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Patent arbitration:
a European comparative analysis

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A mio padre,

“Allora il re ordinò: «Prendetemi una spada!». Portarono una spada alla presenza del re. Quindi il re aggiunse: «Tagliate in due il figlio vivo e datene una metà all'una e una metà all'altra». La madre del bimbo vivo si rivolse al re, poiché le sue viscere si erano commosse per il suo figlio, e disse: «Signore, date a lei il bambino vivo; non uccidetelo affatto!». L'altra disse: «Non sia né mio né tuo; dividetelo in due!». Presa la parola, il re disse: «Date alla prima il bambino vivo; non uccidetelo. Quella è sua madre». Tutti gli Israeliti seppero della sentenza pronunziata dal re e concepirono rispetto per il re, perché avevano constatato che la saggezza di Dio era in lui per render giustizia”.

1 Re 3, 24-28

Chapter 3

THE ITALIAN CASE

Chapter 4

ROLE OF ARBITRATION IN PATENT DISPUTES

Chapter 5

THE FUTURE OF PATENT ARBITRATION AND CONCLUSIONS

Introduction.

The purpose of this work is to provide an answer to the question of arbitrability of patent disputes.

The analysis starts from the definition of arbitration and its classification in the broader category of ADRs, with particular reference to the concepts of arbitrability and public policy.

The synchronic and diachronic comparison, carried-out with regard to the main European legislations, will highlight the national answers to the question of arbitrability of patent disputes, in particular in matter of validity of the patent.

In the following chapters, the discussion will start from the solution adopted by the Italian Legislator and will continue with the analysis of the statistics on the use of arbitration in Italy. A particular attention will be given to the observations of the legal and management reasons that could prevent the economic operators, both public and private, from choosing arbitration, preferring to instigate the proceedings before the ordinary judge. In this sense it will be provided a neutral analysis on the pros and cons in the use of arbitration for the resolution of IP disputes, also with reference to the experiences of two internationally renowned Groups.

In conclusion, the analysis will focus on the legislative innovations at the European level, with particular regard to the Community patent and the Agreement on the Unified Patent Court.

1. Patent[1] arbitration: a general perspective.

After a brief description of arbitration and its nature, the main purpose of this chapter is the explanation of the ambiguous notion of arbitrability, defined by doctrine in three different aspects[2]. *Quoad officium*, which means the cognizance activity itself (i.e. arbitration is excluded from the application of precautionary measures and from enforcement procedures), will not be considered in this chapter, which will be focused on the other two elements. *Quoad obiectum* and *effectum*, arbitration is sometimes excluded for certain categories of disputes by a specific legal provision (e.g. before the 2006 Reform arbitration was excluded for status and divorce by article 806 of the Italian c.c.p.) or by a general statement, in other words arbitration is excluded for all kind of controversies which cannot be object of transaction.

General national objections to the use of Alternative Disputes Resolutions (hereinafter ADRs), such as public policy concerns and the mandatory intervention of a public prosecutor, will be balanced with the strengths of this procedure, proving that the "fear" against arbitration finds its roots in discretionary reasons and is therefore mainly unjustified.

1.1. Arbitration: definition and differences with other ADRs.

Arbitration is an alternative remedy to ordinary jurisdiction for the solution of disputes.

[1] A definition of patentable subject matters is provided by article 27 (patentable subject matter) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereafter TRIPS), stating that: "patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application (…) patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced". Patentability can be excluded in order to "protect *ordre public* or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law". According to paragraph 3 "Members may also exclude from patentability: (a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals; (b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement".

[2] C. PUNZI, *Disegno sistematico dell'arbitrato*, Padova, I, 2012, 394.

With its flexibility and informality, it encounters great favour among economic operators. The expression "*compromittere in aliquem de aliqua re"* means the attitude of a dispute of being settled by arbitration, confining the competence of arbitrators in some matters within legal boundaries. This "attitude" can be defined as a quality of the object of the dispute, in this sense a condition of validity of the arbitration convention. According to this definition, arbitration takes its origin from the arbitration agreement, a general statement subscribed by parties of the main contract. Here parties agree with each other to devolve to one or more arbitrators the resolution of disputes, which may arise from the interpretation and execution of the main contract. Intellectual Property[3] (hereafter IP) disputes often arise between parties who have durable juridical relationships, e.g. the execution of a licence contract. In these cases, arbitration is really useful, allowing the most cooperative approach between them[4].

[3] This work, focusing on patent arbitration, is not the suitable place to attempt a definition of the expression "Intellectual Property". For convenience, it can be used as a reference model the definition of IP provided by the Convention establishing the World Intellectual Property Organization (WIPO), as accepted by the 155 member-states. Here article 2 (viii) provides the following definition: "Intellectual property shall include the rights relating to: literary, artistic and scientific works; performance of performing artists, phonograms and broadcasts; inventions in all fields of human endeavor; scientific discoveries; industrial designs; trademarks, service marks, and commercial names and designations; protection against unfair competition and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields". As a consequence of their existence IP rights need protection. In this regard national laws vary on two issues: to what level the protection is extended and by what means the same protection can be acquired. These aspects will be analysed in chapter 2, considering also attempts to harmonize IP rights on European scale. Furthermore, it is important to consider that contractual IP issues typically arise from four different situations, that is to say: licence agreements, by which a licensor may grant a license to authorize a certain use to a licensee, joint venture agreements, business acquisition agreements, containing warranties as to the ownership of IP rights and the validity of patents, and employment contracts.
The difference between IP contractual and non-contractual disputes and the different incentives in the use of ADRs will be examined in chapters 4 and 5.

[4] There are different types of alternative dispute resolutions, J. FLOCK AND R. S. RAUCHBERG, *Arbitration and mediation for intellectual property disputes*, Washington, 1995 and K. WILSON, *Saving costs in International Arbitration*, in *Int. Arb.*, 1990, VI No. 2, 151 consider some remedies applied in the USA such as mini-trial, a private and non-binding procedure where the case is examined by a neutral "businessman", who will exercise the functions of mediator or arbitrator. This solution is particularly suitable for disputes arising out of long-term rapports, such as joint ventures. There are also summary jury trials, sort of non-binding jury trials, designed to preview the outcome of an ordinary trial, without the expenses, of time and money, typical of this one. Another ADR is the final offer arbitration; its application is limited to the definition of the quantum of the dispute. Here the arbitral panel has to accept the quantum submitted by one of the parties, without modifications. Such a system imposes parties to adequate their requests in order to have their own claim accepted. Furthermore, some States permit to call a retired judge who will only deal with the entrusted case without delay.

With the change of the role of the State, from dirigiste to protectionist, also the meaning of contractual autonomy changed. As a matter of fact, the private interest, which originally found its roots in private negotiations, today depends on legal protection, in order to assure honesty, transparency and competition. A complex net of alternative systems to ordinary justice was created in order to meet the needs of different categories of individuals, no longer satisfied by the legislative and regulamentary system[5].

The expression ADR is used as a definition for a heterogeneous category of techniques, which make it possible to solve disputes quickly and effectively. Moreover, the word "alternative" highlights the difference of such proceedings as opposed to the ordinary justice.

ADRs can be divided into 3 categories: systems of auto-regulation, by which parties can find a solution without the intervention of a third party (e.g. transaction), systems of hetero-composition, which require the intervention of a third party (e.g. arbitration and conciliation), and a third category where the function to solve a dispute is not necessary, but a conflict of interests is presumed (e.g. *arbitraggio*[6] and contractual expertise). In order to better understand the meaning and the purpose of arbitration, it is important to examine the different ADRs.

Following the above-mentioned order, conciliation is a tool of auto-regulation of the dispute, by which parties resolve their dispute by themselves or with the intervention of a third party. Anyway, the conciliator does not decide the outcome of the dispute, but

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[5] G. IUDICA, *Le prospettive dell'arbitrato*, in *Le fonti di autodisciplina tutela del consumatore, del risparmiatore, dell'utente*, P. ZATTI, Milano, 1996, 193-200. The Author considers that a serious crisis has affected all aspects of the Italian (and more generally, the International) system of justice. Welfare, information and culture have had the effect of creating a real need of protection. This has led to a crisis in the organization of the system. As a consequence, paradoxically, justice has become a tool used to diminish the fulfillment of rights. Nowadays arbitration can be considered no longer as a field for few privileged disputes, but rather as the perfect solution for the amount of small and medium disputes that inevitably accompany the development of a modern economy. According to the Latin expression "*de minimis non curat pretor"*, the community should not pay for the entire cost of all disputes. In order to create an efficient system, arbitral justice has to become an essential and normal component of the judicial system of a modern society, towards a widespread equality of the citizens.

[6] In common law countries it does not exist an equivalent to the Italian *arbitraggio*. It could be described as "the fact of a third person deterring the subject matter of the contract" (the amount of the price etc…); it seems that the "power of appointment" and the "discretionary trust" are similar to *arbitraggio*. See F. DE FRANCHIS, *Dizionario Giuridico*, Milano, 1996, II, 386.

creates basis for the agreement; in the evaluative conciliation the conciliator expresses only a possible solution. In this sense conciliation is essentially psychological, strictly connected with the conciliator's ability to understand the needs of the parties, highlighting positive and negative sides of their positions in order to reach an agreement. For this reason, contrary to what happens during arbitration, private meetings with parties are necessary.

Unlike conciliation, where the main aim is to induce parties to understand the advantages of non-judicial settlement, mediation consists in persuading parties to renounce to a part of their claim. There are different kinds of mediation, among which there is the compulsory one, which is considered a procedural condition for some disputes. As a consequence, parties cannot continue the proceedings until this condition is respected. Like conciliation, also mediation can be facilitative or evaluative, a difference can be found in how procedural expenses are divided. When the final provision of the ordinary judge is entirely identical to the solution provided by the mediator, the winning party (who refused it) will be charged to pay the expenses of the other party. If the final provision is not identical to the solution provided by mediation, then the judge can exclude the above-mentioned allocation of the expenses only for exceptional reasons. The mediator, as well as the arbitrator, has the same obligations of confidentiality and impartiality, which will be examined in the paragraph dedicated to this problem.

Compulsory arbitration is a particular kind of arbitration, required or imposed by law. Differently from the contractual one, which finds its basis in the agreement between the parties, here the parties are compelled to submit their dispute to arbitrators even if they are unwilling to do so. Compulsory arbitration is a non-binding judgment, even if the parties are forced to enter into arbitration, they are free to reject the ruling and to start legal proceedings before the court. The reason why parties are forced to enter into arbitration can be found in the public interest concerning the controversial right (usually this procedure is used in disputes concerning industrial relations).

While arbitration seeks to resolve a dispute inside a relationship that is already come to an end, *arbitraggio* is directed to determine an element of an *in itinere* juridical relationship, which is considered imperfect. The *arbitratore* must respect some standards specified by the parties, in the absence of which the dispute has to be resolved with *arbitrium boni viri* (i.e. his prudent appreciation) or by mere discretion. In

the first case, parties can appeal to the ordinary judge only if the *arbitratore's* decision is openly unfair, while, in the second case, only if his decision is malicious.

Arbitration, differently from transaction, finds its own prerequisite in the factual situation and cannot overcome it; on the contrary, transaction, being considered as an auto-regulative solution of the dispute, can disassociate itself from the factual basis and create, modify or extinguish different rapports from those which constitute the object of parties' contestation. Such a difference can be found also with the *negozio di accertamento*[7]; because, even though it has a factual basis, it cannot overcome them, reaching a different conclusion. Its purpose is to eliminate every contestation over the existing relationship without modifications. In other words it has a declarative dimension, not an enacting one.

The basis of arbitration is the arbitration agreement. This means a clause in the contract, by which parties submit to arbitrators the disputes that may arise in relation to the contract (arbitration clause), or an agreement by which parties to an ongoing dispute decide to submit it to arbitration (submission agreement)[8].

The main point is that arbitration does not imply a renunciation of the claim; there is no disposition of the rights contained, but a disposition of the right of action in front of the ordinary jurisdiction, a choice between two different *itinera*. Arbitration is not a minus compared to ordinary proceedings in the sense of impartiality and reliability of the judgement. In conformity to article 24.1 of the Italian Constitution[9], arbitration must offer a minimum of decisory effects in order to allow the exercise of right of action, guaranteed by the Constitutional Charter, as a consequence those who chose the

[7] There is no English translation for this expression. See F. DE FRANCHIS, *Dizionario Giuridico*, Milano, 1996, II, 1000. Anyway, it can be considered a legal transaction by which parties give legal certainty to previous situations and events. Therefore the purpose of the *negozio giuridico* is to make final and immutable facts considered uncertain.

[8] Some local arbitral laws still do not grant the arbitration clause an autonomous status, requiring that the parties execute a new agreement called "submission agreement", which must contain the names of the arbitrators and clearly identify the matters submitted to them. In this way arbitration is deprived of one of its main comparative advantages: expeditiousness. That is why the New York Convention and new arbitration laws do not require a submission agreement, granting full and immediate enforcement to the arbitration agreement, regardless of whether or not it refers to future or present controversies.

[9] "Tutti possono agire in giudizio per la tutela dei propri diritti e interessi legittimi".

arbitrator must have the same protection as those who preferred the ordinary judge[10]. Arbitration is excluded for some subject matters because of unavailability reasons. In this sense parties cannot freely choose by themselves the system of dispute resolution, but they are obliged to bring the action before the court. The reason is that, on the ground of the contractual origins of arbitration, it is impossible to introduce mechanisms of control foreseen in the ordinary proceedings, including the intervention of the public prosecutor and the intervention of third parties, not included in the arbitration agreement.

The difference between arbitration and other systems of dispute resolution creates a validity problem concerning the extension to the former of the limits of the contractual autonomy. In this sense, the judicial activity, being expression of public interests, should be precluded to auto-regulation of private interests. For a long time Commentators were divided between those who considered arbitration a real judgement and those who believed arbitration part of the field of private autonomy. In fact, it can be considered that arbitration does not imply verification activities, therefore, it could belong to a contractual dimension, on the contrary it could be taken into account that it develops also outside the contractual autonomy acquiring all jurisdictional characteristics.

1.1.1. The true nature of arbitration.

To better understand the nature of arbitration, it is necessary to focus on two different characteristics of this institution: the contractual one (genetic phase) and the procedural one (operative phase)[11]. In the first conception, arbitration is bound to the contractual

[10] E. F. RICCI, *Il lodo rituale di fronte ai terzi*, in *Riv. dir. proc.*, 1989, III, 668-669. A decision, whose effects are those of a simple scrutiny, cannot regard even the most respectful of civil rights procedural initiatives as an "action". Moreover there is an "action" only when there is a deed provided with certain authoritative effects. If the purpose of arbitration is to decide an issue as the ordinary proceedings do, article 3 of the Italian Constitution obliges to pursue a result which is identical to that one of the ordinary proceedings. If the hypothesis, theorised by C. MONTESANO, of decisions with reduced effect is accepted (see footnote 16) the destiny of arbitration will be inevitably predetermined.

[11] A. BERLINGUER, *La compromettibilità per arbitri: studio di diritto italiano e comparato*, I. *La nozione di compromettibilità*, Torino, 1999, 16. Here the Author complains about the exaggerated contractual conception of the arbitration agreement, which excessively limits its sphere of application. Following this approach, the Reform brought with l. 25/1994 is considered a first step

discipline, close to the institution of transaction. On the other hand, arbitration is getting closer and closer to the ordinary proceedings by the extension to the former of part of the procedural guarantees created for the latter. The problem of the dogmatic qualification of arbitrators' activity and its final product (the award) is an important moment of connection between the conception of arbitration as a proceeding or as a contract.

Under a comparative approach, in Italy this debate lasted much longer than in other European countries[12], this is the reason why it is necessary to briefly examine it. In 2000, the Joint Sessions of the Italian Supreme Court[13] seemed to have resolved all

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in the right direction (here the binding efficacy of the award was clearly claimed, even if with some ambiguities, in this regard see C. PUNZI, *L'efficacia del lodo arbitrale*, in *Riv. dir. proc.*, 1995, 10), in order to take arbitration to a more modern dimension.

[12] E. F. RICCI, *La Cassazione insiste sulla natura "negoziale" del lodo arbitrale. Nuovi spunti critici,* note to Italian Supreme Court, 27 November 2001, No. 15023, in *Riv. dir. proc.*, 2002, IV, 1241. With the judgement of 27 November 2001 No. 15023, the Italian Supreme Court affirms the contractual nature of the arbitration award. The Author underlines that a similar conception completely isolates Italy from experiences of other countries, producing negative effects on the circulation of the awards outside the Italian system. See also E. FAZZALARI, *La cultura dell'arbitrato*, in *Rivista dell'arbitrato*, 1991, 1. The Author considers that in Italy an "arbitration culture" is quite recent. Maybe this is the reason why there are still some doubts towards this institute. Emblematic, in this regard, is the fact that the Italian Legislator introduced the principle of equality between an arbitration award and a judgement pronounced by ordinary jurisdiction, only with the 2006 Reform. In other European countries this principle was adopted long before. In France, for example, this principle was introduced in 1981 with article 1484 f.c.c.p. (modified in 2011 as it follows: "*La sentence arbitrale a, dès qu'elle est rendue, l'autorité de la chose jugée relativement à la contestation qu'elle tranche"),* which clearly shows how a real "arbitration culture" is more rooted in some parts of Europe than in Italy.

[13] See E. FAZZALARI, *Una svolta attesa in ordine alla "natura" dell'arbitrato,* in *Rivista dell'arbitrato*, 2000, IV, 699. The Author agrees with the Supreme's Court position about the contractual nature of arbitration. On the contrary E. F. RICCI, *La "natura" dell'arbitrato rituale e del relativo lodo: parlano le Sezioni unite,* in *Riv. dir. proc.*, 2001, 254, is really critical with this approach (for a deeper analisys of their respective positions see footnotes 15 and 10). With a decision rendered on 3 August 2000, No. 527, the Joint Sessions of the Italian Supreme Court state that "è inammissibile il regolamento preventivo di giurisdizione proposto in pendenza di impugnazione di lodo arbitrale rituale, *costituendo questo manifestazione di autonomia negoziale e non esercizio di attività giurisdizionale".* Moreover the Supreme Court considers the previous case-law, which clearly confirms the contractual character of arbitration: *"*Queste Sezioni unite hanno già affermato che le «modifiche apportate (dalla novella del 1994) agli articoli 825, 826, 827, 828, 829, 830 e 831 c.p.c. con l'eliminazione anche del nomen di sentenza arbitrale, che nel testo originario del codice, era attribuito al lodo dopo l'emanazione del decreto pretorile che lo dichiara esecutivo, sono sufficienti a cancellare ogni dubbio sulla natura del dictum arbitrale che è, e resta, un atto di autonomia privata, i cui effetti di accertamento conseguono ad un giudizio compiuto da un soggetto il cui potere ha fonte nell'investitura conferitagli dalle parti; e che di conseguenza, *si deve escludere che si possa parlare di arbitri come di organi giurisdizionali dello Stato, e, addirittura, di «organi giurisdizionali»* (v. sentenza 24 maggio 1995, n. 377, e ordinanza 26 aprile 1996, n. 377*)*". Emphasis added.

doubts concerning the nature of an arbitration award, asserting its value of contractual deed. Given a more careful analysis, the reasoning of the Supreme Court seems more political than juridical; a way to reaffirm the priority of ordinary jurisdiction on disputes settlement [14]. A different opinion has been expressed by likewise authoritative jurisprudence. In this regard, the decision of the Constitutional Court n. 376/2001 stated that an issue of constitutionality can be raised by whoever is exercising judging functions (this means application of the law in a *super partes* position), even if these subjects are outside the organisation of the jurisdiction. With this decision the Constitutional Court took a step back from the Supreme Court's orientation, which considers that arbitration effects are always those of a contract disciplined by parties, and from the other one which considers that arbitration, coming into existence with contractual effects, can acquire the same effects as a judgement only after registration. Both the above-described profiles deny the chance of raising a constitutional plea[15].

However, the above-mentioned contractual position was to be definitively overtaken by the 2006 Reform[16], which introduces article 824-bis of the i.c.c.p., stating

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[14] E. F. Ricci, *La Cassazione insiste sulla natura "negoziale" del lodo arbitrale. Nuovi spunti critici,* note to Italian Supreme Court, 27 November 2001, No. 15023, in *Riv. dir. proc.*, 2002, IV, 1241. Also in this judgement the Supreme Court believes that the contractual nature of an award is a consequence of the private nature of arbitrators. The experience of other countries is sufficient to demonstrate the fallacy of this orientation. Undoubtedly this point of view has political roots. The effects of an award cannot be the result of a private choice, substantially because the intervention of the State is considered to be necessary. The hypothesis that also an arbitrator can impose his decision on the parties, having been authorized by them, is not criticised in this judgment, but simply it has not been taken into account. This supports the existence of an implied ideological position. It is clear that another reasoning is necessary. Norms can be perfectly explained if arbitration is regarded as an equivalent to the ordinary proceedings from the point of view of its termination: arbitration has the same effects as a judiciary decision. In this sense, the only contractual arbitration is the non-ritual one, because not defined by norms of c.c.p.. Why should a legal system define another form of arbitration if it has the same effects? It is clear that two different forms of arbitration with contractual effects are too many.

[15] E. F. RICCI, *La "funzione giudicante" degli arbitri e l'efficacia del lodo (Un grand arret della Corte Costituzionale)*, in *Riv. dir. proc.*, 2002, 351 ss. This feature is recognised to ritual arbitrations, this is due to the fact they are disciplined by c.c.p. with the typical guarantees of the ordinary jurisdiction, i.e. cross-examination and impartiality. In this context this decision is relevant because recognizes the judging functions of arbitrators. On this line, an identity of functions between arbitrators and judges can be translated into an identity of powers.

[16] D. lgs. 2 February 2006 No. 40 "Modifiche al codice di procedura civile in materia di processo di cassazione in funzione nomofilattica e di arbitrato, a norma dell'articolo 1, comma 2, della legge 14 maggio 2005, n. 80". Here article 824 bis i.c.c.p. unequivocally states that: "Salvo quanto disposto dall'articolo 825, [in matter of execution of an arbitral award] il lodo ha dalla data

that arbitration award has the same effects as a judgement pronounced by a judicial authority. This reform gave to the arbitration award the same effectiveness as a judgment, which is binding independently of the *exequatur* of the ordinary judge. Moreover, the expression "judicial authority", contained in the text of this article, reinforces a similar interpretation. Nonetheless, Commentators have been really prolific on this point and their opinions can be divided, under a diachronic perspective, into three different currents. In the first one arbitration was considered a private phenomenon giving to article 824-bis i.c.c.p. a merely formal value[17]. In the second one, arbitration was perceived as a private phenomenon only with regard to the effects of the award and not its juridical nature[18]. In the third one, the final product of arbitration

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della sua ultima sottoscrizione gli effetti della sentenza pronunciata dall'autorità giudiziaria". In this sense see the Joint Sessions of the Italian Supreme Court, 25 October 2013, No. 24153. Here it is stated that "il lodo rimane autonomamente impugnabile, con l'azione di nullità, indipendentemente dall'exequatur, in virtù della stessa efficacia della sentenza pronunciata dall'Autorità Giudiziaria, fin dal momento in cui interviene l'ultima sottoscrizione".

[17] E. FAZZALARI, *Arbitrato*, in *Dig. disc. priv*., *Sez. civ.*, I, Torino, 1987, 401. The characteristic of parties' free choice, the immunity from external juridical spheres and the irrevocability of obligation unavoidably link arbitration to the contractual dimension The Author finds this contractual dimension both in the relationship between parties and arbitrators and in the relationship between parties. Considering the *inter partes* dimension, there is no doubt that arbitration, either as a compromise or as an arbitration clause, is founded over the agreement of the parties to refer the solution of the dispute to the arbitrators. The above-considered thesis, alleging that the effect of an arbitration award under article 1372 i.c.c. ("Il contratto ha forza di legge tra le parti") is not less binding than an ordinary judgement, cannot be defended considering the unmodifiable nature of the award (as a matter of fact, a contract can always be modified with the parties' consent). Moreover, this thesis would not explain effects toward third parties, arbitration as a contractual dimension cannot be automatically extended. If so, what would be the difference with "non-ritual" arbitration under article 808-ter i.c.c.p. ("Le parti possono, con disposizione espressa per iscritto, stabilire che, in deroga a quanto disposto dall'articolo 824-bis, la controversia sia definita dagli arbitri mediante determinazione contrattuale. Altrimenti si applicano le disposizioni del presente titolo. Il lodo contrattuale è annullabile dal giudice competente secondo le disposizioni del libro I (…)"), where its contractual nature is clearly expressed? This difference can be found not only in the non-modification of the decision, but also in its effects towards third parties, totally absent in "non-ritual" arbitration. See in this regard G. TARZIA*, Conflitti tra lodi arbitrali e conflitti tra lodi e sentenze*, in *Riv. dir. proc*., 1994, 639. The position of the Author is that the solution of the problem must be found in the overcoming of a "*pregiudizio nazionalistico*" (i.e. a domestic concern) expressed by authoritative Italian doctrine. Differently, most European juridical orders recognize the character of *res iudicata* or a similar force to an arbitration award. Such a position soon became essential in order to avoid phenomena of international forum shopping.

[18] L. MONTESANO, *Sugli effetti del nuovo lodo arbitrale e sulle funzioni della sua "omologazione"*, in *Riv. trim. dir. e proc. civ.*, 1994, III, 821, ss. The Reform made by l. 25/1994 did not qualify the arbitral award as a real judgement. For this reason the Author interpreted the will of the Legislator as an attempt to strengthen doctrines which consider the award to have the same efficacy as a judgement, altought its nature is different. As a consequence this deed comes into existence as a private act, as a conclusion of a relationship which is totally private. The equation between

has been considered substantially identical to a judgement[19]. Minority positions considered arbitration as a *tertium genus* between contract and judgement, but these opinions cannot be validly shared due to the clear meaning of article 824-bis i.c.c.p.

On the basis of the above-made considerations, the contractual thesis cannot be defended, even considering the constitutionality issue which may be raised on the presumption that jurisdiction is assigned only to ordinary judges and not to arbitrators. It is important to highlight that the core of the problem is not who administers justice, but the effects of such justice. There is a precise distinction between proceedings and jurisdiction. For the existence of the proceedings, the presence of an impartial third sitting in judgement is sufficient. If this subject is an ordinary judge, then we are in front of jurisdiction. There is only a subjective distinction, because the result is the same. For this reason, arbitration is no less than "normal" proceedings. Under these profiles no one can object that the nature of an arbitration award is identical to that one of an ordinary judgement[20].

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arbitral award and judgement is not complete; as a matter of fact the award can be executed only after its homologation. Moreover, this efficacy is equivalent to that one of an appealable judgement, in reason of the fact that an arbitral award can be contested for nullity. The spontaneous obedience to the award can be considered acquiescence and prevents the above-mentioned appeal, while if the same spontaneous obedience had been given to any other final decision of a juridical dispute, this would not prevent contestations allowed by law.

[19] G. VERDE, *Lineamenti di diritto dell'arbitrato*, Torino, 2006, 163. After the 1994 Reform every reference to arbitral award was cancelled, the arbitrators' decision was binding upon parties from the date of the last subscription. It was decided that arbitrators' decision is *per se* binding, independently of any intervention of the State. The Author excludes that jurisdiction is a sort of State monopoly and that the judgement has not to be considered expression of *imperium* of the judge. Arbitration is a private jurisdiction and arbitrator's deeds cannot be considered as *negotii*. In this perspective the distinction between ritual and non-ritual arbitration is quite clear. In the former parties give the decisional power to arbitrators and are submitted to their decision; in the latter parties give arbitrators the power to indicate a solution for the dispute with a decision that they undertake to choose. The above-made considerations are fundamental in order to understand the applicability of arbitration for the solution of certain disputes which are traditionally excluded from the sphere of private availability. See also M. BOVE, *La giustizia privata*, Padova, 2009, 165 and C. PUNZI, *Disegno sitematico dell'arbitrato*, Padova, 2012, II, 392. With the modification of article 808-ter i.c.c.p., made by d. lgs. 40/2006, the Legislator described the outcome of non-ritual arbitration as a contractual award in symmetrical contrast with ritual arbitration. This equalization between judgement and arbitral award is a choice of liberal origin in the rapports between State and individuals.

[20] E. F. RICCI, *Ancora sulla natura e sugli effetti del lodo arbitrale*, in *Riv. dell'arbitrato*, 2011, II, 186. See also E. F. RICCI, *L'"efficacia vincolante" del lodo arbitrale dopo la Legge n. 25 del 1994*, in *Riv. trim. dir. e proc. civ.*, 1994, 819, where arbitration must be considered a judgement rendered by private judges. See also F. TEDIOLI, *La nuova disciplina dell'arbitrato*, in *Studium Iuris*, 2007, II, 139-144. Here the Author considers that after the 2006 Reform, the jurisdictional nature of arbitration has

The above-made considerations about the nature of the award are fundamental in relation to the New York Convention and to the circulation of the awards[21], with consequences for the importance elf arbitration as a system of disputes resolution (as considered in chapter 4). In this sense it is not taken for granted that all the awards, which are named in Italian *lodi,* can be contemplated in this category. In fact, in other countries there is the tendency to consider arbitration awards only those awards having the effect of a judgement. This is the reason why Italian non-ritual arbitration cannot be considered part of the New York Convention[22]. For the same reason, if contractual nature is given to ritual arbitration, difficulties of recognition could arise. The only way by which the arbitral award can circulate abroad under the New York Convention is giving to it the same effect of a real judgement.

Given a definitory analysis of the meaning of arbitration, it is now possible to enter in the core of this work, by providing another definition, that one of arbitrability of the subject matter.

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been clearly expressed by article 813-tee (2) i.c.c.p. which in matter of arbitrators' responsibility draws on the civil responsibility of magistrates. On the contrary, a not complete jurisdictionalisation of ritual arbitration can be found in the qualification of public officials or charged of public service which is due only to ordinary judges and not to arbitrators (see article 813 (2) i.c.c.p. "Agli arbitri non compete la qualifica di pubblico ufficiale o di incaricato di un pubblico servizio" and article 102 (2) of the Italian Constitution "Non possono essere istituiti giudici straordinari o giudici speciali. Possono soltanto istituirsi presso gli organi giudiziari ordinari sezioni specializzate per determinate materie, anche con la partecipazione di cittadini idonei estranei alla magistratura"). Moreover, only the former can adopt precautionary measures and seizure orders.

[21] The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (hereinafter the New York Convention) entered into force eon 7 June 1959. This Convention seeks to provide a common legislative framework for recognition and enforcement of non-domestic arbitral awards, today ratified by 153 parties. Article III of the Convention states that "each Contracting State shall recognize arbitral awards as binding and enforce them in accordance with the rules of procedure of the territory where the award is relied upon, under the conditions laid down in the following articles".

[22] See C. CAVALLINI, *Arbitrato irrituale*, in Treccani.it. "Il lodo contrattuale non può essere riconosciuto all'estero nelle forme della Convenzione di New York del 1958, risultando piuttosto destinato a circolare come semplice atto negoziale. non è infatti possibile che il medesimo acquisti in un ordinamento diverso da quello d'origine un'efficacia maggior di quella che gli è per sua natura attribuita, a fortiori se si pensa che le regole pattizie sono prive della forza di trasformare il lodo in un comando di coercibilità pari a una sentenza".

1.2. A problem of arbitrability[23].

The arbitrability of a dispute concerns the limit to the decisional power of the arbitrators, regarding the possibility for a subject matter to be resolved by arbitration. There are two kinds of limitations: internal limitations, relating to the contractual origin of the arbitrators' power, and external limitations, characterised by the application of public policy rules and international mandatory norms. Social and Economic national policies determine this issue; in this sense, there is a trade-off between the choice of reserving certain subject matters to exclusive jurisdiction of the ordinary judges, in reason of a public interest, or on the contrary in encouraging arbitration in these matters. The tendency, as it can be seen from the following pages, is to privilege parties' will, according to the principle of *pacta sunt servanda*.

The problem of arbitrability is strictly connected with contractual freedom. If on the one hand parties' freedom of contract is a clear principle recognised in all juridical systems, on the other hand it finds a limit in the arbitrability of the subject matter. In this respect, subject matters such as antitrust, criminal law, bankruptcy laws and intellectual property have historically been considered inarbitrable, due to reasons of public interest. As a consequence of inarbitrability of its subject matters, the arbitration agreement is invalid and the arbitrators shall declare themselves partially or entirely incompetent to decide the case.

There have been attempts to unify the notion of arbitrability on an international level, but they reached an uninteresting outcome. This is due to the continuous development of the concept of arbitrability within national jurisdictions; nonetheless an international interference in this matter is considered undesirable by some jurisdictions. The Model Law[24] does not directly indicate the requirements for the arbitrability of a

[23] It is necessary to make a distinction between objective and subjective arbitrability. The former concerns the possibility for a party to submit a certain matter to arbitration, on the contrary, subjective arbitrability regards the capacity of a party to submit a certain dispute to arbitration, if it can validly be bound by an arbitration agreement. This work will consider in the following paragraphs only issues regarding objective arbitrability.

[24] UNCITRAL Model Law on International Commercial Arbitration (21 June 1985), with amendments as adopted in 2006. In article 1 (5): "this Law shall not affect any other law of this State 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 Law". Moreover, article 34 (2) b states that: "an arbitral award may be set aside by the court (…) only if the court finds that: (i) the subject-matter of

dispute, but incorporates them, defining its field of application and refusing recognition or enforcement of the award if it is not arbitrable under the law of the contracting State. On the same line, the New York Convention, provides in article 2 (1) that: "each Contracting State shall recognize an agreement in writing under which the parties undertake to submit to arbitration all or any differences which have arisen or which may arise between them in respect to a defined legal relationship, whether contractual or not, *concerning a subject matter capable of settlement by arbitration*" (emphasis added). Even if limits to arbitrability can arise as a consequence of reasons of public order, variable in time and space[25], the exclusion of arbitration must be regarded as an exception, the arbitrability as the rule[26].

Preliminary matter that has to be considered to understand if a dispute is arbitrable or not is the availability of the right. The substantial problem comes before the procedural one; in order to be arbitrated the dispute must concern available rights[27]. The Legislator considers that arbitration may not be the best solution for matters

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the dispute is not capable of settlement by arbitration under the law of this State; or (ii) the award is in conflict with the public policies of this State", in article 36 (2): "recognition or enforcement of an arbitral award, irrespective of the country in which it was made, may be refused only if the court finds that the subject-matter of the dispute is not capable of settlement by arbitration under the law of this State or the recognition or enforcement of the award would be contrary to the public policy of this State".

[25] Consider the requirement of arbitrability in Italian legislation, which is based on the first paragraph of article 806 of the i.c.c.p.. It gives a really vague definition of this institution stating that "Le parti possono far decidere da arbitri le controversie tra di loro insorte che non abbiano per oggetto diritti indisponibili, salvo espresso divieto di legge". This article emphasizes two important concepts that will be developed in the following paragraphs: the unavailability of the rights and their contrast with imperative norms. In order to have an idea of the position of the Italian Legislator on patent arbitration see Chapter 4 of this work.

[26] L. A. MISTELIS AND S. L. BREKOULAKIS, *Arbitrability – International and Comparative Perspectives*, Austin, 2009, 271. Broadly speaking IP disputes are arbitrable in most countries. Limitations can arise for those IPRs which require an active role of the State in granting the title (such as patents and trademarks), as a consequence arbitrability could be limited in relation to the extent of the involvement of public powers.

[27] G. MIRABELLI - D. GIACOBBE, *Diritto dell'arbitrato: nozioni generali*, Napoli, 1997, 27. A right is available when it can be regulated, modified and extinguished by parties. In order to determine if the right is available or unavailable, the norm that gives that juridical position must be interpreted in order to understand if it protects the interest of the subject *strictu sensu* or the interest of the subject in conformity to an interest of the community. in this sense, while the judge decides with his own authority, the arbitrator finds his legitimation from the consent of the judicable, in other words he can as far as parties can, no more. P. LEVEL, *L'arbitrabilité*, in *Rev. arb.*, 1992, 213. The Author defines arbitrability as the quality of a matter or of a dispute of being settled by the arbitrators' jurisdictional power.

concerning important and delicate positions, such as personal status and family rapports (e.g. divorce), or in order to protect the economically and contractually weaker party, the market or third parties (this is the case of IP disputes).

A distinction can be made between unavailable rights because of their own nature and unavailable rights for law disposition[28]. Part of the former category are personality rights, which, in reason of their importance and fragility, are considered unavailable[29]. Authoritative doctrine underlines how arbitration is not excluded when it deals with the application of binding norms, but when it is not possible to make a renunciation to those rights, which are protected by such norms[30].

1.2.1. Conceptual differences between validity and arbitrability.

Even if the consequence of inarbitrability of the subject matter is the invalidity of the arbitration agreement[31], it is important to highlight that the validity of the arbitration

[28] Continuing the comparison with the Italian legal system, it can be considered in this regard that article 1966 of the i.c.c. affirms that: "La transazione è nulla se tali diritti, *per loro natura o per espressa disposizione di legge*, sono sottratti alla disponibilità delle parti". Emphasis added.

[29] M. BAILO LEUCARI - M. FERRARI - D. RESTUCCIA, *Diritto privato*, Torino, 2010, 1. Life and freedom, for example, protect situations which are intrinsic to the subject and cannot be separated from him. In other words they are considered unavailable because they are part of the same existence of their owner.

[30] L. P. COMOGLIO, *Livelli di protezione e tutela effettiva dei diritti di proprietà intellettuale*, in *AIDA*, 2006, XV, 331. The Author, in the light of the Italian Reform of Arbitration of 2006, which clearly defines the objective arbitrability, considers the substantial availability of the right to be the only requirement for the legitimacy of arbitration. There is no *a priori* exclusion of the power of the arbitrators to know, *incidenter tantum*, about unavailable rights. Here the Author criticises the trend to widen the area of unavailability with that one of juridical rapports defined by compulsory norms. These two aspects are indeed different, the former involves a limit to parties' disposal of their rights, the latter involves a limit to the arbitrators' cognizance in their judgement. See in this regard Court of Milan, 29 January 1998, in *Giur. it.*, 1998, 1196, with a note of A. MURATORE. The Court, in matter of arbitrability of disputes concerning the contestation of shareholders' resolution (which has been definitely admitted in 2003 with d.lgs. 17 January 2003 No.5), has clearly stated the difference between available rights and binding norms ("la compromettibilità in arbitri della controversia non appare infatti di per sé confliggente con il carattere imperativo o di ordine pubblico della norma sulla quale l'azione è fondata, venendo a disporre il singolo non già della disciplina - inderogabile - ma proprio del concreto interesse alla sua osservanza"), allowing arbitration on matters where binding norms have to be applied.

[31] See in this regard B. HANOTIAU, *What law governs the issue of arbitrability?*, in *Arb. Int'l*, XII, 1996, 391 and K. H. BOCKSTIEGEL, *Public policy and arbitrability*, in ICCA Congress series n. 3, 1987, 180.

clause is a problem conceptually different from the arbitrability of the dispute. There are two reasons to support this distinction: first of all, many arbitral provisions draw themselves a distinction between inarbitrability and invalidity[32]. Furthermore, arbitration agreements are different from ordinary contracts, the former have both contractual and jurisdictional features (establishing the jurisdiction of an arbitral tribunal and excluding the jurisdiction of a court). In spite of differences the validity conditions are the same (such as consent, capacity and other formal requirements which are settled in the New York Convention).

Even if there is a connection between the validity of the arbitration agreement and the jurisdiction of the arbitral tribunal, this may not have jurisdiction over the dispute, even if the agreement is valid. Indeed it is possible that a certain claim is not contained in the arbitration agreement or that it has been already judged by a previous award. It is clear then that arbitrability is not a condition of validity of the arbitration agreement, but it is a preceding condition, necessary for the tribunal in order to have jurisdiction. Inarbitrability affects only a precise claim, allowing the tribunal to assume jurisdiction over other claims, which are part of the same agreement. This happens because it is not the subject matter of the agreement which is, *in abstracto*, inarbitrable, but this condition affects the specific disputes, which will be *ad hoc* determined as inarbitrable.

During the arbitration proceeding there are four different moments in which an issue of arbitrability can be raised: firstly, the defendant may bring a jurisdictional plea before the arbitral tribunal. Secondly, the defendant may decide to file a lawsuit to the court involving the same dispute submitted to arbitration. Thirdly, the losing party in the arbitral proceedings may carry out a setting-aside action, claiming the inarbitrability of the subject matter. Fourthly, the unsuccessful party may resist before national courts at the stage of recognition and enforcement of the award.

1.2.2. Issues in matter of competence and jurisdiction.

The arbitration agreement has two different effects: a positive one, granting arbitrators' jurisdiction, and a negative one, determining lack of jurisdiction of ordinary judges.

[32] The New York Convention, for example, deals with the invalidity of an arbitration agreement in article V (1), while inarbitrability is defined in article V (2) a.

Some Commentators[33] found a distinction between the appointment of arbitrators, which consists in conferring the power to resolve the dispute, and their jurisdiction which is an extent of the former power. This interpretation has been criticised considering that appointment and jurisdiction have the same source, moreover, saying that an arbitrator has not been appointed means he has no jurisdiction[34].

According to the *Kompetenz-Kompetenz* principle[35], recognized by major international conventions, the arbitrators have the jurisdiction to determine their own jurisdiction. Moreover, the *Kompetenz-Kompetenz* principle is the corollary of the principle of autonomy of the arbitration agreement from the main contract. Even if the power to decide on their jurisdiction is conferred upon the arbitrators, this power does not come from the arbitration agreement itself or from the principle of *pacta sunt servanda*. This principle is the main condition by which arbitrators can declare the invalidity of the arbitration agreement and their lack of jurisdiction without contradictions. In this sense, the ground for application of the *Kompetenz-Kompetenz* is part of the laws of the place where arbitration is held.

The purpose of the aforementioned principle is not to empower arbitrators as the exclusive judges of their own jurisdiction, but their jurisdiction has to be reviewed by the national courts before which the action is brought, in order to enforce or set-aside the award. This is considered by the negative effect of the *Kompetenz-Kompetenz*, by which courts cannot hear those disputes which are submitted to arbitration. This must be interpreted in the sense that arbitrators are not the sole judges of their jurisdiction, but the first who have to take a decision concerning their jurisdiction. The practical

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[33] See in this regard I. FADLALLAH, *L'ordre public dans les sentences arbitrales,* in *Collected course of the Hague Academy of International law*, Vol. 249, V, 1994, 369-399.

[34] *See* E. LOQUIN, *Arbitrage – Compétence arbitrale – Introduction générale*, in *Juris-classeur Procédure civile*, 1994, 6 and H. MOTULSKY, *Ecrits - études et notes sur l'arbitrage*, II, 1974, 239.

[35] This principle is recognised by the European Convention on International Commercial Arbitration of 1961 which in article 5 (3) provides that: "Subject to any subsequent judicial control provided for under the *lex fori*, the arbitrator whose jurisdiction is called in question shall be entitled to proceed with the arbitration, to rule on his own jurisdiction and to decide upon the existence or the validity of the arbitration agreement or of the contract of which the agreement forms part". On the same line article 16 (3) of the UNCITRAL Model Law on International Commercial Arbitration states that: "The arbitral tribunal may rule on a plea [that the arbitrators have not jurisdiction] either as a preliminary question or in an award on the merits (…) while such a request is pending, the arbitral tribunal may continue the arbitral proceedings and make an award".

consequence of a similar approach is that a party cannot arbitrarily delay the proceedings, alleging that the arbitration agreement is invalid, but arbitrators will take a position on these issues. Moreover, there is not a prejudice for the parties because they can bring the same claim before the arbitrators and before national courts[36].

Under English law the arbitration agreement has the effect to grant the stay of the proceedings until the arbitral award is rendered, rather than the exclusion of the court's jurisdiction[37]. In France the same principle is recognised by article 1448 of the f.c.c.p.[38]

International conventions do not always clearly accept this approach[39], here if

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[36] On this line the European Convention on International Commercial Arbitration of 1961 in article 6 (3) states that: "Where either party to an arbitration agreement has initiated arbitration proceedings before any resort is had to a court, courts of Contracting States subsequently asked to deal with the same subject-matter between the same parties or with the question whether the arbitration agreement was non-existent or null and void or had lapsed, shall stay their ruling on the arbitrator's jurisdiction until the arbitral award is made, unless they have good and substantial reasons to the contrary".

[37] Section 9 (1) of the 1996 English Arbitration Act provides that: "A party to an arbitration agreement against whom legal proceedings are brought (whether by way of claim or counterclaim) in respect of a matter which under the agreement is to be referred to arbitration may (upon notice to the other parties to the proceedings) apply to the court in which the proceedings have been brought to stay the proceedings so far as they concern that matter".

[38] "Lorsqu'un litige relevant d'une convention d'arbitrage est porté devant une juridiction de l'Etat, celle-ci se déclare incompétente sauf si le tribunal arbitral n'est pas encore saisi et si la convention d'arbitrage est manifestement nulle ou manifestement inapplicable". The negative effect of the "competence-competence" principle has been strictly applied by French courts. Considering the *Coprodag* case, the *Cour de Cassation*, differently from the first instance court (which asserted that the arbitral tribunal should not be constituted, due to the voidness of the arbitration agreement) stated that: "the President of the Tribunal of First Instance cannot declare that the arbitrators should not be appointed on the grounds that the arbitration agreement is patently void unless he is seized of a problem concerning the constitution of the arbitral tribunal; the arbitral tribunal alone has jurisdiction to rule on the validity or limits of its appointment, provided that question has been brought before it". (Cour de Cassation, 10 May 1995, case *Coprodag v. Dame Bohin*, in *Rev. Arb*., 1995, 617 with a note of E. GAILLARD). Courts should decline jurisdiction unless the arbitration agreement is not "patently void". The French Supreme Court affirmed that arbitrators must "apply the arbitration clause subject to subsequent review by the courts in order to verify their own competence, particularly as regards the arbitrability of the dispute." (Cour de Cassation, 21 May 1997, case *Renault v. V 2000*, in *Rev. Arb*. 1997, 537, with a note of E. GAILLARD).

