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**Master's Thesis**

**A Study on**

**The Use of Arbitration for Solving  
International Intellectual Property  
Disputes:**

**Analytical and Comparative Perspectives of the  
U.S and South Korea for the Recommendation  
for Cambodia**

**국제 지적 재산권 분쟁 해결을 위한  
중재의 사용 :**  
캄보디아 권고에 대한 미국과 한국의 분석과 비교  
전망

**August 2017**

**Graduate School of Seoul National University  
Intellectual Property, Department of Law**

**MAO SREYMOM**



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# **Abstract**

## **The Use of Arbitration for Solving International Intellectual Property Disputes: Analytical and Comparative Perspectives of the U.S and South Korea for the Recommendation for Cambodia**

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Intellectual Property “is the branch of the law which protects some of the finer manifestations of human achievement”.<sup>1</sup> What is more, intellectual property rights are territorial (territoriality principle). In other words, those types of rights are governed by individual countries. However, when it involves *international* boundaries, many jurisdictions are intricate. On the one hand, when intellectual property disputes are handled by way of litigation, the complexity of intellectual property litigation arises and this includes jurisdictional issues, choice of law, lis pendes, and the recognition and enforcement of foreign judgments.<sup>2</sup> In addition, Intellectual Property litigation is commonly known as a highly complex, unpredictable and expensive method.<sup>3</sup> However, with the global economy, intellectual property has progressively become one of the most valuable asset of business and

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<sup>1</sup> William Cornish and David Llewelyn. Patent, Copyright, Trademarks and Allied Rights. 5<sup>th</sup> Edition. 2003. At 3

<sup>2</sup> LEE, Gyoocho, et al. Euro-Korean Perspective on the Use of Arbitration and ADR Mechanisms for Solving Intellectual Property Disputes. 2014

<sup>3</sup> International Arbitration of Intellectual Property Validity. Joel E. Lutzker. 2009.

the sheer number of transactions involving intellectual property such as the rising trend in license/sublicense agreements, joint venture agreements, employment contracts and business acquisition agreements has increased dramatically at both the domestic and international level.<sup>4</sup> Owing to this, it is no wonder that Alternative Dispute Resolution like Arbitration is an attractive technique in solving international intellectual property disputes.

On the other hand, when using arbitration in solving international intellectual property disputes some hurdles may arise. The first thing that really matters is Arbitrability. Many intellectual property rights must be registered if they are to subsist, the process of registration involving the filing of an application with a state authority, such as a patent office<sup>5</sup>. As a result, this creates state involvement, public policy and local sovereign power and for disputes relating to grants, the validity and extent of the rights granted should be decided only by the authority that granted the rights<sup>6</sup>. In such a case, it leads to the question of which intellectual property rights are arbitrable and which are not in certain jurisdictions.

Different legal system and legislation may affect the way certain countries govern the issue of resolving intellectual property disputes. Hence, it is ideal to understand different the approaches of different countries in dealing with this particular issue. And this contributes to the objectives of this research. Through the means of analyzing and comparing, there are two main aims of this paper. The

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<sup>4</sup> Arbitrability of Intellectual Property Disputes. Marc Blessing. Arbitration International. 1996

<sup>5</sup> Trevor Cook & Alejandro I. Garcia. International Intellectual Property Arbitration.

<sup>6</sup> The Final Report on Intellectual Property Disputes and Arbitration adopted by the ICC Commission on International Arbitration on 28 Oct, 1997.

first aim is to offer an insight into how different jurisdictions, mainly the U.S and South Korea, which are the leading nations in intellectual property protection<sup>7</sup>, use arbitration in solving transnational intellectual property disputes and govern their regulatory framework regarding arbitrability issue in intellectual property dispute. And from the experience gained by the U.S and South Korea in the practice of this particular area, the second aim relates to how Cambodia, an inexperienced country in the area of arbitration in intellectual property, can learn and possibly may take on a practical application of the use of arbitration in solving such disputes in the near future.

This paper will proceed with analysis divided into five separate chapters. The first chapter is “*Intellectual Property Rights Issues*” which will touch upon several issues related to intellectual property rights in general including the notion of intellectual property, types of intellectual property, international agreements related to intellectual property and international vs. national aspects of intellectual property. The second chapter is “*Arbitration of Intellectual Property Disputes*” which will discuss three main points such as the benefits of international arbitration in intellectual property disputes, the limitation of international arbitration in intellectual property disputes and the issue of arbitrability of intellectual property disputes. The following chapter three will begin the discussion on “*Legal and Regulatory Framework of Intellectual Property Dispute in the U.S*” illustrating issues which include U.S arbitration regulations, how the U.S govern and regulate the issue of arbitrability of intellectual property disputes and the recognition and enforcement of the award of such disputes.

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<sup>7</sup> Ranking of Intellectual Property Environments. National Centre for Public Analysis. 2014



Following this, chapter four concerns the “*Legal and Regulatory framework of Intellectual Property Disputes in Korea*”. This chapter will demonstrate the regulation regarding arbitration in Korea, regulation on arbitrability, the contemporary status of intellectual property dispute arbitration and the recognition and enforcement of the award. Last but not least, the last chapter is about “*Legal and Regulatory Framework of Intellectual Property and Arbitration in Cambodia*” which will give an insight into the intellectual property system of Cambodia and typical mechanism in dealing with intellectual property disputes, a general overview on the practice of arbitration and the necessity to adopt the practice of arbitration in solving disputes related to intellectual property along with recommendation to achieve such a goal.

**Keywords:** Arbitration, Intellectual Property, International Intellectual Property Disputes, Arbitrability, Alternative Dispute Resolution

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## Table of Contents

<b>Abbreviation.....</b>	<b>7</b>
<b>Introduction.....</b>	<b>8</b>
<b>Chapter 1: Intellectual Property Rights Issues .....</b>	<b>10</b>
I.    The Notion of Intellectual Property .....	10
1.    Intellectual Property Defined .....	10
2.    Intellectual Property Rights .....	11
3.    Rationale for the Protection of Intellectual Property .....	11
4.    Scope of Protection and Infringement .....	12
II.    Types of Intellectual Property .....	13
1.    Categorization .....	13
2.    Registered IPRs.....	15
III.    International Agreements Related to IPRs .....	16
IV.    International (vs. National) Aspect of IP .....	16
<b>Chapter 2: Arbitration of International Intellectual Property Disputes.....</b>	<b>19</b>
I.    Benefits of International Arbitration for Intellectual Property Disputes.....	20
1.    A Neutral Forum .....	20
2.    Party Autonomy .....	20
3.    Expeditious .....	20
4.    Economic Procedure .....	21
5.    Confidentiality .....	21
6.    Ease of Enforcement .....	21
7.    Commercial Relationship.....	22
II.    Limitations of International Arbitration for Intellectual Property Disputes	22
1.    Arbitrability.....	22
2.    No Right to Appeal .....	23
3.    Might Be Difficult or Impossible to Obtain Punitive Damages.....	23

4. Contractual Nature of Arbitration and the Lack of Some Feature of Litigation.....	23
5. Is arbitration Still a Potential Choice? .....	24
III. Arbitrability of Intellectual Property Disputes.....	25
1. Why Arbitrating Intellectual Property Disputes Can Be An Issue.....	25
2. Objecting Inarbitrability Issues .....	26
A. Inarbitrability Objections Raised Before the Arbitral Tribunal .....	26
B. Inarbitrability Objections Raised Before National Courts in Parallel Proceedings.....	27
C. Inarbitrability Objections Raised in the Case of Setting Aside Action.....	27
D. Inarbitrability Objection of Challenges to Recognition and Enforcement of Awards.....	27

### **Chapter 3: Legal and Regulatory Framework of Intellectual Property Arbitration in US ..... 28**

I. US and its arbitration regulation .....	28
1. Laws governing Arbitration Proceeding and Awards in General .....	28
A. Federal Arbitration Act (FAA) .....	28
B. New York Convention 1985 .....	29
C. Panama Convention .....	29
D. State Laws and FAA's Preemption .....	30
E. Uniform Arbitration Act(UAA) and Revised Uniform Arbitration Act (RUAA).....	31
F. UNCITRAL Model Arbitration Law .....	31
2. Overview of Statutory Regarding IPR Arbitration .....	31
3. Specific IPR Arbitration Rules .....	34
II. Arbitrability of IP disputes.....	35
1. Arbitrability and Public Policy Challenge .....	35
2. Discussion on Regulation and Cases on the Arbitrability of Certain Intellectual Property Rights .....	39
A. Factual Cases .....	40
i. Patent.....	40
ii. Copyright .....	41

iii.	Trademarks .....	42
iv.	Trade Secrets .....	42
III.	Recognition and Enforcement of International IP Awards .....	43
<b>Chapter 4: Legal and Regulatory Framework of Intellectual Property</b>		
<b>Arbitration in Korea .....</b>		<b>45</b>
I.	Korea and its Law governing arbitration proceeding and award .....	45
II.	Regulation on the Arbitrability .....	47
1.	Regulation on Arbitrability Itself .....	47
2.	The Issues of Disputes in Private Law .....	49
3.	Issues of Arbitrability of IP disputes .....	51
III.	The Contemporary Status of IP Arbitration cases in KCAB .....	53
1.	KCAB Arbitration Status in general .....	53
A.	Arbitration Case Registered .....	53
B.	Arbitrations by Industry .....	54
C.	Arbitrations by Types of Disputes .....	56
D.	Outcomes .....	57
E.	Durations of Arbitrations .....	57
2.	KCAB IP Arbitration Status .....	58
A.	Statistics of IP Arbitration Cases .....	58
B.	Statistics of IP Rights involved in Arbitration Cases .....	58
IV.	Recognition and Enforcement of International IP Awards in Korea .....	59
1.	Domestic Awards vs. Foreign Awards .....	60
2.	Setting Aside vs. Recognition and Enforcement of Awards .....	60
A.	Setting Aside .....	60
B.	Recognition and Enforcement .....	61
3.	Korean Court Precedents on Recognition and Enforcement of International IP Arbitration Awards in Korea .....	62
A.	Seoul High Court Decision 94na11868 Rendered on 14 March 1995 ..	62
B.	Seoul Central District Court 2006GaHap36924 Decision Rendered on 16 November 2006 .....	63

## **Chapter 5: Legal and Regulatory Framework of Intellectual Property Protection and Arbitration in Cambodia ..... 65**

I.	Intellectual Property Rights in Cambodia.....	65
1.	Regulatory Framework of Intellectual Property under Cambodian Law .	65
A.	National Framework .....	65
B.	International Framework.....	69
2.	IPR Disputes Resolution and Enforcement Authorities.....	70
A.	The Three Levels of Cambodian Courts .....	72
B.	Enforcement Section of Intellectual Property Department .....	73
C.	Cambodian Import– Export Inspection and Fraud Suppression Department (CAMCONTROL) .....	75
D.	Economic Police .....	76
E.	Customs Authorities.....	76
F.	Committee for Suppression of Copyright Infringement .....	77
II.	Arbitration practice in the context of Cambodia.....	77
1.	Development of Commercial Arbitration .....	77
2.	Cambodia and its law governing arbitral proceeding and award .....	78
3.	Recognition and Enforcement of Arbitral Award.....	79
III.	Why Cambodia needs Arbitration for Intellectual Property Disputes .....	80
1.	The Predominant Benefits of Arbitration over Court Litigation in Resolving IP Disputes .....	81
2.	Scarcity of Standard Resolution Institution Regarding Intellectual Property Disputes .....	82
3.	Reputation and Complexity of Court Litigation .....	83
4.	Judge Expertise .....	84
5.	Demand of Standard ADR Service .....	84
6.	Arbitration Being an Indirect Agent for Development of IPR and International Trade and Investment .....	84
IV.	The Recommendations for Adopting the System .....	85
1.	U.S or Korea to Be Used as Model in Cambodia?.....	87
A.	Legal System.....	87
B.	Law and IP Disputes: Party Autonomy Vs Public Policy .....	88

C.	Institution in Charge of Deciding Validity Issues of IP Dispute.....	90
i.	<i>Definition of the Term “Commercial” in Commercial Arbitration Law</i> 92	
ii.	<i>Validity Issues Addressed in Cambodian IP Laws</i> .....	92
D.	Court and the Recognition and Enforcement of Arbitral Award on IP Disputes.....	94
2.	Korea as the Model for the Future of IPR Arbitration in Cambodia: The Fit and The Unfit.....	95
2.1	The Fit.....	95
A.	Unregistered IPRs .....	96
B.	Registered IPRs.....	96
i.	Disputes Involving Contractual Commercial Nature.....	97
ii.	Disputes Involving Non-Contractual Nature .....	98
a.	Infringement.....	98
b.	Validity.....	99
2.2	The Unfit.....	100
3.	The Proposed Solutions to Implementing the Practical Obstacles.....	103
A.	Formation of Legal Certainty.....	103
B.	Enhancement of Cooperation and Assistance from Court in Enforcement and Other Relevant Proceeding.....	104
C.	Capacity Building of National Commercial Arbitration Centre .....	104
D.	Strengthening the Young and Fragile Cambodian IP system .....	105
E.	Promoting Expertise in the Field of IPRs Related Disputes .....	105
F.	Additional Supportive Policies .....	106
4.	Other Possible Aspects that Cambodia May Apply from the U.S System and Korean System .....	106
A.	The U.S system: Inter Parte Effect of Arbitration.....	106
B.	Korean System: Korean Principles on International Intellectual Property Litigation.....	107
	<b>Conclusion .....</b>	<b>109</b>
	<b>Bibliography .....</b>	<b>114</b>



## **Abbreviation**

ADR	: Alternative Dispute Resolution
FAA	: Federal Arbitration Act
HKIAC	: Hong Kong International Arbitration Centre
ICC	: International Chamber of Commerce
IP	: Intellectual Property
IPR	: Intellectual Property Right
KAA	: Korean Arbitration Act
KCAB	: Korean Commercial Arbitration Board
KOPILA Disputes	: Korean Principles on International Intellectual Property
NCAC	: National Commercial Arbitration Center
SIAC	: Singapore International Arbitration Centre
WIPO	: World Intellectual Property Organization
WTO	: World Trade Organization



## Introduction

Since Intellectual Property Rights are the foremost property related rights in this era of fast-growing technology, protection of these rights is the main aim of state regulators around the world. This can be shown by the establishment of courts specializing in intellectual property <sup>8</sup> in many countries around the world, the creation and the use of various institutions to enforce IP protection in US such as home courts, International Trade Commission (ITC), United States Patent and Trade Office (USPTO), Federal Trade Commission (FTC) etc. While there are continuous developments made in resolving intellectual property disputes in South Korea ranking from court litigation to Alternative Disputes Resolution. Similarly, Cambodia, whose Intellectual Property legal framework is still in the early stage of development, is also striving to accomplish the enforcement of intellectual property rights and comply with the international legal framework.

Meanwhile International Intellectual Property Disputes often involve nations that may have very different thoughts regarding the arbitrability and other matters of intellectual property issues and the level of protection that should be afforded<sup>10</sup>. Among many issues that can arise in intellectual property disputes, this paper will be discussing the issue of arbitrability. Due to the fact that there are two main types of arbitrability (subjective and objective), Objective Arbitrability which is the effect of the mandatory rules on the arbitrability of IP disputes<sup>9</sup> will be the main focus. Aided by the significant experience gained by the US and South Korea in improving the pioneering solutions to resolve intellectual property disputes outside the

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<sup>8</sup> LEE, Gyooho, et al. Ibid.

<sup>9</sup> Ana Gerdau de Borja. Intellectual Property Mandatory Rules and Arbitrability in the U.S and in Brazil.

courts, I submit my contribution with this paper. Hence, the aim of this paper is (1) to present a study of analytical and comparative perspectives on the use of Arbitration as a tool for solving international intellectual property disputes in the context of these two countries, and how the U.S and South Korea govern their regulatory framework regarding arbitrability issues in intellectual property disputes; and (2) to show what could be the recommendations derived from the above study for Cambodia in introducing the most appropriate practical application of the use of arbitration in solving disputes as such.

# Chapter 1: Intellectual Property Rights Issues

## I. The Notion of Intellectual Property

### 1. Intellectual Property Defined

The term “intellectual property” is of nineteenth-century coinage.<sup>10</sup> Since then the definition of intellectual property has been given a variety of meanings. One of those definitions was explained from the categorization of the three different kinds of property that a legal person or a legal entity can own: real property, personal property and intellectual property relating to the products of human activity, including literature, commercial slogans, songs, or new creations. Thus, “property that is the result of thought, namely, intellectual activity, is called intellectual property”.<sup>11</sup> Meanwhile intellectual property appears to be a rather recent expression that has come compendiously to describe a diversity of legal rights, originating from different places, and sometimes in practice having an overlapping scope, that allow the rights holders to protect those intangibles, such as ideas, inventions, creative expressions and data, names and commercial reputations.<sup>12</sup> Furthermore, technically defined by the World Intellectual Property Organization (WIPO), intellectual property refers to the creations of the mind: inventions, literary and artistic works, and symbols, names and images used in commerce.

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<sup>10</sup> MICHAEL SPENCE. “Intellectual Property”. CLARENDON LAW SERIES.

<sup>11</sup> Deborah E. Bouchoux. Intellectual Property. The Law of Trademarks, Copyrights, Patents, and Trade Secrets.

<sup>12</sup>Trevor Cook& Alejandro I. Garcia. International Intellectual Property Arbitration. ARBITRATION IN CONTEXT SERIES. Wolters Kluwer Law Business.

## **2. Intellectual Property Rights**

The rights of ownership of other types of property rights are also the same as intellectual property in that they can be put into commercial use such as buying, selling or licensing. Also, they can be protected against infringement and other forms of illegitimate activities.<sup>13</sup> According to Michael Spence<sup>14</sup>, intellectual property rights are : (1) a type of right that can be treated as property, (ii) a right to control certain kinds of usage, (iii) a specific form of intangible asset. He added that intellectual property rights normally possess specific characteristics in that the rights are only granted to the creator(s) and those rights can be enforced by both civil and criminal law.

## **3. Rationale for the Protection of Intellectual Property**

Like other forms of property, ownership is of an essential element and the protection of such property is made against any sort of trespassing from others. Human effort or the so-called creative effort and the incentive for such effort are the basic rationale for the protection of Intellectual property. According to Eborah, he explicitly mentioned that the aim of intellectual property is to protect and promote the knowledge and efforts of humans for the development of further creativity. The essence of this, therefore, is that creators would not involve themselves in additional creative pursuits if no profit or incentive can be gained from their efforts.<sup>15</sup> He also added that in regard to this protection, there could possibly be a clash between the monopoly of the right of the property owner and the public interest in that once the monopoly occupies, an excessive price for the invention can happen. Therefore, in order to balance the need to reward the efforts of the creator with the public interest, under U.S federal law, for

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<sup>13</sup> Deborah. Intellectual Property. Ibid. At 4

<sup>14</sup> MICHAEL SPENCE. Intellectual Property. Ibid.

<sup>15</sup> Deborah. Ibid At 4.

example, the period of time for the protection of an invention is twenty years from the date when the application for the patent is filed with the U.S Patent and Trademark Office (PTO).

Related to other aspects of why intellectual property should be protected and promoted, the World Intellectual Property Organization have raised several compelling reasons<sup>16</sup>. Firstly, intellectual property is needed in order to protect and endorse human well-being gained by the capacity to develop creative and novel work in the field of culture and technology. Secondly, the protection serves as an effective incentive to encourage creators to boost and increase their commitment to create further innovation. Thirdly, is because of the economic potential of intellectual property as it is the catalyst in job creation, industries and generally improving the quality of life for all.

#### **4. Scope of Protection and Infringement**

Intellectual property rights are seen as negative rights rather than positive rights.<sup>17</sup> It is because intellectual property rights only provide their owner with a right to stop others doing something. In other words, the right to use is not inherently granted to the owner, rather law only grants the owner the right to exclude others from using intellectual property.<sup>18</sup>

Moreover, unlike any contractual obligation, the value of intellectual property is effective against all persons and organizations ( except in some cases, the state) in the particular country in which it subsists.<sup>19</sup> On top of this, the limitation of the effectiveness of intellectual property rights is the

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<sup>16</sup> “What is Intellectual Property?” World Intellectual Property. wipo.int

<sup>17</sup> Trevor Cook& Alejandro I. Garcia. International Intellectual Property Arbitration.

