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Enforcement of Injunctive Relief and Arbitration Awards Concerning Title to and Enforcement of Intellectual Property Rights in Asia and the Pacific Rim

By M. Scott Donahey*

I. Introduction

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

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

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

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

By contrast, international commercial arbitration is generally the creature of a contract between two parties, and involves rights and obligations only as between the parties to that contract. The contract of the parties determines the matters that are subject to arbitration, as well as the procedure to be followed and the persons who are to determine the dispute. The parties either specify all of the above in the arbitral agreement or simply incorporate rules of various world arbitral institutions or ad hoc arbitration rules, such as the United Nations
Commission on International Trade Law (UNCITRAL) Model Rules of International Commercial Arbitration.\(^1\)

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

An award handed down by an arbitration tribunal in an international commercial arbitration generally affects only the rights and obligations as between the parties to the arbitration itself. Thus, third parties are generally unaffected by the determination by an arbitrator of a dispute between two other parties. The third parties' rights are not affected by the issuance of the arbitration award.

Contrast this situation with that involving a decision by the court of a sovereign state that finds that a patent is invalid or that the claims are considerably more narrow in scope than the patent holder would like people to believe. The findings of that court have implications as to all third parties otherwise affected by the patent. Thus, a decision affecting the validity or scope of an intellectual property right made in the course of resolving a contractual dispute as to the use of that right could potentially affect the rights of third parties who are not parties to the contract itself. One is confronted with the questions of whether the _lex arbitri_ or the law of the place where enforcement is sought will permit a private determination of rights affecting third parties and whether those laws will permit a private party to adjudicate rights established by sovereign act.

II. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards

One of the reasons that international commercial arbitration has become a mainstay in the resolution of international commercial disputes is not only that it provides a neutral forum for the resolution of such disputes, but also that the awards rendered by an international

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arbitral tribunal are readily enforceable in jurisdictions throughout the world. This is in large part because of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). No analogous international convention exists for the enforcement of foreign judgments. The grounds for opposition to enforcement of an award are strictly limited by the New York Convention. Of the seven grounds for opposition that are listed in Article V of the New York Convention, only three have special relevance to intellectual property awards. They are:

1. The arbitration agreement is not valid under the law chosen by the parties, or if the parties have not made such a choice, under the law of the country where the award was made;
2. The subject matter of the award was not arbitrable under the law of the state in which enforcement is sought; and
3. The award is against the public policy of the state in which enforcement is sought.

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

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

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III. Arbitrability and Enforcement of Awards Concerning Intellectual Property in Asia and the Pacific Rim

A. North America

1. United States of America

In the United States, arbitrators are expressly authorized by statute to determine disputes concerning patent rights.\(^6\) The arbitration may include issues condemning the validity of the patent, the scope of the patent claims, and whether the patent claims have been infringed.\(^7\) The statutes provide for registration of arbitration awards in the United States Patent and Trademark Office.\(^8\) One limited statutory exception to the general arbitrability of patent rights in the United States is the jurisdiction of the United States International Trade Commission over intellectual property issues arising in a 19 U.S.C. § 1337(a) (1994) proceeding, where jurisdiction is mandatory and cannot be displaced by an agreement to arbitrate.\(^9\)

While there is no similar express statutory authorization concerning copyright disputes, it is assumed that binding arbitration of copyright disputes is permissible as well.\(^10\) The same is true of issues concerning trademarks and trade secrets.\(^11\)

Whether an arbitral tribunal may enjoin certain conduct related to intellectual property rights is an issue that is separate from, but related to, the issues of arbitrability and enforceability. Obviously, an arbitral tribunal has no powers of enforcement, so that the enforcement of any injunctive relief must be sought from the courts of the jurisdiction in which enforcement of such relief is sought. This may turn not only on that jurisdiction’s view of whether intellectual property disputes are arbitrable, but also on whether an arbitral tribunal has the power to issue injunctive relief. In the United States, certain rules that are designed to deal with the arbitration of intellectual property rights specifically provide that the arbitral tribunal can issue injunctive relief. For example, the American Arbitration Association (AAA) Patent Arbitration Rules (Rule 42) and the Center for Public

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\(^7\) Id.
\(^10\) Id. at 29.
\(^11\) Id. at 29-30.
Resources Rules for Nonadministered Arbitration of Patent and Trade Secret Disputes (Rule 13.3) both provide for the grant of injunctive relief.

