

CHAPTER 12

RESOLVING DISPUTES OVER INFORMATION TECHNOLOGY TRANSFERS

Mark A. Nadeau
Squire, Sanders & Dempsey, LLP
Phoenix, Arizona, United States

12.01 Introduction

Phase I of the United Nations World Summit on the Information Society, held in Geneva in December 2003, culminated in the adoption of a Declaration of Principles and comprehensive Plan of Action, which addressed many broad themes concerning the Information Society.¹

Fundamentally, the World Summit on the Information Society and the Plan of Action seek to extend access to the Information Society to the citizens of the world and utilize the Information Society to ease problems such as poverty, hunger, and environmental concerns and attendant problems, such as access to education and medical services and gender inequalities.² Likewise, the delegates of the United Nations consider it fundamental to a stable world economy

1 World Summit on the Information Society Declaration of Principles (World Summit on the Information Society-03/GENEVA/DOC/0004) and Plan of Action (World Summit on the Information Society-03/GENEVA/DOC/0005); see <http://www.itu.int/wsis> (3 February 2005). The author acknowledges Andrew L. Marcom, Kate E. Frenzingier, Jolana N. Berchin, and Patricia A. Kelly for their time and effort in developing this chapter and bringing the project to a close.

2 World Summit on the Information Society Declaration of Principles (WSIS-03/GENEVA/DOC/0004) and Plan of Action (WSIS-03/GENEVA/DOC/0005), at <http://www.itu.int/wsis> (3 February 2005). (World Summit on the Information Society-03/ GENEVA/DOC/0005); see <http://www.itu.int/wsis> (3 February 2005), at paragraph A(91), B(4)–(6).

that developing countries obtain access to the tools of the Information Society that may advance their own health, welfare, and education.

In the Second Phase of the World Summit on the Information Society, scheduled to be held in Tunis in November 2005, efforts were to be made to “put the Plan of Action in motion”, and working groups were to endeavor to find solutions and reach agreements in the fields of Internet governance and financing mechanisms.³

The benefits derived from increasing worldwide access to the Information Society are great. However, increased participation in the Information Society will inevitably result in a greater number of disputes related to information technology. In particular, disputes related to the intellectual property aspect of information technology will likely increase.

In fact, business leaders identified the protection of intellectual property rights, need for harmonization of intellectual property rights among nations, and the establishment of secure and consistent legal institutions to protect these rights as potential barriers to reaching the goals of the World Summit on the Information Society that must be addressed.⁴

Other intellectual property disputes that are likely to increase with greater access to the Information Society include piracy and infringement of information technology. Increasing access to the Information Society, by its very definition, results in a proliferation of intellectual property related to information and communication technology. Moreover, as intellectual property and the technology created therefrom is “transferred” into developing nations to increase access to the Information Society, there will be a greater concern about State protection of these rights. Such disputes will implicate treaty, as well as national, intellectual property law.

3 See the World Summit on the Information Society web site for more information about Phase II of the World Summit on the Information Society, at <http://www.itu.int/wsis>. The topics of Internet governance and financing mechanisms are outside the scope of this chapter.

4 Hassan, “Actions for Governments to Undertake to Attract Private Sector Investments in ICT”, *Remarks at the Coordinating Committee of Business Interlocutors, Intersessional Meeting*, 16 July 2003; see <http://www.iccwbo.org> (visited 26 January 2005); see also Danish, “Intellectual Property, Standards, Security, and Other Issues”, *Remarks, Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005); Wintrebert, “Enabling Environment and Infrastructure Issues, Remarks”, *Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005); Leca, “Investment”, *Remarks at the Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005).

Information and communication technology-related disputes will inevitably increase with the proliferation of online contracts, software licensing agreements among foreign entities, and other crossborder transactions involving information technology-related intellectual property. These disputes may arise solely between private parties or between States and private parties. Such contracts are often entered online and have minimal formalities; thus, disputes will often implicate jurisdictional and choice of law problems, among others. In circumstances where formalities are set forth in print, they may be ignored and a commercially acceptable recourse for prosecution of violators must be found.

Intellectual property-related and other disputes (e.g., contract disputes) arising from information and communication technology transfers themselves also will increase. The private sector has been a philanthropic contributor in the past, but commercial reality dictates that economic interests will ultimately be the drivers of true advancement of the Information Society into developing countries.

Much of the fundamental groundwork necessary to springboard the less fortunate into the world of the Information Society will occur through transfers of technology. However, these information and communication technology transfers also can increase the number of disputes related to piracy, infringement, or the abuse and misuse of a private entity's intellectual property rights. Disputes relating to the investor's infrastructure of technology also may increase. As above, these disputes may involve private parties and/or states.⁵

This chapter outlines the history of intellectual property rights protection, including why the protection of intellectual property rights has been, and remains, such a controversial issue for the global community. The chapter then outlines the currently available methods of international dispute resolution for these type of disputes, identifying the benefits and drawbacks of each, as well as analyzes specific case studies highlighting particular problems with current dispute resolution methods.

Based on the foregoing, it is apparent that the current methods of international dispute resolution are inadequate to cope with the expected onslaught of information and communication technology-related disputes arising from increased participation in the Information Society.

Finally, the chapter concludes with some possible solutions to improve current methods of international dispute resolution to make them more amenable to the need targeted by the World Summit on the Information Society.

⁵ These are the three types of disputes within the scope of this chapter, but it is by no means an exhaustive list.

Proposed solutions will focus primarily on modification of current treaties and conventions, but also will suggest, as an alternative, a new international forum to deal specifically with these types of disputes.

12.02 Global Nature of Intellectual Property

(a) History of Intellectual Property Protection

The increasingly global nature of intellectual property is a critical issue in international dispute resolution today. With the explosive growth of the Internet, digital technology, and peer-to-peer networks, intellectual property rights are at the heart of today's ever-expanding world market. This "internationalization of intellectual property", however, is not a new development.⁶

Since the late 19th century, countries have understood the importance of safeguarding intellectual property rights beyond their borders.⁷ There has been a growing trend toward developing international standards for protecting these rights in the last century.⁸

One of the earliest treaties born out of the "desire for international consensus on intellectual property rights" was the Paris Convention for the Protection of Industrial Property.⁹ Drafted in 1883, the Paris Convention endeavored to create a system that would provide for international protection of patents.¹⁰

In addition to providing for national treatment and procedural coordination, the Paris Convention established some minimum substantive standards for protecting patents and industrial designs; however, it did not require any minimum level of protection.

The Berne Convention for the Protection of Literary and Artistic Works was another important early treaty. Effectuated in 1886, the Berne Convention

6 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 284 (2001).

7 "The need for international protection of intellectual property became evident when foreign exhibitors refused to attend the International Exhibition of Inventions in Vienna in 1873 because they were afraid their ideas would be stolen and exploited commercially in other countries". World Intellectual Property Organization, General Information, at http://www.wipo.int/about-wipo/en/gib.htm#P29_4637 (visited 14 July 2004).

8 Long, "The Protection of Information Technology in a Culturally Diverse Marketplace", 15 *J. Marshall J. Computer and Info. L.* 129, at p. 134 (1996).

9 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo Wash. Int'l L. Rev.* 277, at p. 289 (2001).

10 Yosick, Note, "Compulsory Patent Licensing for Efficient Use of Inventions", 2001 *U. Ill. L. Rev.* 1275, at p. 1284 (2001). See also *Paris Convention for the Protection of Industrial Property*, 5 September 1970, 21 U.S.T. 1583, 828 U.N.T.S. 305.

acted as a “driving force in the development of international protection norms” in the area of copyright.¹¹ Member states to the Convention were required to grant copyright holders national treatment, i.e., to provide the same level of protection for copyrights to both domestic and foreign owners.¹²

In addition to requiring national treatment, and in contrast to the Paris Convention, the Berne Convention mandated minimum standards of protection from all signatories. For example, the Berne Convention established that member countries must grant domestic and foreign copyright owners the following rights:

1. Copyright protection for certain defined categories of “literary and artistic works”;
2. A term of protection of no less than the life of the author, plus 50 years for most copyrighted works; and
3. The right to control the reproduction of their works, the creation of translations of such works, and the public distribution, performance, and display of such works.¹³

Together, the Berne and Paris Conventions acted as the “cornerstones of international intellectual property law throughout most of the twentieth century”.¹⁴ However, the rapid growth of technology and global trade precipitated the need to revise the Conventions.¹⁵

Ultimately, the World Intellectual Property Organization (WIPO) was founded to administer these Conventions and provide a forum for international discussion on intellectual property matters.¹⁶ Despite WIPO’s goal of fostering international

11 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 151 (1996).

12 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 151 (1996).

13 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 151 (1996); Berne Convention for the Protection of Literary and Artistic Works, 24 July 1974, 828 U.N.T.S., articles 7–9, 11 *bis*–11 *ter*.

14 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int’l L. Rev.* 277, at p. 289 (2001).

15 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int’l L. Rev.* 277, at p. 289 (2001).

16 The history of the World Intellectual Property Organization is beyond the scope of this chapter; however, the predecessor to the World Intellectual Property Organization, the United International Bureau for the Protection of Intellectual Property, was formed in 1893 and governed international intellectual property rights until 1967, when the United International Bureau for the Protection of Intellectual Property became the World Intellectual Property Organization following the Convention Establishing the World Intellectual Property Organization. WIPO, General Information, at http://www.wipo.int/about-wipo/en/gib.htm#P61_9104 (visited 14 July 2004).

cooperation and harmonizing intellectual property laws and procedures, the treaties that it administers, including the Paris and Berne Conventions, do not guarantee minimum levels of protection for intellectual property.¹⁷

While WIPO treaties make it easier for intellectual property owners to “satisfy procedural hurdles to obtaining protection in member countries” by requiring “national treatment”, WIPO member states have discretion regarding the substantive law of these treaties and independently determine their own level of enforcement.¹⁸ Thus, problems arise, and the hopes of global cooperation are frustrated, when a country becomes a signatory to a WIPO treaty but refuses to enforce intellectual property rights within its borders.

The limitations of the WIPO Convention led to the development of other significant treaties. In 1994, the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) concluded with the signing of the agreement establishing the World Trade Organization (WTO).¹⁹ One of the WTO Agreements — the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) — provided the first multilateral trade forum in which to discuss international protection of intellectual property rights.²⁰

This Agreement marked a major advance in the effort to establish uniform requirements for protecting intellectual property rights because it was the first treaty to mandate minimum levels of protection and provide a binding enforcement mechanism for dispute resolution for all aspects of intellectual property in a single agreement.²¹ The Paris and Berne Conventions acted as the starting point in satisfying these goals and, where these and other WIPO treaties fall short, TRIPS adds additional higher standards of protection.²²

17 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at pp. 290 and 297.