<sup>18</sup> The Scope of Protection Offered by Intellectual Property Law. National Paralegal College. [www.nationalparalegal.edu](http://www.nationalparalegal.edu)

<sup>19</sup> Trevor Cook& Alejandro I. Garcia. Ibid.

doctrine of “exhaustion”.<sup>20</sup> Doctrine of Exhaustion or First Sale Doctrine refers to one of the limits of intellectual property rights.<sup>21</sup> When a product under the protection of intellectual property right has been marketed either by the owner’s small and medium sized enterprises (SME) or by others with the owner’s consent, consequently those rights are exhausted and through that exploitation that right can no longer be exercised by the owner’s SME. It should also be noted that the first sale doctrine allows re-sale of the work at any price that may be set by the secondary market.<sup>22</sup> The owner or holder of an intellectual property right has no legal control over the secondary markets which are put in the stream of commerce through selling or giving away.<sup>23</sup>

## **II. Types of Intellectual Property**

### **1. Categorization**

Generally the term intellectual property is thought of as comprising four separate legal fields including copyrights, trademarks, patents, and trade secrets.<sup>24</sup> On the other hand, the categorization by the World Intellectual Property Organization, divides intellectual property into two categories.<sup>25</sup> The first category is Industrial Property including patents for inventions, trademarks, industrial designs and geographical indications, and the second category is Copyright which covers literary, films, music, artistic works and architectural design. Below is a brief discussion of each category:

- **Trademarks (and Service Marks):** Trademarks or Service Marks refer to any sign designed or created with the purpose of making it

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<sup>20</sup> [www.nationalparalegal.edu](http://www.nationalparalegal.edu) Ibid

<sup>21</sup> International Exhaustion and Parallel Importation. [www.wipo.int](http://www.wipo.int)

<sup>22</sup> [www.nationalparalegal.edu](http://www.nationalparalegal.edu) Ibid

<sup>23</sup> [www.nationalparalegal.edu](http://www.nationalparalegal.edu) Ibid. Bobbs-Merrill Co. v. Snellenburg, 131 F. 530 (E.D. Pa. 1904)

<sup>24</sup> Deborah. Ibid. At 4.

<sup>25</sup> “What is Intellectual Property?” [www.wipo.int](http://www.wipo.int) Ibid. At 2.

easy for consumers or users to identify specific types of goods or service. Trademarks or service marks can be either in the form of letters, numbers or words. Depending on jurisdiction, the registration for trademarks and service may or may not be needed.

- **Copyright and related rights:** they mainly relate to literary or artistic works such as poems, novels, music, drawings, paintings etc. In most jurisdictions copyright do not need registration, however, certain kinds of works require registration according to the law of certain jurisdictions.
- **Patents:** are the exclusive rights granted to the creation of works related to new technical solutions to a problem. In particular, the limitation of the grant of the right is normally 20 years. The owner of a patent has the right to control who can or cannot use or take any commercial advantages from the patent during the time period of protection. Patent is usually granted by filing an application to the state authority and a subsequent thorough examination.
- **Industrial Design:** refers to the concept of decorating or beautifying a certain art or particular article which can be either two dimensional or three dimensional. It is normally used in various industries and handicraft work, common examples include the designs of watches, house wares, jewelry etc. The main focus of the protection of industrial designs is on its aesthetic nature rather than technical features. Like patents, the protection of this right requires registration application and the protection period depends greatly on jurisdiction but generally its protection period is between five to fifteen years.
- **Geographical Indication:** As its name suggests, geographical indication is an indicator to the place of products that carry a special or distinct quality or reputation. The most common indicator is the

name of the place of origin of the products. Unlike trademark or service marks, the aim of geographical indication is to guarantee users or consumers that the product is certainly from a particular place and it reserves the quality of such products.

- **Trade Secrets:** Trade secrets or confidential business information are normally related to industrial or commercial secrets. It concerns the obligation of companies or businesses themselves to make sure this information is kept confidential, when used without authorization this is considered a violation.

## 2. Registered IPRs

The legal system for intellectual property enables the owners of intellectual property to turn intangible assets into tradable assets.<sup>26</sup> Some intellectual property rights must be registered if they are to subsist( registration required)<sup>27</sup>, whereas others provide protection automatically without any formal requirements( registration not required). In particular jurisdiction, the process of registration involves filing an application with state authority followed by an examination by such authority checking for formal compliance with the law.<sup>28</sup> However, it is essential to note that the registration of intellectual property does not necessarily determine the validity of the registered intellectual property rights. In other words, those registered rights can always be challenged.<sup>29</sup> Theoretically speaking, the concept of monopoly extends to the owner of registered intellectual property<sup>30</sup>. Examples include patents, trademarks®,

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<sup>26</sup> Differences between registered and unregistered rights. PRO INNO EUROPE.

[www.ip4inno.eu](http://www.ip4inno.eu)

<sup>27</sup> Trevor Cook& Alejandro I. Garcia. Ibid. pg7

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> What is the difference between Registered and Non-Registered Intellectual Property?

[www.hawkip.com](http://www.hawkip.com)



design rights, domain rights and plant breeder rights. Meanwhile unregistered intellectual property only prevents others from the act of copying the concept, and examples of those include unregistered trademark (Trademark<sup>TM</sup>), copyright and database rights.

### **III. International Agreements Related to IPRs**

Intellectual property has a twofold nature in that it has both national and international aspects.<sup>31</sup> In a given country, the national laws and regulations are used to govern intellectual property of its jurisdiction, while international conventions are used when contracting states are involved to guarantee minimum rights and certain measures are provided for the enforcement of rights. There are a number of international agreements administered by key organizations such as World Trade Organization and the World Intellectual Property Organization. Those international instruments include:

- The TRIPs Agreement
- Standard-setting treaties: Paris Convention, Berne Convention, Rome Convention, etc, also sector-based e.g: International Union for the Protection of New Varieties of Plants (UPOV), Convention on Biological Diversity (CBD)
- Global protection systems: Madrid Agreement, The Patent Cooperation Treaty (PCT)
- Classification Treaties: Strasbourg(Patents)

### **IV. International (vs. National) Aspect of IP**

Due to their nature, intellectual property rights have local, regional and international effect, and so can exist in parallel in different jurisdiction.<sup>32</sup>

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<sup>31</sup> International Conventions. Intellectual Property Rights. Law at ESA. [www.esa.int](http://www.esa.int)

<sup>32</sup> Trevor Cook& Alejandro I. Garcia. Ibid. pg8

Within a jurisdiction of one country, intellectual property rights are of national effect. In such case, individual national intellectual property laws establish intellectual property rights within each nation's borders. This falls under the Principle of Territoriality. According to this principle, intellectual property rights do not extend beyond the territory of the sovereign that has granted the rights in the first place.<sup>33</sup> Also, this principle is interrelated to some other principles such as the principle of independent right, which provides the intellectual property rights within a country independent of any such rights existing in other countries, and the principle of national treatment, which is a rule of non-discrimination that a country must (at least) give others the same treatment as its own nationals.<sup>34</sup>

In some other instances, intellectual property rights exist on a regional level. Examples of such include the intellectual property provisions in Regional Trade Agreement (RTA) of the European Union and that of the North American Free Trade Agreement (NAFTA) between the United States, Mexico and Canada, WTO Agreement etc. Such agreements play an important role in strengthening trans-boundary intellectual property protection along with providing a constructive role in the trade regulation system.<sup>35</sup> It is believed that the best example of such regional levels of protection is the EU because there now exist systems allowing the registration of EU trademarks and EU designs with unitary effect throughout the EU between member states which can be enforced by a single action brought by one of the EU member states with effect throughout the EU.

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<sup>33</sup> Choice of law in international intellectual property disputes (2). TransLegal. [www.translegal.com](http://www.translegal.com)

<sup>34</sup> Choice of law in international intellectual property disputes (2). Ibid

<sup>35</sup> Frank J. Garcia. Protection of Intellectual Property Rights in the North American Free Trade Agreement: A Successful Case of Regional Trade Regulation. American University International Law Review.

As for the international level of intellectual property protection, the main role of international intellectual property treaties is in establishing minimum standards of protection for those national intellectual property laws and in binding member countries. On top of the essence of treaties and multilateral agreement, organizations such as the World Trade Organization and World Intellectual Property Organization are also key to the international intellectual property system in administering those regulations, widening the protectable subject matter, creating new rights, and harmonizing and standardizing approaches to protection.<sup>36</sup> International treaties cover the main areas of intellectual property with the minimum standards of protection to be provided by each member. For example, in TRIPs convention each of the main elements of protection is defined, namely the subject-matter to be protected, the right to be conferred and permissible exceptions to those rights, and the minimum duration of protection.

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<sup>36</sup> Christophe DE VROEY. Seminar for ORs and OCTs EPAs: the Intellectual Property. European Commission DG Trade.

## Chapter 2: Arbitration of International Intellectual Property Disputes

Alternative dispute resolution in resolving intellectual property disputes had been used and developed a long time ago in many developed countries.<sup>37</sup> Among the various types of alternative dispute resolution, arbitration, having private and confidential characteristics, has been progressively used in intellectual property disputes, especially when it involves international parties from different jurisdictions.<sup>38</sup> The reputation of arbitration is on the rise especially among in-house counsel, for example, in the U.S., the steady increase of arbitration in IP disputes is due to its cost effectiveness, the confidentiality factor and other benefits that litigation simply cannot provide.<sup>39</sup> Despite the advantages of arbitration, there are also some cases where parties are reluctant to refer their disputes to arbitration. For example, arbitration requires a pre-existing agreement to arbitrate while IP disputes could arise out of any contractual relationship among parties<sup>40</sup> unless the parties enter into a submission agreement after the disputes have arisen. Moreover, particular disadvantages can arise along the way when arbitration is used in international fields.<sup>41</sup> Therefore, a detailed discussions of both the positives and drawbacks of using arbitration in intellectual property disputes is needed, below I will evidence the case of each.

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<sup>37</sup> Arpad Bogsch. Opening Address. WORLDWIDE FORUM ON THE ARBITRATION OF INTELLECTUAL PROPERTY DISPUTES. 1994

<sup>38</sup> Why Arbitration in Intellectual Property? World Intellectual Property.

<http://www.wipo.int/amc/en/arbitration/why-is-arb.html>

<sup>39</sup> M. Scott Donahey. Unique Consideration for The International Arbitration Of Intellectual Property Disputes. Dispute Resolution Journal. 2010.

<sup>40</sup> Daniel Schimmel and Ila Kappor. Resolving International Intellectual Property Disputes in Arbitration. 2009.

<sup>41</sup> Ibid

# **I. Benefits of International Arbitration for Intellectual Property Disputes**

## **1. A Neutral Forum**

Having international disputes over an intellectual property issue may bring concerns for parties in having an appropriate forum to resolve such disputes, as parties might not want to risk litigating in the national court of the other party.<sup>42</sup> Therefore, the alternative of including an arbitration clause in the international contract would provide not only a neutral forum for the resolution of any dispute which arises but also offers certainty as to which forum will be used, which leaves no risk of having numerous forums across numerous jurisdictions.<sup>43</sup>

## **2. Party Autonomy**

Arbitration possesses this distinct feature of party autonomy which provides parties in international arbitration the right to choose the applicable substantive law that shall govern the construal relationship of the parties, the freedom to determine arbitration rules and process and even their tribunal. And the principle of party autonomy is explicitly demonstrated in international legal instruments such as the New York Convention, the UNCITRAL Model Law and International Chamber of Commerce Rules( ICC Rules) etc.<sup>44</sup>

## **3. Expeditious**

Even though the length of arbitration proceeding depend greatly on the type and circumstances of the disputes, it is important to note that there are many steps in litigation that arbitration do not need. Arbitration is done

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<sup>42</sup> Ibid.

<sup>43</sup> Philip J. McConaughay. ADR of Intellectual Property Disputes..

<sup>44</sup> Sunday A. Fagbemi. The Doctrine of Party Autonomy in International Commercial Arbitration: Myth or Reality? 2015.

under a single procedure and many arbitration rules may also provide “fast-track or expedited procedure” for certain types of disputes.<sup>45</sup> Examples of expedited procedure can be seen in many international arbitration rules such as arbitration rules of ICC, Singapore International Arbitration Centre and Hong Kong International Arbitration Centre.

#### **4. Economic Procedure**

Like the length of arbitration, the cost during the procedure of arbitration also relies on the behavior and the complexity of the case. However, in comparison with court litigation, there are certain expenses that arbitration does not need.

#### **5. Confidentiality**

Confidentiality might be one of the most attractive elements to parties when considering dispute resolution methods. As in intellectual property issue, the parties require much confidentiality to the information of their business and its reputation. In national courts, it is far more likely that the court cannot protect information. However, in arbitration proceedings, confidentiality can be protected from all the parties involved. For instance, the parties to arbitration often enter into a confidentiality agreement, the arbitrators are under the obligation of the agreement to arbitrate with confidentiality and the arbitration center never publish their arbitration caseloads.<sup>46</sup>

#### **6. Ease of Enforcement**

Though there is no worldwide convention on the recognition and enforcement of arbitral awards, the universal adoption of international instruments on the recognition and enforcement of arbitral awards like the

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<sup>45</sup> Trevor & Cook. Ibid. At 41.

<sup>46</sup> M. Scott Donahey. Ibid. Supra note 35.

New York Convention with 120 signatory countries makes the enforcement of foreign awards easier and more consistent. This makes arbitration a better option than court litigation. The special features of arbitral awards include the finality of the awards, the binding effect among the parties (if so choose) and they are readily enforceable in most countries owing to the adoption of the New York Convention. However, concerning the enforcement and recognition of disputes of intellectual property it may be difficult in some jurisdictions based on domestic public policy conditions. For example, domestic court may not recognize or enforce an award on the issue of validity or infringement of registered intellectual property rights because those issues are under the exclusive jurisdiction of the Court.<sup>47</sup>

## **7. Commercial Relationship**

Owing to the flexibility of remedies provided by arbitration, it does not only provide for ease in resolving the dispute but also can save the commercial relationship between parties better than bringing a law suit to the court of law.<sup>48</sup> In addition, arbitration may also provide an incentive for a settlement to be made among parties, as in some case the parties may reach settlement at any stage of the arbitration procedure.<sup>49</sup>

## **II. Limitations of International Arbitration for Intellectual Property Disputes**

### **1. Arbitrability**

Theoretically speaking, territoriality is one of the many features of intellectual property rights. Because intellectual property rights are established under the authority and legislation of the state, and legislation

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<sup>47</sup> Trevor & Cook. Ibid. At 24

<sup>48</sup> International Arbitration: Practice and Modern developments. Kenneth R. Adamo. The 2011 Global Business Law Review Symposium.

<sup>49</sup> Trevor & Cook. Ibid. At 33.

and mandatory public policy in many countries grant exclusive power to the court in determining the entitlement of intellectual property rights. Due to this, arbitration in intellectual property rights disputes is not always permitted on the grounds of public policy. For instance, in the U.S and Switzerland, arbitrators have the proxy to arbitrate issues related to legitimacy and the extent of those rights while some countries like Australia, Canada or Japan limit the power of arbitrator in deciding issues related to validity or patent infringement.<sup>50</sup>

## **2. No Right to Appeal**

There is one constraint related to arbitration that might render a party unwilling to submit their issue to an arbitral tribunal, in general there is no right to appeal the arbitral award. Rather, what the party can do is to initiate proceedings at the domestic court to vacate the arbitral award. However, judicial review might have limited grounds for the vacation of the arbitral awards.<sup>51</sup>

## **3. Might Be Difficult or Impossible to Obtain Punitive Damages**

In particular cases, it might be difficult or even impossible for a party to obtain punitive damages in arbitration. For example, 35 U.S.C. §284 addressed damages that may be reviewed as punitive but no such punitive damaged is available under 35U.S.C. § 294 of arbitration.<sup>52</sup>

## **4. Contractual Nature of Arbitration and the Lack of Some Feature of Litigation**

Due to the contractual feature of arbitration, it lacks some significant features of litigation such as the lack of coercive power to have parties to do

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<sup>50</sup> Ibid. Supra note 43.

<sup>51</sup> Daniel Schimmel. Ibid.

<sup>52</sup> Ibid.



or not do certain thing regarding arbitral proceeding, the lack of power against third parties and the lack of precedential value and Inter Partes effect due to the confidential nature of the award and the party-only binding effect.<sup>53</sup>

### **5. Is arbitration Still a Potential Choice?**

Despite the fact that arbitration carries some disadvantages alongside with advantages, I personally still hold on to preferring arbitration as a potential choice for resolving disputes of commercial nature and especially intellectual property disputes because the numbers and frequency of its disadvantages cannot outweigh the numerous advantages that arbitration can provide. Moreover, if arbitration is compared with court litigation, disadvantages of litigation are known as much more than those of arbitration and court litigation might have some features that do not best fit with the nature of disputes as such. It is true that deciding whether arbitration is the best route for resolving disputes depends on the circumstances and facts of disputes. However, when it is disputes involving matter of intellectual property, particular factors such as neutrality, international enforceability, level of expertise, flexibility, less judicial intervention, confidentiality should be the priority and those can be kept by using arbitration for the resolution. In addition, certain disadvantage like question of arbitrability was a traditionally concerned issue. These days, however, arbitrability of IP dispute is largely accepted by most jurisdiction given that this type of dispute should also be treated the same way as other private dispute since it is based on agreement of parties and the arbitral award will only be binding on parties involved, not other third parties. There are only limited aspects of IP such as the issue of invalidity which might appear to be inarbitrable in particular

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<sup>53</sup> Trevor Cook. Ibid. 34-36

jurisdiction. Nevertheless, the issue of invalidity of IP is only one small aspect among vast numbers of other subject matters.

### **III. Arbitrability of Intellectual Property Disputes**

#### **1. Why Arbitrating Intellectual Property Disputes Can Be An Issue**

Arbitration agreements are known as the primary factor in establishing arbitrability. And they are basically rooted in party autonomy. In other words, arbitration needs to originate from an agreement to arbitrate stated either in a license agreement or dispute resolution agreement in the case of intellectual property disputes.<sup>54</sup> However, that agreement does not necessarily make the dispute at issue arbitrable in all cases. That is due to the public policy of certain jurisdiction. In addition, the matter of public policy and arbitrability may differ from jurisdiction to jurisdiction. Public policy creates boundary and so some issues are not allowed to arbitrate if they create certain concerns to public policy. For example, criminal cases. However, at the domestic and international level the matter of arbitrability is not explicitly addressed, rather the way to know the answer to the question of arbitrability in domestic law is only from interpreting the general provision relevant to party autonomy and what concerns public policy.<sup>55</sup> From this, it somehow creates the doubt and uncertainty to some extent as to what can or cannot be arbitrated in domestic jurisdiction.

To continue, it is important to identify the two main types of arbitrability: *subjective* and *objective* arbitrability. Subjective arbitrability (*ratione personae*) refers to the arbitrability issue concerning whether a party

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<sup>54</sup> Kenneth R. Adamo. Overview of International Arbitration in the Intellectual Property Context. The Global Business Law Review. 2011

<sup>55</sup> Trevor Cook. Ibid. At 51

may be permitted to agree on an arbitration clause under the applicable law. While objective arbitrability( *ratione material*) concerns whether the party may submit particular dispute to arbitration under the applicable law.<sup>56</sup> Furthermore, lack of arbitrability can be challenged in many different phases. Below is the discussion of objecting lack of arbitrability (in arbitrability) issues in details.

## **2. Objecting Inarbitrability Issues**

Generally, lack of arbitrability can be challenged in four stages including objection before the arbitral tribunal, before the national court while the arbitral proceeding is still pending, in the motion to set aside the arbitral awards or even in a challenge to the recognition and enforcement of the final awards.

### **A. Inarbitrability Objections Raised Before the Arbitral Tribunal**

Parties may raise objections regarding inarbitrability of the dispute at issue before the arbitral tribunal challenging that the dispute is not arbitrable, therefore the tribunal has no jurisdiction over the issue. In this position, according to the “competence-competence” doctrine, the tribunal has the power to decide on its own jurisdiction. This principle is addressed in Article 16 of UNCITRAL Model Law. In this position, the arbitral tribunal would consider many factors of the grounds for challenge. For instance, in the case of international arbitration and if the tribunal finds that the dispute is not arbitrable under domestic law and the standard also applies in international

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<sup>56</sup> Albert Jan van den Berg, New York Convention of 1958- Consolidated Commentary. Yearbook Commercial Arbitration. 2003.

arbitration, then the tribunal will have to support the challenge and stop itself from hearing the case.<sup>57</sup>

### **B. Inarbitrability Objections Raised Before National Courts in Parallel Proceedings**

Even during the proceeding of the arbitration, the party may also initiate litigation to the court challenge the jurisdiction of the arbitral tribunal due to the inarbitrability of the dispute. In such a case, the court would consider the arbitral tribunal's jurisdiction according to lex fori of the law of national court or according to the part of lex fori in the New York Convention as in Article II(1) and Article II(3). Upon consideration, the court may refrain the arbitral tribunal from proceeding with the arbitration if lack of jurisdiction is found on the basis of inarbitrability of the dispute.

### **C. Inarbitrability Objections Raised in the Case of Setting Aside Action**

Parties who wish to challenge the jurisdiction of the tribunal based on inarbitrability may also challenge in the way of setting aside the award of the tribunal in the court of the arbitral seat. The arbitration law of the arbitral seat is generally applied by the court of the seat and the grounds for setting aside are usually those of public policy.

### **D. Inarbitrability Objection of Challenges to Recognition and Enforcement of Awards**

This stage seems to be the last opportunity for the party who lost in the arbitration proceeding but still wish to challenge the award by using inarbitrability grounds to have non-enforcement of awards in the court where the enforcement is sought.

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<sup>57</sup> Trevor Cook. Ibid. At 57

# **Chapter 3: Legal and Regulatory Framework of Intellectual Property Arbitration in US**

## **I. US and its arbitration regulation**

### **1. Laws governing Arbitration Proceeding and Awards in General**

The arbitration law in the United States are governed by a variety of legislative texts from the Federal Arbitration Act to several international treaties. Among those laws, however, regarding the arbitration proceeding the most commonly practiced sources of laws are The Federal Arbitration Act (FAA) and codified at Title 9 of the United States Code.<sup>58</sup> Moreover, all the fifty states have their own arbitration statutes which are based on the adoption of the Uniform Arbitration Act and the Revised Arbitration Act.<sup>59</sup> Below is a discussion of the sources of arbitration law derived from the legislation in hierarchical order.

