

ADR in IP disputes – with particular focus on employment matters

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Introduction

This article examines, from a Swiss perspective, using methods of alternative dispute resolution (ADR), in particular arbitration and mediation, in intellectual property (IP) disputes.

Switzerland has a long tradition of using ADR, especially arbitration. Its success in this area – it ranks among the most preferred countries for international arbitration – is based in particular on its political neutrality and well-developed legal system, as well as its geographically convenient location and excellent infrastructure.^[1]

While arbitration is the preferred method of ADR in Switzerland, other methods are gaining popularity, particularly mediation. Traditionally used mainly in family law and to settle disputes within companies, it is increasingly being applied to big commercial disputes.^[2] The growing importance of mediation is reflected in the Swiss Civil Procedure Code (CPC), which permits parties to resort to mediation at any time, even if regular state court litigation is pending.^[3]

Mediation and arbitration are comparable in that both aim to help parties to solve their dispute with the assistance of a neutral and independent third person (an arbitrator or a mediator). The difference is the role of the arbitrator who, unlike a mediator, has the power to issue a binding decision on the dispute. Under Swiss law, final arbitral awards are accorded the same status as state court judgments and are enforceable as such.^[4] To increase efficiency, the possibility of challenging arbitral awards is extremely limited.^[5]

In contrast, a mediator has no decision-making power and relies entirely on the voluntary participation of the parties. The mediator's role is to facilitate settlement discussions between the parties and to assist them in finding a mutually acceptable solution to their dispute.^[6]

Mediation and arbitration both offer advantages over traditional state court litigation. They are often quicker and less costly and generally more adaptable to the parties' requirements. For example, the parties may determine the procedure of mediation or

arbitration themselves or by reference to institutional rules.^[7] The parties are also free to designate the arbitrator or mediator, which means they can appoint a person with expert knowledge in a certain field. This is a definite advantage in IP disputes, which are often complex and require technical or scientific know-how.

IP rights such as patents, trademarks and copyrights are generally regulated on a national level, which means they are registered and valid only for the territory of a certain state. Against this background there is a growing need for ADR proceedings to resolve international IP disputes in one forum.^[8] This saves parties from having to initiate litigation before several national courts. Multiple proceedings are not only costly and time consuming; they also carry the risk of producing different outcomes due to the different national laws, even though the matter in dispute is essentially the same.

Under Swiss international arbitration law, all IP and industrial property disputes are, in principle, arbitrable.^[9] Exceptions apply – due to sovereign state examination – to the issuance and constitutive registration of patents, samples, utility models and trademarks.^[10] In other words, an arbitral tribunal may generally not determine the validity of a patent with *erga omnes* effect; the parties may, however, agree on regulation with *inter partes* effect. As early as in 1975, however, the Swiss Federal Institute of Intellectual Property announced that it would accept for enforcement final and binding arbitral awards by tribunals having a seat in Switzerland concerning the transfer of Swiss patents or Swiss parts of European patents and so, for instance, delete patents from the Swiss registry based on a nullity award.^[11] In this sense, it can be said that there is even a certain, albeit limited, *erga omnes* effect.

If IP disputes occur between an employer and an employee, an additional issue may arise. In a Swiss domestic context,^[12] the arbitrability of employment matters is restricted by Article 341 of the Swiss Code of Obligations (the ‘Code’). This provision stipulates that, during the term of the employment relationship and for one month after its termination, an employee cannot waive rights arising from mandatory provisions of Swiss employment law. Since an employee cannot waive these rights, they cannot agree in advance that they will be referred to arbitration.^[13] The Swiss Federal Supreme Court concluded that, with regard to such rights, an arbitration clause is invalid.^[14] In general, however, IP rights between an employer and employee will not be covered by Article 341 of the Code and should therefore be arbitrable. Furthermore, Article 341 only applies in a purely domestic context and should not affect international arbitrations in the first place.