18 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 297.

19 World Trade Organization, Legal Texts, at http://www.wto.org/english/docs_e/legal_e/legal_e.htm (visited 15 February 2005). The treaty establishing the WTO and most of the WTO Agreements were signed in Marrakech, Morocco, in April 1994.

20 Goldberg, Comment, “Who Will Raise the White Flag? The Battle between the United States and the European Union over the Protection of Geographical Indications”, 22 *U. Pa. J. Int'l Econ. L.* 107, at p. 116 (2001). See also *Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, Annex IC to the Agreement Establishing the World Trade Organization*, 15 April 1994, Marrakech, Morocco [hereinafter TRIPS].

21 Effron, “Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement”, 78 *N.Y.U. L. Rev.* 1475, at p. 1493 (2003).

22 World Trade Organization, “Intellectual Property: Protection and Enforcement”, at http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm#basic (visited 15 July 2004).

For example, TRIPS extends the Berne Convention to protect certain computer programs and databases, and clarifies that patent protection under the Paris Convention includes inventions “in all fields of technology”.²³ TRIPS is part of the WTO Agreement, which means that any state seeking to become a WTO member is required to sign TRIPS.²⁴

Since 1995, 147 nations have become signatories to TRIPS and committed themselves to narrowing the gap in the way intellectual property rights are protected around the world.²⁵ However, TRIPS only acts as a “floor”, such that member states are free to establish their own levels of protection and enforcement mechanisms beyond the required minimum standards.²⁶

However, TRIPS does not require a waiver of sovereign immunity and, thus, the member states are generally immune from their own failures to enforce TRIPS standards.²⁷

Likewise, there is no requirement that state courts be reformed to assure transparency of process and adherence to the statutorily adopted “floor” for intellectual property rights protection.²⁸

The TRIPS agreement and other international treaties attempted to address the shift in attitude toward intellectual property that occurred in the mid-1980s.²⁹ At that time, the high-tech and entertainment industries were rapidly growing, and developed countries (particularly the United States) faced an alarming increase in international piracy along with inconsistent international enforcement of intellectual property rights.³⁰

23 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 151 (1996), *supra* note 9 at 154.

24 Effron, “Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement”, 78 *N.Y.U. L. Rev.* 1475, at p. 1482 (2003).

25 World Trade Organization, at http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm (visited 15 July 2004).

26 Effron, “Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement”, 78 *N.Y.U. L. Rev.* 1475, at p. 1477 (2003).

27 TRIPS does not contain any provision requiring a waiver of sovereign immunity). However, TRIPS membership requires states to subject themselves to the jurisdiction of the WTO’s Understanding on Dispute Settlement.

28 World Trade Organization, at http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm (visited 15 July 2004). (TRIPS does not contain any such requirements). In the context of the Understanding on Dispute Settlement, however, states may be motivated to reform state courts under certain circumstances.

29 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int’l L. Rev.* 277, at p. 285 (2001).

30 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int’l L. Rev.* 277, at pp. 284 and 285 (2001).

Businesses were concerned about lost market share, and protection of intellectual property became a key element of trade strategy for developed nations such as the United States, which saw intellectual property become a large percentage of its exports by mid-decade.³¹

With the rise of multinational corporations and international trade in the 1980s, the need to protect intellectual property rights was never greater, and the inconsistent levels of protection in countries around the world resulted in considerable economic costs to those developing intellectual property.³²

Without a uniform, international system to govern and enforce intellectual property rights, piracy became a chief concern among nations that were investing in and producing intellectual property.³³ During the 1980s, countries that afforded minimal intellectual property rights protection became havens for piracy,³⁴ and foreign companies in these countries were able to deliver pirated goods to the world market at drastically reduced prices.³⁵

Companies that copy products without permission of the originator do not invest in the research and development of the intellectual property and do not pay royalty fees to the owners; thus, they are able to charge far less for the pirated product than the original, resulting in an adverse economic impact on the company owning the intellectual property rights.³⁶

Even with a “full panoply of rights” in its home country, a company may be unable to stop foreign competitors from engaging in piracy without international cooperation and enforcement.³⁷ Currently, there remains no

31 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 285 (2001); Callen, *Pirates on the High Seas: The United States and Global Intellectual Property Rights* 10 (1998).

32 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 285 (2001).

33 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 285 (2001).

34 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 149 (1996).

35 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 285 (2001).

36 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 285 (2001).

37 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 285 (2001).

worldwide system to govern intellectual property rights, and drafters of intellectual property law are faced with the challenge of protecting the rights of intellectual property holders while encouraging technological innovation and competition.³⁸

Given the increase in international trade and rapid development in information technology, the modification of existing treaties and/or drafting of new treaties which increase the level of protection for intellectual property rights protection remain important.

(b) Treatment of Intellectual Property by Developed and Developing Countries

A primary issue impacting intellectual property rights exchanges is the differing levels of protection that occur between so-called developed and developing countries. During the global trade boom of the 1980s, it became clear that inconsistent protection of intellectual property rights can result in serious economic harm for nations that produce and export intellectual property³⁹

In addition, intellectual property owners became acutely aware that they were not granted the same rights in developing countries as they were in developed countries.⁴⁰ The ease of infringement of intellectual property and inconsistent enforcement of intellectual property rights in developing countries increased piracy concerns among industrialized nations.⁴¹

38 Mann, "Balancing Issues and Overlapping Jurisdictions in the Global Electronic Marketplace: The Ucita Example", 8 *Wash. U. J. L and Pol'y* 215, at p. 236 (2002).

39 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 286 (2001); 4 *Comm. Daily* 6 (16 May 1994) (citing then-Paramount Senior Vice President Lawrence Levinson, who stated that the International Intellectual Property Alliance estimated US \$7.6-billion in losses from foreign piracy of films, records, music, computer programs, and books). More recently, in May 2004, Eric Smith, International Intellectual Property Alliance President, stated that, in 2003, losses to the United States economy due to copyright piracy amounted to more than US \$10-billion, and more than US \$20-billion globally. Press Release, International Intellectual Property Alliance, "International Intellectual Property Alliance Concerned about Pace and Progress of Copyright Developments in Key Markets Like Russia, Thailand, Brazil, China, Poland, Israel, Spain" (3 May 2004), available at <http://www/iipa.com/pressreleases> (visited 14 February 2005).

40 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 286 (2001).

41 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 290 (2001).

The reasons for these differing approaches are complex, and they often implicate economic, political, and cultural disparities between industrialized and emerging nations.⁴² One of the keys to developing an international consensus on the scope of protection for intellectual property rights, which must be understood to include transfers of technology, rests in understanding these differences, and incorporating that understanding into treaty negotiations.

One reason for the differing level of protection of intellectual property rights afforded by various nations is simply a matter of language. Definitional problems plague efforts to reach agreements on intellectual property issues. As no uniform definitions exist for the various forms of intellectual property, the words themselves carry a host of philosophical and cultural meanings and assumptions that are often lost in translation.⁴³

Often, a concept may have a “rough equivalent” in another language, but it may not fully encompass the legal and ideological precepts of the original.⁴⁴ The author uses the word “copyright” as an example of how differences in language can result in difficulties when trying to create a set of international definitions for legal concepts.

Even the word “property” represents significantly different concepts in divergent cultures, particularly between those of Eastern and Western ideology. For example, whether intellectual property rights constitute intangible “property” over which the creator or right holder has a right to control is a subject of significant debate among various nations.⁴⁵ Thus, even the preliminary steps of developing uniform, international standards of protection are hampered by such language barriers.

Cultural and ideological distinctions between so-called developed and developing nations also play a role in frustrating efforts to build an international consensus on intellectual property rights. Differences in attitude regarding the role of intellectual property in a growing economy translate into difficulties at the negotiating table when crafting international treaties.⁴⁶

42 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 132 (1996).

43 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 148 (1996).

44 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 148 (1996).

45 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 148 (1996).

46 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 286 (2001). The author cites India and Brazil as examples of developing countries that refused to provide intellectual property protection unless the technology benefited their citizens. Braga, “The Economics of Intellectual Property Rights and the GATT: A View from the South”, 22 *Vand. J. Transnat'l L.* 243, at p. 253 (1989).

For example, the problem of attempting to enforce intellectual property rights in China may be traced to the Confucian view that information should be shared without receiving compensation.⁴⁷ In addition, tribal cultures such as New Zealand's Maori have a "community view" of property that does not easily integrate with the more individualistic approach to intellectual property of Western, industrialized countries.⁴⁸ In general, developing nations often believe that intellectual property is for the "public good" and belongs to the "common heritage of mankind", which is an ideological perspective that makes developing a uniform standard of rights challenging.⁴⁹

In addition to cultural differences, the discrepancy between the legal institutions and enforcement methods of developed and developing nations contributes to the difficulty of creating international standards of protection for intellectual property. Despite the presence of these standards under treaties such as TRIPS and the Paris and Berne Conventions, enforcement is still largely the responsibility of the domestic legal institutions of the member states.⁵⁰

Many industrialized nations with well-developed common law systems have civil enforcement mechanisms in place to protect intellectual property rights, whereas many developing nations offer little or no enforcement of these rights, or turn to criminal sanctions as a means of enforcement.⁵¹ This problem of enforcement in developing countries is one of the major roadblocks for creating uniform standards on intellectual property protection today.⁵²

For example, China enacted its intellectual property laws in 1996, and they generally comply with the minimum substantive requirements of the Berne Convention. Nevertheless, an alleged failure to enforce those requirements led many copyright owners in the United States to claim billions of dollars in losses.⁵³

47 Wang, *The Chinese Traditions Inimical to the Patent Law*, 14 *N.W.J. Int'l L. and Bus.* 15, at p. 17 (1993).

48 Long, "The Protection of Information Technology in a Culturally Diverse Marketplace", 15 *J. Marshall J. Computer and Info. L.* 129, at p. 157 (1996).

49 Long, "The Protection of Information Technology in a Culturally Diverse Marketplace", 15 *J. Marshall J. Computer and Info. L.* 129, at p. 163 (1996).

50 Long, "The Protection of Information Technology in a Culturally Diverse Marketplace", 15 *J. Marshall J. Computer and Info. L.* 129, at p. 157 (1996).

51 Long, "The Protection of Information Technology in a Culturally Diverse Marketplace", 15 *J. Marshall J. Computer and Info. L.* 129, at pp. 157 and 158 (1996).

52 Long, "The Protection of Information Technology in a Culturally Diverse Marketplace", 15 *J. Marshall J. Computer and Info. L.* 129, at p. 158 (1996).

53 Long, "The Protection of Information Technology in a Culturally Diverse Marketplace", 15 *J. Marshall J. Computer and Info. L.* 129, at pp. 158 and 159 (1996).