[39] According to article 4.1 of the 1923 Geneva Protocol ("The tribunals of the Contracting Parties, on being seized of a dispute regarding a contract made between persons to whom Article 1 applies and including an arbitration agreement whether referring to present or future differences which is valid in virtue of the said article and capable of being carried into effect, carried into effect, shall refer the parties on the application of either of them to the decision of the arbitrators"), article 2.3 of the 1958 New York Convention ("The court of a Contracting State, when seized of an action in a matter in respect of which the parties have made an agreement within the meaning of this article, shall, at the request of one of the parties, refer the parties to

the arbitration agreement is invalid courts can examine the merits of the dispute without referring it to arbitration. Anyway, these provisions can be object of different interpretations, a complete examination of the merits from the one side or only a preliminary examination from the other. Article 6 (3) of the 1961 European Convention allows only a *prima facie* control on the validity of an arbitration agreement, in fact the court cannot resolve the question about its nullity or voidness if they have "good and substantial reasons to the contrary."

The solution provided by the 1996 English Arbitration Act is quite different; here the court can rule on the jurisdiction only with the parties' consent or if the arbitral tribunal agrees. Considering Section 32 of the act it is clear that there is a significant movement toward a full acceptance of the negative effect of the competence-competence principle.

French law and the 1961 European Convention adopted another approach; here

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arbitration, unless it finds that the said agreement is null and void, inoperative or incapable of being performer"), and article 8 of the UNCITRAL Model Law ("(1) A court before which an action is brought in a matter which is the subject of an arbitration agreement shall, if a party so requests not later than when submitting his first statement on the substance of the dispute, refer the parties to arbitration unless it finds that the agreement is null and void, inoperative or incapable of being performed. (2) Where an action referred to in paragraph (1) of this article has been brought, arbitral proceedings may nevertheless be commenced or continued, and an award may be made, while the issue is pending before the court"). Some arbitration law follows the indications of UNICTRAL Model Law, for example the Code Judiciaire Belge at the article 1682 states that "Le juge saisi d'un différent faisant l'objet d'une convention d'arbitrage se déclare sans juridiction à la demande d'une partie, à moins qu'en ce qui concerne ce différend la convention ne soit pas valable ou n'ait pris fin. A peine d'irrecevabilité, l'exception doit être proposée avant toutes autres exceptions et moyens de défense". On the same line, article 1022 of the Netherlands c.c.p. provides that "a court seized of a dispute in respect of which an arbitration agreement has been concluded shall declare that it has no jurisdiction if a party invokes the existence of the said agreement before submitting a defence, unless the agreement is invalid". Article 7 of the 1987 Swiss Private International Law Statute states that "If the parties have entered into an arbitration agreement with respect to an arbitrable dispute, any Swiss court before which such dispute is brought shall deny jurisdiction, unless: a. the defendant has proceeded on the merits without reservation; b. the court finds that the arbitration agreement is null and void, inoperative or incapable of being performed; or c. the arbitral tribunal cannot be appointed for reasons that are obviously attributable to the defendant in the arbitration". The Swiss Federal Tribunal interpreted this provision, on the same line with French law, as a restriction of the court's review to a *prima facie* control on the existence and effectiveness of the arbitration agreement. See Swiss Federal Tribunal, 29 April 1996, case *Fondation M. v. Banque X.*, in *Bull ASA*, 1996, 527 with a note by C.U. MAYER. Considering the article 819 ter of the i.c.c.p.: "In pendenza del procedimento arbitrale non possono essere proposte domande giudiziali aventi ad oggetto l'invalidità o inefficacia della convenzione d'arbitrato" on the same line the Italian *Corte di Cassazione*, 8 July 1996, n. 6205, in *Corr. giur.*, 1996, IX, 1007 decided that once the arbitral tribunal has been constituted, the ordinary judge must refrain himself from every scrutiny about the existence of a valid assignment of *potestas iudicandi* in favour of arbitrators, to whom is conferred exclusively the verification of their own powers.

the control made by courts is limited to a *prima facie* examination of the arbitration agreement. This is due to the necessity to limit obstructionist behaviour challenging the validity or the scope of the arbitration agreement. Under this approach the risk that arbitrators retain jurisdiction when they should not is less important than the risk of the parties' behaving in bad faith. The other reason concerns the simplification of the challenge of arbitration awards, before the court of appeal having jurisdiction over the place where the award was made. On the same line the UNCITRAL Model Law provides a centralization of the setting-aside action. Without the negative effect of the *Kompetenz-Kompetenz* principle any commercial or civil court would have jurisdiction, frustrating those centralization efforts.

If the respondent alleges that the arbitrators lack jurisdiction, first of all they have to consider which law must be applied in order to resolve the dispute. In contrast to national courts there is no *lex fori*; therefore arbitrators have to determine the applicable law with different criteria. Even if jurisdiction and applicable law are connected, they are different in concept. While the former deals with the power to decide, the latter concerns how to take a decision on the subject matter (about formation, validity, enforcement and termination of the arbitration agreement). The most common criteria by which the applicable law to the arbitration agreement can be determined are: the law chosen by the parties, the law applicable to the contract, the procedural law applicable to the arbitration and the law of the seat of the arbitration[40].

The above-mentioned approach to considering arbitrability as a problem of choice of law has some limits, especially a confusion among arbitrability, validity of the arbitration agreement and *ordre public*[41]. If arbitrability is considered a jurisdictional

[40] Article V.1 of the New York Convention provides that: *"*recognition and enforcement of the award may be refused, at the request of the party against whom it is invoked, only if that party furnishes to the competent authority where the recognition and enforcement is sought, proof that: (a) The parties to the agreement referred to in Article II were, under the law applicable to them, under some incapacity, 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 country where the award was made...".* Emphasis added.

[41] If the arbitrator prefers a choice of law approach, the choice of the proper law will be a difficult task for the following reasons: if he chooses the *lex loci executionis*, the place for the execution could be anywhere; moreover it is usually uncertain. Opting for the law governing the arbitration agreement (or *lex arbitri*), there is no respect for the principle of separability, between main contract and arbitration agreement, being often the same law. Is it necessary to subordinate the parties' will to a national legal order? This will be considered also a substantial direct norm. It would be illogical in a private system which gives not effect to the parties' will. It is not possible to apply a *lex mercatoria*,

problem, than, according to the "competence-competence" principle, it will be upon the tribunal to decide this issue. There is a fundamental difference between judges and arbitrators; while the former has the duty to decide the issue, protecting the general interest and the coherence of the legal system, the latter does not. The arbitrator has to check if in effect the parties have decided to submit the dispute to arbitration, which constitutes his jurisdictional power, whilst, the judge has to consider if the arbitrator had jurisdiction over that case, at the later stage of recognition or enforcement of the award[42].

Parties seldom indicate a particular law applicable to the arbitration agreement, consequently, the arbitrators themselves have to determine the applicable law. As a consequence of the validation principle[43] (or *favor arbitrandum* principle), the tribunal has to preserve the parties' decision to have recourse to arbitration; for this reason usually the law of the seat is applied by arbitrators. This gives the tribunal a clear perspective over the legal system, avoiding the risk of a setting-aside decision. Nonetheless, there could be some critical points: in the absence of a choice of the parties, for example, the choice of the seat of arbitration is one of the arbitrators' tasks. If there is a law which decides an exclusive State competence to solve the dispute, then

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as a matter of fact the arbitrator is not a social engineer. This supposes a legal order where the arbitrator belongs, which is totally absent, while some commentators believe that lex mercatoria is an autonomous legal order, others believe that its efficacy depends on the recognition made by other national systems. There is also a precise distinction between arbitrability and *lois de police*. Even if an arbitrator can consider foreign *lois de police*, if required by parties, or the recognition and enforcement of an arbitral award can be refused if contrary to the *lois de police* of the place where it will be executed, nonetheless this does not prevent the arbitrators from deciding, but it affects how to decide the case.

[42] C. E. ALFARO AND F. GUIMAREY, *Who should determine arbitrability? Arbitration in changing economic and politics environment*, in *Arb. Int'l*, 1996, 415. See also H. L. HART, *The concept of law*, Oxford, 1976, 103. It is clear that the power of a tribunal is determined by parties' expectations and the effectiveness of the arbitral award, such as the broader chance to be recognised. These considerations can be found in Hart's distinction between norms which confer power and norms which regulate behaviour. With the arbitration agreement a power norm has been conferred to arbitrators, moreover the tribunal has also the power to determine its jurisdictional frame. Of course this power can be limited by the parties' choices. This means that arbitrators have to consider only the parties' will and their enforceability expectations with no regard to the state law.

[43] Article 59 (c) WIPO Arbitration Rules states that "An arbitration agreement shall be regarded as effective if it conforms to the requirements concerning form, existence, validity and scope of either the law or rules of law applicable (according to the parties' choice or the law that the tribunal determines to be applicable), or the law (of the seat)".

the judge will apply the law, declaring the inarbitrability of the dispute[44]. In case of international arbitration, also the law of the country where the award has to be executed must be taken into consideration. Indeed a *lex fori* really favourable to arbitration can find some difficulties in being executed in other countries[45]. Of course, this is not a risk that can be eliminated if the arbitrator does not know the country of execution.

As considered above, a respondent may consider that an arbitral tribunal has no jurisdiction, due to the inarbitrability of the dispute, and may litigate before a court. According to the New York Convention[46], if parties were unable to submit the dispute to arbitration, then the court would stop ongoing proceedings, with a decision that is non-binding, in principle, upon the arbitral tribunal. Another attempt to dismiss an arbitration award is claiming its inarbitrability during a setting-aside action before a national court. Usually, this kind of action is resolved by national courts applying their own arbitration law. The inarbitrability argument can be used also at the enforcement stage before the court, according to the New York Convention[47], the defeated respondent may obtain the non-recognition of the award if this created public policy concerns.

As considered in this paragraph, it is hard to find a definition of unavailability, because it is not connected with a specific juridical situation, but it follows opportunity reasons for the application of principles of public order, imperative norms and good practices. Therefore, unavailability can be considered the result of a systematic

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[44] M. BOVE, *Il riconoscimento del lodo straniero tra Convenzione di New York e codice di procedura civile*, in *Riv. arb.*, 2006, I, 42, considers that in order to define the border line between the arbitrability and non-arbitrability of a dispute, national law has to be applied. Article 806 i.c.c.p. has to be applied paying attention not to confuse available and unavailable rights with compulsory norms. See at this regard footnote 24.

[45] C. SERAGLINI, *Loi de police et justice arbitrale internationale*, Paris, 2000, 499.

[46] Article 2.3 of the New York Convention provides that "the court of a Contracting State, when seized of an action in a matter in respect of which the parties have made an agreement within the meaning of this article (such as to arbitrate), shall, at the request of one of the parties, refer the parties to arbitration, unless it finds that the said agreement is null and void, inoperative or incapable of being performed".

[47] Article 5.2 of the New York Convention provides that "Recognition and enforcement of an arbitral award may also be refused if the competent authority in the country where recognition and enforcement is sought finds that:
(a) The subject matter of the difference is not capable of settlement by arbitration under the law of that country; or
(b) The recognition or enforcement of the award would be contrary to the public policy of that country".

interpretation in reason of the juridical-practical function of the act and in consideration of the initial basis where the dynamic and procedural dimension lies on[48]. This is the reason why the following paragraphs examine the characteristics that make a certain dispute not arbitrable. This in order to better understand the position assumed by some States, less favourable to arbitration, trying to figure out if the "fear" of arbitration is justified or not.

1.2.3. Mandatory norms and public policy[49].

The existing relationship between arbitrability of an IP dispute and public policy originates from the fact that IP titles are created by public authorities in order to grant a monopoly or a right of exclusivity. As a matter of fact the subject matter belongs no more to the requesting party but is placed under the public domain. The consequence of the public nature of this action is clear, an arbitral tribunal (being a private body) cannot invalidate a right of monopoly having *erga omnes* effects, but only the State can void the content of an IP right. Moreover there is a precise intention of some States to restrict the disturbance of private parties in the fulfillment of their policies. It is considered that the very existence of the entire patent system would be at stake, if the

[48] E. CATERINI, *Disponibilità e indisponibilità nell'arbitrato*, in E. CATERINI - G. CHIAPPETTI, *L'arbitrato fondamenti e tecniche*, Napoli, 1995, 62.

[49] A distinction should be made between limits to arbitrability that come from the exclusive state competence, in order to protect particular rights, and those coming from the necessary application of norms of public policy. It is not correct to think that every rule of exclusive competence is a sort of impossibility to arbitrate a dispute; this is a limit only when it is determined by the Legislator with an imperative rule. At this regard see RAESCHKE-KESSLER HILMAR, *Some developments on arbitrability and related issues*, in *ICCA Congress Series No. 10,* 2001, 52. If state law gives exclusive jurisdiction to ordinary judges or to administrative agencies over certain disputes, then validity and infringement issues are under that jurisdiction, leaving no jurisdiction to arbitral tribunals over the same issues. L. LAUDISA, *Arbitrato internazionale e ordine pubblico*, in *Rivista dell'arbitrato*, IV, 2004, 857. The nature of public policy of these rules does not determine impossibility of arbitration, but simply the obligation of the arbitrator to apply them.
A complete prohibition to settle disputes through arbitration applies in criminal law; the reasons are the unavailable character of the subjective positions, the binding nature of the dispositions and the public nature of the matter. The prohibition is pacific in jurisprudence and in doctrine, because criminal law does not consider a crime as the equivalent of a dispute between two private parties, but as a trilateral relationship where the state authority plays an essential role. On the contrary there is an increasing favour for arbitration of patrimonial rights and rights which are available for the parties, such as the economic consequences of a crime.

opportunity to invalidate or modify IP rights were given to anyone[50].

According to the New York Convention, the expression "public policy" means the protection of the political, social and economic interests of each State, and of the fundamental principles of law, considered as expression of transcendent values in relation to state boundaries. Anyway, the New York Convention and the UNICTRAL Model Law do not provide a common definition of public policy. This notion is variable in time and space, due to the free determination of its content by each State. This concept is far from that of *bonos mores*; even the expression of *loi de police*, used in some juridical systems, means something more: the whole criminal, tax and administrative law.

International doctrine pointed out different objections about inarbitrability of disputes involving public policy concerns. First of all the due process has been considered at stake (just think about the less rigorous discipline of evidence, the limited review made by national courts and the absence of an appeal process[51]). In reality, despite its private and confidential nature, arbitration has a precise procedural mechanism, which does not allow parties to waive fundamental guarantees, even if public policy issues are not concerned (as a matter of fact the European Convention of

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[50] M. A. SMITH*, Arbitration of patent infringement and validity issues worldwide*, in *Harvard Journal of Law & Technology,* XIX, Nr. 2, 2006, 306. There are different reasons why a State can adopt a public policy argument. One of these is the sovereign nature of the subject that grants the patent: if a public authority grants a right, then only the same authority can extinguish it. The Author considers this argument as really weak, since some patent systems allow the patentee to voluntarily relinquish rights; this is not so different from voluntarily charge arbitrators of the decision on the validity of an IP right. Another argument described in this article is the limited power of the arbitrators. Their award has indeed effect only *inter partes*. In reality this approach does not consider that a broader effect can be given to the award by granting to it a preclusive effect in other proceedings and by enforcing the award to a third party. See also W. GRANTHAM, *The arbitrability of International Intellectual Property disputes*, in *Berkeley Journal of International law,* XIV, 1996, 183. Here it is considered that some Countries have decided that IP rights, or some aspects of them, are *per se* inarbitrable. The reason is that these rights have some features (very unclear, according to the Author) requiring the state intervention.

[51] U.S. Supreme Court, 19 February 1974, *Harrell Alexander, Sr., Petitioner, v. Gardener-Denver Company*, No. 72—5847, in *415 U.S. 36, 94 S.Ct. 1011, 39 L.Ed.2d 147*. "Moreover, the fact-finding process in arbitration usually is not equivalent to judicial fact-finding. The record of the arbitration proceedings is not as complete; the usual rules of evidence do not apply; and rights and procedures common to civil trials, such as discovery, compulsory process, cross-examination, and testimony under oath, are often severely limited or unavailable. (…) Indeed, it is the informality of arbitral procedure that enables it to function as an efficient, inexpensive, and expeditious means for dispute resolution. This same characteristic, however, makes arbitration a less appropriate forum for final resolution of Title VII [of the Civil Rights Act of 1964] issues than the federal courts".

Human Rights provides at article 6 some guarantees the application of which is not limited to public policy disputes).

Others have expressed doubts about the correct application of public policy rules by arbitrators (in reason of their nature of private adjudicators). This viewpoint is really partial, since it has not been demonstrated that national judges, in opposition to arbitrators, have a special aptitude for the protection of consumers or of other social groups. If the quality of the person that applies the norm is relevant, it is equally true that adopting a legal provision requires an interpretation, which is in part subjective. There are no reasons to affirm that only a person hired by the State can rightly perform such an analysis.

The last category of concerns relates to the fear that the choice of forum clauses, made together with the choice of law, could be used as a tool to neglect the application of public policy rules. Once again it is upon the arbitrator to apply the rules decided by the parties; it is his choice to decide whether enforcement factors have to be taken into account or not and there is no evidence that arbitrators are incapable of making this balance.

What is sure, as considered above, a part against arbitration (indeed less important than it was in the past) is played by a certain prejudice against this tool of dispute resolution. It is nonetheless clear that nowadays limitations to arbitrability should be examined in accordance with arbitration's contractual origins. As a consequence arbitration may have effect only towards those who are part of the arbitration agreement[52]. This is the reason why some Authors believe that an IP right, being constituted by an act of State, is untouchable by private. In this regard a judgement of a national judge is necessary in order to obtain an *erga omnes* decision,

[52] See S. L. BREKOULAKIS, *The effect of an arbitral award and third parties in international arbitration: res judicata revisited*, in *Am. Rev. Int'l Arb*., I, 2005, 180. Nonetheless this principle is quite flexible, as clearly indicated by the Swiss case. Here an arbitral award has the same effects of a national judgement, being a basis for declaration of annulment of a patent. At this regard see the dedicated paragraph in chapter 2. W. GRANTHAM, *The arbitrability of International Intellectual Property Disputes*, in *Berkeley Journal of International law,* XIV, 1996, 184. Another reason of uncertainty is driven by semantics. In the great majority of systems it is not object of discussion the effect of arbitral awards towards third parties (there is no invalidity *in rem*, that is, a declaration having *erga omnes* effect). As a consequence the real issue cannot be found in the validity of the IP right, but its enforceability between parties.

which will be registered before the competent public authority[53]. However, this criterion is too formalistic, it is evident that the theory contrasts with the real data; usually the control exerted by States in the process which leads to grant a right of exclusivity is really weak, being realised with little or no review[54]. Nonetheless, the action of granting

[53] European Court of Justice, 13 July 2006, case Gesellschaft für Antriebstechnik mbH & Co. KG v. Lamellen und Kupplungsbau Beteiligungs KG, C-4/03. The ECJ clearly states that: "to allow, within the scheme of the Convention [of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters] decisions in which courts other than those of a State in which a particular patent is issued rule indirectly on the validity of that patent would also multiply the risk of conflicting decisions which the Convention seeks specifically to avoid (see, to that effect, Case C-406/92 *Tatry* [1994] ECR I-5439, paragraph 52, and *Besix*, cited above, paragraph 27). The argument, advanced by LuK and the German Government, that under German law the effects of a judgment indirectly ruling on the validity of a patent are limited to the parties to the proceedings, is not an appropriate response to that risk. The effects flowing from such a decision are in fact determined by national law. In several Contracting States, however, a decision to annul a patent has *erga omnes* effect. In order to avoid the risk of contradictory decisions, it is therefore necessary to limit the jurisdiction of the courts of a State other than that in which the patent is issued to rule indirectly on the validity of a foreign patent to only those cases in which, under the applicable national law, the effects of the decision to be given are limited to the parties to the proceedings. Such a limitation would, however, lead to distortions, thereby undermining the equality and uniformity of rights and obligations arising from the Convention for the Contracting States and the persons concerned. In the light of the foregoing, the answer to the question referred must be that Article 16(4) of the Convention ("in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Contracting State in which the deposit or registration has been applied for, has taken place or is under the terms of an international convention deemed to have taken place") is to be interpreted as meaning that the rule of exclusive jurisdiction laid down therein concerns all proceedings relating to the registration or validity of a patent, irrespective of whether the issue is raised by way of an action or a plea in objection".

[54] A. P. MANTAKOU, *Arbitrability and Intellectual Property disputes*, in *Arbitrability: International and comparative perspectives,* 2009, 268. Here the Author considers that there are some countries, such as France and Greece, where the granting procedure of an IP title is based only on a formal examination. Other countries have a different approach and the granting procedure follows to a substantive examination (e.g. Sweden and the United States). According to this perspective it would be reasonable to consider that Countries that do not apply a strict examination (such as France), should consider validity issues as arbitrable. One more time the real data contrast with logic and France (and other countries with a mere formal examination procedure) does not allow arbitration on patent validity issues. F. GURRY, *Objective Arbitrability – Antitrust disputes – Intellectual Property disputes*, in *Swiss Arbitration Association Special Series*, 1994, VI, 116. It has been argued that a public right is object of private challenge not only in IP disputes, for example, a public expectation can be found in the respect of contracts. Then, in case of breach, private parties have the right to enforce or to obtain damage compensation. State laws impose a particular care in actions towards third parties and sanctions if these duties are not respected. Usually a party can bargain to waive the exercise of such duties imposed by public norms; in this case this state-duty is submitted to the parties' wishes, which are exercising their own choice. Part of the doctrine reasons that if a State grants a right then only that State should eliminate or limit it. This position can be discussed at the light of real property rights: for example in common law countries, the private property is recorded in state registers similarly to IP rights; nonetheless no public policy concerns about arbitrability of these disputes has been raised, even those concerning validity of the grant.

patents can be considered a sovereign act or not, depending on public policy of each State. As an example, Switzerland and Belgium consider that it is possible for arbitral tribunals to invalidate IP rights with *erga omnes* effect, based on the fact that granting an IP right is not considered a sovereign act[55]. According to these cases it is clear that arbitral tribunals and ordinary courts can operate at the same level. An arbitral award can have an *erga omnes* effect, if the relevant public authorities agree to modify the ownership status of a right by applying directly the arbitral award.

How can an IP right constitute a monopoly? By definition a monopoly is a limitation of an economic sector, removing a certain activity from the public domain; in reality most types of IP rights do not provide such a limitation because before their creation there was nothing. Some Scholars consider that only courts, not arbitral tribunals, can limit a state granted monopoly. This argument finds some divergences in practice; in this regard some countries have often an ambivalent position. For example, most jurisdictions let a patent owner restrict its right by virtue of a licensing agreement or a pre-trial settlement[56]. On the other hand, impossibility to arbitrate as a consequence of competition law concerns cannot be applied in patent disputes, due to

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[55] It is possible to resolve the existing conflicts between public policy and private dispute resolution by considering arbitration as a tool by which State's rights and responsibilities can be exercised. This is the solution adopted in the United States, where arbitration of the validity of patents is permitted by title 35 of the United States Code at paragraph 294 letter 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. In the absence of such a provision, the parties to an existing patent validity or infringement dispute may agree in writing to settle such dispute by arbitration. Any such provision or agreement shall be valid, irrevocable, and enforceable, except for any grounds that exist at law or in equity for revocation of a contract"). However, the award declaring the invalidity of a patent cannot be enforced before the Patent and Trademark Office knows of the award's existence. It must be noted that arbitration is not only useful for private parties, but it serves also a state interest by protecting the integrity of the system, encouraging speed, economy and efficiency, which are traditional arbitration values. In Switzerland the Federal Office of Intellectual Property decided that validity of patents could be object of arbitration. These awards can enter in the Federal Intellectual Property Register if they are accompanied by a certificate of enforceability, this must be issued by a Swiss court having jurisdiction over the seat of arbitration. By this stratagem the public policy cannot be compromised.

[56] See at this regard Chapter VI "Licenses, assignments etc…" of the Swedish Patent Act 837 of 1967. (the translated version is available at http://www.wipo.int/wipolex/en/text.jsp?file_id=129532). Moreover, in Sweden the consent of the owner to an invalidity claim, made by the other party, bounds the court, exempting it from further inquiry.

the difference of these two disciplines[57].

When an issue of inarbitrability, due to reasons of public policy, is raised, it is important to make a distinction between public policy which affects the arbitrability of the subject matter itself and public policy about the issue submitted to the decision of the arbitral tribunal (such as, a public policy issue that makes a contract impossible to perform). It is clear that the simple presence of the *ordre public* does not make the dispute impossible to arbitrate, but a violation of fundamental principles is necessary[58].

Nonetheless it is clear that the respect of public policy means the protection of fundamental rights in both levels: the procedural ones (such as impartiality and independence of an arbitrator) and the substantial one (such as good faith)[59]. A mistake in the application of a norm cannot be considered as a violation of public policy if it has not the character of contrariety to justice, such as a contrast with the fundamental principles of the international community. In this regard it can be noted that the majority

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[57] T. COOK and A. I. GARCIA, *International Intellectual Property Arbitration*, The Hague, 2010, 71. Here the Authors consider an extract from K. H. BOCKSTIEGEL, *Public Policy and Arbitrability*, in *ICCA Congress Series,* III, 1986, 198. Whilst the main aim of Competition law is that one of preventing certain subjects from having the control of the market, an IP right grants, in some economical sectors, a monopoly to its owner. If parties decide to file their dispute to an arbitration panel, there is no state interest in contrast with this choice. Anyway, due to the *inter partes* effect, the award will remain the disputants' business.

[58] The possibility to solve a dispute by arbitration even in presence of public policy issues has been affirmed in the case Tel and Tel. See Milan Tribunal, 29 January 1998, in *Giur. it.*, VI, 1998, 1196, with a note of A. MURATORE. Here it is clarified that suing in front of an arbitrator means a disposition of the right of action and not of the matter object of the dispute and there is no conflict with the imperative character of the norm ("l'impugnazione di delibere di società di capitali è materia compromettibile in arbitri, ancorché regolata da norme d'interesse generale. La compromissione in arbitri comporta una disposizione dell'azione e non del diritto e pertanto non confligge con il carattere imperativo o di ordine pubblico della norma"). In the same way the violation of a norm of public policy makes possible for the party to appeal even if parties consider the arbitration award not appealable. See at this regard Genova Court of Appeal, 27 February 1995, in *Dir. maritt.*, III, 1997, 790, with a note of A. SALESI.

[59] E. SILVESTRI, *Riconoscimento ed esecuzione di sentenze arbitrali straniere negli Stati Uniti: esiste davvero il limite della public policy?*, in *Rivista trimestrale di diritto e procedura civile*, II, 1998, 607. The majority of courts believes that article V (2) b must be interpreted in a restrictive sense, anyway this statement is often a useless formula, due to the difficulty in giving a univocal meaning to the concept of international public policy. The stable reference, made by American jurisprudence, to the "most basic notions of morality and justice" seems like a first step towards a theory of public policy. The negative consequences that could turn up are mitigated by the unequivocal tendency to support the spread of international arbitration. As a consequence a party that wants to have an award recognized in the United States can be rather optimistic, in this sense courts generally adopt a presumption of validity of the foreign award that leaves not enough chance for the acceptance of public policy issues.

of States apply a restrictive notion of public policy. Swiss legislation, for example, clearly states that the violation of a norm of public policy is a reason to appeal to the arbitration award[60]. According to the Swiss jurisprudence, in order to constitute a violation of the public policy it is not enough that evidence has been collected in a wrong way, but a fundamental principle must be infringed in a manner which is incompatible with the Swiss system of values[61]. Similarly, Spanish doctrine gives to the expression public policy a meaning of protection of fundamental rights[62]. In France the control of the judge must be concrete and cannot be carried out without an exam on the merit of the dispute, with the aim of verifying the accordance of the award with the public interest (which cannot be only apparent)[63]. Germany makes a distinction between national and international public order. The latter is less rigorous than the former, but nonetheless it has a national basis, because it refers to fundamental principles of the German system. Among the reasons for setting aside an award for nullity there is the contrariety to public policy[64]. Under the English 1996 Arbitration Act an arbitral award can be voided in case of uncertainty of its content, if this has been caused by malice or if it is contrary to public policy; such a serious irregularity that can cause a substantial injustice to one party.

Some Commentators believe that there is an increased freedom in jurisprudential evolution which permits to arbitrators (unless there is an absolute

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[60] The article 190.2 letter e of the Loi fédérale sur le droit international privé (LDIP) states that: "[la sentence] ne peut être attaquée que: (…) lorsque la sentence est incompatible avec l'ordre public."

[61] See Swiss Federal Tribunal, 19 April 1994, case *Westland helicopters Ltd*, in *Bull. ASA*, 1994, 404.

[62] See A. M. LORCA NAVARRETE AND J. S. ESTAGNAN, *Derecho del arbitraje espanol*, Madrid, 1994, 521.

[63] In accordance with this position see Paris Court of Appeal, 14 June 2001, case *SA Compagnie Commerciale André v. SA Tradigrain France*, in *L'intensité du controle du respect par l'arbitre de l'ordre public*, in *Revue de l'arbitrage*, IV, 2001, 784 with a note of C. SERAGLINI. "L'appréciation [de l'ordre public International (c'est à dire des règles et valeurs dont l'ordre juridique français ne peut souffrir la méconnaissance, même dans des situations à caractère International)] doit être concrète, le contrôle de la Cour devant porter non sur l'appréciation que les arbitres ont faite des droits des parties au regard des dispositions d'ordre public invoquées, mais sur la solution donnée au litige, l'annulation de la sentence n'étant encourue que si son exécution heurte la conception française de l'ordre public International".

[64] Art. 1059.2 b ZPO states that: "recognition or enforcement of the award leads to a result which is in conflict with public policy (ordre public)". Translation available at http://www.trans-lex.org/600550.

inarbitrability) to consider themselves competent to solve disputes and moreover to apply directly the imperative norm[65]. Under this view also status controversies could be arbitrable if it was not for the extreme fragility of these positions[66].

The matter is complicated by its international dimension. According to the New York Convention, arbitrability constitutes a ground of refusal of an award, which is different from the contrariety to the public policy. Some commentators believe that article V. 2 a of the New York Convention is tautological, because its scope is already granted by the letter b of the same article. Others believe that arbitrability and public policy have a different function since arbitrability is connected to the exclusive jurisdiction of the court. As a matter of fact when there is an attempt to limit the subject matter of arbitration, the concept of public policy comes immediately into consideration. This is the reason why the arbitrability of a dispute is considered as a problem of public policy[67]. Doctrine and jurisprudence agree that when a dispute concerns the application of public policy norms, this does not contrast with the arbitrators' competence[68]. On the

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[65] D. VIDAL, *Droit français de l'arbitrage commercial International*, Paris, 2004, 75. In accordance H. ARFAZADEH, *Ordre public et arbitrage International à l'épreuve de la mondialisation*, Paris, 2006, 127, considers that with the globalisation of the economy it is no longer possible to limit arbitrators' competence to private interests of the parties, charging the judge with the protection of public and general interests.

[66] Considering article 806 i.c.c.p, before the 2006 Reform: "Le parti possono far decidere da arbitri le controversie tra di loro insorte, tranne quelle previste negli articoli 409 e 442, quelle che riguardano questioni di stato e di separazione personale tra coniugi e le altre che non possono formare oggetto di transazione". Here it was expressly specified the inarbitrability of status controversies. Anyway, the fundamental point is not the unavailability of these situations, but the opportunity reasons that led the Legislator to consider unavailable the right of action that must be exercised, in article 24.1 of the Italian Constitutional Charter ("tutti possono agire in giudizio per la difesa dei loro diritti ed interessi legittimi"), in front of the ordinary judge.

[67] P. SANDERS, *Quo vadis arbitration? Sixty years of arbitration practice: a Comparative Study*, The Hague, 1999, 335.

[68] P. M. BARON AND S. LINIGER, *A second look at arbitrability*, in *Arb. int.*, vol. 19, 2003, 54. "The influence of the states on arbitration is increasingly concentrated at the recognition and enforcement stage of an award. Questions that were formerly addressed under the heading of `arbitrability' now appear in the guise of `public policy'. We therefore have to look to this stage to evaluate whether the liberal trend with respect to arbitrability can be hailed as a development that further encourages arbitration, or whether a perceived new liberalism in truth falls prey to judicial scrutiny at the award enforcement stage. Given the narrow interpretation of the public policy defence, combined with the general pro-enforcement bias adopted in the United States, Switzerland and Germany, we are convinced that we are not merely dealing with a shift of the focus of state control over arbitration procedures to a different stage, that we are not just presented with `old wine in new bottles', but that international arbitration as an institution has taken yet another significant step forward".

contrary the arbitrator is under an obligation to apply those norms.

The Contracting States of the New York Convention are under an obligation to recognise arbitration agreements whose subject matter can be settled by arbitration. Article 2.1 of the Convention deals with the notion of objective arbitrability; here, differently from article 5 of the Convention (which, in matter of recognition and enforcement, refers to the law that parties have chosen for the arbitration agreement or the law of the country where the award was drafted), there is no indication of the law that has to be considered in order to define the arbitrability of the dispute, but two different positions were developed: *lex fori* from one perspective and the law applicable to the arbitration agreement from the other.

According to another point of view, this analysis should focus on the nature of the arbitral tribunal. This is not an organ of a particular legal order, therefore arbitrability should be determined on the ground of international policy, rather than on domestic provisions[69].

Anyway, usually courts determine arbitrability in relation to their domestic law, by application of article 5.2 of the New York Convention.

On the same line, the European Convention on International Commercial Arbitration of 1961 (hereafter the Geneva Convention) in relation to articles 6.2 and 6.3[70], claims that it is possible for a court to refuse the recognition of an arbitration agreement if the subject matter is not capable of being settled by arbitration under the

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[69] P. FOUCHARD, E. GAILLARD AND B. GOLDMAN, *On International Commercial Arbitration*, The Hague, 1999, par. 599.

[70] "2. In taking a decision concerning the existence or the validity of an arbitration agreement, courts of Contracting States shall examine the validity of such agreement with reference to the capacity of the parties, under the law applicable to them, and with reference to other questions.
(a) under the law to which the parties have subjected their arbitration agreement;
(b) failing any indication thereon, under the law of the country in which the award is to be made;
(c) failing any indication as to the law to which the parties have subjected the agreement, and where at the time when the question is raised in court the country in which the award is to be made cannot be determined, under the competent law by virtue of the rules of conflict of the court seized of the dispute.The courts may also refuse recognition of the arbitration agreement if under the law of their country the dispute is not capable of settlement by arbitration.
3. Where either party to an arbitration agreement has initiated arbitration proceedings before any resort is had to a court, courts of Contracting States subsequently asked to deal with the same subject-matter between the same parties or with the question whether the arbitration agreement was non-existent or null and void or had lapsed, shall stay their ruling on the arbitrator's jurisdiction until the arbitral award is made, unless they have good and substantial reasons to the contrary".

national law, nevertheless the court has to stay its ruling over nullity or voidness of an arbitration agreement until the award has been rendered.

Further analyses of the New York Convention, and particularly of article 5.2 focus on the fact that arbitrability of subject matters has to be regarded as the rule, inarbitrability as the exception. Very few cases had as their result the refusal on the ground of recognition or enforcement[71]. In relation to the contrariety to public policy some scholars support the idea of a "maximal judicial review", that is to say that the control must be complete if there is a risk for public policy[72]. Other doctrine has a different approach, based on the "minimal judicial review". In this case the reconsideration of the merit is very limited, even if public policy is at stake[73]. The possibility of different enforcement in different jurisdictions should not be considered as an impossibility to reach a common definition of arbitrability at the international level. On the contrary, domestic law has been the object of a flexible interpretation by domestic courts in international transactions.

The Geneva Convention of 1961 at article 9 does not consider the annulment of the arbitration award in reason of the violation of the public policy of a state. Thus, independently from the annulment in a country, recognition and enforcement in another country is still possible. As a consequence to the *exequatur*, the arbitration award takes advantage of the public strength of a State, therefore it is necessary to verify the conformity to the legal order in which the arbitration award is to be enforced. Nonetheless the judge cannot sanction the wrongful application of a norm, provided this does not lead to a contrariety to the public order. It is important to note that such an aversion is not always clear from the ruling of the award, but sometimes it is necessary

[71] An important exception can be found in the Belgian *Cour de Cassation*, 28 June 1979, case AUDI-NSU, in *Revue critique de jurisprudence belge*, 1979, 332, here the national court refused the enforcement of a Swiss award arguing that the unilateral termination of an exclusive distributorship agreement was inarbitrable.

[72] As it has been argued: "courts are the guardians of public policy, consequently, the courts control is obviously total" See at this regard P. MAYER, *La sentence contraire à l'ordre public au fond*, in *Rev. Arb*., IV, 1994, 630-631.

[73] B. HANOTIAU AND O. CAPRASSE, *Public policy in International commercial arbitration*, London, 2008, 805-818. The Authors compare different degree of control, from those which simply consider whether the public policy has been taken into account by arbitrators, to those which support that only concrete and effective violations should determine an impossibility to enforce.

to consider also the reasoning[74]. Anyway the examination of the award is purely formal. The final decision is upon the judge, who has to find an equilibrium in order to have a clear idea of the validity of the award.

The increasing distinction between national and international arbitration may lead to the recognition of awards which are illegal under domestic law, the aim is the creation of a real international public order considered as *ius cogens*. This order may serve to submit to the international level issues of domestic arbitrability, regarded no more as simple voluntary accommodation, but considered as a compulsory principle of international law.

Let us consider the position of the judge in relation to foreign public policies, which are part of the *lex causae* (the law applicable to the dispute). No problem arises when the foreign public policy law protects a principle regarded as fundamental by the international community. The situation is different if there are contingent interests; if the same values are recognised by the State where the award will be executed, then the same protection is accorded[75]. There are no doubts that the arbitrator has to apply public policy rules of the forum that is competent to the *exequatur* of the award; more complicated is the application of public policy norms related to the *lex contractus*. The answer should be positive, even if the applicable law has been chosen by the parties or

[74] Swiss Federal Tribunal, 5 November 1991, in *ASA Bull*etin, 1993, 9. An award cannot be annulled only on the basis of its ruling.

[75] Arbitration award of the CCI, Genève, n. 5622, 19 August 1988, in *Rivista dell'arbitrato*, IV, 1992, 773 with a note of A. GIARDINA, *norme imperative contro le intermediazioni nei contratti ed arbitrato internazionale*. "Il a en effet précisé que la disposition étrangère [loi algérienne n. 78-02 du 11 février 1978 sur le traffic d'influence] violée doit servir à la protection de l'individu et de la communauté humaine, intérets qui aux yeux de tous sont d'une importance fondamentale; sinon il doit s'agir de biens juridiques, qui au regard de l'éthique, revetent une importance plus grande que la liberté contractuelle (…) le Tribunal fédéral a en outre estimé que des mesurs en matière de devises, qui sont de mesure de pure politique commerciale ne peuvent pas etre compares au vu de leur contenu à de telles norms. (…) L'objectif de cette loi est donc double: il s'agit en premier lieu d'assurer une certaine loyauté commerciale lors de l'adjudication de contrats par les autorités agèriennes en évitant tous traffics d'influence et en second lieu de faire en sorte que les organismes de l'état algèrien choisissent les partenaires contractuels en fonction de critères objectifs. (…) Il resort de ces observations que la loi algérienne n'as pas pour objectif de servir le seul intéret de l'état algèrien, mais surtout celui de garantir des pratiques commerciales saines et loyales (…) idée de portée générale à respecter par tous les orders juridiques désireux de lutter contre la corruption". As a consequence, the violation of the above mentioned norm has to be considered contrary to article 2.1 Code of Obligations as part of the Swiss public policy ("A contract is void if its terms are impossible, unlawful or immoral").

if it has been chosen by the arbitrators[76].

Denationalization theories and the idea of an arbitrator as a keeper of an international public policy clash with the requirement that his decision is necessarily examined by a national legal system in order to enforce the award against the defaulting party. In this regard, also considering the uncertain notion of public policy, the uniformity of criteria for the recognition of an arbitral award are fundamental for the predictability and certainty of the commercial transactions.

This discussion has a practical importance in determining which forum (national courts or arbitral tribunals) have priority in determining the arbitrability issue. As arbitrability is related to jurisdiction, not to validity of arbitration agreements, it seems that pre-award stage courts should limit their control over the contractual elements of the arbitration agreements (such as capacity and consent). On the contrary it is upon the tribunals to review issues above jurisdictional effects of that agreement. According to the recent trend, favourable to an expansion of arbitrability, it is clear that public policy is all the more relevant when the subject matter is the arbitrability of a dispute, therefore when an arbitration agreement is valid, in presence of formal and substantive requirements, a court has the duty to refer parties to arbitration[77].

1.3. Concluding remarks on arbitrability.

The problem of arbitrability is connected with contractual freedom. If on the one hand parties' freedom of contract is a principle which is clearly recognised in all juridical systems, on the other hand it finds a limit in the arbitrability of the subject matter. A limit due to the existing relationship between IPRs and public policy which derives from the fact that IP titles are created by public authorities in order to grant a right of exclusivity. Therefore, the subject matter does not belong entirely to the private party but but some public policy concerns arise.

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[76] Y. DERAINS, *L'ordre public et le droit applicable au fond du litige dans l'arbitrage international*, in *Revue de l'arbitrage*, 1986, 382. Here the Author considers the private basis of the arbitrator's power, who must respect the parties' will, expressed in some clauses which derogate the public policy of the chosen system.

[77] J. LEW, L. MISTELIS AND S. KROLL, *Comparative International Commercial Arbitration*, The Hague, 2003, par. 9-36. See also P. FOUCHARD, E. GAILLARD AND B. GOLDMAN, *On International Commercial Arbitration*, The Hague, 1999, par. 568.

The consequence of the public nature of this action is clear, an arbitral tribunal cannot invalidate a right of monopoly having *erga omnes* effects, but only the State can void the content of an IP right. This is why some States decided to restrict the holder's right of disposal of the title. The very existence of the patent system would be at stake, if the chance to invalidate IPRs were given to anyone.

The following Chapter considers approaches used by European Legislators to resolve the problem of arbitrability of validity issues.

2. Patent arbitration in Europe.

2.1. Introduction.

IP rights are characterised by a legal protection granted, after the registration by a sovereign power, in order to let the holder of the title use and exploit the related right. Due to the consequences that decisions on the existence of an IP right have in regards to third parties, traditionally the arbitrability of these disputes has been drastically limited. Fewer problems arise when the validity of the IP title is not at stake, therefore if the dispute concerns the payment of royalties or research agreements, these issues are generally considered to be arbitrable. In particular two systems, that will be exhaustively examined in the following paragraphs, have a wide conception of arbitrability of intellectual property disputes: that is to say Switzerland and the U.S. On the contrary most other countries draw a distinction between registered rights (i.e. patents and trademarks) and those which do not require such a formality (e.g. copyright). While in the latter category arbitrability appears to be internationally accepted, the former, which is object of this analysis, is more interesting and lets most countries permit arbitrability on validity issues only with *inter partes* effect; on the other hand issues regarding ownership, infringement and violation are normally arbitrated.

This Chapter takes into account a comparative study of the International Association for the Protection of Industrial Property (hereafter AIPPI) of 1992[78] on the

[78] AIPPI is a non-profit international organisation which conducts studies on national IP laws in order to propose measures for their harmonisation. This study published in the AIPPI Yearbook 1992 contains 24 reports (Australia, Belgium, Brazil, Canada, China, Czechoslovakia, Denmark, Finland/Sweden, France, Germany, Great Britain, Hungary, Ireland, Israel, Italy, Japan, Mexico, The Netherlands, The Republic of Korea, Romania, Spain, Switzerland and the U.S). The main aim of this thesis is to focus on the European countries contained in that report, underlining the developments of these different national legislations in almost 25 years. A report on a similar topic has been realized by J. LEW, *Arbitration and IP disputes under the supervision of the Commission on International Arbitration of the ICC,* in *Bulletin de la Cour d'arbitrage internationale de la CCI*, 1998, 38. F. PERRET, *Arbitration and Licensing Agreements: The Swiss Experience*, in *Creatives ideas for intellectual property: the ATRIP Papers 2000-2001*, Lausanne, 2002, 245, the Author in occasion of the intergovernmental conference of the members of the European Patent Convention, which took place in 16-17 October 2000, recommended the arbitrability of the validity issue of the European Patent, which led to a debate on the *inter partes* or *erga omnes* effect (the last one supported by Switzerland) of the arbitral award. This issue is nowadays, after 12 years, still in evolution.

arbitrability of disputes concerning ownership, infringement, validity and licenses of IPRs. Reading that article it is clear that none of the legislations considered in that essay points out an absolute prohibition for the recourse to arbitration, on the contrary due to the lack of disposal of the parties on certain rights, certain Legislators introduced limitations to the availability of IP rights as a protection of the public policy; such as *inter partes* effect of the award and exclusive jurisdiction for national courts or IP offices.

As clearly examined in the previous chapter, arbitrability is the primordial matter on arbitration law, expression of freedom to arbitrate. It is obvious that the "arbitrability concern" becomes more and more important for practitioners because of the increasing role of international arbitration. Usually national Legislators' concerns, on the correct enforcement of IP rights, are expressed in terms of public policy, which leads to non-arbitrability[79]. Progressively, in the last 25 years, American and European courts reduced the importance of public policy in the determination of arbitrability[80]. The old perception of arbitration as "ouster" of the jurisdiction of courts, where arbitrators' jurisdiction was reduced to a minimum[81], has been reversed; nowadays arbitrability is considered the rule rather than the exception[82].

The tendency towards universal arbitrability can be justified by the increasing importance of this instrument of justice which became the *juge naturel* for global commerce and in some cases a better justice even inside national boundaries[83]. In the light of this clear development, arbitration has become a sophisticated justice, with judge-like standard of conduct, which provides protection to the public interest or

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[79] C. GIBSON, *Latent Grounds in Investor-State Arbitration: Do International Investment Agreements provide new means to enforce Intellectual Property rights?*, in *Yearbook on International Investment Law and Policy,* 2009-2010, 27. Here the Author underlines that arbitrability of IP validity issues greatly varies from country to country.

[80] A. KIRRY, *Arbitrability: current trends in Europe*, in *Arbitration International*, 12(4), 1996, 373.

[81] Y. FORTIER, *The never-ending struggle between arbitrators and judges in international commercial arbitration*, in R. BRINER AND K. H. BOCKSTIEGEL, *Law of International business and dispute settlement in the 21th century, Liber amicorum Karl-Heinz Bockstiegel*, 2001, 178.

[82] B. HANOTIAU, *L'arbitrabilité et la favor arbitrandum: un réexamen*, in *Clunet*, 1994, 899.

