The New 2014 WIPO ADR Rule Set: Flexible, Efficient and Improved

By Peter Michaelson

The World Intellectual Property Organization (WIPO), based in Geneva, Switzerland, a self-funded agency of the United Nations, acts as a global forum for intellectual property services, policy, information and cooperation.[1] The WIPO Arbitration and Mediation Center ("Center"), established in 1994, offers alternative dispute resolution (ADR) services to resolve international commercial disputes between private parties.[2]

In 1994, the Center developed its first set of arbitration and mediation rules. While these rules were initially formulated to accommodate certain characteristics of IP-based technology disputes, they proved to be a general, flexible, cost- and time-effective framework for arbitrations and mediations embracing a wide variety of IP-related substantive areas.[3] In 2002 these rules were updated and expanded to include the WIPO Expedited Arbitration Rules and in 2007 further expanded by addition of the WIPO Expert Determination Rules.

The new 2014 WIPO Rule Set applies to all arbitrations, mediations and expert determinations commenced on or after June 1, 2014. These new rules are based on work from 2013-2014. The 2002 Rule Set was updated to formalize beneficial practices that were utilized by the Center and to take into account revisions made through the 2010 UNCITRAL Arbitration Rules. These updates were also based on consultations by the Center with a group of selected IP arbitration and mediation experts from around the world, including WIPO neutrals and party representatives.[4]

This article addresses: (1) key differences under the 2014 Rule Set between standard and expedited WIPO arbitration proceedings; (2) core revisions made to the 2002 Rules that are incorporated in the 2014 Arbitration and Expedited Arbitration Rules—these revisions include specific provisions regarding joinder and consolidation; setting, as a default process, the list selection procedure for selecting a sole/presiding arbitrator; mandating the use of a preparatory conference; and concerning emergency relief; and (3) the 2014 WIPO Expert Determination and Mediation Rules.

Standard and Expedited Arbitration Under the 2014 Rule Set

Where time and cost are primary concerns, expedited arbitration may provide significant efficiencies over standard arbitration. However, while both processes are very similar under the 2014 Rules, several important distinctions should be considered when choosing between them.

While a standard arbitration can utilize a sole or tripartite panel, an expedited proceeding only employs a sole panelist ((Exp.) Arb. Rules Art. (14) 14, 16, 17).

All time periods are compressed in an expedited arbitration. A standard arbitration typically completes within 14-16 months from its commencement; an expedited arbitration typically completes within half that time.

Specifically, in a standard arbitration, the Answer to a Request for Arbitration is due 30 days after the respondent received the Request (Arb. Article 11), but 20 days after receipt in an expedited arbitration (Exp. Arb. Article 11). Further, in a standard arbitration, a Statement of Claim or Defense (including any counterclaim) may accompany, respectively, the Arbitration Request or the Answer (Arb. Arts. 10, 12, 41). In the absence of a simultaneous filing, the Statement of Claim is due 30 days after the establishment of the tribunal, with the Statement of Defense being due 30 days after the respondent's receipt of the Statement of Claim or the establishment of the tribunal, whichever is later (Arb. Arts. 41, 42). However, in an expedited arbitration, the Statement of Claim and Defense must be filed coincident with the Request and the Answer, respectively (Exp. Arb. Arts. 10 and 12). If a counterclaim is filed, then in a standard arbitration, a corresponding reply must be filed within 30 days of the claimant's receipt of the Statement of Defense (Arb. Arts. 42 and 43). This time period is shortened to 20 days in an expedited arbitration (Exp. Arb. Art. 36 and 37).

In a standard arbitration, the tribunal has flexibility to set the date of the evidentiary hearing as it deems appropriate (Arb. Article 55); in an expedited arbitration, the hearing must be convened within 30 days after the claimant has received the Answer and Statement of Defense (Exp. Arb. Article 47). Further, while an evidentiary hearing is not limited in duration in a standard arbitration, in an expedited arbitration it can only last 3 days, absent exceptional circumstances ((Exp.) Arb. Article (49) 57).