Thus, without adequate enforcement, uniform standards on intellectual property protection become meaningless. In this context, any effort by the World Summit on the Information Society to advance the exchange of technology among developed and lesser developed nations is doomed to fail absent acknowledged and accepted methods for the protection of technology and agreed paths for resolving disputes that will surely arise.

Understanding the divergent economic and development strategies of so-called developed and developing nations is crucial to building an international consensus on intellectual property protection. The first step is to examine the purpose of the intellectual property in these countries. In developing nations, intellectual property rights promote the dissemination of technology whereas, in developed nations, intellectual property rights focus on protecting such nations from piracy.⁵⁴

Often, this means that the intellectual property laws of developing nations will be weaker or less consistently enforced than their industrialized counterparts. Weak intellectual property laws indicate a preference for a system based on competition; one that makes goods available to the greatest number of people at the lowest price.⁵⁵ These nations essentially have no choice but to depend on industry competition because they lack the resources of industrialized countries to invest in the research and development of new technology.⁵⁶

Nonetheless, they still seek to furnish their populations with these new products and, for that reason, they are often resistant to enacting strict, uniform standards of intellectual property protection that they regard as barriers to their nation's domestic economic development.⁵⁷ Indeed, some scholars argue that the strict standards and "protectionist" intellectual property regimes of self-interested industrialized nations can harm the growth of developing nations.⁵⁸ This argument goes so far as to suggest that the wealth enjoyed in developed countries is improperly insulated by legal protectionism resulting in a lack of competition.

As opposed to the competition-based system of developing nations, countries that offer greater protection of intellectual property rights and stricter laws

54 Check, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 286 (2001).

55 Effron, "Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement", 78 *N.Y.U. L. Rev.* 1475, at p. 1479 (2003).

56 Effron, "Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement", 78 *N.Y.U. L. Rev.* 1475, at p. 1479 (2003).

57 Effron, "Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement", 78 *N.Y.U. L. Rev.* 1475, at p. 1479 (2003).

58 Reichman, "Global Competition Under TRIPS", 29 *N.Y.U.J. Int'l. L. and P.* 23, at pp. 24-26 (1996).

favor a system based on innovation, where the works of the mind are viewed as valuable to the individual creator and therefore deserving of protection.⁵⁹

Moreover, other developed nations, particularly those with common law systems like the United States and Great Britain, follow an “economic property view” of intellectual property that focuses on economic returns and incentives.⁶⁰

In these countries, research and development costs can be so great, particularly in fields of high-level technology, that the only way these costs will be incurred is if the creators of the intellectual property have some level of assurance that the fruit of their efforts will be protected.⁶¹

Invention and creativity will be stymied in a country that develops intellectual property without adequate protection and enforcement of intellectual property rights.⁶² If creators of a new product were given absolute dominion over the intellectual property and the power to monopolize their industry, prices for the product would soar, quality would be compromised, and efforts to bring better and cheaper alternatives to a wider market would be prevented.

Respecting the intellectual property rights of creators is important, for there would be little incentive to invent new products without some assurances of protection; however, “the law recognizes exceptions that allow for the study of, and improvement on, discoveries that have been committed to the public domain, in all realms of intellectual property protection”.⁶³

Due to the difference in economic perspective between developed and developing nations, reaching an agreement on transfers of technology and uniform standards for intellectual property protection will not be without its

59 Effron, “Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement”, 78 *N.Y.U. L. Rev.* 1475, at p. 1479 (2003).

60 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 157 (1996).

61 Effron, “Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement”, 78 *N.Y.U. L. Rev.* 1475, at p. 1479 (2003).

62 The movement to harmonize intellectual property standards and enforcement methods has, in large part, focused on increasing the level of protection for creators of intellectual property and the holders of intellectual property rights. However, a competing force has always been to promote innovation, investment, and improvements in intellectual property through competition so as to build on our collective knowledge. Uhrich, “The Economic Espionage Act, Reverse Engineering and the Intellectual Property Public Policy”, 7 *Mich. Telecomm and Tech. L. Rev.* 147, at p. 155 (2001).

63 Uhrich, “The Economic Espionage Act, Reverse Engineering and the Intellectual Property Public Policy”, 7 *Mich. Telecomm and Tech. L. Rev.* 147, at p. 155 (2001). Reverse engineering, which involves the detailed study of a product to understand how it operates so that a similar or superior product can be created to compete with the original, is such an exception.

challenges. The governments of many countries, such as Taiwan, China, South Korea, India, and Brazil, are often unwilling to provide greater protection for foreign intellectual property at the risk of having to sacrifice jobs for their citizens by closing certain industries.⁶⁴

Accordingly, some commentators argue that these nations lack a commitment to enforcing intellectual property rights, and thus are not seen as having the same goal as developed countries.⁶⁵ This is because developing nations arguably benefit from weak intellectual property laws (and indeed, from piracy) as they do not possess much of their own intellectual property and, therefore, rely on the intellectual property of other nations to promote their own economic development.⁶⁶

As a result, these countries view pressure to adopt strict international standards on intellectual property as a “direct threat to their ability to play a significant role in the world economy”.⁶⁷

The United States, for instance, has responded to the perceived weakness of intellectual property laws and enforcement of rights in developing nations. In an attempt to stem the loss of billions of dollars from inconsistent intellectual property enforcement and piracy abroad, the United States pursued an aggressive foreign policy campaign to establish minimum standards for the protection of intellectual property.⁶⁸

This led to the enactment of the Omnibus Trade and Competitiveness Act of 1988 (“the Act”), which gave the United States Trade Representative authority to unilaterally act against countries that failed to protect American intellectual property.⁶⁹

Under the Act, the United States Trade Representative had the authority to investigate the practices of foreign countries and label them as a “Priority Foreign Country” if they failed to sufficiently protect intellectual property

64 Check, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 316 (2001).

65 Check, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 316 (2001).

66 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 162 (1996).

67 Long, “The Protection of Information Technology in a Culturally Diverse Marketplace”, 15 *J. Marshall J. Computer and Info. L.* 129, at p. 163 (1996).

68 Check, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 287 (2001).

69 Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 stat. 1107 (1988).

rights. The United States Trade Representative could then impose trade sanctions if the country did not improve its intellectual property laws and enforcement mechanisms.⁷⁰ Many nations were critical of this unilateral approach, particularly developing nations that felt threatened into adopting strict standards for intellectual property protection that favored the United States and other industrialized nations.

The international community also has responded to weaken intellectual property standards in developing nations, but sought a more multilateral approach. Despite the appeal of WIPO as a forum for multilateral negotiation, many developed nations looked elsewhere due to WIPO's slow progress on harmonization of intellectual property laws, the voluntary nature of many WIPO conventions, and WIPO's failure to revise the Paris Convention in the 1980s.⁷¹

The industrialized nations turned to the ongoing trade negotiations in the Uruguay Round of the GATT.⁷² A precursor to the WTO, the GATT requires member states to commit to free trade in goods and ensures that countries treat each other equally in trade agreements.⁷³

With regard to establishing uniform substantive laws concerning intellectual property rights, GATT is more favorable than WIPO because an agreement within GATT commits all signatories to minimum substantive standard.⁷⁴

Including intellectual property rights in GATT, the emphasis on procedural uniformity found in WIPO treaties transformed into emphasis on minimum levels of substantive protection of intellectual property rights.⁷⁵

The TRIPS Agreement, which emerged from the Uruguay Round in 1994, represented a sea of change in the multinational recognition and protection of intellectual property rights, particularly in developing countries.⁷⁶

70 Omnibus Trade and Competitiveness Act of 1988, Pub. L. Number 100-418, 102 Stat. 1107 (1988).

71 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at pp. 297 and 298.

72 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 287.

73 Mann, "Balancing Issues and Overlapping Jurisdictions in the Global Electronic Marketplace: The Ucita Example", 8 *Wash. U. J. L. and Pol'y* 215, at p. 226 (2002).

74 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 288 (2001).

75 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 291 (2001).

76 Cheek, "The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime", 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 292 (2001).

TRIPS requires that WTO members “(1) provide minimum intellectual property rights protection through domestic laws; (2) provide effective enforcement of those rights; and (3) agree to submit disputes to the WTO dispute settlement system”. TRIPS eliminated the limitations of its voluntary WIPO predecessors by mandating minimum levels of substantive protection, and requiring all signatories to commit to significant domestic reform.⁷⁷ The United States itself had to draft new laws to comply with the TRIPS Agreement.⁷⁸

The effect of TRIPS on developing nations is viewed by some as a major victory for developed nations in their fight to protect intellectual property rights worldwide.⁷⁹ Developing nations that seek entrance into the WTO and sign TRIPS must enact substantive laws and create domestic enforcement systems to comply with the Agreement.⁸⁰

These countries are given more time to introduce the necessary changes than developed nations,⁸¹ and the WIPO has signed an agreement with the WTO to assist these emerging countries in satisfying their obligations under TRIPS.⁸²

Member nations must meet the minimum level of substantive protection for intellectual property rights, but are free to develop their own methods and strategies for satisfying the requirements.⁸³ Thus, the gap in intellectual property protection between developed and developing nations is closing as a result of the TRIPS Agreement.

77 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 294 (2001).

78 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 292 (2001).

79 Efron, “Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement”, 78 *N.Y.U. L. Rev.* 1475, at p. 1493 (2003).

80 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 295 (2001).

81 TRIPS, articles 65–66. Developing countries are divided into two groups for determining time frame compliance. Developing countries have five years to satisfy the minimum standards set forth in TRIPS, while the least developed nations have 10 years. Efron, “Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement”, 78 *N.Y.U. L. Rev.* 1475, at p. 1494 (2003).

82 Cheek, “The Limits of Informal Regulatory Cooperation in International Affairs: A Review of the Global Intellectual Property Regime”, 33 *Geo. Wash. Int'l L. Rev.* 277, at p. 298 (2001).

83 Otten and Wager, “Compliance with TRIPS”, 29 *Vand. J. Transnat'l L.* 391, at p. 394 (1996).

Many developing nations, however, feel pressured by developed countries to take an even more protectionist stance than is required by TRIPS. Such steps are often inconsistent with the domestic economic agenda of the developing nations and, as a result, TRIPS is not the ultimate solution to this issue.⁸⁴

The distinction between developed and developing countries with regard to protection of intellectual property rights is a product of numerous factors. Language, ideology, culture, and economics play a role in how each country views intellectual property rights and the level of enforcement for intellectual property rights. Thus, to build a truly uniform standard of intellectual property rights on which all member nations agree, these differences must be understood and incorporated into the international dialogue.

Significant steps have been taken through treaties such as TRIPS to build a global consensus on intellectual property rights. Notwithstanding, further advances must be made as technology continues to develop, and emerging nations look forward to joining the world marketplace and Information Society.