Thus, the United States is one of the most liberal jurisdictions in recognizing and enforcing arbitration awards and injunctive relief where intellectual property rights are concerned.

2. **Canada**

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

**B. Asia**

1. **Australia**

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

Arguably, whether or not a patent or copyright is infringed would constitute an enforceable award, whether under the law of Australia or where an Australian court was being asked to enforce a foreign award that dealt with an issue of infringement. Non-statutory matters are generally held to be arbitrable by Australian courts. Recent decisions of Australian courts make it clear that an award in the form of a

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

13. The author wishes to thank and to acknowledge the contributions of A.A. de Fina, the President of the Australian Centre for International Commercial Arbitration, Melbourne, Victoria, Australia, for his analysis of Australian law.
preliminary injunction would not be enforceable under the New York Convention in Australia.14

2. Hong Kong

An international arbitral award that establishes the validity or invalidity of a patent, copyright, or trademark, or adjudicates the infringement of same, is enforceable in Hong Kong as between the parties to the arbitration.15 A preliminary award enjoining the use of intellectual property is enforceable against an individual or corporate citizen of Hong Kong under section 14(6)(h) of the Hong Kong Arbitration Ordinance.16

3. Japan

In Japan,17 Article 786 of the Japanese Code of Civil Procedure provides that an agreement to arbitrate shall be effective only in the case where the parties have the power to settle the disputed issue.18 The validity of a patent or trademark under Japanese law is a matter exclusively for the Japanese patent office and is not a matter that is subject to arbitration. Therefore, an arbitration award that establishes the validity of a patent or trademark would not be enforceable in Japan, at least to the extent that such an award would affect third parties. To the extent that the parties have arbitrated the validity of a patent or trademark as it affects their relationship inter se, it is likely the Japanese court would enforce such an award. Although this discussion assumes that patent and trademark issues are arbitrable under Japanese law, arbitrability is not clear under current law. Authorities are split on this issue.19

As copyright is created by the acts of the holder of the copyright exclusively establishing his rights to it, and is not created by any act of the Japanese state, an award determining validity or infringement of a

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15. The author wishes to thank and to acknowledge the contributions of Roger Best of Clifford Chance, Hong Kong, for his analysis of Hong Kong law.
17. The author wishes to thank and to acknowledge the contributions of Shiro Kuniya and Michiko Kanai of the Oh-Ebashi Law Office of Osaka, Japan, for their analysis of Japanese law.
18. Minsoho [Code of Civil Procedure], Law No. 29 of 1890, art. 786 (Japan).
copyright would seem to be readily enforceable under Japanese law. Most scholars agree that awards concerning the infringement of patents, trademarks, or copyrights are generally enforceable in Japan. An award that preliminarily enjoins the use of intellectual property would not be enforceable in Japan because the Japanese do not consider this to be a final and conclusive arbitration award.

4. Korea

Korean law is also unsettled as to whether an arbitrator can deal with issues concerning the validity of an intellectual property right, such as a patent or trademark.\(^\text{20}\) It is generally thought that the validity of a patent or a trademark is not arbitrable in Korea. An award made in another jurisdiction and brought to Korea for enforcement that deals with the validity of a patent or trademark would probably not be enforceable in Korea as against public policy, under the public policy exception to the New York Convention. Awards concerning infringement of patents or trademarks would probably be both arbitrable and enforceable in Korea. Such awards would not determine rights vis-a-vis third parties, but instead would only involve the rights of the parties to the arbitration inter se. Likewise, awards concerning the validity of a foreign copyright would probably be enforceable in Korea, as Korean law does not require the registration of such a foreign copyright for enforceability.

The enforceability of a preliminary injunction, enjoining certain use of intellectual property rights, is the subject of disagreement in Korea. Some commentators argue that an award in the form of a preliminary injunction is a type of conservatory measure intended to safeguard the intellectual property and as such is enforceable. Others have argued, however, that an award granting a preliminary injunction is an improper form of preliminary relief and as such is not final. If so, such an award would be unenforceable. Thus, the enforceability of an award in the form of a preliminary injunction remains an open question in Korea.

