involved in the creation of non-registered intellectual property rights, the law of the State with the closest connection to the creation, and the first publication shall govern unless parties agree otherwise.¹¹⁶ However, the law of the Protecting State in which the rights are first exploited will govern if the governing law regarding initial ownership of non-registered intellectual property rights does not recognize the intellectual property rights.¹¹⁷

(2) Arbitration

Articles 33–49 of the KOPIA Principles regulate arbitration of intellectual property disputes, notifying that the matters that are not provided specifically in the KOPIA Principles are to be determined pursuant to the UNCITRAL Model Law on International Commercial Arbitration, including its 2006 Amendment.¹¹⁸ These Articles consist of general provisions and specific provisions addressing the arbitrability of intellectual property disputes, arbitration agreements, arbitral proceedings, and recognition and enforcement of arbitral awards. In this regard, several features of the Korean Principles need to be noted.

In terms of arbitration of intellectual property rights-related disputes, party autonomy is emphasized. The arbitrator or court, in determining the validity or subject of the arbitration agreement, shall respect the principle of party autonomy to the fullest extent, in consideration of the purpose of the arbitration system.¹¹⁹ The KOPIA Principles further place emphasis on the place of arbitration. Parties can freely select the place of arbitration or omit a place of arbitration. Unless otherwise agreed, the arbitrator determines the place of arbitration with regard to the circumstances of the dispute in question, including the convenience of the parties.¹²⁰ In addition, the KOPIA Principles provide an option for online arbitration proceedings.¹²¹

¹¹⁴ KOPIA, *A Commentary to the KOPIA Principles*, at 6.

¹¹⁵ Article 24 (1) and (2) of the KOPIA Principles.

¹¹⁶ Article 24 (3) of the KOPIA Principles. The application of this provision is not limited to copyright.

¹¹⁷ Article 24 (4) of the KOPIA Principles.

¹¹⁸ Article 35 of the KOPIA Principles.

¹¹⁹ Article 33 of the KOPIA Principles.

¹²⁰ Article 34 of the KOPIA Principles.

¹²¹ Article 46 of the KOPIA Principles.

Article 37(1) of the KOPILA Principles prescribes that disputes on the existence or validity of registered intellectual property rights, such as patent rights and trademark rights, are arbitrable. However, an arbitral award on the existence or validity of the registered intellectual property rights has effect only on the parties to the contract. Article 37(1) of the KOPILA Principles makes it clear that existence or validity issues are dealt with in the merits of a decision. On the other hand, the decisions of the Korean Supreme Court seem to imply that existence or validity issues are arbitrable as preliminary questions. With the consent of the parties, the holder of registered intellectual property rights or other interested parties may participate in the arbitration proceedings to prove the existence or validity of registered intellectual property rights.¹²² Under the KOPILA Principles, arbitrability on the merit is determined by the law of the place of arbitration unless the merit concerns the existence or validity of registered intellectual property rights.¹²³ If there is no place of arbitration in an IP-related case, the arbitrability issue shall be determined by the substantive law governing the arbitration agreement.¹²⁴ In cases where there is an issue as to whether the intellectual property dispute in question can be resolved by arbitration, the arbitrator or the court shall consider whether or not the law of the states such as the state of habitual residence of the defendant, the state where seizable assets are located, and the state where the upcoming arbitral award may be recognized or enforced would accept the arbitrability of the intellectual property disputes in question.¹²⁵ The parties can further choose the governing law in an IP international arbitration (Article 20 of the KOPILA Principles in accordance with Article 36 of the KOPILA Principles would apply *mutatis mutandis*).

III. EUROPEAN PERSPECTIVES

(a) Introduction

The experience gained by Korea in dealing with alternative dispute resolution methods for intellectual property disputes (reflected above) is extremely interesting from a European perspective for a variety of reasons. It first confirms the global trend promoting the use of ADR systems for solving intellectual property disputes which is echoed in courts decisions rendered in various jurisdictions (even beyond Europe), including Canada¹²⁶ and Australia,¹²⁷ as well as in statutory provisions which have been adopted in certain European countries in order to clarify that arbitration can be used in order to resolve intellectual property disputes. This is

¹²² Article 37(2) of the KOPILA Principles.