12.03 Current Forums for Dispute Resolution Are Inadequate

(a) In General

Globalization of the world's economy brings new challenges to the world of information technology, and intellectual property specifically. Increasingly, people across the globe are communicating and transacting business with each other, which will seemingly expand geometrically as more people gain access to the Information Society. Disputes inevitably arise, but resolution is complicated by different national and international laws.

In particular, cases where the dispute arises entirely over the Internet present unique issues of electronic contract formation, authentication, security, jurisdiction, and enforceability of judgments, among others.⁸⁵

Moreover, as steps are taken to enhance access to the Information Society, disputes arising from licensing agreements, joint venture agreements, business acquisition agreements or employment contracts related to the

84 Efron, "Secrets and Spies: Extraterritorial Application of the Economic Espionage Act and the TRIPS Agreement", 78 *N.Y.U. L. Rev.* 1475, at p. 1495 (2003).

85 "In e-commerce, not only are contracting parties not necessarily situate within, or subject to the jurisdiction of, the courts of a single geographical area, but there may be no way to determine exactly where one or more of the parties are situate". Mills, Firmansyah, and Woelandara, *Effective Formation of Contracts by Electronic Means and Dispute Resolution in the New E-economy* (2000).

transfer of technology to developing nations, as well as a wealth of intellectual property issues, will surely increase.⁸⁶

As discussed above, nations protect intellectual property differently, and different national and international laws may conflict over the level of protection afforded. Consider the following hypothetical, which illustrates the effect that these varying levels of protection may have on a nation's intellectual property laws and the innovators themselves:

... [S]ometimes Country B's decision not to protect an innovation, or to protect it less strongly than A, has spillover effects for country A. Country B's decisions may, moreover, attract domestic and foreign investments [C]ountry A may not always be able to prevent products developed in country B from entering its market. Unless country A can persuade all nations to harmonize on its higher-protection rule, a lower-protection rule in even one jurisdiction may undermine A's rule. Innovators may either have protection everywhere (because A persuaded all nations to adopt its rule) or effectively nowhere (because the lower-protection rule undermines A's rule).⁸⁷

Generally, it is said that highly developed nations have greater protections for intellectual property than do lesser developed countries.⁸⁸ Resolving disputes such as those contemplated in this chapter is complicated by questions such as: Under which nation's laws does a patent holder seek the protection? In what forum does that patent holder seek recourse? How is a judgment from one nation enforced in a foreign nation? This chapter proceeds to highlight such challenges with an overview of the current forums available for the resolution of international disputes and the advantages and drawbacks of each forum.

(b) National Court Systems

(i) *In General*

Although a nation's court system may appear to be a logical choice of forum, seeking recourse in a national court system often raises difficult

86 Blessing, "Arbitrability of Intellectual Property Disputes", 12 *Arb. Int'l* 191, section II(b) (1996); Benton and Rogers, "The Arbitration of International Technology — Disputes under the English Arbitration Act 1996", 13 *Arb. Int'l* 361, section II (1997). Intellectual property disputes arising from information and communication technology transfers may involve both contractual and non-contractual issues (i.e., disputes over domain names and patent, trade mark, and copyright infringement).

87 Samuelson, "Intellectual Property Arbitrage: How Foreign Rules Can Affect Domestic Protections", 71 *U. Chi. L. Rev.* 223, at p. 225 (2004).

88 Mills, "Alternative Dispute Resolution in International Intellectual Property Disputes", 11 *Ohio St. J. on Disp. Resol.* 227, at p. 232 (1996).

questions regarding jurisdiction, choice of law, neutrality, speed, and enforceability of a decision. Although an adversarial system is efficient in that a final judgment resolves the rights of the parties in a single, win-or-lose situation,⁸⁹ an adversarial system also generally distances the parties from each other.⁹⁰

Communication channels divert from commercial business personnel to lawyers and advocates, thus cutting off the life line of business interests that may well have driven the parties towards each other in the first instance. Complex court procedures often further aggravate the parties' frustrations due to inherent delays and incomprehensibility of litigation procedures.⁹¹

Litigation in a national court is not well-suited to maintaining positive relationships between the parties. Indeed, some commentators assert that ultimately the battle escalates to the point that the parties throw "more time and money into 'winning' rather than solving the problems".⁹²

Thus, the adversarial system can create hostility between parties, and is a better solution when the parties do not desire to maintain friendly relationships. Of course, even if the parties would like to part company and forget they were ever introduced, such a result may not be in the best interest of the country and its other residents who may be advantaged by continuity of the relationship.

(ii) *Jurisdiction and Choice of Law*

Determining which court has jurisdiction over a dispute and which substantive and procedural law to apply to a dispute is often a challenging task. "Jurisdiction over a person is generally based on that person's physical presence or commission of acts within given geopolitical boundaries."⁹³

Once the appropriate forum is determined, the state judge then must determine which procedural and substantive law to apply. The determination of choice of law often requires analysis of where an act was committed, where the parties reside or where a document was signed.⁹⁴ Furthermore, if litigants

89 Ciaraco, "Forget the Mechanics and Bring in the Gardeners", 9 *U. Balt. Intell. Prop. J.*, 47, at p. 54 (2000).

90 Ciaraco, "Forget the Mechanics and Bring in the Gardeners", 9 *U. Balt. Intell. Prop. J.*, 47, at p. 57 (2000).

91 Ciaraco, "Forget the Mechanics and Bring in the Gardeners", 9 *U. Balt. Intell. Prop. J.*, 47, at p. 57 (2000).

92 Ciaraco, "Forget the Mechanics and Bring in the Gardeners", 9 *U. Balt. Intell. Prop. J.*, 47, at p. 58 (2000).

93 Donahey, "Dispute Resolution in Cyberspace", 15 *J. Int'l Arb.* 127, at pp. 127 and 128 (1998).

94 Donahey, "Dispute Resolution in Cyberspace", 15 *J. Int'l Arb.* 127, at pp. 127 and 128 (1998).

bring an international case in a particular State's court, even if the parties included a choice of law provision in their contract, the judge also may have to determine whether foreign mandatory rules of law apply or do not apply.

If foreign mandatory rules of law apply, the judge must interpret the foreign laws.⁹⁵ Variability in national laws has particular impact on the adjudication of intellectual property issues. Although people across the world may have access to a patent holder's invention, as discussed in detail above, each nation protects intellectual property to varying degrees. For instance, some national laws reserve "exclusive jurisdiction over the validity of intellectual property rights registered in that country", particularly with respect to patent and trade mark rights.⁹⁶ Additionally, national laws still vary considerably on two issues, namely:

1. By what means are related protective rights to be acquired; and
2. To what level is the protection granted to be extended.⁹⁷

In the realm of information and communication technology transfers, choice of law and jurisdiction may further complicate contract negotiations between the private party and the state receiving the technology transfer, particularly if the receiving state is a developing nation. The private party may not wish to subject itself to the jurisdiction and laws of the developing nation which, as discussed above, may be less favorable than that of a developed nation.

At the same time, however, if the parties contract for jurisdiction in another state, there is no guarantee that state courts will abide by the contractual agreement, and each party runs the risk that the state will claim sovereign immunity should it have any hand in the alleged violation of law.

Disputes that arise online further complicate jurisdiction and choice of law issues because the dispute may have arisen entirely over the Internet. As described above, a court's jurisdiction over a person is generally based on the person's physical presence or commission of acts within certain geographic boundaries.⁹⁸ Similarly, choice of law often requires analysis regarding where an act was committed, the parties' residence, or where a contract or other governing document was signed.⁹⁹

95 Blessing, "Arbitrability of Intellectual Property Disputes", 12 *Arb. Int'l* 191, section IV(a) (1996).

96 Blessing, "Arbitrability of Intellectual Property Disputes", 12 *Arb. Int'l* 191, section III(f) (1996). *Id.* Section III(f).

97 Blessing, "Arbitrability of Intellectual Property Disputes", 12 *Arb. Int'l* 191, section II(a) (1996).

98 Donahey, "Dispute Resolution in Cyberspace", 15 *J. Int'l Arb.* 127, at pp. 127 and 128 (1998).

99 Donahey, "Dispute Resolution in Cyberspace", 15 *J. Int'l Arb.* 127, at pp. 127 and 128 (1998).

Increasingly, however, contracts are formed and transactions take place entirely over the Internet such that there is no physical place where a document was signed, where acts were committed, or where the dispute arose. It is commonly understood that the rationale supporting the above distinctions is that a party who purposefully avails itself of a particular jurisdiction must expect the laws of that jurisdiction to apply and should become familiar with and follow those laws.

Such distinctions become less clear within the borderless realm of the Internet. The question then becomes whether, by simply doing business on the Internet, do customers and businesses avail themselves of the laws of foreign countries with which they otherwise have no connection? In addition, third-party providers often supply the technology underlying and supporting these business transactions. Locating the web site host or the wireless Internet provider that acted as an intermediary can be a complex undertaking. The question of internet “jurisdiction” has been answered differently by courts who have addressed it.¹⁰⁰

(iii) Neutrality of Forum

If disputants seek recourse in a national court system, national bias may prevent a fair trial. “Parties typically prefer to accept a neutral forum over the uncertainties of minefields [in] foreign laws and the risk of bias by foreign courts.”¹⁰¹ Accordingly, many parties generally turn to an alternative form of dispute resolution to resolve international intellectual property disputes such as arbitration.¹⁰²

(iv) Futility of Foreign Judgments

On its face, the concept of recognizing foreign judgments appears to be a fairly fundamental one to implement. However, commentators have opined that the process “masks profound value conflicts” based on diverging national sentiments regarding jurisdiction, procedure, and substantive law.¹⁰³

In addition, culture and politics play a significant role in this arena, with some nations resistant to the idea of having their citizens and courts bound

100 Donahey, “Dispute Resolution in Cyberspace”, 15 *J. Int’l Arb.* 127, at pp. 127 and 128 (1998).

101 Benton and Rogers, “The Arbitration of International Technology — Disputes under the English Arbitration Act 1996”, 13 *Arb. Int’l* 361, section II(a) (1997); Najjar, “The Inside View: Companies in Need of Arbitration”, 12 *Arb. Int’l* 362 (1996).

102 Benton and Rogers, “The Arbitration of International Technology — Disputes under the English Arbitration Act 1996”, 13 *Arb. Int’l* 361, section II (1997).

103 Perez, “The International Recognition of Judgments; The Debate between Private and Public Law Solutions”, 19 *Berkeley J. Int’l L.* 44, at p. 46 (2001).

by the decisions of another country. This can result in political pressure both at home and abroad, with:

. . . [i]nternational tensions ris[ing] if foreign judgments are not recognized and domestic tensions ris[ing] if they are recognized in defiance of national values.¹⁰⁴

Nevertheless, numerous attempts to increase the recognition and enforcement of foreign judgments have been made, although these have largely been unsuccessful.