5. Malaysia

There are apparently no decisions in Malaysia dealing with the enforceability of intellectual property awards, nor are there statutes

\(^{20}\) The author wishes to thank and to acknowledge the contributions of Tae Hee Lee of Lee & Ko, Seoul, Korea, for his analysis of Korean law.
directly on point.\textsuperscript{21} However, the arbitration laws of Malaysia are based on the English Arbitration Act. Under English law, title to property rights, including intellectual property rights, are generally subject to arbitration.\textsuperscript{22} Also an award in the form of a preliminary injunction is probably enforceable, so long as the award is directed only to the parties to the arbitration.\textsuperscript{23} This would be consistent with English law on the subject.

6. New Zealand

There are apparently no decisions in New Zealand on the subject of the arbitrability or enforceability of awards dealing with the validity or infringement of intellectual property rights.\textsuperscript{24} Given New Zealand's accession to the New York Convention, however, it is highly likely that such arbitral awards would be enforceable. A preliminary award in the form of injunctive relief would probably not be enforceable in New Zealand because it would lack the requisite finality.

7. People's Republic of China (P.R.C.)

The question of the enforcement of foreign arbitral awards dealing with intellectual property in the P.R.C. is a subset of the question of the enforceability of all foreign arbitral awards in the P.R.C. under the New York Convention. Although the P.R.C. is a party to the New York Convention, very few awards submitted pursuant to the New York Convention have been enforced;\textsuperscript{25} the great majority of the awards have been denied enforcement.\textsuperscript{26} This dilemma is compounded by the lack of respect that the P.R.C. has shown to the intellectual property law of foreign jurisdictions. This has been the subject of much debate and diplomacy during recent years. More recently some commentators have stated that Chinese arbitral institutions are prepared to arbitrate disputes regarding foreign intellectual property

\textsuperscript{21} The author wishes to thank and to acknowledge the contributions of Shearn, Delamore & Co., Kuala Lumpur, Malaysia, for its analysis of Malaysian law.


\textsuperscript{23} Id.

\textsuperscript{24} The author wishes to thank and to acknowledge the contributions of Tomas Kennedy-Grant, Auckland, New Zealand, for his analysis of the laws of New Zealand.


It remains highly questionable whether foreign awards concerning foreign intellectual property law and the rights of Chinese nationals vis-a-vis foreign intellectual property would be enforced in local courts in the People’s Republic.

8. Singapore

In Singapore, an arbitral award concerning the validity of a Singaporean patent, trademark, or copyright is probably not arbitrable, and therefore is not enforceable. An award finding criminal infringement of a Singaporean intellectual property right is probably unenforceable. An international arbitration award made in another jurisdiction that concerns property rights established by non-Singaporean law is more likely to be enforceable in Singapore, although there are no cases directly on point. Although the same considerations of arbitrability and public policy under Singaporean law would be applied to foreign arbitral awards concerning foreign intellectual property law as would be applied to foreign arbitral awards concerning Singaporean intellectual property law, the Singaporean courts would probably be less rigid in their application of such public policy considerations in the former instance.

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

IV. Conclusion

One who engages in the arbitration of disputes concerning intellectual property rights in the international arena is embarking on a
voyage in largely uncharted waters. In Asia and the Pacific Rim, other than in jurisdictions such as the United States, present law offers very little guidance as to whether such an arbitral award would be enforceable. The sovereign nature of the establishment of certain intellectual property rights argues against their arbitrability. Moreover, intellectual property rights frequently involve the rights of one party as against the general public, whereas a dispute in arbitration seeks to determine only the rights and obligations of the parties to the arbitration itself. Thus, if an arbitrator should find that a patent or a trademark is invalid, a court might enforce that award as against the other party to the arbitration, but might refuse any effect of that determination as to the rights and obligations of third parties.

The licensing and assignment of intellectual property rights is becoming increasingly more common in international transactions. Parties require a neutral forum in which disputes concerning such intellectual property rights can be resolved in an international context. International arbitration, which has been used to resolve international commercial disputes for decades and that has gained wide acceptance throughout the world, is the first place to which one turns to find such a neutral forum. In fact, the World Intellectual Property Organization (WIPO) has established an arbitration center in Geneva, Switzerland, expressly to deal with the resolution by international arbitration of such intellectual property disputes. The present treatment of arbitral awards concerning intellectual property rights in various national jurisdictions in Asia and the Pacific Rim suggests that an international or regional convention may be needed to insure that awards which may be rendered by arbitral tribunals, such as those established under the auspices of the WIPO Arbitration Center, would be enforceable under the New York Convention. Absent such a convention, it can only be hoped that the course one has charted will somehow lead to a safe harbor.