[83] B. HANOTIAU, *Problems raised by complex arbitrations involving multiple contracts parties issues*, in 18(3) *J. Int'l Arb.*, 2001, 256.

to weaker parties. Moreover it is equally true that arbitrators' sensitiveness for equity and morality is not a limit to the application of mandatory norms or even constitutional and international ones, all these considerations allow, or should allow, to overcome traditional public policy concerns[84].

In this chapter it will be considered how the absence of a clear definition of public policy and the tendency to permit arbitration to overcome public policy concerns, determined the decline of the role of public policy as limit to arbitration. Europe, with its variety of legislative and case law rules which are independent one from the other, offers a good example of different approaches to the problem, allowing us to know how different national courts and Legislators approach to the problem and its possible evolution in the near future[85].

2.2. A comparative perspective.

In Europe the use of arbitration in regards to the existence and the validity of a registered IP right is excluded from the area of applicability of the regulation Bruxelles I, here article 22.4[86] gives exclusive competence to the tribunals of the members state where the deposit or registration has been applied for. According to article 1.2 lett. d of the above mentioned regulation, it is clear that this does not apply

[84] P. MAYER, *La règle morale dans l'arbitrage international*, in *Etudes offertes à P. Bellet*, 1991.

[85] F. PERRET, *L'arbitrabilité des contentieux en matière de brevets d'invention*, in *Liber amicorum Claude Reymond autour de l'arbitrage*, 2004, 229. The Author makes a reflection on the EPO Convention, a fundamental step towards towards a complete harmonisation of the system by a unification of the granting procedure of the patent; nonetheless it is not a single patent, but a bundle of national patents having independent life, one from the other, under the national laws of each member State.

[86] Despite of the indisputable evolution which took place in these last decades, it is possible to notice that a prudent approach regarding these issues is still preferred. In this regard see article 22.4 of the EC Regulation 44/2011 on Jurisdiction and the recognition and enforcement of judgements in civil and commercial matters (Brussels I), here it is clearly stated that "in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of a Community instrument or an international convention deemed to have taken place. Without prejudice to the jurisdiction of the European Patent Office under the Convention on the Grant of European Patents, signed at Munich on 5 October 1973, *the courts of each Member State shall have exclusive jurisdiction, regardless of domicile, in proceedings concerned with the registration or validity of any European patent granted for that State*". Emphasis added.

to arbitration. Nonetheless the reasons which justify the exclusive competence to the *forum protectionis,* concerning existence and validity of rights, require that this matter is excluded from arbitration. If a State grants to its courts the judgements of such decisions, preventing parties from avoiding their competence by an agreement of choice of the forum, it is clear that it would be contradictory that a similar result can be achieved by an arbitration agreement. A similar prudent solution is expressed in the proposal for a Council Regulation on the Community Patent[87].

The reports analysed by AIPPI clearly indicate that none of the legislations considered generally prohibits the possibility to arbitrate[88]. Moreover, it is commonly accepted by all Legislations the prohibition to submit disputes involving public order (with its various definition varying from country to country) to arbitration. Anyway, the majority of countries considers that public order does not involve IP rights when they do not affect rights of third parties (as a matter of fact IP rights can be opposed *erga omnes*). According to this point of view when arbitration involves rights over which parties have no disposal, then arbitration is not admissible.

National legislations confer exclusive jurisdiction to specialised courts or to the Industrial Property Office. Here arises the doubt if this exclusive jurisdiction must be

[87] Article 53 of the proposal for a Council Regulation on the Community Patent, in preparation of the meeting of the council on 11 March 2004, states that: "The provisions of this Chapter relating to jurisdiction and judicial procedure shall be without prejudice to the national arbitration rules of the Member States. However, a Community patent may not be declared invalid or be invalidated in arbitration proceedings".

[88] In regards to the 1992 AIPPI Report it is evident that on one hand some countries adopt a permissive approach, allowing patent arbitration for all disputes submitted to the attention of the arbitrators (this is the case of Switzerland and U.S.A), or some countries do not admit arbitration when the basis of the action lies in the IP right itself, while it is admissible when the juridical basis is related to criminal or contractual liability. This is the case of Romania. On the other hand, the majority of the European countries adopt a solution which greatly varies depending on the question which is submitted to arbitration. It is possible to submit to arbitration the question of ownership of a patent, Italy in this regard has two exceptions: when the disputes involve an employer and an employee there is exclusive jurisdiction of the Tribunal of Labour Law. Another exception is when the object of the proceeding relates to the moral right of an inventor, this is excluded from arbitrability due to its belonging to the rights of an individual. At the time of the survey object of discussion, only a minority of countries admitted arbitration on patent validity: U.S.A., Denmark, Great Britain, Germany, and the Netherlands, but the decision did not always involve the revocation of the patent and therefore did not have *erga omnes* effect. Considering the scope of the patent, it must be observed that only a minority of countries admitted an arbitrator to establish the scope of a patent; this problem is different from the question of infringement: an arbitrator may be charged with the decision of the scope of a patent inside the dimension of the performance of an agreement, in order to determine if the articles which have been produced are under the payment of the royalty.

considered a complete prohibition to recourse to arbitration or simply a determination of which court must be charged with the judicial proceeding with no prohibition in the use of ADR. After a careful examination of the above-mentioned report it is clear that it is not possible to draw a general rule, which distinguishes those rights that can form object of arbitration from those which cannot.

The most common questions raised in relation to IP rights are those of ownership, licensing, infringement, scope and validity (which can be raised as a main argument or by way of exception). The majority of disputes find their source in license contracts, which grant to the licensee a right of exploitation limited for a certain time and territory. Disputes concerning the payment of royalties, their amount, the extent of the conferred rights, the reasons and the consequences of the breach of the contract. Nonetheless, in case of acquisition of a company the seller gives to the buyer guarantees on the existence and validity of IP rights owned by the company. A procedure of compensation can be drafted in case of inaccuracy of those guarantees. Other cases arise from unfair competition, distribution contracts or R&D contracts, generally involving the uncertainty of contractual disposition about the rights of employers, researchers or of the investors. If the majority of countries agreed on the decision on infringement, in France this subject matter was rather controversial. The possibility to resolve a dispute having per object a patent licence is recognised by all the reports.

The following paragraphs deal with the arbitrability *ratione materiae* of patent disputes (having particular regard to validity issues) of different European systems as a sort of update of the survey conducted by AIPPI in 1992. A focus on a diachronic and synchronic comparison among those countries, which group countries into 3 categories: those countries which allow a complete arbitrability of the dispute in question, those countries which allow arbitrators to decide on validity issues but only with *inter partes* effect, and those which do not allow at all an arbitral award on patent validity, but only for their utilisation.

2.2.1. Countries that allow a complete arbitrability of the dispute.

Broadly speaking, arbitration only binds parties to the proceedings, having *inter partes* effect. Nonetheless, it is possible for national laws to extend the effect of

arbitral awards in order to affect third parties rights. This is rather exceptional, but is however the solution adopted in Switzerland for every kind of IP right (with the decision of the Federal Office of Intellectual Property 15 December 1975) and in Belgium, limited to patents as will be discussed in the opportune paragraph (as clearly stead by article 51.1 of the Patent Act)[89].

2.2.1.1. Switzerland.

Arbitration in matter of intellectual property has always been the object of interest in Switzerland, the country is signatory of the principle convention in matter of arbitration, among these there is of course the New York Convention. Starting from the recognition made in 1945 by the Swiss Federal Supreme Court on the non-exclusivity of state jurisdiction in matter of IP rights[90], Switzerland assumed the position of an arbitration-friendly country. However, it was necessary to wait until 1975 for a clear judgement of the Federal Office of Intellectual Property stating that arbitral tribunals have a complete jurisdiction on patent issues, even on validity ones[91]. As a consequence of this judgement when an arbitration award is rendered in relation to the validity of an IP right, this constitutes the basis to enter the Register if accompanied with a certificate of enforceability under article 193.2 PIL[92]. The certificate, provided by the competent court, does not require a review of the merit of the award.

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[89] T. COOK, *International Intellectual Property Arbitration*, The Netherlands, 2010, 67.

[90] In relation to article 76.1 of the Federal Act on Patents for Inventions of 25 June 1954, which affirms: "the cantons shall designate a court to be competent to receive the civil actions governed by this Law, which court shall have jurisdiction for the entire territory of the canton as sole cantonal instance". This article has been Repealed by Annex 1 No II 12 of the Civil Procedure Code of 19 Dec. 2008, in force since 1 Jan. 2011. See in this regard paragraph 2.2.1. of R. BRINER, *The arbitrability of intellectual property disputes with a particular emphasis on the situation in Switzerland*, in *Worldwide forum on the arbitration of intellectual property disputes*, 1994, Geneva.

[91] Federal Office of Intellectual Property, 15 december 1975, in *Swiss Review of industrial property and copyright*, 1976, 36.

[92] Article 193 PIL states that: "Each party may at its own expense deposit a copy of the award with the Swiss court at the seat of the arbitral tribunal. On request of a party, the court shall certify the enforceability of the award. On request of a party, the arbitral tribunal shall certify that the award has been rendered pursuant to the provisions of this statute; such certificate has the same effect as the deposit of the award".

In Switzerland arbitration has been governed by two different rules: the Swiss Intercantonal Arbitration Convention of 1969 (hereafter Concordat), which governs domestic arbitration, and Chapter 12 of the Swiss Federal Act on Private International Law (hereafter PIL) of 1989, which deals with international arbitration. Anyway, under the Swiss *Concordat* every IP dispute is arbitrable due to the arbitrability of these rights and the exclusive Cantonal competence stated in article 76.1 of the Swiss Patent Law is not binding under article 5 of the *Concordat*. Article 5 of the *Concordat* states: "The arbitration may relate to any right of which the parties may freely dispose unless the suit falls within the exclusive jurisdiction of a State authority by virtue of a mandatory provision of the law". It is clear that such a solution imposes a complex legal and factual proceeding for a tribunal in order to determine if a certain matter is considered arbitrable under a foreign law, which is applicable to the dispute. This is the reason why the *Concordat* has been considered no longer suitable and has been replaced by the New Federal Code on Civil Procedure (hereafter CCP), which will be applied for arbitrations started after the 1 January 2011. The arbitration is considered domestic if at the time of the agreement parties have legal seat, domicile or habitual residence in Switzerland, independently from the subject matter of the dispute which is irrelevant. Moreover, it is possible to find a provision contained in article 353 and 373 in favour of parties autonomy, that is to say the possibility to choose the PIL Act and the fact the Swiss procedural rules are not applied by default. Here the solution provided by article 354 CCP ("Any claim over which the parties may freely dispose may be the object of an arbitration agreement[93]") is comparable to that one provided by 2059 of the French Civil Code, where parties can submit to arbitration only those rights that can be freely disposed of.

Differently from the CCP, which deals with internal arbitration, PIL in article 176 clearly states its applicability to international disputes: "The provisions of this chapter shall apply to any arbitration if the seat of the arbitral tribunal is in Switzerland and if, at the time when the arbitration agreement was concluded, at

[93] J. GUYET, *La propriété industrielle et l'arbitrage en Suisse*, in *Recueil des travaux suisses sur l'arbitrage international*, 1984, 47. It has never been matter of contestation that everybody can, under the legal boundaries, freely dispose of his IP rights assigning them to a third parties or by a licence agreement.

least one of the parties had neither its domicile nor its arbitral residence in Switzerland". Article 177 PIL states: "Any dispute involving financial interests can be the subject-matter of an arbitration". There are no doubts that a dispute dealing with the validity of a patent has an economic nature, there are no concerns about the arbitrability of a dispute, which deals directly or indirectly with the validity of a patent. Infringement issues and transfer issues, which may arise in connection with mergers and acquisitions, are fully arbitrable under Swiss law as in other modern legislations. On the contrary proceedings concerning the registration of a patent cannot be arbitrated due to the administrative nature of the matter. This article provides a material rule; as a consequence parties are not referred to the *lex causae* or any other national law in order to determine if the subject-matter is arbitrable. This difference in the discipline of arbitrability finds its *raison d'être* in the necessity of avoiding difficulties arising in the international arbitration with seat in Switzerland from the necessity of finding the foreign law which is applicable to the controversial right[94].

The arbitral award has the effect of *res iudicata* in the positive sense, such as it is enforceable after an *exequatur* proceeding, and in the negative one, by preventing parties to challenge the same dispute before another tribunal.[95] As a consequence of these two profiles the arbitral award has generally only an *inter*

[94] See in this regard J. F. POUDRET - S. BESSON, *Droit comparé de l'arbitrage international*, Bruxelles, 2004, 268. The Swiss solution was welcomed as a modern solution, adopted also in the German Arbitration Law in section 1030 ("Any claim involving an economic interest can be the subject of an arbitration agreement. An arbitration agreement concerning claims not involving an economic interest shall have legal effect to the extent that the parties are entitled to conclude a settlement on the issue in dispute). There are different criteria used in order to determine whether a dispute is arbitrable or not: the parties' disposal of a right (this is the case of Germany, Spain, Italy, Portugal, Belgium, the Netherlands, the United States and Switzerland in relation to domestic arbitration), or the relation to a property right (e.g. Argentina, Poland and Switzerland, in relation to international arbitration). See at this regard L. IDOT, *Introductory Report*, in *ICC dossier,* n. 480/3 n. 28, 49. Only a minority of States prohibits arbitration as a reason of public policy. This is the case of France, as examined in paragraph 2.2.2. in relation to article 2060 of French civil code. Nonetheless it must be considered a recent decision which allows arbitrators to apply public policy rules. See at this regard the decision of the Court of Appeal of Paris of 19 Mai 1993, case *Société Labinal v. Societès Mors and Westland Aerospace*, in *Revue de l'arbitrage* 1993, 4, 645. With a note of C. JAROSSON.

[95] Article 190.1 PIL states: "The award is final from the time when it is communicated". See also article 60.2 of the Federal Patent Law ("Any modifications concerning the validity of the patent or the right to the patent must be entered in the Patent Register").

partes effect. Anyway, there are some exceptions, that is to say hypothesis where the judgement of the ordinary judge has a merely declarative effect, concerning the existence or nonexistence of a juridical relationship. In other cases a similar decision creates, modifies or extinguishes such a relationship, producing effects also to parties that are not involved in the proceedings. This happens when a patent, object of a licensing agreement, is declared void. It may be the case that the licensee does not pay the royalties, in this case, accordingly to the arbitration agreement, the dispute between the licensee and the owner of the IP title is brought before an arbitral tribunal. In the hypothesis in which the licensee claims the voidness of the patent for lack of novelty, this claim will cause, if accepted, the voidness of the licence agreement for impossibility of its object[96]. Due to the clear meaning of article 177.1 of the PIL, stating that every economic interest can be object of arbitration, it is clear that the validity of a patent, being an "economic interest" can be discussed by arbitrators. Nonetheless, it is likewise obvious that an award declaring the voidness of an IP title must have *erga omnes* effects[97]. Consequently the decision about its voidness, the patent after having been recognised by a Helvetic court, will be cancelled from the Swiss register of patents and trademarks[98].

[96] Traditionally in Italy this was possible only by objection, that is to say *incidenter tantum*, and not with a counterclaim having as a consequence the nullity of the patent. The objection would be appeared only in the reasons of the decision of the award and the validity of the patent would not be discussed. The situation is different if the voidness is declared after a counterclaim, because such a decision goes beyond the power of the arbitral panel. In fact under Italian law, in all disputes concerning the validity of an IP property right it was necessary the intervention of the public prosecutor (as clearly stated by Cass. 19 May 1989, n. 2406, in *Giustizia Civile*, I, 1989, 2605).

[97] F. PERRET, *L'arbitrabilité des contentieux en matière de brevets d'inventions*, in *Autour de l'arbitrage, Mélanges offers à Claude Reymond*, Paris, 2004, 231-232. Article 177 PIL provides a definition of objective arbitrability in the Swiss system, deciding that "all claims of economic interest" are arbitrable, independently of the definition provided by substantive law of the contractual relationship, which might be more restrictive. As a consequence, any dispute of labour matters, patents, trademarks, marital property and financial interest is arbitrable. In Germany, the Federal Supreme Court claims the exclusive jurisdiction of the German Patent Court in matter of patent validity, but this practice has been criticized by legal authorities. On the other hand, article 5 of the Concordat, in conformity with most civil law countries, considers arbitrable only the claims which parties are free to dispose of, a solution which encounters some difficulties in determining which law governs the relationship, necessary step to understand if the claim object of discussion can be considered a "freely disposable" one.

[98] J. F. POUDRET - S. BESSON, *Droit comparé de l'arbitrage international*, Bruxelles, 2002, 303.

The fact that a dispute has a foreign patent as an object does not change the economic character of the dispute, which remains arbitrable. Anyway, if the arbitral board declares the voidness of this title, there is the risk that this decision will not be recognised or enforced, under article 5.2 (a) of the New York Convention, in Italy or in other countries whose law considers those disputes as non-arbitrable [99]. Nonetheless there is a limit concerning the influence that foreign rules (e.g. public policy ones) can have on arbitrability issues, at this regard the Federal Supreme Court adopted in 1992 a restrictive approach[100]. It is clear that an arbitrator should not be conditioned, when deciding on arbitrability, by foreign mandatory norms[101]. Now article 177.1 provides a definition of objective arbitrability irrespective to any mandatory provision of Swiss domestic or foreign law. The only limit can be found in Swiss *ordre public*[102]. Moreover article 177.2 provides a limit to the objections

[99] F. PERRET, *I terzi e il lodo arbitrale*, in *Rivista dell'arbitrato*, I, 2012, 804.

[100] ATF, 118, II, 353, case *Fincantieri-Cantieri Navali Italiani Spa v. Oto Melara* of 23 June 1992 (see footnote 22).

[101] K. H. BOCKSTIEGEL, *Public Policy and arbitrability*, in *Comparative Arbitration Practice and public policy in arbitration, ICC a congress theory n.3, VIIIth International Arbitration Congress New York, 1968, Denventer-Antwerp-London-Frankfurt-Boston-New York*, 1987, 177. "On the domestic level it is possible to consider public policy those rules seen as fundamental to a State. On the contrary the international level considers public policy "from the basis of the New York Convention where it may be a defence against enforcement once the arbitral award is rendered. Thus the issue appears only in the very end of the arbitral procedure. Public policy in relation to arbitrability, however – although it may still be a defence against enforcement – concerns the very beginning and basis of arbitration, namely the arbitration agreement or arbitration clause". See in this regard the ICC case n. 4604 of 1984, in *Clunet* (Journal de droit international) 1985, 973. This case concerned the nullity of a trademark licence agreement governed by Italian law. The application of Italian mandatory rules was excluded. "The question of arbitrability of a dispute shall not be determined by way of application of a foreign law, being the law applicable to the merits of the dispute or another law designated by connecting factors which would appear more appropriate to the international character of the arbitration". See also ICC case n. 6162 of 1990, in *Yearbook of commercial arbitration,* XVII, 1992, 153. Here the contract contained an arbitration clause deciding Geneva as the place for arbitration and Egyptian laws as the procedural laws. The defendant argued lack of jurisdiction due to the fact that the dispute cannot be arbitrated under Egyptian laws if this is not expressly allowed. Nonetheless the arbitral tribunal refused to apply the Egyptian law due to article 177.1 PIL.

[102] In this regard see ATF 118, II, 353 in re *Fincantieri-Cantieri Navali Italiani Spa v. Oto Melara* of 23 June 1992. Here the Swiss Federal Supreme Court stated that arbitrability has to be determined according to the *lex causae*, independently to the validity of the contractual obligation. That is to say that arbitrability must be limited not by foreign mandatory rules, but only by public policy in international affairs. See also M. BLESSING, *Arbitrability of Intellectual Property Disputes*, in *Arbitration International*, XII, 1996, 191-205. In relation to the position of a state judge article 19 PIL must be applied. It provides: "(1) When interests that are legitimate and clearly preponderant according to the Swiss conception of law so require, a mandatory provision of another law than

available to States and other State-controlled organisations, which cannot dispute subjective and objective arbitrability in regards to their national laws[103].

The PIL statute Act at article 178.3[104] adopts the doctrine of separability, under which the arbitration clause is independent from the main contract. Nonetheless

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the one referred to in this Act may be taken into consideration, provided that the situation dealt with has a close connection with such other law. (2) In deciding whether such a provision is to be taken into consideration, one shall consider its aim and the consequences of its application, in order to reach a decision that is appropriate having regard to the Swiss conception of law". As a consequence there are four conditions for the application of article 19, these are: the fact that the foreign provision must be applied mandatorily, an high degree of connection between the foreign provision and the case, an interest of one of the parties in taking into account the forcing provision, and the relevance of such an interest under Swiss law. Considering the attitude of arbitral tribunals in relation to foreign public policy rules it should be considered R. BRINER, *The arbitrability of intellectual property disputes with a particular emphasis on the situation in Switzerland*, in *WIPO Forum on the Arbitration of Intellectual Property Disputes*, 1994, par. 1.11.1.6. Here the Author clearly affirms that "the least restrictive approach should be upheld in this connection; more precisely, one should favour the opinion that an arbitrator should not be concerned with foreign mandatory rules (…) when determining whether a dispute is arbitrable or not". Considering the enforceability issue, it is clear that (as stated by article 26 of the ICC rules) the arbitrator "makes every effort to make sure that the award is enforceable at law". Anyway, even if the arbitrator should not be deaf in relation to enforceability of his award, this matter should not have an excessive weight.

[103] See in this regard M. BLESSING, *The new international arbitration law in Switzerland*, in *International Arbitration*, II, 1988, 27. J. F. POUDRET, *Quelles sont les innovations réelles apportées par la LDIP à l'arbitrage international en Suisse?*, 1991, 157. As already mentioned above, the Federal Supreme Court in the case Fincantieri stated that parties are the sole judges of the risk that an arbitral award could not be recognised or enforced in another country. The restriction of the rule stated in article 177 PIL is possible under a double condition, that is to say the existence of a public policy issue and the fact that this public policy require the application of a foreign law limiting arbitrability.

[104] Article 178.3 PIL reads as follows: "The arbitration agreement cannot be contested on the grounds that the main contract is not valid or that the arbitration agreement concerns a dispute which had not as yet arisen". The illegality of the main contract does not necessary determines the inarbitrability of the descending dispute. The principle of separability of the arbitration convention allows the arbitrator to declare himself competent to declare the invalidity of the main contract (See among the others F. CARPI - E. ZUCCONI GALLI FONSECA, in *Arbitrato*, a cura di F. CARPI, Bologna, 2001, 18). Somebody believes that the effects of the invalidity of the main contract are extended to the arbitration agreement. That is to say that the arbitration convention is void when its purpose is to facilitate the illicit activity of the parties (in this sense see A. COURT DE FONTMICHEL, *L'arbitre, le juge et les pratiques illicites du commerce international*, Paris, 2004, 396), this is not the case when a party goes before the arbitrator to answer to the illicit behaviour of the counterparty. There are different opinion in doctrine and jurisprudence for disputes concerning corruption in public domain; somebody (this is the case of the arbitrator G. LAGERGREN in the ICC case n.1110 of 1963) asserted that the dispute could not be object of arbitration and the arbitrator should have declared himself unqualified ex officio. Otherwise, other part of the doctrine makes a distinction between arbitrability of the dispute and the duty of the arbitrator to apply public policy norms of the national legal order chosen by parties, the l*ex fori* and l*ex loci ex*ecutions (in this regard L. LAUDISA, *Arbitrato internazionale e ordine pubblico*, in Rivista dell'arbitrato, IV, 2004, 866).

there are cases where a lack of consent affects the arbitration clause together with the main contract, the illegal purpose, for example, affect not only the main contract but also the arbitration agreement in the hypothesis in which they are strictly connected. According to most modern systems, article 186.1 of the PIL Statute Act provides that arbitral tribunals decide on their own jurisdiction[105].

After this brief exam there are no doubts that Switzerland has the most liberal approach, differently from other countries where the validity of an IP title can be arbitrated but enforced only *inter partes* (this is the case of Great Britain and U.S.). This should not surprise us considering that this country has been described, in relation to IP disputes, "a champion of liberalism"[106].

2.2.1.2. Belgium.

The Belgian legal system has a very liberal approach on patent arbitrability providing a statutory definition on arbitrability of validity issues; in conformity with article 1676.1 of the *Code Judiciaire*[107], a dispute can be settled by arbitration only when it has an economic nature or if parties can settle by themselves the involved rights and duties. It is important to pay attention to article 73 of the Patent Law 1984, which seems to prohibit the recourse to arbitration by instituting an exclusive competence in favour of the tribunal of first instance. Even if this rule appears as a strong limitation of the arbitrability of the validity issue and not only, this must me decided upon in

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[105] In ICC arbitration the International Court of Arbitration of the ICC must scrutinize a preliminary award on jurisdiction. A decision of the arbitral tribunal on its own jurisdiction, contained in a preliminary award, can be set aside by a challenge within 30 days from the notification. On the contrary it will be considered *res iudicata*. When the court decides on jurisdiction in the final award, the limit of 30 days is calculated from the notification of the final award. Article 190.2 and 191.1 of the PIL Statute Act state that an award on jurisdiction can be challenged directly before the Swiss federal Supreme Court. When jurisdiction is accepted there is no suspensive effect in relation to other arbitral proceedings. Anyway, it is possible to grant a suspensive effect, in practice this is usually denied. If the tribunal has declined jurisdiction, but this decision has been set aside by the Supreme Court, than it is upon the arbitral tribunal to resume the case and decide on the merits.

[106] J. F. POUDRET - S. BESSON, *Droit comparé de l'arbitrage international*, Bruxelles, 2002, 303.

[107] Article 1676.1 of the *Code Judiciaire* reads as follows: "Toute cause de nature patrimoniale peut faire l'objet d'un arbitrage. Les causes de nature non-patrimoniale sur lesquelles il est permis de transiger peuvent aussi faire l'objet d'un arbitrage".

accordance with the combined provisions of article 73.6 of the Patent Law stating that this exclusive competence is not an obstacle to the fact that "les contestations relatives à la propriété d'un brevet, à sa validate ou à la contrefaçon soient portées devant les tribunaux arbitraux"[108], therefore it is clear that disputes over patents can be considered arbitrable.

In matter of disputes concerning the validity of a Belgian patent, article 51.1 admits that the IP title can be partially or entirely voided by an arbitration award which has e*rga om*nes effects[109]. As a consequence of its effects third parties can challenge the arbitration award if their rights are prejudiced by that decision.

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[108] See also L. DE GRYSE, *Quelque propos sur l'arbitrage en matière de brevets d'inventions*, in *Mélanges A Braun Jura Vigilantibus*, 1987, 89. Even if article 73.6 of the Patent Law 1984 recognises with a statutory provision the full arbitrability of patent validity issues, there is not a similar provision for trademarks. Even if this analysis is limited to patents and does not take into considerations due to evident time reasons, it is interesting to consider this discrepancy inside such a liberal system. In this regard article 14 A of the Uniform Benelux Law on Marks provides that "when the action for nullity is instituted by the Crown's Attorney and the Public Prosecutor, the Courts (…) shall have exclusive jurisdiction". the arbitrability of validity issues, due to the absence of a clear provision in this sense is object of discussion among the scholars. See in this regard P. DE BOURNONVILLE, *Droit judiciaire l'arbitrage*, Bruxelles, 2000, 128.

[109] Article 51.1 of the Patent Law clearly states that: "If a patent is revoked, in whole or in part, by a judgment or a decision or by an arbitration award, the decision on revocation shall constitute a final decision in respect of all parties, subject to opposition by third parties. Final revocation decisions shall be entered in the Register".
In this regard it is interesting to consider, even if this work is limited to an European comparison, the similarities and even the differences of the Belgian system with the USA Patent Law. in both systems it is clearly recognised the arbitrability of the validity of an IP title. See in this regard D. W. PLANT, *Arbitrability of Intellectual Property Issues in the United States*, in *The American Review of International Arbitration*, 1994, V, 11. Anyway, it is necessary that the arbitration clause confers such a power to arbitrators. This is not the case when the arbitral tribunal has the only task to interpret a contract to decide if a certain technology is considered as a part of the agreement subscribed by parties (see in this regard Ballard Medical Products v. Wright, 823 F.2d, 527, 531). In certain cases its was granted to arbitral awards non-mutual collateral estoppel effects, which affect third parties (See in this regard *Blonder Tongue v. University of Illinois Found*, 402 U.S. 313 1971). This tendency was completely reversed with the adoption of article 35 USC 294 lett. c (Patent Law 1982), which expressly states that the award will have in*ter par*tes effect only ("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*. The parties to an arbitration may agree that in the event a patent which is the subject matter of an award is subsequently determined to be invalid or unenforceable in a judgment rendered by a court of competent jurisdiction from which no appeal can or has been taken, such award may be modified by any court of competent jurisdiction upon application by any party to the arbitration. Any such modification shall govern the rights and obligations between such parties from the date of such modification". Emphasis added). After the decision, copy of the award must be transmitted to the commissioner of the Patent and trademark Office in order to annotate the award in the registers, until then the award is no enforceable. Under a traditional approach the public interest is granted by giving in case of conflict a prevalence to the ordinary judgement. It is clear that the US system has a liberal approach, allowing arbitration on the validity of patent disputes, but the Belgian law

The Belgian *Code Judiciaire* adopts the principle of separability of the arbitration clause contained in the main contract at article 1690.1[110]. Moreover the arbitrability issue is generally considered a problem of jurisdiction under the competence of the arbitral tribunal, this can be decided together with the merit or arbitrators can render a partial award on jurisdiction, which can be challenged with the final award on the merit. Belgian courts cannot hear the merits of a dispute if the arbitral tribunal has established its jurisdiction (effet négatif de la compétence-compétence), moreover the ordinary court cannot set aside the award on jurisdiction, but this can be made only when the merits have been rendered. According to article 1717.3 letter b of the *Code Judiciaire*[111]*,* the award on the merits will be set aside if the ordinary court finds that the arbitral tribunal has exceeded its jurisdiction.

2.2.2. Countries that allow arbitrability on patent validity with *inter partes* effect.

2.2.2.1. Great Britain.

It is important to consider, as a preliminary observation, that the legal system of Great Britain is composed of different jurisdictions: England, Wales (which is applied also in Northern Ireland) and Scotland. For the purpose of this work only the English legal system will be considered, which did not elaborate a theory on the distinction of disputes that can be object of arbitration and those which are not[112].

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goes even further, allowing a decision with effects er*ga omnes,* while the American system deals more with the opposability of the controversial right rather than a judgement of the validity of the title.

[110] "Le tribunal arbitral peut statuer sur sa propre compétence, y compris sur toute exception relative à l'existence ou à la validité de la convention d'arbitrage. A cette fin, une convention d'arbitrage faisant partie d'un contrat est considérée comme une convention distincte des autres clauses du contrat. La constatation de la nullité du contrat par le tribunal arbitral n'entraîne pas de plein droit la nullité de la convention d'arbitrage".

[111] "La sentence arbitrale ne peut être annulée que si le tribunal de première instance constate que l'objet du différend n'est pas susceptible d'être réglé par voie d'arbitrage".

[112] A. BERLINGUER, *La compromettibilità per arbitri: studio di diritto italiano e comparato*, II. *Le materie compromettibili*, Torino, 1999, 81. The Author clearly states that the English legal system does not provide a general definition of arbitrability, in order to determine the arbitration operative

Even the Arbitration Act of 1996 does not provide a clear definition on the above-mentioned distinction, devolving to common law the task of determining those "matters which are not capable of settlement by arbitration"[113]. Even if the principle of parties' autonomy is limited by the "necessary safeguards in the public interest"[114], it is true that this limit refers only to the way in which these disputes must be resolved and not about the arbitrability of the subject matter. In this regard it is necessary to consider case law. First, disputes having per object criminal law were generally considered non-arbitrable, nonetheless there are some situations where public order admitted plea bargain, as a consequence those could be decided by arbitrators. On the contrary, more serious offences (that is to say felonies) have to be decided by the court, the others (such as misdemeanours) could be arbitrated. Section 82 (1) limits arbitral proceeding only to civil disputes that could be decided before the High Court or before Country Courts. This does not mean that an arbitrator has to suspend the pending proceeding for a criminal preliminary question. The arbitral panel decision on a criminal matter has an efficacy limited *incidenter tantum*. On the other side disputes concerning civil rights where there is a request of compensation for damages are arbitrable. Under a perspective of individual liberalism even the charge of fraud and

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dimension. J. F. POUDRET - S. BESSON, *Droit comparé de l'arbitrage international*, Bruxelles, 2002, 309. The Authors believe that the more evanescent the definition of arbitrability is, the more complete the control of the ordinary judge on the merit of the arbitral award will be. The Arbitration Act did not took the risk of "codify" that concept. Moreover the suspension of an ordinary proceeding started against an arbitration agreement has been considered discretionary for long time.

[113] Section 81 states that: "Nothing in this Part shall be construed as excluding the operation of any rule of law consistent with the provisions of this Part, in particular, any rule of law as to:
(a) matters which are not capable of settlement by arbitration; or
(b) the effect of an oral arbitration agreement; or
(c) the refusal of recognition or enforcement of an arbitral award on grounds of public policy".
See also Section 103 (3), which states that: "Recognition or enforcement of the award may also be refused if the award is in respect of a matter which is not capable of settlement by arbitration, or if it would be contrary to public policy to recognise or enforce the award".

[114] Section 1 states that: "The provisions of this Part are founded on the following principles, and shall be construed accordingly:
(a) the object of arbitration is to obtain the fair resolution of disputes by an impartial tribunal without unnecessary delay or expense;
(b) the parties should be free to agree how their disputes are resolved, subject only to such safeguards as are necessary in the public interest;
(c) in matters governed by this Part the court should not intervene except as provided by this Part".

dishonesty[115], clause of deeds of separation of a partner, rights in rem[116] and the interpretation of a will can form object of arbitration.

The general theory of the English law makes a distinction between two different categories, that of illegality of the contract for violation of statutory provisions and illicitness for non-observation of common law principles of public policy, similar to the continental *ordre public*. Considering some notions of contract law, it is necessary to remember that an unlawful contract, as a consequence of its contrariety to domestic public policy, is totally void. On the contrary contracts in which parties entered in a situation of restraint of trade, restraint of marriage and marriage brockage contracts are merely void, they can survive as a consequence of the severance, that is to say the elimination of invalid clauses[117].

As far as concerns IP, English courts generally admitted arbitrability of IP disputes, even those involving the validity of property titles. A case which has been particularly important is *Roussel-Uclaf v. GD Searle & Co. Ltd.*[118], in matter of patent licence. The Court stated that the dispute should have been resolved by arbitration even if parties did not draft any arbitration convention; in this sense the Court applied the group of companies doctrine, here the convention stipulated by a company which is part of group binds also all other companies which are part of the same group, if

[115] Fraud means a deliberate deception a cheating intended to gain an advantage, it is equivalent to the Italian *dolo*, determining the annullability of the contract, but it is relevant also under the criminal law profile. Dishonesty is a particular qualification of the subjective element in some offences (such as a theft) considered under the standard of the ordinary decent people.

[116] This is the position assumed by LORD MUSTILL AND Q. C. S. BOYD, *The Law and Practice of Commercial Arbitration in England*, London, 1989. They consider the possibility to arbitrate in relation to the commercial nature of the dispute, as a consequence this theory overpasses the traditional inarbitrability of rights *in rem*.

[117] V. MARTIN, *A dictionary of law*, Oxford, 1997, 283 and 403. Providing a definition of the above mentioned situations: a restraint of trade is a contractual obligation restraining the right of a person to continue his business. With the expression restraint of marriage it is meant the clause which prevents a subject from contracting marriage and it is generally void. The marriage brockage contract is the deal by which a party is obliged to procure to the other one, under payment, a marriage.

[118] High Court, Chancery Div., 6 October 1997, *Roussel-Uclaf v. GD Searle & Co. Ltd.,* 1 Lloyd's Rep 225.

the circumstances show the mutual intent to bind also other members of the group[119]. As far as the validity of the patent is concerned, this has been considered completely arbitrable. Nonetheless it is important to make it clear that awards on this issue have only *inter partes* effect[120]. Similarly, disputes involving IP rights between licensors and licensees are often referred to arbitral tribunals[121].

It is necessary to observe that the limit of the unavailability of the rights, as a boundary beyond which the arbitrator cannot know the dispute, creates problems of coordination with the *Kompetenz-Kompetenz* principle (which gives to the judges the power to verify their legitimacy to decide) and with that one of separability of the arbitration agreement in respect of the main contract[122]. Under the first profile, limitations to the contractual autonomy, which can be submitted under an ex-post jurisdictional control, if they acquire the role of defining elements of arbitrability must be known *ex-ante* by arbitrators. Under the latter profile it is necessary to consider if the illicitness of the contract, where the arbitration agreement is inserted, determines the illicitness of this clause too (determining arbitrators' incompetence), or it is limited to the main contract, determining only the voidness of the contract.

Traditionally, English doctrine adopted a restrictive approach, declaring that the consequence of the illicitness of the contract, which contained the arbitration clause, was the lack of jurisdiction of the arbitrators. This not because the dispute

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[119] For an in-depth analysis see S. P. WOOLHOUSE, *Group of Companies and English Arbitration Law*, in *Arbitration International*, 2004, 20, 4, 435. Anyway, this theory has been widely criticized and recently overtaken also in case law.

[120] J. F. POUDRET - S. BESSON, *Droit comparé de l'arbitrage international*, Bruxelles, 2002, 304.

[121] See in this regard A. REDFERN AND J. M. HUNTER, *Law and practice of International Commercial Arbitration*, London, 2004, 139, where the Author mentions J. M. D. LEW, *Final Report on Intellectual Property Disputes and Arbitration*, in *The ICC International Court of Arbitration Bulletin*, IX, 1998, 37. On the same opinion M. KARALI AND J. BALLANTYNE, *England*, in F. B. WEIGAND, *Pratictioner's Handbook on International Commercial Arbitration*, Oxford, 2009, 5.52.

[122] Section 7 states that the arbitration agreement is something different and separate from the contract where it is contained. As a consequence this clause will survive the termination of the main contract; "Unless otherwise agreed by the parties, an arbitration agreement which forms or was intended to form part of another agreement (whether or not in writing) shall not be regarded as invalid, non-existent or ineffective because that other agreement is invalid, or did not come into existence or has become ineffective, and it shall for that purpose be treated as a distinct agreement".

was not susceptible to be resolved by arbitration, but because the illegality affected the validity of the arbitration agreement *ab initio*. On the other hand when the arbitration agreement remained intact, the power to declare the illicitness of the main contract was recognised to the arbitrator. Today Section 30[123] completely overturned this approach, providing arbitrators with the power to determine their jurisdiction in any case, even if the arbitral clause is void *ab initio*.

2.2.2.2. France.

France is generally considered an important seat of arbitration, among the reasons of this fortune it must be cited the International Chamber of Commerce (or ICC) that has its headquarters in Paris.

Patent arbitration has been a much debated question in French jurisprudence and doctrine. From their very creation, intellectual property rights were considered not arbitrable[124]. Therefore, exclusive competence on patent disputes was granted to *Tribunaux de Grande Instance* by Patent Law n. 68-1, 2 January 1968. In addition to rules of exclusive competence, impossibility to arbitrate issues relating to public policy strengthened the positions of those who were reluctant to consider IP disputes arbitrable. Arbitration was allowed for the first time in 1978 with the introduction of article L.615-17 of the French Intellectual Property Code (hereafter FIPC) stating "the above provisions shall not prevent recourse to arbitration in accordance with articles 2059 and 2060 of the Civil Code". French doctrine considered that this provision

[123] Section 30 of the Arbitration Act 1996 provides that "(1) Unless otherwise agreed by the parties, the arbitral tribunal may rule on its own substantive jurisdiction, that is, as to:
(a) whether there is a valid arbitration agreement,
(b) whether the tribunal is properly constituted, and
(c) what matters have been submitted to arbitration in accordance with the arbitration agreement.
(2) Any such ruling may be challenged by any available arbitral process of appeal or review or in accordance with the provisions of this Part". This is a consequence of the principle of separability recognised by case law in some judgements such as *Harbour Assurance Co. Ltd. V. Kansa General International Insurance Co. Ltd.* Here the principle of separability is applied also in the hypothesis of non existence or illicitness of the contract, in conformity with Section 7, where it is clearly expressed the distinction of the arbitration clause from the other agreement, even if invalid, non-existent or ineffective.

[124] The 1844 legislator made communicable to public prosecutor a lot of actions concerning patents. Art. 1004 of the ancient French civil procedural code states that arbitration is excluded for all disputes that are object of that communication.

should not be interpreted in a restrictive way, allowing arbitration every time it is not expressly prohibited[125].

The principle of *kompetenz-kompetenz,* which gives arbitrators jurisdiction to decide on their jurisdiction, is recognised by French law as a both positive and negative effect. Art. 1466 c.c. states that "if a party challenges in the arbitration the existence or scope of the arbitrator's jurisdiction, the arbitrator shall decide on the issue". Considering the negative effect[126], the ordinary judge should not rule on existence and validity of arbitration clause until the arbitrator has ruled on his own jurisdiction.

Nowadays, to understand if a dispute is arbitrable or not, we have to refer to two articles: art. 2059 of the French Civil Code (hereafter FCC), which considers that the rights object of arbitration are those "rights of which [persons] have the freedom of disposal", and art. 2060 FCC, which excludes arbitration for "matters of status and capacity of the persons, (…) divorce and judicial separation, (…) controversies concerning public bodies and institutions, and more generally in all matters in which public policy is concerned". The problem with this definition concerns the meaning of the expression "public policy", which is still evolving. Initially there was a restrictive interpretation of this disposition. Every dispute involving public policy rules was considered not arbitrable, independently of its object. This interpretation was criticised by some authors[127]. Then, in 1993[128], it was expressly recognised for

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[125] M. VIVANT, *Cherche litige non arbitrable laborieusement*, in *Rev. Lamy dr. aff.*, 2004, 72. Where the author considers art. L.623-31 FIPC in matter of plant varieties.

[126] E. GAILLARD, *L'effet négatif de la compétence-compétence*, in *Étude de procédure et d'arbitrage en l'honneur de Jean-François Poudret*, 1999, 387.

[127] P. LEVEL, *L'arbitrabilité*, in *Rev. Arb.*, 1992, 213. The Author considers that the utilisation of the notion of public policy is meaningless, therefore only article 2059 of the f.c.c. must be taken into consideration if the validity of an IP title is object of discussion. This theory makes a distinction between unavailable rights at all (such as stays and capacity), rights which are unavailable in relation to contingent rights and available rights concerning current rights. Issues concerning the existence of a patent will fall under this last category in reason of that IP rights are granted by public powers, right which is initially only virtual.This theory has been widely criticized because before the granting of the title it is not true that the aforementioned right is only virtual, on the contrary the owner of the right can transfer it or make it known at his own will.

[128] Court of Appeal of Paris, 29 March 1991, in *Rev. arb.*, 1991, 478 note by L. IDOT. In the case *Ganz v. Société Nationale des Chemins de Fer Tunisiens (SNCFT)*, the Court considered that "in international arbitration, an arbitrator (…) is entitled to apply the principles and rules of international public policy (…) except in cases where the non-arbitrability is a consequence of the

international arbitration that arbitrators have jurisdiction to rule on arbitrability in relation to the notion of international public policy. If arbitrators have jurisdiction, the dispute can be object of arbitration and they can apply those rules to solve the dispute, independently of their public policy nature. As a result, the value of public policy is not relevant to determine the arbitrability of a dispute.

In order to understand the evolution of the French system, it is necessary to consider different issues, which can derive from IP rights: contractual issues, infringement issues and revocation ones.

Contractual issues were considered outside arbitrator's jurisdiction until 1981, when the Paris Court of Appeal [129] reversed this position, ruling in favour of arbitration. A more complex approach is necessary for infringement issues, due to their civil and criminal nature, therefore a distinction is necessary: on the one hand civil actions, which can be known by private judges even though a criminal court is seized; on the other hand criminal actions which are not arbitrable at all, independently of which court is seized. However, the most interesting analysis can be carried out for revocation issues. Traditionally there were a number of reasons for supporting exclusive jurisdiction of ordinary judges, such as problems of public policy in which the validity of an IP right incurred, the state monopoly on granting the title and, last but not least, the *inter partes* effect of arbitral award.

Considering patent issues under a diachronic perspective, disputes arising from patent exploitation have been arbitrable since 1994[130]. Also matters of patent

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subject-matter in that it implicates international public policy and absolutely excludes the jurisdiction of the arbitrators because the arbitration agreement is void".
Court of Appeal of Paris, 19 May 1993, in *Rev. arb*., 1993, 654, with a note of C. JARROSSON. In the Labinal case the Court of Appeal stated that "the arbitrability of a dispute is not excluded by the mere fact that rules belonging to public policy are applicable to the disputed legal relationship".

[129] Court of Appeal of Paris, 15 June 1981, in *Rev. arb.*, 1983, 89, note FRANCON.

[130] Court of Appeal of Paris, 24 March 1994, in *Rev. arb.*, 1994, III, 515, note C. JARROSSON. In the case *Ste deko v. G. Dingler et ste Meva* the arbitrator considered that the new product object of controversy had to be included inside the license, on the other side the company regarded this interpretation as a violation of public policy which covered the scope of patents. The Court of Appeal dismissed the action to void the arbitral award "according to article 2059 and 2060 FCC, the principle of general material jurisdiction of the state judges only prevents arbitration for subject matters involving public policy (…) as a consequence, disputes relating to patent's exploitation, concerning either their interpretation or their execution are arbitrable". See also ICC award n. 6709, 1991, in J. J. ARNALDEZ, Y. DERAINS AND D. HASCHER, *Collection of ICC arbitral*

ownership can form object of arbitration, in fact the Paris Court of Appeal has stated that this kind of dispute opposes two different private interests and therefore there is no public policy profile.

However, there are some disputes that are not arbitrable at all. That is the case of criminal law, because an arbitrator cannot inflict criminal sanctions. On the same ground, a dispute concerning compulsory licenses is not arbitrable for the existence of a general interest and the necessary intervention of an administrative authority[131].

