WIPO

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

CAIRO REGIONAL CENTRE FOR INTERNATIONAL COMMERCIAL ARBITRATION

WIPO ARBITRATION AND MEDIATION CENTER

WORKSHOP FOR ARBITRATORS

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CASE SCENARIOS

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Contents

I. INTERNATIONAL ARBITRATION IN CONTEXT

1. A is a bank based in Germany. B is a software development company specializing in financial applications, which is based in California. A contracts with B for B to develop a customized computer program for A's futures operations. Following installation of the software A experiences many problems with the software. The head of A's computer division communicates frequently with the head of the project at B via E-mail. They manage to remove some of the bugs from the program in this way, but major problems persist.
A communicates (by E-mail) to B that it considers that it will have to abandon the software and start again from scratch with another software developer. A says that it wants to be repaid all amounts paid to B by way of deposit and for work-in-progress. It says that it will be handing the matter over to its lawyers. B replies and suggests arbitration. A sends B an E-mail in which it sets out a standard submission agreement for WIPO arbitration providing for a sole arbitrator and with Geneva as the place of arbitration, the language English and the governing law German. It asks for B's acceptance by return E-mail. B accepts by E-mail.

One month later A files a Request for Arbitration at the WIPO Arbitration and Mediation Center. In respect of the requirement of filing a copy of the arbitration agreement, A sets out the text of the submission agreement agreed by E-mail and notes the date on which it was sent and the date on which it was accepted by B. When contacted by A to discuss the appointment of the sole arbitrator, B says that it has no intention of participating in the arbitration as there is no valid agreement to arbitrate. After the elapse of the various time limits, no arbitrator having been appointed jointly by the parties, no Answer having been filed by B and B having confirmed its intention not to participate in the procedure and not having responded to a list of candidates sent to it by the Center for the appointment of an arbitrator under Article 19(b), the Center appoints an arbitrator.

The arbitrator asks the parties if they would agree to address him on the question of the arbitration agreement. A and B agree to do so. As a result of a collapse of its computer system, A no longer has the text of the E-mail containing the submission agreement, nor B's acceptance by E-mail in reply, on the memory of its computer system.

Argue the question as parties or decide as arbitrator. The arbitrator must indicate also the form that his decision will take.

2. A is a French company and B is an Argentinian company. A specializes in the construction and commissioning of nuclear power plants and contracts to construct and commission such a plant for B in Argentina. The contract provides for arbitration under the WIPO Arbitration Rules, in English, before three arbitrators, and for New York law to be the governing law. There is no provision concerning the place of arbitration. A dispute ensues concerning the computer system for the operation of the plant, which was developed, under sub-contract with A, by a British company. A is responsible under the main contract with B for the computer system. B files a Request for Arbitration and A files an Answer. B appoints an Argentinian national as arbitrator and A appoints a French national. The two party-appointed arbitrators agree on the appointment of a United States national, who practices law in New York City, as the presiding arbitrator. The WIPO Arbitration and Mediation Center asks each party to submit observations on the question of the place of arbitration.

Formulate observations for A bearing in mind A's preferences for the place of arbitration to be in Europe, or formulate observations for B bearing in mind B's preferences for the place of arbitration to be in the Americas, or give the decision of the Center.

3. A is a Swiss pharmaceutical company and B is a British pharmaceutical company. A holds a patent in every pertinent country for a best-selling anti-ulcer drug that covers a chemical compound with features X, Y and Z. B applies for a patent in every pertinent country on a chemical compound with features O, P and Z. B's compound is also destined to be used in an anti-ulcer drug.

A claims patent infringement by B and launches opposition proceedings against the grant of B's patent in patent offices throughout the world. The two parties agree to submit the matter to arbitration under the WIPO Arbitration Rules. The submission agreement contains the following provision:

> "The parties agree to apply the European Patent Convention (EPC) as the applicable law for determining all questions of patent law in whatsoever jurisdiction throughout the world."

In the course of its preparations for the case, B forms the view that Japanese patent law would be more favorable to it than the EPC because, in its view, the doctrine of equivalents is more narrowly applied under Japanese law. In its pleadings, it argues that the applicable law provision in the submission agreement is not operative and that the tribunal is bound, as a matter of mandatory law, to apply separately the law of each jurisdiction in which A holds a patent to determine the result of the dispute in each such jurisdiction.

Decide as the tribunal or argue for A or for B.