A standard arbitration proceeding is declared closed within 9 months after the tribunal receives the Statement of Defense or the tribunal is established, whichever is later, with the arbitral award due 3 months later, though both periods can be extended (Arb. Art. 65). These periods are reduced to 3 months and 1 month, respectively, in an expedited arbitration; here too, these periods can also be extended (Exp. Arb. Article 57).[5]

The administrative fees charged by the Center are specified by WIPO's Fee Schedule and increase as a function of the amount in dispute up to maximum fees

of $15,000 and $25,000 for expedited and standard arbitrations, respectively, each with $10 million or more in dispute. For standard arbitrations, arbitrator's fees range from $300-$600 per hour, or a commensurate daily rate agreed upon among the Center, the parties and the arbitrator(s). However, in an expedited arbitration involving amounts in dispute of up to $2.5 million and between $2.5-10 million, arbitrator's fees are respectively fixed at $20,000 and $40,000. For expedited arbitrations involving larger amounts, the arbitrator's fees are not specified and are simply subject to agreement among the Center, the parties and the arbitrator.[6] Based on the parties' agreement, either arbitration proceeding may be preceded by a mediation or an expert determination.[7]

Core Revisions in the 2014 Arbitration and Expedited Arbitration Rules

Joinder

Often in disputes involving multiple parties, a need arises to add a new party after an arbitration has commenced.

Modeled on Article 17(5) of the 2010 UNCITRAL Arbitration Rules, Article (40) 46 of the 2014 (Exp.) Arbitration Rules permits a tribunal to order that an additional party be joined to a pending arbitration. Unlike UNCITRAL Article 17(5), which requires that the additional party be a party to the underlying arbitration agreement and that all parties have an opportunity to be heard on the issue of joinder, the 2014 Rules do not require that the additional party be a party to the agreement but do require that all parties, including the additional party, agree to joinder.

Further, under the 2014 Rules, to determine whether joinder is appropriate, the tribunal should consider all relevant circumstances including the stage of the arbitration when joinder is requested. Additionally, a request for joinder should be filed as early as possible with the Center, either with the Request for Arbitration or the Answer, or, should relevant circumstances arise later justifying joinder, within 15 days after the requesting party acquires knowledge of those circumstances ((Exp.) Arb. Article (40) 46).

Consolidation

Given the increasing prevalence of separate proceedings related by substance or parties, Article (40) 47 of the 2014 (Exp.) Arbitration Rules permits consolidation of a new arbitration into a pending one. The new arbitration must either: (a) concern subject matter that is substantially related to that which forms the basis of the dispute in the pending arbitration; or (b) involve the same parties as in the pending arbitration. Furthermore, before ordering consolidation, the tribunal in the pending arbitration needs to: (a) consult with all the parties in both arbitrations and any tribunal, if any, which has been appointed in the new arbitration; and (b) obtain agreement of all parties and the appointed tribunal to consolidation. As with joinder, the tribunal in the pending arbitration must take into account, in deciding whether to order consolidation, all relevant circumstances, including the stage then reached, in the pending arbitration.

List Procedure for Selecting a Sole/Presiding Arbitrator

The 2002 WIPO Arbitration Rules incorporated a "list procedure" for use by the Center in appointing a sole or presiding arbitrator in instances where the parties failed to make such an appointment. Through this procedure, the Center takes into account the particular qualifications then sought by the parties, establishes a list of at least 3 candidates from its own panel of neutrals, and provides that list and accompanying biographical information to each party. Each party strikes any candidate to which it objects and numerically ranks, in order of preference, the remaining candidates, and then returns a marked list to the Center. The Center combines the rankings and appoints the candidate with the highest combined ranking. If the marked lists fail to reveal any candidate acceptable to the parties, then the Center, acting in its discretion, selects the sole or presiding arbitrator from the lists, taking into account any preferences or objections expressed by the parties.[8] This approach is embodied in Article 8 of the 2010 UNCITRAL Arbitration Rules.