As considered above, disputes on patent validity used to be not arbitrable[132]. However, the Paris Court of Appeal, with the case *Ste Hidravlika DOO v. SA Diebolt,* has recently ruled in favour of arbitration[133] with a jurisprudential *revirement* stating: "the issue concerning the validity of a patent, incidentally raised during a contractual dispute, can be settled by arbitration. When the invalidity is noticed, it does not become *res judicata*, unlike a judgement, since the invalidity does not appear in the operative part of the judgment. The invalidity has an *inter partes* effect, and third parties can still seek the patent's annulment on the same ground". As clearly expressed by the Court, an arbitral board can void a patent, but only with an *inter*

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awards recueil des sentences arbitrales de la CCI 1991-1995, 1998, 435, where it is clear that "Article 68 [of Patent Law 2 January 1968] reserve to state judges disputes on matters concerning public policy, such as issue, voidness or validity of a patent, but it is on the same line clear that disputes concerning patent exploitation are undoubtedly arbitrable".

[131] G. BONET AND C. JARROSSON, *L'arbitrabilitè des litiges en propriété industrielle, in Colloque IRPI du 26 janvier 1994*, 1994, 65.

[132] B. OPPETIT, *L'arbitrage en matière de brevets d'invention après la lo du 13 julliet 1978*, in *Rev. de l'arb.,* 1979, 90. On the same line A. C. CHIARINY DAUDET, *Le règlement judiciarie et arbitral des contentieux internationaux sur brevets d'inventions*, in *Bibliothèque de droit de l'entreprise*, 2006, 526. The authors consider that is not possible for a private judge to declare the invalidity of a patent which is delivered by a public authority, this suggests that a patent has an *empreint d'ordre public*, moreover a validity decision has *erga omnes* effect, this will affect third parties' rights. On this point see C. LE STANC, *Arbitrage et contrat de licence: experience française*, in F. DESSEMONET, *Creative ideas for intellectual property the Atrip papers 2000-2001*, 2002, 252. Here the Author hopes a legislative intervention declaring patent disputes fully arbitrable in all their aspects, on the condition of an effect subjectively limited to parties of the dispute.

[133] Court of Appeal of Paris, 28 February 2008, *Ste Hidravlika DOO v. SA Diebolt*, in *JCP* E, 2008, 1582, with a note of *C. Caron*. Here the Diebolt Company concluded a licensing agreement with Liv Hidralika with an arbitration clause. After a breach of contract, action was brought before ICC which dismissed Hidralika's opposition of lack of jurisdiction because the claim had as object the patent validity. As a consequence the losing party appealed in front of the Court of Appeal which dismissed the action.

partes effect. Indeed it has no effect towards third parties and the decision will not take place in the National Patent Register held by the National Institute of Industrial Property (INPI). In this regard, it has been accurately considered by doctrine that it is important to make a distinction between validity and opposability of a patent[134]. The former is a condition of the act coming from the time of its formation, as a consequence, if the arbitrator is entitled to statue over validity, his decision must necessarily have an *erga omnes* effect. Saying that a patent has no validity *inter partes* but only *erga omnes* has no meaning at all. On the contrary, an arbitrator can affirm the opposability or efficacy (only *inter partes)* of a patent, on a subjective field of application (or *ratione personae*), which is the reason why IP disputes are arbitrable but only with *inter partes* effects.

There are some positive consequences of this new orientation: first of all, enabling the arbitrator to pass a nullity declaration with *inter partes* effects creates a sort of dissuasion to challenge arbitrators' jurisdiction with an issue concerning the existence of an IP right only as a delaying tactic[135]. Moreover, if arbitrators cannot incidentally decide on patents validity while judging a contractual matter, some difficulties may arise if a court afterwards voids the same patent[136].

The above-considered decision does not mean that there is a full arbitrability of patent controversies, on the contrary, the Court of Appeal was very clear in stating that arbitrators can decide when this dispute arises incidentally. As a consequence, some Authors[137] considered that, as reason of public policy, arbitrators are not allowed to decide a dispute when the validity of a patent is the principal issue.

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[134] G. BONET AND C. JARROSSON, *L'arbitrabilité des litiges de propriété industrielle en droit français*, in *Arbitrage et propriété intellectuelle, Colloque de l'IRPI*, 1994, 64.

[135] E. FORTUNET, *Arbitrability of Intellectual Property disputes in France*, in *Arb. int.*, 2010, vol. 26, II, 281.

[136] The contract may be voided only for the future or this decision may have also retrospective effects, because the contract misses an object or a cause. The *Cour de Cassation* seems supporting the first position. See Cour de Cassation, 28 January 2003, in *JCP*, 2003, n. 422. Concerning the case *New Holland Braud v. Kvenerland Orleans* concerning the reimbursement for paid royalties in order to obtain a licence of a patent afterwards declared void. The *Cour de Cassation* stated that: "invalidity of a contract resulting from the invalidity of the patent does not mean the royalties paid by the licensee were totally deprived of any cause, since the licensee still enjoyed prerogatives".

[137] This is the position of C. CARON in Paris Court of Appeal, 28 February 2008, *Ste Hidravlika DOO v. SA Diebolt*, in *JCP* E, 2008, 1582.

Another limit of arbitration for patent validity is intrinsically linked to the meaning of the *inter partes* effect. As a consequence, if a patent is declared void by arbitration, its owner has to take a new legal action in order to fulfill his title against a third party. On the contrary, when the case is brought before a court, the sentence declares its voidness as *erga omnes* effect, which means enforceability against everyone, this is the reason why in some circumstances the ordinary path is preferred.

2.2.3. Countries that allow arbitrability only for patent infringement.

A country adopting a similar approach draws the line between a private law claim and a public law one. According to this perspective a dispute concerning infringement will be considered as arbitrable, this because there are no elements of public policy involved, but only contractual rights and obligations. On the other hand, validity issues would be considered non arbitrable due to the recognition of a heavier importance to arguments against arbitration than parties' freedom to resort to a private system resolution. As a matter of fact still today the arbitrability of validity issues is very likely to be denied in most jurisdictions.

2.2.3.1. Sweden[138].

Arbitration in Sweden has ancient origins. In XIVth century the law of the town of Visby allowed parties to settle disputes by intervention of a trustworthy man. In spite of its ancient origins it was necessary to wait until 1887 to find the first Swedish arbitration law, which allows a party to write an arbitration convention that excludes the proceeding before the ordinary judge. The unfair use of arbitration as a dilatory tactic allowed some reforms, which determined the adoption in 1929 of a new arbitration law, in force still today. With this reform arbitration was considered as a

[138] According to Swedish Commentators, arbitrability on validity issues did not receive a lot of attention and today is quite controversial. See in this regard T. JANSSON, *Arbitrability regarding patent law, an international study*, in *Juridisk Publikation*, I, 2011, 64 and W. GRANTHAM, *The arbitrability of International Intellectual Property disputes*, in *Berkley Journal of International Law*, XIV, 1996, 219. This led to the prudent decision to place Sweden in the paragraph dedicated to countries with a narrow notion of arbitrability.

real alternative to the ordinary proceeding, giving to the parties legal instruments in order to respect the arbitration convention and its effects of *res iudicata*.

The State has no power to verify the regularity or the opportune reasons for choosing an arbitral proceeding, this task is pending upon parties. On the contrary, the State's responsibility is the verification of the objectivity of the procedure, even if only from a formal point of view. Under this perspective a too wide freedom given to the parties can be considered as an advantage for the arbitration proceeding, but on the other hand could be considered as a weaker protection for one of the parties. As a consequence of this reasoning, some guarantees cannot be removed, such as the guarantees of impartiality, which are fundamental in order to strengthen the credibility of arbitration. In the preparatory works of the 1929 law it was indicated that all disposition had to be considered as public policy, binding upon parties. Unlike this original approach, the text of the law recognises a great freedom to the parties by recognition of a certain number of cases where parties can derogate these limits.

The matter of the applicable law to the arbitration proceeding must be solved considering Section 48 of the Swedish Arbitration Act[139]. It is clear that parties' choice must be respected, anyway, if parties have expressed no choice, then the law of the country where the arbitration takes place has to be applied. If the contract concluded by parties has a governing law clause it is reasonable, as a simple assumption that can be derogated by other circumstances, that parties considered this clause applicable to arbitration too.

In matter of subject that can be decided by arbitrators, the Swedish Arbitration Act[140] provides a broad definition of objective arbitrability. Here a subject matter is

[139] Section 48 of the Swedish Arbitration Act states that: "Where an arbitration agreement has an international connection, the agreement shall be governed by the law agreed upon by the parties. Where the parties have not reached such an agreement, the arbitration agreement shall be governed by the law of the country in which, by virtue of the agreement, the proceedings have taken place or shall take place".

[140] Section 1 reads as follows: "Disputes concerning matters in respect of which the parties may reach a settlement may, by agreement, be referred to one or several arbitrators for resolution. Such an agreement may relate to future disputes pertaining to a legal relationship specified in the agreement. The dispute may concern the existence of a particular fact". It is obvious, from the clear above-mentioned provision that the dispute can concern also a mere fact. In order to be arbitrable it is unnecessary that the fact is related to any legal consequences. The third paragraph states the arbitrability of civil effects of competition laws, in so far as parties' relationship is involved. While anti-trust authorities have jurisdiction over disputes involving a

considered arbitrable when parties can reach a settlement and decide to resolve their dispute out of an ordinary court. Anyway, just because a certain dispute can be settled by parties also outside a civil action, this does not automatically mean that the dispute is arbitrable; there could be relevant public policy issues which makes it non-arbitrable[141]. On the other hand the mandatory application of statutory provisions or possible limitations to a party's power of decision do not necessarily imply inarbitrability (in this regard article 1.3 of the Swedish Arbitration Act expressly allows arbitration on competition disputes, a domain which is traditionally excluded from private settlements).

The basis for arbitration is the arbitration agreement, which finds its roots in the power of the parties to freely determine the object of their dispute. As a consequence objective arbitrability is limited to the sphere of available rights. The principle of parties' autonomy is applied in the majority of matters, which often leads parties to recur to arbitration, considered a useful system of disputes resolution. The working group tried to identify unavailable rights, distinguishing between those which can form object of arbitration and those that cannot, as a reason of the not so clear meaning of the concept of public policy. As a consequence it was accepted to maintain the rule stating that every dispute concerning an available right is arbitrable, but if there is a norm having a compulsory character, this has not automatically the effect of excluding arbitration. In case of international controversy, the government suggests to let arbitral tribunals define in which cases a foreign provision can be considered available or not. This position is taken in conformity with the international tendency, which expresses a *favor* for arbitration, even if the dispute in a purely national contest would be considered not arbitrable.

According to the Patent Act, the Stockholm civil court of first instance has jurisdiction on infringement and validity issues[142], anyway, this does not mean that

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public interest, anti-trust issues can be object of arbitration, but arbitrators have not the right to apply ex-officio anti-trust legislation, this depends on issues raised by parties.

[141] F. MADSEN, *Commercial Arbitration in Sweden,* Oxford, 2006, 54. See also W. GRANTHAM, *The arbitrability of International Intellectual Property disputes*, in *Berkley Journal of International Law*, 1996, 219.

[142] Section 65 of the Patent Act at this regard states that: "The City Court of Stockholm shall be the proper court for litigation which concerns: (1) the proper title to an invention for which a patent is sought, (2) the invalidation or transfer of a patent, (…) (4) patent infringements (…)".

there is an interdiction to use ADR, on the contrary this disposition should be interpreted only on the availability of the judicial forum, rather than the unavailability of the arbitral forum.[143]

As above considered, in relation to infringement and validity issues the prevailing Swedish approach is that, similarly to other European countries, arbitration is admitted having regards to infringement disputes, but not in those concerning validity issues[144]. The question of arbitrability of validity of patents disputes has not received a lot of attention among Swedish Scholars or in the Patent Act or in the Arbitration Act[145]. The prevailing approach seems to support the idea that only infringement issues can be arbitrated. Supporting this interpretation with the content of preparatory works is a difficult task. Infringement disputes are those ones for which is possible to reach a settlement, but even validity disputes can be considered at party's disposal. On the other hand, there are reasons for which validity issues can be considered as non-arbitrable, that is to say a certain form of publicity required by Patent Act (absent in the arbitration proceeding) as protection for thirds, the notification of the claim to the Patent Office and the registration of the judgement before the Patent Office[146].

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[143] See *Pritzker v. Merrill Lynch, Pierce, Fenner & Smith, Inc*. 7 F.3d 1118 (3d Cir. 1993). In this case the U.S. court stated that "such jurisdictional provisions speak only to the issue of which judicial forum is available, and not to whether an arbitral forum is unavailable".

[144] See K. L. HOBÉR, *Sweden*, in D. M. KOLKEY, R. CHERNICK, B. REEVES NEAL, *Handbook on International Arbitration and Mediation*, 2012, 758. See also W. GRANTHAM, *The arbitrability of International Intellectual Property disputes*, in *Berkley Journal of International Law*, XIV, 1996, 219. On the same opinion P. SUNDIN AND E. WERNBERG, T*he scope of arbitrability under Swedish law*, in *The European Arbitration Review*, 2007, 63. Considering patent litigation there are no doubts that licensing disputes can be object of arbitration. Moreover arbitration is admissible in matters of infringement of IP rights, while validity issues are generally considered not arbitrable. The preparatory work of the Patent Act affirms that infringement disputes are those ones for which parties can reach a settlement.

[145] This at the light of the interesting work of T. JANSSON, *Arbitrability regarding patent law, an international study*, in *Juridisk Publikation*, I, 2011, 64. E. M. RUNESSON, *Licensavtalet, skiljeavtalet och immaterialrtten*, in *Juridisk Tidskrift*, 2003, 687.

[146] At this regard see Section 64 of the Patent Act: "Anyone who desires to bring action for invalidating a patent, or for transfer of a patent or for the grant of a compulsory license shall report this to the Patent Authority and shall also notify everyone who holds, according to the Register of Patents, a license under or a pledge of the patent (…)" and Section 70 of the Patent Act: "A transcript of the judgment or final decision in cases referred to in Section 65 shall be sent to the Patent Authority". This kind of publicity is a form of protection for third parties which does

The principle of separability is well-established in Swedish Arbitration law, finding statutory expression in Section 3[147] of the above-mentioned Act. As a consequence of this principle the arbitration convention constitutes another agreement, separated from the main contract. Arbitrators' power to rule on their own jurisdiction is recognised by Section 2.1[148], but this does not prevent a court from ruling on request of a party, with a judgement which is binding both on parties and on arbitrators. Arbitrators may continue the arbitral proceeding until the determination of the court. On the contrary if a similar decision is rendered by arbitrators this is not binding, it is expressed in the form of a decision more than in the form of an award. As a consequence parties do not need to initiate an action before a court in order to preserve their right to challenge the arbitral award, this right is recognised anyway. If arbitrators rule against their jurisdiction, considering the dispute as outside the scope of a valid arbitration agreement, then their decision is rendered in the form of an award, appealable by the party within three months of the receipt of the award[149]. On the contrary when arbitrators rule in favour of their jurisdiction they can do so by way

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not exist before the arbitral panel and is one of the reasons for inarbitrability of patent validity issues.

[147] Section 3 reads as follows: "Where the validity of an arbitration agreement which constitutes part of another agreement must be determined in conjunction with a determination of the jurisdiction of the arbitrators, the arbitration agreement shall be deemed to constitute a separate agreement".

[148] Section 2.1 states that: "The arbitrators may rule on their own jurisdiction to decide the dispute. The aforesaid shall not prevent a court from determining such a question at the request of a party. The arbitrators may continue the arbitral proceedings pending the determination by the court". In conformity with article 16.1 of the UNCITRAL Model Law.

[149] Section 36 reads as follows: "An award whereby the arbitrators concluded the proceedings without ruling on the issues submitted to them for resolution may be amended, in whole or in part, upon the application of a party. An action must be brought within three months from the date upon which the party received the award or, where correction, supplementation, or interpretation has taken place in accordance with section 32, within a period of three months from the date upon which the party received the award in its final wording. The award shall contain clear instructions as to what must be done by a party who wishes to challenge the award.
An action in accordance with the first paragraph which only concerns an issue as referred to in section 42 is permissible where the award means that the arbitrators have considered themselves to lack jurisdiction to determine the dispute. Where the award entails another matter, a party who desires to challenge the award may do so in accordance with the provisions of section 34".

of a decision, that can be immediately challenged before a court[150], or within three months of the receipt of the award.

One of the main corners of modern arbitration is the final character and the enforcement of the arbitration award. In 1972 Sweden ratified the New York Convention. During preparatory works it was pointed out the difference between invalid awards[151] and void[152] ones.

An award can be considered invalid with no time limits, this position was widely criticised as a reason of uncertainty[153].

[150] Section 34.3 reads as follows: "An action must be brought within three months from the date upon which the party received the award or, where correction, supplementation, or interpretation has taken place pursuant to section 32, within a period of three months from the date when the party received the award in its final wording. Following the expiration of the time limit, a party may not invoke a new ground of objection in support of his claim".

[151] Section 33 states that: "An award is invalid: 1. if it includes determination of an issue which, in accordance with Swedish law, may not be decided by arbitrators;
2. if the award, or the manner in which the award arose, is clearly incompatible with the basic principles of the Swedish legal system; or
3. if the award does not fulfill the requirements with regard to the written form and signature in accordance with section 31, first paragraph.
The invalidity may apply to a certain part of the award".

[152] As clearly indicated in Section 34 there are 6 reasons when an award can be set aside upon motion of a party:
"1. if it is not covered by a valid arbitration agreement between the parties;
2. if the arbitrators have made the award after the expiration of the period decided on by the parties, or where the arbitrators have otherwise exceeded their mandate;
3. if arbitral proceedings, according to section 47, should not have taken place in Sweden;
4. if an arbitrator has been appointed contrary to the agreement between the parties or this Act;
5. if an arbitrator was unauthorized due to any circumstance set forth in sections 7 or 8; or
6. if, without fault of the party, there otherwise occurred an irregularity in the course of the proceedings which probably influenced the outcome of the case".

[153] S. JARVIN, *La nouvelle loi sédoise sur l'arbitrage*, in *Revue de l'arbitrage*, I, 2000, 79. The Author considers that a dispute which is not arbitrable under foreign law, can be arbitrated under Sweden law. As a consequence this award will not be considered invalid under Section 33. On the contrary a dispute which is arbitrable under a foreign law but not under Swedish law, in this case the award will be considered void under Section 33. Moreover there are different situations where invalidity is not so clear and the award will be enforced in a foreign country before a party challenge its invalidity.

2.2.3.2. The Netherlands.

Article 1020.3 of the Arbitration Act states that "the arbitration agreement shall not serve to determine legal consequences of which the parties cannot freely dispose". Moreover, public policy matters and those for which is necessary an *erga omnes* effect cannot be considered at parties' disposal, as a consequence they cannot form object of arbitration. It must be clarified that the fact that a certain subject matter has public nature, or where public law must be applied, does not automatically exclude arbitration, even if there is a limitation to the conclusion of arbitration agreements for a public legal person. A dispute is non-arbitrable when exclusive jurisdiction is conferred to an ordinary court in relation to a subject matter; if in the statute there is a simple reference to the court this is not enough to determine inarbitrability of the dispute. In this regard article 80.1 lett. a of the Patent Acts of 1995[154] confers exclusive jurisdiction to the District Court of the Hague for the validity of patents. Disputes concerning licence agreements and claims for damages compensations are fully arbitrable[155].

The concept of autonomy of the main contract and the arbitration clause therein incorporated is clearly stated in article 1053 of the Arbitration Act[156]. As a consequence the decision on the validity or invalidity of the main contract does not concern the validity of the clause.

In accordance with the general tendency, article 1052 of the Arbitration Act[157] gives to the arbitral tribunal the power to decide on its own jurisdiction. The plea

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[154] Article 80.1 lett. a of the Patent Act reads as follows: "The District Court of The Hague shall have exclusive jurisdiction in the first instance for:
a. actions to determine the absence of legal effect, the invalidation, or the loss of legal effect of a patent or to determine claims to entitlement to a patent as referred to in Articles 10, 75, 77 and 78".

[155] A. J. VAN DEN BERG, *International Handbook on Commercial Arbitration: national reports and basic legal texts*, 7.

[156] Article 1053 of the Arbitration Act 1986 clearly states that: "An arbitration agreement shall be considered and decided upon as a separate agreement. The arbitral tribunal shall have the power to decide on the validity of the contract of which the arbitration agreement forms part or to which the arbitration agreement is related".

[157] Article 1052.1 states that: "The arbitral tribunal shall have the power to decide on its own jurisdiction".

concerning arbitrators' lack of jurisdiction must be raised by the requiring party in his statement of defence. If the party fails to do so, it is precluded form doing so later or before the court. The only exception is the plea concerning arbitrability of the subject matter that can be raised later or before the court[158].

2.2.3.3. Austria.

The Austrian Arbitration Act of 2006 finds its roots on the UNCITRAL Model Law, changing Austria's arbitration system in a perspective of improving its reputation as an arbitration-friendly country. The Austrian Arbitration Act, as a general rule, can be applied when the place of arbitration is in Austria, taking into account that this does not require further factual or legal connections to the country.

The definition of arbitration agreement in the Austrian Arbitration Act is that of an agreement concluded by parties to submit disputes that have arisen, or may arise between them, inside a defined legal relationship, to arbitration. This in conformity with article 2.1 of the New York Convention and article 7.1 of the Model Law.

Object of such arbitration agreement are any pecuniary claims and non-pecuniary ones capable of being resolved in a settlement agreement by the parties[159]. According to Section 582.1, the Austrian Arbitration Act clearly provides that "Any claim involving an economic interest that lies within the jurisdiction of the courts of law can be subject of an arbitration agreement. An arbitration agreement concerning claims not involving an economic interest shall have legal effect to the extent that the parties are entitled to conclude a settlement on the subject-matter in dispute". Therefore those claims, which are under the competence of administrative

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[158] Article 1052.2 affirms that: "A party who appeared in the arbitral proceedings shall raise a plea that the arbitral tribunal lacks jurisdiction on the ground that there is no valid arbitration agreement, unless the plea is made on the ground that the dispute is not capable of settlement by arbitration by virtue of article 1020(3), before submitting a defence; thereafter that party will be barred from raising this plea in the arbitral proceedings or in proceedings before the court". In this regard see also article 1065.2 which states that: "The ground mentioned in paragraph (1)(a) above [absence of a valid arbitration agreement] shall not constitute a ground for setting aside in the case mentioned in article 1052(2)".

[159] A. REINER, *The New Austrian Arbitration Act*, in *Journal of International Arbitration*, The Netherlands, 2007, XXIV, 529. See also C. ASCHAUER, *Il nuovo diritto dell'arbitrato austriaco*, in *Riv. Arb.*, 2006, 237.

authorities (such as the Patent Office) or that have to be decided by a supervisory or regulative authority, are excluded. Section 582.2[160] excludes arbitration for claims relating to Austrian tenancy law and family law. On the same line Section 617 provides special limitations to arbitration when a party in the procedure is a consumer. A failure to comply with the above mentioned limitations to arbitration is a reason to set aside (even *ex officio*) the arbitral award ex Section 611.2 n. 7 and 8, moreover according to Section 613 if the judge finds in other proceedings the existence of grounds to set aside, then the arbitral award shall not be considered[161].

The arbitral tribunal must apply the law, which has been chosen by the parties. In the hypothesis of absence of any choice made by the parties, it is upon the arbitral tribunal to apply the law considered more appropriate, not necessarily Austrian conflict-of-law rules. In order to decide *ex aequo et bono* explicit authorization from the parties is necessary.

Even if Austrian arbitration law does not explicitly adopt the doctrine of separability, the validity of an arbitration agreement can be considered independent from any validity issues of the underlying contract.

According to the UNCITRAL Model Law, the theory of "*kompetenz-kompetenz*" is explicitly stated in the Act[162], even if it was already accepted before. An interim

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[160] Section 582.2 reads as follows: "Claims in family law matters as well as all claims based on contracts that are even only partly subject to the Tenancy Act ("Mietrechtsgesetz") or to the Non-Profit Housing Act ("Wohnungsgemeinnützigkeitsgesetz"), including all disputes regarding the conclusion, existence, termination and legal characterization of such contracts and all claims concerning the condominium property may not be made subject of an arbitration agreement. Statutory provisions outside this Chapter by virtue of which certain disputes may not, or may only under certain conditions, be made subject to arbitral proceedings, remain unaffected".

[161] Section 611.2 n. 7 and 8 of the Arbitration Act reads as follows: "An arbitral award shall be set aside if:
7. the subject-matter of the dispute is not arbitrable under Austrian law;
8. the arbitral award conflicts with the fundamental values of the Austrian legal system (ordre public)."
According to 611.3: "The grounds for setting aside stipulated in paragraph (2) numbers 7 and 8 shall also be considered ex officio".
Section 613 provides that: "Should a court or an administrative authority find in other proceedings, for instance in enforcement proceedings, that grounds for setting aside in accordance with section 611 paragraph (2) numbers 7 and 8 exist, then the arbitral award shall not be relevant in those proceedings".

[162] Section 592.1 states that: "The arbitral tribunal shall rule on its own jurisdiction. The decision may be made together with the decision on the merits or by separate arbitral award".

award on jurisdiction rendered by the arbitral tribunal is subject to State control, nonetheless, the arbitral tribunal can proceed to the final award even if a proceeding to set aside an interim award is pending[163].

2.2.3.4. **Spain.**

Intellectual property is a branch of law characterised by a dynamic economic dimension, there is no doubt that a clear regulation in this matter is useful in order to allow an improvement in the research activities and in the development of a nation. In this regard it is clear the position of the Spanish Constitution, here in article 44.2[164] public powers are entitled to promote research and science in favour of the general interest. Nonetheless, Spanish traditional regulation of IP has been defined by different Authors as an "obstacle" for scientific and technical development[165]. The main reason which led to the reform was the entrance of Spain in the European Union. As a consequence Spain necessarily adapted its system of IP norms to the principles of freedom of circulation inside the countries of the Union and to the European patent[166].

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[163] Section 592 reads as follows: "(1) The arbitral tribunal shall rule on its own jurisdiction. The decision may be made together with the decision on the merits or by separate arbitral award. (2) A plea that the arbitral tribunal does not have jurisdiction shall be raised no later than the first pleading on the substance of the dispute. A party is not precluded from raising such plea by the fact that it has appointed, or participated in the appointment of, an arbitrator. A plea that the arbitral tribunal is exceeding the scope of its authority shall be raised as soon as the matter alleged to be beyond the scope of its authority is made the subject of a request for relief. A later plea is barred in both cases; if the arbitral tribunal, however, considers the delay sufficiently excused, the plea may subsequently be raised.
(3) Even while an action for the setting aside of an arbitral award with which the arbitral tribunal accepted its jurisdiction is still pending, the arbitral tribunal may continue the arbitral proceedings and make an award".

[164] Article 44 of the Spanish Constitution clearly states that: "1. The public authorities shall promote and watch over access to culture, to which all are entitled.
2. The public authorities shall promote science and scientific and technical research for the benefit of the general interest."

[165] L. A. CUCARELLA GALIANA, *La tutela giurisdizionale della proprietà industriale in Spagna*, in *Rivista trimestrale di diritto e procedura civile*, 2000, 233. Having regard to problems concerning patent protection before the last regulation see A. BERCOVITZ RODRIGUEZ CANO, *Problematica actual y reforma del derecho de patentes espanol*, Madrid, 1978.

[166] On the influence of the entry of Spain in the European Union see M. BOTANA AGRA, *El Acuerdo entre Espana y las C.E. sobre patentes*, in *A.D.I.*, 1983, 485.

Spanish Patent Law of 1986 with Article 125.2[167] gives the competence to decide the dispute over an IP dispute to the judge of first instance (that is to say the J*uez de Primera Instancia*), of the place where there is one of the tribunals *Superiores de Justicia*. This norm has the aim to create a judicial specialization on IP disputes[168].

Arbitration in Spain was regulated until 2003 by a law of the 5 December 1988 n. 36. Under article 1 of the aforementioned law, parties can submit to arbitrators, disputes arisen between them except those ones which are not available under the law. The Patent Law does not provide any special norm in this regard, arbitration is possible if the right object of the dispute is available (e.g. controversies concerning licence agreements are arbitrable, on the other hand this is not possible for those ones concerning the validity of the title).

Nonetheless the Patent Law does not provide a specific rule on the general arbitrability[169].

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[167] The above mentioned article clearly states: "The judge of first instance in the seat of the Higher Court of Justice of the Autonomous Community corresponding to the domicile of the plaintiff shall be competent and, where there are several, one may be permanently designated by the competent legal body".

[168] A. BERCOVITZ RODRIGUEZ-CANO, *La nueva Ley de Patentes. Ideas introductorias y antecedentes*, Madrid, 1986. It is interesting to consider that according to article 85 of the Ley Organica del Poder Judicial of 1985, all judges of first instance are competent to know disputes involving private law. In order to modify this competence it is necessary a modification of the organic law on judicial powers and not only the disposition of article 125.2 L.P. This is the reason why such a solution is not correct at the light of the necessities of predetermination contained in article 122 of the Constitutional Charter, where it is clearly expressed that the judicial organisation is up to the organic law of the judicial power ("The Organic Act of the Judicial Power shall make provision for the setting up, operation and internal administration of courts and tribunals as well as for the legal status of professional judges and magistrates, who shall form a single body, and of the staff serving in the administration of justice"). Article 117 of the Spanish Constitutional Charter gives to the ordinary jurisdiction the competence to resolve private disputes, even those one concerning patents ("The exercise of judicial authority in any kind of action, both in ruling and having judgments executed, is vested exclusively in the courts and tribunals laid down by the law, in accordance with the rules of jurisdiction and procedure which may be established therein"); special jurisdictions are admissible only if disciplined by constitutional norms. This is why article 125 L.P. is unjustified, an ordinary norm cannot create or exclude in the Spanish juridical order a special jurisdiction in matter of patents.

[169] This is the reason why L. A. CUCARELLA GALIANA, *La tutela giurisdizionale della proprietà industriale in Spagna*, in *Rivista trimestrale di diritto e procedura civile*, 2000, 238 does not agree with some judgements which found in article 123 L.P. a reason to admit or to exclude arbitration for patent disputes. This is the case of judgement of the Audiencia Provincial de Barcelona (Seccion 15), 31 January 1996 (in R.D.G., 1996, 7282).

The new Act on Arbitration, approved on 23 December 2003 and entered into force few months later, takes as model the Model Law on International Commercial Arbitration of 1985. The main aim of this Act is to facilitate commercial arbitration in Spain by a modernization of the previous Arbitration Act of 1988, in order to attract arbitrations from the Latin-American continent, due to reasons of historical and cultural proximity. Article 1 of the aforementioned Act determines its scope of application, limited to the territory of Spain, in regards to all arbitration proceedings which are not disciplined by a specific regulation, favouring a monistic approach as far as concerns the relationship between national and international arbitration. Article 2[170] of the Arbitration Act tries to regulate, with a general formula, the substance of the dispute, that is to say that parties may agree to submit to arbitration rights on which they have free disposition (in the original text "materias de libre disposition"). The Legislator considered unnecessary to create a list of arbitrable matters, for some reasons this can be considered an unfortunate choice, having regard to the important issues connected with competition and IP law for the economical development of a country. This disposition, in accordance with the combined provision of article 125.2 of the Patent Law, led Scholars to believe that patent validity cannot be object of arbitration[171].

As generally recognised by all European countries, Spain too makes of contractual freedom one of the principle of arbitration. Article 14 of the Act allows parties to choose language, evidence, experts, applicable law and procedure in order to "create" an arbitration proceeding which perfectly fits on their exigencies.

It is nonetheless interesting to consider article 22[172] of the Act; here it is recognised the *Kompetenz-Kompetenz* principle, allowing arbitrators to decide on their

[170] Preamble of the Arbitration Act states that: "Like Act 36/1988, Article 2 regulates the subject matters capable of being settled by arbitration based on a criterion of free choice. Nonetheless, a listing, even indicative, in the present act of matters that cannot be so defined is regarded as unnecessary. It suffices to provide that a dispute can be settled by arbitration where its object is a matter freely negotiated by the parties. In principle, matters that can be freely decided are arbitrable. Legal theory may identify certain issues within the realm of the parties' free choice whose arbitrability might expediently be excluded or limited. Nonetheless, such considerations lie outside the scope of general arbitration rules and should rather be addressed, as appropriate, in specific provisions contained in other legal texts".

[171] See in this regard A. GUPTA, *Arbitrability disputes concerning validity and infringement of IPRs*, in *Singapore Law Gazette*, 2010.

[172] According to article 22 of the Arbitration Act: "1. *Arbitrators may rule on their own jurisdiction, including any pleas with respect to the existence or validity of the arbitration agreement or any*

own jurisdiction, validity and existence of the arbitration agreement, and the separability principle which considers the arbitration agreement as independent in relation to the main contract. Article 41 does not provide particularly original solutions in matters of setting aside an award. Not differently from other European countries, an award can be set aside when the arbitration agreement is invalid or inexistent, when the award is contrary to public policy and when arbitrators have no competence to decide on the matters.

2.3. Germany: a peculiar case.

Traditionally in Germany, as in most European countries, patent validity issues have been considered not arbitrable. German doctrine separates infringement issues, concerning a private claim, and validity issues, which represent a public interest[173]. The former are heard before the ordinary court for civil actions, which are bound to the registration of the patent. If a party makes an objection involving the validity of the patent, than that party has to file a petition in order to stay the infringement action, according to the decision of the court in the objected matter. The *Bundespatentgericht* (the Federal Patent Court) has exclusive competence over validity issues. The *Bundespatentgericht* is an unusual body which reviews decisions of public concerns, but is considered as a court of private law; as a consequence its decision can be appealed to German civil Supreme Court (*Bundesgerichtshof*) and

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others whose acceptance would prevent consideration of the merits of the case. For that purpose, an arbitration clause that forms part of a broader contract will be treated as an agreement independent of the other terms thereof. The arbitrators' decision to the effect that the contract is null and void will not entail *ipso jure* the invalidity of the arbitration clause. 2. The pleas referred to in the preceding item may not be lodged later than the submission of the statement of defence. Appointment or participation in the appointment of an arbitrator will not preclude a party from lodging such a plea. A plea that the arbitrators are exceeding the scope of their authority must be lodged as soon as the matter alleged to lie beyond the scope of their authority arises during the arbitral proceedings. 3. Arbitrators may rule on a plea referred to in this article either as a preliminary question or in an award on the merits. An arbitrators' decision may only be objected to by lodging an application for setting aside the award in which it is adopted. If the decision is adopted as a preliminary question and overrides the plea, institution of action to set aside the award will not imply suspension of the arbitration proceedings". Emphasis added.

[173] M. A. SMITH, *Arbitration of Patent Infringement and Validity Issues Worldwide*, in *Harvard Journal of Law & Technology,* Vol. 19, II, 2006, 334. See also J. PAGENBERG, *The Arbitrability of Intellectual Property Disputes in Germany*, in *American Review of International Arbitration,* V, 1994, 44.

not to the administrative court (*Bundesverwaltungsgericht*). This peculiar dualistic nature can be considered as basis of the public and private conception of German patent validity issues[174].

It was necessary to wait until 1996 for a clear decision of *Bundesgerichtshof* which ruled in favour of arbitration, allowing arbitration in matters concerning infringement issues, and in general others than patent validity[175]; matters involving rights conferred by registration, such as patent validity issues, were considered outside the scope of arbitration by reason of the public nature of the patent monopoly and the exclusive jurisdiction of the Federal Patent Court. From an international point of view, the issue of arbitrability arises in consideration of the property nature of the claims or in reason of the right recognised to parties to have free disposal of the subject matter of the dispute, resolving it by arbitration[176]. The former was the model

[174] A. KLETT, *Intellectual Property Law in Germany,* Munich, 2008, 25.

[175] Bundesgerichthof [BGH] [Federal Court of Justice] 3 March 1996, 1 *Entscheidungen des Bundesgerichtshofes* in *Zivilsachen* [BGHZ] 278. See also M. A. SMITH, *Arbitration of Patent Infringement and Validity Issues Worldwide*, in *Harvard Journal of Law & Technology,* Vol. 19, II, 2006, 305. Moreover, it is possible to consider an award of the ICC n. 6097 of the 1989 in *Bullettin de la Cour International d'Arbitrage de la CCI*, 1993, 80. In this case arbitrators decided (with application of the German law) on the validity of a patent with in*ter part*es effect. The dispute opposed a Japanese claimant against a German defendant for the execution of a licence contract registered in Germany. The arbitral tribunal, with seat in Zurich, declared its competence for the definition of the validity of the patent even if under German law it is not possible to let arbitrators decide on patent validity issues. The arbitral tribunal reasoned as follows: "Ce pouvoir de décision n'affecte pas la valeur formelle du brevet accord en Allemagne Fédérale par acte de souveraineté de l'Etat, et il ne produit pas d'effet à l'égard des tiers. Par ce transfert de compétence, les parties ont voulu donner au Tribunal Arbitral, conformément au sens et au but de la procédure d'arbitrage, la possibilité de régler ce litige inter partes de façon simple, rapide et définitive". "D'après l'opinion générale, il n'est pas possible en droit positif allemand… de donner compétence à un tribunal arbitral pour déclarer nul un brevet. Mais les juristes sont de plus en plus nombreux à considérer dans la doctrine que cette conception stricte n'est plus défendable, et que l'on peut admettre qu'on tribunal arbitral statue, avec effet entre les parties, sur la validité d'un brevet invoqué par le demandeur". Anyway, this decision can be paralysed by article 9 of the Loi fédérale sur le droit international privé ("Lorsqu'une action ayant le même objet est déjà pendante entre les mêmes parties à l'étranger, le tribunal suisse suspend la cause s'il est à prévoir que la juridiction étrangère rendra, dans un délai convenable, une décision pouvant être reconnue en Suisse"); in case of simultaneous pendency of two identical suits the Swiss arbitral tribunal should suspend the proceeding.

[176] A. P. MANTAKOU, *Arbitrability and Intellectual Property disputes*, in *Arbitrability: International and Comparative Perspectives,* 2009, 266. Here the Author considers that main European countries follow one of these two different models. Switzerland follows the same model as Germany; on the contrary France, Italy, Spain and Greece follow the other one.

recognised by the Legislator with a reform of the German Code of Civil Procedure[177] (hereafter *Zivilprozessordnung* or ZPO), made in order to promote Germany as a seat of international arbitration. The definition of arbitrability provided by Section 1030 of ZPO is really wide, allowing arbitration in any case in which there is not a public interest. As clearly stated by the norm, any claim[178] concerning an economic interest can be object of arbitration; if the claim has no patrimonial content, then its arbitrability depends on the party's ability to reach a settlement (this is the case for validity issues). As a result the outcome will have only *inter partes* effect, being incapable of affecting third parties rights[179]. Arbitrability of disputes involving shareholders has been discussed for a long time; the *Bundesgerichtshof* held that disputes regarding nullity and validity of shareholders' resolution can form object of

[177] Section 1030 of the ZPO states that "Any claim involving an economic interest ("vermögensrechtlicher Anspruch") can be the subject of an arbitration agreement. An arbitration agreement concerning claims not involving an *economic interest* shall have legal effect to the extent that the parties are entitled to conclude a settlement on the issue in dispute". Translation available at http://www.trans-lex.org/600550. Emphasis added. The expression "economic interest" has a really wide meaning and comprises in addition to claims having as an object payment of sum of money, also prohibitory actions, revocation and change of legal relationships. See at this regard the Explanatory Memorandum on the Draft Bill of the Arbitration Law Reform Act, BT-Drucksache 13-5274, 34. See also K. P. BERGER, *Germany adopts the UNCITRAL Model Law*, in *International Arbitration LR,* III, 1998, 121 and D. P. SIMMS, *Arbitrability of Intellectual Property Disputes in Germany*, in *Arbitration International*, Vol. 15, II, 1999, 194. The Commission for the Reform of Arbitration Law suggested using as a model article 177.1 of Swiss Private International Law, which considers arbitrable claims having an economic interest as subject ("Any dispute of financial interest may be the subject of an arbitration"). The Commission's Report states that "those cases in which non-arbitrability is purely derived from parties' lack of freedom to dispose of their rights are, at least in tendency, to be judged differently, namely in the spirit of fundamental arbitrability". This is the case of revocation and voidness of patents, whose non-arbitrability comes from exclusive jurisdiction of *Patentgerichte*, which should benefit from the new arbitrability regime.

[178] With the expression "claim" (or *Anspruch*) German Legislator means the right to pretend from somebody an action or an omission. See at this regard Section 194.1 of the *Bürgerliches Gesetzbuch* (or BGB) which states: "The right to demand that another person does or refrains from an act (claim) is subject to limitation". In this sense are considered under an "economic interest" not only disputes concerning the payment of a sum of money, but also an action for declaration or an injunction. See I. HANEFELD, *Germany*, in F. B. WEIGAND, *Pratictioner's Handbook on International Commercial Arbitration*, Oxford, 2009, 7.32.

[179] F. PERRET, *L'arbitrabilité des litiges de propriété industrielle. En droit comparé: Suisse/Allemagne/Italie,* in *Arbitrage et propriété intellectuelle (Institut de Recherche en Propriété Intellectuelle Henri-Desbois),* 1994, 78 and J. PAGENBERG, *The Arbitrability of Intellectual Property Disputes in Germany,* in *Worldwide Forum on the Arbitration of Intellectual Property Disputes, 86.* Some Scholars have considered that patent validity issues are non arbitrable per se, on a different position P. SCHLOSSER, *Das Recht der internationalen privatenSchiedsgerichsbarkeit*, 1989, 232, believes that patent validity can be decided by an arbitral panel with *inter partes* effects, independently from court's jurisdiction.

arbitration under ZPO if all shareholders agree to submit the matter to arbitrators. If, on the contrary, a party needs a decision which is binding on third partes, than the subject matter has to be decided by an ordinary judge. Section 1030 of the ZPO does not clearly determine the competent judge to solve the validity issue; this has been made in the Act's explanatory section. Here it is noted that nullity and revocation of rights, which have been granted by an act of the government are excluded from parties' contractual power. In order to solve these disputes a specific court (the Federal Patent Court or Patentgerichte*)* has been established, which is competent to take decision with *erga omnes* effects. As a consequence the Act's explanatory section takes distance from the Commission's Report (based on the Swiss model). It seems as if the German Legislator wanted a modern approach to the problem, but at the same time was unwilling to leave the traditional position. The same words, but not the same approach were used.

Recently this restricting approach has been object of discussion; the majority of legal scholars are disposed to consider validity issues as objectively arbitrable in concrete. This result can be achieved without focusing on the validity issues themselves, but limiting the patent claims or considering them as unenforceable. Moreover some scholars criticised even the definition of public order, considering that it is not possible to entirely refer it to the courts[180]. The courts should on the contrary rule at a different stage, the one of the enforcement, refusing to enforce an arbitral award at the same conditions in which an enforcement of a judgement of a foreign court can be refused[181].

Arbitration proceedings held in Germany are based on the UNCITRAL Model Law and have the same *inter partes* effects of an ordinary judgement. If an arbitral award has been brought to the attention of the ordinary judge, this creates a preclusive effect that will show its effects in later proceedings between parties. This

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[180] Interim Award in Case Nr. 6097 of 1989, *The ICC International Court of Arbitration Bulletin*, IV, Nr. 2, 1993, 79; see also M. A. SMITH, *Arbitration of Patent Infringement and Validity Issues Worldwide*, in *Harvard Journal of Law & Technology*, XIX, Nr. 2, 2006, 333; K. H. BÖCKSTIEGEL, *Arbitration in Germany – The model law in practice*, 2007, 959.

[181] J. PAGENBERG, *The Arbitrability of Intellectual Property Disputes in Germany*, in *American Review of International Arbitration,* V, 1994, 48. At this stage no statutory changes have been made; anyway, a further change in German approach cannot be excluded. See in this regard T. JANSSON, *Arbitrability regarding patent law – an international study*, University of Lund, 2010, 29.

preclusion (*Rechtskraft*) has some difference from the concept of *res judicata*. The *Rechtskraft* has a binding effect limited to those claims which are brought forward in the suit, rather than those arising incidentally. Moreover, the award shows its effects only above the conclusions reached in the judgement, there is no reference to other litigated issues (e.g. an award imposing on a party the return of a certain good is binding in future proceedings, but this effect does not extend to the assumption that the receiving party is the owner and may be challenged in another proceeding).

As already considered in different parts of this work, arbitral awards have only *inter partes* effect. The only exception could be found in a declaratory decision that creates law, ruling on patent validity, if this matter would be arbitrable (but this is not the case).

In accordance with Section 1040 (1) of the ZPO: "The arbitral tribunal may rule on its own jurisdiction and in this connection on the existence or validity of the arbitration agreement. For that purpose, an arbitration clause which forms part of a contract shall be treated as an agreement independent of the other terms of the contract". The arbitral tribunal has competence to rule on its own jurisdiction: this is the principle known as "Kompetenz-Kompetenz". Nevertheless (as confirmed by Section 1040 (3) "If the arbitral tribunal considers that it has jurisdiction, it rules on a plea referred to in subsection 2 of this section in general by means of a preliminary ruling. In this case, any party may request, within one month after having received written notice of that ruling, the court to decide the matter. While such a request is pending, the arbitral tribunal may continue the arbitral proceedings and make an award") in Germany arbitrators' decision on jurisdiction is submitted to the control of the Higher Regional Court, which does not limit itself to *a prima facie* control, but conducts a full review[182]. In matter of recognition and enforcement the New York Convention is applied. A German court can refuse to recognise a foreign award ruling over patent validity if the subject matter is not arbitrable under national law.

[182] See in this regard Section 1062 (1) of the ZPO: "The Higher Regional Court ("Oberlandesgericht") designated in the arbitration agreement or, failing such designation, the Higher Regional Court in whose district the place of arbitration is situated, is competent for decisions on applications relating to (…) the determination of the admissibility or inadmissibility of arbitration (section 1032) or the decision of an arbitral tribunal confirming its competence in a preliminary ruling (section 1040)". Translation available at http://www.trans-lex.org/600550.

In matter of behaviour of the operators during and after the proceeding, German law requires an obligation of confidentiality only for arbitrators. If parties have specific needs of confidentiality they have to conclude an appropriate confidentiality clause. As a matter of fact German civil practice usually avoids the publication of awards against a parties' will. As a consequence confidentiality agreements are not litigated, but there is no reason why confidentiality agreements cannot be enforced before a court (e.g. the enforcement of an arbitral award is a breach of confidentiality, being a cause of disclosure of the award).

German law allows arbitral tribunal to award damages and compensation, provided the subject matter is arbitrable. In accordance to UNCITRAL Model Law, the arbitral tribunal can also apply interim measures[183].