II. ACCEPTING APPOINTMENT

1. You are approached by Fox & Fox, a firm of attorneys in New York City and asked about your availability to serve as an arbitrator in a WIPO arbitration concerning a software dispute between a licensor and a licensee, in which the licensor alleges that the licensee has copied material parts of the licensed program in a competing product that the licensee has just marketed. Fox & Fox represent the licensor. When you indicate that you are available to serve and have no conflicts, Fox & Fox ask if they can interview you concerning your qualifications. You accept. At the interview, Fox & Fox ask a series of questions relating to your educational background, experience in arbitration and experience in copyright law and the protection of computer programs. They then say that, as this is a specialized branch of the law, they would like to be sure about your knowledge of it. They ask you what is the legal status of reverse engineering or decompilation in Japan, USA and the European Union.

Answer the question and write a short note to file of the interview.

2. You have been appointed as arbitrator by the licensor in a WIPO arbitration involving a dispute concerning an alleged breach of warranty by the licensor in respect of trade secrets licensed on a non-exclusive basis to a licensee in Mexico. Six months into the arbitration, the licensor asks you if you are available to serve in another WIPO arbitration concerning an alleged breach of warranty by the licensor in respect of the same trade secrets licensed on a non-exclusive basis to a licensee in Argentina. You reply positively.

Draft your disclosure statement in accordance with Article 22(b). Do you take any action in respect of the first arbitration?

3. Three months into a WIPO arbitration A learns that the arbitrator appointed by other party B is a member of the governing board of another arbitration institution, of which the counsel for B is also a member. Further, A learns that they are both on a sub-committee of that governing board responsible for revising the rules of that other institution. In that and other capacities they regularly dine together and, in fact, are good friends. A decides to challenge the arbitrator. The arbitrator does not withdraw.

Formulate (orally) the challenge, or respond to the challenge, or rule on the challenge.

III. PREPARATORY ORGANIZATION

1. Following the tribunal's receipt of B's Statement of Defense in a complex and voluminous case, the presiding arbitrator convenes the parties for a preparatory conference. The Statement of Defense gives reason to believe that B may seek ways to delay the arbitral proceedings.

Draft the agenda of the preparatory conference, including information to be conveyed by the tribunal to the parties. Discuss the draft agenda from the point of view of each of the arbitrators. Draft the order to be issued following the conference.

2. At the request of A, the tribunal schedules a site visit to the production facilities of B. Draft an order regulating the terms of the visit, including: the role of the visit in the evidentiary process; possibilities for the submission of comments prior to and after the visit; issues of confidentiality; representation of the parties; questions during the visit; responsibility for preparations for the visit and scrutiny by the other party; the tribunal's next procedural step; etc.

3. A proposes to call a high number of witnesses and experts for the hearing. B objects, because their testimony would be redundant and irrelevant, and would cause B to make additional preparations and call rebuttal witnesses and experts. Mindful of the timing implications, the presiding arbitrator proposes by telephone to his colleagues to deny A's request. The arbitrator appointed by A informally hints to the presiding arbitrator that, if the request is denied and A loses the case, he (the arbitrator appointed by A) intends to refrain from signing the award and to inform the Center and the parties that he considers the award unenforceable because the losing party was unable to present its case.

What does the presiding arbitrator do? Whom does he inform? If he denies the request and awards against A, what action does the presiding arbitrator take to prevent or to counter the steps announced by the arbitrator appointed by A?

Discuss the position of the presiding arbitrator, or comment on what B would want him to do.

IV. EXCHANGE OF MEMORIALS AND DOCUMENTS

1. The tribunal orders A to submit all records relating to a patent that is the subject of an ownership dispute with B. A complies with the order, but refrains from submitting copies of certain internal correspondence with its in-house chief patent counsel. Invoking the patent counsel's membership of the national bar (which membership is open to all in-house counsel who have taken the national bar examination), A claims that such correspondence is subject to privilege. Should the tribunal accept A's partial compliance?

Discuss the tribunal's position or argue for A or B.

2. A has granted a know-how license to B. Alleging breach by B, A submits a lengthy Statement of Claim, including voluminous documentary evidence. Citing the sudden character of B's alleged breach, A announces its intention to submit additional evidentiary material as soon as it has been able to produce and organize it. Upon receipt of the Statement of Claim, B informs the tribunal that it will require a significant time to respond to the voluminous statement of claim, which, in any case, it intends not to do before receiving A's announced additional submission.

Intending to conduct the arbitration in an expeditious manner, the tribunal makes an inventory of the various procedural options at its disposal to obtain an impression of the issues and to structure the proceedings efficiently.

Discuss the options at the disposal of the tribunal, or provide A's or B's comments thereon.