As this list procedure proved over time to be effective and well-balanced, the Center, through Exp. Arb. Article 14, set it as the default process for selecting the sole arbitrator in expedited arbitrations. Pursuant to this Article, this process is only used when the arbitrator is not nominated, through party agreement, within 15 days after the proceeding commenced. Further, under this article, each party has a maximum period of 7 days to return its marked list to the Center. When this procedure is used, as the default process under Arb. Article 19, to appoint either the sole or presiding arbitrator in a standard arbitration, these two periods are set to 45 and 20 days, respectively.

Preparatory Conference

Focusing and organizing an arbitration proceeding and scheduling its constituent stages through a preparatory conference (preliminary hearing), held shortly after the tribunal has been appointed, often significantly increased both the time and cost efficiency and overall effectiveness of the proceeding. Though this practice has been optional, the Center strongly favored its use. To achieve efficiencies across all WIPO arbitrations, under the 2014 Rules, such conferences are now mandatory under (Exp.) Arb. Article (34) 40. Further, pursuant to (Exp.) Arb. Article (51) 57, a tribunal should also raise, at this conference, its need to appoint its own independent expert(s) to opine on any specific issues.

Emergency Relief

Under the 2002 WIPO (Exp.) Arbitration Rules and continuing through the 2014 Rules ((Exp.) Arb. Article (42) 48), an arbitration tribunal is empowered to award interim relief by issuing provisional orders or undertake other interim measures, as it deems necessary, to conserve goods and obtain appropriate security for claims and costs. The 2014 Rules expand the concept of available relief to include emergency relief. Through (Exp.) Arb. Article (43) 49, a party need not wait for the entire tribunal to be appointed—which, depending on specific circumstances, can consume considerable time—to submit a request to the Center for emergency relief.

The Center, in turn, will inform the other party of the request and then proceed to appoint a sole emergency arbitrator, all within 2 days. Within certain limitations noted in (Exp.) Arb. Article (43) 49, that arbitrator has the same powers as the tribunal. Any challenges raised to the appointment must be made within 3 days thereafter.

The emergency arbitrator can conduct the proceeding in any manner (s)he deems appropriate, taking into account the urgency of the emergency proceeding and the need to ensure that each party has a reasonable opportunity to present its case. That arbitrator can issue any order (s)he deems necessary and condition such orders on the requesting party furnishing appropriate security, and also apportion costs for the emergency relief proceeding. The emergency arbitrator can also modify or terminate that order, as appropriate. Emergency proceedings automatically terminate if arbitration is not commenced within 30 days from the date the Center received the request for emergency relief. Further, once the tribunal is established, the power of the emergency arbitrator ceases and the tribunal, upon party request, can modify or terminate any measure ordered by the emergency arbitrator. The emergency arbitrator is prohibited, unless the parties agree otherwise, from being a member of the tribunal. Emergency relief under these rules is only available, unless the parties have agreed otherwise, for arbitration agreements that have been entered into on or after January 1, 2014.

2014 WIPO Expert Determination Rules

Through an expert determination,[9] parties, by mutual agreement, can submit a specific matter(s) (e.g., technical question(s), IP asset valuation, specific royalty rates) to one or more experts who will make a determination on that matter. Once the proceeding commences, a party cannot unilaterally withdraw from it. The proceeding is confidential with its results being binding on the parties unless they agree otherwise (Exp. Det. Arts. 15 and 16). The Expert Determination rules remain principally unchanged from their 2007 version.