2.4. Concluding remarks on the comparative perspective.

According to the above-mentioned AIPPI general observations of 1992, there is a favour for arbitration of proceedings concerning IP rights; nonetheless, some States believe that the power of arbitrators must be limited, this is due to the peculiar nature of IP rights. The decision on validity issue of an arbitral tribunal cannot cancel a title granted by the public authority (this is the case of a patent), this is the reason why an arbitral decision has effects which are limited *inter partes*. In particular this is the French case, where arbitration of patent validity with *inter partes* effect has been clearly stated with a recent jurisprudence.

[183] This is true after the 1998 reform of the ZPO, before only courts could apply interim measures These measures are generally respected by courts, even if they maintain a certain discretion, the new section 1041 of the ZPO states that "(1) Unless otherwise agreed by the parties, the arbitral tribunal may, at the request of a party, order such interim measures of protection as the arbitral tribunal may consider necessary in respect of the subject-matter of the dispute. The arbitral tribunal may require any party to provide appropriate security in connection with such measure. (2) The court may, at the request of a party, permit enforcement of a measure referred to in subsection 1, unless application for a corresponding interim measure has already been made to a court. It may recast such an order if necessary for the purpose of enforcing the measure. (3) The court may, upon request, repeal or amend the decision referred to in subsection 2. (4) *If a measure ordered under subsection 1 proves to have been unjustified from the outset, the party who obtained its enforcement is obliged to compensate the other party for damage resulting from the enforcement of such measure or from his providing security in order to avoid enforcement. This claim may be put forward in the pending arbitral proceedings"*. Emphasis added. Translation available at http://www.trans-lex.org/600550.

How can the problem of patent arbitration be considered from a practical point of view? Cases where parties, after a counterfeiting of an IP right, subscribe an arbitration convention are really rare. Notwithstanding the attention payed in this chapter to validity issues, it is clear that they have a limited importance in everyday arbitration[184]. In these cases parties are not bound by a contract, therefore there is not a pre-existing arbitration clause. Certainly it is always possible to draft an agreement in order to avoid the ordinary jurisdiction, but it is extremely rare due to comprehensible psychological reasons; that is to say a party which claims the validity of its title will not agree to bring the action before an arbitral panel, but will prefer to let its adversary to bring the action before the competent judge. In practice the action will be more likely brought before arbitrators when parties are bound by a contract before the dispute comes out. A typical case is the licence contract, where the licensor asks for the payment of the royalties and the licensee replies *incidenter tantum* with the argument of the voidness of the title which gave origin to the aforementioned contract. Except for validity issues, which are, in reason of their controversial nature, the fundamental basis of these paragraphs; a trend can be perceived in favour of arbitrability, which has been defined with the expression "universal arbitrability"[185]. Legislators opted for a wide public policy test which imposed the examination of each subject matter to the conformity with public policy goals. As a consequence of these examinations different juridical areas where opened to ADR solutions; therefore there has been adopted a more liberal criterion in order to define arbitrability. This, in accordance with the development of an international policy favourable to arbitration, led to the simplification of decisions involving arbitrability. As a matter of fact in case of uncertainty, arbitrability prevails over inarbitrability. Some Authors[186] support the full arbitrability of patent disputes, even those involving the validity of the IP title. Declaring the invalidity of a title, the arbitrator will not undo what the State has created, in reason of the fact that the

[184] For a clear analysis of this topic see F. PERRET, *L'arbitrabilité des litiges de propriété industrielle*, in *Arbitrage et propriété intellectuelle*, Paris, 1994, 81.
[185] This expression has been used in the editorial *Arbitrability Special Issue*, in *Arbitration International*, 1996, II, iii-x.

[186] F. PERRET, *L'arbitrabilité des contentieux en matière de brevets d'invention*, in *Liber amicorum Claude Reymond autour de l'arbitrage*, 2004, 239.

registration formalities have no constitutive effect. The arbitrator has to verify if the substantial conditions of validity are respected, if they are not he will declare the invalidity of the title with an effect which is necessarily *erga om*nes[187]. In this regard it is important to make a clear distinction between validity and opposability of the title. The former is a condition of the deed which is appreciated at the time of its formation; if the arbitrator has to decide on the validity of an IP title it is necessary that this decision has *erga omnes* effect. As a matter of fact the title confers to the owner absolute rights, consequently every decision will have effects towards third parties. A similar approach will assure the certainty of the right and will avoid contrariety of decisions. When the law states the exclusive competence to a special tribunal in order to decide on the validity issue, this is not because this particular topic is relevant under the public policy of that State, but in order to grant a certain uniformity of the jurisprudence and to allow recourse to specialised judges[188].

As already mentioned, the goal of universal arbitrability is reached by national legislators in different ways: in some cases there is an aprioristic consideration of arbitrability of all subject maters, without reservation of particular disputes to

[187] On the contrary an arbitrator can declare opposable a title in regard to the parties. This is the reason why Scholars consider that every IP dispute can be arbitrated but only with *inter partes* effect, in this sense it in not possible for an arbitral award state on the validity of a right, considering that such a decision cannot bind the public authority which accorded that right. See G. BONET AND C. JARROSSON, *L'arbitrabilité des litiges de propriété intellectuelle en droit français*, in *Arbitrage et propriété intellectuelle*, Paris, 1994, 64. Here the Authors clearly stated that: "Dire qu'un acte n'est pas valable entre parties, mais valable en dehors d'elles, n'a en effet juridiquement aucun sens". "C'est d'efficacité du titre entre les parties (notion qui renvoie à la force obligatoire du contract portant sur le titre) qu'il faut parler". On the same opinion B. HANOTIAU, *L'arbitrabilité des litiges de propriété intellectuelle: une analyse comparative*, in *ASA Bullettin*, I, 2003, 7. When the validity of the IP title is object of discussion between the parties, the main issue does not concern its validity *erga omnes* but its opposability among the parties.

[188] See in this regard L. DE GRYSE, *Quelques propos sur l'arbitrage en matière de brevets d'inventions: Jura vigilantibus: in Mélanges Antoine Braun*, Bruxelles, 1994. This is the reason why the European legislator wants to create a European patent tribunal (See Draft agreement on the establishment of a European Patent litigation system). This solution has the advantage to concentrate before a single judge the amount of disputes concerning the European patent. Today this is not possible due to article 16.4 of the Lugano Convention, that gives exclusive competence to the jurisdiction of the country of protection. Anyway, it would be desirable that arbitrators chosen by parties in reason of their knowledge of the subject matter have a full cognition of the matter and a recognition in the country of protection. a first step in this direction has been taken in relation to the Second Intergovernmental Conference for the Reform of the European Patent Office held in London 16 and 17 October 2000. here it has been declared that an arbitral award judging on the validity of a patent has an effect int*er pa*rtes, anyway, it is possible for members of the Monaco Convention to give a wider effect, that is to say an e*rga omnes* effect.

exclusive court jurisdiction. Alternatively, there is a very broad definition of what is an arbitrable claim, in order to contain all disputes involving economic or financial interests. In accordance with this perspective, some rights are considered arbitrable by default; the only limit is set by the law as a general criteria (this is the French case), or is necessary a specific exclusion from the scope of arbitrability (this is the Swiss and German case).

Trying to abandon for a while the Legislator's point of view, it is interesting to face the problem from the arbitrators perspective. Usually arbitrators are persuaded to decide on arbitrability issues in simple and global terms (see in this regard the ICC award n. 6097 / 1989[189]). In this way they are giving effect to parties will. The enforceability of the awards, seen as a duty in the arbitrators perspective to render an enforceable award, cannot be considered as a limit to arbitrators' freedom; this duty exists until parties have not waived to it. Nevertheless, as a counterbalance to this freedom there is the growing public mission of arbitrators, which bound them to raise *ex officio* arbitrability issues.

[189] See in this regard the ICC award n. 6097 of the 1989 in *Bullettin de la Cour International d'Arbitrage de la CCI*, 1993, 80, which has been already discussed in the footnote 99 of this work.

3. The Italian case.

3.1. Patents: a definition under the Italian i.p.c.

Intellectual Property[190] deals with a specific tradeoff, that is to say: the promotion of creativity as an irreplaceable instrument to the cultural and technological development, avoiding situations of cultural and technological monopoly. This result is commonly achieved by giving the patentee exclusive rights on the exploitation of the invention. This objective is particularly sensitive in regard to certain fields which are particularly important for society, e.g. surgical and therapeutic treatment of the human body[191] and it is pursued with the prohibition of having recognised a patent protection. Moreover, the entire patent system has been conceived in order to divulge to the public all the inventions and the technology progress therein contained in order to limit the monopolistic effects within a precise time-frame[192].

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[190] As a definition of IPRs see the Paris Convention for the Protection of Industrial Property of 1883; here article 1.2 clearly defines that "the protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition". The same definition has been adopted by the Italian Legislator under article 1 of the i.p.c.: "Ai fini del presente codice, l'espressione proprietà industriale comprende marchi ed altri segni distintivi, indicazioni geografiche, denominazioni di origine, disegni e modelli, invenzioni, modelli di utilità, topografie dei prodotti a semiconduttori, informazioni aziendali riservate e nuove varietà vegetali". Copyright, which is not part of this work, is regulated by l. 22 April 1941, n. 633. In order to provide a notion of copyright, it is useful to take into consideration article 2 of the Berne Convention for the Protection of Literary and Artistic works; in this sense "literary and artistic works" means "every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; (…) musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography (…)".

[191] See in this regard article 45.4 lett. a and b of the i.p.c., which contains this provision: "Non possono costituire oggetto di brevetto:
a) i metodi per il trattamento chirurgico o terapeutico del corpo umano o animale e i metodi di diagnosi applicati al corpo umano o animale;
b) le varietà vegetali e le razze animali ed i procedimenti essenzialmente biologici di produzione di animali o vegetali, comprese le nuove varietà vegetali rispetto alle quali l'invenzione consista esclusivamente nella modifica genetica di altra varietà vegetale, anche se detta modifica è il frutto di un procedimento di ingegneria genetica".

[192] This is the reason why the proceeding described in the i.p.c. under Chapter IV, requires that it is necessary sufficiently clear description and drawings of the invention, in order to allow any person skilled in the art to reproduce it. Every application must contain one single invention and must specify the content of the patent (the so called claim). The Patent Office verify the formal

The discipline of industrial inventions is contained in articles 2584-2591 of the Italian civil code and Chapter II Section IV of the i.p.c. Traditionally, industrial inventions are conceived as original solutions to a technical problem, applicable to the production of goods and services[193]. This definition clearly marks a distinction with literary and artistic works, protected independently from any practical usefulness. Moreover, there is another difference concerning the way in which the right of economic exploitation is conferred; in case of inventions or trademarks it is necessary a title granted by the Italian Office of Patents and Trademarks; on the contrary, artistic works are protected independently from any control exerted by an authority, in this sense they are protected from the mere act of creation.

Inventions can be divided into three categories, regarding their object: invention of product, they consists in a new object; invention of process, a new method of production of an already known product; derivative inventions, which come from the combination of previous inventions (combination inventions), in the improvement of an invention which is already existing (improvement inventions) or in the discovery of a new utilisation for an existing substance (translation inventions).

Conditions which have to be fulfilled in order to obtain the title of IP are listed in article 45 of the i.p.c.[194]. Moreover, the Legislator specified in article 45.2 of the i.p.c. that certain particular cases cannot be regarded as inventions; this is the case of discoveries, scientific theories and mathematical methods, plans, principles and methods for intellectual and commercial activities, games and computer applications[195], presentations of information. Anyway, it is possible to obtain a patent

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regularity of the application and the existence of the validity requirements. See A. VANZETTI E V. DI CATALDO, *Manuale di diritto industriale*, Milano, 2012, 415.

[193] In this sense see G. FLORIDIA, *Le creazioni protette*, in AA.VV. *Diritto industriale proprietà intellettuale e concorrenza*, Torino, 2012, 185. On the same opinion Cass., 4 November 2009, n. 23414, in *Riv. dir. ind*., 2010, II, 397.

[194] Article 45.1 states that: "Possono costituire oggetto di brevetto per invenzione le invenzioni, di ogni settore della tecnica, che sono nuove e che implicano un'attività inventiva e sono atte ad avere un'applicazione industriale". As it will be examined in the following pages, see also A. VANZETTI E V. DI CATALDO, *Manuale di diritto industriale*, Milano, 2012, 401.

[195] The reasons for the exclusion of the computer applications from the patent protections can be find in the inadequate knowledge of the matter at the time of the conclusion of the Munich Convention on the European Patent in 1973 and in the certainty of the existence of a deep difference fro softwares and traditional inventions. European case law interpreted this limitation in

in order to protect the technical utilisation of principles and discoveries, or the materials and proceedings used to obtain the discovery or the theory. Articles 45.4 and 45.5 exclude protection of methods for therapeutic and surgical treatment of human or animal body and methods of diagnosis applied to the human or animal body. The same exclusion is provided for animal varieties and essentially biological proceedings for obtaining these[196].

The granting of the title is subordinate to the existence of validity requirements, which are particularly important in relation to patent arbitration; as a matter of fact, arbitrability on validity of the IP title has been a much debated issue, as it has been seen in the first chapter of this work. These aforementioned requirements are: novelty (article 46 of the i.p.c.), inventive step (article 48 of the i.p.c.), industrial application (article 49 of the i.p.c.) and lawfulness (article 50 of the i.p.c.).

An invention is considered new if it is not part of the state of art, that is to say if it has not been made accessible to the public in the territory of the State or abroad before the date of the deposit of the patent application. The Italian Supreme Court[197] specified that in order to patent an invention it is necessary an extrinsic novelty: that is to say that the industrial invention is a solution to a technical problem capable of making a progress in relation to existing technique and knowledge, not a simple execution of ideas which are already known and part of known principles (intrinsic novelty).

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a very restrictive sense, preventing patents only for pure mental processes. Anyway, today software protection has been accorded by copyright.

[196] Article 45.2 of the i.p.c. states that: "non sono considerate come invenzioni ai sensi del comma 1 in particolare: a) le scoperte, le teorie scientifiche e i metodi matematici; b) i piani, i principi ed i metodi per attività intellettuali, per gioco o per attività commerciale ed i programmi di elaboratore; c) le presentazioni di informazioni". Moreover under article 45.4 and 45.5 of the i.p.c.: "4. Non possono costituire oggetto di brevetto: a) i metodi per il trattamento chirurgico o terapeutico del corpo umano o animale e i metodi di diagnosi applicati al corpo umano o animale; b) le varietà vegetali e le razze animali ed i procedimenti essenzialmente biologici di produzione di animali o vegetali, comprese le nuove varietà vegetali rispetto alle quali l'invenzione consista esclusivamente nella modifica genetica di altra varietà vegetale, anche se detta modifica è il frutto di un procedimento di ingegneria genetica.
5. La disposizione del comma 4 non si applica ai procedimenti microbiologici ed ai prodotti ottenuti mediante questi procedimenti, nonché ai prodotti, in particolare alle sostanze o composizioni, per l'uso di uno dei metodi nominati".

[197] Cass., 11 October 2009, n. 21835, in *Giust. civ.*, 2009, I, 2652.

Another requirement is that of the inventive step, in this sense a technological advance must be non-obvious to an expert of that industrial field. It is a boundary between the knowledge that belongs to the normal development of each field, that could be created by anyone, and something more that overcomes such an advancement deserving an exclusive right. In this sense it is necessary that the invention must have a scope which is technically possible.

An invention fulfills the requirement of industrial application when the object of the invention is susceptible to application in any kind of industry, even in the agricultural one. Finally, the lawfulness condition requires the respect of public order and morality. In case of absence of one of the aforementioned requirements the patent is considered void.

The patent protection has two different dimensions: on one side, there is a moral content; that is to say that the inventor, by the mere act of creation has the right of being recognised author of the invention (the right of paternity); on the other side the author has the right to obtain the title, which has a constitutive function in order to obtain the right of exclusive economic exploitation of the invention. In some cases the right to be identified as the author and the right of economic exploitation do not belong to the same person, this is the case of an invention of an employee. According to article 60 of the i.p.c.[198], patent protection lasts 20 years from the deposit of the application; anyway, it is possible to lose the right in case of loss or voidness of the title.

The patent grants to the patentee an exclusive right to take profit from the invention within the boundaries of the State, this finds a limit with the first introduction of the product object of protection (or the product which came into existence with the

[198] Article 60 of the i.p.c. states that: “Il brevetto per invenzione industriale dura venti anni a decorrere dalla data di deposito della domanda e non può essere rinnovato, né può esserne prorogata la durata”. Voidness of the title is prescribed by article 76.1 of the i.p.c. is the validity requirements have not been respected, if the description is not sufficient for a person skilled in the art to reproduce the invention, if the object of the invention is outside the limit of the initial claim or if the patentee did not have the rights to obtain the title “Il brevetto é nullo: a) se l'invenzione non é brevettabile ai sensi degli articoli 45, 46, 48, 49, e 50; b) se, ai sensi dell'articolo 51, l'invenzione non è descritta in modo sufficientemente chiaro e completo da consentire a persona esperta di attuarla; c) se l'oggetto del brevetto si estende oltre il contenuto della domanda iniziale o la protezione del brevetto è stata estesa; d) se il titolare del brevetto non aveva diritto di ottenerlo e l'avente diritto non si sia valso delle facoltà accordategli dall'articolo 118”. The loss of the patent is described by article 75 (in case of non payment of the annual fees) and 70 (if the patent has not been executed within 2 years from the granting of the first compulsory licence) of the i.p.c.

patented proceeding, in case of invention of process) in the market of a member state of the European Union[199].

3.2. The Italian legislation on patent arbitration.

3.2.1. Introduction.

As considered by authoritative doctrine, arbitration in Italy, despite its values, does not have the spread which is common to other European systems[200]. The reasons for this situation are different; leaving aside the cost-benefit analysis, that will be considered in the fourth chapter of this work, this paragraph will only deal with the juridical dimension, considering the legal obstacles to the utilisation of this system of dispute resolution. First of all the arbitrability will be analysed, no more under a comparative approach (see in this regard chapter 1), but with an Italian focus, with an exam of the applicable procedural rules.

3.2.2. A problem of arbitrability.

The problem of arbitrability has been judged of special concern by most of the doctrine[201]; this can limit the use of arbitration, determine the voidness of the award or the impossibility to recognise or enforce it. The objective notion of arbitrability is

[199] Article 66 of the i.p.c. states that: "1. I diritti di brevetto per invenzione industriale consistono nella facoltà esclusiva di attuare l'invenzione e di trarne profitto nel territorio dello Stato, entro i limiti ed alle condizioni previste dal presente codice.
2. In particolare, il brevetto conferisce al titolare i seguenti diritti esclusivi: a) se oggetto del brevetto è un prodotto, il diritto di vietare ai terzi, salvo consenso del titolare, di produrre, usare, mettere in commercio, vendere o importare a tali fini il prodotto in questione; b) se oggetto del brevetto è un procedimento, il diritto di vietare ai terzi, salvo consenso del titolare, di applicare il procedimento, nonché di usare, mettere in commercio, vendere o importare a tali fini il prodotto direttamente ottenuto con il procedimento in questione".

[200] See in this regard C. DEL RE, *L'arbitrato*, in A. SIROTTI GAUDENZI, *Proprietà intellettuale e diritto della concorrenza*, *II. La tutela dei diritti di privativa*, Torino, 2010, 281.

[201] A. P. MONTAKOU, *Arbitrability and intellectual property disputes*, in L.A. MISTELIS E S. L. BREKOULAKIS, *Arbitrability. International and Comparative Perspectives*, Alphen aan den Rijn, 2009, 263. and F. GURRY, *Objective Arbitrability, Antitrust disputes, Intellectual Property Disputes*, in M. BLESSING, *Objective Arbitrability, Antitrust Disputes, Intellectual Property Disputes*, in *ASA Special Series,* VI, 1994, 110.

defined as the validity condition of the arbitration agreement which determines the arbitrators' power to decide the dispute[202]. The choice to limit arbitrability is a decision of public order variable in time from country to country[203]; the prevalent perspective is that arbitrability is the rule, inarbitrability the exception. This was not always considered true. Before the 2006 Reform, the definition, by way of exclusion, of the disputes that could be object of arbitration, generated the idea that non arbitrable disputes were a sort of exception in regards to a general arbitrability. Anyway, this was not correct[204]; the rule was found in the competence of the ordinary judge, while the competence of arbitrators was considered an exception. With the 2006 Reform, the elimination from the text of the norm of issues of status and separation, the review of the norm in the sense of admission of arbitration, with the exception of those disputes on unavailable rights, are important elements which stress the Legislator's change of perspective, even if it is clear that the general reference to limits imposed by law (or "divieto di legge") gives to the Legislator a wider area of intervention. It is clear that one of the reasons of this provision can be found in the necessity to distinguish arbitration from transaction. The availability of the right, requirement for the arbitrability, must be referred to the right object of discussion and not to the situations which can arise during the decision, unless these have to become *res iudicata*. The new draft of article 806 c.c.p. can confirm this new trend, considering arbitrability as the general rule which governs the parties' autonomy[205].

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[202] In this sense see B. HANOTIAU, *Objective Arbitrability, its Limits, its Problem Areas*, in M. BLESSING, in *Objective arbitrability, antitrust disputes intellectual property disputes*, Zurich, 1994, 26. This work will analyse only problems concerning objective arbitrability (or *ratione materiae*) and not those ones concerning the subjective arbitrability (or ratione personae, that is to say the impossibility to arbitrate a certain dispute due to the peculiar status or function of the parties). For a deeper analysis on this last topic see E. GAILLARD AND J. SAVAGE, *Fouchard Gaillard Goldman on International Commercial Arbitration*, Hague, 1999, 313.

[203] U. PATRONI GRIFFI, *Arbitrabilità e privative ulteriori non titolate*, in *AIDA*, 2006, XV, 75: " Il novero delle materie inarbitrabili è funzione del legame che l'ordinamento ritiene sussistere tra le stesse e i fondamenti dell'organizzazione economica e sociale dello Stato".

[204] See in this regard R. VECCHIONE, *Arbitrato nel sistema del processo civile*, Napoli, 1953, 138.

[205] The same opinion is expressed by M. RUBINO-SAMMARTANO, *Controversie compromettibili e ambito dei rimedi arbitrabili*, in *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, I, 291. Other matters excluded from arbitration, in reason of their belonging to the ordinary jurisdiction, are not expressly stated by the norm. This is the case of cease-and-desist orders,

As already considered, there are three different moments when a party can object the inarbitrability of the dispute; first of all, this can be objected before the arbitral tribunal; secondly before the Court of Appeal, as a reason of voidness of the arbitral award due to inarbitrability reasons; thirdly, this objection can be raised before the ordinary judge at the time of recognition or enforcement of the award. Differently from the first chapter, where these profiles have been examined with a comparative approach, now the analysis will be conducted privileging the Italian dimension.

3.2.2.1 Inarbitrability before the arbitral tribunal.

After a long debate[206], the Italian code of civil procedure adopted the doctrine of separability, that is to say the independence of the arbitration clause from the main agreement, in this sense these have to be considered as two different contracts. After the 2006 Reform, it has been clarified that the validity of an arbitration agreement is determined independently from the main contract[207].

Doctrine uses the expression "Kompetenz-Kompetenz" in order to describe the power, recognised upon the arbitrators to decide on their own jurisdiction; in this regard "the arbitral tribunal may independently rule on the question of whether it has jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement, without having to resort to a court"[208]. According to the Italian

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evictions, bankruptcies, enforcements of judgments and precautionary measures. Hypothesis in which the inarbitrability has to be considered as a consequence of the absence of power of the arbitrator, rather than in the subject matter itself.

[206] In relation to the old Roman doctrine of "accessorium sequitur principale", the ancillary nature of the arbitration agreement has been denied and the arbitration agreement acquired a precise independent dimension. Among the copious case laws in this subject matter see Naples Court of Appeal, in *Foro it.*, 1950, I, *Soc. tramvie provinciali di Napoli v. Manicone*.

[207] Article 808 of the c.c.p. states that: "La validità della clausola compromissoria deve essere valutata in modo autonomo rispetto al contratto al quale si riferisce; tuttavia, il potere di stipulare il contratto comprende il potere di convenire la clausola compromissoria".

[208] See *Explanatory Note by the UNCITRAL Secretariat on the 1985 Model Law on International Commercial Arbitration as amended in 2006*, par. 25. See a leading Italian precedent on this issue: Genoa Court of Appeal, in *Foro pad.*, 1949, I, 243 case *Rota v. Floré*. Here it is stated that the arbitrators are judges of their own competence.

code of civil procedure, the problem of incompetence is governed by article 817[209]; here the Legislator decided to follow the "Kompetenz-Kompetenz" model, allowing the arbitral tribunal to decide on arbitrators' competence within the limited timeframe of the first defence after the acceptance of the appointment by arbitrators; with the exception of non arbitrable claims, in this case this ground of incompetence can be pointed out in every moment[210]. The arbitrator can affirm or decline the jurisdiction in different moments of the proceeding, it depends also on the arbitrators' view on this issue, indeed this issue is not regulated by statutory provisions. If the tribunal considers that it has jurisdiction, it is possible that it will render an interim award or can decide on this issue later with the merits. On the contrary if the arbitral tribunal's position is that one of declining jurisdiction, it is reasonable that it will avoid going further with the proceeding without a practical purpose.

Article 817 c.c.p. must be read in combination with article 819-ter[211], as far as rapports between arbitrators and ordinary jurisdiction are concerned. In this sense, pending an arbitral proceeding it is not possible to bring, before the ordinary judge, claims concerning the invalidity or inefficacy of the arbitration convention. On the contrary, if the arbitration has not yet started, it is possible to commence a proceeding before the ordinary judge in order to ascertain the invalidity or the inefficacy of the arbitration agreement. Anyway, the existence of such a proceeding does not prevent parties to start an arbitral proceeding on the same issues of validity or efficacy.

Even if the Legislator clearly gives to the arbitral panel the authority to decide on its own jurisdiction, the decision which denies jurisdiction can be reviewed by state courts within the timeframe of 90 days from its service or within one year from

[209] Article 817 c.c.p. states that: "Se la validità, il contenuto o l'ampiezza della convenzione d'arbitrato o la regolare costituzione degli arbitri sono contestate nel corso dell'arbitrato, gli arbitri decidono sulla propria competenza".

[210] If this exception has not been raised the majority of the doctrine believes that this does not determine the conclusion of a tacit agreement, but a simple processual preclusion. See G. RUFFINI, *Sub 817 c.p.c.*, in S. MENCHINI, in *Riforma del diritto arbitrale*, in *Le nuove leggi civili commentate*, Padova, 2007, 1307 and M. RUBINO-SAMMARTANO, *Controversie compromettibili e ambito dei rimedi arbitrabili*, in *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, I, 290.

[211] Article 819-ter c.3 of the c.c.p. states that: "In pendenza del procedimento arbitrale non possono essere proposte domande giudiziali aventi ad oggetto l'invalidità o l'inefficacia della convenzione d'arbitrato".

the signature of the last arbitrator. Even the award which affirms jurisdiction can be challenged before a state court, but only together with the final arbitral award. On the contrary, if the arbitral award asserts jurisdiction and at the same time decides part of the merits, it can be immediately challenged. The application for setting aside the award does not interfere with the decision of the arbitrators to continue the proceeding, considering also the time limit to render the award.

3.2.2.2. Inarbitrability of the dispute as a ground of appeal.

According to article 828 of the c.c.p., the challenge against the arbitral award has to be filed within 90 days after its notification; the competent judge is the Court of Appeal of the district where the arbitration has its seat[212]. There are different cases in which the award can be voided, these are defined in article 829 of the c.c.p.; among these, article 829.1 n.1 disciplines the possibility to challenge the award in case of invalidity of the arbitral convention. This is possible in every hypothesis of nonexistence, invalidity or inefficacy of the arbitration convention, when arbitrators are without *potestas iudicandi*, including the case of inarbitrability of the dispute. Anyway, the limit provided by article 817.2[213] must be respected, the party cannot challenge the award for reasons of nullity, if the same party did not specify during the proceeding by means of exception, the non-existence, invalidity or inefficacy of the arbitration convention, with the exception of invalidity reasons due to inarbitrability of the dispute.

[212] Article 828 c.1,2 of the c.c.p. states that: "(1) L'impugnazione per nullità si propone, nel termine di novanta giorni dalla notificazione del lodo, davanti alla corte d'appello nella cui circoscrizione è la sede dell'arbitrato. (2) L'impugnazione non è più proponibile decorso un anno dalla data dell'ultima sottoscrizione".

[213] Article 829.1 n.1 of the c.c.p. refers to article 817.3, anyway some Authors believe, on the contrary, that it must be taken into consideration article 817.2. In this sense see E. F. RICCI, *L'arbitrato e il tipografo legislatore (L'elogio della rientranza)*, in *Riv. dir. proc.*, 2006, 631 and S. DI MEGLIO, *L'autosufficienza del lodo rituale nella nuova disciplina dell'arbitrato*, in *Riv. Arb.*, 2007, IV, 659.

3.2.2.3. Inarbitrability of the dispute at the time of recognition or enforcement of the award.

The Italian Legislator recognised the dispositions provided by the New York Convention, which have already been discussed in the first chapter. In this sense article 839 c.c.p. provides two conditions which can be examined *ex officio* by the judge[214]: the arbitrability of the dispute and its contrariety to the public order. The arbitrability has to be decided in relation to the *lex fori* of the place where the recognition is demanded, assuming that this request has been filed to an Italian judge, the relevant norm is article 806 of the c.c.p.. Recognition or enforcement will be refused if the dispute is not arbitrable under the Italian system of law, independently from any consideration regarding arbitrability of the same dispute in the country where the award has been rendered.

3.2.3. Article 806 c.c.p.

Italian Arbitration Law has been deeply reformed by D. Lgs. 2 February 2006, n. 40[215]. Article 806, before this reform, allowed parties to arbitrate every kind of dispute, with the exception of those concerning industrial relations, social welfare,

[214] The competent judge is defined by article 839 c.c.p.: this is the Court of Appeal where the counterparty has its domicile or the Court of Appeal of Rome, if that party is not domiciled in Italy.

[215] "Modifiche al codice di procedura civile in materia di processo di cassazione in funzione nomofilattica e di arbitrato, a norma dell'art. 1, comma 2, della legge 14 maggio 2005, n.80" published in the *Gazzetta Ufficiale* n. 38 of the 15 February 2006 n. 40. Article 1.3 lett. b of law 14 May 2005 n. 80 contains some principles that the Government was obliged to respect for the adoption of the 2006 Reform "la disponibilità dell'oggetto come unico e sufficiente presupposto dell'arbitrato, salva diversa disposizione di legge, (…) una disciplina specifica finalizzata a garantire l'indipendenza e l'imparzialità degli arbitri (…) che il lodo non omologato abbia gli effetti di una sentenza". At the light of the Reform, fundamental is the intervention in matter of arbitrability, without different provision of law, in this sense the only requirement is the availability of the right. According to this perspective there is no more reference to the institution of transaction. on the same line it is removed the limit to arbitration constituted by the presence of compulsory norms, due to the combined disposition of articles 1972 and 1481 c.c. Therefore, the only limit to arbitrability is due to the unavailability of the right, while the presence of binding norms is not *per se* a limit to arbitration. In conformity with the nature of *favor arbitrati* of the Reform, article 819.1 extend arbitrability *ratione materiae* for those matters which cannot form object of arbitration when arise incidentally, with the exception of those that, in conformity with the law, must be decided as *res iudicata*.

status, separation of spouses and those for which parties could not reach an agreement[216]. Anyway, it must be pointed out that disputes concerning articles 409 and 442 c.c. do not always concern unavailable rights. Under article 409 the prohibition to use arbitration finds its reason in the belief that the worker is weaker than the employer, therefore the arbitration procedure can be imposed against his will. Moreover the exclusion of status and separation disputes is pleonastic, due to the express reference to disputes which cannot be object of transaction. Nonetheless, controversies concerning patrimonial issues can derive also from disputes related to separation and status, for that kind of disputes transaction is possible, therefore arbitration is possible.

Article 806 c.c.p. has to be read in combination with article 1966 c.c., which explains that parties can reach a settlement when they can dispose of rights which are object of the dispute, the transaction is void if those rights, for reason of their own nature or for disposition of law, are not under parties' availability[217].

There is a clear intention of the Legislator which tries to simplify the regulation of the arbitration agreement with a unification of the *species* of arbitration agreement (that is to say the contract by which arbitration is chosen as the system to solve a dispute, already arisen between parties, disciplined by article 807 c.c.p.) and arbitration clause (chosen when the dispute is future and contingent, disciplined by article 808 c.c.p.) in a unique *genus*, with fundamental common requirements. Under an objective perspective, parties can devolve to arbitrators the decision of disputes concerning available rights.

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[216] Article 806 c.c.p. before reform stated as follows: "Le parti possono far decidere da arbitri le controversie tra di loro insorte, tranne quelle previste negli articoli 409 e 442, quelle che riguardano questioni di stato e di separazione personale tra coniugi e le altre che non possono formare oggetto di transazione". The new article 806 c.c.p. affirms: "Le parti possono far decidere da arbitri le controversie tra di loro insorte che non abbiano per oggetto diritti indisponibili, salvo espresso divieto di legge. Le controversie di cui all'articolo 409 possono essere decise da arbitri solo se previsto dalla legge o nei contratti o accordi collettivi di lavoro".

[217] Article 1966 c.c. reads as follows: "Per transigere le parti devono avere la capacità di disporre dei diritti che formano oggetto della lite. La transazione è nulla se tali diritti, per loro natura o per espressa disposizione di legge, sono sottratti alla disponibilità delle parti". C. PUNZI, *Disegno sistematico dell'arbitrato*, Padova, 2000, 242. Here the Author affirms that it is not possible to conclude arbitration agreements concerning the solution of disputes involving rights which are unavailable, in reason of their own nature or for law disposition. As a consequence this norm limits arbitration for unavailable rights. That is to say rights protected by law in reason of a superior interest or reason of public policy.

Even if the existence of a legislative provision on availability makes things easier, a definition of this concept is quite problematic and can be faced determining its negative boundaries; moreover, it is always necessary to respect the principle of reasonableness, as a form of protection of the negotiation autonomy of private parties. In this sense a right is unavailable when the chance of *deminutio* is not allowed; moreover, it is necessary to distinguish the main right from its patrimonial consequences, which are usually available both for the *an*, both for the *quantum*[218]. More complicated is the attempt to give a positive definition[219]. Part of the doctrine considers that unavailability is the consequence of the impossibility to reach, with a private agreement, the same effect of a decision of the ordinary judge[220]. Other Authors[221] find the definition of unavailability in the renouncement of a pre-existing right, in this sense there is no simple reference to the idea of negotiation autonomy defined in article 1321 c.c., independent from a pre-existing right, but it is article 1966 c.c. which is taken into consideration, here the existence of a right is presumed and it also defined the power to renounce, diminish and give it to somebody.

The 2006 Reform extended the domain of arbitrable matters, overcoming the analytic approach of the previous norm and those concerns which limited a complete protection of available rights[222]. Moreover, it has been clearly pointed out the difference between transaction and arbitration, avoiding difficulties concerning the

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[218] S. LA CHINA, *L'arbitrato, il sistema e l'esperienza*, Milano, 2008, 38.

[219] See E. RUSSO, *Norma imperativa, norma cogente, norma inderogabile, norma indisponibile, norma dispositiva, norma suppletiva*, in *Riv. dir. civ.*, 2001, 579. According to the opinion of the Author, it is difficult to determine a priori a definition of the concept of unavailability. Rather, this is relative and flexible, not only under a diachronic perspective, but also under a synchronic point of view, in relation to the different juridical orders considered.

[220] See E. F. RICCI, *Il nuovo arbitrato societario*, in *Riv. trim. dir. e proc. civ*., 2003, 522.

[221] See S. MENCHINI, *La convenzione arbitrale rituale rispetto ai terzi,* Bologna, 2004, 244. The Author affirms that the meaning of availability of a certain right is the power to diminish the substantial relationship. This because the arbitration requires the preexistence of a juridical relationship, which is fundamental having regards to the problem of objective availability. This does not mean that arbitration determines a disposal of the right, in this sense there is a relative availability, which is based on the function of ascertainment of the institution and different from that one of other fields of unavailability, such as that one of transaction.

[222] In this sense see M. CURTI, *L'arbitrato. Le novità della riforma*, Milano, 2006, 25 and G. F. RICCI, *Dalla transigibilità alla disponibilità del diritto. I nuovi orizzonti dell'arbitrato*, in *Riv. Arb*., 2006, 265.

reference to this institution[223]. In this sense, it is really important to underline the change of perspective from *transigiblità* to *disponibilità* of the rights. These two concepts have different meanings, in particular *disponibilità* (that is to say the availability of rights) has a wider range in comparison to *transigibilità*; this leads to an extension of the compass of arbitrability[224].

Moreover, this Reform avoids every confusion between unavailability of the right, which is a limit to the arbitral agreement, and the application of binding norms, which is a limit to the discretionary power of the arbitrators[225]. The Legislator can

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[223] See E. MARINUCCI, *L'impugnazione del lodo arbitrale dopo la riforma*, Milano, 2009, 26. Moreover, A. BERLINGUER, *La compromettibilità per arbitri: studio di diritto italiano e comparato, I. La nozione di compromettibilità*, Torino, 1999, 50, here the Author already in 1999 pointed out different problems concerning the presence of the institute of transaction inside article 806; this lead arbitration to take on al limits of the contractual autonomy such as public order, public decency and mandatory norms, with huge difficulties of interpretation. See also C. CONSOLO, *Sul campo dissodato della compromettiblità in arbitri*, in *Riv. Arb.*, 2003, 241.

[224] G. F. RICCI, *Dalla "transigibilità" alla "disponibilità" del diritto. I nuovi orizzonti dell'arbitrato*, in *Riv. Arb.*, 2006, 267 and E. ZUCCONI GALLI FONSECA, *Sub 806 c.p.c,* in S. MENCHINI, *Riforma del diritto arbitrale*, in *Le nuove leggi civili commentate*, Padova, 2007, 1153.

[225] G. VERDE, *La convenzione di arbitrato*, in G. VERDE, *Diritto dell'arbitrato*, Torino, 2005, 93. Moreover, see A. KIRRY, *Arbitrability current trends in Europe*, in *Arb. Int.'l*, 1996, XII, 377. Here the Author considers the disputes on *diritti indisponibili* having regards to the competition law. In this sense an old decision of the Court of First Instance of Bologna considered a dispute on the validity of a no-competition agreement as not arbitrable due to a contrast to imperative provisions of EC law (precisely article 85 of the EC Treaty and Art. 2 of EC Commission Regulation 67/67). The Court of Appeal of Bologna, according to the position of the Supreme Court (see Cass., 19 May 1989, 2406, in *Giust. Civ.*, 1989, I, 2605. The Supreme Court considered arbitrable the dispute every time "[non è tale da] comport are la disposizione del diritto indisponibile, nel senso che, per effeto della transazione o della sentenza arbitrale, risulti attuato *contra legem*"moreover "ogni altro genere di controversia,compresa quella sulla validità del contratto avente ad oggetto un diritto pretesamente indisponibile (…) non può ritenersi sottratta alla decisione arbitrale") reversed this decision stating that every dispute having per object the validity of a contract dealing with *diritti indisponibili* can be arbitrated, as a matter of fact this decision does not affect the *diritti indisponibili* (See Court of Appeal of Bologna, 21 December 1991, in *Yearbook XVIII*, 1993, 422). Recently see Cass., 27 February 2004, n. 3975, in Dejure, 2009 on the difference between imperative provisions and inarbitrability and Milan Court of Appeal, 13 September 2002, in *Riv. Arb.*, 2004, 105, with a note of L. RADICATI DI BROZOLO, *Arbitrato e diritto della concorrenza: il problema risolto e le questioni aperte*.
In matter of antitrust, following the American example (U.S. Supreme Court, *Mitsubishi Motors Corp. v. Soler Chrysler-plymouth, Inc.*, 473 U.S. 614, 1985), disputes concerning anticompetitive clauses can be object of arbitration, with the limit of the application of antitrust rules, which are public order norms. This is the case of Milan, Court of Appeal, 13 September 2002, *IBI Lorenzini v. Madaus*, in *Dir. Ind.*, 2003, 346 with a comment of M. F. PORTINCASA. Using the words of the Court "accettando limitazioni alla propria libertà di iniziativa economica - nel contesto di un sinallagma contrattuale - un'impresa non dispone di diritti che le siano in sé sottratti (…), ma incorre semmai in divieti posti dalle norme imperative antitrust dando luogo ad un contratto

determine that the formation of a right cannot be derogated by parties, thereafter, the holder of the right can, with the adoption of a binding procedure, freely dispose of it. In this sense establishment and extinction of a property right cannot be derogated (as a form of protection for general interests), but this does not mean that, once created, those rights are unavailable. Unavailability is a consequence of an evaluation on the exercise, by private parties, of a certain right (which is already existent), when a similar disposal obeys to common interests that right would be prejudiced under a system of free availability. In this sense the right of an individual to bring the action before a court, in order to obtain the declaration of voidness of a patent, can be renounced with no prejudices for other subjects. As a matter of fact the same action can be exercised by other individuals and by the public prosecutor (if there is a public interest not necessarily identical to that of a private citizen, such as competition). Moreover, the legitimacy of the public prosecutor, who is no more obliged to intervene in actions of private subjects, underlines that the private action is conferred upon individuals in their own interest, being the protection of the public interest a task of the public prosecutor.

The fact that the law recognises an *erga omnes* effect to the awards which are *res iudicata*, the declaration of nullity or loss does not represent an obstacle to arbitrability[226]. Article 123 i.p.c. determines the consequences of an award and finds its reason under a formal point of view in the constitutive effects of the registration and under a substantial point of view in the general interest in not maintaining exclusive rights which have no necessary requirements for their constitution and maintenance. In the same way, even if a restrictive interpretation is given to the norm, in the sense that only those judgements rendered by an ordinary judge can have *erga omnes* effect, this argument is not enough to consider inadmissible an arbitration in this case, but simply a reason to limit to the parties the efficacy of the award rendered on the validity or loss of a patent.

The second criterion of unavailability provided by article 806 c.c.p. is based on the express prohibition by law. Article 1966 c.c. affirms that unavailability can derive

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affetto, per contrarietà alla legge, da un vizio di nullità rilevabile dinanzi al giudice ordinario non meno che dinanzi agli arbitri".

[226] G. GUGLIELMETTI, *Arbitrato e diritti titolati*, in *AIDA*, 2006, 12.

from the nature of the right itself or from expressed legislative provision. In this sense it is necessary to interpret article 806 c.c.p. or as a useless repetition of the content of article 1966 c.c., or it concerns different rights which otherwise would be considered available. The literal meaning of the norm and the interpretive technique led Scholars to adopt the second meaning [227]. As pointed out by some Commentators, it is evident that a similar drafting has the consequence to weaken, rather than strengthen, the area of use of arbitration. Anyway, the principle of reasonableness has to be taken into account in order to coordinate the limit of the prohibition of law and the constitutional value of the private autonomy[228].

With the expression available right is meant a right that can be object of a dispute capable of being settled by private judges, a right which can be negotiated, regulated, modified and extinguished by parties [229]. Considering inarbitrability imposed by law or by the nature itself of the right, it is the second one that creates the biggest interpretative problems. In this sense it is easier to define the concept of arbitrability in a negative sense, by determination of matters which cannot be arbitrated, rather than in a positive sense trying to provide a universal notion[230].

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[227] This is the interpretation adopted by G. CONSTANTINO, in *Codice degli arbitrati e delle conciliazioni di altre adr*, A. BUONFRATE - C. GIOVANUCCI ORLANDI (a cura di), Torino, 2006, 7. Different opinion is expressed by M. BOVE, *Aspetti problematici della nuova disciplina della convenzione d'arbitrato rituale*, in *www.judicium.it*, where this author interpreted the norm in the sense of a strengthen of the right to arbitrate in the area of available rights.

[228] See B. CAPPONI, *Arbitrato e giurisdizione*, in *www.judicium.it*, in the sense that a similar interpretation weaken the area of arbitrability. Anyway, the decision of the Const. Court, 28 November 2001, n. 376, in *Giust. civ.*, 2001, I, 2883 states that: "Il parametro di cui all'art. 3 Cost. è evocato dal rimettente sia con riguardo al generale canone di ragionevolezza, sia sotto il profilo dell'asserita violazione del principio di eguaglianza. Per ciò che concerne il primo aspetto, va premesso che la discrezionalità di cui il legislatore sicuramente gode nell'individuazione delle materie sottratte alla possibilità di compromesso incontra il solo limite della manifesta irragionevolezza. Siffatto limite non può certo dirsi superato nella specie, considerato il rilevante interesse pubblico di cui risulta permeata la materia relativa alle opere di ricostruzione dei territori colpiti da calamita naturali, anche in ragione dell'elevato valore delle relative controversie e della conseguente entità dei costi che il ricorso ad arbitrato comporterebbe per le pubbliche amministrazioni interessate".

[229] In this sense see E. COSTA, *Le situazioni giuridiche soggettive*, in G. CHINÈ AND A. ZOPPINI, *Manuale di diritto civile*, Roma, 2009, 8. L. SALVANESCHI, *Le materie arbitrali*, in AA.VV., *Arbitrato*, Milan, 2012, 16, defines availability as availability of the action; this requirement defined by article 806 c.c.p. is satisfied every time a subject has the right to bring the action before a judge for the protection of its own rights.

[230] In this sense in the Italian system of laws are excluded from arbitration: personal rights (such as life and name), moreover disputes concerning status and divorce, those having per object

According to part of the doctrine[231], limits to arbitrability are more and more considered consequences of a choice of the Legislator, rather than unavailability of controversial rights; in this sense an analysis of the interests at stake can preclude access to arbitration.

3.2.3.1. Patent arbitration.

It is clear that every legal subject matter needs a fast conclusion by specialised judges. This statement, as accorded by part of the doctrine[232], is even more true in matter of intellectual property, where urgency and specialization of judges are more and more required. Reasons of this phenomenon can be found in economic changes, the increasing need of efficiency of the system as a reaction to the increasing counterfeiting, a continuous struggle which is necessary in order to attract investments and develop new technologies.