3. A submits a Request for Arbitration for the alleged breach by B of a contract with A. The contract provides for the parties' appointment of a sole arbitrator. Citing allegations of bad faith on the part of A in various arbitrations in the past, involving breach of confidentiality and fabrication of evidence, B refuses to cooperate. The administering authority appoints the sole arbitrator. Contacted by the latter, B states that it is prepared to participate to discuss the enforceability of the arbitration clause, but that it will not participate further if the arbitrator considers the clause enforceable.

What does the arbitrator do? Who does he contact? If he proceeds without the involvement of B and A's claim remains unrebutted, does the arbitrator award the substantial sum claimed by A?

Decide as the arbitrator or argue for B.

4. In a WIPO arbitration of a complex and voluminous case involving large financial interests, the tribunal's deliberations on procedural matters and on the merits are proceeding slowly. The presiding arbitrator wants to speed up the proceedings. With the hearing already scheduled, A makes an insufficiently motivated extension request for its final pleading, which is due to be filed that very same day. B strenuously objects to the request. The presiding arbitrator finds out that the arbitrator appointed by B cannot be reached until the next day, and that the arbitrator appointed by A is strongly in favor of granting the extension. What does the presiding arbitrator do? If he would want to deny the request, could he base the denial on Article 38 (c), or on Article 61?

Discuss the position of each of the arbitrators.

V. INTERIM RELIEF

1. A is a European high-tech manufacturing company which has granted a production license for Asia to Thai company B. The licensing agreement, which includes a WIPO arbitration clause, prohibits sublicensing. A learns that B plans to grant a sub-license to Chinese company C, and initiates an arbitration against B. B argues that such a sub-license would not breach its licensing agreement with A, because the technology to be sub-licensed concerns only part of the production process licensed by A, to which B itself has added important new technical elements.

During the arbitration, A learns that B, as part of its ongoing negotiations with C and under time pressure caused by competing licensing offers made to C, is about to disclose to C, on a confidential basis, some elements of the technology licensed by A. Under Article 46, A applies to the tribunal for an injunction prohibiting B from making any such disclosures pending the arbitration. Simultaneously, A addresses the same request to the judicial authorities in the jurisdictions where B and C are located.

Does the tribunal consider A's application? If it does, does the tribunal take a decision without waiting for the court decisions? If A wins in court, can B ask the tribunal to pronounce itself on the issue?

Decide as the Tribunal or argue for A or B.

2. A trademark license contract between A (the licensor, a European company) and B (the licensee, located in the Far East) includes an arbitration clause adopting the WIPO Arbitration Rules in conjunction with the WIPO Emergency Relief Rules. A finds out that B intends to use the trademark for a new product developed by B. This new product falls outside the category of products to which the trademark license is contractually restricted but within the class of goods for which A owns a trademark registration.

A, which is considering to introduce a similar product, submits a Request for Relief under the WIPO Emergency Relief Rules seeking an injunction prohibiting use of its trademark. The WIPO Arbitration and Mediation Center appoints an Emergency Arbitrator. B files an Answer to the Request, arguing, inter alia, that the new product implicitly is within the contractual scope of the license; that the damage to B that would result from granting the emergency relief would by far exceed any damages which B's new product launch could cause to A pending an arbitral award on the merits; and that B is willing to renegotiate the financial terms of the license. While requesting the Emergency Arbitrator to schedule a hearing, B also indicates that, considering its busy circumstances (its marketing campaign is about to start) and the travel time involved, it would require at least one week to get ready for and attend such a hearing.

Does the Emergency Arbitrator schedule a hearing, or does he proceed on the basis of the documents? If he schedules a hearing and only A appears, does the Emergency Arbitrator proceed to issue an ex parte award? If so, does he re-hear both parties after issuing the award? In each of these scenarios, is the interim award granting the relief enforceable under the New York Convention? For this question, does it make any difference if the award also specifies a time period within which the claimant must commence arbitration proceedings on the merits?

Decide as the Emergency Arbitrator or argue for A or B.

VI. HEARINGS AND EVIDENCE: PART I - MANAGING THE PROCESS

1. Because a witness cannot come to the hearing, the tribunal allows the witness to testify by telephone, and questions the witness by telephone. From the witness' pauses before and during the replies as well as her retractions and corrections, it becomes clear that the witness is being coached extensively by counsel. The latter's presence during the telephone hearing had not been disclosed. Are the witness' statements admissible? If they are, how is their probative value? How does such probative value compare to that of written testimony, e.g. an affidavit?

Decide as the tribunal or argue as counsel for witness.

