13 Overcoming Problems with Use of Arbitration for Intellectual Property Disputes(*)

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The purpose of this study is to inquire into what should be done to make arbitration more appealing to parties involved in disputes relating to industrial property as a means to solve their disputes, and promote their use of arbitration. The study also aims to clarify what kinds of capabilities are required of persons engaged in resolving industrial property disputes (e.g. parties' representatives, arbitrators, and arbitral institutions). This report reviews the measures to promote the use of arbitration that have been proposed thus far and identifies the problems with these measures. Through comparison and analysis of the current status and characteristics of the use of arbitration in the field of industrial property arbitration and various other fields, including international commercial arbitration, investment arbitration, and sports arbitration, as well as the results of the questionnaire surveys targeting arbitral institutions, the report further intends to explore and reveal the demands placed upon the dispute resolution system for industrial property disputes and find solutions for the issues that have been designated as the purpose of the study.

Ⅰ Introduction

As a means to resolve industrial property disputes, arbitration and other alternative dispute resolution procedures are available, except where the dispute involves the issue of the validity of a patent right or other right, which is basically under the jurisdiction of the administrative agency. However, arbitration is not frequently used in the field of industrial property, or even including other fields.

This study inquires into what should be done to increase the use of arbitration, focusing on arbitration of industrial property disputes. Another aim of this study is to explore and reveal the demands placed upon the dispute resolution system itself and the persons concerned in this area, and also to clarify what kind of capabilities are required of legal professions engaged in resolving industrial property disputes.

Arbitration is a type of dispute resolution procedure wherein the parties agree to leave their dispute to be resolved by the decision of an independent and impartial third party and abide by this decision. The third party in charge of resolving the dispute is an *arbitrator*, the decision made by the arbitrator is an *(arbitral) award*, and the agreement to leave a dispute to the arbitrator and accept the terms of the award is an *arbitration agreement*.

Merits of arbitration are that the proceedings are flexible, speedy, low-cost, and closed to the public; a decision made by a specialist is promising; and an arbitral award is enforceable. In addition, arbitration is advantageous in resolving international civil disputes in that it does not involve any court in any country, and that the enforceability of an award is assured anywhere in the world in accordance with the international conventions.

However, arbitration is not free from demerits. The biggest one is that arbitration is unavailable if there is not an arbitration agreement between the parties. This is the limit of such an agreement-based dispute resolution procedure as arbitration. A new problem that has recently come to light is that arbitration proceedings tend to be delayed as they become more akin to court proceedings. There is also a cost problem; as compared to court proceedings operated by the State and supported by tax, arbitration proceedings incur more costs, including the remuneration for the arbitrator(s) and the administrative fees for the arbitral institution, despite the fact that arbitration proceedings are speedy enough to be finished in a single instance.

Since most provisions of the Arbitration Act are not mandatory, the parties may decide details of proceedings freely by agreement. At the same time, arbitration proceedings are not easy for those inexperienced to handle. As a help for them,

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some arbitral institutions lay down rules for arbitration proceedings and administer arbitration proceedings. Such institutions existing in Japan include: Japan Commercial Arbitration Association (JCAA); Japan Shipping Exchange, Inc.; Japan Intellectual Property Arbitration Center (JIPAC); and Japan Sports Arbitration Agency (JSAA). There are a number of arbitral institutions in other countries. There are also international arbitral institutions, such as the International Chamber of Commerce (ICC) International Court of Arbitration, the London Court of International Arbitration (LCIA), the WIPO Arbitration and Mediation Centre, and the Court of Arbitration for Sport (CAS).

The main subject of this study is arbitration of industrial property disputes, which refers to arbitration of disputes over licensing agreements for patents, trademarks and other industrial property rights, and disputes arising from the infringement of these rights. The study also targets other important fields where arbitration is frequently used to resolve disputes, namely, international commerce arbitration, sports arbitration, domain name arbitration, and investment arbitration.

The research methods applied in this study include: document investigation on the past measures to promote the use of arbitration; analysis of the characteristics of the disputes brought to arbitration; review of the results of the questionnaire surveys implemented relatively recently, targeting the arbitral institutions and the legal affairs personnel in enterprises; and analysis of the rules of arbitral institutions.

Ⅱ Current Situation of Industrial Property Disputes, and Current Status and Problems of Industrial Property Arbitration

Before considering the measures to be taken to promote the use of arbitration for industrial property disputes, it is important to find out what types of disputes have occurred in this field and how they were finally resolved.

The total annual number of ordinary civil cases relating to intellectual property received by district courts has continued to stand at a level of around 500 for the past three years, from FY2007 to 2009, with a slight increase seen in FY2009. The number of such cases received by high courts has remained at a level of around 130 to 140 during the same three-year period[1].

Among those ordinary civil cases relating to intellectual property newly received by district courts, patent-related cases account for the largest share, followed by copyright-related cases. The percentage of trademark-related cases was exceeded by that of unfair competition-related cases in FY2009.[2]

The average period of pendency among all ordinary civil cases relating to intellectual property handled by district courts was 25.7 months in 1998. It became shorter until 2004, and remained at a level around 12 to 14 months in the past five years. Looking at the number of ordinary civil cases relating to intellectual property pending before high courts in the second instance, by the period of pendency, 108 cases (77.1%) were finally resolved within one year, and 134 cases (95.7%) within two years. Even taking into account the time required for proceedings before the Supreme Court, Japanese court system handles intellectual property disputes in an expeditious way[3].

According to statistical data compiled by the Intellectual Property Division of the Tokyo District Court, both in FY2008 and FY2009, cases finally resolved by a court judgment or order accounted for over 30% but less than 40%, suggesting that almost half of the cases brought to that division were resolved by settlement. Also based on the data concerning all civil cases handled by the Tokyo District Court, about 40% are closed by a court judgment, whereas settlement is made to close about one-third of the total. This comparison shows that the Intellectual Property Division frequently resolved cases by settlement[4].