The State monopoly on the granting of patent titles represents an obstacle to arbitration, in this sense, due to the public nature of IP titles, parties cannot freely

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capacity, *inabilitazione* and *interdizione*. In relation to article 447 alimonies cannot be transferred, as a consequence matters having regard to this issue are not arbitrable. Moreover, it is not possible to arbitrate disputes concerning *interessi legittimi*, considered by doctrine not available situations. In this sense M. ANTONIOLI, *Arbitrato e giurisdizione esclusiva*, Milano, 2004, 70. Contra see G. LUDOVICI, *Le posizioni giuridiche di interesse legittimo possono considerarsi disponibili ai sensi dell'art. 1966 c.c. e quindi astrattamente compromettibili*, in *Riv. Arb.*, 2012, I, 133. In relation to IP rights, and more precisely to copyright law, it is not possible to resort to arbitration in relation to moral rights, in this sense article 22 of the copyright law states that rights of authorship, integrity of the work and disclosure are inalienable, giving to those rights a character of unavailability. Moreover, article 142 of the copyright law gives to the author a right to withdraw from the market his work, this is a personal not transmissible right. Elements which prevent arbitrability, that is to say inalienability, non transmittable, and indefeasibility have been remarked by a recent judgement, T. Rome, 18 August 2009, in *AIDA*, 2010, 832. On the contrary rights of the author which have a patrimonial content can be arbitrated (see in this regard article 107 of the copyright law: "I diritti di utilizzazione spettanti agli autori delle opere dell'ingegno nonché i diritti connessi aventi carattere patrimoniale, possono essere acquistati, alienate o trasmessi in tutti i modi e forme consentiti dalla legge"). Anyway, even a decision on a moral right is possible, but only with *inter partes* effects, when such a decision is preliminary to the decision on the merit of the dispute. In this sense see article 819.1 c.c.p. "gli arbitri risolvono senza autorità di giudicato tutte le questioni rilevanti per la decisione della controversia, anche se vertono su materie che non possono essere oggetto di convenzione di arbitrato, salvo che debbano essere decise con efficacia di giudicato per legge".

[231] G. VERDE, *Lineamenti di diritto dell'arbitrato*, Torino, 2010, 69.

[232] M. RUBINO-SAMMARTANO, *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, II, 1481.

dispose on their validity and loss, because these decisions will necessarily affect also rights of third parties (*erga omnes* effects). In this sense the public interest concerns the existence or the validity of the title and not patrimonial issues in relation to the exploitation of the patent. Under this perspective, it is important to remember that a patent is a consequence of an administrative deed with both declarative and constitutive effects (under article 2591 c.c.), granted by a public administration, which private parties cannot freely modify.

As a consequence of this origin and the existence of a public interest involved in this right of monopoly, parties find an obstacle to their freedom of choice between ordinary justice and arbitration. The matter is complicated by reason of the difficulty to clearly draw a line between private and public interests; in this sense it is possible to find a public interest in issues concerning existence and validity of an IP title and a private interest in those concerning the payment of royalties and more generally in all controversies descending from patrimonial rights.

3.2.4. The role of the public prosecutor[233].

The contrast between private and public interest led scholars and courts to allow arbitrability only for those matters where public interests were not at stake. Considering disputes involving the voiding or invalidation of a registered patent, the Italian Legislator

[233] The aim of this paragraph is to examine one of the traditional limits to arbitrability of IP disputes with a diachronic approach: that is to say the necessary intervention of the public prosecutor before the ordinary judge in matters concerning the voidness or loss of a patent, paying a particular attention to the Italian legislation and the reform of article 122.1 of the industrial property code. However, it is important to distinguish this intervention from the role of the official, which can decide on oppositions before the Board of appeal, against decisions of the Italian Patents and Trademarks Office and patents, which rejected totally or partially a claim under article 135 of the i.i.p.c.. These officials are, according to article 183 of the i.i.p.c., chosen by decree of the director, if their number is not adequate to the amount of oppositions, other officials can be chosen among the employees of the Ministry of production or among experts of the matter. Anyway, this should not mislead, the role of these officials is completely different form that one of the public prosecutors, being their intervention motivated in reason of their judging functions and not for formal reasons, such as representing a public interest. From this discussion are excluded subject matters concerning IP rights for which the Legislator has not foreseen the intervention of the public prosecutor in the ordinary proceedings. For example disputes on contracts or on counterfeiting of patents. Anyway, it is important to consider that arbitration on these matters, even if possible, was greatly limited, in reason of the fact that the counterparty could suspend the proceeding by countering, with a cross-claim, the problem of validity of the title.

required the presence of a public prosecutor. When the participation of a public party is necessary, then there is no place for arbitration, because, due to its private nature, arbitration does not permit the intervention of the public prosecutor[234], it is incompatible with his role and functions. His intervention, as a necessary co-litigant, shows the presence of general interests and it cannot be eliminated in order to protect weaker subjective situations. This presence is not accidental under Italian law, but it is justified in relation to the public nature of the matter object of scrutiny: a patent is an administrative deed and any request of voiding or invalidation can be achieved only by a court ruling with *erga omnes* effect.

In the Italian legal system[235] before the entry into force of the d.lgs. 30/2005, which introduced the industrial property code, the arbitrability of disputes in matter of voidness or loss of patents was excluded in reason of the necessary participation of the

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[234] T. ASCARELLI, *Teoria della concorrenza e dei beni immateriali*, Milano, 1960, 629. The Author affirms the existence of an incompatibility ("incompatibilità strutturale") among arbitration and patent law, due to the fact that for the public prosecutor there is a prohibition of entering into a procedure which takes place outside the judicial order. C. CECCHELLA, *L'arbitrato*, Torino, 1991, 3. Here the Author underlines that if the judicial award is voided for the pretermission of the public prosecutor, the same consequence must be applied to the arbitration award. Arbitration, being based on the initial consent of the parties, leaves no place for the necessary participation of the public prosecutor. Different opinion is expressed by P. GRECO AND P. VERCELLONE, *Le invenzioni e i modelli industriali*, Torino, 1968, 359, here it is stated that concerns expressed by jurisprudence have no *reason d'être*, as a matter of fact the arbitration award has an *inter partes* effect, therefore the interest of the public can be satisfied by intervention of the public prosecutor to act independently, the result is that it is always possible to have a judgement on voidness or loss with *erga omnes* effect. This minority position has been sustained by part of the jurisprudence (see in this regard Milan, Court of Appeal, 4 March 1980, in *GADI*, 1980, 1287. "L'esercizio delle azioni di nullità o di decadenza dei brevetti, in seno al giudizio arbitrale, non vale a rendere nullo il lodo che lo accolga, privandolo, invece ed unicamente, di quell'efficacia *erga omnes* normalmente assegnata alla sentenza passata in giudicato che nullità o decadenza abbia dichiarato in seguito a domanda introdotta dal pubblico ministero"). In the disputes concerning voidness or loss of a patent, where the intervention of the public prosecutor is necessary, arbitration is not allowed (see at this regard Cass. Civ., 15 September 1977 n. 3989, in *Rivista di diritto internazionale privato e processuale*, 1978, 771, see footnote 5). On the contrary, when voidness or loss are known by arbitrators with a plea, then arbitration is possible (see in this regard an authoritative jurisprudence Cass. Civ., 3 October 1956, n. 3329, in *Giust. Civ. mass*. 1955, 124 in footnote 249).

[235] An important difference can be pointed out in relation to the U.S. experience which allows arbitration on all disputes concerning IP, even those concerning the validity of an IP title, providing the delivery of a copy of the award to the U.S. Patent and trade Mark Office for its registration. See in this regard U.S. Supreme court's decision in *Mitsubishi and Shearson – American Express Inc. et al. v. Mr. Mahon et al.* (482 U.S. 220, 1987) here it is possible to find the assertation of the arbitrability of any action if there is an arbitration clause freely agreed by the parties, favouring private autonomies on public policy.

public prosecutor in the proceeding[236] and in reason of the necessary *erga omnes* effect of the judicial award[237]; on the other hand, it was possible to resolve by arbitration all other issues, not involving voidness or loss of a patent[238].

In this sense articles 78 and 79 of the Patent Law affirmed that the action of voidness or loss could be exercised *ex officio* by the public prosecutor, and those actions of partial voidness or loss could have an *erga omnes* effect only if decided by an ordinary judge[239]. These two articles read in combination with article 70 of the c.c.p., which obliges the public prosecutor to intervene, under nullity of the proceeding, in those disputes which may be assessed by the judge *sua sponte*, had the result of considering the public prosecutor as a necessary participant in the proceeding. As a consequence, this was the main obstacle to arbitrability of the validity of patent

[236] See in this regard article 78 of the r.d. 29 June 1939 "Testo delle disposizioni legislative in materia di brevetti per invenzioni industriali" which states: "L'azione diretta ad ottenere la dichiarazione di decadenza o di nullità di un brevetto per invenzione industriale può essere promossa anche di ufficio dal Pubblico Ministero. [1]. L'azione di cui ai due comma precedenti deve essere esercitata in contraddittorio di tutti coloro che risultano annotati nel registro dei brevetti quali aventi diritto sul brevetto. (1) Comma abrogato dall'art. 32, D.P.R. 22 giugno 1979, n. 338". See also article 70 i.c.c.p.; here it is stated that "I. Il pubblico ministero deve intervenire, a pena di nullità rilevabile d'ufficio: 1) nelle cause che egli stesso potrebbe proporre; […] 5) negli altri casi previsti dalla legge; III. Può infine intervenire in ogni altra causa in cui ravvisa un pubblico interesse".

[237] Consider C. FIAMMENGHI, *Motivi che impediscono la definizione arbitrale delle controversie in materia di brevetti*, in RA, 1985, 123. See also A. SIROTTI GAUDENZI, *Guida al diritto dell'arbitrato*, Milano, 2006, 39. With a clear ruling the Italian Supreme Court took its distance from a judgement of the Tribunal of Milan which admitted a negotiation solution in matter of voidness of a patent. In this regard Cass. Civ. Sez. 1, 15 September 1977, n. 3989, in *RIv. dir. int. priv. e proc.*, 1978, 771 ("pertanto non sembrava possible condividere l'orientamento del tribunale di Milano (Trib. Milano, 21 April 1983, in *Riv. dir. ind.*, 1984, II, 199, and *Giur. dir. ind.*, 1983, 5752) che affermava come la nullità e la decadenza di brevetti potessero formare oggetto di una definizione negoziale, come l'arbitrato irrituale") is clear in affirming that the claim involving the voidness and loss of a patent had to be decided with the necessary participation of the public prosecutor, as a consequence of this participation the issue cannot be decided by arbitrators.

[238] Cass. Civ. Sez I, 19 May 1989, n. 2406, in *Giustizia civile*, 1989, I, 2605 affirms that the operativeness of an arbitration clause must be excluded only when the dispute implies the voidness or loss of a patent and not when other aspect of the contractual relationship are involved. See footnote 13 below.

[239] Article 78.1 of the Italian Patent Law of 1939 stated that: "L'azione diretta ad ottenere la dichiarazione di decadenza o di nullità di un brevetto per invenzione industriale può essere promossa anche di ufficio dal Pubblico Ministero". Article 79 stated as follows: 'Le decadenze o le nullità anche parziali di un brevetto di invenzione hanno efficacia nei confronti di tutti quando siano dichiarate con sentenze passate in giudicato. Tali sentenze debbono essere annotate nel registro dei brevetti a cura dell'Ufficio centrale brevetti". These articles have been abrogated and modified by articles 32 and 33 of the D.P.R. 22 June 1979, n.338.

disputes[240]. As a matter of fact, there is a difference between the validity of an IP right and the financial rights arising from it, which were considered to be arbitrable[241].

The necessary participation of the public prosecutor found, as already considered, its *raison d'être* in the public nature of the dispute[242] and in reason of the administrative nature of the acts of voidness and loss of a patent[243]. This position, generally shared by former doctrine, found its roots in two different conceptions: first, the idea of the existence of a connection between intervention of the public prosecutor and existence of a public interest[244]; second, the presence of the public prosecutor was perceived as an insurmountable technical limit[245]. As consequence of the participation of the public prosecutor, loss and voidness of a patent have *erga omnes* effect; it is clear that not having unjustified patents represents a public interest, i. e. the interest of the society to exploit inventions in a competitive system. The effectiveness *erga omnes*

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[240] See in this regard Cass., 3 October, 1956, n.3329, in *Giust. Civ.*, 1956, I, 1625. Here it is clearly stated that: "Le azioni per la nullità o la decadenza dei brevetti per invenzioni industriali, pur non rientrando fra quelle che, a norma dell'art. 806 c.p.c., non possono formare oggetto di compromesso, sono tuttavia sottratte alla competenza degli arbitri perché nel relativo giudizio è obbligatoria la partecipazione del Pubblico Ministero".

[241] In this sense see Cass., 1989, n. 2404, in *Giust. Civ.*, 1989, 2605 case *Società della Pilata v. Società Happening*.

[242] See Cass. Civ., 16 July 2004, n. 13159, in *D. ind.*, 2005, IV, 463. In this case the claim of voidness of the trademark Ferrero, carried on by Zaini S.p.a., is a plea, being the main claim the production of the "Supermario" chocolate egg. As a consequence the participation of the public prosecutor is unnecessary, there is no public nature of the dispute in reason of its *inter partes* effect. "Costituisce principio consolidato (Cass. 2169/87; 6180/84; 5762/81; 3714/80; 584/78) che la partecipazione al giudizio del P.M., prevista come necessaria quando sia proposta azione diretta o riconvenzionale di nullità del marchio ai sensi dell'art. 59 l.s. 929/42 (ed ora dell'art. 55 l.s. 480/92), non è invece richiesta quando la nullità del marchio forma oggetto di una eccezione, sia pure riconvenzionale, allo scopo di paralizzare la pretesa avversaria e destinata ad un accertamento *incidenter tantum*, senza efficacia di giudicato".

[243] See in this regard A. BERLINGUER, *La compromettibilità per arbitri: studio di diritto italiano e comparato*, I. *La nozione di compromettibilità*, Torino, 1999 and G. FINOCCHIARO, *Arbitrato e domain name*, in AIDA, 2006, 71.

[244] See L. F. LUISO, *Appunti di diritto processuale civile*, 270; S. LA CHINA, *L'arbitrato. Il sistema e l'esperienza*, Milano, 1995, 24.

[245] See in this regard A. LEVONI, *La pregiudizialità nel processo arbitrale*, Torino, 1975, 80; C. CECCHELLA, *L'arbitrato*, 3, as already considered in footnote 2. Recently see F. AULETTA, in B. SASSANI (a cura di), *La riforma delle società. Il processo*, Torino, 2003, 336. The Author claims that article 34 of d.lg. n. 5 of the 2003 enlarged the area of inarbitrability, for reasons of legislative opportunity ("dove la legge vuole il P.M., lì non può volere l'arbitrato"), as such incontestable.

of a judgement concerning IP rights is a consequence of the fact that registration of IP rights has an effect on everyone, and its voidness and loss will effect the general public, being a verification of an absolute subjective right.

As a matter of fact it never happened that an holder of an IP title has ever claimed the positive scrutiny of his right, in order to oppose such verification against the entire community[246]. In our system, which does not subordinate the granting of the title to a previous exam on the merits of the request, this would be an inconsistency with the interest of the individual to obtain an exclusive right on the exploitation of the invention, until its voidness has been verified. Moreover, such a precautionary scrutiny would require enormous publicity, in the sense that every interested economic operator would have to know the ongoing proceeding, this would determine an intolerable increase of costs.

By reason of the necessary participation of the public prosecutor and the idea that actions of voidness and loss of the IP title have the aim of protecting the freedom of economic initiative, it was also argued the unavailability of the subject matter[247]. Nonetheless the connection between compulsory or facultative participation of the public prosecutor and unavailable rights cannot be automatic. If the equation: intervention of the public prosecutor = public interest can be considered true, then different categories of unavailable subjective positions should be recognised. Continuing this reasoning, it is difficult to add to the above-mentioned equation a second step, such as: public prosecutor = public interest = unavailability of the matter. For IP disputes the intervention of a public prosecutor answers to a need for control and verification, since the IP right is granted without a control on its essential requirements, but there is verification based only on the formal conditions of registrability and legitimacy. At a practical level this control is delegated from the public administration to the judge with no reference to availability of concerned rights. It is clear that in a similar

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[246] In this sense see F. FILOCAMO, *Arbitrabilità delle controversie in materia di proprietà industriale*, in *Rivista del diritto commerciale e del diritto generale delle obbligazioni*, 2004, 1133.

[247] See also G. GUGLIELMETTI, *Arbitrato e diritti titolati*, in *AIDA*, 2006, 4. Here the Author considers that the prevailing doctrine agreed that voidness and loss of a patent can be recognised by arbitrators when raised as an exception. Therefore the only reason for inarbitrability of the matter has to be found in the necessary participation of the public prosecutor and not also in that one of the unavailability of the subject matter, this due to the application of article 819 of the i.c.c.p. if a right is unavailable it is not possible to enter into arbitration even if the issue is raised incidentally.

system there is a real risk for the public interest concerning unjustly granted IP titles (e.g. a patent which has not been used for a certain period of time can lead to the loss of the respective right, according to the general interest in exploiting the invention in a competitive regime). It is clear now that Italian legislation considered arbitration not appropriate independently from an evaluation of unavailability of the rights, but depending on a notion of interest or necessity of their function, on the grounds of an idea of justice still rooted in the State, that looks on suspiciously at every solution promoted by individuals without state intervention.

Actually, the intervention of the public prosecutor is limited to a formal activity; as a consequence it is unnecessary when the voidness of the registration is object of the defendant's reply to the principal claim. In this case the judge knows about the matter only incidentally and decides with a judgement that does not acquire the character of *res judicata*, but has only *inter partes* effect. Therefore an old and authoritative jurisprudence declared that a similar situation does not interfere with the validity and operativeness of an arbitration clause, when it devolves to arbitrators the solution of a dispute on available rights[248]. If there is an unavailable right the arbitration clause can be considered valid every time there is no *contra legem* use of an available right[249].

[248] Cass. Civ., 15 December 1977, n. 3989, in *Riv. dir. int. priv. proc.*, 1978, 771. Under another point of view, voidness and loss actions, when they are pleas, can form object of arbitration, because the participation of the public prosecutor is not needed. Moreover, full availability of the right of the private to support the voidness of the patent in his personal interest has never been denied (See Bologna Court of Appeal, 19 June 1959, in *Riv. dir. ind.*, 1959, II, 281). It is not correct to believe that IP discipline and the social interests involved limit the possibility to renounce and transact the right of contesting the validity of a patent recognised to a private party, not as *quivis de populo*, but as stakeholder of a particular interest opposite to the right of the other party. See also F. PERRET, *I limiti dell'arbitrabilità*, in *Rivista dell'arbitrato*, 1994, 689. When the issue of voiding of a patent is raised as an exception, without a final judgement on the validity of the IP title, the presence of the public prosecutor is unnecessary and there are no doubts on the arbitrability of the matter. Two arbitration awards (19 October 1990 and 23 March 1990 in *Riv. Arb*. 1991, 615), concerning the proprietorship of a trademark, affirmed the arbitrability of all disputes whose *causa petendi* is referred to the main contract (even those concerning the validity and the breach of the contract). It has been affirmed that trademark (a similar reasoning can be made with a patent) nullity has been pleaded as a mere objection and the award has no *erga omnes* effect. As a consequence the intervention of the public prosecutor is unnecessary and the dispute is arbitrable. (See R. BICHI, *La compromettibilità in arbitrato rituale delle controversie in materia di diritto industriale*, in *Studi in onore di A. Vanzetti*, Milano, 2004, 227).

[249] Cass. Civ., 19 May 1989, n. 2406, in *Giustizia civile*, XII, 1989, 2605. In this judgement concerning the transfer of a trademark, the voidness of such a transfer does not imply the voidness of the arbitration agreement included in that agreement. "In presenza di un contratto che abbia ad oggetto, tra l'altro, la cessione di marchio, l'eventuale invalidità di tale cessione (…) non implica la nullità della clausola compromissoria inserita in tale contratto – in considerazione

Part of the jurisprudence is favourable to arbitration even if the principal claim has per object the voidness/loss verification of the patent[250], the only consequence is that the award will not have the *erga omnes* effect, which is typically recognised to judgements, declared after the intervention of the public prosecutor[251]. It is therefore clear that even if it was claimed that arbitration was considered not applicable due to reasons of

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dell'attinenza delle controversie da essa contemplate ad un diritto indisponibie - allorché le controversie in essa previste investano altri aspetti del rapporto contrattuale o, comunque, comportino una pronuncia priva dell'effetto dispositivo del detto diritto, ancorché dichiarativa della nullità del contratto".

[250] Milano Court of Appeal, 4 March 1980, in *Giur. ann. dir. ind.*, 1980, 1287. This judgement declared that the exercise of actions of voidness or loss of patents inside the arbitration judgement do not void the award where they are contained, but there is no *erga omnes* validity, normally given by the participation of the public prosecutor. Moreover it is possible to transact during the judgement even after a decision has been pronounced over a topic, as long as the award became *res judicata*. F. FILOCAMO, *Arbitrabilità delle controversie in materia di proprietà industriale.*, in *Rivista del diritto commerciale e del diritto generale delle obbligazioni*, 2004, X-XII, pt. 1, 1146. Is it possible to have a decision that is valid *inter partes*, also without the intervention of the public prosecutor? An IP right gives to the owner a reserve of activity and a right of exclusivity against everyone else, without the owner's consent. When the dispute arises about the originality of an IP title, the judge (both private and ordinary one) has to decide if the title belongs to a subject which is apparently the owner or to the subject who registered it before others without giving his consent to the exploitation. In this case there is a relative voidness and only the pre-user or who registered before can apply, others are not legitimated, neither the public prosecutor; thus there is no *erga omnes* effect. See also Cass. Civ., 5 December 1985, n.6117, GADI, 1985, 1852/5; Trib. Milano, 3 March 2003; Trib. Catania, 21 March 2003, App. Bologna, 16 March 2003 in *GADI,* 2003 and Vanzetti di Cataldo, *Manuale di diritto industriale*, Milano, 2005.

[251] In this sense see R. BICHI, *La compromettibilità in arbitrato rituale delle controversie in materia di diritto industriale*, in *Studi in onore di Vanzetti*, Milano, 2004, 221. This approach has been confirmed by an authoritative jurisprudence, see Cass., 3 October 1956, n. 3329, in *Giust. civ. mass*. 1955, 124. "Quando la nullità o la decadenza del brevetto venga fatta valere in via di eccezione, gli arbitri possono conoscerne, in via incidentale, senza efficacia di giudicato, dato che in tale ipotesi non è obbligatorio l'intervento del Pubblico Ministero. Ne è di ostacolo l'art. 819 c.p.c. (…) giacché tale disposizione deve essere applicata con riferimento alla situazione concreta in cui la questione si presenta, non già con riguardo alla questione astrattamente considerata, così che, quando venga a mancare l'esigenza della partecipazione del Pubblico Ministero al giudizio, viene a mancare anche la ragione della limitazione della competenza arbitrale". Anyway, arbitrators could pronounce on the validity of a patent only *incidenter tantum*, when this issue was raised by way of exception. This when it was an exception *strictu sensu*, that is to say an exception which does not pretend to obtain a decision with the effect of *res iudicata*; if on the contrary this exception is in reality a claim oriented to obtain an *erga omnes* solution of the problem of validity of the IP title, then there was exclusive competence of the ordinary judge. This was an additional element in favour of arbitrability, it was not a problem of availability of the matter itself, but a problem of necessary participation of the public prosecutor; in this sense if the matter would not have been arbitrable, the previous article 819 c.c.p. ("Se nel corso del procedimento sorge una questione che per legge non può costituire oggetto di giudizio arbitrale, gli arbitri, qualora ritengano che il giudizio ad essi affidato dipende dalla definizione di tale questione, sospendo il procedimento") would have limited arbitrators' powers also for preliminary matters.

unavailability of the subject matter, the true reason of inadmissibility of arbitration lied only in the necessary participation of the public prosecutor to the judgement[252].

Even if it is clear that there is a general interest in not having unjustified patents (considering that a patent grants a right of monopoly which limits the right of the society to exploit the invention), nonetheless, practice shows a different perspective about the practical importance of the intervention of the public prosecutor[253]. In this regard it is not possible to find even one case which has been decided by a judge on the initiative of the public prosecutor, this clearly shows how his role in the proceeding is only formal.

The entry into force of the industrial property code changed perspective; it was clearly stated the available nature of rights arising from a patent[254]. In matter of intervention of the public prosecutor, article 122 i.p.c. clearly affirms that its intervention is no more compulsory[255].

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[252] G. AGHINA, *Appunti in tema di arbitrabilità delle controversie sulla validità dei brevetti per invenzione*, in *RDI*, 1973, I, 58. "non c'è coincidenza tra controversie relative a diritti indisponibili e controversie da trattarsi con la partecipazione del pubblico ministero: lo stesso codice di procedura civile (art. 70) prevede la partecipazione del pubblico ministero in ogni causa in cui ravvisi un pubblico interesse, tali non potendo essere anche controversie tra privati relative a diritti disponibili; e, viceversa, non tutte le controversie aventi ad oggetto diritti indisponibili richiedono la presenza del pubblico ministero. Così ad esempio, tale intervento non è richiesto nei giudizi nei quail siano proposte azioni a tutela del diritto al nome o all'immagine".

[253] This in accordance with A. FRIGNANI, *Controversie in materia di proprietà industriale*, in M. RUBINO-SAMMARTANO, *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, II, 1485. Here the Author defines the intervention of the public prosecutor as a "formalismo senza una incidenza reale sulla sentenza del giudice". On the same opinion V. PACILEO, *Pubblico ministero. Ruolo e funzioni nel proceso penale e civile*, Torino, 2011, 267, here it is possible to find the expressions used by the Legislator in the preparatory works for the industrial property code, here the intervention of the public prosecutor is considered as an "inutile formalità priva di qualsiasi significato sostanziale".

[254] Article 63.1 of the i.p.c. states that: "I diritti nascenti dalle invenzioni industriali, tranne il diritto di essere riconosciuto autore, sono alienabili e trasmissibili".

[255] Article 122.1 of the industrial property code provides that "l'azione diretta ad ottenere la dichiarazione di decadenza o di nullità di un titolo di proprietà industriale può essere esercitata da chiunque vi abbia interesse e promossa d'ufficio dal pubblico ministero. In deroga all'articolo 70 del codice di procedura civile, l'intervento del pubblico ministero non è obbligatorio". Today repealed by article 19.3 lett. a of law of 23 July 2009 n. 99. With the judgement of the Italian Constitutional Court n. 170/2007 it has been abolished the applicability of the company procedure to industrial disputes and article 134.2 of the industrial property code which provided that for arbitrations in matter of industrial property the special procedure of company arbitration must be applied (modified in 2009). See in this regard Cass. Civ. Sez. I, 12 June 2012, n. 9548. Here it is clearly stated that due to the modification of article 122 of the i.p.c. the intervention of the public prosecutor is no more compulsory, this starting from 19 March 2005. Due to the application of article 11 of the Preamble of the Italian civil code (*lex posterior derogat priori*) the new procedure must be appllied to proceedings started after its entry into force, but also to single deeds of proceedings started before its entry into

After this reform, the intervention has become facultative, and disputes concerning nullity or loss of a patent are within the boundaries of arbitrable matters. It is clear that the faculty of intervention of the public prosecutor is not enough to determine the inarbitrability of the right object of discussion, in fact it is not possible to know *a priori* when the public prosecutor will intervene, if such an inarbitrability is theorised, this would be known only at the time of intervention. Despite the elimination of the compulsory intervention of the public prosecutor, this has not produced important effects in the sense of a growth of the number of arbitration proceedings concerning the validity of patents, which is quite rare[256].

It is nonetheless interesting to consider that, after 60 years which have shown the uselessness and moreover the effect of an overloading of the work of the public prosecutor (and therefore the lengthening of the proceedings involving industrial property), the Legislator has maintained the intervention of the public prosecutor (even if it is no longer compulsory but only facultative) only for those hypothesis of absolute voidness or loss[257].

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force (See Cass. 3688 of 2011). The Court continues explaining that the intervention of the public prosecutor obeys to a public interest, different from that one of the parties, this is the reason why the order of the judge to communicate the judicial deeds to the public prosecutor has the function to let him know about the existence of a general interest and does not determines an intervention *iussu iudicis* "Questa Corte ha già avuto occasione di affermare a tale proposito che l'ordine del giudice di comunicazione degli atti del PM ha lo scopo di porre quest'ultimo in grado di compiere l'apprezzamento circa l'esistenza o meno di un interesse generale connesso con la pretesa fatta valere in giudizio, e non determina un intervento jussu judicis neppure nel caso in cui il PM sia tenuto ad intervenire, poiché il comando che in tale ipotesi ha rilievo è quello della legge e non quello del giudice. Deve pertanto escludersi un *litisconsorzio* processuale, con la conseguente necessità della partecipazione al giudizio di appello anche del PM, allorquando questua seguito di comunicazione degli atti disposta dal giudice di primo grado, sia intervenuto in una causa nella quale il suo intervento era facoltativo. (Cass. 947/72). Nel caso di specie la posizione processuale del Pm non è in alcun modo inscindibile o dipendente da quella di chi agisce per la nullità del *brevetto* o viceversa, facendo valere il PM un interesse pubblico del tutto distinto e separato da quello delle parti private".

[256] C. DEL RE, *L'arbitrato*, in A. SIROTTI GAUDENZI, *Proprietà intellettuale e diritto della concorrenza*, *II. La tutela dei diritti di privativa*, Torino, 2010, 303.

[257] RUBINO-SAMMARTANO M., *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, II, 1494. On the same opinion see M. SCUFFI, in *Il codice della proprietà industriale*, Padova, 2005, 551. Here it is stated that "resta… ulteriormente stemperato il connotato "pubblicistico" del processo industrialistico per la presenza solo eventuale dell'organo pubblico (quale portatore di "interesse generale" alla conservazione dei monopoli brevettuali legittimi altrimenti destinati a ricadere in libera appropri abilità della collettività) venendo piuttosto valorizzati i connotati "privatistici" della controversia ed in tal modo risolti tutti gli inconvenienti che a scapito della celerità del giudizio davano luogo le formalità di intervento del P.M.".

The new legislation is anyway far from perfection, there are still some problems in regards to the employee's inventions, disciplined by article 64.4 i.p.c.[258]. In this sense the matters concerning the fair payment of the worker is devolved to the ordinary judge; arbitrators can know only about the amount of that payment. Scholars criticised such an interpretation, which reduces the arbitrability of the matters without particular reasons[259]. The norm excludes arbitrability not only for the existence of a patent and its validity, but also for the patrimonial consequences that usually are part of the arbitrators' competence. One of the reasons of this approach can be found in the weaker condition of the employee in front of the employer, which could invalidate the result of the arbitration. Moreover the use of the expression *arbitratori*, has to be interpreted as a reference to *arbitraggio*, or to arbitration?[260] The majority of doctrine agrees on this second solution[261] due to the fact that the norm refers to article 806

[258] Article 64.4 i.p.c. states that: "Ferma la competenza del giudice ordinario relativa all'accertamento della sussistenza del diritto all'equo premio, al canone o al prezzo, se non si raggiunga l'accordo circa l'ammontare degli stessi, anche se l'inventore e' un dipendente di amministrazione statale, alla determinazione dell'ammontare provvede un collegio di arbitratori, composto di tre membri, nominati uno da ciascuna delle parti ed il terzo nominato dai primi due, o, in caso di disaccordo, dal Presidente della sezione specializzata del Tribunale competente dove il prestatore d'opera esercita abitualmente le sue mansioni. Si applicano in quanto compatibili le norme degli articoli 806, e seguenti, del codice di procedura civile". Article 64.5 i.p.c. affirms that: "Il collegio degli arbitratori può essere adito anche in pendenza del giudizio di accertamento della sussistenza del diritto all'equo premio, al canone o al prezzo, ma, in tal caso, l'esecutività della sua decisione e' subordinata a quella della sentenza sull'accertamento del diritto. Il collegio degli arbitratori deve procedere con equo apprezzamento. Se la determinazione e' manifestamente iniqua od erronea la determinazione è fatta dal giudice". This article allows the worker to bring the action before an arbitral panel even if the decision concerning the *an* of the dispute is still pending, according to A. FRIGNANI (in *Controversie in materia di proprietà industriale*, in M. RUBINO-SAMMARTANO, *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, II, 1497) the action can be brought before the arbitrator even before the action is brought before an ordinary judge. Anyway, the influence of the judgment on the enforceability of the arbitral award limits the advantage in the use of the ADR procedure, leaving the doubt if it is not better to let to the ordinary judge both the *an* and the *quantum* decision. In conclusion it is clear that arbitrators can decide only on the determination of the patrimonial content of the workers' rights and not on their existence.

[259] In this sense see L. MANSANI, *Invenzioni dei dipendenti e comunione: modifiche discutibili che complicano le cose*, in *Dir. Ind.*, 2010, VI, 525.

[260] As seen in the first chapter, in common law countries it does not exist an equivalent of the Italian *arbitraggio*. It could be described as "the fact of a third person determining the subject matter of the contract (the amount of the price, etc…)"; it seems that the "power if appointment" and the "discretionary trust" are similar to the *arbitraggio*. See F. DE FRANCHIS, *Dizionario giuridico*, Milano, 1996, II, 386.

[261] See G. PELLACANI, *La disciplina delle invenzioni nel nuovo Codice della proprietà industriale*, in *Dir. relaz. ind.*, 2005, III, 739 and G. FLORIDIA, *Il codice della proprietà industriale fra riassetto e*

c.c.p. which is applicable to arbitration and not to *arbitraggio*, which is disciplined by article 1349 c.c. Moreover, the lack of an agreement lead to a real controversy, due to the incompatibility of parties' positions, a dispute in the precise meaning of the norm on arbitration. Inconsistent with the interpretation of this norm under article 1349 c.c. is the fact that the use of *arbitraggio* is always a parties' free choice, here it is imposed by law. On the other hand, the interpretation in favour of the application of article 1349 c.c. is strengthened by the continuous use of the expression *arbitratori* instead of *arbitro* and by the use of the *arbitrium boni viri,* which is typical of *arbitraggio*[262].

From a general standpoint, the choice to solve a dispute by assigning it to an arbitrator is the expression of the party's autonomy of negotiation. The compulsory intervention of the public prosecutor and the consequent impossibility to solve a dispute by arbitration is a sort of inefficiency of the system. Moreover due to the limited formal role of the public prosecutor, it is important to wonder whether this intervention is only a mere respect of a rule, whose *raison d'être* can be found in the overlap of the procedural right over the substantial one, more than a specific will of the Legislator in this sense. The strict application of this norm has as a consequence the mortification of the constitutional principle of effectiveness of the protection of rights.

3.2.5. The proceedings regulated by the i.p.c.

Between the entry into force of the i.p.c. and the 2009 Reform, the discipline of proceedings in matter of IP was disciplined by article 134 i.p.c.[263], applied to every

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demolizione, in *Dir. ind.*, 2008, II, 105. On a different position M. SCUFFI, *Diritto processuale della proprietà industriale e intellettuale*, Milano, 2009, 643.

[262] A. FRIGNANI, in *Controversie in materia di proprietà industriale*, in M. RUBINO-SAMMARTANO, *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, II, 1498, supports the first thesis, that is to say he believes that this is an arbitration (precisely an arbitration of equity).

[263] Article 134.1 i.p.c. states that: "Nei procedimenti giudiziari in materia di proprietà industriale e di concorrenza sleale, con esclusione delle sole fattispecie che non interferiscono neppure indirettamente con l'esercizio dei diritti di proprietà industriale, nonché in materia di illeciti afferenti all'esercizio di diritti di proprietà industriale ai sensi della legge 10 ottobre 1990, n. 287, e degli articoli 81 e 82 del Trattato UE, la cui cognizione e' del giudice ordinario, ed in generale in materie di competenza delle sezioni specializzate quivi comprese quelle che presentano ragioni di connessione anche impropria si applicano le norme dei capi I e IV del titolo II e quelle del titolo III del decreto legislativo 17 gennaio 2003, n. 5, e, per quanto non disciplinato dalle norme

dispute under the competence of Specialised Courts, even for copyright, which is not included in the i.p.c.; indeed it would have been complicated to apply corporate proceeding to those disputes within the boundaries of the i.p.c. and the ordinary proceeding to copyright law[264]. Article 134.2 makes applicable to IP disputes articles 35 and 36 of D.lgs. 17 January 2003 n.5, which disciplines corporate arbitration. If this discipline has the possibility to openly declare the arbitrability of IP disputes, on the other side there are some problematic issues. In this sense the Constitutional Court declared the illegitimacy of the application of the "*rito societario*" before the judicial authority due to an excess of the content of the legislative decree[265]. An important doctrinal debate discussed if also the second part of article 134 has to be considered contrary to Constitution or not, anyway, without a clear provision of the Court in this sense, article 134.2 was considered in force[266].

Another concern regards the opportunity to apply the procedure of corporate arbitration to IP matters. In this sense part of the doctrine hoped a direct legislative intervention in order to apply "ordinary" arbitration of article 806 c.c.p., in matters disciplined by the i.p.c.[267]. The Legislator embraced this general criticism and modified article 134 with the law 23 July 2009 n. 99, changing the title of the article from "norms of procedure" to "norms in matter of competence" and removing the second part of old article 134[268]. Anyway, this article should be considered existing at least in principle, allowing arbitration in IP matters; moreover, removed the reference

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suddette, si applicano le disposizioni del codice di procedura civile in quanto compatibili, salva in ogni caso l'applicabilità dell'articolo 121, comma 5".

[264] In this sense see F. FERRARI, *Note a prima lettura sulle norme processuali contenute nel codice della proprietà industriale*, in *Riv. dir. ind.*, 2005, 54, 370.

[265] See Corte Cost., 18 May 2007, n. 170, in *Foro it.*, 2007, I, 3370. In this sense contrary to article 15 of the legislative decree, which concerned the substantial norms in matter of industrial property, the Legislator ruled also on procedural issues, breaking in this sense the limits imposed to the legislative decree.

[266] E. ZUCCONI GALLI FONSECA, *Controversie arbitrabili*, in S. MENCHINI, *La nuova disicpina dell'arbitrato*, Padova, 2010, 16.

[267] F. FERRARI, *Il nuovo rito societario e le controversie di diritto industriale*, in *Riv. dir. proc.*, 2008, I, 246.

[268] The majority of doctrine expressed favour for this reform, which solved long-debated issue. See in this regard A. FRIGNANI, *Le nuove norme in tema di proprietà industriale*, in *Dir. ind.*, 2011, I, 10.

to the corporate arbitration, it is the ordinary one which has to be considered applicable.

3.3. Concluding remarks on Italian legislation.

In conclusion to this chapter it would be interesting to analyse if there is or not a public interest in the declaration of nullity or voidness of a patent. For this purpose it is necessary to understand which is the function of patents in regard to third parties, inside a system in continuous change; the development of the markets, the rapidity of international exchanges, the harmonisation to the members states imposed by the European Union, are only part of this progressive transformation. The problem considers the contrast between the public interest and the private dimension, which concerns the power of disposal of the title. Immediate consequence of this dichotomy is the possibility to decide by arbitration even the validity of a patent, having regard to the resolution of private interests. In this sense the nullity should not have an absolute meaning but only a relative one, with the exclusion of the participation of the public prosecutor, being only a private dispute with *inter partes* effects. If this was not allowed, then parties would have to recur to the ordinary judge, or decide the problem with a transaction, without discussion on point of the validity of the title; parties will have the advantage from this negotiation, of a fast and confidential solution, with no reference to the public interest. It is different to claim that the validity of a patent cannot be object of arbitration in reason of the public nature of the authority which grants the title. On the same line the compulsory intervention of the public prosecutor and the consequent impossibility to decide the subject matter by arbitration is a form of inefficiency of the system. In this sense a solution which allows a party to recur to arbitration in case of nullity of a patent, when raised *incidenter tantum*, has the virtue to avoid that the realisation of the public interest is transferred to the parties.

To sum up, in order to give effectiveness to the protection of private interests, disputes on patent validity are considered arbitrable at least with *inter partes* effect, anyway, it is always possible for an individual to bring the action before the ordinary judge and obtain a decision which is valid *erga omnes*. Moreover, during the

procedure for the approval of the arbitration award it is possible to inform the public prosecutor that will adopt the opportune measures to protect the public interest.

Despite the opening generated by the recent reform, arbitration is not generally preferred by parties in order to solve their disputes, in comparison with ordinary justice. This analysis involving positive and negative aspects of arbitration, and more generally of ADR, will be developed in the following chapter of this work.

4. Role of arbitration in patent disputes.

Intellectual Property controversies involve parties from different countries and rights protected in different jurisdictions. Arbitration allows parties to solve their dispute by a single procedural law, avoiding the complexity of a multi-jurisdictional litigation. Briefly, arbitration is a neutral tool in relation to language, law and institutional interests, which lets parties freely choose every aspect of the proceedings. Moreover, the informal context lets parties maintain economic relationships during and after the arbitration.

The enforcement of awards is facilitated by the New York Convention, a fundamental agreement, which provides recognition of awards on a par with domestic court judgments in more than 150 countries, without review on the merits. Arbitration awards are, by their nature, final and binding (even if this depends on the jurisdiction, usually there is a very limited right of appeal), which prevents further delay and avoids costs of an appeal procedure.

From the above made considerations it seems that arbitration is a particularly appropriate alternative to patent litigation. There will be conducted analysis on the advantages of arbitration, balanced with its disadvantages, allowing an interpretation in the fifth chapter of this work of parties' behaviour and the reasons that guide them in their procedural choices.

4.1. Advantages of arbitration.

The following paragraphs will discuss, under a neutral point of view, about qualities of arbitration, both structural and secondary, as a system to safeguard future economic relationships; pondering to what extent and for what kind of economic operators arbitration can be considered a useful system for disputes resolution.

4.1.1. Flexibility of the procedure.

Flexibility can be considered one of the most important features of arbitration; it allows parties to decide which norms will be adopted in the proceedings, depending on their exigencies. This determines an absolute distinction with regard to ordinary

proceedings, which rules cannot be derogated by parties[269]. In this sense article 816 bis[270] of the Italian c.c.p. affirms that parties can determine the rules which have to be applied by arbitrators during the proceedings, with the only limitation of the respect of the principle of *audi alteram partem*, which gives to parties the same right to defence. An identical principle is expressed, in broader terms by British legislation, in article 1 (2) of the Arbitration Act of 1996, where it is stated that "parties should be free to agree how their disputes are resolved, subject only to such safeguards as are necessary in the public interest". Anyway, a similar approach allows the possibility that parties do not determine by themselves all procedural rules; in these cases it will be upon the arbitrators to determine those elements.

It is important to highlight that the choice of the applicable procedure is an important moment of cooperation between parties. In this sense it is possible to reduce conflicts, by the creation of mutual confidence and reciprocal respect[271]. Characteristics that should not be underestimated, in the light of the complexity of the development of scientific knowledge, and consequently of the IP world, which is constantly evolving.

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[269] In this sense see G. BORN, *International commercial arbitration commentary and materials*, The Hague, 2001, 7. Here the Author underlines that arbitration is "less formal and rigid than litigation". This has indubitable advantages, but at the same time can allows party's misconduct. In this perspective see M. S. DONAHEY, *Defending the arbitration against sabotage*, in *J. Int'l Arb.,* I, 1996, 93.

[270] Article 816 bis (1) reads as follows: "*Le parti possono stabilire nella convenzione d'arbitrato, o con atto scritto separato, purché anteriore all'inizio del giudizio arbitrale, le norme che gli arbitri debbono osservare nel procedimento e la lingua dell'arbitrato.* In mancanza di tali norme gli arbitri hanno facoltà di regolare lo svolgimento del giudizio e determinare la lingua dell'arbitrato nel modo che ritengono più opportuno. Essi debbono in ogni caso attuare il principio del contraddittorio, concedendo alle parti ragionevoli ed equivalenti possibilità di difesa. Le parti possono stare in arbitrato per mezzo di difensori. In mancanza di espressa limitazione, la procura al difensore si estende a qualsiasi atto processuale, ivi compresa la rinuncia agli atti e la determinazione o proroga del termine per la pronuncia del lodo. In ogni caso, il difensore può essere destinatario della comunicazione della notificazione del lodo e della notificazione della sua impugnazione". Emphasis added.

[271] Using the words of G. BORN, *International commercial arbitration commentary and materials*, The Hague, 2001, 8. "The cooperative elements that are required to constitute a tribunal and agree upon a procedural framework can sometimes help foster a climate conducive to settlement. Indeed, parties sometimes agree to conciliation (rather than, or in addition to, binding arbitration) or to arbitration *ex aequo et bono* (i.e. not based on the strict application of law)".

4.1.2. The choice of the seat of arbitration.

According to the flexible nature of arbitration, parties can choose the place where the arbitral tribunal will have its seat. In this sense it is important to make a distinction between the geographical and juridical meaning of the word "seat". In the first instance it means the physical place where the entire proceedings will take place; in the second it refers to a specific national juridical system. The seat, in its juridical meaning, allows parties to choose the application of a national system of norms, i.e. norms in matter of availability and concerning the respect of cross-examination or the competent court to which to bring the action if, during the arbitration proceedings, the intervention of the ordinary judge is required.

This choice has important consequences in matter of duration and costs of the proceedings; such as for example the necessary expenses to move parties and arbitrators, the available facilities, accommodations etc… All these concerns may have a greater relevance if the seat is settled in one of the least developed countries.

Looking at the juridical consequences, if parties do not agree otherwise, the procedural norms of the country where the seat is settled will be applied. This aspect should not be underestimated. Despite the inadequate attention given to the draft of the arbitration clause within the main contract[272], usually this clause expresses, in a few words, parties's intention to assign the dispute to arbitration, bearing important consequences in relation to the final outcome. The extent of the arbitration clause, and most of all the objective arbitrability (fundamental part of this work), is interpreted in relation to the public policy norms of each state, consequently the analysis of the seat of arbitration should not be underrated, favoring in this choice those countries which, for tradition and economic reasons, are arbitration friendly.

In this sense, an inattentive choice could even determine the invalidity of the clause. As considered in chapter 2, if in a certain country arbitration on validity issues is not allowed.

Beside the problems of arbitrability another typical problem is the neutrality of the seat. Usually each party tries to bring the claim before his national judge,

[272] See S. AZZALI, *Arbitrato amministrato e arbitrato ad hoc*, in G. IUDICA, *Appunti di diritto dell'arbitrato*, Torino, 2012, 105.

because there is always a fear of a lack of impartiality of the judges, when they have to decide a case which opposes a national against an alien. This concern has been object of a survey, which has demonstrated that American courts in 64% of patent disputes ruled in favour of American citizens and only in 36% of cases in favour of alien parties[273]. Leaving aside these worries, that are not always justified, it is undeniable that a party which litigate in a foreign legal system has a competitive disadvantage due to the inexperience of the system in which he is working, and with regard to the complexity of the drafting of a defence in a foreign language. All these considerations allow to better understand the strategic importance of the choice of the seat, in relation of the time and costs necessary to obtain an award.