¹²³ Article 38(1) of the KOPILA Principles.

¹²⁴ Article 38(2) of the KOPILA Principles.

¹²⁵ Article 38(3) of the KOPILA Principles.

¹²⁶ See *Desputeaux v. Éditions Chouette (1987) inc.*, [2003] 1 S.C.R. 178, 2003 SCC 17 (Supreme Court of Canada).

¹²⁷ See *Larkden Pty Limited v. Lloyd Energy Systems Pty Limited* [2011] NSWSC 268 (Supreme Court of New South Wales, 1 Apr. 2011).

most notable in the case of France, which has recently amended several provisions contained of the Intellectual Property Code for the purpose of confirming the availability of arbitration for solving intellectual property disputes (even if there is still some debate as to the extent to which intellectual property disputes can be submitted to arbitration, particularly those relating to the validity of industrial property rights).¹²⁸

The Korean experience is also of particular relevance given that it confirms the arbitrability of intellectual property disputes (as expressed in the KOPIA Principles) as well as the fact that international arbitral awards rendered on intellectual property disputes must be broadly recognized and enforced in other countries (particularly under the New York Convention), so that neither the concept of public policy nor other potential objections should be broadly invoked in order to block the enforceability of a foreign arbitral award dealing with intellectual property issues.

The Korean experience further shows that it can take some time until users adopt the ADR systems that have been developed and made available to them for resolving their disputes. This is also an important element confirming that the success of ADR systems for solving intellectual property disputes depends on the ability of proponents to raise awareness about such systems in the relevant circles and also to build a sufficient level of trust. This requires that the systems provide all necessary features (in terms of costs, transparency, legitimacy etc.) in order to convince the stakeholders of their interest in *voluntarily* submitting to such systems, knowing that the use of ADR (as reflected by the Korean experience) cannot be imposed (unless specific mechanisms are adopted for the purpose of making ADR mandatory, on the model of the Uniform Domain Name Dispute Resolution Policy, which is imposed on all registrants of generic top level domain names).¹²⁹ In any case, the Korean experience comes at a particularly important moment in the history of intellectual property litigation in Europe, that is at a time when a new Europe – wide patent litigation system has just been adopted and should be in operation in a relatively near future.

(b) *Arbitration and Mediation under the New European Patent Dispute Resolution Framework (Unified Patent Court)*

With Regulation (EU) No. 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection¹³⁰ and the Council regulation (EU) No.

¹²⁸ Code de la propriété intellectuelle ('CPI'), Art. L. 331-1 al. 4 (copyright); art. L. 615–17 al. 2 (patents), art. L. 716-4 (trademarks), art. L. 521-3-1 al. 2 (designs), art. L. 623–31 al. 3 (vegetal obtentions) et art. L. 722–8 al. 2 (geographic indications); for an analysis, see Jean-Michel Bruguière, Emmanuel Gillet, 'Litiges de propriété intellectuelle, l'apport de la loi de simplification et d'amélioration de la qualité du droit du 17 mai 2011'. *JCP E* sept. 2011, n° 37, 1663.

¹²⁹ For a discussion, see Jacques de Werra, 'Can Alternative Dispute Resolution Mechanisms Become the Default Method for Solving International Intellectual Property Disputes?', 43 CALIFORNIA WESTERN JOURNAL OF INTERNATIONAL LAW (2012), 39 available at: <http://ssrn.com/abstract=2195968>.

¹³⁰ See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:361:0001:0008:EN:PDF>.