The disputes handled with Industrial property arbitration can be divided into two major types, disputes relating to licensing agreements and those relating to infringement. The Japan Intellectual Property Arbitration Center (JIPAC) and the WIPO Arbitration and Mediation Centre exist as Japanese and international arbitral institutions specialized in industrial property disputes, respectively. Arbitration is often initiated based on an arbitration agreement contained in a contract, and handled by a general arbitral institution.

Problems with industrial property arbitration should be studied from the following two perspectives: (i) the scope of legal issues suitable to be addressed in arbitration; and (ii) the currently low use of arbitration.

Industrial property disputes brought to arbitration sometimes involve disputes over the validity of the relevant industrial property rights.

However, this legal issue cannot be definitively determined by arbitration, which makes it impossible to completely put an end to the dispute.

Even taking this problem into account, the number of industrial property arbitration cases in Japan is rather too small. For instance, JIPAC received more than 20 requests for mediation or arbitration in 2003, but after that, the number of requests it received exceeded 10 only in the years 2004, 2006, and 2007, while it received only 5 requests or so in other years. Furthermore, arbitration accounted for only 5% of all cases received, which means that the JIPAC handed one or fewer arbitration cases, each year[5]. This tendency is also seen on a global scale. Reportedly, since its establishment in 1994, the WIPO Arbitration and Mediation Centre has handled more than 240 disputes, of which the percentage of those relating to industrial property is not so large[6].

Ⅲ Measures to Promote the Use of Arbitration Proposed Thus Far

Measures to promote the use of arbitration, which have been proposed thus far, relate to the Arbitration Act, arbitrator, raising awareness on arbitration, and internationalization. There have been a number of measures proposed to promote the use of arbitration in the field of industrial property, which are almost the same as those concerning arbitration in general[7].

The Arbitration Act was criticized for being too old. Until it went through overall revision in 2003, the Arbitration Act had been left unrevised since its enactment, more than a century ago. Due to the out-of-date provisions and the limited number of judicial precedents in arbitration cases, uncertainty in regard to the interpretation and application of the Arbitration Act remained[8].

Securing a skilled arbitrator is the key to ensuring that arbitration proceedings are carried out speedily and correctly, and that a high-quality award is handed down. From this point of view, many experts emphasized the quality of arbitrator. Specifically, they proposed the introduction of the training programs implemented by foreign arbitral institutions into Japan, and the granting of a qualification for arbitrator[9].

Raising awareness of arbitration was also advocated. It was proposed that active efforts should be made to enhance education at university as well as to provide information to the public with regard to arbitration. Another proposed measure was to disclose awards actively so as to enable the public to know the content of the awards actually handed down[10].

In the context of internationalization, the following problems were pointed out. (i) A person qualified as a legal professional under foreign law but not qualified as such under Japanese law serving as a representative for a party to arbitration constitutes a violation of Article 72 of the Attorney Act (this problem has been corrected through legislation). On the other hand, if such person has served as an arbitrator, he/she would not be in violation of Article 72 of the Attorney Act. However, there was still a risk of being accused of violation because this treatment was only based on the interpretation of said Article and not stipulated by law[11]. (ii) Presumably, foreign nationals and enterprises felt anxiety as they were unable to understand the details of Japanese laws or the way of thinking of Japanese people, and this might be the cause of their unwillingness to use the arbitration system in Japan. The importance of providing more information on Japanese laws to other countries was voiced[12]. In connection with this problem, it was also argued that foreign parties would refuse to respond to arbitration in Japan for the reason that the lists of arbitrator candidates, prepared by the arbitral institutions located in Japan, contained no person of their nationality[13].

Ⅳ Current Status and Characteristics of Use of Arbitration

1 Overview

Until around the early 1990s, arbitration had been used mostly on the occasion of resolving disputes arising from commercial transactions between enterprises of industrialized countries. This type of arbitration is called “international commercial arbitration.” In the past decade, however, the situation has changed drastically. Arbitration is now chosen as an alternative to court proceedings, which is provided by the State, by parties in disputes for which court proceedings are unavailable for some reason, or for which no effective resolution may be expected through court proceedings, due to the procedural cost, time, and other constraints.

2 International commercial arbitration

The number of requests for arbitration submitted to the major institutions engaged in handling international commercial arbitration has

been increasing each year. The ICC International Court of Arbitration, which is a famous arbitral institution in the world, received 599 requests in 2007, 663 requests in 2008, and 817 requests in 2009. On the other hand, the JCAA, a Japanese arbitral institution, did not receive so many requests: only 15 in 2007, 12 in 2008, and 18 in 2009[14].

Based on the data on the ICC International Court of Arbitration, the trends and characteristics of the current international commercial arbitration are analyzed as follows. By 2010, the ICC International Court of Arbitration had handled slightly less than 17,000 arbitration cases, in which only a limited number of Japanese persons were involved as disputing parties or appointed as arbitrators, and Japan was rarely chosen as the place of arbitration[15].

The type of dispute that has traditionally been popular is construction-related disputes, constantly accounting for about 15% of the total. This is followed by disputes related to energy, telecommunications, and finance/insurance, respectively standing in the range of 7 to 10%. Disputes related to mining, transportation, industrial equipment, and general sales/ trade hold about a 5% share respectively[16]. The amount in the dispute exceeded 100,000 US dollars in most cases, which suggests that arbitration was not frequently used for a small amount in dispute[17].

3 Domain name arbitration

Domain name arbitration is a type of arbitration used to resolve a dispute over a domain name, meaning an Internet address such as *iip.or.jp*. The conflict arises between the person who owns a trademark right or other right in relation to the trademark, or service mark identical or similar to the domain name, and the registrant of the domain name.