4.1.3. Qualities and role of the arbitrators.

The choice of the arbitrator is maybe the most important part of the arbitration proceedings. The success of arbitration relies on some essential skills that arbitrators must have in order to ensure the correct advancement of the proceedings, i.e. impartiality, competence and experience.

4.1.3.1. Impartiality of the arbitrators.

Once appointed, arbitrators must draft a document stating their independence from the parties or their lawyers; otherwise they are obliged to refuse the charge. It is important to bear in mind that independence is not a synonym of impartiality, but it involves a specific notion of non-dependence in various respects: economic, professional and psychological (e.g. not being an employee of a society which is part of the dispute)[274].

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[273] K. A. MOORE, *Xenophobia in American courts*, in *Northwestern University Law Review*, 2003, XCVII, 1497.

[274] Considering German legislation, in the ZPO it is clearly stated at Section 1036 (2) that "an arbitrator may be challenged only if circumstances exist that give rise to justifiable doubts as to his impartiality or independence, or if he does not possess qualifications agreed to by the parties. A party may challenge an arbitrator appointed by him, or in whose appointment he has participated, only for reasons of which he becomes aware after the appointment has been made". (Translation available at http://www.trans-lex.org/600550). The previous norm (before the 1998 Reform) considered that an arbitrator might be challenged only if there was a reason concerning his impartiality. Independence was not even mentioned. This because the Legislator was taking

Moreover, it is important to understand that neutrality is a concept which is far from impartiality: it does not only involve a distance of the arbitrators from the parties, but also an analysis of facts and laws which determines the distance of the arbitrator from his own political, social and juridical preferences[275].

Often a dispute is decided by a panel of arbitrators, it is thus necessary to analyse the rapport between the third arbitrator and the parties and the particular relationship existing between the arbitrators and the parties who chose them. The guarantee of impartiality of the third arbitrator is proven by the social environment where he operates (i. e. the market), more than by designation techniques. He needs to be an incorruptible person, known for his honesty and loyalty. Otherwise he will unavoidably incur in a sanction inflicted by the market: the exclusion from future charges.

The role of the arbitrator chosen by the party deserves a deeper analysis. Doctrine affirms that the distance between the arbitrator and the party who appointed him is not sufficient to grant impartiality. Indeed, there is the suspicion that this arbitrator could represent the party's interests. A minority of the doctrine believes that parties have a need of protection of their own interest inside the arbitration board, this creates serious problems under the impartiality profile[276]. However, this is a minority theory, contrary to practice. On the contrary, the international doctrine affirms that the arbitrator chosen by parties needs to be distant from them and that his behaviour during the proceedings must be marked by good faith.

Under a psychological point of view the problem of impartiality is more complex. It

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into account the ordinary judge, a professional which is paid with a monthly salary. Therefore it was unnecessary to protect parties against his impartiality, since he is considered independent by definition. Other Legislators had another point of view; the Swiss one, in article 180 (1) letter c of the *Loi fédérale sur le droit international privé* (or LDIP), wanted to assure only the independence, considering that an independent arbitrator cannot be partial at the same time ("lorsque les circonstances permettent de douter légitimement de son indépendance"). Completely different is the argumentation carried out by the English Legislator in the Arbitration Act 1996, in article 24 (1) letter a, where it is stated that a party may apply the court in order to remove an arbitrator on the grounds "that circumstances exist that give rise to justifiable doubts as to his impartiality".

[275] F. BENATTI, *Una conversazione sui criteri di nomina dell'arbitro*, in *Rass. for.*, 2006, III, 1600. Neutrality can be considered a sort of *forma mentis*, part of the education of the arbitrator. See also M. RUBINO-SAMMARTANO, *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, 533. Neutrality is a concept which is used not only in relation to the specific dispute, but also in a more general context (e.g. an Arab arbitrator may not be completely neutral in a dispute involving an Arab party and an Israeli one).

[276] M. TARUFFO, *Note sull'imparzialità dell'arbitro di parte*, in *Rivista dell'arbitrato*, 1996, III, 481-491. Of different advice C. SPACCAPELO, *L'imparzialità dell'arbitro*, Milano, 2009.

must not be underestimated the risk that the arbitrator could consider himself the representative of the party's interests inside the board, because of the trust accorded by the party who elected him. Of course, if the behaviour of an arbitrator who openly supports a dissenting position, only to please a party, must be sanctioned, in other cases the demonstration of the negligence and the implementation of a juridical sanction is more difficult. However, the social sanction should not be underestimated: the arbitrator who does not behave properly lacks authority inside the board and ihis option is not taken into account by the third arbitrator, therefore his position will not be determining for the final decision.

Nonetheless, arbitral institutions try to become reference points for some kind of disputes (e.g. for a certain commodities sector), having a precise interest in maintaining their credibility; for this reason they need to choose and suggest to the parties competent arbitrators. These organisations choose a limited number of highly qualified subjects who permanently work with the institution, contributing to the prestige of this and having the opportunity to be involved in a relevant number of disputes in the same sector.

These are the reasons why an arbitrator should be a true professional, a proven talent with good culture and experience acquired on the field. Being notorious for his partiality makes him lose credibility and authority in the final decision.

4.1.3.2. Competence and experience of the arbitrators.

IP disputes, due to the technicality and the scientific nature of the subject matter, require that judges have a certain amount of experience and knowledge, which is something they could not learn from their legal studies. Some countries, this is the Italian case[277], found a solution by creating specialised courts, which have exclusive

[277] See in this sense article 134 (3) i.p.c.: "tutte le controversie nelle materie di cui al comma 1 [Nei procedimenti giudiziari in materia di proprietà industriale e di concorrenza sleale, con esclusione delle sole fattispecie che non interferiscono neppure indirettamente con l'esercizio dei diritti di proprietà industriale, nonché in materia di illeciti afferenti all'esercizio di diritti di proprietà industriale ai sensi della legge 10 ottobre 1990, n. 287, e degli articoli 81 e 82 del Trattato UE, la cui cognizione e' del giudice ordinario], quivi comprese quelle disciplinate dagli articoli 64 e 65 e dagli articoli 98 e 99, *sono devolute alla cognizione delle sezioni specializzate* previste dall'articolo 16 della legge 12 dicembre 2002, n. 273, come integrato dall'articolo 120. Rientrano nella competenza delle sezioni specializzate anche le controversie in materia di indennità di

competence for the solution of IP disputes.

Arbitration provides a different remedy, based on parties' power to confer to an individual the judging function in order to solve the dispute. In this sense, parties will be careful to choose an arbitrator with necessary experience and technical skills. This is a fundamental step, ineliminable in order to reach an efficient and fair result.

Sometimes this choice appears to be extremely complex, a solution can be found by arbitration chambers, which provide parties with lists of arbitrators with proven skills. A good example is the List of Neutrals, created by WIPO, with professionals with a general knowledge of IP and a specialisation in some technical fields (i.e. domain names), divided in reason of their nationality, language, method of resolving the dispute in which they are specialised. These lists, which in compliance with the impartiality principle have to be communicated to both parties (and not only to one of them), will minimise parties' efforts and costs in finding the most competent judge for their dispute, increasing the chance of a successful outcome of the arbitration proceedings[278].

4.1.4. Confidentiality.

Arbitration and confidentiality are two sides of the same coin. Some arbitration institutions define in their guidelines the need of confidentiality[279]. The same approach

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espropriazione dei diritti di proprietà industriale, di cui conosce il giudice ordinario". Emphasis added.

[278] G. BORN, *International commercial arbitration commentary and materials*, The Hague, 2001, 8. "The existence of an arbitration clause, a workable arbitral procedure, and an experienced arbitral tribunal may create incentives for settlement or amicable conciliation".

[279] For example the Rules of Arbitration of the International Chamber of Commerce in article 22 (3) states "Upon the request of any party, the arbitral tribunal may make orders concerning the confidentiality of the arbitration proceedings or of any other matters in connection with the arbitration and may take measures for protecting trade secrets and confidential information". The ADR Rules of the International Chamber of Commerce in article 7 (1) affirms that "In the absence of any agreement of the parties to the contrary and unless prohibited by applicable law, the ADR proceedings, including their outcome, are private and confidential. Any settlement agreement between the parties shall similarly be kept confidential except that a party shall have the right to disclose it to the extent that such disclosure is required by applicable law or necessary for purposes of its implementation or enforcement". On the same line the rules of the Chamber of Arbitration of Milan in article 8 state that: "the Chamber of arbitration, the parties, the Arbitral Tribunal and the expert witnesses shall keep the proceedings and the arbitral award confidential, except in the case it has to be used to protect one's rights". The second part of the article provides an exception for research purposes.

can be found in WIPO Arbitration Rules[280], stating a clear obligation of confidentiality, which binds parties to the proceedings in relation to the award and, in a broader sense, to every document and evidence which are part of the proceedings.

The applicable law to confidentiality is determined by the same law which is applicable to the arbitration proceedings (see in this regard paragraph 1.2).

English case law[281] considers confidentiality inextricably linked to the decision of devolving the dispute to arbitration, with some exceptions: parties' consent, an order of the ordinary judge, necessity of protection of collective or individual interests. Similarly, French and Spanish case[282] are intended to the recognition of a principle of

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[280] See http://www.wipo.int/amc/en/arbitration/rules/. In article 73 paragraph (a): "Except to the extent necessary in connection with a court challenge to the arbitration or an action for enforcement of an award, no information concerning the existence of an arbitration may be unilaterally disclosed by a party to any third party unless it is required to do so by law or by a competent regulatory body, and then only: by disclosing no more than what is legally required".
In article 74: "any documentary or other evidence given by a party or a witness in the arbitration shall be treated as confidential". In article 75: "the award shall be treated as confidential by the parties and may only be disclosed to a third party if and to the extent that: the parties consent; or it falls into the public domain as a result of an action before a national court or other competent authority; or it must be disclosed in order to comply with a legal requirement imposed on a party or in order to establish or protect a party's legal rights against a third party".

[281] P. NEILL, *Confidentiality in Arbitration*, in *Arb. int.*, 1996, 290. Arbitral proceedings were considered private for the first time in the case *Oxford Shipping Co.* v. *Nippon Yusen Kaisha*. Here judges considered that "the concept of private arbitrations derives simply from the fact that the parties have agreed to submit to arbitration particular dispute arising between them and only between them. It is implicit in this that strangers shall be excluded from the hearing and conduct of the arbitration". In the case *Dolling-Baker* v. *Merrett*, 1990, I W.L.R. 1205, the Court of Appeal stated the existence of a real obligation of confidentiality. "As between parties to an arbitration, although the proceedings are consensual and may thus be regarded as wholly voluntary, their very nature is such that there must, in my judgment, be some implied *obligation on both parties not to disclose or use for any other purpose any documents prepared for and used in the arbitration*, or disclosed or produced in the course of the arbitration, or transcripts or notes of the evidence in the arbitration or the award, and indie not to disclose in any other way what evidence had been given by any witness in the arbitration, save with the consent of the other party, or pursuant to an order or leave the court". Emphasis added.

[282] Paris Court of Appeal, 18 February 1986, in *Revue de l'arbitrage*, 1986, IV, 583 with a note of G. FLECHEUX. In the case *G. Aita* vs. *A. Ojjeh.* A party appealed an arbitration award in front of a clearly incompetent jurisdiction. The consequence was the public discussion on reserved information. This meant a breach of the obligation of confidentiality undertaken with the arbitration clause, which stated the compensation for damages. Anyway, this decision makes it possible, under French law, to disclose an award in order to prevent procedural abuse and save the good faith of the parties. Afterwards in 1999, the *Tribunal de commerce de Paris* ruled in *Bleustein et autres v. Société True North et Société FCB International* that there is an absolute duty of confidentiality in arbitration which finds its basis on parties' will (Tribunal de Commerce, Paris, 22 February 1999, in *Revue de l'Arbitrage*, 2003, I, 190-194). A complete obligation of confidentiality, covering the evidence, the pleadings, the documents used during the proceedings and the awards. A minority case-law expressed doubts regarding the existence of such a duty of confidentiality. For example, the case

confidentiality due to the private nature of the proceedings.

A different opinion is expressed in Sweden and Australia[283], where it is excluded

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NAFIMO v. *Foster Wheele's accounting information*. Here Foster Wheele alleged that NAMIFO breached its duty of confidentiality and claimed for compensation for damages. The Paris Court of Appeal stated that the claimant failed to demonstrate the existence of any principle of confidentiality and dismissed the claim.This judgement was widely criticised. Using the words of E. LOQUIN: "Le fondement de l'obligation de confidentialité est tiré du caractère privé de la procédure. L'explication est en soi insuffisante. (…) A défaut d'une obligation légale de confidentialité, les informations sont dans le domaine public. (…). Il est en revanche possible de fonder la responsabilité de la partie indélicate sur le terrain de la concurrence déloyale, mais seulement si les informations révélées peuvent constituer un acte de dénigrement, ce qui sera souvent le cas. Mais, plus généralement et indépendamment de tout acte de dénigrement, il nous paraît que la confidentialité de l'arbitrage est, à l'égard des parties, des arbitres et de l'institution d'arbitrage, de nature contractuelle. La convention d'arbitrage qui lie les parties, la convention d'arbitre qui est conclue entre les parties et les arbitres, la convention d'organisation d'arbitrage entre les parties et l'institution d'arbitrage, génèrent une *obligation implicite de confidentialité* couvrant les informations relatives à l'existence de l'arbitrage et au contenu des demandes, comme d'ailleurs au contenu de la sentence, qui ne peut être levée que par l'accord des parties. En revanche, cette obligation de confidentialité cède devant les obligations légales de transparence imposées, soit par le droit boursier, soit par le droit des sociétés". Emphasis added (See Paris Court of Appeal, 22 January 2004 with a note of E. LOQUIN, in *Revue de l'arbitrage*, 2004, III, 663). Anyway, this decision does not represent a *revirement* in French jurisprudence, both for the particular circumstances of the case, and for the lack of a clear reasoning of the Court.
The 2003 Spanish Arbitration Act expressly recognises an obligation of confidentiality, which binds not only the parties and the arbitrators, but in the widest sense, also the staff of the administering institution. The Spanish Act in article 24 (2) provides that: "The arbitrators, the parties and the arbitral institutions, if applicable, shall be obliged to keep the confidentiality of the information coming to their knowledge as a result of the conduct of the proceedings". Furthermore, in article 8 (3) the arbitrators are under an obligation of preserving procedural documentation for a certain period of time, the parties have the right to request the documents submitted to the arbitrators. The arbitrators shall accept this request only if it does not damage the confidentiality of the deliberation.

[283] High Court of Australia, 7 April 1995, case *Esso Australia Resources Ltd et consorts v. The Honourable Sidney James Plowman*, in *Rivista dell'arbitrato*, IV, 1996, 748 with note of R. PILLITTERI. The Minister required the presence of a third party in the sessions of the arbitral tribunal; moreover, he wanted that had to be ascertained the nonexistence of an implied term concerning the non disclosure, to the Minister and thirds, of the technical information revealed during the arbitral hearings. As a matter of fact the problem can be divided into two parts: privacy, concerning the first part of the judgement, and confidentiality, concerning the second one. Even if it is true that it is not possible to consider confidential every part of the arbitration proceedings, nonetheless such a distinction between privacy and confidentiality is not clearly perceivable in this case (a similar distinction can be made in proceedings before an ordinary judge, when he does not allow the publication of evidences given in an open court session). "The right to publish a report of court proceeding is an important common law right that is vital to the proper working of an open and democratic society and to the maintenance of public confidence in the administration of justice. Thus even a statutory power to exclude the public from proceedings will not necessarily abrogate this common law right. Furthermore, when information given in court proceedings is protected, it is not the publication per se that is objectionable, rather it is the contempt of court resulting from disobedience of the non-publication order".
In the case *A.I. Trade Finance inc.* (hereafter AIT) v. *Bulgarian Foreign Trade Bank Ltd* (hereafter Bulbank), the Swedish Supreme Court, with a decision of 27 October 2000, (in *Stockholm Arbitration Report*, 2000, II, 137-147 with notes by M. I. M. ABOUL ENEIN), held that there is no

that parties to arbitration are under a general obligation of confidentiality. Therefore, the information collected during the proceeding can be communicated to third parties, without the express consent of the owner, if there is a public interest in their circulation. The main point in the Anglo-Australian method is that the confidentiality test concerns the necessity to submit a document, which is fundamental for another decision. On the contrary, the continental method is more deductive: the legal consequence of the submission of a document can be found in the fact that the information therein contained is not secret. This method is more predictable, especially for what concerns third parties requesting for evidence. Anyway, there is no general rule. The Anglo-Australian approach is not based on the secrecy of the information itself, but on the relationship between the proceeding and the parties, differently from the continental method, where trade secrets have a direct protection. In any case if it is used a wide notion of public interest, then there is the risk of destruction of the private nature of arbitration in any controversy of every nature[284].

Doctrine is divided between those who believe that confidentiality can only have a contractual basis and those who believe that this is an implicit characteristic of arbitration. Anyway, the inclination of parties to use discretion in the conduct of the proceedings lets the majority of scholars to believe that confidentiality is part of customary arbitration law[285].

In a wider approach, it must be considered that an agreement to arbitrate, which provides for obligations of confidentiality, does not bind third parties. This dissymmetry

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absolute duty of confidentiality under Swedish law. During the arbitration, Bulbank challenged arbitrators' jurisdiction, arguing that the arbitration clause was invalid. In a partial award, the arbitral tribunal rejected Bulbank's position on jurisdiction, but in the meanwhile AIT published this decision in the Mealey's International Arbitration Report. After finding out the publication, Bulbank alleged that with such a disclosure AIT made a material breach of the arbitration agreement, determining its voidness. These allegations were rejected by the arbitral tribunal. Finally the case reached the Swedish Supreme Court, here it was clearly indicated that arbitration is not confidential: "The Supreme Court finds that a party in arbitration proceedings cannot be deemed to be bound by a duty of confidentiality unless the parties have concluded a separate agreement with respect thereto. It consequently follows that AIT has not committed a breach of contract by allowing the publication of the decision issued by the arbitration panel during the proceedings".

[284] M. RUBINO-SAMMARTANO, *Il diritto dell'arbitrato: disciplina comune e regimi speciali*, Padova, 2010, 980.

[285] E. GAILLARD, *Le principe de confidentialité de l'arbitrage commercial international*, in *Recueil Dalloz*, 1987, 153. Confidentiality is considered a natural component of arbitration. It is imposed to the parties by the private nature of arbitration, independently from every deal or law.

determines that third parties involved in the proceedings would be free to disclose the contents of arbitration. In order to resolve this issue, the parties can conclude express agreements with third parties, not bound by expressed obligations of confidentiality. Some Commentators suggest that, due to ethical reasons, there is no such confidentiality gap in respect to arbitrators[286], lawyers and expert witnesses. This is the reason why it would be unnecessary to conclude with them expressed separate agreements. As regards lawyers, even in the absence of specific provisions, they are obliged to respect the confidentiality because of ethical rules, i.e. the attorney-client privilege. Nevertheless, ethical rules are not sufficient in certain circumstances. These rules vary greatly depending on time and space: for this reason if parties are particularly sensitive about information disclosure, they may request that lawyers and their employees sign confidentiality agreements. In some countries, particularly civil law ones, there is a duty of secrecy, imposed to some professional figures, whose breach determines the use of criminal sanctions[287]. Nevertheless, due to the criminal nature of

[286] In this sense, it can be considered article 9 of the IBA Rules of Ethics for International Arbitrators, clearly ruling in favour of confidentiality: stating that "the deliberations of the arbitral tribunal, and the contents of the award itself, remain confidential in perpetuity unless the parties release the arbitrators from this obligation. An arbitrator should not participate in, or give any information for the purpose of assistance in, any proceedings to consider the award unless, exceptionally, he considers his duty to disclose any material misconduct or fraud on the party of his fellow arbitrators". See A. JOLLES AND M. CANALS DE CEDIEL, *Chapter 6 Confidentiality*, in G. KAUFMANN-KOHLER AND B. STUCKI *International Arbitration in Switzerland: a handbook for practitioners*, The Hague, 2004, 99. Under Swiss law, as a consequence of the fiduciary relationship between the parties and the arbitrator, arbitrators are bound by duties of confidentiality.

[287] In order to have an idea of these sanctions, it is interesting to compare different European criminal codes. Article 226-13 of the French Criminal Code states that "La révélation d'une information à caractère secret par une personne qui en est dépositaire soit par état ou par profession, soit en raison d'une fonction ou d'une mission temporaire, est punie d'un an d'emprisonnement et de 15 000 euros d'amende". Article 622 (1) of the Italian Criminal Code "Chiunque, avendo notizia, per ragione del proprio stato o ufficio, o della propria professione o arte, di un segreto, lo rivela, senza giusta causa, ovvero lo impiega a proprio o altrui profitto, è punito, se dal fatto può derivare nocumento, con la reclusione fino a un anno o con la multa da euro 30 a euro 516". Article 458 of the Belgian Criminal Code "Les médecins, chirurgiens, officiers de santé, pharmaciens, sages-femmes et toutes autres personnes dépositaires, par état ou par profession, des secrets qu'on leur confie, qui, hors le cas où ils sont appelés à rendre témoignage en justice (ou devant une commission d'enquête parlementaire) et celui où la loi les oblige à faire connaître ces secrets, les auront révélés, seront punis d'un emprisonnement de huit jours à six mois et d'une amende de cent euros à cinq cents euros". Article 20 section 3 of the Swedish Penal Code "A person who discloses information which he is duty-bound by Law or other statutory instrument or by order or provision issued under a Law or statutory instrument to keep secret, or if he unlawfully makes use of such secret, he shall, if the act is not otherwise specially subject to punishment, be sentenced for breach of professional confidentiality to a fine or imprisonment for at most one year. A

these sanctions, the enforcement of such obligations may be complicated and remedies may not be adequate. As a consequence, sometimes these criminally sanctioned duties will not prevent the conclusion of express confidentiality agreements with third parties.

Even in the case of "non-confidential" arbitrations (for example an arbitration arising out of a model of arbitration clause drafted under the Swedish law), a party can rely on different solutions in order to protect its confidential information. One of these is the insertion of confidentiality provisions in the term of reference or the creation of a contractual confidentiality club (by which only a limited number of individuals are allowed to have access to the materials produced within the proceedings).

Anyway, the obligations of confidentiality have some necessary limitations: a party should disclose an arbitral award in order to challenge or enforce it. Moreover, the beginning of the proceedings before the national courts, because of the prevalence of the principle of publicity, determines necessarily the disclosure of the arbitral award to the public. Broadly speaking, a national court may accept the disclosure if a public policy issue is at stake[288].

Moving the focus on the arbitrator's behaviour, it can be considered that there is an obligation of confidentiality connected with the trust that the party conferred to the arbitrator and with the role he plays in the dispute. For this reason he has not only the task to protect arbitration from third parties, but also to keep it secret with regard to the same parties. There is of course a limit concerning an *ex parte* disclosure, due to article 6 of the European Convention on Human Rights stating the right of the party to a fair and public hearing: as a consequence it would not be possible to decide a case on the basis of a document which the other party did not have the choice to examine[289].

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person who through carelessness commits an act described in the first paragraph shall be sentenced to a fine. In petty cases, however, punishment shall not be imposed".

[288] A court may waive confidentiality for the sake of justice in a more transparent way, to disclose relevant information for criminal prosecution or in order to give a party the chance to protect its rights. Anyway, the European method is more careful to accept public policy as a reason for disclosure. See in this regard the European Court of Justice, 24 June 1986, case AKco, in ECR, 1986, 1965. Even if it is presumed that a public agency acts always in accordance with the public interest, nonetheless, a court review on confidentiality is necessary. If this review is not possible, then confidentiality should prevail.

[289] "In the determination of his civil rights and obligations or of any criminal charge against him, everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law. Judgment shall be pronounced publicly but the press and public may be excluded from all or part of the trial in the interests of morals, public order or

Without a legal or contractual obligation of reservedness, can the parties use evidences constituted during arbitration in another proceedings before an arbitrator or an ordinary judge? In some cases, if the submission of the exhibit is necessary to the solution of the dispute, courts stated that this need prevails over confidentiality[290].

Different kinds of information require consent of different subjects. Considering information disclosed by the original owner, it is always possible for him to make a disclosure toward third parties. For information created during the proceedings there is a confidential duty pending upon both parties, which can be waived if they both agree on publication, except for the name of the arbitrator, in those countries which strictly apply the confidentiality rule. If parties do not agree on publication of information belonging to them jointly, then they cannot separately publish it. The publication of an opinion may be more complicated, due to copyright reasons; as a consequence if the opinion's right of publication was not transferred to the parties, arbitrator's express consent is necessary for the publication.

Considering the award, and the need of confidentiality involving it, it is possible to make a distinction among the first part of the document (facts and evidences), the second (motivation) and the third (ruling): usually the first and second part of the award are confidential, but the third can be used to inform stakeholders. It is important to bear in mind that, the award, as object of appeal or of injunction proceedings before the

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national security in a democratic society, where the interests of juveniles or the protection of the private life of the parties so require, or to the extent strictly necessary in the opinion of the court in special circumstances where publicity would prejudice the interests of justice". C. JAROSSON, *L'arbitrage et la Convention Europenne des droits de l'homme*, in *Revue de l'arbitrage*, 1989, 574. In paragraph 34 the Author highlights an incompatibility between the Convention and the fundamental principles of arbitration. For example considering the confidentiality issue there is a conflict with article 6.1 of the Convention, stating that the hearing must be public. Of course it is possible to make a renunciation to this publicity if there is a specific parties' interest in this regard. It will be a mistake to consider arbitral jurisdiction at the same level of state jurisdiction, since it has jurisdictional powers. This is the reason why there is a broad interpretation of the content of article 6 of the Convention. Using the words of V. M. MELCHIOR, *Notions "vagues" ou "indéterminées" et "lacunes" dans la Convention européenne des droits de l'Homme*, in *Mélanges en l'honneur de G. J. Wiarda, Protection des droits de l'homme, la dimension européenne, Köln, 1988, 411* "les droits garantis expressément par la Convention sont susceptibles de donner naissance à des droits nouveaux qui, par définition, ne sont pas garantis `comme tels' par la Convention, mais qui sont la conséquence de l'interprétation qui sera donnée au droit garanti "originaire"".

[290] J. PAULSSON – N. RAWDING, *Les aleas de la confidentialitè*, in *Bulletin CCI*, 1994, V, 53. The case London & Leeds Estates Ltd v. Paribas ltd, In Eg 1995, 137, considers that there is a duty of confidentiality pending on both parties in relation to the evidence given in the proceedings.

ordinary judge, can always potentially be a public document. Moreover, it is necessary to make a distinction between the evidence created in the proceedings and those already existing before. While there is no limitation in the use of the latter, there are some doubts for the former, because created within private proceedings and finalized to a private judgement. The solution depends on the efficacy that the juridical order gives to this evidence, independently from its creation[291].

Interest of the parties for confidentiality differs from the scientific interest in the publication of the awards, particularly for the interpretation of customary law and Unidroit principles. Considering arbitration under a private perspective, more relevance will be given to confidentiality, whereas if arbitration is considered a system of dispute resolution, then more importance will be given to the scientific value of these decisions[292].

After these considerations, it is clear how arbitration can be important for the solution of IP disputes. In a dimension where confidentiality is a fundamental pillar in order to protect not only trade secrets and the competitive advantage, but also the public image of the company and the consequent reactions of the stakeholders. Even if there are some exceptions to this principle (such as the existence of a public interest, or the permission/imposition of disclosure made by law or by the judge), a party is not allowed to disclose more data than necessary.

4.1.5. Length of the proceedings.

Access to justice is a fundamental right under international law, recognised by article 6 of the European Convention on Human Rights. The object of this right is more complex than a simple right of access to courts, involving precise guarantees in order to solve

[291] L. LAUDISA, *Arbitrato e Riservatezza*, in *Rivista dell'arbitrato*, 2004, I, 33. The Author considers that a party may have the interest to disclose some information created during the arbitral proceedings because it has undertaken a task in this sense. The legitimacy of this disclosure has to be evaluated by the arbitrator and the judge and cannot go beyond the mentioned interest.

[292] A balance between these different points of view can be found in the Swiss Rules of International Arbitration in article 44 (3), which allows publication of arbitration awards without parties' names or any personal detail "An award or order may be published, whether in its entirety or in the form of excerpts or a summary, only under the following conditions: a request for publication is addressed to the Secretariat; all references to the parties' names are deleted; and no party objects to such publication within the time-limit fixed for that purpose by the Secretariat".

disputes. Even if everyone has the right to a hearing "within a reasonable time", the problem of excessive duration of ordinary justice is common to all juridical systems. Recent studies consider that a certain duration of proceedings is useful in order to limit a too easy access to justice; therefore, it is not possible to completely eliminate this problem. As a consequence, in certain cases arbitration appears to be not only an alternative remedy, but even more a necessity[293]. The comparison between the average duration of arbitration proceedings[294] and the average duration of ordinary ones[295] (considering all three jurisdictional steps) is quite impressive, resolving a dispute by arbitration is almost 85% faster than by an ordinary jurisdiction.

However this important difference is not only limited to the Italian judiciary system, with its well known problem of the length of the proceedings[296], but also

[293] V. VIGORITI, *Luoghi comuni su arbitrato e processo*, in *Rass. for.*, 2005, III-IV, 1226. It is important to bearing mind that timing is decided by parties and not by judges, for this reason, differently from the ordinary justice, parties do not lose control of the proceedings, which are not subordinated to office exigencies. It is sufficient the denial of a party that no prorogation is possible.

[294] The average length of arbitration proceedings before the Chamber of Arbitration of Milan is 11.2 months, of these 7.1 months is the average length of proceedings concluded by withdrawal, 15.3 months is the average length of those which are concluded by an award. A detailed table is available on the website of the Chamber of Arbitration of Milan. See http://www.camera-arbitrale.it/Documenti/arbitration_facts-figures_2007-2012.pdf.

[295] Data collected from *Ministero della giustizia - Direzione generale di statistica (DG-Stat)*. See *http://www.senato.it/application/xmanager/projects/leg17/attachments/dossier/file_internets/000/000/063/Dossier_011.pdf*. The Direzione generale di statistica (DG-Stat) of the Italian Ministry of Justice points out that it has not been considered the real duration of the proceedings, but the average time in which the proceedings stand in front of a court until they are exhausted. This independently from the way in which they are concluded (e.g. judgement, transaction or others), these data consider civil proceedings in their amount. In 2013 the duration in each jurisdiction was 564 days before the tribunal of first instance, 1113 before the Court of Appeal and 1188 before the Supreme Court. The overall duration before the three different jurisdictions was 2866 days. Data collected from *Giustizia civile: come promuoverne l'efficienza?,* in *OECD Economics Department Policy Notes,* No. 18 June 2013.

[296] In this regard consider M. CASTELLANETA, *Cedu, maxicondanne all'Italia per la legge Pinto*, in *Guida al Diritto*, 2011, VII, 20 and I. FALCONE, *La ragionevolezza del processo: tra vincoli europei e autonomia dell'ordinamento interno*, in *Giust. civ.*, 2010, V, 251. According to the Report on the administration of justice 2012 of the Italian Supreme Court, in the period July 2010 – June 2011, the global amount of proceedings is reduced in comparison with the previous year (- 2,4%) even if it is evident that the number of new proceedings is still excessive; they have moreover an excessive average duration. In particular before the Court of Appeal the average duration is increased from 947 days in 2010 to 1.032 in 2011 (a growth rate of 9%) to 1051 in 2012 (with a growth rate of 1,7% in relation to the previous year). This is the reason why a legislative intervention is more than ever a necessity. Mario Draghi, ex Governor of the Bank of Italy, in his considerations of 31 May 2011, stated that "la durata stimata dei processi ordinari in primo grado supera i mille giorni e colloca l'Italia al 157 posto su 183 paesi nelle graduatorie stilate dalla

considering the average length of ordinary proceedings in different European countries[297], it becomes clear the significant save of time which is possible choosing the arbitration.

To better compare two systems of dispute resolution, it is important to consider also the Appeal rate, that is to say the rapport between those proceedings that are exhausted before the first instance court, and those pending before the Court of Appeal in the same period of time[298]. The predictability of judicial decisions is a guarantee of certainty and lets economic operators easily evaluate the legal consequences of their actions. The appeal rate can be considered as one of these indicators, the comparative analysis shows that common law systems have lower appeal rate than other legal systems, which shows a higher variability. The Italian appeal rate, under a comparative perspective [299] , is over the European average, showing an high degree of contentiousness. This will unavoidably increase the average duration of the proceedings.

These data are really remarkable, considering the fact that an arbitral award is challenged in very few cases. Unfortunately, data concerning the amount of arbitral proceedings per year are not available, due to reasons of confidentiality that make it difficult to collect such information. Nonetheless it is possible to take into account those awards that have been challenged before the ordinary courts. In this sense, the awards

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Banca Mondiale". The Rapport of the World Bank "Doing Business" underlines the necessity of the existence of "fair rules" which reduce the resolution costs of controversies (See in this regard http://www.cortedicassazione.it/Documenti/Relazione%20anno%20giudiziario_2011.pdf).

[297] See *Doing Business – Enforcement Contract 2009* of International Finance Corporation (IFC), an International organisation, which is part of the World Bank. Here on the basis of a dispute with standard characteristics (such as a debt collection) it has been asked to 27 lawyers to evaluate the length of ordinary proceedings before the tribunal of the capital of their State. The best results have been achieved in Lithuania (275 days), France (331), Germany (394), United Kingdom (399). Italy shows one of the worst results (1210).

[298] The challenge rate before the Court of Appeal in 2011 is 22,01%. See http://giustiziaincifre.istat.it. The challenge rate before the Supreme Court in the second term of 2011 is 13,45%. See http://www.cortedicassazione.it/Documenti/MGG00114_civile_2sem2011_new.pdf.

[299] *CEPEJ (2005), European judicial systems 2002, Facts and figures on the basis of a survey conducted in 40 Council of Europe Member States*, p. 51, tav. 25. In Italy, the average duration, considering the amount of three different jurisdictions is about 2850 days, anyway, it is not foreseeable if a first instance judgement will be challenged or not; under this point of view it is useful to consider also the predictable average duration, calculated with the challenge rate. That is to say 470 + 22,01% 1060 + 22,01% (13,45%) 1105 = 736 days.

challenged before the Court of Appeal of Milan in years 2003-2004 are only 35 (with a reversal rate of 20%)[300]. A comparison between ordinary justice and arbitration shows not only an inferior duration, but also an inferior reversal rate, that is to say the probability that the decision is changed before the superior court. This can be considered a proof of efficiency and efficacy of the arbitral institution.

In matter of IP, in 2013 the duration of arbitrations before the Chamber of Arbitration of Milan was not different from the average duration of proceedings for all subject matters before the same institution[301]; in particular it has been pointed out the existence of 11 arbitrations, 8 of them are still in progress, 3 of them have already been concluded: one had a duration of 6 months, one of 8 months and the other one has been closed by transaction before the constitution of the arbitral tribunal (in this sense it is interesting to observe the conciliative attitude of parties which bring the action before the arbitrator). These data, even if partial, allow to consider that duration of proceedings in matter of IP is faster then the average duration of proceedings for other subject matters, conducted before the Arbitration Chamber of Milan.

On the same line it is interesting to analyse the duration of the arbitration proceedings before the Swiss Chambers' Arbitration Institution[302]. The duration of IP proceedings from 2004 until 2013 is 293 days, is on average with the data collected by other Arbitration Chambers.

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[300] A. BOSSI, *L'impugnazione di lodo di fronte alla Corte d'Appello di Milano*, in http://www.mi.camcom.it/l-impugnazione-di-lodo-di-fronte-alla-corte-di-appello-di-milano. The average duration of ordinary proceedings before the tribunal of first instance in Milan is about 327 days and before the Court of Appeal is about 824 days. The reversal rate is 55% before the Court of Appeal and 33% before the Supreme Court. Data collected by the Ministry of Justice 2006. See table available at http://archivio.lavoce.info/articoli/pagina1001116.html.

[301] These data, updated at July 2014, have been obtained with the kind help of Ms Valeria Lovato, supervisor of the Studies and Documentation Center G. Schiavoni, Milan Chamber of Commerce (valeria.lovato@mi.camcom.it). All these proceedings are arbitration in law, with ritual nature, 8 of them have Italian parties and 10 of them have chosen Italian language as the language of the proceedings, 1 English.

[302] In this sense I have to thank Dr. Rainer Fuegg, Executive Director of the Swiss Chambers' Arbitration Institution (r.fueeg@swissarbitration.org). All arbitration in the timeframe considered are arbitration in law with seat in Switzerland. All cases submitted between 2004 and 2013 are 732, and IP represents 5% of the total amount. See also https://www.swissarbitration.org/sa/download/statistics_2013.pdf.

With regard to Finland[303], the time limit to render an award under FCC rules is one year after the case is filed to the arbitral tribunal by the Arbitration Institute; the average duration is nine months. Moreover, starting from 2004 the Arbitration Institute introduced the Expedited Arbitration, this means that arbitration has to be concluded within three months, after the case has been filed to the arbitrator.

After this brief analysis, it is clear that expeditiousness is the Achille's heel of ordinary jurisdiction; even the most efficient system has to face off the increasing frenzy of the development in the technological field, where parties risk to litigate on a technology which has already become obsolete, with a consequent loss of competitiveness on the market. This is the paradoxical consequence of an inadequate system, which has not been "tailored" on parties' needs.

Anyway, it should be born in mind that it is hard to predetermine the duration of an arbitration proceeding; it depends on parties needs and their ability in respecting the calendar they agreed upon. Nonetheless, the flexibility of the arbitration, which has already been object of analysis, lets parties to agree on fundamental points of the procedure, in accordance with their exigencies.

4.1.6. Role and importance of administered arbitration.

In this chapter, dedicated to the advantages of the arbitral solution, it has become necessary to provide a brief distinction between two different kinds of arbitration: *ad hoc* and administered. Differently from the first one, where it is upon parties to decide every aspect of the proceedings, the administered arbitration is organised by permanent national and international institutions, known as arbitration chambers, whose regulations will be applied during arbitration unless otherwise decided by the parties.

The advantages in the choice of an administered arbitration rely on the control of costs and proceedings. In this sense arbitrators cannot freely determine their fees, but it

[303] See M. HENTUNEN, A. FORSS AND J. PITKÄNEN, *Finland*, in *Arbitration Guide IBA arbitration Committee*, 2012, 1. In http://www.ibanet.org/Article/Detail.aspx?ArticleUid=a646cf32-0ad8-4666-876b-c3d045028e64#arbitrationguides.

is necessary to adopt the tables provided by the arbitration chamber[304].

The advantage in the choice of the administered proceedings cannot be identified only in a direct reduction of costs, but also the indirect saving of time and money has to be taken into account. It is necessary to bear in mind that the role of the arbitration chamber, with its preventive control, can prevent the creation of a violation of form, contributing to the validity of the award[305]. In order to increase the efficiency, terms of reference are often used, i.e. a document by which it is determined the object of the proceedings and the logical order for the decision of the controversies.

Other advantages are clearly identifiable in the specialisation of the chambers for the solution of specific disputes, with technical peculiarities; this is the case of WIPO and the solution of domain name disputes. The benefit in the choice of an arbitration chamber can also be found at an earlier stage, at the time of the drafting of the arbitration clause. Practice shows "monster" or "pathological" clauses, drafted by inexperienced negotiators, these will be unavoidably voided in case of litigation before a national court[306]. This is the reason why arbitration chambers provide model clauses

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[304] As an example see the table of costs provided by the Arbitration Chamber of Milan, here there is a distinction depending on the number of the arbitrators and on the value of the subject matter of the dispute. http://www.camera-arbitrale.it/it/Arbitrato/Costi/Tariffe+in+euro.php?id=88.

[305] In this sense see article 33 of the ICC arbitration rules in matter of scrutiny of the award; "before signing any award, the arbitral tribunal shall submit it in draft form to the Court. The Court may lay down modifications as to the form of the award and, without affecting the arbitral tribunal's liberty of decision, may also draw its attention to points of substance. No award shall be rendered by the arbitral tribunal until it has been approved by the Court as to its form".

[306] This expression is used to define particular clauses which, in reason of their poor draft, do not let the interpreter to understand the kind of procedure chosen by parties, giving no choice but to recur to the ordinary justice. See S. AZZALI, *Arbitrato amministrato e arbitrato ad hoc*, in G. IUDICA, *Appunti di diritto dell'arbitrato*, Torino, 2012, 113. An example of the model clause for international arbitration provided by the Chamber of Arbitration of Milan "All the disputes arising out of or related to the present contract, shall be settled by arbitration under the Rules of the Chamber of Arbitration of Milan (the Rules), by a sole arbitrator / three arbitrators **, appointed in accordance with the Rules. The Arbitral Tribunal shall decide in accordance with the rules of law of ... / ex aequo et bono. The seat of the arbitration shall be ... . The language of the arbitration shall be ...".
*** alternative choice, to be done considering the real circumstances and the value of the dispute".* From http://www.camera-arbitrale.it/en/Arbitration/Clauses/Fulltext.php?id=223. On the same line see the standard arbitration clause of the Swiss Chambers' Arbitration Institution: "Any dispute, controversy or claim arising out of, or in relation to, this contract, including the validity, invalidity, breach, or termination thereof, shall be resolved by arbitration in accordance with the Swiss Rules of International Arbitration of the Swiss Chambers' Arbitration Institution in force on the date on which the Notice of Arbitration is submitted in accordance with these Rules. The number of arbitrators shall be ... ("one"," three", "one or three"); The seat of the arbitration shall be ...

that will be simply copied under the section of the contract concerning disputes settlement, avoiding any inconvenience.

4.1.7. The decrease of the number of conflicts and the safeguard of the economic relationships.

The arbitration proceedings can begin with an arbitration clause drafted within the main contract, consequence of the economic relationship between the parties, before the dispute arises, or from an arbitration agreement the parties agreed to enter into after the beginning of the controversies. Actually, it is difficult that parties are capable of finding a compromise to devolve the dispute to arbitrators once the conflict has come into existence; more likely an agreement in matter of dispute resolution can be found before the conflict starts, during the contractual step. Independently from these considerations, it is clear that an arbitration finds its basis in an economic relationship, often a long-term one, which gives to the parties an interest in finding a solution that will preserve the ongoing relationship and the future ones. This goal can be more easily achieved with a flexible remedy, such as arbitration, rather than a rigid one, as the ordinary path. The tendency to pacifically resolve disputes is seen as a consequence of the market sanction of exclusion of unreliable economic operators from future businesses. This tendency is confirmed by praxis. The analysis of the statistics of arbitration proceedings before WIPO Arbitration and Mediation Center clearly shows that, until December 2008, 54% of disputes of WIPO Arbitration have been settled by the parties before the award[307]. It is possible that during arbitration, both parties and arbitrators understand that a settlement is possible; in this sense article 65[308] of WIPO

(name of city in Switzerland, unless the parties agree on a city in another country); The arbitral proceedings shall be conducted in … (insert desired language)". From https://www.swissarbitration.org/sa/en/clause.php.

[307] In this sense see WIPO Arbitration and Mediation Center, *Update on the WIPO arbitration and mediation center's experience in the resolution of intellectual property disputes*, in *Les Nouvelles*, 2009, 53.

[308] Article 65 of the WIPO Arbitration Rules reads as follows: "(a) The Tribunal may suggest that the parties explore settlement at such times as the Tribunal may deem appropriate. (b) If, before the award is made, the parties agree on a settlement of the dispute, the Tribunal shall terminate the arbitration and, if requested jointly by the parties, record the settlement in the form of a consent award. The Tribunal shall not be obliged to give reasons for such an award".

Arbitration Rules encourages parties to explore a possible agreement, if parties reach a settlement, this is recorded in the form of a consent award, if this is the common will of the parties, in order to make it enforceable under the New York Convention.

4.1.8. Circulation of the awards.

An important feature of arbitration is the possibility to recognise and enforce arbitration awards more easily than ordinary judgements. Due to the ratification of the New York Convention, the 153 contracting States[309] accepted a number of binding provisions on the recognition of the validity and execution of non-domestic arbitral awards in their own territory. This means the adoption of a common standard, with the prohibition to impose stricter limitations with regard to domestic arbitrations. In this sense an award cannot be recognised and enforced if it is proved the existence of some of the grounds of refusal provided in article V of the Convention[310]. These can be summarised in: invalidity of the arbitration convention, exclusion of a party in the choice of the arbitrators, the case in which the award overpasses the limit *ratione materiae* settled in the arbitration

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[309] A complete list is provided in http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_status.html.

[310] Article V of the New York Convention states: "(a) The parties to the agreement referred to in article 11 were, under the law applicable to them under some incapacity, or the said agreements not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made; or
(b) The party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or
c) The award deals with a difference not contemplated by or lint falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be recognized and enforced; or
(d) The composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place; or
(e) The award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the law of which, that award was made.
2. Recognition and enforcement of an arbitral award may also be refused if the competent authority in the country where recognition and enforcement is sought finds that:
(a) The subject matter of the difference is not capable of settlement by arbitration under the law of that country. or
(b) The recognition or enforcement of the award would be contrary to the public policy of that country".

convention, if the establishment of the arbitral tribunal or the procedural rules do not comply with the provisions settled in the arbitration convention and when the decision has been suspended or revoked. Moreover another limitation can be found in article V (2), i.e. the hypothesis in which the arbitration award decides on a subject matter which is not capable of being settled by arbitration or if recognition or enforcement of the award are against public policy, both these issues have already been analysed in the first chapter of this work.

4.2. Disadvantages of arbitration.

Notwithstanding the aforementioned advantages, arbitration is a system of dispute resolution far from perfection, for example, it is a procedure which is generally more expensive than the ordinary one. This is often a problem for small and medium enterprises, which cannot benefit (in the short term) of the comparative advantages of the procedure; moreover, the absence of coercive measures and the subjective limits, which ensue from the private and consensual nature of arbitration, can on some occasions create barriers which are impossible to overcome.

