SUBMISSION OF THE APPEAL ON DECISIONS OF THE INTERNATIONAL COMMERCIAL ARBITRATION IN INTELLECTUAL PROPERTY

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Abstract

The concept of intellectual property covers an extremely wide range of legal rights and obligations. Each of the objects has its own characteristics, and respectively, the legal protection of each of them has its own specifics. The national legislation of different countries has different approaches to the protection of intellectual property rights.

The territorial nature of intellectual property is also reflected in the fact that the difference in the national legislation of different countries with respect to the same objects entails different types of responsibility for infringements of rights in this area. Their use by courts with different legal traditions and procedural framework may lead to different legal consequences, due to differences in the application of the law.

The problem of parallel existence of objects of intellectual property in different jurisdictions generates a huge number of disputes, and in this connection the issue of effective protection of infringed rights is the most urgent.

This study focuses on the procedure for lodging an appeal against the decisions of international commercial arbitrations dealing with disputes over intellectual property rights. The problems associated with the misinterpretation and application of national legislation is indicated. The article also analyzes analogous experience of foreign countries.

The goal is achieved by solving a number of problems:

- Investigate the specifics of the interpretation and application of national legislation on the protection of intellectual property by international commercial arbitration;

- Identify the most common mistakes that arise in the analysis and evaluation of evidence by the arbitral tribunal;

- Highlight the problem of arbitrability of disputes in the field of intellectual property protection in the Russian Federation, taking into account international experience.

The research methodology is based on both qualitative and quantitative analysis, as well as on the method of the empirical experiment. The study of arbitration rules, as well as of a number of national sources and other normative acts was conducted using specific research methods, logical, statistical and content

analysis. The authors relied on the results of research by Russian and foreign theorists of law in the relevant and related fields.

The results of the research can be used to determine key procedural goals and objectives, improve the functioning of judicial and extrajudicial organizations, law enforcement, research activities, as well as in educational activities, in particular lectures and seminars on private international law courses, arbitration process, copyright and patent law.

Keywords: international commercial arbitration, appeal, intellectual property, mediation.

1 INTRODUCTION

In recent years, countries with transitional economies are increasingly referring to innovative development based on knowledge. Of exceptional importance, in this context, are scientific and technical works, which, in fact, are the carriers of knowledge, allowing to invent or create something. In all countries, such results are provided with legal protection.

Intellectual property, being an object of economic circulation, has the ability to spread faster, in comparison with other objects, both inside the country and outside it. The issues of legal regulation of relations referring to intellectual property, like no other, should be considered in the international context.

A poll conducted by the American Association for Intellectual Property Rights showed that the company spends an average of about $ 2.6 million to pay legal fees and other costs when filing a patent infringement lawsuit.[1] At the same time the claim for damages is from 1 to 25 million dollars. More than half of the funds spent for litigation the company pays at the very beginning of the dispute. Cases related to copyright protection and questions of protection of commercially sensitive information are, as a rule, less costly, because they are not so specific. Nevertheless, the costs of such disputes often reach six-digit figures, especially when complex legal issues arise, as well as the length of the litigation process.(Grain Processing Corp. v. American Maize Products Co). The problem of considering disputes in the field of intellectual property in the modern economic community is very acute, since lawsuits constantly deplete the company's cash flow and draw public attention to the company's affairs.

The most common alternative to litigation in disputes involving intellectual property is mediation and arbitration. In turn, among these two procedures, arbitration is the most convenient and simple form of dispute settlement, since the parties can choose the arbitrators with special knowledge and experience in a specific field of intellectual property, and it is the fastest and cheapest in comparison with traditional litigation.

Among the largest organizations involved in resolving disputes related to the protection of intellectual property rights at the international level one can pinpoint some very important centres, e.g., JAMS - Judicial Arbitration and Mediation Services, Inc, and American Arbitration Association (AAA). We will have a look at each of them. The service specializes in a set of intermediary and arbitration procedures in resolving business and commercial disputes, where the choice of an independent arbitrator is crucial. The list of arbitrators of the Centre includes almost 300 judges and lawyers (retired) with many years of practice.