1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements,¹³¹ the European Union has adopted a new regulatory framework that facilitates the protection of patents within the European Union.¹³² This system creates a 'European patent with unitary effect', i.e., a patent which shall benefit from a unitary effect in the participating Member States of the European Union. The practical implementation of a European patent with unitary effect calls for the creation of a new judicial body which shall be in charge of solving disputes relating to these patents, which is precisely the role of the Unified Patent Court.¹³³

As a result, almost all Members of the European Union have signed the Agreement on a Unified Patent Court ('AUPC')¹³⁴ on 19 February 2013.¹³⁵

Despite its narrow title, the AUPC is not limited to the creation of a 'Unified Patent Court'. The AUPC indeed provides (Article 35) for the creation of a Patent Mediation and Arbitration Centre in the following terms:

- (1) A patent mediation and arbitration centre ('the Centre') is hereby established. It shall have its seats in Ljubljana and Lisbon.
- (2) The Centre shall provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement. Article 82 shall apply mutatis mutandis to any settlement reached through the use of the facilities of the Centre, including through mediation. However, a patent may not be revoked or limited in mediation or arbitration proceedings.
- (3) The Centre shall establish Mediation and Arbitration Rules.
- (4) The Centre shall draw up a list of mediators and arbitrators to assist the parties in the settlement of their dispute.

This provision is of utmost significance because it constitutes the first official document adopted at the level of the European Union which confirms the availability of arbitration for solving certain types of intellectual property

¹³¹ See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:361:0089:0092:EN:PDF>.

¹³² It can be noted that the creation of a unitary patent protection system within the EU was not supported by all Member States: Italy and Spain have challenged the Council Decision 2011/167/EU of 10 Mar. 2011 authorizing enhanced cooperation in the area of the creation of unitary patent protection before the ECJ; the ECJ has however dismissed their action by a decision of 16 Apr. 2013 (Cases C-274/11 and C-295/11).

¹³³ See recitals 24 and 25 of Regulation 1257/2012: '(24) Jurisdiction in respect of European patents with unitary effect should be established and governed by an instrument setting up a unified patent litigation system for European patents and European patents with unitary effect; (25) Establishing a Unified Patent Court to hear cases concerning the European patent with unitary effect is essential in order to ensure the proper functioning of that patent, consistency of case-law and hence legal certainty, and cost-effectiveness for patent proprietors. It is therefore of paramount importance that the participating Member States ratify the Agreement on a Unified Patent Court in accordance with their national constitutional and parliamentary procedures and take the necessary steps for that Court to become operational as soon as possible'.

¹³⁴ See <http://register.consilium.europa.eu/pdf/en/12/st16/st16351.en12.pdf>; the Agreement will need to be ratified by at least thirteen states, including France, Germany and the United Kingdom to enter into force.

¹³⁵ See http://ec.europa.eu/internal_market/indprop/patent/ratification/index_en.htm (except Croatia, Poland and Spain).

disputes.¹³⁶ It however limits the use of ADR for solving patent disputes given that neither the validity nor the scope of a patent can be affected by mediation or arbitration proceedings. Article 35 paragraph 2 in fine AUPC indeed provides that ‘a patent may not be revoked or limited in mediation or arbitration proceedings’.¹³⁷ It, however, remains somewhat unclear how this provision must be interpreted: shall the arbitral tribunal have no power *at all* to decide on the issue of patent validity or patent scope in any circumstances, or shall the arbitral tribunal have the power to decide on these issues but only with effect *inter partes* (so that this shall not affect the registration of the patent at such and its effect on third parties). It is adequate to consider that arbitral tribunals should have the power to decide on these issues with effect between the parties. This can be supported by the rationale that the exclusive jurisdictional power of the Unified Patent Court with respect to decisions on revocation or scope of patents (as provided by Article 65 AUPC) is justified essentially to the extent that such decisions have an effect against third parties, i.e., that a decision of the Unified Patent Court revoking entirely or partly a patent shall be reflected in the relevant patent registry (Article 65 para. 3 AUPC), i.e., for European patents with unitary effect, the relevant registry will be the ‘register for unitary patent protection’¹³⁸. Consequently, if there is no effect on third parties, the exclusive jurisdictional power of the court is not justified.¹³⁹