This type of dispute can be prevented by substantially examining, upon the registration of a domain name, whether or not there is any trademark right, etc. that might be affected by such registration. In Japan, domain name disputes can be resolved by a court of justice in accordance with the Unfair Competition Prevention Act. However, too many domain name registrations prevent registrar to check every single one. Furthermore, court proceedings might be an impractical approach in cases where the registration of the domain name by the registrant is found to be of malicious nature. For these reasons, arbitration is used as a simple and speedy way of resolving disputes relating to domain names.

The decision in domain name arbitration is published. Although a decision is not binding as a precedent in a strict sense, it plays a significant role in enhancing and refining the substantive laws on resolution of domain name disputes.

In Japan, the Japan Intellectual Property Arbitration Center (JIPAC) has been approved to resolve domain name disputes, and from 2000 to 2010, it handled 78 arbitration cases[18]. With regard to disputes over domain names used on a global scale, such as *.com*, *.net*, and *.org*, the WIPO Arbitration and Mediation Centre serves as an authorized dispute resolution institution.

4 Investment arbitration

Each country sets regulations for foreign investment, while comparing the various factors concerned, such as the need to attract investment from outside the country, and the need to protect the development of its own industry. Depending on the economic or political situation, or due to violent fluctuations in resource prices, the host country may suddenly change its investment regulations or nationalize the rights and interests acquired by investors. A dispute arising between the investor and the host country under such circumstances is referred to as an *investment dispute*.

From the perspective of seeking a fair and equitable resolution, it is inappropriate to bring an investment dispute to a court of the host country, because the host country would have to stand as a defendant in the case. It is also difficult to choose a court of another country due to the doctrine of sovereign immunity. Furthermore, this type of dispute cannot be submitted to the International Court of Justice because a private person has no standing to sue.

To rectify the situation where there was no realistic remedy for investment disputes, the Convention on the Settlement of Investment Disputes between States and Nationals of Other States took effect in 1966, and the International Centre for Settlement of Investment Disputes (ICSID) was established accordingly, making arbitration available for resolving investment disputes (this type of arbitration shall hereinafter be referred to as "ICSID arbitration").

It was not until recently that ICSID arbitration started to be frequently used. Especially in the past decade, the number of

requests for ICSID arbitration has significantly increased. Behind this sharp rise is the spread of bilateral investment treaties (BITs). A BIT is designed to promote mutual investment between the contracting parties, by completely or gradually abolishing their regulations for foreign investment, and also to protect investors and investment assets. In order to resolve a dispute by ICSID arbitration, as in the case of other types of arbitration, there must be an arbitration agreement. However, if the investor's home country and the host country have made an arrangement in advance to provide ICSID arbitration as a means to resolve any investment dispute that may arise between the investor and the host country, such an arrangement can substitute for an arbitration agreement. This arrangement between the countries concerned is included in a BIT.

Each Contracting State has the obligation to enforce an award rendered in ICSID arbitration. An award is not to be disclosed in principle, but is actually made public in most cases. Although an ICSID arbitration award is not binding as a precedent in a strict sense, it has a significant influence in the process of developing international investment law.

5 Sports arbitration

Sports dispute is a term that collectively refers to disputes over doping sanctions, selection of athletes and other decisions made by sport federations, athlete transfer to other teams, and contracts between athletes or sports federations and sponsor companies.

Going to court is not the best way to resolve sports disputes because for this type of dispute, by nature, a speedy resolution is critically important. In addition, not all sports disputes fall within the category of *legal disputes* for which courts have the power to make decisions. Accordingly, there is a call for arbitration as a system that is capable of meeting the need for a speedy resolution and that is expected to provide a fair and equitable decision.

Sports disputes attract much public attention. It is the same thing that people are very interested in the results of sports games, and considering that the government provides large subsidies for sports promotion, sports are a kind of national undertaking that should serve the public. Furthermore, an award rendered in arbitration on a non-legal dispute cannot be enforced through compulsory execution. It is therefore important to publicize such an award and place it under the supervision of society at-large, so as to put pressure on the obligor to perform the obligation voluntarily. From this perspective, awards are often required to be disclosed on the relevant websites.

The Court of Arbitration for Sport (CAS) is an international arbitration institution specializing in sports disputes. Most disputes relate to doping sanctions, whereas the CAS also deals with the few disputes relating to the selection of athletes of national teams. For the first decade following its establishment, the CAS was not frequently used. However, in the latter half of the 1990s, as the CAS established ad hoc divisions for the major athletic games, and more doping and other sports disputes occurred, the CAS gained high visibility worldwide, and the number of requests for arbitration filed with it increased accordingly. Subsequently, since it was designated as an appellate body for disputes relating to the FIFA games in 2000 and for doping disputes in 2004, the number of requests for arbitration exploded[19].

In Japan, the Japan Sports Arbitration Agency (JSAA) provides arbitration services, and it rendered awards in 15 cases between 2003 and 2010. Among them, the most popular disputes were those relating to the selection of athletes of national teams for the Olympic Games and other international competitions in eight cases, followed by four cases on disputes over sanctions to suspend qualifications of coaches and athletes, two cases on doping disputes, and one case on other type of dispute[20]. Some countries, such as the United Kingdom, Canada, and New Zealand, also have sports arbitration institutions similar to the JSAA, which handle more arbitration cases than the JSAA does.

6 Conclusion of Part IV

The high use of arbitration occurs in the situation where any of the following factors or the combination thereof exists: (i) difficulty in using court proceedings; (ii) independence and impartiality of the person authorized to decide; (iii) speed of proceedings; (iv) specialized nature of the person authorized to decide; and (v) enforceability.

The independence and impartiality as well as the specialized nature of the person authorized to decide are essential factors in every field of arbitration.