4.2.1. Costs.

An important feature that may discourage the use of arbitration are costs, definitely higher than those of ordinary justice[311]. In arbitral proceedings parties have to bear the costs of management of the proceedings and the fees of arbitrators; this in antithesis with ordinary proceedings which are conceived as a public service offered to citizens. Parties have to pay arbitrators because, as a consequence of the private nature of arbitration, they are not public functionaries, which means that they are not paid by the State.

Conceiving arbitration an expensive procedure is true, but it is also necessary to

[311] http://www.camera-arbitrale.it/it/Arbitrato/Costi/Tariffe+in+euro.php?id=88. In order to have an idea of arbitration costs, it is possible to take into account those ones provided by the Arbitration Chamber of Milan. The idea of arbitration costs as excessive if compared with those one of the ordinary justice can be true in civil law countries, but not for common law ones, where the judicial procedure includes motion, deposition, discovery and cross-examination institutions that are insatiable devourers of time and money. See http://www.wipo.int/amc/en/arbitration/why-is-arb.html.

consider costs arising from assets immobilization and uncertainty of economic relationships. It cannot be denied that devolving to specialised arbitrators the resolution of a dispute is more expensive than an ordinary remedy, but Italian and international experiences prove that costs can be rationalized and reduced. For example with the choice of a unique arbitrator instead of a board, with a limited number of hearings, or using telematic tools. Cost is a variable to analyse, considering factors as duration, quality of the decision etc…

Nonetheless, even if arbitration is generally more expensive than ordinary justice, it should be considered that ordinary justice is not a cheap remedy in absolute terms. A survey conducted by the American Intellectual Property Law Association underlines that the average cost of an IP lawsuit is about 400.000 dollars[312].

Other disadvantages unavoidably linked with arbitration are the use of dilatory tactics in the establishment of the board, the choice of incompetent arbitrators regarding the technical problem submitted to them and the non-compliance with fundamental procedural rules. Anyway, these risks, not unknown to ordinary proceedings, can be neutralized with an adequate arbitration agreement, drafted under the supervision of experienced representatives or with the assistance of the Arbitration Chambers.

In conclusion there are a lot of variables which can hardly be predetermined; nonetheless, it should be born in mind that the flexibility of arbitration, the chance to continue the economic relationship with commercial partners and the possibility to resolve the dispute even before the decision phase, due to the efficacy of conciliative provisions, are important features to be considered in the analysis on the strength of arbitration in comparison with ordinary justice.

4.2.2. Absence of coercive measures.

A consequence of the private nature of arbitration is the impossibility for the arbitrators to use precautionary measures and coercive powers due to the absence of *imperium*, which belongs to ordinary justice. This can be a reason for the backwardness of the use of arbitration when the dispute has already come into existence between the parties. The lack of coercive powers prevent arbitrators from imposing a certain behaviour to

[312] D. A. BERNSTEIN, *A case for Mediating Trademark Disputes in the Age of Expanding Brands*, in *Cadozo Journal of Conflict Resolution*, VII, 2006, 139.

one of the parties in the initial phase of the proceedings, being necessary the recognition of the ordinary justice in order to obtain this effect.

This limit is clearly recognised by different legislations; for example article 818 of the Italian c.c.p. and article 1487.1 of the French c.c.p. state that it is not possible to enforce the arbitral award without exequatur proceedings carried out by the ordinary judge[313]. This does not mean that it is not possible to adopt precautionary measures during arbitration, but if those measures are deemed to be essential, it will be necessary the intervention of the ordinary judge, which is the only competent authority to impose them[314].

In order to overcome these difficulties some arbitration institutions determine negative consequences to parties that, with their obstructionist behaviour, frustrate the correct advancement of the proceeding. In this sense can be taken into account article 56 lett. d of the WIPO rules, which provide that: "if a party, without showing good cause, fails to comply with any provision of, or requirement under, these Rules or any direction given by the Tribunal, the Tribunal may draw the inferences therefrom that it considers appropriate". On the same line see also article 22 (2) and (5) of ICC Arbitration Rules: "(2) In order to ensure effective case management, the arbitral tribunal, after consulting the parties, may adopt such procedural measures as it considers appropriate, provided that they are not contrary to any agreement of the parties. (5) The parties undertake to comply with any order made by the arbitral tribunal". These provisions cannot completely overcome the absence of coercive powers upon arbitrators, but provide an

[313] Article 1487 (1) f.c.c.p. states that: "La sentence arbitrale n'est susceptible d'exécution forcée qu'en vertu d'une ordonnance d'exequatur émanant du tribunal de grande instance dans le ressort duquel cette sentence a été rendue". On the same line article 1468 (1) f.c.c.p. provides that: "Le tribunal arbitral peut ordonner aux parties, dans les conditions qu'il détermine et au besoin à peine d'astreinte, toute mesure conservatoire ou provisoire qu'il juge opportune. Toutefois, la juridiction de l'Etat est seule compétente pour ordonner des saisies conservatoires et sûretés judiciaires". In this sense article 28 (2) of the ICC Arbitration Rules in conformity with French legislation provides that: "Before the file is transmitted to the arbitral tribunal, and in appropriate circumstances even thereafter, the parties may apply to any competent judicial authority for interim or conservatory measures. The application of a party to a judicial authority for such measures or for the implementation of any such measures ordered by an arbitral tribunal shall not be deemed to be an infringement or a waiver of the arbitration agreement and shall not affect the relevant powers reserved to the arbitral tribunal". The Italian legislation: article 818 c.c.p. "Gli arbitri non possono concedere sequestri, né altri provvedimenti cautelari, salva diversa disposizione di legge".

[314] See in this sense Court of of Verona, 1 August 1996, in *Giurisprudenza Italiana*, 1997, 66. Here it is stated that "in pendenza di giudizio arbitrale (…) la competenza ad emettere misure cautelari spetta al giudice ordinario".

alternative solution in order to “bind” parties to apply arbitrators’ decisions in the interest of the proceedings.

4.2.3. Subjective limits.

Being arbitration a private and voluntary system of dispute resolution, it is clear that the possibility for a third party to intervene in the proceedings is submitted to parties’ agreement[315].

The main problem arises in case of compulsory joinder, if that subject refuses to intervene in arbitration, then arbitration has to be considered inadmissible. The ineliminable risk of arbitration is that in proceedings where there are more individuals involved, the proceedings go on without involving some subjects or in case arbitration has already started, this cannot continue due to the refusal to intervene of a necessary party.

4.3. Arbitration under Italian public contracts: the role of the TTOs.

In the previous chapters, it has been taken into account only the possibility of the use of arbitration in relation to contracts between private parties. If one of the contracting parties has public nature, then there are some limitations in the chance of using ADRs. In this sense the Italian legislation (with d.l. 207/2008, modified by l. 14/2009), prohibits the use of arbitration for public contracts, with direct loss of those arbitral panels constituted after 31 December 2009. This limitation to arbitration has begun with article 32 of l. 109/1994, repealed by article 9 bis of l. 216/1995[316] (determining the possibility to recur to arbitration) and it has been definitely reintroduced by l. 244/2007 (referred to

[315] See in this sense article 816 quinquies of the Italian c.c.p: “L'intervento volontario o la chiamata in arbitrato di un terzo sono ammessi solo con l'accordo del terzo e delle parti e con il consenso degli arbitri”.

[316] Article 32 (2) of the l. 109/1994 states that: “Nei capitolati generali o speciali non può essere previsto che la soluzione delle controversie sia deferita ad un collegio arbitrale ai sensi degli articoli 806 e seguenti del codice di procedura civile”. Article 9 bis (1) of the l. 216/1995 states that: “Ove non si proceda all'accordo bonario ai sensi del comma 1 dell'articolo 31-bis e l'affidatario confermi le riserve, la definizione delle controversie e' attribuita ad un arbitrato ai sensi delle norme del titolo VIII del libro quarto del codice di procedura civile”.

as “financial act 2008”), which in article 3 (19) and (20)[317] prohibited the use of arbitration clauses in all public contracts. Arbitration clauses in violation of this norm are void, moreover, their subscription determines disciplinary responsibility and fiscal responsibility. Article 19 (3) gives a definition of public administration, in relation to that one provided by article 3 (25) of d.lgs. 163/2006 (also named “Code of public contracts”), which requires three characteristics: the public subject has to pursue a general interest, with no industrial or commercial goals; the activity has to be principally financed by the State, local public authorities or other bodies governed by public law (or whose management is subjected to control of those ones, or whose organs of administration, management and control, are mostly composed by members chosen by the State, local public authorities or other bodies governed by public law); it is necessary that the public body has legal capacity. As a consequence of this provision, disputes concerning IP and public administrations cannot form object of arbitration and are under the jurisdiction of the ordinary judge before the Commercial Chambers[318].

In this sense universities are under the scope of application of l.14/2009 and the same discipline is applied to Transfer Technology Offices (hereafter TTOs, also named Industrial Liaison Office, ILO). These are offices created inside the universities and deal with the circulation and development of the results of the research. TTTOs do not only deals with scientific research, but concern also faculties of any field of knowledge. They have been created in ’90s, but it has been necessary to wait until 2004 for a major spread of these offices. Principal goals of TTOs are a better management of the results coming from research, the creation of an additional cash-flow for the university and its departments, supporting patenting of results coming from research and implementation

[317] Art. 3 (19) and 20 of l. 24 December 2007 n. 244, “legge finanziaria 2008”, states that: “19. E` fatto divieto alle pubbliche amministrazioni di cui all’articolo 1, comma 2, del decreto legislativo 30 marzo 2001, n. 165, di inserire clausole compromissorie in tutti i loro contratti aventi ad oggetto lavori, forniture e servizi ovvero, relativamente ai medesimi contratti, di sottoscrivere compromessi. Le clausole compromissorie ovvero i compromessi comunque sottoscritti sono nulli e la loro sottoscrizione costituisce illecito disciplinare e determina responsabilità erariale per i responsabili dei relativi procedimenti.
20. Le disposizioni di cui al comma 19 si estendono alle società interamente possedute ovvero partecipate maggioritariamente dalle pubbliche amministrazioni di cui al medesimo comma, nonché agli enti pubblici economici ed alle società interamente possedute ovvero partecipate maggioritariamente da questi ultimi”.

[318] For a clear definition of the competence of the specialised sections, in reason of territory and *ratione materiae,* see article 3 and 4 of the d.lgs. 27 June 2003, n. 168.

of the skills of Italian universities in the economic exploitation of their patents by granting licenses. Moreover, their task is not only the development of Italian universities, but also to enhance the regional and national economy, in order to create an innovation which is not only theoretical but that can be concretely applied in productive sectors, with positive consequences for the national economy. In this sense, the role of the TTO does not only involve a rapid patenting of the invention, but also an accurate selection, application will be made only for those inventions for which industrial exploitation is possible. Anyway, the complexity of commercialization of IPRs, the launch of a product in the market or the creation of new markets and business plans, are activities which require huge investments of time and money for which universities and researchers do not usually have the necessary competences, this is the reason of the importance of TTOs and the continuous governmental investments.

After this brief analysis, it is pretty clear the importance of TTOs in the national and international dimension, nonetheless they have not had experiences in matter of arbitration, as far as relationship between the university and the industry is concerned. A reason can be found in the provisions settled in article 3 of l. 244/2007. In this regard article 3 (22) highlights that this decision has the goal to save money and reallocate it to the Ministry of Justice[319]. It seems that the economic problem overcame all other considerations in matter of confidentiality, specialisation of arbitrators and flexibility of the procedure, which have been considered in the previous paragraphs[320]. This is a discretionary choice of the Legislator which did not take into account the problem under

[319] Article 3 (22) of l. 24 December 2007 n. 244 states that; "Il Presidente del Consiglio dei ministri, su proposta del Ministro dell'economia e delle finanze, di concerto con il Ministro per le riforme e le innovazioni nella pubblica amministrazione, il Ministro delle infrastrutture ed il Ministro della giustizia, provvede annualmente a determinare con decreto i risparmi conseguiti per effetto dell'applicazione delle disposizioni dei commi da 19 a 23 affinché siano corrispondentemente ridotti gli stanziamenti, le assegnazioni ed i trasferimenti a carico del bilancio dello Stato e le relative risorse siano riassegnate al Ministero della giustizia per il miglioramento del relativo servizio".

[320] In this sense an interesting conversation with Dr. Vanessa Ravagni, Head of research of the TTO of the University of Trento (mail: vanessa.ravagni@unitn.it), clarified that the main aim of this legislation is a more efficient allocation of resources given to public administrations, without taking into account problems of transparency and confidentiality of the procedure; in this sense the politic pressure played also a relevant role. Moreover, this interview clarified that academic operators have no prejudices against this system of disputes resolution, on the contrary it can be found a lack of awareness of the benefits that can come from arbitration and the mere costs, higher than ordinary justice, without trade-off with the comparative advantages, can prevent people, which do not have a legal formation, from the choice of ADR.

the perspective of comparative advantages of the arbitral solution, in the sense of a decrease of the legal disputes and of the number of pending proceedings before the ordinary judge (which determines a consequent increase of duration of the proceedings) and under a private perspective of the licensee which may prefer an alternative solution instead of litigating before the court.

For a more complete approach to the problem, it is necessary to consider Regulation 1290/2013 of the European Parliament and of the Council of 11 December 2013 which introduces the Consortium Agreements. These contracts regulate the relationship with partners, IP and dispute settlement, for projects which are financed by European Framework Agreements (the current one is H2020 - the Framework Programme for Research and Innovation (2014-2020)). This programme makes available founds for nearly 80 billion euros over the period 2014-2020, reducing bureaucracy and time-to-grant than the previous seven years programme. Therefore, it pursues the goal of Europe's global competitiveness by the creation of a sustainable growth.

It is interesting to consider the dispute settlement system provided by the two different models: DESCA (nearer to the world of research) and Digital Europe (nearer to the world of companies, in this sense there is a particular emphasis on the participation of small and medium-sized enterprises, these are encouraged to engage in collaborative projects as part of a consortium)[321].

[321] Article 11.8 of Model Consortium Agreement for Research, Development and Innovation Actions, under Horizon 2020, developed by DIGITALEUROPE. deals with the settlement of disputes. First of all parties has to try to find an amicable solution to the dispute, it parties fail to do so, then can bring the action before the Court of Brussels or before the ICC arbitrators.
"11.8.1: The Parties shall reasonably endeavour to settle their disputes amicably. If, however, no settlement of any dispute under this CA has been possible to achieve, after the Parties' reasonable endeavours to settle such dispute(s) amicably, the provisions of Section 11.8.2 of this CA shall be applicable to any such dispute's settlement.

11.8.2 Court of Brussels: All disputes directly arising under this CA (other than disputes relating to the infringement and/or validity of IPR which shall be the exclusive jurisdiction of the competent court), which cannot be settled amicably, shall be subject to the jurisdiction of the competent court in Brussels. The foregoing shall be without prejudice to the right of any Part to seek injunctive relief or other equitable compensation before any court in any place where any unauthorized use of its Intellectual Property Rights or Confidential Information occurs or threatens to occur.

11.8.2 ICC Arbitration**:** All disputes directly arising under this CA (other than disputes relating to the infringement and/or validity of IPR which shall be the exclusive jurisdiction of the competent court), which cannot be settled amicably, shall be settled under the rules of arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules of arbitration. The foregoing shall be without prejudice to the right of any Part to seek injunctive relief or

The approach used in DESCA for cross-border disputes comprises three different stages: first of all parties attempt to settle a dispute within the consortium, if this stage it is not successful they bring the action before a mediator and the last solution consists of binding arbitration or going before a court[322]. The model clause provided by DESCA suggests two different providers for arbitration and mediation. If parties prefer another provider, the choice should be discussed within the consortium. The settlement clause provided by DIGITALEUROPE first of all leads parties to find an amicable solution, if this is not possible then a double path is suggested; parties can bring the action before the Court of Brussels or can recur to arbitration under ICC rules.

The arbitration clauses provided in these two agreements allow a more critical analysis of the choice of the Italian Legislator against the use of arbitration, it seems

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other equitable compensation before any court in any place where any unauthorized use of its Intellectual Property Rights or Confidential Information occurs or threatens to occur".

[322] Article 11.8 settlement of disputes of DESCA provides two groups of two options each:
Option 1: parties choose WIPO Mediation, if they cannot reach a settlement, then it is followed by WIPO expedited arbitration or by court litigation. **"**Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be submitted to mediation in accordance with the WIPO Mediation Rules. The place of mediation shall be Brussels unless otherwise agreed upon. The language to be used in the mediation shall be English unless otherwise agreed upon".
Option 1.1: WIPO mediation followed by WIPO expedited arbitration "If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within 60 days of the commencement of the mediation, it shall, upon the filing of a Request for Arbitration by either party, be referred to and finally determined by arbitration in accordance with the WIPO Expedited Arbitration Rules. Alternatively, if, before the expiration of the said period of 60 days, either party fails to participate or to continue to participate in the mediation, the dispute, controversy or claim shall, upon the filing of a Request for Arbitration by the other party, be referred to and finally determined by arbitration in accordance with the WIPO Expedited Arbitration Rules. The place of arbitration shall be Brussels unless otherwise agreed upon. The language to be used in the arbitral proceedings shall be English unless otherwise agreed upon".
Option 1.2: WIPO mediation followed by court litigation. "If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within 60 days of the commencement of the mediation, the courts of Brussels shall have exclusive jurisdiction".
Option 2: Mediation followed by CEPANI arbitration (that is to say Belgian Center for Arbitration and Mediation) or by the court of Brussels. "Should a dispute arise between the Parties concerning the validity, the interpretation and/or the implementation of this Consortium Agreement, they will try to solve it through mediation, according to the rules of bMediation, Brussels. The Parties undertake not to put an end to the mediation before the introductory statement made by each party in joint session. Should the mediation fail to bring about a full agreement between the Parties putting an end to the dispute",
Option 2.1. "said dispute will be finally settled by arbitration, according to the rules of the Belgian Centre for Arbitration and Mediation".
Option 2.2: "sole competent courts will be the courts of Brussels".

that there is a lack of culture of arbitration that does not understand the reason of the major costs of arbitration and the comparative advantages of this ADR system, most of all in the IP system and in high technological fields, characterised by a high rate of development and obsolescence.

4.4. Concluding remarks on the importance and role of IP arbitration.

This brief analysis, on the advantages and disadvantages of arbitration, gives the idea that arbitration can be considered a valid alternative to ordinary justice for the solution of controversies. The expeditiousness and the flexibility of the procedure are of course the most important feature of this system, on the other hand, those features traditionally considered negative, such as costs and the absence of coercive measures, cannot be seen as absolute limitations. In this sense costs have to be evaluated in comparison with the saving of time that in some systems, this is the Italian case, is really an important point, most of all in IP disputes, where the obsolescence rate is particularly relevant. Moreover, the impossibility to adopt coercive measures can be overcome by recurring to ordinary justice and imposing sanctions to reluctant parties, as seen in WIPO rules. The only serious and ineliminable limit can be found in the refusal of intervention of a necessary part to the proceeding. According to these profiles a research conducted on the reasons of some economic operators, who prefer the use of arbitration instead of other traditional remedies, makes it clear that this is a managerial decision conducted on the basis of different needs and priorities[323]. It is clear that the majority of companies interviewed chooses arbitration for utilitarian reasons; in this sense 68.6% of the companies interviewed considers determining factor the saving of economic resources, 68.5% the saving of time. Other important reasons can be found in the experience and neutrality of the arbitrators (49.9%), the confidentiality of the procedure (43.2%), the chance to preserve the economic relationship with the counterparty and the flexibility of the procedure (41.3%).

The reasons for the choice of the arbitration instead of the ordinary justice are different. These depend on the dimension of the company, on the territoriality of the dispute, on the need of confidentiality, in this sense maybe a company operating in food

[323] C. R. DRAHOZAL, *Commercial arbitration: cases and problems*, Newark, 2006.

and beverage or drugs may prefer a public judgement instead of a confidential award which could provoke a loss of clientele, made suspicious by the aura of secrecy of the proceeding. This is the reason why it is not possible to consider arbitration to be the solution for all problems, but it is important, to know the benefits of arbitration in order to allow the economic operators to make an aware choice.

5. The future of patent arbitration and conclusions.

5.1. Introduction.

Given the previous chapters of this work, it is clear that the consequences of the use of arbitration can only be positive. In a judiciary system as the Italian one, renown for its slowness and deficiencies, it is clear that an alternative solution - characterised by expeditiousness and lower costs - balanced with the protection of known-how and trade-secrets (considered the “jewels” of the company) and with the possibility to adapt the procedure to the concrete parties’ needs, should be welcomed. Anyway, this perspective, limited to a pros and cons analysis, would be a naif interpretation of the system, if the psychological dimension and the legal boundaries, which limit parties’ freedom of choice, are not taken into account. These are the reasons why in this work, it has been carried out a European comparison, in order to understand how different national legislations and their recent reforms, strictly connected with the arbitrability of the validity of IP titles, impacted on the use of ADRs. In the past, the decision on the validity of IPRs was precluded to arbitrators, moreover if a party raised the issue about the validity of the title during the proceedings, this was enough to stop the arbitration and required the intervention of the ordinary judge. The entry into force of the new IP Code changed in Italy the requirement of the compulsory intervention of the public prosecutor, replacing it with a discretionary intervention, by way of these recent changes the concrete obstacle to arbitration has been removed.

Bearing in mind the advantages of the ADRs and the problems of the Italian justice - widely discussed above - the choice of devolving upon arbitrators the solution of this kind of disputes is not only an alternative, but even more a necessity. Nonetheless, the choice of arbitration relies on parties’ managerial and legal choices. This is why the purpose of the final chapter of this work is to understand the deep reasons of this choice, not only under a legal point of view, but also under a psychological profile, identifying the limits and the incongruities in parties’ analysis that prevent arbitration from having - in practice - the role that it should have.

A part from these considerations on parties’ internal forum, this chapter will also deal with the analysis of the near future of IP arbitration, a brief focus on the recent reforms within the European Community and the impact that these will have in the choice of arbitration; always bearing in mind the natural difficulties in choosing an

arbitral solution in case of lack of a preexisting contractual relationship between the parties.

5.2. The situation in Europe[324].

The analysis carried out in the previous chapters shows a clear favour for the use of arbitration for IP disputes; nonetheless, some States believe that arbitrators' power has to be limited, due to the peculiar nature of IPRs. A private decision on the validity of a patent raises the problem that an arbitral tribunal cannot declare invalid a title, granted by the public authority, because the arbitral award should have only *inter partes* effect.

Leaving aside the arbitration on validity issues, which is quite controversial, it can be observed the development of an international policy which is favourable to arbitration, defined with the expression "universal arbitrability". In this sense, many Legislators have chosen a general notion of public policy, which requires the examination of the conformity of each subject matter with public policy goals, simplifying the decisions involving arbitrability. For example, the new draft of article 806 i.c.c.p. can confirm this new trend, considering the arbitrability to be the general rule which governs parties' autonomy.

As already mentioned, the goal of universal arbitrability is reached by national legislators in different ways: in some cases there is an aprioristic consideration of arbitrability for all subject maters, without reserving particular disputes to exclusive court jurisdiction. Alternatively, there is a very broad definition of what is an arbitrable claim, in order to include all disputes involving economic or financial interests. In accordance with this perspective, some rights are considered arbitrable *per se*; the only limit is set by the law as a general criteria (this is the French case), or it is necessary a specific exclusion from the scope of arbitrability (this is the Swiss and German case).

Therefore, the choice to limit arbitrability is a decision of public order variable over the time from country to country[325]. The issue of arbitrability as regards the

[324] For a more complete analysis please consider: L. MANDERIEUX, *A more unitary European IP Architecture*, in *European Handbook of Intellectual Property Management*, London, 2012, 9.

validity of IPRs is pretty clear in countries like Germany, where the Federal Patent Court has exclusive jurisdiction on invalidation proceedings. Moreover, it should be borne in mind that here IP titles are granted after a substantive examination of the patent with regard to the requirements of novelty and inventive step. The situation is completely different in other countries where the title is granted after a formal examination of patent validity, with regard to the qualification of the subject matter of the application as patentable invention, the distinction between patent and utility model, the payment of the fees, etc…[326]. In this case the support of the non-arbitrability argument sounds quite contradictory. The inconsistency is clear, where is the public interest in the exclusive jurisdiction of state courts, if the Patent offices omit to verify if the invention complies with the substantive requirements for the granting of the title? It seems reasonable to allow arbitration for disputes on the validity of a patent for grounds which have not been object of examination by the national patent office during the granting proceedings[327].

Besides the analysis of patent arbitration at a national level, it is interesting to mention - under a supranational perspective - the issue of the European patent integration. The Community patent would provide a convenient solution for the business with a reduction of litigation and granting costs. Unfortunately, long-standing disputes (raised in particular by Spain and Italy[328]), concerning the language

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[325] U. PATRONI GRIFFI, *Arbitrabilità e privative ulteriori non titolate*, in *AIDA*, 2006, XV, 75: "Il novero delle materie inarbitrabili è funzione del legame che l'ordinamento ritiene sussistere tra le stesse e i fondamenti dell'organizzazione economica e sociale dello Stato".

[326] The Italian patent system had no prior art searches. Recently, by Decree of the Italian Ministry for the Economic Development of 1 July 2008, it has been introduced a system of search. For every national application which does not claim the prior art of a previous foreign application, the Italian Patent and Trademark Office (UIBM) can charge the EPO to carry out a prior art search in order to verify the existence of the requirements of novelty and inventive step of the invention. The results of this search are communicated to the applicant. The patent applications can be rejected as a consequence of the search, but, until now, there are no statistics which reveal the behaviour of the UIBM in case of negative response from the EPO. See L. GUGLIELMETTI, *Analisi del brevetto italiano. Dati statistici e trends degli utlimi anni*, in *Osservatorio Italiano Brevetti* (http://www.uibm.gov.it/attachments/Analisi%20del%20Brevetto%20Italiano.pdf).

[327] See ANNA P. MANTAKOU, *Arbitrability and Intellectual Property Disputes*, in L. A. MISTELIS AND S. L. BREKOULAKIS, *Arbitrability: International and Comparative Perspectives*, Austin, 2009, 268.

[328] The enhanced cooperation and the use of the language regime has been considered invalid by Spain and Italy which filed actions against the unitary patent regulation before the CJEU (see cases C-295/11 and C-274/11). The CJEU considered both the language regime and the enhanced

of patents, blocked the creation of a common frame of protection. In 2011, EU member States decided to continue the project of a Community patent with an "enhanced cooperation mechanism" in order to create a unitary patent granting system and a unitary litigation system, in order to give effectiveness to the system.

Anyway, the EU is not the only way to obtain a common protection, another system exists, the EPO. Two solutions have been provided in order to overcome the problems arisen among the EU countries. The first one is the Agreement on the application of Article 65 of the Convention on the Grant of European Patents of 17 October 2000 (also known as the London Agreement), dealing with translation issues. Before 1 May 2008 (date in which the London Agreement entered into force), once the patent had been granted it was necessary to translate it into the official language of the country where patent protection was required[329]. Pursuant to article 1 (1) and (2) of the London Agreement, any State "having an official language in common with one of the official languages of the European Patent Office [i.e. English, French, German] shall dispense with the translation requirements provided for in article 65 (1)". States with an official language which is different from the official languages of the EPO, have to choose one of those three languages, the European patents will enter into force in these countries "if the European patent has been

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cooperation valid and not against the functioning of the internal market. Now the CJEU has to decide on the new actions filed by Spain (C-147/13 and C-146/13) concerning the distribution among the member States of the renewal fees and the specific judicial regime (the UPC) adopted for the patent with unitary effect. According to the Spanish argument this would confer on a third party the power to unilaterally determine the application of the regulation. The Advocate-General filed on 18 November 2014 his opinion in favour for the dismissal of these actions (please consider A*dvocate General's Opinion in Case C-146/13 Spain v Parliament and Council and C-147/13 Spain v Council* available at http://curia.europa.eu/jcms/upload/docs/application/pdf/2014-11/cp140152en.pdf). Anyway the CJEU is not obliged to adopt the position of the Advocate-General, if the CJEU decides in favour to the Spanish actions, this could stop the advancement of the procedures concerning the unitary patent, limiting UPC's jurisdiction only to the European patents.

[329] Article 65 (1) of the EPC provides that: "Any Contracting State may, if the European patent as granted, amended or limited by the European Patent Office is not drawn up in one of its official languages, *prescribe that the proprietor of the patent shall supply to its central industrial property office a translation of the patent as granted*, amended or limited in one of its official languages at his option or, where that State has prescribed the use of one specific official language, in that language. The period for supplying the translation shall end three months after the date on which the mention of the grant, maintenance in amended form or limitation of the European patent is published in the European Patent Bulletin, unless the State concerned prescribes a longer period". Emphasis added. Italy did not entered the London Agreement, therefore, article 65 EPC still applies.

granted in the official language of the European Patent Office prescribed by that State". Anyway pursuant to article 2 in case of dispute the patent proprietor "shall supply, at the request of an alleged infringer, a full translation into an official language of the State in which the alleged infringement took place".

The second solution is the Draft Agreement on the establishment of a European patent litigation system (also known as the European Patent Litigation Agreement, EPLA). This Agreement tries to create an integrated judicial system for the EPO members (open also to non EU-countries). A competence problem has been raised with regard to the EU-member States, which cannot enter this system[330].

Anyway, EPLA's efforts have not been wasted, but many provisions have been incorporated in the Agreement on the Unified Patent Court (hereinafter AUPC). This Agreement, providing a common patent court for all EU member States, has been established by an intergovernmental treaty which excludes States which does not belong to the EU, overcoming the issues raised with regard to the EPLA. Pursuant to article 1 of the agreement the Court is established "for the settlement of disputes relating to European patents and European patents with unitary effect" and it is composed by a Court of First Instance, a Court of Appeal and an Arbitration and Mediation Center (hereinafter the Centre).

For the purposes of this work, it is necessary to consider also chapter VII of the AUPC, which deals with "Patent Mediation and Arbitration". A clear favour as regards arbitration is expressed by article 52 (2) AUPC, here it is stated that the "judge shall in particular explore with the parties the possibility for a settlement, including through mediation, and/or arbitration, by using the facilities of the Centre referred to in Article 35".

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[330] "Conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law. The agreement would also affect the powers of the Court to reply, by preliminary ruling, to questions referred by those national courts. Accordingly, the agreement would alter the essential character of the powers conferred on the institutions of the European Union and on the Member States which are indispensable to the preservation of the very nature of European Union law". For further information please consider: *The draft agreement on the creation of a European and Community Patent Court is not compatible with European Union law, Press Release No 17/11 Luxembourg, 8 March 2011* (available at http://curia.europa.eu/jcms/upload/docs/application/pdf/2011-03/cp110017en.pdf).

Nonetheless, article 35 (2) AUPC limits the powers of the Centre stating that "a patent may not be revoked or limited in mediation or arbitration proceedings". With regard to the analysis carried out in Chapter 2, it is possible to consider this provision rather "unfortunate". Some legal systems, e.g. the Swiss one, empower arbitral tribunals to decide with an *erga omnes* effect cases dealing with patent revocation. The majority of European legal systems provides arbitrators with the power to declare patent invalidity with *inter partes* effect. Therefore, it is clear that a more mediated approach should have been preferred instead of a complete obstacle to the use of ADRs in matter of validity on an European patent, due to the relevance of this subject matter in many contractual disputes.

The first part of article 35 (2) AUPC refers to article 82 AUPC with regard to the enforcement of the decisions of the Centre, i.e. "enforcement procedures shall be governed by the law of the Contracting Member State where the enforcement takes place. Any decision of the Court shall be enforced under the same conditions as a decision given in the Contracting Member State where the enforcement takes place". At this issue it has to be taken into account that many European countries already entered into the New York Convention of 1958, which provides a system of Recognition and Enforcement of Foreign Arbitral Awards.

It is too early to understand if this system will be successful or not and its consequences for the use of ADRs in patent validity disputes, both on a national and supranational level. For the time being only 6 of the Contracting Member States ratified the Agreement, while the minimum number required is 13[331]. Therefore, for a clearer understanding, it will be necessary to wait the entry into force of the AUPC, this will take place the first day of the fourth month after the conclusion of the ratification procedures.

[331] For more information about the ratification progress please consider: http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2013001.

5.3. The nature of the dispute and the reasons for avoiding ADRs.

An important element that has to be taken into account, as a reason of the limits for the use of arbitration in patent disputes, is the nature itself of the controversy. In the previous chapters of this work it has been analysed the possibility to arbitrate a dispute arising from a contract containing an arbitration clause. The problem of entering into arbitration is different in case of a contract witouth an arbitration clause or with regard to a dispute arising outside a contractual relationship. This creates difficulties not only in matter of arbitrability of the subject matter, but most of all the problems are related to the lack of agreement between the parties about the choice of the arbitral remedy. In this sense, it is important to remember that arbitration is a private remedy, based on parties' agreement.

It is now necessary to analyse whether parties can reach an agreement or if there are stronger incentives to bring the disputes before the ordinary judges. This choice is far from a check and balances analysis of arbitration and does not involve legal considerations. On the contrary, it deals with the analysis of the concrete possibility of finding an agreement, once the dispute has arisen.

The majority of patent disputes arises outside a contractual relationship and concerns the infringement of a competitor's patent; the consequence is that the owner demands to the infringer the compensation for the suffered damages. This is a clear procedural scheme[332]. Extra-contractual IP disputes have some characters which can barely be adapted to the exigencies of arbitration. IP disputes are usually characterised by an high contentiousness and strong economic interests are at stake; that is why it is difficult to find an agreement if there is not an long economic relationship that can mediate short-term interests. Another problem can be found in choosing the rules of the proceedings, or the choice of an arbitration chamber and the adoption of its rules, this in the most critical situations could prevent the use of ADRs.

Moreover, the psychological profile should not be diminished; the owner of an IP right, object of counterfeiting, rarely will accept to bring the action before an

[332] Consider for example the Apple vs. Samsung case, with an enormous media impact in reason of the subjects involved (Apple Inc. v. Samsung Electronics Co. Ltd. & CO., 11-CV-01846-LHK, 768 F. Supp. 2d 1040, U.S. Dist. Ct., N.D.Cal. 2011-4).

arbitrator, in his mind this could be considered an approval of the infringement. The incentives to cooperation, typical of contracts, are totally absent in this case[333].

As regards IP arbitration, the reasons that could prevent parties from choosing such a remedy could be divided into four categories[334].

The first psychological reason of this approach is the so called "family jewels" argument, i.e. due to the importance of IPRs, considered part of the core activity of a company, arbitration is not preferred to ordinary litigation as a system of dispute resolution because it is a flexible and not enough "aggressive" remedy. This idea completely reverse the perspective of chapter 4, where the flexibility has been defined one of the strengths of the ADRs. In order to explain this dichotomy it is necessary to understand the different perspective of an economic operator who can interpret the "flexibility" as the chance of delaying the proceedings with obstructionist behaviors and the choice of the most favourable tribunal and jurisdiction (procedural behaviour also known as forum shopping). Nonetheless, it is not possible to share this point of view. The flexibility of arbitration, whatever system of law is chosen, cannot be understood as a limit to the defense, or better to a "correct" defense, direct to the solution of the dispute and not to the use of dilatory tactics, which should be discouraged by the Legislator. The choice of the "perfect" procedure for each controversy, with regards to parties exigencies, finds only one concrete limit: parties' will in finding an agreement to their dispute. This should not be taken for granted and could be a reason, maybe better than flexibility, in order to understand, under the psychological perspective, parties' preference for the ordinary justice because of a lack of confidence with regard to their counterparty, and the chance to reach a positive solution of the controversy.

The second reason taken into account has an economic nature and deals with the chance of finding future resources in financial markets. In this sense a company that chooses the arbitration, considered by the market a weaker remedy, can lose investors if these believe that the management decisions are inadequate to protect their interests. Anyway, the grounds for this reaction can be found in the general lack

[333] See A. FRIGNANI, *Il futuro della proprietà industriale: l'arbitrato*, in *Il diritto industriale*, II, 2011, 167.

[334] D. CARON, *The world of Intellectual property and the decision to arbitrate*, in *Arbitration International*, 2003, IV, 444.

of information about arbitration, notwithstanding the arbitration is a remedy that completely depends on parties' choice, the arbitration is something completely different from the mediation, where parties find a compromise starting from their initial requests.

The third reason is the difficulty of adaption of the arbitration clause to the continuos developments typical of the IP economic dimension. Anyway, this approach raises some doubts in regards to the above-mentioned characteristic of arbitration: the flexibility, which cannot be considered a limit to dispute settlement.

The fourth reason is the general lack of knowledge of this remedy among the economic operators and the benefits coming from its use. Maybe this point is the *trait d'union* among all the above-mentioned limits of arbitration as perceived by the parties. The reasons of this lack of knowledge are different: e.g. the reservedness (one of the strengths of the arbitration) prevents other economic operators from knowing the benefits of this ADR (including saving of time, costs and the specialisation of arbitrators in the subject matter of the dispute, which sometimes is really technical). A similar opinion has been defined by the doctrine the "loss of face factor"[335]. In this case the problem does not rely upon the economic operators, but directly on the legal professionals that are unfamiliar with arbitration and prefer to suggest to their clients ordinary remedies, rather than beginning to litigate in an environment that is rather unfamiliar to them.

The practical examples of the above-mentioned reasons that limit the parties from using the ADRs are given by Microsoft and Cartier Groups' attitude towards arbitration.

The Microsoft Group has a really favourable position with regard to arbitration in general, but not for IP matters. Article 10 of the Microsoft Services Agreement attempts to resolve any dispute between American consumers and Microsoft by binding arbitration and class action. If the dispute cannot be resolved after 60 days of informal negotiation, then individual binding arbitration will start. All disputes will be resolved by a neutral arbitrator under the rules settled by the Federal Arbitration Act (hereinafter FAA). Arbitrator's decision will be final and binding with a limited right of appeal under the FAA, the award will be enforced by any court with jurisdiction over

[335] W. W. PARK, *Arbitration of international business disputes: studies in law and practice*, New York, 2006, 606.

the parties. It is clear that the purpose of this agreement is finding a quicker solution to "small" disputes with consumers (e.g. with the use of telephonic hearings when the economic value of the dispute is inferior to $ 10.000). Nonetheless, looking at the reactions of the consumers[336], it seems that this system of dispute resolution is perceived as an imposition, which deprives the consumers from their right to bring the action before the court, rather than a quicker and easier way to solve conflicts of little economic value. A remedy thought to defend the interests of the big companies, with concerns for the neutrality of the arbitrators. On 31 March 2014, this reactions led Microsoft to promptly explain its choice in favour of ADRs with a post under the section Legal Resources of its website[337].

The remedy provided in article 10 is applied to any dispute; "the term dispute means any dispute, action, or other controversy between you and Microsoft concerning the Services (including their price) or this Agreement, whether in contract, warranty, tort, statute, regulation, ordinance, or any legal or equitable basis. "Dispute" will be given the broadest possible meaning allowable under law". The drafting of the

[336] See for example http://kotaku.com/5865797/now-microsoft-wants-to-stop-you-taking-them-to-court. Here it is stated that "Unlike courts, whose outcomes are decided by juries (who can by sympathetic towards consumers battling multinational corporations), *decisions made via private arbitration often find in favour of businesses*, and even when siding with consumers offer relatively small payouts. *You normally can't appeal the findings of a private arbitration hearing*, nor is there an independent or public means of reviewing an arbitrator's decisions. They are also designed to be conducted privately, out of the public eye. It's a move designed, in essence, to steamroll your rights as a consumer. To ensure that even if Microsoft screws something up, or something terrible happens to the platform, any compensation or dispute will be handled on their terms, not those of a court and jury". Emphasis added.

[337] http://www.microsoft.com/en-us/legal/arbitration/default.aspx "When a customer has a dispute about Microsoft software, devices, or services, *Microsoft wants to resolve it quickly and fairly.* We've added informal dispute resolution and binding arbitration clauses to many of our agreements and warranties for customers who live in the United States. Those agreements encourage Microsoft to resolve disputes informally within 60 days. If we can't, either of us may commence arbitration with the American Arbitration Association. An impartial arbitrator near where you live (or in King County (Seattle area) Washington, if you prefer) will consider both sides and resolve the dispute promptly. Or you can bring an action in small claims court, either in the county where you live or in King County, Washington if you meet the court's normal requirements. Our arbitration agreements offer speedy and fair individual dispute resolution, but do not permit class action lawsuits or class-wide arbitration for customers who live in the United States. Class action lawsuits usually last for years. Our agreements strongly encourage Microsoft to resolve disputes informally before they get to arbitration, and *our arbitration provisions are among the most generous in the country*. For instance, we promptly reimburse filing fees, and, where we offer less to resolve a dispute informally than an arbitrator ultimately awards, we will pay the greater of the award or $1,000 for most software, devices, or services plus the customer's reasonable attorney's fees". Emphasis added.

article is pretty clear and seems to involve every kind of dispute, contradicting what has been said before, with regard to the limits for multinational companies in the use of ADR for the protection of their IPRs. Once again this is not the case. In the first part of the article it is written with capital letters that "This section applies to any dispute except disputes relating to the enforcement or validity of your, your licensors', Microsoft's, or Microsoft's licensors' intellectual property rights". Once agains IPRs are excluded from the use of arbitration, treated as "jewels" deserving a different kind of protection.

It has already been affirmed that the reservedness can be considered one of the strengths of arbitration. Therefore, it sounds quite unusual the statement of a lawyer of the Cartier Group[338] who considered the reservedness and the chance to friendly resolve a dispute to be one of the most common obstacles for the use of arbitration. The reason is that Cartier has no interest in being friendly with competitors, neither it would be interested in renouncing to the public nature of the proceedings, which are a deterrent used to persuade the competitors not to infringe Cartier's IPRs.

Why the strengths of arbitration can be perceived as a limit to management strategies? The reason of this approach can be divided into two dimensions. It is clear that the reservedness acquires importance under the perspective of the infringer and in case of an existing economic relationship between the parties. If this is not the case, and if the chance of future relationships has not been taken into account, then it is clear that the reservedness becomes less important and maybe the public nature of the proceedings can be considered a useful strategy in order to prevent competitors from future infringements. Once again, it is important to highlight the lack of an arbitration culture in civil law countries; this would lead managers and lawyers (whose function is precisely that one of recommending the best system of disputes resolution to their clients), to prefer the system they know better and they are used to, instead of an unknown, or less known, one.

Think for example to the rules of the most important arbitration chambers; the vast majority of them provides norms in matter of reservedness, which prevent the widespread to the public of information concerning the proceedings, the information

[338] See in this sense B. DUBE, *The experience of the Cartier-Group*, in *ASA Special Series No. 6*, 1994, p. 175.

filed by the parties and arbitrators' decision. Anyway, these provisions are not ineliminable; on the contrary often parties have the chance (this is the strength of the flexible nature of arbitration) of changing some of these rules by declaring in the arbitration clause their will, which prevails over the rules of the chamber[339].

If a party has a particular interest in the publicity of the decision, it is sufficient to declare it in the arbitration clause, the majority of the arbitration chambers allows to modify their rules in order to better fit parties' exigencies.

5.4. Conclusion.

What are the advantages of arbitration when different patent laws have to be taken into account, both with regard to validity and infringement rules?

In the last decades there was a prejudice against arbitration, considered a technique used by the parties to escape from the state control, obtaining an award in a country with a more favourable legislation, a forum shopping carried out at an international level. This perspective did not consider the advantage, also under a national point of view, of reducing litigation costs, using private resources instead of public ones. Even today there are some concerns about arbitration, which is considered unable to properly resolve a dispute having regard to the weaker party and more generally to third parties. In this sense see the limitations to the *erga omnes* effects in case of arbitration of patent validity examined in the European comparative approach carried out in chapter 2.

The use of arbitration could be discouraged by the existence of different laws among the EU countries. Such difference gives the chance, in case of multinational disputes, to win the lawsuit in some States and to lose in others. If the parties have brought the action before the arbitrators, with the choice of one uniform law on validity and infringement, arbitrator's decision will be a unique answer to the subject matter. Of course the huge investments in matter of IPRs do not offer incentives to the patentee or the alleged infringer to take such a risk. Arbitration will be preferred,

[339] See for example the arbitration rules of the chamber of arbitration of Milan. Here in article 2 (1) it is clearly stated that: "The arbitral proceedings shall be governed by the Rules, *by the rules agreed upon by the parties up to the constitution of the Arbitral Tribunal if consistent with the Rules*, or, in default, by the rules set by the Arbitral Tribunal". Emphasis added.

on the contrary, with regard to the determination of the damages in case of patent infringement.

In spite of the advantage of choosing at least one of the judges of the arbitration panel, it cannot be diminished the decisive role played by the chairman, in this sense, also with regard to the lack of statistics, it can be understood the hesitation of unexperienced attorneys to recommend the arbitration. They will prefer to instigate the proceedings before the Court with a well-established precedent, rather then before a panel of arbitrators with non-existent or unknown case law[340].

The purpose of this work has been to give a neutral analysis of the pros and cons of the use of arbitration with regard to IPRs, and patents in particular. Starting from the European comparative analysis of the legal provisions in matter of arbitration and validity of the IP title, it seems that the big obstacle is not only the legislation, but rather the lack of spread of arbitration for patent disputes. Leaving aside the management choices, the reservedness, prevents the public to know about this remedy and the professionals to analyse data and statistics. This creates uncertainty about the final outcome and consequently discourages them from suggesting arbitration to their clients. It is clear that the more satisfactory a court system is, the lower the number of arbitration disputes will be, but in some systems, as the Italian one, arbitration could be an interesting solution to the well known problem of the length of the proceedings and of the effectiveness of the protection[341]. Therefore, it would be useful to encourage parties to disclose the arbitral awards, so that the practitioners could create and analyse the relevant statistics allowing a better knowledge of ADRs.

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[340] J. PAGENBERG, *The arbitrability of intellectual property disputes in Germany*, in *Worldwide Forum on the Arbitration of Intellectual Property Disputes*, 3 March 1994, Geneva. "In Germany where one finds a high degree of predictability in patent litigation - if one takes the case law of the German Supreme Court as a basis - the only real uncertainty is an expert opinion which one must expect in 50% of the cases in infringement proceedings and in 100% of the nullity suits before the Supreme Court. This has to be weighed against the uncertainty of the attitude of an as yet unfamiliar arbitration tribunal".

[341] G. IUDICA, *Le prospettive dell'arbitrato*, in *Le fonti di autodisciplina tutela del consumatore, del risparmiatore, dell'utente*, P. ZATTI, Milano, 1996, 193-200.

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