#### **A. Federal Arbitration Act (FAA)**

Enacted by the Congress in 1925, the Federal Arbitration Act (FAA) is currently the governing body of arbitration law at both the state and federal level in the United States.<sup>60</sup> The FAA was enacted with the purpose of overcoming judicial reluctance to enforce agreements to arbitrate.<sup>61</sup> The FAA provides the legislative framework for the enforcement of the arbitration agreement and arbitral awards in the United States. When first enacted, it aimed to establish the validity and enforcement of arbitration

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<sup>58</sup> Mark W. Friedman & Floriane Lavaud. Arbitration Guide. IBA Arbitration Committee. United States. 2012.

<sup>59</sup> Ibid.

<sup>60</sup> Omer Kesiki. United States: International Arbitration and Arbitrability from The United States Perspective. [www.mondaq.com](http://www.mondaq.com)

<sup>61</sup> Ibid.

agreements in maritime transactions or contracts evidencing a transaction involving commerce.<sup>62</sup> Currently, however, regardless of whether the dispute is domestic or international, the majority of arbitration in the US is subjected to a single standard for judicial review under the FAA.<sup>63</sup> Due to the fact that the FAA predates it, it is clearly not based on the UNCITRAL Model Law which was established in 1966.

### **B. New York Convention 1958**

Drafted in New York, 10 June 1958, prepared by the United Nations, the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention: NYC) is famous for its successful reputation in both private and commercial law in general.<sup>64</sup> The application of NYC is to provide legislative standards for the recognition and enforcement of arbitration agreements and court recognition and enforcement of foreign and non-domestic arbitral awards.<sup>65</sup> It is noticeable that the primary focus of this convention is more so on establishing an identical standard for recognition and enforcement of the arbitration agreement and award than governing the conduct of the proceeding.<sup>66</sup> Generally, the proceeding rules are governed by the national arbitration law.

### **C. Panama Convention**

The Inter-American Convention on International Commercial Arbitration (Panama Convention) was crafted in Panama on 30 January

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<sup>62</sup> Michael James. Overview of the Federal Arbitration Act of 1925. Michael James' ePortfolio. 2011.

<sup>63</sup> William W. Park. The Specificity of International Arbitration: The Case of FAA Reform. 2003

<sup>64</sup> Loukas A. Mistelis. Concise International Arbitration. Kluwer Law International.

<sup>65</sup> Convention on the Recognition and Enforcement of Foreign Arbitral Awards. UNCITRAL. [www.uncitral.org](http://www.uncitral.org)

<sup>66</sup> Omer Kesiki. Ibid.

1975.<sup>67</sup> The Panama Convention is seen as the implementation of the limited scope of the New York Convention and on a regional level in Latin American countries it harmonizes both arbitration processes and the enforcement of foreign awards. The Panama Convention is contributing an essential role in fostering international trade in Western Hemisphere and the United States is one of the seventeen Western Hemisphere countries which has ratified this Convention<sup>68</sup>.

#### **D. State Laws and FAA's Preemption**

Even though the FAA is the governing arbitration law at the state and federal level in the United States, it does not preclude the application of state arbitration even in the case of interstate arbitration.<sup>69</sup> In other words, the FAA does not either express pre-emptive provisions nor reflect a congressional intent to conquer the whole concept of arbitration.<sup>70</sup> In such case, the Supreme Court would apply the FAA to anticipate state laws that undermine the objectives and policies of the FAA. Thus, if state law arose to govern an issue concerning the validity, revocability and enforceability of contracts generally, courts may not invalidate arbitration agreements under state laws applied only to arbitration provisions. For example, in some instances the Supreme court applied the FAA to preempt state laws that bar arbitration of particular disputes or state laws that execute special conditions on the enforceability of agreements to arbitrate.<sup>71</sup>

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<sup>67</sup> Albert Jan Van Den Berg. *The New York Convention 1958 and Panama Convention 1975: Redundancy or Compatibility?* 2014

<sup>68</sup> Winston Stromberg. *Avoiding The Full Court Press: International Commercial Arbitration and Other Global Alternative Dispute Resolution Process.*

<sup>69</sup> Omer Kesiki. *Ibid.*

<sup>70</sup> Stephen Smerek and Daniel Whang. *Preemption and The Federal Arbitration Act: What Will Govern Agreement To Arbitration?* ABA Section of Business Law.

<sup>71</sup> *Ibid.*

### **E. Uniform Arbitration Act(UAA) and Revised Uniform Arbitration Act (RUAA)**

Promulgated in 1955, the Uniform Arbitration Act was established with the aim of harmonizing the states' arbitration legislation concerning the procedural arbitration law. This Act has been revised 20 times so far and is the law of 49 jurisdictions and it deals mostly with procedural provisions of arbitration; this upgrade was completed to meet the modern standards and needs of arbitration.

### **F. UNCITRAL Model Arbitration Law**

Upon the adoption of United Nations General Assembly Resolution 225 (XXI), UNCITRAL was established on December 17, 1966. UNCITRAL was created with the main aim to facilitate international arbitration by harmonizing the procedure of international arbitration between nations and due to numerous different requirements of different domestic laws it makes international arbitration difficult therefore UNCITRAL's role is to free those requirements by creating one body of harmonized requirements for all.

## **2. Overview of Statutory Regarding IPR Arbitration**

Due to the nature of intellectual property (territorial, exclusive, assignable, independent, divisible)<sup>72</sup>, the court was likely to rule that IP rights are associated with public interest and only public courts have the authority to resolve such disputes<sup>73</sup>. Therefore, before 1983 in the United States there was the ambiguity of whether intellectual property is appropriate and permissible for arbitration.<sup>74</sup> However, nowadays, intellectual property

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<sup>72</sup> BALEW MERSHA. Concept, Scope, and Nature of Intellectual Property Rights. 2012

<sup>73</sup> Hans Smit. Arbitrability of Intellectual Property Issues in the United States. American Review of International Arbitration. 1994

<sup>74</sup> Philip J. McConaughay. ADR of Intellectual Property Disputes.



disputes have become the commonly arbitrable subject matter among a wide range of other disputes such as commercial disputes, employment disputes and consumer disputes etc.<sup>75</sup> Now the US law is resolved in the availability of IPR arbitration as an ADR tool.<sup>76</sup> Below is the brief overview regarding whether or not there is certain statutory addressing the issue of IPR arbitration, and if so, what kind of issues is addressed therein and how it should be dealt with.

### **Patent Issue**

Regarding the patent issue, firstly, the Patent Code was revised in the early 1980s and Section 294 of 35 U.S.C was added in order to address the issue of arbitrating patent disputes. Section 294 of the Patent Code allows provisions regarding arbitration in an agreement involving a patent or other relevant right under a patent. In case of the absence of such a provision, the parties to an existing patent validity or infringement dispute may agree to arbitrate (with a written form of agreement to arbitrate). Also, the effect of an award is final and binding between the parties to arbitration but not on any other person. And if there is a finding in a Section 294 arbitration that there is an invalid patent, the invalidity is only between the two parties to the arbitration. Secondly, the Patent Law Amendments Act of 1984 substituted subsection (a) of 35 U.S.C Section 135 which broadened what constitutes patent interferences under Section 135(d).<sup>77</sup> Through this legislative history, it is evident that Congress wished to make it clear that arbitration could be

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<sup>75</sup> Arbitration Guide IBA Arbitration Committee. United States. 2012

<sup>76</sup> Overview of International Arbitration in the Intellectual Property Context.

<sup>77</sup> Karl P. Kilb. Arbitration of Patent Disputes: An Important Option in the Age of Information Technology. 1993.

used to decide disputes concerning patent validity and infringement notwithstanding some contrary court decisions.<sup>78</sup>

### **Copyright Issue**

Despite the fact that Congress has approved arbitration for patent disputes, it has not done the same for copyright disputes neither in the Copyright Act of 1976 nor under Title 37 of the Code of Federal Regulation.<sup>79</sup> However, from the position of the judicial bodies such as the Federal Court, the infringement cases are now arbitrable.<sup>80</sup> For example, one appellate court rules that “only public interest in copyright claim concerns the monopoly inherent in a valid copyright”<sup>81</sup> in 1982. Moreover, the Court of Appeal explicitly stated that “the circumstances of this case, the arbitrator had jurisdiction to make an award under the Copyright Act,” and that “Without any such public policy concern, the Court of Appeals found no reason to prohibit the arbitration of copyright infringement”.

### **Trade Marks Issue**

Indifferent from Copyright, among the 50 state laws, the issues of arbitration in trademark are not explicitly addressed in any statutory provision, but the arbitrability of trademark infringement claims seem to have been upheld by the courts.<sup>82</sup>

### **Trade Secret and Misappropriation**

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<sup>78</sup> Robert B. von Mehren. *New Area of International Commercial Arbitration*. 1998

<sup>79</sup> David W. Plant. *Arbitrability of Intellectual Property Issues in the United States*. *World Wide Forum on the Arbitration of Intellectual Property Disputes*. 1994

<sup>80</sup> William Grantham. *The Arbitrability of International Intellectual Property Disputes*. *Berkley Journal of International Law*. 1996.

<sup>81</sup> *Kamakazi Music Corp. v. Robbins Music Corp.*, 684 F.2d 228 (2 Cir. 1982).

<sup>82</sup> David W. Plant. *Arbitrability of Intellectual Property Issues in The United States*. *Worldwide Forum on the Arbitration of Intellectual Property Disputes*. 1994.

Base on the logic of public policy, arbitration of trade secrets and misappropriation should not be the issue under prohibition. However, there is no statutory provision concerning this particular issue in the United States yet.<sup>83</sup>

### **Federal Antitrust and Securities Laws**

Never have such issues been addressed in any legislative text but decisions of judicial bodies concerning antitrust issues and securities law are in favor of the arbitrability of intellectual property issue and such decisions have been the precedent for the lower courts to extrapolate.<sup>84</sup>

### **3. Specific IPR Arbitration Rules**

In the United State both domestic and international arbitration are done. In regard to domestic arbitration, the biggest arbitration institution is known to be the Financial Industry Regulatory Authority (FINRA)<sup>85</sup> authorized by the Congress to protect America's investors<sup>86</sup>. Meanwhile, concerning international arbitration, a variety of arbitration rules are used including the rules administered by the International Centre for Dispute Resolution (ICDR) of the American Arbitration Association (AAA), the International Centre for the Settlement of Investment Disputes (ICSID), the International Chamber of Commerce (ICC) and the rules of the United Nations Commission on International Trade Law (UNCITRAL) etc.<sup>87</sup>

However, in the area of intellectual property related issues, the rules administered by WIPO, ICC, AAA and the International Institute for

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<sup>83</sup> Ibid.

<sup>84</sup> Ibid.

<sup>85</sup> Mark W. Friedman. Ibid.

<sup>86</sup> <https://www.finra.org/about>

<sup>87</sup> Mark W. Friedman. Ibid.

Conflict Prevention & Resolution (CPR) may be applicable.<sup>88</sup> *Arbitration Rules* and *Expedited Arbitration Rules* are the two arbitration rules administered by WIPO<sup>89</sup>, however, there are no separate or specific arbitration rules regarding IP issues. Despite the fact that there are no specific IP related arbitration rules, the current WIPO *Arbitration Rules* are seen as the best in settling IP disputes because they comprise trivial issues relevant to the procedure of settling IP disputes and it is the special organization specialized in IP issues.<sup>90</sup> Regarding ICC, it also does not have any IP specific arbitration rules. Besides, AAA has particular rules relevant to intellectual property issues especially for patent issues.<sup>91</sup> As for CPR, a set of patent-specific rules are administered by this institution, however, they are ad hoc.<sup>92</sup>

## **II. Arbitrability of IP disputes**

### **1. Arbitrability and Public Policy Challenge**

Arbitrability refers to “the capability of being subject to arbitration”, and it creates “the dividing line between where the use of contractual freedom ends and the public mission of adjudication begins”.<sup>93</sup> In this way, the arbitration agreement can be enforceable unless the subject matter is arbitrable. Some jurisdiction prohibits the resolution of intellectual property rights issues based on the policy ground as the states are involved in the creation, recognition and protection of such rights and also due to the fact

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<sup>88</sup> Kenneth R. Adamo. Ibid.

<sup>89</sup> <http://www.wipo.int/amc/en/arbitration/>

<sup>90</sup> Hamid Nasseri. An Investigation of the Role of WIPO Arbitration Rules in Intellectual Property Dispute Resolutions. 2014.

<sup>91</sup> Resolution of Patent Disputes Supplementary Rules (2006), AAA. [www.adr.org](http://www.adr.org)

<sup>92</sup> CPR Rules for Non-Administered Arbitration of Patent & Trade Secret Disputes. The International Institute for Conflict Prevention & Resolution. <https://www.cpradr.org/resource-center/rules/arbitration/patent-trade-secret-arbitration-rules>

<sup>93</sup> Ana Gerdau de Borja. Intellectual Property Mandatory Rules and Arbitrability in the U.S and in Brazil. Ibid

that private adjudicator or arbitrator should not have jurisdiction to resolve such conflict.<sup>94</sup> In addition, for the arbitral awards to be recognizable and enforceable, it must not be against the public policy of the local jurisdiction.<sup>95</sup> Therefore, the focus of Public Policy and its purpose are essential to each nation for the following reasons.

First, the purpose of public policy is to provide the contracting states with a “safety-valve” from which that state can preclude any enforcement of the award that is considered as irreconcilable with their legal system.<sup>96</sup> In other words, the contracting states could use public policy as the back door to refuse any award that they viewed as undesirable.<sup>97</sup>

Second, according to the New York Convention article V(2) arbitrability and public policy are interchangeable but have different effects in that the arbitration agreement will be invalidated if there is lack of arbitrability while public policy can conclude an award needs to be vacated if it is not consistent with the fundamental principles of fairness, justice and honesty.<sup>98</sup>

Precisely, in the United States under the FAA there are explicit provisions relevant to this issue. For instance, FAA provided that when substantive rights which are embodied by statute express a strong public policy that must be enforced, generally the arbitration agreement is not

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<sup>94</sup> Sophie Lamb & Alejandro Garcia. Arbitration of Intellectual Property Disputes. 2007. <https://www.twobirds.com/en/news/articles/2007/arbitration-ip-disputes>

<sup>95</sup> Serap Zuvin & Mehmet Ali Akgun. Turkey: Public Policy Defence And Arbitration in International Commercial Law.. 2015. <http://www.mondaq.com/turkey/x/452312/Contract+Law/Public+Policy+Defence+And+Arbitration+In+International+Commercial+Law>

<sup>96</sup> Harris, T. L. The “Public Policy” Exception to Enforcement of International Arbitration Awards under the New York Convention. Journal of International Arbitration. 2007.

<sup>97</sup> Ibid.

<sup>98</sup> Moses, M. L. The Principles and Practice of International Commercial Arbitration. Cambridge University Press. 2012.

enforceable.<sup>99</sup> These include, for example, criminal matters. However, there are some substantive rights which were regarded as inarbitrable previously and are now permitted for arbitrability including claims related to antitrust laws, employment protection laws, securities laws, the Racketeer Influenced and Corrupt Organizations Act etc.<sup>100</sup> In addition, FAA Section 10 set certain exclusive grounds for vacating an award such as public policy or manifest disregard of the law.

As abovementioned, intellectual property issues are arbitrable issues in the context of the United States unless the subject matter is against public policy. Moreover, whether or not the awards at issues are enforceable public policy is of great importance. For example, in one Supreme Court case of *Lear v. Adkins* concerning the inclusion of the doctrine of estoppel in license agreement that the licensee is prohibited from any sort of challenge of patentability against the licensor. In this regard, the Supreme Court viewed such provision in the agreement is a violation of public policy in the United States because it is against the “strong federal policy favoring free competition in ideas which do not merit patent protection”.<sup>101</sup> The Supreme Court concluded as per the following:

*“... do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain. Licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor’s discovery. If they are muzzled, the public may continually be required to pay tribute to would be monopolist without need*

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<sup>99</sup> Mark W. Friedman. Ibid.

<sup>100</sup> Ibid.

<sup>101</sup> *Lear, Inc. v. Adkins*, 395 U.S. 653, 656, 89 S.Ct. 1902, 1904 (1969).

*or justification. We think it plain that the technical requirements of contract doctrine must give away before the demand of public interest... ”*<sup>102</sup>

The rationale of this decision of the Supreme Court in allowing the licensee to challenge the validity of licensed patent or copyright is also in parallel with the incentive for inclusion of the power to grant patent rooted in the constitution of the United States<sup>103</sup> and the internationally shared core value in protecting competition in the interest of the public.

The public policy concerning this doctrine of estoppel is not the only intellectual property related policy in the United States, other policies, which may also provide grounds for refusing foreign arbitral awards, include:

- Policies set forth from, for example, the case of *Lasercomb America, Inc. v. Reynolds* which (1) forbids the use of a copyright or a patent to secure exclusive rights which are not granted by the copyright or patent office; (2) conditions the grant of a license on the requirement to use or decline to use an unpatented device (3)
- Policies set forth from, for instance, the case of *General Electronics Co. v. United States* which (1) prohibit against removing the inventions from the public after prolonged public use by the inventor; (2) sets the policy to prompt and widespread disclosure of new inventions to the public; (3) set the policy of preventing an inventor from commercially exploiting his invention beyond the term of the patent, and (4) set the policy of allowing an inventor a reasonable time following sales activity to prove the value of the invention before being required to seek patent protection.

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<sup>102</sup> *Ibid.* At 670.

<sup>103</sup> *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970, 974-975(4<sup>th</sup> Cir. 1990).

## **2. Discussion on Regulation and Cases on the Arbitrability of Certain Intellectual Property Rights**

In discussing the arbitrability issue of intellectual property, it is important to understand some basic concepts at the outset such as distinct sources of IP rights and the nature of the claim which have a great impact in influencing the arbitrability of certain IP rights.

Uniformly, under national or international aspects of law, there are two distinct sources of intellectual property rights: registered and unregistered rights (as discussed in Part II Chapter 1). Regarding the registered intellectual property rights which are created by the act of the sovereign state through the record of state register such as patent rights, trade name, trade logo or certain copyrights, the national court would have the jurisdiction to adjudicate any issues concerning these rights.<sup>104</sup> On the other hand, the unregistered intellectual property rights or the rights created solely by the acts of eventual holder of the right such as certain copyright and trade secret etc., have a very low possibility of successfully arguing against their arbitrability.<sup>105</sup>

Another factor which would affect the arbitrability of IP rights is the nature of the claim such as claims related to ownership of the rights, claims concerning infringement, claims related to validity of rights or claims concerning contractual disputes.<sup>106</sup> When the claim at issue relates to contractual disputes, it is typically arbitrable as it possesses the same nature as other contractual dispute in private law. However, when the claim involves ownership of the rights, it is far more debatable on the arbitrability

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<sup>104</sup> M. Scott Donahey. *Enforcement of Injunctive Relief and Arbitration Awards Concerning Title and Enforcement of Intellectual Property Rights in Asia and the Pacific Rim*. 1996.

<sup>105</sup> *Ibid.*

<sup>106</sup> Ana Gerdau de Borja. *Ibid*



since such a claim can fall within public interest as they relate to the grant or to a registration with a public authority.<sup>107</sup> In regard to the claims involving the validity, enforceability or infringement of intellectual property rights, controversial issue may arise according to the law and practice of a particular country.<sup>108</sup>

To be more specific, the analysis of the arbitrability regarding specific IP rights in the United States will be illustrated in the following factual and hypothetical cases:

### **A. Factual Cases**

#### **i. Patent**

Concerning patent issues, major changes took place in favor of the arbitrability of patent disputes after significant enactment of legislation and various court decisions. Those changes can be seen in the following instances:

After the enactment of *35 U.S.C § 294* (1983) the arbitrability of patent disputes are openly allowed as expressly provided in § 294 regarding voluntary arbitration of patent validity, enforceability and infringement. Also, *Section 294(b)* provides among other things that all patent defenses under *35 U.S.C § 282* “shall be considered by the arbitrator if raised by any party to the proceeding”. In total, under § 294 under the United States Patent Act every defense to a claim may be subject to binding of arbitration.

In 1984 subsection(d) was added to *35 U.S.C §135* and it provides that “parties to a patent interference may also determine such contest or any aspect thereof by [binCircuitding] arbitration” but this subsection also

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<sup>107</sup> David W. Plant. *Myths and Misunderstanding Re Two Significant Aspects of ADR*. 1996

<sup>108</sup> David W. Plant. *Ibid*

reserves the Commissioner of Patent and Trademarks the right to determine patentability.

Moreover, the Court of Appeal for the Federal Circuit also appeared to be in favor of arbitration as it upheld the district court order to stay a patent infringement action in support of arbitration in *In re Medical Engineering Corporation*, 976 F.2d 746 (Fed. Cir 1992), and as it interpreted an arbitration clause in a patent license agreement that matters related to the scope of the claims of the licensed patent and issues of infringement in *Rhone-Poulenc Specialties Chimiques v. SCM Corp.*, 769 F.2d 1569 ( Fed. Cir. 1985).