The difficulty in using court proceedings is particularly evident in the fields of international

commercial arbitration, investment arbitration, and sports arbitration. In international commercial arbitration and investment arbitration, which are to resolve disputes between the parties of different nationalities or between the investor and the host country, going to a court of the country of either party is unacceptable to the other party. It is also difficult to use court proceedings to resolve sports disputes because not all of these disputes can be categorized as legal disputes. The requirement of speed in proceedings may be another reason for such difficulty.

Speed in proceedings is necessary in every field of arbitration, but its necessity is extremely high in sports arbitration. Suppose there is a dispute over the selection of a representative for an athletic match. If it took too much time to resolve the dispute, the athletic match would end while the case was pending, and the dispute could never be resolved effectively.

Enforceability is emphasized particularly in international commercial arbitration and investment arbitration. While the system for the international recognition and enforcement of awards has been established for international commercial arbitration under international treaties, there is no such system for court decisions. As for investment arbitration, in which one party is a State, there would be a considerable obstacle to the enforcement of awards due to the doctrines of sovereign immunity and state immunity from enforcement, except for arbitration under an international treaty in which the Contracting States are obliged to enforce awards, such as in ICSID arbitration.

Ⅴ Arbitration, Seen from the Standpoint of People in Enterprises

What people in enterprises think of arbitration has been studied in several surveys. One of the results of a recent survey is a report released by the Japan Economic Foundation in March 2008, entitled "Research and Study Report on How to Activate International Commercial Arbitration in Japan." Based on this report, the people in enterprises' perception of arbitration are examined in this part.

To what extent do people in enterprises understand arbitration? The report shows that at least legal affairs staff in Japanese enterprises are considerably informed with regard to arbitration, whereas sales staff, who actually attend to and deal with the process of concluding contracts, still have room to improve their understanding of arbitration.

In response to the question of what was the reason for choosing arbitration as a dispute resolution procedure, the selected options were ranked as follows: 1. international enforceability; 2. speediness; 3. nondisclosure to the public; 4. neutrality; 5. single instance; 6. specialized nature; 7. low cost; 8. others. International enforceability was ranked the highest probably because the research mainly targeted the topic of international commercial arbitration. The result also indicates the high demand for arbitration proceedings due to their speed and nondisclosure to the public.

Arbitral institutions were selected based on criterion in the following order of rank: 1. performance/trustworthiness; 2. high recognition /internationality; 3. neutrality and impartiality; 4. convenience/location/language; 5. location in Japan; 6. no special criterion; 7. selection based on the place of arbitration; 8. others. The fact that performance/trustworthiness and high recognition /internationality were ranked high suggests that the lack of experience of Japanese arbitral institutions is the direct cause of the low use of arbitration.

Among people who actually used arbitration, speediness, nondisclosure, single instance, enforceability, and specialized nature were mentioned as the merits of arbitration while, at the same time, high cost, prolonged proceedings, no possibility of appeal, and unavailability of a person suitable for the position of arbitrator were the factors selected as demerits of arbitration. Such opinions that the choice of arbitration actually incurred more time and cost, and that a person suitable for arbitrator was unavailable were heard from more than a few attorneys and legal affairs personnel who had actually used arbitration. Consideration should be given to these opinions.

Ⅵ Analysis of Procedural Rules Applied by the Leading Arbitral Institutions in Each Field

Among various fields of arbitration, international commercial arbitration has the longest history and has been used most frequently. Accordingly, in this field, know-how on carrying out proceedings has been accumulated, and arbitration rules have been established so as to assure speedy, low-cost, fair, and equitable

proceedings.

This part reviews mainly the arbitration rules of the ICC International Court of Arbitration, as well as those of the WIPO Arbitration and Mediation Centre, the Japan Commercial Arbitration Association (JCAA), and the Japan Intellectual Property Arbitration Center (JIPAC), with regard to the appointment of arbitrators, the steps in arbitration proceedings, hearings and examination of evidence, and awards, and explores the important procedural factors for promoting the use of arbitration.

As for the appointment of arbitrators, the major arbitral institutions have rules regarding the number of arbitrators; the procedure of appointing arbitrators; the independence, impartiality, and quality of arbitrators; and challenge of an arbitrator. These rules do not vary much from one institution to another, with the exception that the rules of the ICC International Court of Arbitration provide for a unique step of *confirmation* in the process of appointment of arbitrators. The arbitrator(s) nominated by the parties must be confirmed by the Court. In confirming or appointing arbitrators, the Court shall consider the prospective arbitrator's nationality, residence and other relationships with the countries of which the parties or the other arbitrators are nationals and the prospective arbitrator's availability and ability to conduct the arbitration in accordance with the ICC Rules of Arbitration. The Court may confirm arbitrators basically on condition that they have filed a statement of independence (Article 9 of the ICC Rules of Arbitration). The rules of other arbitral institutions also include unique provisions: the JIPAC requires that the Arbitral Tribunal include at least one attorney-at-law and one patent attorney as its members (Article 5 of the JIPAC Rules for Arbitral Proceedings); both the JCAA and the JIPAC prepare a list of arbitrator candidates; the WIPO Arbitration and Mediation Centre and the ICC International Court of Arbitration require that each arbitrator make available sufficient time to enable the arbitration to be conducted and completed expeditiously (Article 23 of the WIPO Arbitration Rules, Article 7, Paragraph 5 of the ICC Rules of Arbitration); WIPO sets rules for communications between the parties and the arbitrators (candidates for appointment of arbitrators), and between the parties and the Tribunal (Articles 21 and 45 of the WIPO Arbitration Rules).