One of the problems facing this area is that some nations are more willing to recognize foreign judgments than others. The United States, for example, is “generally receptive to enforcing foreign judgments”, while other nations are not so inclined.¹⁰⁵

This is an incongruous result as it is the United States that has steadfastly refused to sign the Hague Convention for the Recognition and Enforcement of Foreign Judgments.¹⁰⁶

This “perceived asymmetry” between the United States and the rest of the world is based on the belief that foreign courts are less likely to recognize and enforce American judgments.¹⁰⁷ This is not to say that foreign judgments have been or will always be enforced in the United States. Indeed, when the United States Supreme Court first addressed this issue more than 100 years ago in *Hilton v. Guyot*, the Court declined to give effect to a French judgment because of a lack of reciprocity on the part of the French courts.¹⁰⁸

Since an American judgment was going to be reviewed again on the merits in a French court, the United States Supreme Court held that the principle of

104 Perez, “The International Recognition of Judgments; The Debate Between Private and Public Law Solutions”, 19 *Berkeley J. Int’l L.* 44, at p. 46 (2001).

105 Perez, “The International Recognition of Judgments; The Debate Between Private and Public Law Solutions”, 19 *Berkeley J. Int’l L.* 44, at p. 57 (2001); Lau, “Update on the Hague Convention on the Recognition and Enforcement of Foreign Judgments”, 6 *Ann. Surv. Int’l and Comp. L.* 13, at p. 14 (2000).

106 Juenger, “A Hague Judgments Convention?”, 24 *Brooklyn J. Int’l L.* 111, at p. 123 (1998); Chao and Neuhoff, “Enforcement and Recognition of Foreign Judgments in United States Courts: A Practical Perspective”, 29 *Pepp. L. Rev.* 147, at p. 148 (2001).

107 Perez, “The International Recognition of Judgments; The Debate between Private and Public Law Solutions”, 19 *Berkeley J. Int’l L.* 44, at p. 57 (2001).

108 *Hilton v. Guyot*, 159 U.S. 113, at pp. 130 and 131 (1895); Traynor, “An Introductory Framework for Analyzing the Proposed Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters: US and European Perspectives”, 6 *Ann. Surv. Int’l and Comp. L.* 1, at p. 4 (2000).

reciprocity dictated a similar position.¹⁰⁹ Other factors emerged from the *Hilton* decision that American courts must consider when confronted with a foreign judgment, such as whether that court had proper jurisdiction and whether it conducted a fair proceeding free from fraud or prejudice.¹¹⁰

Notwithstanding, United States courts now primarily recognize foreign judgments based on the principle of comity.¹¹¹ Thus, while certainly not all foreign judgments will be given effect in American courts, the United States remains one of the most generous nations with regard to enforcing the judgments of other nations.

The failure to enforce foreign judgments is an issue that does not belong to the United States alone. Many other nations face the same challenges, and wish to see the judgments of their courts upheld in foreign jurisdictions. Historically, some effort has been made to address the issue. Namely, the Hague Conference on Private International Law has tried for many years to establish some form of international consensus. In 1971, the Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters concluded to require that decisions rendered in one of the member states would be entitled to recognition and enforcement in another member state.¹¹² Only four nations signed the Convention: Cyprus, The Netherlands, Portugal, and Kuwait.¹¹³

The failure of this Convention to adequately address the concerns and demands of members and ultimately attract signatories has led the Hague Conference to re-commence its efforts in recent years. Since 1992, member nations have been actively negotiating a new Convention on foreign judgment enforcement. However, progress has been slow, and commentators

109 *Hilton v. Guyot*, 159 U.S. 113, at p. 131 (1895); Perez, “The International Recognition of Judgments; The Debate Between Private and Public Law Solutions”, 19 *Berkeley J. Int’l L.* 44, at p. 58 (2001). This requirement of reciprocity has been roundly criticized by commentators, primarily because it is not grounded on any Constitutional principles, such as the Full Faith and Credit Clause that mandates recognition of judgments among the 50 states of the United States. Yet, *Hilton* remains the only instance where the Supreme Court has addressed the issue.

110 Traynor, “An Introductory Framework for Analyzing the Proposed Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters: US and European Perspectives”, 6 *Ann. Surv. Int’l and Comp. L.* 1, at p. 4 (2000).

111 *De la Mata v. Am. Life Ins. Co.*, 771 F. Supp. 1375, at p. 1380 (Del., 1991) (recognizing foreign judgments based on principles of comity is contrasted to any constitutional requirement, such as the Full Faith and Credit Clause).

112 Hague Conference on Private International Law, Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters, article 4, at <http://www.hcch.net/e/conventions/text16e.html> (visited 23 July 2004) [hereinafter Hague Convention].

113 Statute of the Hague Conference on Private International Law, at <http://www.hcch.net/e/status/stat16e.html> (visited 22 July 2004).

believe that the attempt will fail once again, largely because the proposed Convention continues to be reduced in scope and several important substantive areas are being severely limited, including intellectual property.¹¹⁴

Moreover, given the concerns of countries such as the United States regarding the protection of intellectual property rights, it is unlikely that these countries will become signatories to such an agreement. Thus, while the international community works to find a solution to the dilemma of foreign judgment recognition, the problem continues, and agreements will need to be reached as global trade continues to flourish and more nations join the world economy.

(c) Traditional Alternative Dispute Resolution

(i) *In General*

Traditional alternative dispute resolution mechanisms generally provide some relief from the challenges that arise when litigating cases in national courts. By definition, traditional alternative dispute resolution is a format where:

... a third party listens to disputants and makes a decision as a judge would, except that in an arbitration process, the parties often decide the rules of procedure, rights of appeal, whether or not the arbitration decision will be binding, and, most important, who the arbitrator(s) will be.¹¹⁵

This chapter will consider three methods of traditional alternative dispute resolution, namely:

1. Arbitration;
2. Mediation; and
3. Negotiation.

Proponents believe that:

... the use of [alternative dispute resolution], with arbitrators and mediators with experience in the technical field at issue, will save time and effort and will likely lead to more equitable results.¹¹⁶

Scholars also opine that, at present, traditional forms of alternative dispute resolution are typically preferred in international dispute resolution.¹¹⁷

114 Perez, "The International Recognition of Judgments; The Debate between Private and Public Law Solutions", 19 *Berkeley J. Int'l L.* 44, at pp. 67-70 (2001); Dreyfuss and Ginsburg, "Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters", 77 *Chi-Kent. L. Rev.* 1065 (2002).

115 Ciaraco, "Forget the Mechanics and Bring in the Gardeners", 9 *U. Balt. Intell. Prop. J.* 47, at p. 53 (2000).

116 Mills, "Alternative Dispute Resolution in International Intellectual Property Disputes", 11 *Ohio St. J. on Disp. Resol.* 227, at pp. 227 and 228 (1996).

117 Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section IV (2004).

(ii) Arbitration

Arbitration offers several advantages over litigation in national court systems. One advantage is that parties choose their arbitrator. Due to the highly technical nature of many intellectual property disputes, in particular, the ability to select an arbitrator with experience in the field at issue rather than being forced to litigate disputes before judges who are largely unfamiliar with these issues is of significant worth, saving time, expense, and arguably leading to more equitable results.¹¹⁸

Commentators also maintain that arbitration is generally faster and less costly than litigation and that the rules of procedure and evidence are often less rigid.¹¹⁹

Time is a particularly sensitive issue in information technology and intellectual property disputes because, as technology evolves quickly, protection is needed immediately, rather than months or years later.¹²⁰

The confidentiality provided by alternative dispute resolution is another important advantage, particularly with respect to parties in intellectual property disputes involving trade secrets and other protected technologies.¹²¹ Moreover, arbitration of international disputes provides for greater neutrality than national court systems where litigants face potential bias. Such neutrality is particularly important for international disputes involving intellectual property and information technology “which often involve transactions between purchasers in developed Western countries and suppliers in developing Asian countries, and often involve cultural as well as legal clashes”.¹²²

Notwithstanding the above benefits, arbitration is not without its challenges. First, arbitration is subject to national as well as international regulation,¹²³

118 Mills, “Alternative Dispute Resolution in International Intellectual Property Disputes”, 11 *Ohio St. J. on Disp. Resol.* 227, at pp. 227 and 228 (1996); Arnold, *et al.*, *Patent ADR Handbook*, section 5.02 (1991).

119 “Traditional alternative dispute resolution mechanisms . . . have been increasingly preferred to court proceedings due to their procedural flexibility, speediness, absence of jurisdiction/related problems, as well as other difficulties associated with in-court dispute resolution processes”. Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section I (2004).

120 For example, one scholar notes that often “patents and the technology being disputed may actually become obsolete before a matter reaches the litigation stage”, Mills, “Alternative Dispute Resolution in International Intellectual Property Disputes”, 11 *Ohio St. J. on Disp. Resol.* 227, at p. 231 (1996).

121 Mills, “Alternative Dispute Resolution in International Intellectual Property Disputes”, 11 *Ohio St. J. on Disp. Resol.* 227, at p. 231.

122 Benton and Rogers, “The Arbitration of International Technology — Disputes under the English Arbitration Act 1996”, 13 *Arb. Int’l* 361, section II(a) (1997).

123 Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section I (2004), *supra* note 119, Section IV.

which may lead to conflicting laws. Other shortcomings associated with traditional arbitration include choosing the place of arbitration, the language in which the arbitration will take place, the jurisdiction of the arbitration, the law governing the arbitration and the substance of the dispute, and ensuring enforceability of the award.¹²⁴

As arbitration becomes increasingly popular, some of the advantages over litigation diminish. Indeed, today, arbitration can be a costly forum in which to bring less complicated disputes.¹²⁵ The number of smaller claims in international arbitration has grown with the increased participation of small to medium-sized companies in international commerce.¹²⁶

Moreover, more complex and legalistic disputes are being arbitrated now than ever before.¹²⁷ As a result of these new concerns caused by greater demands on the international arbitration system, providers of arbitration services have developed new arbitration rules particularly aimed at reducing the time and costs spent on the proceedings. These new rules also are known as “fast-track” arbitration rules.¹²⁸

Fast-track arbitration rules focus on reducing cost and time spent on resolving disputes and provide the greatest benefits to the resolution of smaller, less complex disputes.¹²⁹ A number of organizations, including without limitation, the American Arbitration Association (AAA), WIPO, the Japan Commercial Arbitration Association (JCAA), the China International Economic Arbitration Commission (CIETAC), and the Geneva Chamber of Commerce and

124 Schneider and Kuner, “Dispute Resolution in International Electronic Commerce”, 14 *J. Int’l Arb.* 5, section III (1997). Issues regarding uncertainty in the law applicable to an arbitration, jurisdiction of the courts providing legal support to the proceeding, and potential review and enforcement of the award are minimized in legal systems that have adopted the Swiss concept of the “seat” of arbitration. The “seat” is a legal concept that is independent of the physical place of arbitration and serves to connect the arbitration to a specific legal system. This concept has also been adopted in the 1996 English Arbitration Act, and the arbitration agreement can specify the seat of arbitration at the outset. Schneider and Kuner, “Dispute Resolution in International Electronic Commerce”, 14 *J. Int’l Arb.* 5, section III(B) (1997).