In any case, it is advisable to include a provision in the employment contract that clearly regulates to whom inventions and other IP developed by the employee – alone or in collaboration with others – belong or whether they are subject to assignment, and if so, under which conditions. The provision should cover inventions made: (1) in the course of the employee’s work for the employer and in performance of the employee’s contractual obligations; (2) in the course of the employee’s work, but not in performance of the employee’s contractual obligations; and (3) neither in the course nor in performance of the employee’s contractual obligations towards the employer.

As already mentioned, mediation is less established in Switzerland than arbitration, but is becoming more popular, particularly in IP disputes. Unlike arbitration,

mediation does not lead to a binding decision. The mediator's function is merely to establish the procedure and provide the necessary environment in which to enable the parties to negotiate an agreement.^[15] Parties appreciate the advantages of 'keeping in control' of proceedings and of focusing on business needs and interests instead of technicalities, legal or procedural issues. Often in IP disputes, the parties are seeking to resolve their dispute in a way that ensures that future collaboration remains possible if, for instance, one party's business largely depends on the patent licence granted by the other party. In these situations parties are looking for a less adversarial approach so that a good basis for a continued business relationship may be laid.

For these reasons and because mediation is a less formal procedure, mediation may also be a good choice when attempting to amicably settle IP disputes between an employer and an employee.

In conclusion, arbitration and mediation are increasingly used, in particular as they are proving to be effective in resolving IP disputes.^[16] Employers and managers should consider inserting mediation or arbitration clauses not only into commercial contracts, but also into employment agreements. Beforehand, the applicable laws must, however, be carefully reviewed because not all of them will allow for arbitrability of such disputes.

[1] See Swiss Arbitration Association website, www.arbitration-ch.org/en/arbitration-in-switzerland/index.html accessed 23 May 2019.

[2] Daniel Girsberger and Nathalie Voser, *International Arbitration, Comparative and Swiss Perspectives* (3rd ed, Zurich, 2016), 43.

[3] Article 214 of the Civil Procedure Code (CPC). The CPC also offers mediation as an equivalent to the mandatory conciliation attempt which normally precedes state court litigation.

[4] Art 387 CPC, Art 190 para 1 of the Private International Law Act of 18 December 1987 (PILA). International (cross-border) enforcement of arbitral awards is immensely facilitated by the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958, ratified by over 150 countries, which means that nowadays arbitral awards probably have a better chance of being enforced abroad than state court decisions. See Bernhard Berger and Franz Kellerhals, *International and Domestic Arbitration in Switzerland* (3rd ed, Berne, 2015), 21.

[5] International arbitral awards rendered in Switzerland can only be challenged before the Swiss Federal Supreme Court as the sole instance, and only on very limited grounds (Article 190 PILA).

[6] Art 217 of the CPC provides that the parties may jointly submit their agreement to court for approval, in which case it will have the same effect as a legally binding decision.

[7] Berger and Kellerhals, 178.

[8] Such growing need is, for instance, evidenced by the World Intellectual Property Organisation's successfully initiated Arbitration and Mediation Centre. See www.wipo.int/amc/en accessed 23 May 2019.

[9] Berger and Kellerhals, 225.

[10] *Ibid*, 226.

[11] *Ibid*, 225, n 59.

[12] Employer and employee both domiciled in Switzerland and an arbitration agreement providing for arbitration under CPC, part 3.

[13] Decision of the Swiss Federal Supreme Court of 28 June 2010, 136 III 467, consid 4.6; see also the Swiss Federal Supreme Court's decisions of 17 April 2013, 4A_515/2012, consid 4.2, and of 18 April 2018, 4A_7/2018, consid 2.3.

[14] Decision of the Swiss Federal Supreme Court of 28 June 2010, 136 III 467, consid 4.6.

[15] Girsberger and Voser, 40 and 47.

[16] See, for instance, the WIPO statistics, according to which 70 per cent of all WIPO mediation and 40 per cent of all WIPO arbitration cases were settled. See www.wipo.int/amc/en/center/caseload.html accessed 27 May 2019.