The critical factor for the speedy and efficient progress in arbitration proceedings is that the outline of proceedings and the points at issue have been identified within the initial stage of proceedings. In ICC arbitration proceedings, the Arbitral Tribunal shall draw up its Terms of Reference and establish a provisional timetable for arbitration procedures (Article 18 of the ICC Rules of Arbitration). The Terms of Reference shall include a summary of the parties' respective claims and of the relief sought by each party, a list of issues to be determined, and other particulars, and shall be signed by the parties and the Arbitral Tribunal. The Arbitral Tribunal shall transmit the signed Terms of Reference to the Court within two months of the date on which the file of the case was transmitted to it. The Arbitral Tribunal shall also establish a provisional timetable and shall communicate it to the Court and the parties. Under the JIPAC Rules for Arbitral Proceedings, on the other hand, the Arbitral Tribunal shall "make efforts" to create a plan for the arbitral proceedings, leaving room for doubt of its effectiveness (Article 20 of the JIPAC Rules for Arbitral Proceedings).

With regard to hearings and examination of evidence, the ICC Rules of Arbitration include the general provisions on the establishment of the facts of the case, as well as the provisions on experts, measures for protecting confidential information, hearings, and closing of the proceedings. The rules of other arbitral institutions have almost the same composition. However, as institutions engaged in dealing with intellectual property arbitration, the WIPO and the JIPAC include in their rules the provisions on "experiments" and "site visits" or "inspection," and the WIPO also provides for "agreed primers and models," so that they will be able to respond to circumstances peculiar to intellectual property disputes in the course of establishing facts. These provisions can be appreciated for contributing to a reduction in the causes of unnecessary disputes arising in relation to experiments and site visits, etc. Another distinctive feature of the rules of the WIPO and of the JIPAC is that the provisions on confidential information are very minute.

Common provisions concerning awards are seen in the rules of the major arbitral institutions, such as those on the matters to be stated in awards and the time limit for rendering awards. Meanwhile, the ICC International Court of Arbitration has a system that is not seen in other institutions, *scrutiny of the award*. Before signing any award, the Arbitral Tribunal shall submit it in draft form to the Court, which serves as the Secretariat, for its scrutiny. While a final decision

is to be made by the Arbitral Tribunal, the Court can make the Tribunal pay attention to points of substance through this process. Among the 415 awards rendered in 2009, 382 were subject to either the Court's modifications as to the form of the award or call for attention to points of substance, suggesting that considerably strict scrutiny was implemented. Special characteristics of the arbitration proceedings of the ICC International Court of Arbitration are the system of confirming arbitrators, the drawing up of the Terms of Reference, and the scrutiny of awards. These arrangements made it possible to carry out proceedings speedily and efficiently and to ensure that correct and quality awards will be rendered, thereby gaining trust from users of arbitration.

Arbitral institutions specialized in dealing with intellectual property arbitration have special rules for the steps that are necessary in their proceedings, such as experiments and site visits/inspections. Although experiments, etc. can be implemented even without being provided in the arbitration rules, the existence of the relevant provisions helps prevent unnecessary disputes. Yet, looking at the current situation of industrial property arbitration, whether or not such provisions on experiments, etc. have any positive impact on promoting the use of arbitration cannot be evaluated.

Ⅶ Promoting Industrial Property Arbitration

1 Overview

This part proposes measures to promote the use of industrial property arbitration. Before going on to the main topic, the peculiar circumstances seen in Japan are briefly explained again here. The number of ordinary civil cases received by district courts nationwide in relation to intellectual property, including copyrights, is not so large, and the average period of pendency is rather short. Cases finally resolved by a court judgment or order account only for 35% or so, and about half of the total are disposed by settlement. Costs for arbitration proceedings are to be totally borne by the parties, whereas the parties have to pay less in court proceedings in which operational costs are covered by tax.

In light of all these circumstances, arbitration is currently not an attractive means of dispute resolution, and it is extremely difficult to promote the use of arbitration to resolve industrial property disputes in Japan. Nevertheless, if we were to try to promote the use of industrial property arbitration, the approaches that we could take would be to further speed up proceedings, enhance information disclosure, improve the quality of arbitrators, increase the transparency of laws, and put into practice the promotion measures proposed thus far.

2 Speeding up of proceedings further

In order to promote the use of industrial property arbitration, it is necessary to establish arbitration proceedings that require less time and cost as compared to court proceedings. Of these two, the cost issue is not so critical because, if arbitration proceedings are speedier than court proceedings, the parties to disputes would be more willing to use the former, even where they would have to incur comparatively more costs. What is vital is to increase speed and efficiency of arbitration proceedings. To achieve this, adopting the terms of reference and a procedural schedule, such as those used in ICC arbitration, may be an effective solution. It is also necessary to make arbitration proceedings more predictable to the parties.

3 Enhancement of information disclosure

Information disclosure in arbitration has two aspects; one is information disclosure in general, and the other is information disclosure relating to arbitral awards.

Information disclosure in general refers to providing information on the arbitral institutions and arbitration proceedings. Although people in enterprises generally understand arbitration, they do not have sufficient information on the details of arbitration, which is one of reasons for the low use of arbitration. Arbitral institutions should disclose such information from which users will be able to concretely know how arbitration proceedings are carried out.

By disclosing awards to the public, trust in the dispute resolution system will increase, and if such disclosed awards are frequently quoted in the subsequent arbitration proceedings and discussed by experts, progress will be made in the relevant fields of law. One of the factors that caused the recent remarkable progress in the study of international investment law and sports-related law was disclosure of arbitral awards. It is desirable for awards rendered in industrial property arbitration to be disclosed as well, with due consideration given to

confidentiality of information. This movement will bring about the development of law and increase the trust in industrial property arbitration. In addition, although court proceedings are currently being operated in a less time-consuming and efficient manner, it is doubtful whether courts will be capable of responding to the further increase in cases. One possible solution may be to authorize arbitration to complement part of the functions of courts, but if this is to be put into operation, arbitral awards should be disclosed.