Basically, the proceeding entails a party first filing with the Center a request, copied to the other party, for an expert determination (Exp. Det. Article 5) and an accompanying administrative fee (Article 20). The other party then has 14 calendar days to file its answer, including pertinent documents (Article 7). Thereafter, an expert—generally one though more may be appointed if necessary—is selected and appointed pursuant to Article 8 under which the expert(s), if any, mutually selected by the parties is appointed, failing which, the Center, in consultation with the parties, selects and appoints a suitable independent and impartial expert(s). The expert, under Article 9, is prohibited from having any other role in any future proceeding (judicial, arbitral or otherwise) involving the matter submitted to expert determination. Under Article 10, the expert: (a) remains under a duty to disclose, throughout the proceeding, any facts that might give rise to justifiable doubt as to that expert's continuing impartiality/independence, and (b) is subject to challenge for a perceived lack of independence or partiality. The challenge period is 7 days after the expert is appointed or the challenging side becomes aware of facts underlying its basis for challenge. Under Article 13, the expert can conduct the proceeding as (s)he deems appropriate provided each party has an adequate opportunity to present information relevant to the determination. The expert can hold meetings however (s)he deems best, e.g., teleconference, videoconference, web conference or inperson. The expert can request further submissions from the parties or inspection of a site, property, product or process. Pursuant to Article 16, the expert issues a written determination of the issues presented. Within a 30-day amendment period, a party can request the expert to correct clerical and other similar errors in the determination. Should a settlement occur prior to the written determination, then, under Article 18, the expert terminates the determination. The fees for the determination are shared equally by the parties, unless the parties agree otherwise with, under WIPO's Fee Schedule, the fees of the expert ranging between $300-$600/hour (or $1,500-$3,500 per day) and the administrative fees linearly increasing with the amount in dispute up to a maximum of $10,000 (Arts. 21 and 23).

2014 WIPO Mediation Rules

To initiate a mediation, under the 2014 WIPO Mediation Rules, a party files a request with the Center (and copied to the other party) together with payment of the appropriate administrative fee (Med. Rules Arts. 3 and 21). The Center then proceeds, under Article 6, to appoint a mediator mutually agreed by the parties, or, failing that, to select, in consultation with the parties, and appoint a suitable mediator based on its list selection process. The mediator then conducts the mediation as the parties have agreed or, in the absence of such agreement, as the mediator deems best (Arts. 9-13). The mediation process is confidential with a written undertaking being executed by all involved (Article 15) and, unless the parties agree to the contrary, privileged (Article 17).

The mediation fees are shared equally by the parties, unless the parties agree otherwise, with, under WIPO's Fee Schedule, the fees of the mediator ranging between $300-$600/hour (or $1,500-$3,500 per day) and the administrative fees increasing with the amount in dispute up to a maximum of $10,000 (Arts. 22 and 24).

The 2014 Mediation Rules incorporate two principal changes from the 2002 version: the delineation in Article 6 of the list procedure as a default procedure for mediator selection and, in Article 13, the preclusion of a med-arb proceeding in which the mediator previously had the ability, with the consent of the parties, to act as a sole arbitrator in a subsequent (expedited) arbitration.

Conclusion

The new 2014 WIPO Rule Set enhances the ADR framework established by the prior rules to advantageously provide additional flexibility and further time and cost efficiencies. Accordingly, counsel and parties should seriously consider adopting and using these new rules for resolving disputes, occurring across a wide variety of substantive areas, that involve IP-related issues.

Endnotes

1. WIPO home page at http://www.wipo.int.
2. See http://www.wipo.int/amc/en/center/background.html.
3. H. Wollgast et al., "WIPO Arbitration and Mediation Center: New 2014 WIPO Rules; WIPO FRAND Arbitration," *ASA Bulletin*, Vol. 32, No. 2 (June 2014), pages 145-155, specifically p. 146.
4. *Id.* at p. 146. The author participated in such a consultation session held in New York City during June 2013.
5. A table comparing these time periods is available at http://www.wipo.int/amc/en/arbitration/expedited-rules/compared.html.
6. The WIPO Arbitration/Expedited Arbitration Fee Schedule is available at http://www.wipo.int/amc/en/arbitration/fees/index.html.
7. See http://www.wipo.int/amc/en/clauses/index.html.
8. Wollgast et al. at p. 147.
9. See http://www.wipo.int/amc/en/expert-determination/.

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The author expresses his sincere gratitude to the WIPO Arbitration and Mediation Center for all the assistance it graciously provided to him during his preparation of this article.

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