2. Involved in arbitration with B, A has been granted several extensions of the deadline for submission of its final memorial, including documentary evidence that A contends is important to its case but that A cannot locate in its files. The tribunal having refused to grant another extension, A files its memorial without the document in question. At the hearing, two months later, A suddenly produces the document, which (according to A) it had managed to retrieve on the eve of the hearing.

B opposes admission of the document, because B was unable to prepare an adequate response to the document. A replies that, because A had in any case mentioned the existence and contents of the document in its pleadings, B should be in a position to comment on the document at the hearing. A further contends that the information in the document must be deemed to have been admitted into the record as part of the testimony of A's witnesses. Alternatively, because the document is central to A's case, A requests the tribunal to admit the document and grant B response time by postponing the hearing. Which position should the tribunal take?

Decide as the tribunal or argue for B.

3. In response to a tribunal order under Article 54 of the WIPO Arbitration Rules, A has given notice of the identity of its witnesses, of the subject matter of their testimony and of its relevance to the issues. At the hearing, A proposes to have one of its witnesses testify on an issue raised by the tribunal at the hearing.

B objects, because the issue does not form part of the announced subject matter of the witness' testimony. Alternatively, B seeks the right to submit post-hearing rebuttal testimony by a new witness. What should the tribunal decide?

Decide as the tribunal or argue for A or B.

4. A and B are important pharmaceutical companies. They commence WIPO arbitration; A appoints as arbitrator the head of the research department of C, another pharmaceutical company to which it is not related. The dispute between A and B concerns a process for the manufacture of a pharmaceutical substance, "X," that A has patented and that A contends has been infringed by B.

B, which has manufactured a substance that has similar properties to X, is ordered to provide technical information relating to the process by which it manufactures this substance. Objecting against the disclosure to the tribunal of this confidential information, B requests the tribunal to designate a confidentiality advisor under Article 52.

Discuss the request from the point of view of each of the arbitrators or argue for A or B.

VII. HEARINGS AND EVIDENCE: PART II - SCIENTIFIC AND TECHNICAL EVIDENCE*

1. A charges B with infringement of a United States patent on an inventory control system. B charges A with infringement of B's copyright relating to a computer program for operating the patented system.

Both A and B have advised the tribunal that they intend to call (a) experts to explain to the tribunal the meaning of disputed technical terms in A's patent claims and (b) experts to lead the tribunal through the abstraction-filtration-comparison analysis to define B's copyright.

What qualifications should the respective experts possess? Can they be patent attorneys? On what subjects can the experts testify? What weight should the tribunal give to their testimony? What substantive law should the arbitration consider, if any? Does it make a difference if the chair of the tribunal is a United States attorney? A Swiss attorney?

One person should argue for A's expert testimony and against B's expert testimony. One person should argue for B's expert testimony and against A's. The third person should decide–with reasons.

2. In an expedited arbitration pursuant to the WIPO Arbitration Rules, A is a United Kingdom designer and supplier of software for special sophisticated applications. A charges B with breach of B's employment agreement with A, breach of their confidential relationship, misappropriation of A's trade secrets and other sins. B recently resigned as A's chief software designer and began working for A's competitor in Germany as the competitor's chief software designer. The place of arbitration is France.

At A, B was privy to all of A's proprietary information and trade secrets regarding the design of the special software A produces and is planning to produce. A is primarily concerned with preserving the proprietary and secret character of A's information and less concerned with preventing B from competing with A.

B has petitioned the tribunal to require A to specify the trade secret information A contends B has misappropriated or is likely to misappropriate. B seeks all of the backup information in A's possession, custody or control that either supports or undercuts A's claim that the specified information qualifies as a trade secret.

At the same time, A has petitioned the tribunal to require B and B's new employer to specify all information relating to A's business that B has taken with B, all such information B has disclosed to anyone at B's new employer, and each project to which B has been assigned, or will be assigned in the foreseeable future. A seeks all information in the possession, custody or control of B or of B's new employer that either supports or undercuts any B contention that B has not taken or disclosed any information comprising A's proprietary or trade secret information.

Each party, as well as B's new employer, resists any intrusion by the adversary into its files. A argues that neither B nor B's new employer should see any more of A's information than either has already seen. Likewise, both B and B's new employer contend that A has no right to use the arbitration to gain access to B's new employer's proprietary information.

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* The case scenarios for this topic were supplied by David W. Plant, former partner, Fish & Neave, New York.

How can this stalemate be resolved? One person is to argue A's case and propose a solution. One person is to argue B's case and propose a solution. Who represents B's new employer? What standing does B's employer enjoy before the tribunal? The third person is to serve as the tribunal and rule in a way that breaks the stalemate.