However, the judicial bodies do not always support the arbitrability of patent disputes in all cases. There was a time when the Court of appeal rejected to allow arbitration to surpass the jurisdiction of the United International Trade Commission of issues related to a proceeding of 19 U.S.C §1337 in *Farrel Corp. v. U.S Intern. Tarde Com*, 949 F.2d 1147 (Fed. Cir. 1991). It found that when issues arising in relation to 19 U.S.C §1337, there is legal constraint which forecloses arbitration. The decision in the Farrel case shows the effect of a prior agreement to arbitrate after an ITC investigation has begun and the Court of Appeal also accredited the likelihood that the ITC can consider remedies ordered by an arbitral tribunal.

## **ii. Copyright**

Without having expressly authorized arbitration by the U.S Congress for copyright disputes either in the Copyright Act of 1976 or under Title 37 of the Code of Federal Regulation, it seems that copyright license agreements may be arbitrable.<sup>109</sup> This can be seen through the examples of

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<sup>109</sup> Ana Gerdau de Borja. Ibid.

court' precedents where, for example, the Court of Appeal permitted arbitrability of copyright infringement claims where copyright matters other than validity were at stake and ruled that arbitration clause was broad enough to comprehend Copyright Act claims which needed interpretation of the contract ( *Kamakazi Music Corp. v. Robins Music Corp.*).<sup>110</sup> In addition to this, there are also instances where the court permitted the arbitrability on not only copyright claims but also its validity as in the case of *Saturday Evening Post Co. v. Rumbleseat Press, Inc.* where the Court of Appeal for the Seventh Circuit held that “ an arbitrator may determine the validity of a copyright when the issue arises in a copyright license lawsuit because copyright monopolies are less dangerous than patent ones, and the award concerning this issue would only bind the parties not all other infringers”.<sup>111</sup>

### **iii. Trademarks**

Trademark issue in the U.S are arbitrable depending on the interpretation of the court regarding the arbitration agreement and related statutes. Mostly the issue that arise out of license agreement are arbitrable but not federal trademark issues. The examples of court precedents in relation to trademark issue include the case *Wyatt Earp Enterprises v. Sackman, Inc.* concerning the arbitrability challenge based on the expiration date of the arbitration clause in license agreement, the case of *necchi Sewing Machine Sales Corp.v. nechhi, S.P.*, and the case of *Homewood Industries, Inc.v. Caldwell*.

### **iv. Trade Secrets**

Regarding the issue of trade secret or issue of breach of confidential agreement, though without legislative in any state addressing its arbitrability,

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<sup>110</sup> *Kamakazi Music Corp. v. Robbins Music Corp*

<sup>111</sup> *Saturday Evening Post Co.v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1198-99 (7<sup>th</sup> Cir. 1987)

federal courts play an important role in resolving using the common law or the statutory law of the equivalent state. Interestingly, a piece of legislation called the Uniform Trade Secret Act has been enacted by some states as well. There are still controversial over the question of whether trade secrets are subject to arbitrate or not. This can be seen in the case of *Sam Reifeld & Son Import Co. v. Sa.A. Eteco* (1976) where the Court of Appeal of the fifth circuit held that the claims for alleged misuse of confidential information are subject to arbitrate while the Court of Appeal for the ninth Circuit of the case *A.& E. Plastik Co. v. Monsanto Company* held that “the existence and extent of technology within the knowledge of Evans which Monsanto can rightfully claim as privately controlled” was not arbitrable.

### **III. Recognition and Enforcement of International IP Awards**

Arbitral award or arbitration award is the decision made by the arbitration tribunal in an arbitration proceeding<sup>112</sup>, and it can be used as either a “sword” or as a “shield”<sup>113</sup>. The parties may search for recognition alone when they wish to use the award as a “shield”<sup>114</sup> while seeking enforcement of the award works as the “sword”<sup>115</sup>. In other words, recognition of an awarded is needed for the purpose of being able to enforce that award.<sup>116</sup> In order for the award to be recognized or enforced, it requires the assistance from the national court where the recognition and/or the enforcement is sought to be.<sup>117</sup> Recognition and enforcement of national or

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<sup>112</sup> Arbitral Award Law and Legal Definition. <https://definitions.uslegal.com/a/arbitral-award/>

<sup>113</sup> Trevor Cook. *Ibid.* At 311

<sup>114</sup> Redfern& M. Hunter. *Law and Practice of International Commercial Arbitration*, 4<sup>th</sup> edn. A. 2004.

<sup>115</sup> A. Redfern. *Ibid.*

<sup>116</sup> Trevor Cook. *Ibid.* At 311

<sup>117</sup> *Ibid.*

domestic award is subject to the domestic law(s) whilst the recognition and enforcement of foreign awards is subject to several international instruments.<sup>118</sup>

In the United States, regarding domestic awards, Section 9 of the FAA refers to “a motion for confirmation” which is required for the recognition and enforcement of the arbitral award. This section also provides the guidelines for the time period that the motion for confirmation should be submitted after the issuance of the award (within one year), the required document for the application etc. In general, it is the U.S federal district court where the motion of confirmation should be brought to if specified in the agreement to arbitrate. In case, there is no specification on which court, Section 9 of the FAA guides to the court for the district where the award was made.

Regarding foreign arbitral awards, the New York Convention is the most important international instrument in establishing the recognition and enforcement of foreign awards. Therefore, Section 207 of the FAA makes reference to the New York Convention that within three years of the issuance of the award, a party must seek recognition and enforcement.

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<sup>118</sup> Ibid.

## **Chapter 4: Legal and Regulatory Framework of Intellectual Property Arbitration in Korea**

### **I. Korea and its Law governing arbitration proceeding and award**

Following Korea's ratification of the New York Convention on the recognition and enforcement of foreign arbitral award, Korea Arbitration Act(KAA), which was initially enacted in 1966, later revised in 1973. Afterwards, in 1999 it was again amended in order to integrate other elements of UNCITRAL Arbitration Rules.<sup>119</sup> South Korea is known as one of the countries which adopted UNCITRAL Model Law verbatim. This is because KAA is largely based on the 1985 UNCITRAL Model Law(Model Law).<sup>120</sup> Recently, KAA was amended and was due to enter into effect on 30 November 2016 with the aim to make KAA more consistent to the language of the 2006 amended Model Law.<sup>121</sup> South Korea is the 19<sup>th</sup> member to adopt the Model Law<sup>122</sup> and now one of the most arbitration-friendly in the world.

KAA is applicable only when Korea is specified as the place of arbitration in the arbitration agreement (Article 2 of KAA). Furthermore, in cases where private disputes arise from commercial transactions, as defined in Commercial Code as "Commercial Act", the parties may choose the Commercial Arbitration Rules of the Korean Commercial Arbitration Board to resolve their disputes.<sup>123</sup> Moreover, in regard to Article 3(1) of the

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<sup>119</sup> Kim Kevin. Dispute Resolution in Korea. [www.fernuni-hagen.de](http://www.fernuni-hagen.de)

<sup>120</sup> Arbitration procedures and practice in South Korea: overview. [www.us.practicallaw.com](http://www.us.practicallaw.com)

<sup>121</sup> Ibid.

<sup>122</sup> UNCITRAL status. [www.uncitral.org](http://www.uncitral.org)

<sup>123</sup> Kim Kevin. Ibid [www.fernuni-hagen.de](http://www.fernuni-hagen.de)

amended KAA, the scope of arbitration has expanded from “dispute in private law” to “any property dispute and non-property dispute which may be resolved by the parties’ conciliation”. Therefore, intellectual property may also be under the umbrella of the scope of arbitration.

It is important to note that KCAB is “the only authorized institution of its kind in Korea, statutorily empowered to settle any kind of commercial dispute under the Act”.<sup>124</sup> KACAB administer two main arbitration rules, namely, Domestic Arbitration Rules and International Arbitration Rules. Apart from these two rules, KCAB also administer any other arbitration proceeding according to other rules as consented to by the parties involved.

The essence of Article 3 of KCAB Domestic Arbitration Rules 2011, provides that the Rules are applicable where (1): the parties have agreed in writing to refer their disputes to arbitration under these Rules; or (2): the parties have agreed in writing to refer their disputes to arbitration before the KCAB, and the arbitration is domestic arbitration. On the other hand, the 2016 revised International Arbitration Rules stated in its Scope of Application that the Rules are applicable where (a) the parties have agreed in writing to refer their disputes to arbitration under the Rules; or (b) the parties have agreed in writing to refer their disputes to arbitration before KCAB, and the arbitration is international arbitration. Regarding the terms “Domestic” and “International” arbitration, KAA does not presently mention the difference between the two on the basis of the involvement of non-Korean parties. However, Article 2(1) of KAA shows the distinction based on the place of arbitration; in other words, whether the place of arbitration is in Korea or outside Korea.

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<sup>124</sup> History of the Korean arbitration system. The Korean Commercial Arbitration Board.

## II. Regulation on the Arbitrability

### 1. Regulation on Arbitrability Itself

A country's legal practice, national law and regulation regarding arbitration, and the arbitration rules of the country's designated arbitration institution are the factors influencing arbitration procedure in that country.<sup>125</sup> Also, the scope of arbitrability may vary from one jurisdiction to another depending on social, economic policies<sup>126</sup> or the policy constraints imposed by one's legal system<sup>127</sup>. The criteria determining whether an arbitral award can be enforced or not are controlled by the national law<sup>128</sup> and if the subject matter of a certain disputes is not under the scope of arbitrability of those laws, the tribunal cannot render the arbitral award on it<sup>129</sup> or the award can be set aside<sup>130</sup> or the national court will not support the proceeding as the court may refuse to recognize or enforce the arbitral award<sup>131</sup>. Moreover, it is also important to note that different interpretations have been given by national courts on different aspects of arbitration due to the fact that national courts might have adopted different theories in regard to international arbitration. Therefore, in determining whether certain subject matters are arbitrable or not, the jurisdictional theory<sup>132</sup> (the theory depends on the absolute supervisory powers of states to control any international commercial arbitrations within their jurisdiction) seems to be the more powerful factor than contractual theory<sup>133</sup> (theory that presents how

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<sup>125</sup> Bae, Kim&Lee LLC. Arbitration Law of Korea: Practice and Procedure.

<sup>126</sup> LEE, Gyohoo et al. Euro-Korean Perspectives on the Use of Arbitration and ADR Mechanism for Solving Intellectual Property Disputes.

<sup>127</sup> William W. Park. Arbitral Jurisdiction in the United States: Who decides what?

<sup>128</sup> Hong-lin Yu. A Theoretical Overview of Foundation of The Foundations of International Commercial Arbitration. 2008.

<sup>129</sup> LEE, Gyohoo.et.al. Ibid

<sup>130</sup> Article 36(2)(a) of KAA

<sup>131</sup> Article V(2)(a) of the New York Convention.

<sup>132</sup> Hong-lin Yu. Ibid

<sup>133</sup> Ibid.



international commercial arbitration is created from a valid arbitration agreement between the parties so the arbitration should be conducted according to parties' wishes) even though arbitration is an autonomous dispute resolution based on the agreement of parties.

As a result, there are several key questions to this issue of arbitrability<sup>134</sup>; these are: (1) Are there types of disputes that may not be arbitrated? (2) Who decided- courts or arbitrators-whether certain subject matter is capable of being submitted for arbitration? (3) Is the lack of arbitrability an issue of jurisdiction or admissibility?

In regard to the above questions, this mainly depends on provisions of KAA, the act did not explicitly present which types of disputes are capable or incapable of arbitrating. And the reason why KAA did not deliberately regulate the issue of arbitrability was the consequence of the adoption of the UNCITRAL Model Law in 1999. The reason why the Model did not address arbitrability was because it was believed to be meddling with the domestic regulations of other countries. It seemed that ultimately the substantial rules of law of each country should be the final decider on matters of the arbitrability .<sup>135</sup>

Rather *Article 1* of the Act presents the purpose of the act to ensure the proper, impartial and rapid settlement of disputes in *private laws* by arbitration. And *Article 3(1)* of the act provided reference to the meaning of "arbitration" as a procedure to resolve any dispute in *private law*, not by way of adjudicating in court, but by an award of arbitrator(s), as agreed by the parties. On top of this, *Article 3(2)* indicated the meaning of "arbitration

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<sup>134</sup> Arbitration Guide. IBA Arbitration Committee. South Korea. 2012

<sup>135</sup> Kyung-Han Sohn. "Arbitration of Intellectual Property Disputes". Journal of Arbitration Studies 2007.

agreement” to be an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of a defined legal relationship, *whether contractual or not*. Hence, the subject matter of arbitration is limited to disputes in private law regardless of whether they are contractual or not. However, according to the newly revised *Article 3(1)* of KAA, there is a slight change in the meaning of arbitration in light of its scope of application. The revised *Article 3(1)* expand the scope from “*any dispute in private law*” to “*any property dispute and non-property disputes* which may be resolved by the parties’ conciliation”.<sup>136</sup> From this language, it can be understood that only disputes in private law are under the scope of application and disputes related to issues other than private law such as criminal, constitutional or administrative are incapable of settlement by arbitration.<sup>137</sup> Also, according to the Act claims for damage related to torts can be under the scope of an arbitration.<sup>138</sup> As yet, there is no clear court precedent with respect to whether claims related to economic regulatory laws such as antitrust, competition, securities, environmental and intellectual property regulations, are arbitrable.<sup>139</sup>

## **2. The Issues of Disputes in Private Law**

Having been revised a couple of times, the path of regulating the guideline regarding the scope of arbitrability in KAA has changed accordingly. Historically, the first version of the KAA (the former Arbitration Act of Korea) in *Article 2(1)* stipulated that “the term ‘arbitration agreement’ takes effect through an agreement by the parties to submit to

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<sup>136</sup> Yoon&Yang LLC. Summary of the major amendments to the Arbitration Act.. [www.lexology.com](http://www.lexology.com)

<sup>137</sup> Ibid.

<sup>138</sup> Seong-Ung O. Dispute in Intellectual Property Right and Arbitration System. 2005.

<sup>139</sup> Korea Arbitration. Getting The Deal Through. 2017. [www.gettingthedealthrough.com](http://www.gettingthedealthrough.com)

arbitration all or certain disputes which have arisen or which may arise between them in respect of defined legal relationships. However, *it is not applied to the legal relationships of which the parties are unable to dispose*". As regards to this, the common view amongst academics is to consider the term "***the disposable legal relationship***" as a concept related to ***property rights*** which could be resolved by a compromise between the parties.<sup>140</sup>

However, *Article 1* and *Article 3* of the 1999 Act provided a guide to the scope of arbitrability to a "***dispute under private law***", regardless of whether it is contractual or not. Concerning this guideline, there are some criticisms on the limitation of this definition as being unnecessarily restrictive and that a clearer and more expansive concept of arbitrability such as one defined simply in terms of "***disputes based on property rights***" should be adopted.<sup>141</sup>

As stated above, the 2016 revised provisions of *Article 1* and *Article 3* of KAA expand the scope of arbitrability to "any dispute on property rights and any dispute on non-property rights that parties can resolve by settlement". In other words, this amendment enlarges the scope of arbitrability to disputes under civil and commercial laws with essential public interest objectives, such as intellectual property laws, antitrust, competition laws or environmental laws; and the only matter that is not arbitrable is when the fundamental interest of the state denied the parties the right to dispose of certain matters.<sup>142</sup> The revised provision is based on the German Civil Code of Civil Procedure ( Arbitration Procedure) Section

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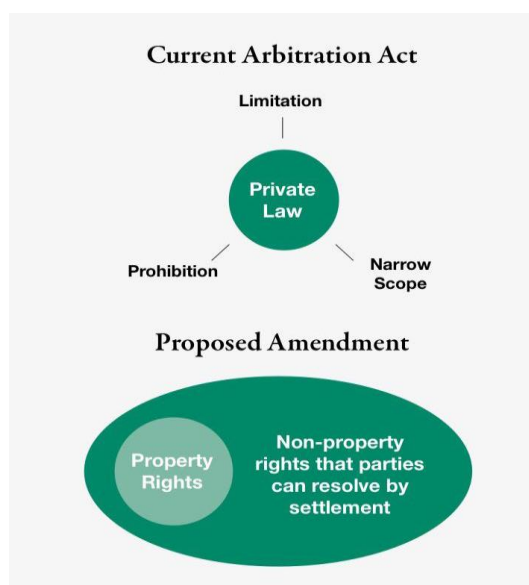
<sup>140</sup> Tae-Hee Lee. *International Contract Law-Theory and Practice* 111. 2001.

<sup>141</sup> Suk, Kwang Hyun. *Kukje sangsa jungjebeop yeon'gu* (Essays in International Commercial Arbitration). Vol.1, Pakyoungsa, 2007.

<sup>142</sup> Sean (Sungwoo) Lim. *Proposed Amendments to the Korean Arbitration Act.. Korean Arbitration Review*. Korean Commercial Arbitration Board.

1030(a).<sup>143</sup> From this newly revised term, there is the expectation that issues in relation to private claims like those involving damage claims in patent infringement or antitrust or the like would be regarded as arbitrable by a Korean Court.<sup>144</sup>

Below is the diagram illustrated by the Ministry of Justice regarding the effect of expanding the scope of arbitrability of the 2016 revised KAA<sup>145</sup>:



### 3. Issues of Arbitrability of IP disputes

Once a dispute related to intellectual property materializes, the nature of the dispute can be viewed as both private and public.<sup>146</sup> It is private in nature it involves two individuals/ private parties whilst the public nature

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<sup>143</sup> Ibid.

<sup>144</sup> Doo-Sik Kim, Jae Min Joen et al. Commercial Arbitration 2017. Korea. Global Arbitration Review. <http://globalarbitrationreview.com/jurisdiction/1000194/korea>

<sup>145</sup> Ibid. At [www.moj.go.kr](http://www.moj.go.kr)

<sup>146</sup> Kyung-Han Sohn. ADR of Disputes in Intellectual Property and Electronic Commerce in Korea. Aram International Law Offices.

appears because the nature of the matter of the dispute, intellectual property, is of the public concern and state policy related.<sup>147</sup>

On top of this, even though the 2016 revised KAA expanded the scope of arbitration to both property and non-property issues, it is hard to determine the arbitrability of IP disputes generally without learning about the specific types of rights and disputes at issue<sup>148</sup>. Regarding the types of rights, differentiation between the rights that require registration with national authority to be validly granted and the rights that do not need such requirement should be made.<sup>149</sup>

In case of the types of rights that do not demand the registration requirement from the national authority, they are generally considered to be arbitrable because parties can freely decide the mechanism of dispute resolution<sup>150</sup> as they can surrender, assign, license or transfer their rights at their discretion in business<sup>151</sup>.

Nevertheless, for intellectual property rights requiring registration from governmental authority to be validly granted such as trademark rights, patent rights, design rights and trade name rights.etc., the distinction between the infringement of rights and the validity of rights would be factors in determining the arbitrability of such rights. In this way, if the dispute is related to the infringement of rights, it is considered to be arbitrable because it involves the issue of torts; therefore, it is governed by private law.<sup>152</sup> However, when the dispute relates to the validity of rights, there are two

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<sup>147</sup> Ibid.

<sup>148</sup> LEE, Gyohoo.et.al. Ibid

<sup>149</sup> Ibid.

<sup>150</sup> Seong-Ung O. Ibid.

<sup>151</sup> Wei-Hua Wu. International Arbitration of Patent Disputes. Marshall Review of Intellectual Property Law. 2011.

<sup>152</sup> Kyung-Han Sohn. Ibid.

point of views contradicting one another. The first point of view denies the arbitrability of dispute related to validity. It is believed that even such disputes are under the scope of private law or property related law, it is difficult to categorize such disputes because, like civil courts, the arbitral tribunal does not obtain the power to decide the validity or invalidation of intellectual property rights<sup>153</sup>. In Korea, the institution that possesses such power to decide the validity of intellectual property rights include the Intellectual Property Tribunal(IPT) which is part of the Korean Intellectual Property Office(KIPO)<sup>154</sup> ;and in case of patent it is the Patent Court has such jurisdiction. The second point of view, however, states that disputes concerning validity of intellectual property rights should be arbitrable like other IP-related contractual disputes to give full effect of party autonomy<sup>155</sup> and that the arbitrators as well as the courts, to the fullest extent, respects the principle of party autonomy whilst considering the purport of arbitration system.<sup>156</sup> In addition, it is also due to the effect of an arbitration award being only *inter partes* ( between the parties to the arbitration).<sup>157</sup>

### **III. The Contemporary Status of IP Arbitration cases in KCAB**

#### **1. KCAB Arbitration Status in general**

##### **A. Arbitration Case Registered**

**Table1:** Arbitration Cases Registered in KCAB from 2010-2015

( Unit: No. of cases, US\$ Mill)

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<sup>153</sup> LEE, Gyohoo.et.al. Ibid

<sup>154</sup> Patent Act of Korea, IPT Article 133.

<sup>155</sup> LEE, Gyohoo.et.al. Ibid

<sup>156</sup> Toshiyuki Kono. Intellectual Property and Private International Law: Comparative Perspectives.