4 Quality of arbitrators

The quality of arbitrators determines the trustworthiness of arbitration proceedings, as well as the appropriateness and propriety of arbitral awards. In countries where arbitration is frequently used, there are a number of skilled arbitrator candidates. Some people in those countries have a view that there is not so much need to provide training for arbitrators, but in the fields of arbitration where arbitrators are required to be highly specialized, training programs are actually being implemented, thereby guaranteeing the quality of arbitrators.

In Japan, as arbitration has not yet been frequently used, there are not many persons who have ever served as arbitrators. Although the arbitral institutions have lists of arbitrator candidates, not all of the listed persons have actual experience as arbitrators. It is indisputable that arbitrators are required to have an advanced level of knowledge on legal and factual matters in the relevant field of disputes, and furthermore, the ability to manage arbitration proceedings is also very important. Since the arbitration rules provide for the minimum required matters, in actual arbitration cases, arbitrators have to manage proceedings, while hearing opinions of the parties. With this in mind, the Japan Association of Arbitrators holds seminars for arbitrators and provides training programs regarding the specific steps in arbitration proceedings. It is hoped that such training will be implemented more actively in the future.

5 Transparency of laws

As an obstacle to the frequent use of industrial property arbitration, the relevant Japanese laws have some problems with their transparency. One problem relates to unavailability of arbitration, depending on the type of dispute, and the other relates to Article 72 of the Attorney Act. Here, these problems are not discussed in detail but just pointed out, so as not to deviate from the main purpose of this study.

Arbitration is available only for disputes which the parties may settle by agreement. It is not suitable for deciding on infringement disputes, such as disputes on the validity of patent rights, etc., for which settlement by agreement is not allowed. The Supreme Court judgment on the Kilby Case led to the creation of Article 104-3 of the Patent Act, which allows the defendant in a patent infringement suit to allege invalidity of the patent as defense, although the court decision of invalidation is only effective between the parties. However, the relationship between this new provision and arbitration has not yet been clarified or discussed.

Article 72 of the Attorney Act poses issues as to the qualifications of an arbitrator and of a representative in arbitration. When a person not qualified as an attorney serves as an arbitrator, whether or not his/her service as an arbitrator constitutes violation of the Attorney Act becomes a problem. Although such service is not treated as violation in interpretative terms, it is not permitted under any explicit provisions of the Arbitration Act or any other statute. Representation in arbitration is basically subject to regulation under Article 72 of the Attorney Act. In cases relating to intellectual property, however, the Patent Attorney Act permits patent attorneys who meet the predetermined requirements to serve as representatives in arbitration. Foreign lawyers are also permitted to engage in the representation service in arbitration under the special law. However, viewed in the context of international arbitration, a question arises as to whether the Attorney Act of Japan is applicable only in the case where Japan is chosen as the place of arbitration, or also applicable in the case where the dispute has something to do with Japan. Thus, the laws relevant to arbitration have some uncertain points that need to be discussed in the future.

6 Putting into practice the promotion measures proposed thus far

To date, how to promote the use of arbitration has been discussed in a number of studies. The measures to promote the use of industrial property arbitration mentioned above are nothing new. Still, in view of the current low use of arbitration in this field, this study has proposed those measures. What is truly

necessary now is to put into practice these measures already proposed, one by one.

7 Qualities and capabilities required of persons engaged in resolving industrial property disputes

For the dispute resolution system, speediness, low cost, and trustworthiness are presumed to be the factors that users would significantly demand. On the other hand, persons engaged in handling the dispute resolution system are required to be correctly informed of arbitration, and be well versed in the procedural rules of the respective arbitral institutions so that they can choose the best institution depending on the type of dispute.

The last question is what capabilities are required of legal professions engaged in dealing with industrial property disputes. It is indisputable that they must be well versed in the laws and procedures that apply to the respective fields of dispute, and they must also have advanced knowledge of the technologies and other subjects meant to be protected by industrial property rights. However, with regard to the capabilities required particularly for the purpose of dealing with industrial property, this study has been unable to draw any definitive conclusion by making an analysis of the resolutions of industrial property disputes by arbitration alone.

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[1] For statistics on intellectual property litigation cases in Japan, refer to the data compiled by the Supreme Court, General Secretariat, Administrative Affairs Bureau: "Heisei 19 Nendo Chitekizaisanken Kankei Minji Gyōsei Jiken no Gaikyō" (Overview of the Civil and Administrative Cases Relating to Intellectual Property in FY2007), *Hosojiho* Vol. 60, No. 12, p. 3841 (2008); "Heisei 20 Nendo Chitekizaisanken Kankei Minji Gyōsei Jiken no Gaikyō" (Overview of the Civil and Administrative Cases Relating to Intellectual Property in FY2008), *Hosojiho* Vol. 61, No. 12, p. 3677 (2009); and "Heisei 21 Nendo Chitekizaisanken Kankei Minji Gyōsei Jiken no Gaikyō" (Overview of the Civil and Administrative Cases Relating to Intellectual Property in FY2009), *Hosojiho* Vol. 62, No. 12, p. 3179 (2010).

[2] Ditto.

[3] Ditto.

[4] Statistical data on the cases handled by the Tokyo District Court, Intellectual Property Division, are indicated in: Misao Shimizu and Takafumi Kokubu, "Tokyo Chiho Saibansho Chitekizaisan Senmonbu to Nihon Bengoshi Rengokai Chitekizaisan Seido Iinkai to no Iken Kōkankai no Kyōgijikō ni Kansuru Shomondai ni tsuite"(Issues on the Agenda of the Meeting for Opinion Exchange between the Tokyo District Court, Intellectual Property Division, and the Japan Federations of Bar Association, Intellectual Property System Committee), *Hanrei Times* No. 1301, p. 84 (2009); and Misao Shimizu, "Tōkeisūjitō ni Motozuku Tokyo Chisai Chizaibu no Jitsujō ni tsuite" (Reality of the Tokyo District Court, Intellectual Property Division, Based on statistical data), *Hanrei Times* No. 1324, p. 52 (2010).