125 Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, sections I and II (1998). At least one commentator has also questioned whether arbitration actually leads to speedier resolution of disputes. Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, sections I and II (1998).

126 Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, sections I and II (1998).

127 Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, section IV (1998).

128 Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, section 1 (1998).

129 Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, section 11(2) (1998).

Industry (GMAC) have devised rules for fast-track arbitration.¹³⁰ Even so, the rules differ regarding applicability to arbitration proceedings, the time frame for rendering award, nature of the hearing, documents submitted, and procedural limitations.¹³¹

One disadvantage of fast-track arbitration rules is that courts may be more likely to set aside awards over due process concerns. For instance, limitations on hearings under certain fast-track arbitration rules may raise due process concerns in some jurisdictions. Many rules provide for limited time of hearings.¹³² The AAA and JCAA, for example, provide that the hearing must be completed within one day.¹³³

In many nations, including the United States, however, the hearing symbolizes the parties' right to present a case and is viewed at the core of the dispute settlement procedure. Under United States federal law, for instance, failure to grant parties an oral hearing is regarded as a violation of due process.¹³⁴

This distinction, among others, may cause some courts concern that fast-track arbitration rules do not give parties a chance to fairly and fully present their case.¹³⁵ Of particular concern to some courts is that the application of fast-track arbitration rules is linked to a threshold in some arbitration institutions such that, having subscribed to the rules of a particular arbitral institution, parties automatically consent to the application of fast-track arbitration procedures when the amount claimed does not reach a certain threshold.¹³⁶

130 Müller, "Fast-Track Arbitration: Meeting the Demands of the Next Millennium", 15 *J. Int'l Arb.* 5, section 111(3) (1998).

131 Müller, "Fast-Track Arbitration: Meeting the Demands of the Next Millennium", 15 *J. Int'l Arb.* 5, section 111(3) (1998).

132 Müller, "Fast-Track Arbitration: Meeting the Demands of the Next Millennium", 15 *J. Int'l Arb.* 5, section 111(5) (1998).

133 Müller, "Fast-Track Arbitration: Meeting the Demands of the Next Millennium", 15 *J. Int'l Arb.* 5, section 111(5) (1998) (citing article 56 of the American Arbitration Association Rules and article 58 of the JCAA Rules). Both rules, however, provide for an extension of the hearing, if necessary. The CIETAC Rules, as well as those of the China Maritime Arbitration Commission (CMAC) and the Arbitration Institute of the Stockholm Chamber of Commerce (SCC), do not require any restrictions on time but do provide that to have a hearing, the arbitrator must deem it appropriate, as is stated by the CIETAC and CMAC or necessary as in the SCC. Müller, "Fast-Track Arbitration: Meeting the Demands of the Next Millennium", 15 *J. Int'l Arb.* 5, section 111(5) (1998) (citing article 67 of the CIETAC and CMAC Rules and article 16 of the SCC Rules).

134 Müller, "Fast-Track Arbitration: Meeting the Demands of the Next Millennium", 15 *J. Int'l Arb.* 5, section 111(5) (1998).

135 Müller, "Fast-Track Arbitration: Meeting the Demands of the Next Millennium", 15 *J. Int'l Arb.* 5, section III(2) (1998).

136 This principle is true with respect to the CIETAC, CMAC, JCAA, and AAA Rules. The WIPO, CCIG, and SCC Rules, on the contrary, require the parties' express consent to fast-track arbitration. Müller, "Fast-Track Arbitration: Meeting the Demands of the Next Millennium", 15 *J. Int'l Arb.* 5, section 111(2) (1998).

As a result, some courts may be concerned that parties are limiting their rights without specific and actual voluntary waiver of that right or notice of the same. As a result, some courts may be concerned that parties are limiting their rights without specific and actual voluntary waiver of that right or notice of the same.¹³⁷ Accordingly, due process concerns are less prevalent in cases where the parties agree on the rules of procedure before a dispute arises, but present increased challenges in cases where the parties did not agree beforehand to the accelerated processes and procedures the accelerated processes and procedures.¹³⁸ Due process concerns may thus be ameliorated if the parties agree at time of contracting to the particular dispute mechanism and the rules of procedure, including, in particular, whether fast-track arbitration is a permissible option whether fast-track arbitration is a permissible option.¹³⁹

Regardless of whether the form of arbitration chosen is traditional or fast-track, one problem that continues to plague arbitration is the disparate enforcement of arbitral awards. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards¹⁴⁰ was promulgated by the United Nations in 1958 to address this issue. Today, approximately 136 states are signatory parties to that treaty, including many developing nations.¹⁴¹

In essence, the treaty requires all contracting states to recognize and enforce arbitral awards made in the territory of another state, as well as domestic arbitral awards.¹⁴² The Convention further outlines certain minimum requirements for enforcement of awards, such as requiring the arbitration agreement to be an “agreement in writing”, which includes either a written arbitration clause or agreement signed by the parties or contained in an exchange of letters or telegrams.¹⁴³

The New York Convention also permits a state to refuse to recognize and enforce an award under certain circumstances, including the following:

1. When the agreement is not valid under the law to which the parties or the contract is subject or the law of the place where the award was rendered;

137 Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, section 111(5) (1998).

138 Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, section 111(2) (1998).

139 Müller, “Fast-Track Arbitration: Meeting the Demands of the Next Millennium”, 15 *J. Int’l Arb.* 5, section 111(2) (1998).

140 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 10 June 1958, 21 U.S.T. 2517; Reichman, “Global Competition Under TRIPS”, 29 *N.Y.U.J. Int’l. L. and P.* 23, at pp. 24–26 (1996); 330 U.N.T.S. 38 [hereinafter New York Convention].

141 New York Convention, article I; United Nations Treaties at <http://untreaty.un.org/ENGLISH/bible/englishinternetbible/partI/chapterXXII/treaty1.asp> (visited 15 February 2005).

142 New York Convention, article I; United Nations Treaties at <http://untreaty.un.org/ENGLISH/bible/englishinternetbible/partI/chapterXXII/treaty1.asp> (visited 15 February 2005).

143 New York Convention, article II.

2. When a party was not given proper notice or was otherwise unable to present its case;
3. When the award deals with a dispute outside the scope of the arbitration agreement;
4. When the composition of the arbitral panel or the arbitration procedure was not that contemplated by the parties, or violated the law in which the arbitration took place; or
5. When the award is not yet binding on the parties, or was suspended or set aside by a competent authority in which the award was made.¹⁴⁴

Many other issues arise from language in articles I and IV of the Convention which affect the enforcement of arbitral awards. First, states differ on how to determine where an award was “made”. Primarily, this could affect whether the award will be enforced, because some states have declared under article I(3) that they will only recognize and enforce awards made in another contracting state.

Differences among states’ determination of where awards are “made” affect the classification of an arbitral award as foreign or domestic. For example, Panamanian law deems an arbitration award to be “foreign” if it is issued outside of Panama, or issued within Panama pursuant to an international commercial arbitration taking place in Panama. Dissimilarly, in the United States, the nature of the award depends on the nationality of the parties in the case.¹⁴⁵ The classification of an award as foreign or domestic may determine how the award will be enforced. For example, in Brazil, if the award is domestic, the losing party must file an annulment action to oppose its enforcement whereas, if the award is foreign, the loser must simply challenge the award in the winner’s action to enforce the award.¹⁴⁶

States also differ on what it means to have an agreement “in writing” under the New York Convention, although many national laws and other international conventions contain provisions which require forum selection or arbitration agreements to be in writing.¹⁴⁷ In particular, this issue implicates

144 New York Convention, article V.

145 Mason, “Seven Keys to Arbitration in Latin America”, 19-2 *Mealey’s Intl. Arb. Rep.* 11, section 2, paragraph 6 (2004).

146 Mason, “Seven Keys to Arbitration in Latin America”, 19-2 *Mealey’s Intl. Arb. Rep.* 11, section 2, paragraph 6 (2004).

147 For example, the Brussels and Lugano Conventions require a written form for prorogation agreements and the New York Convention requires “a writing” for arbitration agreements. Schneider and Kuner, “Dispute Resolution in International Electronic Commerce”, 14 *J. Intl Arb.* 5, section III(A) (1997).

contracts entered into on the Internet. Many domestic laws do not consider an agreement to be “in writing” when it is recorded by electronic means.¹⁴⁸

Indeed, the language of the New York Convention (authored in 1958) does not include any reference to agreements recorded by electronic means.¹⁴⁹ An alternative to a signed writing under the New York Convention is an exchange of letters or telegrams; however, some states might not consider an exchange of emails in the same light as an exchange of letters or telegrams.¹⁵⁰ Moreover, the Convention does not address agreements that might be contained in a transcript of an online chat exchange.

Issues of sovereignty also continue to plague arbitration proceedings and enforcement of arbitral awards. When a private party chooses to contract with a state, the party invariably runs the risk that the state may decline to

148 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25, section V(D) (2004) (citing Friedman, “Alternative Dispute Resolution and Emerging Online Technologies: Challenges and Opportunities”, 19 *Hastings Comm. and Ent. L.J.* 695 (1997)). To exemplify, Dutch law requires “a writing” (Dutch Civil Procedure Law, article 1021); Italian Civil Procedure Law’s definition of “a writing” only references telegrams and telexes. Schneider and Kuner, “Dispute Resolution in International Electronic Commerce”, 14 *J. Int’l Arb.* 5, section III(A) (1997) (citing Italian Civil Procedure Law, article 807 (amended in 1994)). Moreover, German law requires arbitration agreements to be in writing (*Schriftform*), which means “written on paper”, unless the parties are considered to be merchants (*Vollkaufletzte*) under the meaning of the Commercial Code. Schneider and Kuner, “Dispute Resolution in International Electronic Commerce”, 14 *J. Int’l Arb.* 5, section III (1997) (citing German Civil Procedure Law, article 1027(1) and (2) and German Commercial Code, article 4). Other national laws are more flexible regarding the writing requirement. Swiss law, for instance, provides that an international arbitral agreement “may take any form which permits it to be evidenced by a text” such that electronically transmitted arbitral agreements are arguably valid. Schneider and Kuner, “Dispute Resolution in International Electronic Commerce”, 14 *J. Int’l Arb.* 5, section III (1997). Indonesia also recognizes e-mail as a form of writing, although it requires, at a minimum, a record of receipt. Mills, Firmansyah, and Woelandara, *Effective Formation of Contracts by Electronic Means and Dispute Resolution in the New E-conomy* (2000), at p. 10 (citing the authors’ unofficial translation of Indonesian Law Number 30 of 1999, article 4).

