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Dispute Resolution Provisions in International Agreements

by

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“Utilization and Issues of Arbitration in Intellectual Property Disputes”

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U.S Courts Recognize the Parties' Right to Specify Dispute Resolution Procedures in a Contract

- *NIPPON SHINYAKU CO., LTD. v. SAREPTA THERAPEUTICS, INC.*, No. 2021-2369 (Fed. Cir., 8 February 2022)
- Dispute resolution clause: “[T]he Parties agree that **all Potential Actions arising under U.S. law relating to patent infringement or invalidity**, and filed within two (2) years of the end of the Covenant Term, **shall be filed in the United States District Court for the District of Delaware[.]**”
- Holding: The contract bars a party to the agreement from seeking to invalidate a patent by filing an *inter partes* review proceeding with the U.S. Patent and Trademark Office.
 - Note: Federal Arbitration Act (9 U.S.C. § 2): “A written provision in . . . a contract . . . to settle by arbitration a controversy thereafter arising out of such contract . . . shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.”



Consider Dispute Resolution Options During Negotiations

- *Standard ICC Arbitration Clause:*

“All disputes arising out of or in connection with the present contract shall be **finally settled** under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules.”

<https://iccwbo.org/dispute-resolution-services/arbitration/arbitration-clause/>

- *ICC Rules do not specify:*

- *Location or language of the arbitration*
- *Pre-hearing (discovery), hearing, or post-hearing procedures*

- *Arbitration decisions under this clause are binding, but not appealable*



Negotiate an Appropriate Dispute Resolution Procedure

- U.S. District Court (with/without jury)
 - Federal Rules of Civil Procedure
 - Fast (ED Texas, ED Virginia) or slow (CD California, ND California)
 - Final Decision subject to appeal
- Standard ICC/AAA Arbitration
 - No specific procedural rules
 - No set deadlines
 - No appeal
- IACT Arbitration
 - No specific procedural rules
 - One-year time limit (target)
 - Review by appellate panel
- All forums allow for interim measures, and issue binding decisions.



Drafting an Agreement

- Scope of dispute resolution provisions
 - “Any dispute arising under or relating to this agreement”
 - Other limits, including administrative claims
- Forum
 - Convenient
 - Least convenient for party asserting claim
- Final decision or subject to appeal
- Speed
 - Arbitration within **reasonable** time limits
 - District court/foreign courts have variable speeds
- Cost
 - Arbitration can be expensive
 - Administrative costs (often a % of claim)
 - Arbitrators’ fees



Sample Dispute Resolution/Litigation Clause

- DVD Format/Logo Licensing Corporation
 - DVD Format/Logo License Agreement, Art. 12.7:
 - “LICENSEE AGREES AND ACKNOWLEDGES THAT ALL DISPUTES BETWEEN THE PARTIES HERETO ARISING OUT OF OR IN CONNECTION WITH THE INTERPRETATION OR EXECUTION OF THIS AGREEMENT, . . .
 - SHALL BE FINALLY SETTLED BY THE FEDERAL OR STATE COURTS LOCATED IN THE COUNTY OF NEW YORK IN THE STATE OF NEW YORK; AND EACH PARTY TO THIS AGREEMENT HEREBY:
 - (i) IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS FOR THE RESOLUTION OF SUCH DISPUTES;
 - (ii) IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF SAID COURTS IN ANY SUCH DISPUTE . . . ;
 - (iii) IRREVOCABLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING . . . ; AND
 - (iv) IRREVOCABLY WAIVES ANY RIGHT TO A TRIAL BY JURY REGARDING THE RESOLUTION OF ANY DISPUTES BETWEEN THE PARTIES HERETO ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.”



Sample Dispute Resolution/Arbitration Clause

- Japanese Corporation and U.S. Corporation
 - “In the event of any dispute between the parties arising under or relating to this Agreement
 - then the Party asserting a claim shall notify the other Party of the dispute, and a senior executive of each Party shall thereafter meet and confer in an effort to resolve the dispute.
 - If the Parties’ senior executives cannot resolve the dispute within ninety (90) days following notice of the dispute, then the Party asserting a claim may initiate a proceeding before the IACT in accordance with its Rules in effect at the time of the proceeding, provided that:
 - The arbitration shall be conducted by a panel of three arbitrators, one of whom shall be Japanese, one of whom shall be American, and one of whom shall be a national of a third country;
 - If the Japanese Party asserts a claim, then the arbitration shall be held in Washington, D.C.; If the American Party asserts a claim, then the arbitration shall be held in Tokyo, Japan.
 - The language of the arbitration shall be in English.
 - The parties and the arbitrators shall use their best efforts to issue a final award within one year of the appointment of the arbitration panel.”



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