<sup>157</sup> Kyung-Han Sohn. Ibid.

<b>Year</b>	<b>Category</b>	<b>Domestic</b>	<b>International</b>	<b>Total</b>
<b>2010</b>	Number of Cases	264	52	316
	Amount	462	73	535
<b>2011</b>	Number of Cases	246	77	323
	Amount	243	137	380
<b>2012</b>	Number of Cases	275	85	360
	Amount	1,294	681	1,975
<b>2013</b>	Number of Cases	261	77	338
	Amount	462	139	601
<b>2014</b>	Number of Cases	295	87	382
	Amount	399	226	625
<b>2015</b>	Number of Cases	339	74	413
	Amount	510	224	734

Source: KCAB Database

## **B. Arbitrations by Industry**

**Table2:** Number of arbitration by industry (2010-2013)

Year	2013			2012			2011			2010		
Category	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total
Construction	121	7	128	117	2	119	105	8	113	90	2	92
Domestic Trade	81	0	81	109	0	109	89	0	89	98	0	98
Int'l Trade	13	54	67	10	63	73	10	53	63	12	39	51
Maritime	17	6	23	8	5	13	13	6	19	14	5	19
Intellectual Property	6	5	11	5	2	7	2	2	4	7	2	9
Finance	8	2	10	3	4	7	3	5	8	3	0	3
Real Estate	5	1	6	14	0	14	7	0	7	12	0	12
Technology	5	1	6	6	7	13	8	2	10	19	1	20
Labor	4	0	4	3	1	4	4	1	5	3	1	4
Other	1	1	2	0	1	1	5	0	5	6	2	8
Total	261	77	338	275	85	360	246	77	323	264	52	316

Source: KCAB Database

**Table3:** International and domestic cases (2014-2015)

### **International Case**

Year	2014	2015
International Trade	61	50
Construction	1	10
Intellectual Property	1	3

### **Domestic Case**

Year	2014	2015
Construction	126	123
Commercial Transaction	76	58
Real Estate	14	38

Source: KCAB Database



### C. Arbitrations by Types of Disputes

**Table4:** Arbitration by types of disputes (2010-2013)

Year	2013			2012			2011			2010		
Category	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total
Payment	153	34	187	185	27	212	165	37	202	146	17	163
Contractual Interpretation	38	6	44	58	23	81	45	12	57	78	12	90
Product Quality	16	28	44	14	16	30	19	15	34	12	18	30
Delayed or Cancelled Shipment	13	5	18	5	13	18	8	10	18	15	4	19
Transportation	6	2	8	3	4	7	6	3	9	8	1	9
Intellectual Property	2	2	4	3	0	3	1	0	3	2	0	2
Other or Unknown	33	0	33	7	2	9	2	0	2	3	0	3
<b>Total</b>	<b>261</b>	<b>77</b>	<b>338</b>	<b>275</b>	<b>85</b>	<b>360</b>	<b>246</b>	<b>77</b>	<b>323</b>	<b>264</b>	<b>52</b>	<b>316</b>

Source: KCAB Database

**Table5:** Arbitration by types of disputes (2014-2015)

Year	2015			2014		
Category	Int'l	Domestic	Total	Int'l	Domestic	Total
Payment	40	194	234	47	170	217
Contractual Interpretation	15	63	78	9	49	58
Delayed or Canceled Shipment	11	36	47	12	13	25
Product Quality	7	24	31	13	33	46
Other	1	22	23	6	30	36
<b>Total</b>	<b>74</b>	<b>339</b>	<b>413</b>	<b>87</b>	<b>295</b>	<b>382</b>

Source: KCAB Database

## D. Outcomes

**Table6:** Number of cases based on outcome 2010-2013

Outcome		Award	Award by Consent	Termination or Suspension	Withdrawal	Total
2013	No.of Cases	214	65	18	39	336
	Amount	1,169	66	21	39	1,295
2012	No.of Cases	230	57	14	46	347
	Amount	806	33	19	19	877
2011	No.of Cases	194	53	17	51	315
	Amount	354	25	25	182	586
2010	No.of Cases	195	52	17	54	318
	Amount	383	80	28	242	733

Source: KCAB Database

## E. Durations of Arbitrations

**Table7:** Duration of arbitration (2010-2013)

Year	2013		2012		2011		2010	
Category	Cases in progress	Days (Av.)	Cases in progress	Days (Av.)	Cases in progress	Days (Av.)	Cases in progress	Days (Av.)
Domestic	242	135	269	122	256	137	260	139
Int'l	94	230	78	213	59	184	58	218
Total	336	160	347	143	315	146	318	154

Source: KCAB Database

**Table8:** Duration of arbitration (2014-2015)

Year	2015		2014	
Category	Closed Cases	Days (Av.)	Closed Cases	Days (Av.)
International	73	262	69	227
Domestic	304	163	284	146
Total	377	181	353	162

Source: KCAB Database

## 2. KCAB IP Arbitration Status

### A. Statistics of IP Arbitration Cases

**Table9:** 2007-2011

Category	IP Arbitration Cases			Total Arbitration Cases	Rate (%)
	Domestic	International	Subtotal		
2007	4	1	5	233	2.1
2008	8	0	8	262	3.1
2009	6	0	6	318	1.9
2010	2	1	3	316	0.9
2011	7	4	11	323	3.4
<b>Total</b>	27	6	33	1,452	2.3 (Average)

Source: KCAB Database

### B. Statistics of IP Rights involved in Arbitration Cases

**Table10:** 2007-2011

Category	No. of Case	Rate(%)
Patent	20	60.6
License	10	30.3
Copyright	2	6.1
Trademark& Design	1	3.0
<b>Total</b>	33	100.0

Source: KCAB Database

**Table11:** Number of cases by outcome (2007-2011)

Category	No. of Cases	Rate(%)
Standard Award	20	60.6

Consent Award	7	21.2
Withdrawal	5	15.2
Terminated by the Secretariat	1	3.0
<b>Total</b>	33	100.0

Source: KCAB Database

#### **IV. Recognition and Enforcement of International IP Awards in Korea**

Arbitral awards are final and binding on the parties.<sup>158</sup> In Korea, enforcement of an arbitration award shall be granted by the judgment of a court ( Article 37(1) of KAA). In other words, to enforce such award, the successful party is required to get the enforcement judgement from the court. Korea is known as a pro-enforcement jurisdiction, having rarely set aside awards that have been rendered in Korea under KAA and having only one case where the court refused recognition and enforcement of a foreign award under the New York Convention.<sup>159</sup>

Theoretically, the grounds for recognition/ enforcement and grounds for refusing recognition/ enforcement of awards related to intellectual property rights are the same as in other laws.<sup>160</sup> Therefore, understanding the structure of the awards and the principles regarding the recognition and enforcement of awards set in KAA would be of assistance in gaining an insight into the court's position regarding to the recognition and enforcement of IP arbitration in Korea.

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<sup>158</sup> Greenberg, Kee & Weeramantry. Law of Settlement of International Disputes- International Arbitration and Mediation. et.al.

<sup>159</sup> Bae, Kim&Lee.LLC. Ibid. Pg 255

<sup>160</sup> LEE, Gyohoo.et.al. Ibid

## 1. Domestic Awards vs. Foreign Awards

According to KAA, it classifies three different types of awards as follow:

- ***Domestic awards***: the place of arbitration is in the Republic of Korea (Article 2(1) and Article 38)
- ***Foreign awards***: the place of arbitration is outside of Korea, which is further classified depending on whether the New York Convention:
  - Applies to such award which is referred to as ***“New York Convention award”***
  - Does not apply to such award which is referred to as ***“Non- New York Convention Award”***

## 2. Setting Aside vs. Recognition and Enforcement of Awards

Contingent on whether the award is a Domestic award, NYC Award or Non-NYC award, the court of Korea may review the final and conclusive effect of the award at issue in two different ways: setting aside and/or recognition and enforcement of the award.<sup>161</sup>

### A. Setting Aside

Article 36 of KAA set out the grounds of recourse against arbitral awards through the application for setting aside to a court. However, the setting aside procedure in Article 36 is only applied to the award made in Korea (Domestic awards) and not to Foreign awards.<sup>162</sup> This is confirmed by the Korean courts’ decisions on the application of setting aside the foreign awards, (including Seoul District Court Judgment in 1995 and Supreme Court Judgment in 2003) in which the court refused to entertain such

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<sup>161</sup> Bae, Kim&Lee.LLC. Ibig. Pg 256

applications holding that only the country in which the award was made or under the law of which that award was made has jurisdiction to set aside or suspend such an award.<sup>163</sup>

## **B. Recognition and Enforcement**

Article 37 of KAA provided the grounds for the recognition and enforcement of arbitral awards depending on the category of the awards, domestic or foreign award.

In the instance of domestic awards, Article 38 of KAA stated that an arbitral award made in the territory of the Republic of Korea shall be recognized or enforced, unless any grounds referred to in Article 36(2) can be found.

In cases where it is a NYC award, a Korean court would apply the New York Convention in deciding the recognition and enforcement because Article 39(1) of KAA provided the discussion that recognition and enforcement of a foreign arbitral award to which the New York Convention applies shall be granted in accordance with the convention. However, the recognition and enforcement application may be refused if there any circumstances mentioned in Article V of the New York Convention appear.

Another situation is when it is a Non- NYC awards. In such a case, Article 39(2) of KAA explicitly provides that when the application of the recognition and enforcement of a foreign award to which the Convention referred to in paragraph (1) does not apply, the provisions of Articles 203, 476(1) and 477 of the Korean Code of Civil Procedure shall apply *mutatis mutandis*.

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<sup>163</sup> Seoul District Court Judgment 94gahap59931, 15 Spetember 1995. Supreme Court Judgment 2001Da77840, 26 February 2003.

### **3. Korean Court Precedents on Recognition and Enforcement of International IP Arbitration Awards in Korea**

#### **A. Seoul High Court Decision 94na11868 Rendered on 14 March 1995**

This case involved the plaintiff, a US company whose headquarter is in California, and the defendant, a Korean company. The plaintiff was doing business concerning computer software programs. The defendant is a personal computer manufacturer. In the license agreement, the defendant was obliged to pay a license fee for selling the defendant's computers with the plaintiff's software installed to the United States. The plaintiff initiated the arbitration proceeding with the American Arbitration Association (AAA) when the defendant did not fully comply with the payment requirement as set forth in the agreement, but paid only 60% of the license fees. After the arbitration proceeding, the tribunal made arbitral award in favor of the Claimant. However, the argument from the defendant was that according to the Monopoly Regulation and Fair Trade Act the license agreement was an unfair trade act which is prohibited and is also contrary to the public order of Korea. Supported by Article 5(2) of the New York Convention, the enforcement of such award would contravene the public policy of the country.

The court, in this regard, outweighed the importance of the restrictive interpretation of the stability of the international trade order over the fact that the license agreement violated the public policy based on Korean law and the Monopoly Regulation and Fair Trade Act. Therefore, the high court rendered a decision in line with the arbitral tribunal.

**B. Seoul Central District Court 2006GaHap36924 Decision**  
**Rendered on 16 November 2006**

This case involved a Korean company, the plaintiff and a US company, the defendant. The plaintiff granted a license to manufacture and sell building stones made from concrete molds, decorative bricks and stone products to the defendant with an agreement that the defendant manufacture the above products. The plaintiff initiated the arbitration with American Arbitration Association alleging that the defendant violated the contract. As a result, the award was rendered in favor of the claimant. However, the defendant's argument during the arbitration was based on the dismissal of the Korean Prosecutor's Office on the criminal charge against the defendant's violation of copyright law by the act of copying the products enclosed in the agreement. So the defendant claimed that "recognizing and enforcing an arbitral award prohibiting the copying of the product would be contrary to Korea's public policy".

The court, having considered both the domestic circumstances and the stability of international trade order, ruled that Article 5(2)(b) of New York Convention aimed at preventing the recognition and enforcement of an award from hurting the fundamental morals and social order of the enforcing country. Afterwards, Seoul High Court reversed Seoul District Court's decision (as in Case No. 2010Gahap31926) and refused to render enforcement judgment in support of the plaintiff as it explained that "in foreign judgment, the foreign court merely states that the plaintiffs are entitled to a decree of a specific performance of the parties' MOA and Exclusive License Agreement against the defendants; however it does not provide any specifics". The High Court added that the judgment is not a proper "jiphaeng gwonwon" because it does not specify the category, substance or boundaries of the performance that should take place, and



consequently cannot be enforced in Korea. After this decision, the plaintiff appealed to the Supreme Court as in Case No. 2012Da23832.

# **Chapter 5: Legal and Regulatory Framework of Intellectual Property Protection and Arbitration in Cambodia**

## **I. Intellectual Property Rights in Cambodia**

### **1. Regulatory Framework of Intellectual Property under Cambodian Law**

#### **A. National Framework**

Cambodia is a Southeast Asian country whose accession to the World Intellectual Property Organization occurred in the year of 1995 and soon after in 1998 acceded the Paris Convention<sup>164</sup>. Before that, the existence of intellectual property rights in Cambodia took place since the 1960s and 1970s, proved by the presence of numbers of trademark protection such as PERTUSSIN in 1966 and RIBENA in 1973.<sup>165</sup> However, there was a long halt in the protection of intellectual property rights for almost two decades due to the crisis of the Cambodian civil war. After the restoration of its economic infrastructure, intellectual property once again came back to life. It later became the 148<sup>th</sup> member of the WTO in 2004 and has just submitted its instrument of accession to the Madrid Protocol for International registration of Marks at WTO.<sup>166</sup> After the adoption of these international instruments, Cambodia has been striving to build its regulatory framework to protect and strengthen the weak system of intellectual property rights

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<sup>164</sup> Intellectual Property Rights. Council for the Development of Cambodia (CDC). <http://www.cambodiainvestment.gov.kh/investors-information/intellectual-property-rights.html>

<sup>165</sup> ASEAN Intellectual Property Portal. Cambodia. <https://www.aseanip.org/Statistics-Resources/ASEAN-IP-Offices-Details/Cambodia>

<sup>166</sup> South East Asia: Investment Resource and Capital for Soth-East Asian Countries handbook. Vol.1. IBP Inc.,

protection as well as to meet the minimal international standard set forth by the conventions which it has adopted. For instance, to meet the obligation under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), Cambodia has drafted various legislative texts including<sup>167</sup>:

- Law on Marks, Trade Names and Acts of Unfair Competition enacted in 2002
- Law on Copyrights and related rights enacted in 2003
- Law on Patents, Utility Model Certificates and Industrial Design enacted in 2003
- Law on Breeder Rights and Plant Variety Protection enacted in 2008
- Law on Geographical Indications enacted in 2014

In addition to the above mentioned laws, there are other sources of law and legal documents constituting the protection of intellectual property in Cambodia including:

- Law on Biosafety
- Cambodia Climate Change Strategic Plan 2014-2023
- National Policy on green Growth
- Law on the management of Quality and Safety of Products and Services (2000)
- Law on the Management of Pharmaceuticals (1996)
- Law on Customs of Kingdom of Cambodia
- Law on the Amendment to the Law on Investment in the Kingdom of Cambodia

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<sup>167</sup> CDC. Ibid.

- Law on Commercial Enterprises (2005)
- Law on the Protection of Cultural Heritage (1996)
- The Commercial Arbitration Law of Cambodia
- Civil Code
- Code of Civil Procedure (2006)
- Code of Criminal Procedure (2007)
- And other implementing rules, regulations including Royal Decree, sub decree, Prakas, Circular, Instructions and Notifications, and Memoranda.

However, there are still some other legislation that has not been enacted such as the law on trade secrets, law protecting encrypted satellite signals and the law on integrated circuit protection, regulation on licensing and franchising etc. which are the requirements by the WTO.<sup>168</sup>

The key areas of intellectual property in the context of Cambodia are copyrights, patent and trademark which are under the responsibility of three separate ministries. Copyrights are under the supervision of Ministry of Culture and Fine Art; patent rights are controlled by Ministry of Industry and Handicraft, and Trademark is under Ministry of Commerce.<sup>169</sup> In addition, in Cambodia there is no centralized Intellectual Property Office ( IP Office) and no consolidated office. Instead there is a coordinating committee called ***“National Committee for Intellectual Property Rights ”*** supervising the three areas of intellectual property: patent, copyright and trademark. Created by Sub-Decree No. 142 of The Royal Government of Cambodia in 2008, this national committee is composed of the Ministry of Commerce as the Chair

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<sup>168</sup> 2015 Investment Climate Statement-Cambodia. Bureau of Economic and Business Affairs. 2015. <https://www.state.gov/e/eb/rls/othr/ics/2015/241508.htm>

<sup>169</sup> CAMBODIA: Doing Business and Investing in Cambodia Guide. Vol.1. IBP Inc.,.

and Ministry of Culture and Fine Arts and Ministry of Industry and Handicraft as the Deputy Chair. The organization of this committee can be shown in the following chart:



Below is the overview of principle areas of intellectual property in Cambodia with some brief information regarding its subject matter, terms of protection and registration:

	<b>SUBJECT MATTER</b>	<b>TERM</b>	<b>REGISTRATION</b>
Trademark	Any visible sign capable of distinguishing the goods or services of an enterprise	10 years, renewable indefinitely	Mandatory Ministry of Commerce
Patent	Inventions that are new, industrially applicable, and involve an inventive step	20 years	Mandatory Ministry of Industry, Mines, & Energy
Utility Model	Inventions that are new and industrially applicable	7 years	Mandatory Ministry of Industry, Mines, & Energy
Industrial Design	Any composition of lines or colors, or any three-dimensional form, or any material, so long as it gives a special appearance to a product	5 years, renewable twice	Mandatory Ministry of Industry, Mines, & Energy
Copyright	Original works of authorship	Life of the author + 50 years, with certain exceptions	Voluntary Ministry of Culture & Fine Arts
Geographical Indicator	A name or sign used on a products which corresponds to a specific location, where the quality or reputation of the goods is essentially attributable to its place of origin.	10 years, renewable indefinitely	Mandatory Ministry of Commerce

## **B. International Framework**

In addition to the adoption of TRIPS agreement, Paris Convention and becoming a member of the World Intellectual Property Organization along with the effort to implement its obligation in drafting the relevant legislative texts and establishing authorities to enforce the protection of such rights on the national scale, Cambodia has also been joining and becoming part of other regional and international agreements with the aim to realize and achieve this purpose. For instance, in 1996 Cambodia and the United

States signed a Trade Relations and Intellectual Property Rights Protection Agreement in order to bring GSP and MFN treatment to Cambodia with the purpose of providing sufficient and efficient enforcement and protection of intellectual property rights between the two countries.<sup>170</sup> Also, in 1997 a Memorandum of Understanding on Intellectual Property Cooperation between Cambodia and Thailand was signed.<sup>171</sup> Besides, Cambodia, as a member of ASEAN, became the party to the ASEAN Framework Agreement on Intellectual Property Cooperation in 1999 to participate in enrichment and strengthening intellectual property protection in the region.<sup>172</sup> In addition to these, Cambodia has also joined the bilateral agreement concerning intellectual property protection and cooperation with China, Japan and South Korea.<sup>173</sup>

## **2. IPR Disputes Resolution and Enforcement Authorities**

Infringement of intellectual property rights is quite prevalent in Cambodia due to the weak enforcement. The common infringing action is mostly related to commercial distribution of pirated compact disc, digital video discs, software, books, music, cigarettes, alcohol, pharmaceuticals and some other copyright materials.<sup>174</sup> Theoretically speaking, when there is infringement related to any of intellectual property rights, the rights owners may alternatively attack the infringement in many different ways including<sup>175</sup>:

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<sup>170</sup> International Instruments Concerning the Protection of IPRs. IPR in Cambodia. Kenfox IP& Law Office. <http://www.kenfoxlaw.com/ipr-in-cambodia/12928-international-instruments-concerning-the-protection-of-iprs.html>

<sup>171</sup> Christian. Ibid. At 58.

<sup>172</sup> Kenfox. Ibid.

<sup>173</sup> Ibid.

<sup>174</sup> South East Asia: Investment Resource and Capital for South-East Asian Countries handbook. Vol.1. IBP Inc., Ibid.