149 “The term ‘agreement in writing’ shall include an arbitral clause in a contract or an arbitration agreement, signed by the parties or contained in an exchange of letters or telegrams”. New York Convention, article II(2). Despite expressed inclusion of electronic arbitration agreements in the New York Convention, some scholars interpret the Convention’s language and aims to implicitly include such agreements. Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section IV(A) (2004); Arsic, “International Commercial Arbitration on the Internet”, 14 *J. Int’l Arb.* 209 (Number 3, 1997); Hill, “Online Arbitration: Issues and Solutions”, 15 *Arb. Int’l* 199 (Number 2, 1999), at <http://www.umass.edu/dispute/hill.htm> (visited 2 February 2005); Schellekens, “Online Arbitration and E-Commerce”, 9 *Electronic Communication L. Rev.* 119 (2002).

150 Japan, for example, requires that the agreement be contained in hard copy documents. Ohno and Tsunematsu, *Commentary to the Arbitration Law of Japan*, section I, at <http://www.klumerarbitration.com> (visited 27 January 2005).

submit to the jurisdiction of the arbitral tribunal, or the state may plea sovereign immunity when the private party attempts to enforce the award. Some states have addressed this issue with domestic legislation, case law, or regional agreements. For example, the European Union Convention on State Immunity¹⁵¹ provides that when a contracting state has agreed in writing to submit to arbitration, it may not claim sovereign immunity from jurisdiction in any proceeding relating to the validity of the agreement or enforcement of the award.¹⁵²

The scope of these treaties, legislation, and case law, however, is limited. Other states persist in using sovereign immunity as a bar to arbitration proceedings or enforcement of awards against the state. For example, in a recent International Chamber of Commerce arbitration proceeding involving a contract dispute between a private party and an entity of the state of Brazil, the state intervened to suspend the proceeding, stating that a state entity may only use arbitration in their contracts if they are granted explicit statutory authority to do so.¹⁵³ Similar cases in Brazil punctuate the problems with attempting to contract with entities of the state in Brazil — yet, Brazil is a party to the New York Convention.¹⁵⁴

Finally, regional or local bias may affect the enforcement of arbitral awards, placing arbitration on the same footing as national courts. For example, commentators note concern that, in China, some courts do not enforce arbitral awards against local entities due to bias.¹⁵⁵

(iii) Mediation

Mediation is a traditional, non-binding form of alternative dispute resolution with its own set of advantages and disadvantages. Mediation is:

... the process by which the participants, together with the assistance of a neutral person or persons, systematically isolate disputed issues to develop options, consider alternatives, and reach a consensual settlement that will accommodate their needs will accommodate their needs.¹⁵⁶

151 European Convention on State Immunity (E.T.S. Number 74) (entered into force 11 June 1976) at <http://www.server.law.wits.ac.za/humanrts/euro/ets74.html>.

152 European Union Convention on State Immunity, article 12(2).

153 Mason, “Seven Keys to Arbitration in Latin America”, 19-2 *Mealey’s Intl. Arb. Rep.* 11, section 1(b), paragraph 6 (2004).

154 Mason, “Seven Keys to Arbitration in Latin America”, 19-2 *Mealey’s Intl. Arb. Rep.* 11, section 2, paragraph 1 (2004).

155 Harpole, “Factors Affecting the Growth (or Lack Thereof) of Arbitration in the Asia Region”, 20(1) *J. Int’l Arb.* 89, at p. 95 (2003).

156 Ciaraco, “Forget the Mechanics and Bring in the Gardeners”, 9 *U. Balt. Intell. Prop. J.*, 47, at p. 53 (2000); Folberg and Taylor, *Mediation — A Comprehensive Guide to Resolving Conflicts Without Litigation* (1984), at p. 7.

Successful mediation depends on the relationship between mediator and the parties as mediation resolves problems by focusing on parties' relations, and not the rights involved.¹⁵⁷

This philosophy differs fundamentally from right-determinative forums such as arbitration and traditional court forums, which solve disputes in one case. Settlement through compromise, however, affords the parties the opportunity to understand each other better and aids in maintaining relationships. Furthermore, as in arbitration, mediators with technical expertise may help reduce costs by making the proceedings more time efficient.¹⁵⁸ Mediation and arbitration differ in many respects:

Arbitration has often been criticized because disputants have frequently treated arbitration as a means for attaining individual goals, rather than as a forum for resolving disputes without confrontation. The result of this misuse of the arbitration process is that today's arbitration sessions take on all the trappings of litigation: lawyers, transcripts, formal rules of evidence and procedures, and their associated costs.¹⁵⁹

On the other hand, the flexibility of:

... mediation adapts to parties and their interests.¹⁶⁰ The arbitration system ... is still strongly connected to the adversarial system and puts considerable weight on rights as opposed to interests. Mediation, however, is designed to be more concerned with addressing interests rather than rights.¹⁶¹

Mediation is not appropriate for all types of international intellectual property disputes, however. Disputes involving piracy and counterfeiting are inappropriate for mediation, because they may require immediate injunctive relief, or are strictly rights-based such that a party may wish to depend on legal precedent.¹⁶²

Moreover, one party may be unwilling to participate in good faith, in which case the procedure will be stalled or ultimately lead to a court proceeding.¹⁶³

157 Mills, "Alternative Dispute Resolution in International Intellectual Property Disputes", 11 *Ohio St. J. on Disp. Resol.* 227, at pp. 231 and 232 (1996).

158 Mills, "Alternative Dispute Resolution in International Intellectual Property Disputes", 11 *Ohio St. J. on Disp. Resol.* 227, at p. 232 (1996).

159 Ciaraco, "Forget the Mechanics and Bring in the Gardeners", 9 *U. Balt. Intell. Prop. J.*, 47, at pp. 62 and 63 (2000).

160 Ciaraco, "Forget the Mechanics and Bring in the Gardeners", 9 *U. Balt. Intell. Prop. J.*, 47, at p. 60 (2000).

161 Ciaraco, "Forget the Mechanics and Bring in the Gardeners", 9 *U. Balt. Intell Prop J.* 47, at pp. 56 and 57 (2000).

162 Plant, "Some Aspects of Mediating Intellectual Property Disputes", Panelist, Conference on Mediation, 29 March 1996, Geneva, Switzerland, at <http://arbiter.wipo.int/events/conferences/1996/plant.html> (visited 1 February 2005).

163 Plant, "Some Aspects of Mediating Intellectual Property Disputes", Panelist, Conference on Mediation, 29 March 1996, Geneva, Switzerland, at <http://arbiter.wipo.int/events/conferences/1996/plant.html> (visited 1 February 2005).

Such tactics, in turn, can serve to actually increase the costs of dispute resolution, making them greater than if the parties had turned initially to the national court system.¹⁶⁴ Finally, mediation is typically non-binding, thus again opening up the possibility of resort to the national court system, and increased costs.

(iv) *Negotiation*

Negotiation is a form of traditional arbitration that focuses, even more heavily than mediation, on the relations between, rather than the rights of, the parties. Negotiation is a collaborative dispute resolution process where parties communicate, directly or indirectly, about “the form of any joint action which they might take to manage and ultimately resolve the differences between them”.¹⁶⁵ Negotiation is advantageous because parties work together, which leads to a compromise. This process thus benefits “disputants who seek to maintain their relationship or resolve disputes with multiple issues”.¹⁶⁶

In today’s business world, formal dispute resolution is abhorred by most and negotiation is the precursor relied on by those who wish to resolve differences rather than fight about them. However, it is apparent that negotiations will only succeed when parties want to work together to find a solution. As with mediation, negotiation may be inappropriate for some disputes. Moreover, because negotiation lacks a neutral third-party mediator, the problems associated with mediation may be exacerbated.

(d) Online Dispute Resolution

Online dispute resolution is the newest form of alternative dispute resolution. Online dispute resolution introduces technology to the advantages of alternative dispute resolution.¹⁶⁷

While not without its faults, online dispute resolution has already begun to have utility in resolving certain types of disputes (e.g., business-to-business and business-to-consumer disputes concerning goods exchanged over the Internet) and holds the promise of improving for potential use in more complex disputes

164 Plant, “Some Aspects of Mediating Intellectual Property Disputes”, Panelist, Conference on Mediation, 29 March 1996, Geneva, Switzerland, at <http://arbiter.wipo.int/events/conferences/1996/plant.html> (visited 1 February 2005).

165 Ciaraco, “Forget the Mechanics and Bring in the Gardeners”, 9 *U. Balt. Intell. Prop. J.* 47, at p. 53 (2000).

166 Ciaraco, “Forget the Mechanics and Bring in the Gardeners”, 9 *U. Balt. Intell. Prop. J.* 47, at p. 54 (2000). Heinze, “Patent Mediation: The Forgotten Alternative in Dispute Resolution”, 18 *A.I.P.L.A. Q.J.* 333, at p. 339 (1991).

167 Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section I (2004).

with increased use and improved technology. Moreover, online dispute resolution may be an efficient solution for international disputes because it offers an international, or private, as opposed to sovereign, solution.¹⁶⁸

Scholars have categorized online dispute resolution mechanisms into three groups, namely:

1. Technology-assisted online dispute resolution mechanisms used to resolve existing disputes;
2. Technology-based online dispute resolution mechanisms to resolve existing disputes; and
3. Technology-facilitated online dispute prevention that arguably aids in reducing the risk of potential e-disputes.¹⁶⁹

Technology-assisted online dispute resolution mechanisms include assisted e-negotiation, e-mediation, e-arbitration,¹⁷⁰ online ombudsmen proceedings, and cyber-courts.¹⁷¹

The role of technology in this mechanism is primarily to facilitate communication between the parties (e.g., electronic mail communication, chat rooms,

168 Donahey, "Dispute Resolution in Cyberspace", 15 *J. Int'l Arb.* 127, at pp. 127 and 128 (1998).

169 Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section I (2004).