Article 35 paragraph 2 AUPC further states that ‘[t]he Centre shall provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement’ and indicates in this respect that ‘[a]rticle 82 shall apply *mutatis mutandis* to any settlement reached through the use of the facilities of the Centre, including through mediation’. Article 82 AUPC addresses the enforceability of the decisions to be rendered by the Unitary Patent Court by expressing the (logical) rule that such decisions shall enforceable in all contracting Member States.¹⁴⁰ This consequently means that the settlement agreement will be enforced in the same

¹³⁶ The Office for Harmonisation in the Internal Market (Trademarks and Designs) (‘OHIM’) has launched mediation services for solving certain types of disputes pending on appeal before the Board of Appeal of OHIM as resulting from Decision No 2011-1 of the Presidium of the Boards of Appeal of 14 Apr. 2011 on the amicable settlement of disputes (‘Decision on Mediation’) available at: http://oami.europa.eu/ows/rw/resource/documents/common/decisionsPresidiumBoA/2011-1_presidium_decision_on_mediation_en.pdf (last visit on 26 Nov. 2013); see the dedicated website at: <http://oami.europa.eu/ows/rw/pages/CTM/regProcess/mediation.en.do> (last visit on 26 Nov. 2013).

¹³⁷ Article 79 AUPC similarly provides that ‘The parties may, at any time in the course of proceedings, conclude their case by way of settlement, which shall be confirmed by a decision of the Court. A patent may not be revoked or limited by way of settlement.’

¹³⁸ As defined in Art. 2 (e) of Regulation 1257/2012, ‘Register for unitary patent protection’ means ‘the register constituting part of the European Patent Register in which the unitary effect and any limitation, licence, transfer, revocation or lapse of a European patent with unitary effect are registered.’

¹³⁹ This is in essence the solution which is adopted under the US Patent Act (35 U.S.C. 294) which provides in its relevant part that: ‘(a) A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract’ and that ‘(c) An award by an arbitrator shall be final and binding between the parties to the arbitration but shall have no force or effect on any other person.’

¹⁴⁰ Article 82 para. 1 AUPC: «Decisions and orders of the Court shall be enforceable in any Contracting Member State. An order for the enforcement of a decision shall be appended to the decision by the Court».

way as formal decisions rendered by the Unitary Patent Court. While the improved enforceability of settlement transactions is good news as such, it can be wondered why this feature shall only apply to settlement 'reached through the use of the facilities of the Centre' (as provided by Article 35 paragraph 2 AUPC). This seems to imply that there would be a legal incentive to use the physical facilities of the Arbitration and Mediation Center (which will most probably be located only in Ljubljana and Lisbon) because only such use would trigger the improved enforceability of settlement transactions. This does not appear as a legitimate solution because it conflicts with the basic freedom of the arbitral tribunal, with the agreement of the parties, to hold hearings in ADR proceedings (and particularly in arbitration proceedings) at a place of their choice, whereby such place must not necessarily correspond to the city and place where the institution which manages the ADR proceedings would be located.¹⁴¹

There is consequently no justification why the improved enforceability (as provided by Article 35 paragraph 2 AUPC) shall not be available if the parties to a dispute reach a settlement about a dispute without using the 'facilities' of the Arbitration and Mediation Center.

One may also regret the somewhat unclear wording of Article 35 paragraph 4 AUPC which provide that '[t]he Centre shall draw up a list of mediators and arbitrators to assist the parties in the settlement of their dispute', given that it is not the function of arbitrators to 'assist the parties in the settlement of their dispute' but rather to *decide* the dispute (in a way comparable to what state courts would do), and that the parties should as a matter of principle have the power to choose who shall decide their dispute (arbitration) or help them to solve it (mediation) without being unduly constrained in their choice.