Service for judicial and arbitration mediation was founded in 1979 by Warren Knight. Over 35 years of its existence, based on the experience of outstanding arbitrators and business practices, JAMS has taken one of the leading positions among organizations engaged in alternative dispute resolution in the field of intellectual property rights protection.

Service for litigation and mediation examines all types of Intellectual Property (IP) disputes, including patent disputes, copyright disputes, trademark protection, licensing, security issues and confidentiality of trade secrets.

As one of the world's largest private centers on alternative settlement of IP disputes, JAMS reviews cases before such centers as:

[1] American Intellectual Property Law Association Report of the Economic Survey 2005, at I-109

• US International Trade Commission (ITC);[2]

• US Patent and Trademark Office (PTO);[3]

• European Patent Office;[4]

• WIPO external offices located in China, Hong Kong, Japan, Singapore, etc.[5]

In addition to the traditional arbitration procedure, JAMS also provides for an appeal procedure.

For a long history of dispute resolution on IP arbitration and mediation, the possibility of filing an appeal was not provided. However, JAMS has been using the procedure of additional appeal for more than 10 years. Not every arbitration is suitable for the appeal, however, the inclusion of the appeal process can reduce the risks in the consideration of the case and provide greater tranquility to the parties involved.

When drafting an agreement, the parties need to carefully formulate each paragraph. In this regard they will be able to use all the advantages of arbitration in case of a dispute, such as: reducing the cost of the proceedings, saving time, maintaining confidentiality, etc., as well as the ability to appeal the decision of the arbitrators. When drawing up an agreement, it is also necessary to take into account certain peculiarities, namely:

• Reasoned verdict of the arbitration that initially considered the dispute;

• Identification of a problem that can be considered in an appeal;

• Place of appeal;

• The number and competences of the arbitrators;

• The procedure for appointing arbitrators;

• Timing;

• Standards of Evidence.

The unconditional advantage of the additional appeal proceedings is that the parties can at any time agree on filing an appeal with the Service for judicial and arbitration mediation (JAMS), as well as the speed of reviewing the case. According to the existing rules of appeal, the decision on the dispute, in the absence of additional reasons preventing consideration, must be made within 21 days.

1.1 Supplementary Appeal

We will consider some Rules of the Supplementary Appeal Procedure in detail.

• The Appeals Board consists of three independent arbitrators, unless the parties have agreed that the dispute will be considered by one arbitrator;

• If the parties failed to agree on the composition of the appeals board within 7 calendar days, the panel of the arbitrators is appointed by the case manager (the manager of the proceedings in the case);

• If the parties to the agreement have indicated the possibility of an additional appeal procedure, then either party may appeal the award, which was made in accordance with the current JAMS Arbitration Rules;

• The appeal shall be submitted in writing simultaneously to the case manager and the opposing party to the dispute within 14 days from the date of the first arbitration award. The letter should indicate the elements that the applicant's party intends to appeal and a summary of the grounds for filing an appeal;

• Within 7 calendar days after receipt of the appeal, the party may file a counter appeal, also indicating a short reason for a counter appeal;

• Evidence previously accepted by arbitration (during the initial hearing of the case) is not considered in the appeals board; if the evidence was previously accepted by the arbitration court but misinterpreted by them or the appeals board considers that the evidence can open new circumstances relevant to the proper

[2] Visit: United States International Trade Commission: https://www.usitc.gov/

[3] Visit: United States Patent and Trademark Office http://www.uspto.gov/

[4] European Patent Office https://www.epo.org/index.html

[5] Judicial Arbitration and Mediation Services: http://www.jamsadr.com/

consideration of the dispute, they can be adopted in accordance with the current JAMS Arbitration Rules;