<sup>175</sup> WIPO Training Course on the Enforcement of Intellectual Property Rights. <http://artnet.unescap.org/tid/projects/infringing-goods-cam.pdf>

- Informal way of issuance of warning against infringer to stop the act of infringement such as importing or distributing infringing products
- Alternative dispute resolution/ non-binding procedure with a neutral intermediary of which decision lies upon Restraining Order along with the compensation of damage (no seizure or destruction of infringed goods unless otherwise agreed by parties)
- Request competent authorities to suspend the clearance at the border
- File complaint to civil court for damages and/or certain relief
- File criminal complaint to seek prosecution and/ or fines

In that essence, there are three main legal prosecutions against the infringement which includes:

- **Administrative Procedure:** Border measure (upon request and/ or Ex Officio Action)
- **Civil Procedure:** Complaint to civil court, civil seizure and destruction of infringing goods
- **Criminal Procedure:** Prosecution, imprisonment and fine

Beside the court, the relevant institutions in charge of enforcing intellectual property rights in Cambodia include the Economic Police, the Cambodia Import- Export Inspection and Fraud Repression Directorate General, Customs, or the Ministry of Commerce. Below is the chart summarized IP enforcement in Cambodia:



<p><b><i>Private Enforcement</i></b></p> <ul style="list-style-type: none"> <li>• Negotiation</li> <li>• Mediation</li> <li>• Commercial Arbitration</li> </ul>	<p><b><i>Administrative Measures</i></b></p> <ul style="list-style-type: none"> <li>• Department of Intellectual Property (Ministry of Commerce)</li> <li>• Copyright Department (Ministry of Culture and Fine Art)</li> <li>• Department of Industrial Property (Ministry of Industry and Handicraft)</li> </ul>
<p><b><i>Border Measures</i></b></p> <ul style="list-style-type: none"> <li>• Custom Authority (Ministry of Economic and Finance)</li> <li>• CAMCONTROL (Ministry of Commerce)</li> <li>• Economic Police (Ministry of Interior)</li> </ul>	<p><b><i>Judicial Enforcement</i></b></p> <ul style="list-style-type: none"> <li>• Provisional Measure</li> <li>• Civil Action</li> <li>• Criminal Action</li> </ul>

However, the drawback is there is no well-defined division or separation of the responsibility among these authorities.<sup>176</sup> Details of the role and responsibility of the related enforcement authorities concerning intellectual property rights in Cambodia will be discussed below:

### **A. The Three Levels of Cambodian Courts**

According to the law on the organization of the courts of Cambodia, courts are classified into three different levels: Court of First Instance, Court

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<sup>176</sup> South East Asia: Investment Resource and Capital for South-East Asian Countries handbook. Vol.1. IBP Inc., Ibid.

of Appeal and Supreme Court. Provided by law, they have the authority to decide almost all types of disputes. Therefore, regarding the infringement case of intellectual property rights, the right owner may choose to file the action directly to the court of first instance, like appeal and supreme court, having the authority to hear the case, prevent and preserve evidence and is the judicial body with complete authority in applying applicable measure including the search of concealed materials, detention of material or evidence, the order of injunctive or confiscation or seizure of infringed products.<sup>177</sup> It is believed that once the Commercial Tribunal is created, it will replace the municipal and provincial court in handling all intellectual property disputes. These three levels of courts encountered a considerable numbers of intellectual property cases including:

- Unfair competition
- Unauthorized production and distribution of copyright works
- Counterfeiting commercial products
- Infringement of trademark/ trade name
- Counterfeiting and piracy of copyrighted works
- Assertion to cancel trademark/ trade name registration
- Or request to dismiss the refusal decision of Department of Intellectual Property on the registration of trademark and trade name etc.

### **B. Enforcement Section of Intellectual Property Department**

This enforcement section is under the supervision of the Ministry of Commerce which has a crucial role in enforcing trademark law, overseeing infringement, acting as mediator in settling any disputes arising in connection with trademark issues and acting as technical advisor and a point

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<sup>177</sup> Kenfox. Ibid.

of reference in the court of law.<sup>178</sup> Established in 2014 by Prakas on the Establishment of Department of Intellectual Property ( DIP), Division of Litigation was also formed as part of DIP. This division has the duties in:

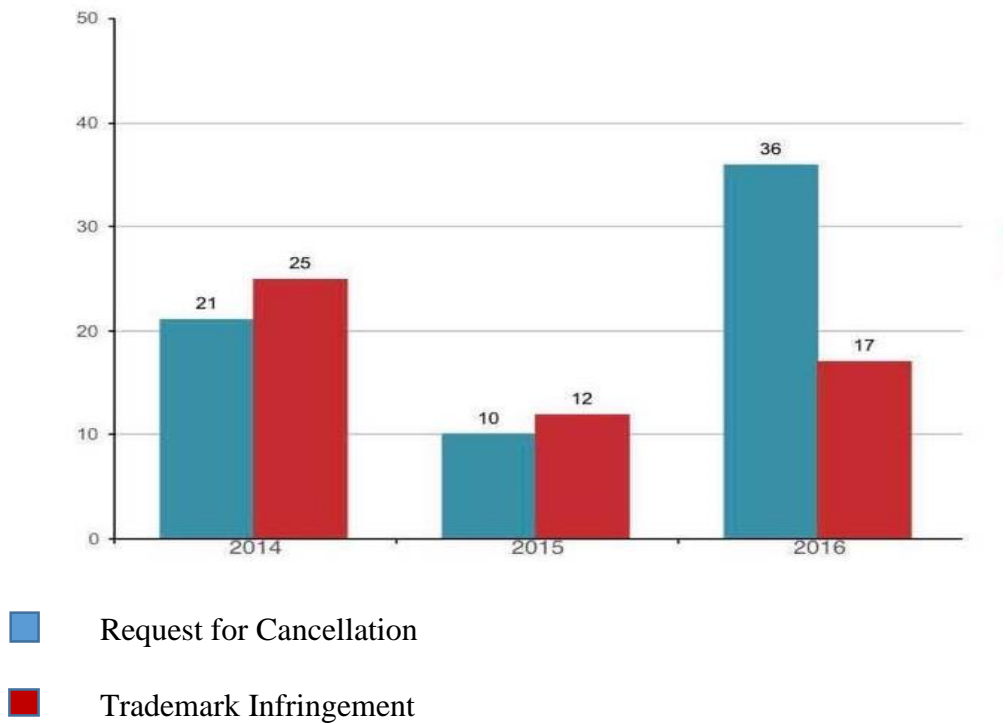
- Monitoring and settling intellectual property disputes between right owners (the complaint) and the infringers(defendant) of subject matters under jurisdiction of the Ministry of Commerce including complaints in relation to registration, nullification and cancelation of trademark, geographical indication, federal mark and certificate mark etc.
- Organizing procedure and legal regulatory concerning conflict resolution
- Regulating and evaluating the infringement of trademark, geographical indication, federal mark and certificate mark upon the request of parties, authorities and competent courts
- Preparing the hearing of cases upon the necessity or request of parties
- Presenting and taking part in taking evidence procedure in the court of law upon request of the court
- And other administrative and educational duties etc.

Below is the chart showing numbers of cases that Division of Litigation has dealt with from 2014 to 2016:

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<sup>178</sup> Ibid.

TM Cancellation and Infringement Data



### **C. Cambodian Import- Export Inspection and Fraud Suppression Department (CAMCONTROL)**

In a short form as CAMCONTROL, this department is a specialized institution of the Ministry of Commerce whose responsibilities and composition working in collaboration with Economic Police and Custom. CAMCONTROL's authority is to enforce intellectual property and watch over the movement of goods at the border and domestic markets to keep track of the importation and exportation of counterfeit products.<sup>179</sup>

CAMCONTROL has four Departments: Department of Consumer Protection and Fraud Repression, Department of Technical Affairs and Public

<sup>179</sup> Ibid.

Relations, Department of General Policy and Disputes Resolution and Department of Laboratory.

#### **D. Economic Police**

Economic Police are the authority of the Ministry of Interior and are an important enforcement agency working closely with CAMCONTROL in all sort of enforcement activities of intellectual property in the domestic market.<sup>180</sup> Its responsibility involves criminal investigation, under the supervision of the prosecutor, in cases related to alleged infringement of economic legislation such as intellectual property law and the law on the Management of Quality and Safety of Products and Services, monitoring, inspecting, fighting against economic crime or submitting request to appropriate institutions and cooperating with courts to implement the procedures if necessary. The specific office of Economic Police for the protection of intellectual property is known as the Anti-Intellectual Property Rights Crime Office.<sup>181</sup>

#### **E. Customs Authorities**

Based on the Law on Customs of 22 June 2007, Custom Authorities are the Custom Administration as part of the Customs and Excise Department of the Ministry of Economy and Finance. The responsibility of Custom Authorities is primarily granted by the Trademark Law Chapter 10 and Copyright Law Article 63. Its responsibility is to manage the border measures and enforce intellectual property specifically trademark and/ or copyright at the border, stopping the import, export or transit of copycat or counterfeit materials or products in or out of Cambodia. It is also important

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<sup>180</sup> Ibid.

<sup>181</sup> Ministry of Commerce.

<http://cambodiaip.gov.kh/TemplateTwo.aspx?parentId=50&menuid=52&childMasterMenuId=52>

to note that Customs Authorities are the only authority with the exclusive competence to receive applications regarding border measure from right holders.<sup>182</sup> The protection of intellectual property rights by Custom is done by the initiating application of the right holder or by the ex-officio action of the Customs due to the prima facie evidence.<sup>183</sup>

#### **F. Committee for Suppression of Copyright Infringement**

Established by the Government Sub-Decree No. 63 in 2000, the Committee for Suppression of Copyright Infringement is an agency specialized in enforcing copyrights and related rights by monitoring the infringement of such rights in domestic market<sup>184</sup> specifically on movie, video and DVD.

## **II. Arbitration practice in the context of Cambodia**

### **1. Development of Commercial Arbitration**

The practice of commercial arbitration in Cambodia has been lately developed after the promulgation of the Commercial Arbitration Law<sup>185</sup> in 2006 by the Cambodian National Assembly. The Commercial Arbitration Law was greatly influenced by the UNCITRAL Model as its legal framework and was put in place as a response to WTO obligations.<sup>186</sup> From this law and the related Sub-Decree on Organization and Functioning of the National Commercial Arbitration Centre(2009) , there came the establishment of the National Commercial Arbitration Centre (NCAC) which was firstly launched in January 2013.<sup>187</sup> NCAC is an independent

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<sup>182</sup> Article 35 of the Trademark Law.

<sup>183</sup> Ibid.

<sup>184</sup> Ibid.

<sup>185</sup> Cambodian Commercial Arbitration Law. 2006. National Assembly.

<sup>186</sup> The Establishment of Commercial Arbitration Services in Cambodia. Private Sector Discussion. International Finance Corporation(IFC) World Bank Group. 2009.

<sup>187</sup> National Commercial Arbitration Centre. <http://www.ncac.org.kh/>

institution<sup>188</sup> established under the auspices of the Ministry of Commerce ( Article 9 of Commercial Arbitration Law) with the aims of providing efficient alternative dispute resolution for local business instead of court litigation and creating attractive environment for foreign investment<sup>189</sup>.

Before the enactment of the Commercial Arbitration Law and the establishment of the NCAC, as an alternative to the courts, the common mechanism in solving commercial disputes among local enterprises are negotiation, mediation or through their own strategies in coping with disputes.<sup>190</sup> Some enterprise may choose to find assistance by way of mediation from local business community while larger enterprises tend to seek assistance from lawyers for the negotiation, and sometimes court clerks may also play a role as informal mediators.<sup>191</sup> Therefore, from the first couple of cases it has been handled and administered so far, NCAC has an important role in building trust and believe from the public and business environment and in telling the future of the center and the practice of commercial arbitration as a whole in this nation.

## **2. Cambodia and its law governing arbitral proceeding and award**

The framework of commercial arbitration in Cambodia is mainly governed by the Commercial Arbitration Law (2009) modeled after the UNCITRAL Model 1985 but not the 2006 amended features of Model Law. In addition to Commercial Arbitration Law, the Civil Procedure Code also plays an important role in supplementing the arbitral procedure and

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<sup>188</sup> Introductory Guide. Commercial Arbitration in Cambodia. Bun& Associates attorney at Law. 2014.

<sup>189</sup> Olga Boltenko. Cambodia's Arbitration Centre sets off on its First Flight. Kluwer Arbitration Blog. 2015 <http://kluwerarbitrationblog.com/2015/06/10/cambodias-arbitration-centre-sets-off-on-its-first-flight/>

<sup>190</sup> IFC. Ibid. At 21.

<sup>191</sup> IFC. Ibid. At 9.

providing standard limitation regarding the courts' jurisdiction in arbitral proceedings especially in its 2007 amendment. The examples can be seen in the following:

- Article 8: concerning the guidance for court to refer the matters to arbitration when there is arbitration clause stated in the agreement.
- Article 24: concerning the proxy of competence to arbitral tribunal to rule on its own jurisdiction
- Article 44 and 46: addressing the limitation of power of the court in setting aside or refusing to enforce arbitral award as specified in UNCITRAL Model
- Article 353: addressing the requirement to enforce restriction on courts to hear the merits of cases subject to arbitration.

Moreover, the proceedings administered by NCAC are done in accordance with the Arbitration Rules of NCAC (NCAC Rules) and the Arbitration Law.

### **3. Recognition and Enforcement of Arbitral Award**

The Commercial Arbitration Law provides provisions regarding the recourse, recognition and enforcement of arbitral awards (Chapter III of the law). The jurisdiction over the recourse, recognition and enforcement shall rest with the Appellate Court while the final decision rests with the Supreme Court (Article 42 and 43). Article 45 of the law stated that notwithstanding the country in which the award was made, the arbitral award shall be recognized as binding upon the application to the competent court. From the language of this article, whether it is a domestic or foreign award, the procedure for recognition and enforcement shall be the same. Nevertheless,



the New York Convention provides the procedure regarding the recognition and enforcement of an award when it is the subject of a foreign award.

Nonetheless, there are certain critics concerning the attitude of the courts in enforcing foreign awards as reluctant due to (i) the unfamiliarity of judges with international arbitration and their obligations under New York Convention, (ii) the perspective of the judges that enforcing foreign awards in Cambodia would be unjust especially when it is against the national party, (iii) the aversion of arbitrating dispute abroad rather than bringing to a Cambodian court, (iv) doubts over the authenticity of the award.<sup>192</sup>

In practice, there was no enforcement case to discuss in Cambodia until 2014 when there was dispute between a Korean Company and a Cambodian company and upon the enforcement application the Supreme Court of Cambodia affirmed the Appellate Court's decision to enforce the award of Korean Commercial Arbitration Centre against a Cambodian company.

### **III. Why Cambodia needs Arbitration for Intellectual Property Disputes**

It is undeniable to say that arbitration offers the most potential as a method for resolving disputes. Distinctively, intellectual property disputes possess certain special features that require a particular way of resolving. Unlike other contractual disputes, intellectual property disputes are technical, urgent, international, finality required, confidential and involve risk to reputation and trade secrets etc.<sup>193</sup> At the same time, arbitration appears to

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<sup>192</sup> William R Wiebe. Alternative Dispute Resolution and Commercial Arbitration in the Kingdom of Cambodia.

<sup>193</sup> Why Arbitration in Intellectual Property? WIPO.  
<http://www.wipo.int/amc/en/arbitration/why-is-arb.html>

be attractive because of its special characteristic and results offered by arbitration seem to best match with the features of intellectual property disputes. Those appealing points of arbitration for intellectual property disputes (discussed in Chapter I) include neutral forum, expeditious and economical, confidentiality, ease of enforcement and less threat to commercial relationship.

However, having discussed the issues regarding the legal and regulatory framework of intellectual property in Cambodia along with its legal and socio-political context, there comes the reasons why arbitration is being recommended as a potential mechanism to solve disputes as such. Below is a discussion on the rationale for Cambodia to adopt the practice.

### **1. The Predominant Benefits of Arbitration over Court Litigation in Resolving IP Disputes**

<b>Features</b>	<b>Arbitration</b>	<b>Litigation</b>
<b>Proceeding</b>	Single proceeding under law determined by parties	Multiple proceedings based different laws of countries
<b>How arbitrators/ judges are selected</b>	Party can decide on arbitral procedure, rule, language of arbitration and nationality of arbitrator to ensure neutrality	Parties have no choices over procedure, rules or language and not even nationality of arbitrators
<b>Technical issue</b>	Parties can select arbitrators based on their expertise	Court might or might not have relevant

		expertise of certain issues
<b>Urgent/Time</b>	Procedure can be shorten depending on situation of case	Procedure can barely shorten and often time consuming
<b>Finality of decision</b>	Decision is usually binding and appeal is limited.	Appeal is allowed. At some point, parties may take advantage of appeal to make the procedure longer and delay the enforcement of decision
<b>Confidentiality</b>	Both proceeding and award are confidential and priate between parties	Court proceedings are open to the public
<b>Waiting time for case to be heard</b>	Shortly after arbitrator is selected	Takes longer for case to be scheduled. Parties has no control over schedule.
<b>Costs</b>	Cost on arbitrator(s) and attorney	Court fee, attorney fee etc.

## 2. Scarcity of Standard Resolution Institution Regarding Intellectual Property Disputes

As discussed in Section I of this Chapter, disputes concerning IPR in Cambodia are normally resolved by random ways handled by various institutions or authorities. In other words, the dispute resolution institutions

or authorities are not clearly defined and not consolidated. Due to this, once the disputes arise, the party at issues do not have the most preferable and formal forum for their dispute settlement but the court or informal resolution such as mediation or negotiation. Likewise, apart from choosing to bring the issue to court, the scattered forum for resolving disputes are the Ministries of related IPR. For instance, disputes regarding trademark or trade name may be dealt with by Enforcement Section of Intellectual Property Department of Ministry of Commerce whilst disputes concerning copyright and related rights may be directed to settlement by Committee for Suppression of Copyright Infringement. In this sense, it can be seen that only issues regarding trademark or trade name and copyright have specific institutions to handle the cases while disputes of other areas of IPR such as patent, trade secret or geographical indication have no particular institution in charge of dispute settlement because those areas of IPR are not well developed and practiced in this country.

### **3. Reputation and Complexity of Court Litigation**

The judicial system in Cambodia has long been criticized as a system of weakness due to its pervasive corruption, executive interference, troubles in enforcement and its complexity of proceeding. Conventional court proceeding and its complexity are no surprise in Cambodia. Once a case is administered in the court, it could take years to resolve, with huge sums of money needed for court and attorney fees.<sup>194</sup> It is known that court litigation is sometimes used as a strategy to avoid final resolution by some parties. Therefore, using court litigation to solve IPR disputes does not seem to be effective for disputes related to IPR.

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<sup>194</sup> IFC. Ibid. At 7

#### **4. Judge Expertise**

Judges at the court of law may not have relevant expertise regarding certain IP disputes while in arbitration parties have the autonomy to choose arbitrators with equivalent expertise to their disputes. Disputes arising in regard to IPR are very wide-ranging and they may involve very specific matters including licensing agreement, cross-licensing agreement, transnational patent infringement, other rights and obligations under joint venture or research and development etc. that require a higher caliber of expertise to handle.

#### **5. Demand of Standard ADR Service**

Conciliation, mediation and negotiation has long been practiced in Cambodia by the general public to solve both commercial and non-commercial disputes. However, with the growth of business transactions, continuous flows of technology transfers and other economic activities, there are high demands of standard dispute resolution service with binding effect (if so choose) and more legally effective from local and international business and enterprises. Thus, arbitration is seen to be in a more attractive position than any ADR mechanism (Conciliation, mediation or negotiation) or even court litigation. In other words, arbitration may provide more effective and predictable result than other ADR and it is more cost effective, time saving and more reliable than court litigation.

#### **6. Arbitration Being an Indirect Agent for Development of IPR and International Trade and Investment**

“Intellectual property rights are as strong as the means to enforce them”.<sup>195</sup> State regulations and policies on IPR are not the only factors in

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<sup>195</sup> Why Arbitration in Intellectual Property? WIPO.  
<http://www.wipo.int/amc/en/arbitration/why-is-arb.html>

building IP system but effective mechanisms in dealing with disputes are also playing an important role in providing strong legal support to fully protect right holders when disputes arise. An example can be seen in the proposed amendments of Hong Kong Arbitration Ordinance to include provisions to clarify the ambiguity in relation to the issue of “arbitrability” in intellectual property disputes with the vision that the amendment will allow more parties to resolve their IPR disputes through arbitration in Hong Kong, therefore it will be able to boost the competitiveness of Hong Kong Arbitration Centre as well as becoming an IP trading hub in the region.<sup>196</sup>

#### **IV. The Recommendations for Adopting the System**

According to the discussion above regarding intellectual property disputes and the way those disputes are dealt with in the context of Cambodia, it shows the limitation of effective and proper mechanism in resolving such disputes due to the scarcity of institution in charge, the lack of related policy. However, having seen numerous advantages of using arbitration in IPR disputes and its effect in practice, there comes the prospect of the development of IPR dispute resolution method for Cambodia if such practice is adopted in the country. Moreover, the experience of the US and Korea demonstrate great success in practice of arbitrating IPR disputes, and it can provide a very important lesson for Cambodia.

Arbitration possesses distinct advantages that will secure the continued growth and development in intellectual property disputes settlement as the most prominent ADR in the future. Moreover, in my own perspective, I strongly believe that there will be a high possibility of

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<sup>196</sup> Arbitration of Disputes Over Intellectual Property Rights in Hong Kong. Legal News & Analysis. Angela Wang & Co. <http://www.conventuslaw.com/report/arbitration-of-disputes-over-intellectual-property/>

adopting and achieving such practice owing to several factors. First of all, there is an open gate by Commercial Arbitration Law toward the likelihood of arbitrability of IP matters. This can be seen in Article 2(i) of the law which specifies a wide interpretation of the word “**Commercial**” so as to *“cover matters arising from all relationships of commercial nature, whether contractual or not, relationship of a commercial nature include, but are not limited to, the following transaction: any trade transaction for the supply or exchange of good or services; distribution agreement; commercial representation or agency; factoring; leasing; construction of works. Consulting; engineering; **licensing**; investment; financing; banking; insurance; exploitation agreement or concession; **joint venture** and other forms of industrial or business co-operation; and carriage of goods or passenger by air, sea, rail or road.”* From this language, the categorization of matters considered as related to “commercial” include also the matter of licensing and joint venture which explicitly suggests the possibility of arbitrating IP dispute in the same manner as other types of commercial disputes. On top of this, legal development is ceaseless. Therefore, the adoption of this practice can be a good preparation for Cambodia for the future. With the strong legislative support by law and the newly established National Commercial Arbitration Centre institution as well as support from key ministries, Council for Legal and Judicial Reform, the judiciary and a range of private sectors for the establishment of ADR center like NCAC, Cambodia is in a good position to take on the practice so as to establish a more effective mechanism for intellectual property disputes, transform and replace the poor practice of dispute settlement and to fill the missing gap in the context of Cambodia. What is more it will help diminish the barriers of development of new creation in IP and new business in the area so to enjoy

stronger market and more consumption, facilitation of international trade and investment.