3. A charges B with infringing A's United States and French patents relating to a process for catalytically producing polymers having special characteristics. B denies infringement on the ground that B's process does not perform every step recited in A's patent claims.

B's process is carried out in a closed processor. It is not possible to observe B's process physically. The mechanism of A's process is described in A's patents in terms of theories developed by A's inventors but never independently and authoritatively confirmed.

A proposes to call an expert who will express an opinion to the tribunal that B's process infringes. A's expert's opinion will be based on A's inventors' theories, B's materials in and out of B's processor, conditions under which B's process operates, and the characteristics of the polymers produced.

B proposes to call an expert who will express an opinion to the tribunal that B's process does not infringe. B's expert's opinion will be based on a computer-aided simulation of what happens in B's processor on a molecular basis, and on flaws B perceives in A's inventors' theories.

What qualifications should the respective experts possess? Is only one expert per side sufficient? What foundation must each party lay for the expert's opinion? What information does each party need to lay the appropriate foundation? What information does each expert need to challenge the opposing expert's opinion? To what extent is it permissible for an expert to have consulted before the expert forms an opinion with the counsel who engaged the expert? To what extent should communications between the expert and the party's counsel be available to the opposing party? Should the tribunal retain its own expert? In what sequence, and when in the proceedings, should the experts testify? On what terms and conditions? Does it make any difference if the arbitral law is French, United States or another Western country? Does it make any difference if the chair of the tribunal is a United Kingdom barrister or a Swiss lawyer?

One person is to argue in support of information relied on and the opinion expressed by A's expert. One person is to argue in support of the information relied on and the opinion expressed by B's expert. Each argument should address the question of the extent of the expert's communications with counsel, whether any part of such communications must be made known to the other side and whether the tribunal should appoint its own "independent" expert, and the manner of adducing the expert's testimony. The third person is the tribunal and must assure that the relevant issues are addressed and must rule.

VIII. AWARDS

1. One of the party-appointed arbitrators, who voted against the majority, objects against the award being drafted by an assistant to the presiding arbitrator, when he (the party-appointed arbitrator) himself is available to write the draft. Should the presiding arbitrator accept the offer?

Discuss the issue from the point of view of the presiding arbitrator, or that of the party-appointed arbitrator in question.

2. The parties to the arbitration have consented to use an on-line, Internet-based system for handling the exchange of all documents in the case. The on-line system has been developed so that access, and the ability to file documents, is allowed only to those who have registered to receive their unique user-ids and passwords. Each party and the arbitrator have done so. The sole arbitrator, upon reaching a decision in favor of A, decides that the award will also be handled in this manner. The arbitrator drafts and then sends an electronic copy of the award to each of the parties and to the WIPO Arbitration and Mediation Center.

Discuss the issues of the recognition and enforcement of the award from the point of view of B, who wishes to challenge it, or A who would like to have the award enforced. Would it make any difference if the arbitrator has digitally signed the award (e.g., using a Verisign digital certificate)?

3. The arbitrator appointed by A, who has consistently adopted positions against the majority, informs his colleagues in the tribunal that he wishes to withdraw from the arbitration, in which the award is yet to be drafted. As a reason, he states that a major client of a partner in his law firm is about to get drawn into important litigation that could give rise to a conflict of interest. B opposes the withdrawal as a strategic move to delay the outcome of the arbitration.

The presiding arbitrator discusses the matter with the administering authority. Should the tribunal proceed with issuing the award because the arbitrator in question was in the minority anyway, or (bearing in mind also the possibility that the arbitrator will refuse to sign the award) should arrangements be made for the replacement of the arbitrator? In the latter case, how should the tribunal deal with a request for a re-hearing by A?

Discuss the issue from the point of view of each of the arbitrators.

4. One month after delivery of the award in an arbitration under the WIPO Arbitration Rules, the presiding arbitrator of the case plays a round of golf with two acquaintances. The presiding arbitrator tells his companions some negative stories about the behavior of X as a party-appointed arbitrator in the case. Golf companion A is involved as counsel in an arbitration in which X has been appointed and, based on the information thus conveyed, A successfully challenges X. Golf companion B tells X what the presiding arbitrator has told him during the golf round.

What, if any, action is available to X against the presiding arbitrator?

5. Two weeks after the delivery of the final award in an arbitration in which you have been the presiding arbitrator, counsel for the losing party telephones you. He says that he appreciated very much the way in which you conducted the arbitration and then tells you that this was only his second arbitration. He asks if you would accept his invitation to lunch to discuss the case with a view to his receiving from you some feedback on his performance as counsel so that he can improve his skills for the future.

How do you reply?

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