In spite of this, Article 35 AUPC remains of high legal as well as symbolic importance in the European intellectual property regulatory landscape because it officially confirms for the first time at the EU level that patent disputes (subject to the limit which has just been evoked resulting from the last part of Article 35 paragraph 2 AUPC) can be subject to arbitration. By doing so, it somehow puts aside the diverging solutions that exist under the respective national arbitration laws in the various Member States relating to the issue of arbitrability of patent (and more generally intellectual property) disputes. As a result, it appears unlikely that an arbitral award rendered on the basis of Article 35 AUPC might not be enforced in a Member State of the European Union on the ground that under the national laws applicable in such country a patent dispute would not be arbitrable. From this perspective, Article 35 paves the way for a broader arbitrability of patent disputes within the European Union.

¹⁴¹ See, for instance, Art. 16.2 of the LCIA Arbitration Rules (available at: http://www.lcia.org/Dispute_Resolution_Services/LCIA_Arbitration_Rules.aspx (last visit on 26 Nov. 2013)): 'The Arbitral Tribunal may hold hearings, meetings and deliberations at any convenient geographical place in its discretion; and if elsewhere than the seat of the arbitration, the arbitration shall be treated as an arbitration conducted at the seat of the arbitration and any award as an award made at the seat of the arbitration for all purposes'.

Article 35 provides for the creation of a Patent Arbitration and Mediation Center which will have two seats – in Ljubljana (Slovenia) and in Lisbon (Portugal) respectively.¹⁴² The functioning of the Patent and Mediation Center will be clarified with the Mediation and Arbitration Rules (Article 35 paragraph 3) that shall be subsequently adopted. In any case, the question arises whether parties will be able (based on the principle of party autonomy) to submit a dispute about a European patent with unitary effect to another arbitration service provider in Europe (potentially the London Court of International Arbitration, the International Chamber of Commerce in Paris or the WIPO Arbitration and Mediation Center in Geneva) or in other parts of the world (for instance the KCAB). These issues will need to be clarified in order to ensure the successful implementation and use of ADR systems in European patent dispute resolution mechanisms. Given that arbitration is based on the consent of the parties, it can be assumed that the parties will be free to choose the arbitration institution and the arbitration rules that they shall see fit for efficiently solving their disputes without being constrained to use the Patent and Mediation Center and its rules (that shall be instituted under Article 35 AUPC).

Similarly, the issue arises as to whether the parties shall be free to choose the seat of the arbitration under the patent arbitration system enabled by Article 35 AUPC, knowing that this element is obviously of key importance for the parties in making the choice to submit a given dispute to arbitration, because it affects the issues of the potential challenges that may exist against the arbitral awards as well as the nationality of the awards, which is of relevance for the purpose of the future enforceability of the award in foreign countries.

In this respect, even though the double seats of the Patent and Mediation Center in Portugal and in Slovenia can be explained and understood from a political perspective, this localization should not prevent the parties to localize the arbitration in other countries to the extent that the parties feel it necessary in view of their respective interests. Even if Portugal and Slovenia are both parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards¹⁴³ so that the parties' choice of Lisbon or Ljubljana as the seat of the arbitration will not prevent them from benefiting from the advantages of the New York Convention in terms of global enforceability of the arbitral award, the parties may still want to submit an arbitration relating to a European patent with unitary effect to another arbitration service provider and to choose a seat in other countries than Portugal or Slovenia (and potentially in non EU-countries) for various reasons (including the neutrality of the country where the arbitration shall be localized and of the law that shall govern the dispute). It should also be avoided that arbitration clauses shall insufficiently identify the seat of the arbitration, which

¹⁴² This rather unusual solution appears to be the result of a political decision, rather than being dictated by the pre-existing expertise and tradition of the relevant cities / countries for offering ADR services for intellectual property disputes.