The following parts will discuss on the analysis as to whether the Korean approach or the U.S approach is more appropriate to be used as a model in Cambodia and the practical obstacles which there might be in implementing on the recommendation as well as other possible aspect(s) that Cambodia might also learn from the U.S system.

### **1. U.S or Korea to Be Used as Model in Cambodia?**

Having discussed the system of practicing arbitration in resolving international intellectual property disputes in the context of the U.S and South Korea, these two countries possess distinct characteristics in their system. So to say, if Cambodia is to take on the practice of using arbitration in solving international intellectual property disputes, I personally think that the Korean approach is more appropriate for application in Cambodia than that of the U.S. since there are more similarities among the contexts of Cambodia and South Korea than the U.S. This point of view is based on several factors that can be drawn from the above comparison of the system of the three countries. Those factors include:

#### **A. Legal System**

The similarities in legal system between South Korea and Cambodia is one of the main reasons contributing to this assumption. Different legal system differently shapes legal and regulatory frameworks in general and affects divergences in the procedural and substantive treatment of similar issues. For instance, the Common Law principle of having case law as the most primary source of law would not work in Civil Law countries due to the difference of historical legal origin. Therefore, the adoption of new practice in certain legal area of one country has to fit into its existing legal system. In



this sense, in the light of adopting the new practice of solving intellectual property disputes by way of arbitration, I believe that the Korean approach is more suitable to Cambodia than the U.S approach because both Cambodia and Korea are Civil Law countries whose sources of law hierarchically include constitutional law, codified laws (Civil Code and Criminal Code etc), statutes, act, decree, order so on and so forth. However, court precedent or case law are not granted as the official primary status of law in Civil Law countries. Though Korean laws are influenced by European and U.S system, it does not cause any major difference in structure, fundamental of the legal system and characteristics of legal and regulatory framework of certain issues of the two countries. The U.S approach, however, does not seem to fit to the context of Cambodia as there are many differences in legal systems. For instance, apart from scattered rules and statutes such as Federal Acts and other legislative texts, court precedents are of primary importance and they are what Common Law is largely based on. As a result, precedents has a great role in determining cases even with or without existing set of rules as judges play important part in shaping American law. In this essence, it overtly shows that Civil Law countries like Cambodia are more alike to Korea than the U.S system since a judge's decision in these civil law countries are not as significant and influential as decisions of legislators, existing rules and legal scholars who enact and interpret the codified laws.

### **B. Law and IP Disputes: Party Autonomy Vs Public Policy**

This second reason why the Korean approach is more suitable to Cambodia than the U.S approach is due to law governing IP disputes. This factor concerns how law and regulation differently govern issues concerning IP disputes. According to the result of the above study, in the U.S almost all types of IP disputes can be arbitrated ranking from disputes involving both contractual and contractual relationship and interestingly even the matter of

validity and invalidation of those IPRs. This results from the great amendment of Patent Code and the development of court precedent to be applied in new cases related to IP disputes that demonstrated great support from majority of the precedents on the arbitrability of subject matters concerning copyright, trademark, trade secret etc (though these issues are not expressly addressed by the Federal Act or other IPRs related legislative texts). The motive behind this strong support to arbitrability issue of IPRs could be owing to the principle of giving the full effect of party autonomy in arbitration and the interpretation of public policy concern in arbitration. For example, in the enactment of 35 U.S.C §294 the reason why Congress authorized the arbitration of patent validity was because such an issue was not considered as a threat to public policy by the Supreme Court giving that the public policy danger from arbitrating validity of patent was downscaled since the arbitrator's decisions are binding only on parties involved in the case and the value of arbitrator's decision is not as high as that of the precedent. Another example can be drawn from the case of copyright. There is no continuous concern about public policy when it comes to arbitrating validity of copyright because it depends upon the interpretation of arbitration clause that the courts choose to make.<sup>197</sup> Numbers of caseload<sup>198</sup> in U.S court could also be the contributing reason to why U.S courts have been trying to promote and support the role of arbitration in sharing the role in resolving the sheer numbers of IP cases every year. In contrast to the U.S, some jurisdictions do not permit the resolution by arbitration of certain aspects of IPRs due to public policy and state involvement in the creation, grant, recognition and protections of those IPRs, and arbitrating those issues may

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<sup>197</sup> David W. Plant. Arbitrability of Intellectual Property Issues in the United States. World Forum on the Arbitration of Intellectual Property Disputes. 1994

<sup>198</sup> Federal Judicial Caseload Statistics 2016. <http://www.uscourts.gov/statistics-reports/federal-judicial-caseload-statistics-2016>

affect society at large. Likewise, for the Korean system, party autonomy is essential in the pursuance of arbitral procedure; however, attention and emphasis would be put on public policy when it comes to arbitrating certain aspects of IPRs. Not different from Korea, Cambodia is also seen as a country with jurisdiction giving more emphasis on public policy and arbitrability is restricted to certain subject matter that would not affect public policy and social order as a whole. Owing to this reason, it shows that Cambodia's perspective on party autonomy and public policy is more comparable to Korean system than the U.S system.

### **C. Institution in Charge of Deciding Validity Issues of IP Dispute**

When considering the adoption of the practice of arbitration of intellectual property dispute, analysis on law and related regulations is not sufficient enough because arbitrating IP disputes involves not only contractual relationship issue but also other central aspects of IPRs such as infringement and validity of those IPRs. Since IPRs are territorial rights, the issue of validity of those IPRs, especially IPRs that require registration, are of great connection with state involvement. Therefore, unlike arbitrating other aspect of IPRs, there are many angles to consider before resolving validity issue of IP dispute or else arbitrating such issue would be contrary to public policy or the subject matter might not be arbitrated under the law of certain country. In this essence, having an insight into which authority has the power to decide validity issue of IPRs and whether or not that authority is exclusive can be of great importance for determining why Korean approach is in a better position than the U.S approach for Cambodia.

In the U.S, all issues ranking from damages, enforceability, validity, infringement, can be sent to the court to try. On top of that, either the (district) courts or the patent office can decide validity issues. Even these

two institutions (the courts and patent office) are the official institutions with authority to decide the matter of validity, there is still no restriction for arbitrators to decide such issues owing to the enactment of the patent code, the support from court through their precedents and the share of role and downscale of the exclusivity of the authority.

In Korea, however, since the enactment of Article 3(1) of Korean Commercial Arbitration Act, there is an expansion of the scope of arbitration to both property and non-property issues. However, this expansion does not necessarily reach out to the issue of validity of IPRs. Until recently, the only institutions that have the power to decide the validity or invalidation of IPRs are the Intellectual Property Trial of Korean Intellectual Property Office and the (Patent) Court. And the trial system is the three instance procedures : the Intellectual Property Trial and Appeal Board, the Patent Court and the Supreme Court.<sup>199</sup> If the issue of validity is decided by any other institution or adjudicator other than Intellectual Property Trial and the Patent Court, that decision would consider as out of law or opposed to mandatory rules of South Korea. Therefore, arbitrating IPRs disputes are appropriate unless they involve the validity of IPRs. In other words, arbitrating validity of IPRs in Korea is deemed as inappropriate since these institutions are the only ones who have the exclusivity in deciding validity issues.

Likewise, in Cambodia, though there is no legislative text or any commentary exclusively expressing whether or not the issue of validity of IPRs is able to submit to arbitration, I personally view that the issue of

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<sup>199</sup> Appeals& Trials. Korean Intellectual Property Office.  
<http://www.kipo.go.kr/kpo/user.tdf?a=user.english.html.HtmlApp&c=30300&catmenu=ek30300>

validity is not arbitrable in the contemporary context of Cambodia due to the following reasons:

*i. Definition of the Term “Commercial” in Commercial Arbitration Law*

Article 2(i) of Cambodian Commercial Arbitration Law reads: The term “**Commercial**” should be given a wide interpretation so as to cover matters arising from all relationships of commercial nature, whether contractual or not, relationship of a commercial nature includes, but are not limited to, the following transaction: any trade transaction for the supply or exchange of good or services; distribution agreement; commercial representation or agency; factoring; leasing; construction of works, consulting; engineering; **licensing**; investment; financing; banking; insurance; exploitation agreement or concession; **joint venture** and other forms of industrial or business co-operation; and carriage of goods or passenger by air, sea, rail or road.” Having included the issue of licensing and joint venture among other categories of relationship of commercial nature implies that the issues related to intellectual property disputes are arbitrable. These two examples are the representation of the contractual relationship of intellectual property topic, but other aspects of intellectual property issues such as the non-contractual relationship are not mentioned in Article (i) of this law. Therefore, this leaves the ambiguity as to whether or not the non-contractual aspects of intellectual property issue such as the those involving the central aspects of IPRs (infringement and validity) are also arbitrable.

*ii. Validity Issues Addressed in Cambodian IP Laws*

Validity issues can be found in Cambodian IP laws governing IPRs for which registration is mandatory such as patent, utility model, industrial design, trademark and geographical indication. The Law on the Patents,

Utility Model Certificates and Industrial Designs embodies provisions regarding validity/invalidation of patents, utility model and industrial designs in Article 65, Article 74 and Article 110 respectively. These articles stated that any interested person may request the competent Court to invalidate a patent, utility model or industrial design. In addition, Article 13 of the Law on Trademark guides any interested person may request the Ministry of Commerce to invalidate the registration of a mark while Article 29 of the Law on Geographical Indication also refers the Ministry of Commerce as the authority where any interested person may request to invalidate or cancel the geographical indication registration. Therefore, the competent Court and the Ministry of Commerce are the only authorized institutions by law having the exclusive power to decide the issue of validity of IPRs registered in Cambodia.

According to the two reasonings (i) and (ii), we can see that with the contemporary arbitration law of Cambodia, which leaves a big ambiguity to the arbitrability matter of IPRs disputes especially the non-contractual subject matter, and the exclusive authority of competent Court and the Ministry of Commerce in deciding validity/invalidation of registered IPRs, arbitrating any aspects of IPRs related disputes seems plausible but arbitrating disputes involved center aspect of those rights like validity issue would not seem to be permissible in the current situation of Cambodia. With this position, it makes the Cambodian system seems fairly comparable to Korean system in term of limitation to arbitrating the validity of IPRs. Therefore, this is contributing to explaining why the U.S approach in which arbitration of almost all aspects of IPRs is feasible, would not be applicable for the context of Cambodia.

#### **D. Court and the Recognition and Enforcement of Arbitral Award on IP Disputes**

The point of arbitration is the eventual result of the arbitral award to be recognized and to be enforced against the losing party. To achieve this purpose, the assistance from the national court where the recognition and/or the enforcement is sought is required. And the attitude of the court relies upon the applicable domestic law. Therefore, it could be a tough task to persuade the court to recognize the points of law or facts determined by the arbitral tribunal. The awards are final and binding based on the principle of the finality of awards. However, under some circumstances, not all the awards can be recognized and enforced if those awards fall under some grounds for refusing the recognition and enforcement of the award. In this way, Cambodia Commercial Arbitration Law (Article 46) set forth the grounds that recognition and enforcement of an arbitral award may be refused, irrespective of the country in which it was made, only if

- (a) The *subject matter* of the dispute is, not capable of settlement by arbitration under the law of the Kingdom of Cambodia; or
- (b) The recognition of the award would be contrary to *public policy* of the Kingdom of Cambodia

According to the discussion on the possibility of arbitrating IPRs related disputes in the context of Cambodia in the previous section, the U.S and Cambodia are seen to have many differences in law governing IP related disputes, differences in the approach of balancing party autonomy and public policy as well as different origin legal system. Due to this, the U.S approach is somehow a less favorable approach for Cambodia to follow. If Cambodia adopt the U.S approach, there will be many hurdles in having the arbitral award recognized and enforced by domestic court as the practice is not supported by the domestic law while there is a big ambiguity in the extent

and scope of the arbitrability of IP disputes. Rather the Korean approach is more suitable especially owing to the fact that there is exclusivity in the power to decide the validity of registered IPRs.

## **2. Korea as the Model for the Future of IPR Arbitration in Cambodia: The Fit and The Unfit**

### **2.1 The Fit**

Through the discussion on the legal and regulatory framework of both the U.S and Korean and the analysis on why the Korean approach is in a better position for Cambodia to take on the practice of using arbitration in resolving intellectual property disputes, this section will continue with the analysis on which aspects of Korean approach are appropriate for the application in Cambodia and which are not, and we will be discussing based on the types of IPs and types of disputes at issues. Below is a chart which briefly illustrates the arbitrability issue in the context of Korea, which will be used as the reference for the discussion on the Cambodian part.

<i><b>Subject matter</b></i>	<i><b>Arbitrability</b></i>	<i><b>Reason</b></i>
Non-registered IPR	Arbitrable	As owners of rights can surrender, assign, license or transfer their rights at their discretion
Infringement of registered IPR	Arbitrable	As it involves the issue of torts
Validity of registered IPR	Arbitrable	It is argued that it should be arbitrable to give full effect of party autonomy in consideration of the purport of arbitration system
	Inarbitrable	It is argued that the institutions that possess power to decide validity of



		IPRs are Intellectual Property Tribunal of KIPO and Patent Court
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### **A. Unregistered IPRs**

Among the six main IPRs in Cambodia (patent, trademark, copyright, utility model, industrial design and geographical indication), the only IPR which registration with authority is not mandatory is Copyright and related rights. It is automatic for the original author of the work to get the protection and no mandatory registration is required, and the protection of this right is to secure a just and legitimate exploitation of the work (Article 1 of Cambodian Copyright Law). Therefore, since the owner of this right can surrender, assign, license or transfer their rights at their discretion in business<sup>200</sup>, they can also decide the mechanism to resolve any dispute that may arise. Moreover, in regard to the issue of this type of right, it seems to be less problematic in using arbitration as the mechanism to deal with the dispute because in such a case the arbitral tribunal does not have to make any decision regarding the revocation of the title of the right but rather deal mostly with the examination on whether or not the work fulfils the requirements to get the protection and the right to enjoy and exploit the protection.<sup>201</sup> Therefore, in the same line with Korean approach, unregistered IPRs like Copyright and related rights are subject to be arbitrated.

### **B. Registered IPRs**

Registered IPRs in Cambodia include patent, trademark/trade name, industrial design, utility model and geographical indication. Regarding the issue of registered IPRs, it would be ideal to discuss thoroughly according to

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<sup>200</sup> Kyung-Han Sohn. Ibid.

<sup>201</sup> Robert Briner. The Arbitrability of Intellectual Property Disputes with Particular Emphasis on the Situation in Switzerland. Worlwide Forum on the Arbitration of Intellectual Property Disputes. 1994.

the nature of disputes involving, namely disputes involving contractual commercial nature and disputes involving non-contractual nature.

**i. Disputes Involving Contractual Commercial Nature**

As in the context of Korean approach, the matter of disputes involving contractual commercial nature is undoubtedly arbitrable due to the “contractual commercial nature” which is the matter lying beneath the surface and purpose of Article 1 of Korean Commercial Arbitration Act : “ The purpose of this Act is to ensure the proper, impartial and rapid settlement of disputes in *private laws by arbitration.*” and Article 3(1) of the Act which expands the scope from “*any dispute in private law*” to “*any property dispute and non-property disputes*” which may be resolved by the parties’ conciliation. This approach is correspondingly consistent and suitable for the context of Cambodia because within the legal context of Cambodia, intellectual property disputes relating contractual commercial nature are also the subject matter under the essence and purpose of Cambodian Commercial Arbitration Law given in Article 2(i) of this law concerning the definition of the term “commercial”. By and far, the disputes of IPRs related to contractual commercial nature, which is subject to be arbitrated, may encompass numbers of cases including breach of material which may include, but is not limited to, disputes in relation to:

- License/ sub-license agreement
- Joint venture
- Validity of agreement
- Assignment of rights
- Intellectual property/technology transfer agreement
- Research & Development agreement
- Ownership agreement
- Intellectual property sale agreement

- Distribution agreement
- Franchising agreement
- Information Technology agreement
- Consultancy agreement etc.

## **ii. Disputes Involving Non-Contractual Nature**

On the subject of disputes involving the non-contractual nature of IPRs that require registration with national authority to be validly granted, there are two main sub-issues that may arise under this category of disputes: the non-contractual dispute so-called “infringement” and the non-contractual dispute concerning the central aspect of those IPRs so-called “issue concerning validity of those IPRs”. Details of these sub-issues will be discussed in the following.

### **a. Infringement**

“*Infringement*” of IPRs generally refers to any breach of intellectual property rights protected by IP laws by way of copying, using or exploiting without the proper consent or permission from the owner of IPRs.<sup>202</sup> Therefore, it so happens without the knowledge of the owner and prior existing commercial contract between owners of the rights and the infringers. In general, upon the act of infringement, the owner of the rights mostly tends to choose to proceed with court litigation rather than initiate arbitration proceedings with the infringing party through the submission agreement to arbitration. In other words, characteristics of court litigation deems to work better in the case of infringement. However, from the chart of reference presenting the arbitrability of Korean approach, infringement of registered IPRs are arbitrable subject matter because it is explained that this matter involves the issue of torts; therefore, it falls under the umbrella of private law

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<sup>202</sup> What is an IP infringement? European IPR Helpdesk.  
<https://www.iprhelpdesk.eu/kb/3188-what-ip-infringement>

issue under Korean arbitration law and party has the autonomy to choose arbitration as the way for resolution.<sup>203</sup> In the context of Cambodia, however, infringement of IPRs, by law, are mostly referred to court litigation which can be seen in Article 43 and Article 108 “right to institute court proceeding upon the act of infringement” of the Law on the Patents, Utility Model Certificates and Industrial Designs.<sup>204</sup> Even so, owing to the fact that infringement issue is purely a tort issue, it shall not be out of line with the scope of arbitration. In addition, with the nature of tort, it is neither subject matter against public policy nor restrictive subject matter to arbitration. More importantly, supported by Article 2(i) of Cambodian Commercial Arbitration Law, the term “commercial” is given a wide interpretation to cover matters arising from all relationship of a commercial nature, whether contractual or not. Therefore, according to this reasoning, I personally view that non-contractual commercial dispute like the issue of infringement of IPRs should also be arbitrated; as a result, this approach is in line with the application in Korean context.

### **b. Validity**

Another sub-issue to be touched upon is the issue concerning the central aspect of IPRs the so called “validity” of those rights. As mentioned earlier in Chapter 4, the issue concerning validity of IPRs is considered as an inarbitrable issue in Korea due to that, like civil courts, arbitral tribunal has

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<sup>203</sup> Kyung-Han Sohn. Ibid.

<sup>204</sup> Article 43 reads: The owner of the patent shall have the right, subject to Article 44 and Articles 47 to 55 of this Law, to institute court proceedings against any person who infringes the patent by performing, without his agreement, any of the acts referred to in Article 42 of this Law or who performs acts which make it likely that infringement will occur. Article 108 reads: The registered owner of an industrial design shall have the right to institute court proceedings against any person who infringes the patent by performing, without his agreement, any of the acts referred to in Article 106 of this Law or who performs acts which make it likely that infringement will occur.

no such power to decide the validity or to invalidate those registered IPRs. However, those are the exclusive authority of two institutions include Intellectual Property Tribunal of Korean Intellectual Property Office and the Patent Court. Likewise, in Cambodia though there is no certain legislation explicitly presenting the extent of the subject matter to which arbitration can cover, it also seems to be inappropriate to arbitrate such dispute concerning validity of those registered IPRs according to the contemporary state of affair in Cambodia. As discussed earlier in this Chapter, the reasons include legal uncertainty of the scope of arbitration upon IP issue and the absolute exclusivity of power given by law to two main institutions in deciding matter of validity of IPRs: the competent courts and Ministry of Commerce (exclusively trademark and trade name issue). Substantially, the validity issue such as the objections to the initial registration or the claims for modification or rectification of the register should not be the subject matter to be dealt by arbitral tribunal. Moreover, arbitrator may not have the right to declare, for example, a Cambodian patent or any registered IPRs, invalid because such power is given to only particular institutions in charge. For that reason, registered right may not be declared as invalid or altered by arbitral tribunal without first having to obtain an invalidation decision from those authorized institutions, or else the arbitral awards cannot be recognized or enforced by national court. Therefore, in some way both Korea and Cambodia are on the same page regarding this issue. To both countries, if such disputes are to be decided by private adjudicators it would affect public interest and public policy at large.