[5] The Japan Intellectual Property Arbitration Center website: http://www.ip-adr.gr.jp/case-ctatistics/ (as of March 1, 2011)

[6] The WIPO website: http://www.wipo.int/amc/en/center/caseload.html (as of March 1, 2011)

[7] The Japan Machinery Federation and Institute of Intellectual Property, ed., "Heisei 9 Nendo Chitekizaisan no Funsōshori ni Kansuru Chōsa Kenkyū Hōkokusho: Saibangai Funsōshori Seido no Chōsa Kenkyū" (FY1997 Research and Study Report on Dispute Resolution in Intellectual property: Research and Study on the Alternative Dispute Resolution System) (1998); Copyright Research and Information Center, Japan Copyright Institute, ed., "Chosakukentō wo Meguru Saibangai Funsōshori Seido no Kenkyū, ADR Iinkai Hōkokusho" (Research and Study on the Alternative Dispute Resolution System for Copyrights, etc., Report by the ADR Committee) (2001); The Japan Machinery Federation and Institute of Intellectual Property, ed., "Chitekizaisanken Funsō kara Mita Chūsaiseido ni Kansuru Chōsa hōkokusho: Heisei 2 Nendo Chitekizaisanken no Enfōsumento ni Kansuru Chōsa Kenkyū Jigyō" (Research and Study Report on the Arbitration System from the Perspective of Intellectual Property Disputes: FY1990 Research and Study Project on Enforcement of Intellectual Property Rights) (1991); Institute of Intellectual Property, ed., "Chitekizaisan ni Kansuru Saibangai Funshōshori no Arikata" (Ideal Form of Alternative Dispute Resolution in Intellectual Property) (1992); The Japan Machinery Federation and Institute of Intellectual Property, ed., "Heisei 6 Nendo Chitekizaisan no Saibangai Funsōshori ni Kansuru Chōsa Kenkyū Hōkokusho I: WTO TRIPS Kyōtei ni Kansuru Chōsa Kenkyū" (FY1994 Research and Study Report on Alternative Dispute Resolution in Intellectual Property I: Research and Study on the WTO TRIPS Agreement) (1995); The Japan Machinery Federation and Institute of Intellectual Property, ed., "Heisei 6 Nendo Chitekizaisan no Saibangai Funsōshori ni Kansuru Chōsa Kenkyū Hōkokusho II: WIPO Chūsai Sentā ni Kansuru Chōsa Kenkyū" (FY1994 Research and Study Report on Alternative Dispute Resolution in Intellectual Property II: Research and Study on the WIPO Arbitration and Mediation Center) (1995); The Japan Machinery Federation and Institute of Intellectual Property, ed., "Chitekizaisan no Funsōshori ni Kansuru Chōsa Kenkyū Hōkokusho" (Research and Study Report on Dispute Resolution in Intellectual Property) (1998); Institute of Intellectual Property, ed., "Chitekizaisan Bunya ni okeru Saibangai Funsōshori no Arikata ni tsuite no Chōsa Kenkyū Hōkokusho" (Research and Study Report on the Ideal Form of Alternative Dispute Resolution in the Field of Intellectual Property), *Heisei 10 Nendo Tokkyochō Kōgyōshoyūkenmondai Hōkokusho* (FY1998 Japan Patent Office Study Report on the Issues of the Intellectual Property System)

(1999); and Institute of Intellectual Property, ed., "Chitekizaisan Funsō no Jinsoku katsu Jikkōsei Aru Kaiketsu ni Muketa ADR no Seibi ni Kansuru Chōsa Kenkyū Hōkokusho" (Research and Study Report on the Development of ADR for Expeditious and Effective Resolution of Intellectual Property Disputes), *Heisei 12 Nendo Tokkyochō Kōgyōshoyūkenmondai Hōkokusho* (FY2000 Japan Patent Office Study Report on the Issues of the Intellectual Property System) (2001).

[8] Yoshimitsu Aoyama, "Kokusai Shōji Chūsai ni Kansuru UNCITRAL Moderuhō ni tsuite (ge)" (UNCITRAL Modal Law on International Commercial Arbitration (2nd)), *JCA Journal* Vol. 31, No. 6 (1984), p. 12; Shinichiro Michida, "Kokusai Shōji Chūsai Moderu Hōan to Nishi kara no Hihan (1)" (Draft of the UNCITRAL Modal Law on International Commercial Arbitration, and Criticisms from the West (1)), *JCA Journal* Vol. 32, No. 5 (1985), p. 2. Also refer to "Kokusai Shōji Chūsai Shisutemu Kōdoka Kenkyūkai Hōkokusho" (Report of the Study Group for International Commercial Arbitration System Enhancement), *JCA Journal*, Special Issue, Vol. 43, No. 8 (1996), p. 3 (hereinafter referred to as the "System Enhancement Report"); for the Study Group for International Commercial Arbitration System Enhancement, also refer to Yasuhei Taniguchi, "Kokusai Shōji Chūsai Shisutemu Kōdoka no Tame ni" (For International Commercial Arbitration System Enhancement), *Jurist* No. 1108, pp. 81–85)). According to this report, since around 1976, some scholars of law of civil procedure and those of international law have been aware of the difficulty in arbitration in Japan. However, it was not until the 1990s that the "outdatedness of the Arbitration Act of Japan" was discussed and regarded as a problem (ex. Seido Agawa, "Chūsai Seido no Fukyū Hattatsu wo Nozomu" (Hoping for the Diffusion and Development of the Arbitration System), *Jurist* No. 161 (1958), pp. 40–45, Mamoru Kamiya, et al., "Shinshun Zadankai: Kokusai Shōji Chūsai Seido ni Tsuite Jitsumuka wa Kataru" (New Year's Round-Table Talk: Practitioners Discuss the International Commercial Arbitration System), *JCA Journal* Vol. 27, No. 1 (1980) p. 4 (hereinafter referred to as the "New Year's Round-Table Talk"), Akira Mikazuki, Tetsuzukihōteki ni Mita Kokusai Chūsai no Mondaiten" (Problems with International Arbitration from the Perspective of Procedural Law), *JCA Journal* Vol. 27, No. 5 (1980), p. 2). The outdatedness of the Arbitration Act was also pointed out around 2000 on: International Arbitration Study Group, "Kokusai Chūsai Kenkyūkai Hōkokusho" (Report of the International Arbitration Study Group, *JCA Journal* Vol. 46, No. 5 (1999), p. 23, and *Jiyu to Seigi* Vol. 50, No. 7 (2002), p. 187) (hereinafter referred to as the "Report of the International Arbitration Study Group," using the page numbers on *JCA Journal*).