¹⁴³ See the list of contracting parties at: http://www.uncitral.org/uncitral/fr/uncitral_texts/arbitration/NY_Convention_status.html (last visit on 26 Nov. 2013).

might particularly result from the mere submission of future disputes to the arbitration and mediation Center under Article 35 AUPC: in such a case, the difficulty would result from the double seat of the Center (in Lisbon and Ljubljana).

These issues will need to be reflected upon and be adequately regulated in the Arbitration and Mediation Rules that shall be adopted (as indicated in Article 35 paragraph 3 AUPC)¹⁴⁴ as well as in the suggested arbitration and mediation clauses that shall be made available for use by the parties¹⁴⁵ in order to ensure the success of the use of ADR for solving patent disputes under Article 35 AUPC.

IV. CONCLUSION

In light of the complexities of international intellectual property litigation (including jurisdictional issues, choice of law, *lis pendens*, and the recognition and enforcement of foreign judgments), alternative methods of IP disputes resolution should be promoted. The arbitrability of the validity of an industrial property right remains critical to the more widespread adoption of ADR methods to resolve international intellectual property disputes. At a time when the European Union is about to establish new patent court litigation and ADR infrastructures, it is important that any new system shall duly take into account the best practices and the experience developed in these fields in other parts of the world. Korea can offer very valuable guidance in this respect.

In *LG Electronics Inc. v. Daewoo Electronics Corp.* and subsequently *Kyphon SARL v. Taeyeon Medical Co., Ltd.*,¹⁴⁶ the Korean Supreme Court held indeed that the validity of a patent, including the non-obviousness requirement, can be heard and determined by a court in a patent infringement action for damages and/or an injunction. Hence, some legal experts consider that the *LG Electronics* and *Kyphon SARL* cases expanded the scope of arbitrability in intellectual property cases.¹⁴⁷ This liberal trend has been confirmed in *HIWOOD Inc. v. HIWOOD Inc.*,¹⁴⁸ in which the Korean Supreme Court extended the application of these principles to trademarks.

At any rate, both the Korean and the European experiences (particularly Article 35 AUPC) confirm the global trend promoting the use of ADR for resolving intellectual property disputes.¹⁴⁹ While this trend constitutes good news for all

¹⁴⁴ These rules have not been included in the Draft Rules of Procedure of the Unified Patent Court (the 15th draft of which has been released for public consultation on 25 Jun. 2013 and is available at: <http://www.unified-patent-court.org/consultations> (last visit on 26 Nov. 2013)).

¹⁴⁵ As done by major arbitration institutions, see for instance the clauses recommended by LCIA (available at: http://www.lcia.org/Dispute_Resolution_Services/LCIA_Recommended_Clauses.aspx (last visit on 26 Nov. 2013)).

¹⁴⁶ Supreme Court Decision No 2010 Da63133 rendered on 15 Mar. 2012.

¹⁴⁷ In other words, the validity of a patent in a patent infringement action for damages and/or injunction is arbitrable.

¹⁴⁸ Supreme Court Decision No 2010Da 103000 rendered on 18 Oct. 2012 (en banc).

¹⁴⁹ The same trend is also perceptible in other parts of the world. By way of example, the Brazilian National Institute of Industrial Property (INPI-BR) and WIPO have recently established a joint dispute resolution

stakeholders given that ADR can offer tailored mechanisms and solutions which can adequately accommodate the interests and needs of the parties, some issues will need to be closely monitored, particularly the issue whether disputes about the validity of an industrial property right are arbitrable. These issues shall necessarily be analysed from a comparative perspective in order to ensure that all parties that shall be involved (and particularly intellectual property owners) shall benefit from a global framework that meets their legitimate expectations and that shall efficiently address the challenges of intellectual property alternative dispute resolution in the twenty first century.

procedure to facilitate the mediation of intellectual property disputes pending before INPI-BR which is available as from Jun. 2013 in trademark proceedings filed with INPI-BR, see <http://www.wipo.int/amc/en/center/specific-sectors/inpibr/> (last visit on 26 Nov. 2013).