## **2.2 The Unfit**

Upon the analysis of which aspects of Korean approach are appropriate for the application in Cambodia, it can be seen that mainly the substantive matters of both countries are in line with one another and that

Cambodia is in a good position to begin this practice in the future. However, the kick-start might take a certain amount of time to achieve by reason of having some constraints blocking the prospect of the application. Some of those constraints include legislative ambiguity on the scope of application of arbitration in IPRs related disputes, and from this ambiguity it would cause the likelihood that courts would not recognize and/or enforce arbitral award deciding upon subject matter concerning IPRs (especially certain subject matters not addressed in Commercial Arbitration Law), notwithstanding the applicable Cambodian law requiring enforcement. Further, it would also lead to the uncertainty for arbitrators to decide on his own jurisdiction in the event that request of arbitration is made. In the event that arbitrator decide his competence based on that ambiguous law, risk of enforcement would be arising as a result of rendering award of subject matter that is not explicitly addressed by law. Therefore, legislative certainty is necessary to ease the application of this practice of using arbitration in solving IP disputes as well as commercial arbitration in general. Apart from this, there are other obstacles that require implementation in order to achieve this recommendation. Those constraints include:

- the newly established arbitration center in Cambodia:

The National Commercial Arbitration Center was created to offer an alternative way to resolve disputes more quickly, fairly and inexpensively. However, due to the nascent and capacity building stage at which NCAC is at, it could be one barrier to keep business community from choosing arbitration to resolve their IPR disputes over court litigation or other informal way of resolution like mediation.

- the lack of cooperation from courts in enforcement and other relevant proceeding:

Judicial attitude toward arbitration is essential to the success of arbitration in IP area and arbitration on the whole. Until nowadays, the idea that arbitration involving IPRs matter or commercial arbitration service in general get sufficient support from the court is not vibrant.

- the young and fragile nature of the Cambodian IP system:  
Not to mention the possibility of arbitrating IPRs disputes, the number of IP creation and activities itself are still very limited until these days. In Cambodia, the well-developed IPRs and mostly encountered IPR disputes are those concerning with trademark and trade name. Other area of IPRs, however, like patent is close to not existing due to the low numbers of patent registered and patent granted in the country. Therefore, strengthening the enforcement of the existing law, promoting new creation and creating additional regulations covering other fields of IPRs are mandatory in broadening the protection of IPRs and promoting more IP activities as well as attracting business and investment in the fields.
- limit experiences and expert in the related field:  
Disputes concerning this type of right do require experts with appropriate knowledge to handle this. Therefore, it is important not only for arbitrators but also judges to have pre-existing knowledge about specific IPRs such as copyright, patent or trademark or specific knowledge on technology to better address

the issue effectively. Though there are some numbers of expert in the field, continual training and development and experience is necessary.

- the need for additional supportive policies to ease arbitration involving IP disputes:

Arbitration Centre and court alone are not the only supportive bodies for the recommendation of this application. Other supplementary policies from other involving institutions are also required.

The suggested solution to address all of the above mentioned constrains will be discussed in the following part.

### **3. The Proposed Solutions to Implementing the Practical Obstacles**

Due to the constrains as described earlier, implementation on the missing gaps is required. Therefore, below are suggestions based on my personal view that might assist in eliminating the obstacles and promoting the kick-start of the recommendation of adopting the use of arbitration in solving IP disputes in the context of Cambodia. Those proposed solutions include:

#### **A. Formation of Legal Certainty**

Due to that legal ambiguity is one of the main reasons in creating uncertainty in deciding the arbitrability of arbitral tribunal concerning IPRs related dispute, the formation of legal certainty is required. In this essence, continual amendment to Cambodian Commercial Arbitration Law is needed. To this end, to address the lack of provision, legislative body shall make clarification by adding certain provision to make clear that dispute over IPRs can be resolved by way of arbitration and/or which types of disputes over



IPRs cannot be arbitrated. By doing so, it would help clear up the doubt in arbitrability issue especially those related to validity of registered IPRs. Moreover, it would also help reduce the risk that arbitral award be refused on the ground of public policy or arbitrability ground.

### **B. Enhancement of Cooperation and Assistance from Court in Enforcement and Other Relevant Proceeding**

In order to achieve this, the court and judiciary should:

- Encourage court to proceed with the application to dismiss a lawsuit in the event that there is an arbitration agreement among the parties (compliance to UNCITRAL Model Law Article 8)
- Promote the role of the court in upholding the effectiveness of arbitral proceeding, for example, in relation to court assistance in ordering interim measure, taking evidence etc.
- Promote the role of the court in assisting the review of arbitral tribunal's jurisdiction and composing and forming arbitral tribunal
- Promote the role of the court in the recognition and enforcement of arbitral award and strictly impose restrictions on the court's interference to arbitral proceeding (compliance to UNCITRAL Model Law Article 44 and Article 46)

### **C. Capacity Building of National Commercial Arbitration Centre**

In order for the NCAC to be viewed as a trustworthy and effective ADR mechanism that would make parties more receptive, NCAC should:

- Complete its neutrality and independence by making sure that the set-up of the center is free from the interference of the government or judiciary

- Be professionally administered, a well-equipped center with knowledgeable and experienced arbitrators
- Gradually add a panel of arbitrators specialized in IPRs matters that would help reassure technology companies with applicable expertise in the field

#### **D. Strengthening the Young and Fragile Cambodian IP system**

In order to achieve this, the government should:

- Make new laws on other IPRs that Cambodia does not have yet e.g. Law on Trade Secret, Law on Integrated Circuit, Law on Layout Design
- Adopt new policy to enhance IP protection for new innovations
- Provide support in building capacity, promoting new creation and innovation both at domestic and international level
- Enhance the effect of criminal and administrative enforcement of IPR protection

#### **E. Promoting Expertise in the Field of IPRs Related Disputes**

For the purpose of promoting expertise in the fields, both court and NCAC should:

- Enhance training on judicial procedure relating recognition and enforcement of arbitral award due to that the shortage of understanding of this matter would cause improper appeal to NCAC's decision and/or ineffective enforcement of the award
- Promote the enhancement of the skill and expertise of arbitrators in the related field of IPRs through continuous training to be able to effectively handle the case
- Assuring the qualification of the accredited arbitrators and the credibility of the center

## **F. Additional Supportive Policies**

To this end, related institutions should:

- Key leaders of the judicial system should be supportive of NCAC by, for example, initiating dialogue between related ministries and institutions such as Ministry of Justice, Ministry of Commerce and the judiciary to build relevant supplementary support and new policies to ease the operation of NCAC and arbitration of IPRs related disputes as a whole
- And monitor court's activities related to the enforcement of arbitration award
- Make legislative change to some extent to liberalize and keep updating legal regime for IP arbitration and commercial arbitration in general

## **4. Other Possible Aspects that Cambodia May Apply from the U.S System and Korean System**

In addition to the analysis of why Korean approach is in a better position for Cambodia to take on the practice and the practical obstacles to implementing the recommendation of the adopting of the system, there are some other possible aspects that Cambodia may apply from the lesson of the U.S and Korea. Those aspects will be discussed in the following:

### **A. The U.S system: Inter Parte Effect of Arbitration**

Through the study of this paper, even though the result shows that the U.S system is not in the best place for Cambodia to adopt the practice due to many significant differences of the contemporary legal context between the two countries, there are some other outstanding aspects with great significance that Cambodia may want to take on in the future. One of the most appealing aspect of IP arbitration in the U.S is the “Inter Parte Effect” of arbitration. Even with the absence of contract language, all IP disputes are

the proper subject matter of arbitrating in the U.S. More attention and weight are given upon inter parte effect of arbitration in the U.S. It is explained that with inter parte effect of arbitration award, even the issues which involve the assertion of validity of IPR at issue and even the arbitral tribunal decides and declare to invalidate that IPR, the decision and declaration have effect only to the parties to disputes and it does not in any way affect the registration of that IPR or remove the registration from the record because that declaration lacks *erga omnes* effect<sup>205</sup> which is the effect toward everyone or public at large. For example, such declaration will change the irrevocable damage or royalty fee between the parties only. However, if the party seeks to find the *erga omnes* effect of IPR at dispute and seek to cancel that IPR in certain country, the party should bring it as public policy concern in front of the court where the enforcement is sought to be. In addition to this, because inter parte effect of arbitration bind only the parties, there should not be any concern of jurisdiction overlapping between arbitral tribunal and the authority possessing exclusive power to decide the validity of those IPRs. Regarding this, in the event that Cambodia begins the practice of using arbitration in solving IP disputes as such, this aspect is one of the many factors that would help achieve the purport of arbitration, broaden the scope of arbitrability in IP matters and give full effect to party autonomy.

### **B. Korean System: Korean Principles on International Intellectual Property Litigation**

Given that the legal context of both Korea and Cambodia has a lot in common and that Korean approach is in the best position for Cambodia to take on the practice, there is another aspect which is relatively advisable and a good example to consider when IP arbitration is fully practiced in Cambodia. That is the “Korean Principles on International Intellectual

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<sup>205</sup> Trevor Cook. Ibid. At 69

Property Litigation(KOPILA)”. KOPILA was approved on 26 March 2010 by the Korean Private International Law Association and its purport is to set forth rules for international intellectual property litigation and arbitration on international intellectual property disputes.<sup>206</sup> This principle could be one sample of the supplementary provisions covering the matter of arbitration of intellectual property in Cambodia in the future. In these principles, there is a separate part prescribing issues of arbitration of IP disputes. Laying out from Article 33 to 49, it explicitly addresses general provisions, significant matters of international intellectual property issues such as arbitrability, arbitration agreement, arbitral proceeding and recognition and enforcement of arbitral award.<sup>207</sup> Also, these principles put more emphasis on party autonomy and that in deciding the subject of validity of arbitration agreement, the court or arbitral tribunal shall place this principle of party autonomy in the first place. Apart from party autonomy, place of arbitration is also accentuated in that the party can freely agree to choose as well as to omit the place of arbitration. On top of this, online arbitration procedure is also introduced in these principles.<sup>208</sup>

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<sup>206</sup> Article 1 of KOPILA.

<sup>207</sup> Lee Gyoocho. Ibid.

<sup>208</sup> Article 46 of KOPILA

## Conclusion

The use of arbitration in resolving intellectual property disputes is on the rise and becoming more and more important for intellectual property asset related business both on the domestic and international level because of the benefits that court litigation cannot provide in the same way. On a domestic level, it is very appealing for the in-house council to include arbitration clauses in agreement related to intellectual property rights such as license or sub-license agreements, research& development agreements and joint venture agreement etc. so as to secure a neutral forum for resolving disputes that may arise in the future without having to get involved in court proceeding. On an international level, however, it has also becoming renowned among countries in the world because arbitration possesses special features that best match the characteristics of international intellectual property disputes, and it can serve as a safe harbor for parties in resolving their intellectual property related disputes in a certain and neutral forum without having to risk facing the boiling plate of litigation in domestic courts of other jurisdictions.

The studying of the legal and regulatory framework of intellectual property arbitration in both the U.S and South Korea provides significant insight into understanding how these two countries practice arbitration in resolving such disputes and how different legal systems of the two countries affect and shape the regulations on issues regarding *arbitrability* of intellectual property disputes. In the context of the U.S, as it is a big player in the field of intellectual property and a country with long-developed legislation and practice in the area of arbitration, there are numerous sources of law ranking from state to federal and international level, court precedents, rules, and institutions governing and administering these issues. In regard to

the issue of arbitrability of intellectual property disputes in particular public policy has great influence on arbitrability. Interestingly, the U.S is seen as a pro-arbitration country because almost all types of intellectual property disputes can be arbitrated including validity and infringement of patents owing to the amendment of the Patent Code. In South Korea, however, arbitration is greatly governed by Korean Arbitration Act and some other significant international instruments such as the New York Convention and UNCITRAL Model Law. The question concerning arbitrability does not explicitly address in the Act, however, the revised Article 3(1) of the Act paves the way for defining the scope of arbitration in South Korean jurisdiction. The new article expands the scope from “any dispute in private law” to “any property dispute and non-property disputes” which is likely to show that intellectual property disputes have a high possibility in arbitrating. Unlike the U.S where the majority of disputes are allowed to arbitrate, South Korea carries a distinct concept regarding this issue depending on types of rights and claims at issue. The categories of disputes and claims that are allowed to arbitrate include any type of disputes of unregistered rights and issue of “infringement of rights” of registered intellectual property. However, claims regarding validity or invalidation of registered intellectual property are not treated the same way due to the fact that in South Korea the institutions that have the power to decide validity and invalidity of intellectual property include Intellectual Property Tribunal(IPT) which is part of the Korean Intellectual Property Office(KIPO) and the Patent Court (in the case of patent).

In comparison with the U.S and Korea, Cambodia is known as a country with an absence of the practice of using arbitration in solving intellectual property disputes until nowadays. This deficiency in the practice of this area is due to the fact that Cambodia is not only a country with young

and fragile intellectual property system but it is also very new to using arbitration as alternative dispute resolution in commercial disputes in general as we can see that the National Commercial Arbitration has just been launched in 2013. Due to these reasons, intellectual property disputes arising in Cambodia are usually handled by ways of conventional litigation in the court of law or using other alternative dispute resolution such as mediation, negotiation and conciliation and other administrative and border measures supported by relevant ministries or authorities in charge of certain intellectual property rights, for example, the Enforcement Section of Intellectual Property Division of Ministry of Commerce or Committee for Suppression of Copyright Infringement of Ministry of Culture and Fine Arts, Custom Authority etc. Correspondingly, by seeing the potential of using arbitration in dealing with disputes related to intellectual property rights from experiences gained by the U.S and South Korea, it would be ideal for Cambodia to adopt the practice as such due to many factors including the predominant benefits of arbitration over litigation, the scarcity of standard resolution institution regarding intellectual property rights, reputation and complexity of Cambodia court, judge expertise, and the high rise on the demand of standard alternative dispute resolution services as well as the need for indirect agent in developing intellectual property system and international trade and investment for this country.

In light of this recommendation of the adoption of the practice, there seem to be promising prospects in adopting and achieving the practice at some point in the future because there is an open gate by Cambodia Commercial Arbitration Law toward the likelihood of the arbitrability of intellectual property matter which can be seen in the broad definition of the scope of “*commercial*” disputes with the inclusion of issues related to intellectual property rights such as licensing and joint venture therein. Upon



the comparison between the U.S and Korean approach, the study shows that Korean approach appears to be more appropriate for the application in Cambodia than the U.S approach owing to many similarities between the two countries including legal system, the treatment of public policy and party autonomy, bodies possessing exclusive jurisdiction in resolving certain IP disputes and attitude of court in recognizing and enforcing arbitral award of IP disputes. Upon the recommendation of taking Korean approach as the model for the future of IPR arbitration in Cambodia, some aspects of Korean approach are suitable for the application and some are not. Mainly the substantive matters regarding arbitrability of IP disputes of both countries are in line with one another. However, the unsuitable aspects are those concerning the constraints blocking the prospect of such application in Cambodia. Some of those constraints include legislative ambiguity on scope of application of arbitration in IPRs related disputes, the young and fragile Cambodian IP system, the newly established arbitration center in Cambodia, limit experience and expert in the related field, the lack of cooperation from court in enforcement and other relevant proceeding and the need for additional supportive policies to make arbitration in IP dispute possible. Therefore, in order to get rid of such constraints, certain activities should be considered such as making policy and legislative reform to create legal certainty that can ensure the possibility of arbitration in intellectual property disputes, enhancing the cooperation and support from the competent court, strengthening the role of National Commercial Arbitration Center to gain complete independent and neutrality so as to earn trust from the public and business community in referring their dispute to be resolved by the institution and gaining the support from key leaders in judicial system as well as strengthening and modernizing intellectual property system in general. In addition, other noteworthy aspects such as the Inter Parte Effect

of arbitration of U.S system and Korean Principles on International Intellectual Property Litigation are relatively advisable and good example for Cambodia to consider to take on in the future.

Once adopted and well implemented, this practice will be able to replace the poorly practical way of resolving disputes related to intellectual property and make parties more receptive in referring IP disputes to arbitration. Further, it will also help diminish the barriers of the development of new creation in intellectual property area and develop a legally-sound and stable atmosphere for international trade and investment in Cambodia and could possibly be the blueprint for other countries in its region like Myanmar.

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## 초록

“ 국제 지적 재산권 분쟁 해결을위한 중재의 사용 :  
캄보디아 권고에 대한 미국과 한국의 분석과 비교 전망 ”

지적 재산권은 "인간의 성취에 대한 더 미세한 징후를 보호하는 법률의 한 분야이다." 게다가, 지적 재산권은 지방 수비병이다 (영토 원칙). 즉, 이러한 유형의 권리는 개별 국가에 의해 관리하는것이다. 그러나 그것이 국제적 경계를 포함 할 때, 많은 관할 구역이 복잡한다. 지적 재산권 분쟁이 소송을 통해 처리 될 때, 지적 재산권 소송의 복잡성이 발생하며, 여기에는 관할권 문제, 법률 선택, 지식 정책, 외국 판결의 인정 및 집행이 포함된다. 또한 지적 재산 소송은 일반적으로 매우 복잡하고 예측할 수 없으며 비용이 많이 드는 방법으로 알려져 있다. 그러나 세계 경제와 더불어 지적 재산은 점차적으로 사업의 가장 중요한 자산 중 하나가 되었으며 라이선스 계약의 증가 추세와 같은 지적 재산권을 포함한 일련의 거래가 많았다. 합작 계약, 사업 인수 계약 및 고용 계약은 국내 국제 수준. 이러한 이유 때문에 중재와 같은 대체 분쟁 해결이 왜 국제 지적 재산권 분쟁을 해결할 수있는 매력적인 기술인지 설명하게된다.

다른 한편, 국제 지적 재산권 분쟁 해결에 중재를 사용할 때 몇 가지 장애물이 발생할 수 있다. 제일 중요한 것은 <Arbitrability>이다. 다수의 지적 재산권은 특허 사무소와 같은 주 당국에 신청서를 제출하는 등 등록 절차가 지속되는 경우 등록되어야한다 . 이는 부여 된 권리의 부여, 유효성 및 범위와 관련한 분쟁이 권리를 부여한 기관에 의해서만 결정되어야하는 국가 개입, 공공 정책 및 지방 주권을 창출한다 . 이 경우, 어떤

지적 재산권이 중재 가능하고 특정 관할권에 있지 않은지에 대한 의문이 생긴다.

다른 법률 제도와 법안은 특정 국가가 지적 재산권 분쟁 해결 문제를 관리하는 방식에 영향을 줄 수 있다. 따라서 특정 사안을 다룰 때 다른 나라의 다양한 접근법을 이해하는 것이 이상적이다. 그리고 이것은 연구의 목표에 기여합니다. 분석과 비교의 방법으로 논문의 두 가지 주요 목표가 있다. 첫 번째 목적은 가장 주요한 지적 재산권 보호 국가들 사이의 국가 들인 주로 미국과 한국이 서로 다른 관할권을 얼마나 많이 갖고 있는지에 대한 통찰력을 얻는 데이다. 다국적 지적 재산권 분쟁 해결에 중재를 사용하고 지식인의 중재 문제에 관한 규제 체제를 통제한다 재산 분쟁. 이 특정 영역의 수행에서 한미 양국이 얻은 경험에서 두 번째 목적은 지적 재산권 중재 분야의 미숙 한 국가 인 캄보디아가 어떻게 배울 수 있는지 그리고 아마도 가까운 장래에 그러한 분쟁을 해결하기위한 중재의 사용.

이 논문은 5 장으로 나누어 설명 될 것이다. 제 1 장은 지적 재산권의 유형, 지적 재산권 유형, 지적 재산권 및 국제 관련 국제 협약 및 지적 재산권의 국가적 측면을 포함하여 지적 재산권과 관련된 몇 가지 문제를 다루는 "지적 재산권 문제". 두 번째 장은 지적 재산권 분쟁에 관한 국제 중재의 혜택, 지적 재산권 분쟁에 관한 국제 중재의 제한 및 지적 재산권 분쟁의 중재 문제와 같은 세 가지 주요 사항에 대해 논의 할 예정인 "지적 재산권 분쟁 중재"이다. 다음 3 장은 "미국 지적 재산권 분쟁의 법적 및 규제 적 틀"에 대한 논의를 시작할 것이며, 이 장에서는 미국 중재 규정, 지적 재산 분쟁의 중재 가능성에 대한 규제 및 규제 방법, 그러한 분쟁의 인정 및 집행. 4 장은 "한국 지적 재산권 분쟁의 법적 및 규제 적 틀"에 관한 내용이다. 이

장에서는 한국의 중재, 중재 규칙, 지적 재산권 분쟁 중재의 현황, 상장의 인정 및 집행에 관한 규정을 설명한다. 마지막으로 캄보디아의 지적 재산권 시스템에 대한 통찰력과 지적 재산권 분쟁을 다루는 전형적인 메커니즘, 중재 관행에 대한 전반적인 개요를 제공하는 "캄보디아의 지적 재산 및 중재에 관한 법률 및 규제 프레임 워크" 그러한 목표를 달성하기 위한 권고와 함께 지적 재산과 관련된 분쟁 해결에 있어서 중재 관행을 채택 할 필요성이있다.

**주요어:** 중재, 지적 재산, 국제 지적 재산권 분쟁, Arbitrability, 대체 분쟁 해결.

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