[9] New Year's Round-Table Talk, op. cit., (8), p. 9; System Enhancement Report, op. cit., (8), p. 14; Report of the International Arbitration Study Group, op. cit., (8), pp. 24–25; Kazutake Okuma, "Wagakuni ni okeru ADR no Kasseika no Tame no Oboegaki" (Memorandum for the Invigoration of ADR in Japan), *JCA Journal* Vol. 49, No. 6 (2002), pp. 2 and 4; Hanamizu, Matsumoto, and Yamamoto, "Teidan: Kokusai Chūsai no Shinkōsaku wo Kataru" (Tripartite talk: Discussing How to Develop International Arbitration), *JCA Journal* Vol. 49, No. 7 (2002), pp. 2, and 6 ff.; Eastman, Neumann, and Kashiwagi, " Teidan: - JCAA no Hatten no Tame ni - Socchoku katsu Jissenteki na Hōhō wo Saguru" (Tripartite talk: Exploring Straightforward and Practical Ways - For the Development of JCAA), *JCA Journal* Vol. 50, No. 1 (2003), pp. 12 and 15; Yukukazu Hanamizu, "Chūsainin Kenshū no Hitsuyōsei" (Necessity of Training for Arbitrators), *JCA Journal* Vol. 50, No. 3 (2003), p. 28; Naoki Idei, "Minji Funsō Kaiketsu Shudan to shite no Chūsai no Ichizuke to Kanōsei" (Status and Potential of Arbitration as a Means for Civil Dispute Resolution), Takeshi Kojima, ed., *Nihon Hōsei no Kaikaku: Rippō to Jitsumu no Saizensen* (Reform of Japanese Law: The Frontline of Lawmaking and Legal Practices), Chuo University Press (2007), pp. 95 and 106.

[10] System Enhancement Report, op. cit., (8), p. 7, Okuma, op. cit., (9), pp. 2 and 3.

[11] Takeshi Kojima, "Chūsai Keiyaku, Chūsaihō no Kaikaku" (Reform of Arbitration Agreements and Arbitration Law), *Hogakushinpo* Vol. 100, No. 1 (1994), pp. 143 and 164.

[12] Okuma, op. cit., (9), p. 5; Hanamizu, Matsumoto, and Yamamoto, op.cit, (9), pp. 2 and 3 (comments by Matsumoto); Eastman, et al., op. cit., (9), p. 15; Toshio Matsumoto, "Kaiji Chūsai no Genjō to Shōrai Tenbō" (Current Status and Future Outlook of Maritime Arbitration), Kakeshi Kojima, ed., *Nihon Hōsei no Kaikaku: Rippō to Jitsumu no Saizensen* (Reform of Japanese Law: The Frontline of Lawmaking and Legal Practices), Chuo University Press (2007), pp. 172, 174, and 184; Yoshihisa Hayakawa, "Kokusai Chūsai ni okeru Nihon no Hōseido no Katsuyō" (Use of Japanese Legal Systems in International Arbitration), *Horitsu no Hiroba*, 2006 August Issue, pp. 44 and 49.

[13] New Year's Round-Table Talk, op. cit., (8), p. 15.

[14] The Hong Kong International Arbitration Centre website:
http://www.hkiac.org/show_content.php?article_id=9
For JCAA, data obtained by email survey.

[15] Data sources: for the data for 2005, “2005 Statistical Report,” ICC International Court of Arbitration Bulletin Vol. 17 No.1 (2006), pp.5 ff.; for the data for 2006, “2006 Statistical Report,” ICC International Court of Arbitration Bulletin Vol. 18 No.1 (2007), pp.5 ff.; for the data for 2007, “2007 Statistical Report,” ICC International Court of Arbitration Bulletin Vol. 19 No.1 (2008), pp.5 ff.; for the data for 2008, “2008 Statistical Report,” ICC International Court of Arbitration Bulletin Vol. 20 No.1 (2009), pp.5 ff.; and for the data for 2009, “2009 Statistical Report,” ICC International Court of Arbitration Bulletin Vol. 21 No.1 (2010), pp.5 ff.

[16] Ditto.

[17] Ditto.

[18] The Japan Network Information Center website: http://www.nic.ad.jp/ja/drp/list/index.html (as of March 1, 2011)

[19] Statistical data available on the Court of Arbitration for Sport (CAS) website:
http://www.tas-cas.org/d2wfiles/document/437/5048/0/stat2009.pdf (as of March 1, 2011)

[20] Japan Sports Arbitration Agency website:
www.jsaa.jp/award/