- The Appeals Board may accept oral arguments from the parties on appeal, if all parties involved in the resolution of the dispute agree, or hold debates of the parties, in difficult cases or in unusual circumstances of the case, on their own initiative;
- All arbitration fees must be paid in full, before the appellate review of the dispute is scheduled;
- The Appeals Board makes a decision by a majority vote; the decision is made within 21 days from the receipt of the latest evidence, oral arguments, explanatory notes; the decision of the appeal board is made in the form of a brief written explanation, unless the parties have agreed otherwise.
- If one of the parties refuses to participate in the appellate review of the dispute, the dispute will still be considered by the appeals board, the same way as it might be considered with the participation of all parties;
- The decision of the appeals board is considered final for the purposes of appellate review[6].

2 NOT TO MAKE A MANIFEST ERROR

In 2015, the US Supreme Court, in the case of Teva v. Sandoz, made a verdict which created the basis for making decisions on other similar cases. The court explained why the parties should not consider the additional appeal procedure as a re-opportunity to sue in the very same case. In the future we will see the "Teva effect" in the decision of the district courts.

In the case of Teva v. Sandoz The US Supreme Court explained that when a district judge considers a dispute and interprets the meaning of words and phrases protecting the intellectual property rights, grounded not on the basic but supplementary facts, then when filing an appeal to the Federal Court, it must proceed from the fact of “manifest error”, on the basis of which the first court decision was rendered. In other words, the Federal Court should take the case to its consideration if the verdict of the district court is not based on a clear and firm conviction, and the adjudication is wrong.

In particular, the Supreme Court gave specific instructions on how to apply the standards of appeal. When the district court interprets the essence of the complaint, based only on a narrow evidence base (patent and specification claims), due to insufficient evidence, the case must be referred for a new consideration. However, in these cases, the district court begins to go beyond the scope of internal evidence and resorts to irrelevant additional evidence, such as the interpretation of terms through dictionaries or testimony of witnesses. Taking a decision on the basis of supplementary facts, the district court makes a “manifest error”, which is the reason for the parties to file an appeal[7].

At the heart of almost every patent dispute is the question of establishing such facts as the time of invention, and in which language patent documents should be issued. Prior to the above decision of the US Supreme Court, the federal courts had the legal right to ignore the decisions of the district courts and make their own decisions.

After the adjudication in the case of Teva v. Sandoz, any submitting an appeal, the conclusions made by the district court will be binding if the Federal Court finds them sufficient and convincing. If the higher court considers that the evidence on the basis of which the district court ruled could be interpreted differently and a “manifest error” was made, it revises the matter.

Given the possibility of making a “manifest error” in the consideration of a dispute in intellectual property in the district court, the parties are increasingly resorting to the mediation procedure even in the award is unfavourable for one of the parties.

2.1 Dispute Settlement by AAA

A similar mechanism for the settlement of disputes in the field of intellectual property, as well as for reviewing of awards exists in the American Arbitration Association (AAA). Since October 1, 2013, the AAA regulations have been in force[8], replacing the previous version of 2010, and exactly one month later, on November 1, 2013, the Optional Appellate Arbitration Rules of AAA entered into force[9]. Also, when considering disputes in

[6] JAMS Optional Arbitration Appeal Procedure: http://www.jamsadr.com/rules-optional-appeal-procedure/

[7] IP Dispute Resolution Review Newsletter/ http://www.jamsadr.com/files/Uploads/Documents/IP-DR-Review/JAMS_IP_DR_Review_2015_Spring.pdf

[8] https://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTG_004103&revision=latestreleased//

[9] https://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTAGE2016218&revision=latestreleased//

the field of intellectual property, the American Arbitration Association uses the Resolution of Patent Disputes Supplementary, in force in the 2006 version[10]. One of the main features of the consideration of intellectual disputes in the AAA is the creation of its own list of arbitrators - experts in the field of intellectual property. Individual lists of arbitrators have been created in the AAA, which include specialists in the following areas: patents, trademarks, copyright, and specialists in pharmaceutics and biotechnology, disputes over domain names. To be included in the lists of arbitrators for the consideration of IP disputes, a candidate must have an experience in legal practice in this field from 10 to 30 years.

