Arbitration of Intellectual Property Disputes in France

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The arbitrability of intellectual property disputes is a delicate problem.

Without going into the details of its complete history, the matter was dealt with very clearly in France until 1968: there was no question of arbitration in the field of intellectual property, because matters which related to patents were considered to be 'causes communicables', whereby a case had to be referred to the public prosecutor *(Procureur de la République)* for an opinion before *any* judgment could be rendered, within the meaning of article 1004 of the former Code of Civil Procedure, and which could not be the subject of arbitration.

It was thus out of the question to enter into an arbitration for matters relating to patents.

The law of 31 December 1964 on trademarks and the law of 2 January 1968 on patents appeared to confirm the impossibility of arbitration, by providing for the exclusive jurisdiction of the high courts *(Tribunaux de Grande instance)* in matters of industrial property, ie patents and trademarks.

Certainly, legal scholars scrutinised the origins of these laws and noted that exclusive jurisdiction should not be confused with exclusion of arbitration. However, the practice was extremely reluctant being influenced as it was by the ancient texts, and did not seek to innovate.

Soon after the laws of 1964 and 1968, there appeared in the field of arbitration an amendment to article 2060 of the Civil Code, by the law of 5 July 1972, which sought to expand the possibilities of arbitration. However, it obscured matters, by imposing the rule that *'matters relating to public policy'* were not arbitrable.

In fact, the connection of the rules for exclusive jurisdiction provided for by the laws of 1964 and 1968 together with the prohibition against the arbitrability of matters relating to public policy

reinforced the positions of those skeptical as to the arbitrability of industrial property disputes. That is why, at the request of interested groups, the law on patents of 13 July 1978 intervened, providing that rules of exclusive jurisdiction *'are not an obstacle to resorting to arbitration within the conditions prescribed by articles 2059 and 2060 of the Civil Code'.* This provision has now been codified as article L 615-17 of France's new Intellectual Property Code of 1992. The same provision is contained in the law of 4 January 1991 on trademark, now codified as article L 716-4 of the 1992 Intellectual Property Code.

It is now established, by these laws, that arbitration is not excluded by the sole fact that such disputes lie ordinarily within the exclusive juridiction of the high courts. The problem remains delicate, however, because the sword of Damocles of article 2060 of the Civil Code — which prohibits the arbitration of matters relating to public policy — still hangs over our heads. One must therefore select and determine, amongst the questions that may be submitted to arbitration, what is by nature related to public policy, and what is not.

One negative certainty is definite: one cannot arbitrate a criminal action for infringement: criminal matters cannot be arbitrated. No criminal action for infringement whether it be patent, trademark, model or copyright, is arbitrable.

■ Positive certainties

The arbitrability of disputes relating to *copyright* and related rights is not disputable: it is necessary, however, to state a slight reservation with respect to issues of moral rights *(droits moraux)*, which escape the domain of arbitration by virtue of their inalienable character. On the other hand, with respect to anything relating to royalty fees there is no problem.

The arbitrability of *disputes of a purely contractual nature* with respect to an intellectual property right, where the validity of this right is not questioned, is likewise not disputable.

For example, where it involves simply a request for payment of royalty fees, or where a contract provides for the disclosure of certain know-how in addition to granting a patent licence and the licensee demands sanctions for failure to provide the necessary know-how, these questions, being contractual, are wholly arbitrable.

The arbitrability of questions of *ownership of intellectual property rights* is not disputed. If there is a lawsuit resulting from a joint venture or a development agreement, it is clear that the dispute is arbitrable. However, it is different where the dispute involves an employment relationship. In effect, a dispute between an employer and an employee relating to the title to an invention by the employee, at least during the execution of the contract of service, is not arbitrable under French law.

On the other hand, once the contract of service is ended, the parties are perfectly free. It will then be possible, within the framework of a compromise arbitration, to submit the dispute to arbitration. This is now permitted in certain countries, where arbitration awards of this sort, signed by eminent authors, are beginning to appear.

In France, I must say very frankly that there is no precedent at present where arbitrators have invalidated a patent, stating that their decision is only effective *inter parfes*. It is clear that arbitrators cannot render an arbitral decision that would have an effect *erga omnes* of invalidating a patent with respect to third parties. This is indisputable and uncontestable if only because an arbitration has a fundamentally contractual and bilateral nature. The future is ours, and it is perhaps for us to make things evolve. It appears that the time is ripe for progress in the case law on this point.

Such progress has happened in other areas which equally relate to public policy, particularly in the area of anti-competition law. For a long period of time, it was taught that it was not conceivable for arbitrators to broach a problem of market share, or a problem of market domination, or another issue of antitrust law.

Thinking has developed however, and the United States Supreme Court opened the way in the famous Mitsubishi case, by allowing arbitration in the field of antitrust law. France has followed suit, and the French Supreme Court, the *Cour de Cassation,* has permitted arbitration of disputes even though questions of antitrust law were involved. Every day, every trimester, brings us new judgments that are expanding the domain of arbitration in the field of antitrust law. I therefore believe that we are going towards a wider range of arbitrable cases and the arbitrability of disputes containing an issue relating to public policy.

The consideration that arbitration is a mode of dispute resolution well adapted to disagreements between opposing parties coming from a similar and very homogeneous professional backgrounds, who are well acquainted, who have a common cultural background, must, in my opinion, prevail over the perhaps now out-moded idea that a patent is essentially a public title. The future will tell us whether this trend is imposing itself in France.

The arbitrability of disputes relating to the scope of intellectual property rights has been more discussed. Today, however, it is commonly acknowledged that the question of the scope of

intellectual property rights, when their validity is not being disputed, is perfectly arbitrable.

■ An uncertainty threatened with extinction?

The big problem is, evidently, that of the arbitrability of a dispute that relates to the actual validity of an industrial property right. Do arbitrators have the power to declare a patent or trademark null and void? The classical argument in this domain is to say: *'the patent is an administrative act issued by the public authority, it is inconceivable that private persons — be they invested with the confidence of the parties to a dispute — should decide on the validity of a title delivered by the public authority'*.

This position was, perhaps, reinforced by a misunderstanding of the practical effects of an arbitral decision of patent invalidity: one has sometimes the feeling that the proponents of this position thought that the annulled patent would be publicly torn up on the steps of the Patent Office and that arbitrators should not be allowed to display such effrontery towards the Commissioner of Patents.

The reality is different; a decision of invalidity of a patent or trademark translates into a simple publication of the decision of invalidity in the appropriate national register, without the dignity of the public authority being affected in any manner.

The cautious position has nevertheless remained the majority position in France: in any event, no appellant has ever tried to have this issue reviewed by the Courts. However, the sentiment in business circles today, is *'we have industrial property contracts within the context of which we wish simply to resolve a precise disagreement between us. Our problem is not really to know what is the public domain. What we wish to know is whether it is necessary to pay the licence royalty fee or not, if the patent is deemed valid between us or not'*.

One thus sees the appearance, in a large number of countries, of a school of thought that heavily favours the arbitration of patent validity disputes or, more precisely, the validity *inter partes*, the opposability, and the enforceability of patent law as between the parties.