A key feature of the international commercial arbitration court and one of the main reasons for choosing by the bios of the parties in favor of arbitration was the finality and compulsion to perform the decisions achieved. This meant that, unlike the court judgments, it was not subject to review on the merits in the appellate order. The appeal can be dismissed or it could be canceled only for a very limited range of reasons. Thanks to the introduction of the new Rules by the American Arbitration Association, the parties are given a wide opportunity to review arbitral awards. This is a colossal change in the long-standing principle of the "ban on reviewing the merits" of the decisions of international commercial arbitration.

Should the parties reach an agreement on the application of the AAA Appeal Rules, the decision may be sent to a review by the panel of arbitrators of the appeal tribunal.

The Appeals Board, as a rule, consists of three arbitrators, however, the parties can agree on the participation of only one arbitrator by concluding an appropriate agreement. In the absence of such an agreement, the composition of the arbitrators shall be formed from the members of the International Appeals Board of the AAA.

The process of reviewing the decision on an appeal in the American Arbitration Association takes about three months. According to paragraph A-3 of the Rules of Appeal, the parties agree that the originally agreed amount of costs for filing an application for reviewing the decision is not final. The fees and expenses of the appeals tribunal, as well as an administrative fee of $ 6,000, which should be paid by the party filing the complaint are added to the original costs of the parties. In the case of sending a counterclaim, a similar fee is charged from the counter party.

On the basis of clause A-10 of the AAA Appeal Rules, the Appeals Board may cancel or amend the award for the following reasons:

• If there is an essential legal error infringing the rights of the parties;

• When establishing facts that are obviously erroneous.

The presence of additional time and financial costs in the appeal procedure the arbitral award destroys the established opinions of the parties about the advantages of arbitration, such as: effectiveness, speed and finality of the decisions taken.

When reviewing the decisions, the appellate commission should apply a sufficiently broad framework similar to those applied by federal courts when reviewing decisions in appellate order.

CONCLUSION

The mediation procedure has proved itself in recent years, successfully replacing traditional litigation. By concluding an agreement on resolving disputes with the help of mediators, the parties undertake to negotiate reasonably and in good faith on the merits of the claims that have arisen. Often there is a direct link between participants' flexibility and a certain degree of certainty that the parties will reach a reasonable agreement on the merits of the dispute that has arisen. However, cases when the parties come to a deadlock are not uncommon. In this case, the assistance of an experienced mediator becomes irreplaceable for the parties to evaluate their evidence part.

An important factor is the duration of the mediation. In some cases, the parties manage to reach a certain agreement at the very beginning, even at the stage of correspondence. In others, the matter cannot be settled until the parties meet "on the threshold of the court".

Until now, the impossibility of filing an appeal has been a factor for the parties that contributed to the low flexibility of the parties.

Changes in standards can lead to a substantial increase in disputes. Therefore, the additional involvement of

[10] //http://www.adr.org/cs/groups/commercial/documents/document/dgdf/mda0/~edisp/adrstg_004118~1.pdf//

mediators in assisting the parties in the proceedings can narrow the number of supplementary disputes.

The mediation procedure in disputes involving intellectual property issues is a very laborious task due to the complexity of technical and legal issues related to the grandiose financial risks. Nevertheless, the parties resort to the mediation procedure, so that they are provided with qualified assistance in assessing their position and constructive dialogue with the parties to the dispute.

The introduction of the Appellate Rules of the American Arbitration Association leaves a number of questions that have no answer to the present. How will the courts respond to decisions of the Appeals Board? Will the arbitration procedure be lucrative for the parties? The answers to these questions can be obtained only after a while; in the course of finding the true bill. Nevertheless, when drafting arbitration agreements, the parties and their lawyers should consider the possibility of including a clause on appeal.

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