170 The Virtual Magistrate Project (VMAG) was one of the first online alternative dispute resolution projects. Commentators have described VMAG as a "classic illustration of how online alternative dispute resolution failed, as well as a good example from which to learn for future alternative dispute resolution service providers". Shah, "Using ADR to Resolve Online Disputes", 10 *Rich. J.L. and Tech* 25, section II(A). VMAG would arbitrate any online disputes submitted to it. Arbitrators were appointed and trained by the American Arbitration Association. Friedman and Gellman, "An Information Superhighway 'On Ramp' for Alternative Dispute Resolution", 68 *N.Y.S.T.B.J.* 38, at p. 41 (1996). The primary purpose of VMAG was to "demonstrate that online technology could be used to resolve online disputes in a quick, cost-effective and accessible means" through arbitration, Shah, "Using ADR to Resolve Online Disputes", 10 *Rich. J.L. and Tech* 25, section II(A) (citing Chicago-Kent College of Law, Illinois Institute of Technology, VMAG: Online Dispute Resolution, at <http://www.vmag.org> (visited 15 February 2005)). VMAG proceedings were held via e-mail, and decisions were required within three business days once the initial complaint was received. Shah, "Using ADR to Resolve Online Disputes", 10 *Rich. J.L. and Tech* 25, section II(A). It has been said that VMAG was largely unsuccessful because several types of complaints were not within its jurisdiction, the project was not widely advertised or used, and VMAG lacked the ability to enforce its decisions. In fact, in the only decision that VMAG rendered, one of the parties (the alleged offender) did not participate. *Tierney v. Email America*, VM Docket Number 96-001 (8 May 1996) (noting that the full text of the decided case is "coming soon"), available at <http://www.vmag.org/sample.html> (visited 1 February 2005); Ponte, "Throwing Bad Money after Bad: Can Online Dispute Resolution Really Help Deliver the Goods for the Unhappy Internet Shopper?", 3 *Tul. J. Tech. and Intell. Prop.* 55, at p. 64 (2001).

171 Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section I (2004).

audio and video conferencing, message posting, and traditional offline means); secure the exchange of information; store data; house an efficient electronic filing system; and ensure the confidentiality and security of the proceedings.¹⁷²

Technology-based online dispute resolution mechanisms include automated negotiation, multi-variable resolution optimization programs, solution-set databases, and the electronic virtual judge system.¹⁷³ Online negotiation and mediation companies allow parties to confidentially enter offers or demands online and, if the parties' offers are within a certain identified range, the dispute is settled for the median.¹⁷⁴

The comparison process and other logistics, such as the number of bids allowed and settlement calculations, vary based on the programs used.¹⁷⁵ If the claimant is unwilling to negotiate and accept less than the actual or initial amount of the claim, however, automated negotiation may not be a feasible alternative. Other technology-based online dispute resolution mechanisms, such as multi-variable resolution optimization programs, provide the parties the ability to set forth their disputed issues and then weigh their importance.¹⁷⁶

Such programs allow a party to develop different proposals to present to the opposing party and, after several proposals, the program will deliver a mathematically optimal solution to the disputes based on the parties' stated preferences and interests.¹⁷⁷ This process may involve a human facilitator who uses the computer analysis to help the parties weigh issues, build consensus, and objectively evaluate the issues prior to commencing settlement negotiations.¹⁷⁸

172 Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section II (2004).

173 Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section II (2004).

174 Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section II (2004).

175 Online negotiation and mediation providers include Cybersettle, MARS, Intersettle, SmartSettle, Dispute Manager, Esettle.co.uk, WeCanSettle, and SettleOnline. Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section II (2004).

176 Such programs include Computer Aided Negotiation-Web International Network (CAN-WIN) and Smart Settle. Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section II (2004).

177 Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section II (2004); Rule, *Online Dispute Resolution for Business* 47, at p. 58 (2002).

178 Wahab, "The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution", 21 *J. Int'l Arb.* 143, section II (2004).

It should be obvious, but perhaps its needs saying, that intellectual property rights disputes are — by their very nature — not often susceptible to resolution by mere mathematical equation. Indeed, the value of intellectual property rights is often in the “perceived advantage” of exclusivity and the revenue that can be derived from that exclusivity over time. For this reason, most contractual undertakings will contain remedial provisions that acknowledge a dispute may not be resolved by “money damages”, and each party agrees an injunction may be the appropriate remedy. It follows that an online dispute resolution methodology may not achieve the “cease and desist” focus that is often the main thrust of any intellectual property rights owner in adversarial proceedings.

Online dispute prevention programs, on the other hand, work to help prevent e-disputes. Such programs include trustmark schemes, i-escrow, credit card charge backs, feedback ratings, and evaluations systems.¹⁷⁹ These programs work to enhance security to online transactions and minimize the risk of e-disputes. For example, i-escrow is similar to a documentary letter of credit and protects buyers’ and sellers’ interests in online transactions against fraud and non-performance.¹⁸⁰

E-Bay, a popular web-based auction service, recommends the use of an i-escrow service for merchandise of US \$500 or more.¹⁸¹ Scholars assert that post-dispute online dispute resolution systems may draw their binding force from Online Dispute Prevention mechanisms that create incentives to perform (such as trustmark schemes and feedback rating systems) or self-enforcing mechanisms (including i-escrow services and credit card charge-back mechanisms).¹⁸²

Online dispute resolution is most useful to resolve e-commerce disputes over small amounts of money or inexpensive goods that arise from business-to-business contracts or business-to-consumer contracts initiated on the Internet.¹⁸³ Online dispute resolution may be particularly well-suited to resolving these type of disputes because the parties presumably already have

179 Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section III (2004).

180 Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section III (2004).

181 Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section III (2004); eBay, <http://pages.ebay.com/help/community/escrow.html> (visited 1 February 2005).

182 Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section III (2004).

183 Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section I (2004).

some familiarity with operating the Internet, have e-mail facilities, and the parties have an online financial relationship.¹⁸⁴

In such cases, disputants may not otherwise have a forum to resolve disputes due in part to the expense and time involved in litigation and alternative dispute resolution.¹⁸⁵ Online dispute resolution also has achieved marked success in the realm of domain name disputes. WIPO is the primary accredited domain name dispute resolution provider pursuant to the Uniform Domain Name Dispute Resolution Policy (UDRP) adopted by the Internet Corporation for Assigned Names and Numbers (ICANN).¹⁸⁶

Registrants agree to resolve disputes related to domain names under UDRP at the time a domain name is registered.¹⁸⁷ Scholars assert that this policy provides for efficient and quick resolution of “cases involving ‘bad faith’ use of domain name confusingly similar or identical to those of trade marks in which the complainant has a right”.¹⁸⁸ Indeed, WIPO touts its process as taking only 14 days. So far, experienced lawyers report that it is working and that it may be safe to observe this as one of the most expedient services available for focused disposition of domain name controversies.

In general, online dispute resolution appears to be most useful in resolving monetary disputes as certain online dispute resolution programs may facilitate the bargaining process between the parties and encourage more expedient resolutions to disputes.¹⁸⁹ Online dispute resolution has many advantages over national court systems or traditional alternative dispute resolution methods, including lower costs, speed of resolution, neutrality of forum, and the offer of a non-confrontational means to resolve disputes.¹⁹⁰

184 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech.* 25, section III(A) (2004). For example, online dispute resolution may be used to resolve disputes concerning delivery of products, enforcing warranties, guaranteeing productions, and billing issues, among others.

185 Wahab, “The Global Information Society and Online Dispute Resolution: A New Dawn for Dispute Resolution”, 21 *J. Int’l Arb.* 143, section I (2004).

186 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech.* 25, section II(A), *supra* note 151, Section II (C).

187 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech.* 25, section II(A), *supra* note 151, Section II (C).

188 Appleton and Troller, “Domain Name Arbitrations — A Review of Selected Decisions”, 18 *ASA Bull.* 716, 1 (2000). Despite its criticisms, the Policy does not always result in a win for the “big guy”. For instance, the singer Sting lost the rights to “sting.com” to a party who argued that “sting” is a common English word, and that he had used the word in video games since the mid-90’s. Many other similar examples exist and, as one author notes, “[o]ften it is cases where the ‘big guy’ loses that raise the most interesting policy questions”.

189 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech.* 25, section II(A).

190 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech.* 25, section IV.

Some scholars have also suggested that online dispute resolution may diminish the jurisdictional and choice-of-law problems inherent in a borderless Internet.¹⁹¹ However, it also must be noted that issues related to choice of substantive law will remain even when parties include a choice of law provision in the online agreement to submit to arbitration via an online provider.¹⁹²

Online dispute resolution is not without its disadvantages, however, including some that are novel to the forum (e.g., lack of personal interaction/miscommunication, inadequate confidentiality and security, inadequate authenticity and insufficient accessibility and user sophistication).¹⁹³ Obstacles to online dispute resolution also arise in several other areas relevant to arbitration law. Online arbitration agreements, in particular, may face problems with their validity pursuant to the “in writing” requirement.¹⁹⁴

Many national and international laws require arbitration agreements to be in writing, however, many national laws do not consider agreements recorded by electronic means to be “in writing”.¹⁹⁵ Consequently, it may be difficult to enforce online arbitration awards in jurisdictions that do not recognize online arbitration agreements as being “in writing”.¹⁹⁶

Even if online arbitration agreements are considered to satisfy the “in writing” requirement under many laws, such agreements may still face enforceability problems. For example, the arbitration laws of some nations disallow arbitration where the parties have significantly unequal positions in bargaining power as void against public policy to protect consumers.¹⁹⁷ This may be a particular obstacle in resolving disputes arising from business-to-consumer transactions wherein consumers do not generally have an opportunity to negotiate terms of arbitration agreements.

191 Lide, “ADR and Cyberspace: The Role of Alternative Dispute Resolution in Online Commerce, Intellectual Property, and Defamation”, 12 *Ohio St. J. Disp. Resol.* 193, at p. 200 (1996).

192 See Lide, “ADR and Cyberspace: The Role of Alternative Dispute Resolution in Online Commerce, Intellectual Property, and Defamation”, 12 *Ohio St. J. Disp. Resol.* 193, at p. 200 (1996); see also Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25, section II(A).

193 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25, section V.

194 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25, section IV(D).

195 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25, section V.

196 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25, section V(D).

197 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25, section V(D) (2004); Schultz, “Online Arbitration: Binding or Non-Binding?”, *ADR Online Monthly*, at <http://www.ombuds.org/center/adr2002-11-schultz.html> (visited 2 February 2005).

If this is so, it follows that transfers of technology from the “haves” to the “have-nots” may involve unequal bargaining power on the face of the documents. In such circumstances, the owner of the intellectual property rights can take little comfort in a document that provides it with substantial enforcement rights where the fundamental public order of a state may declare the agreement void.

Another roadblock to enforcement of online awards is that many national and international arbitration laws require an arbitration award to state where the award was rendered and require the signature of the entire tribunal. Online arbitration presents problems if the members of the tribunal arbitrate from different jurisdictions, or the award is signed electronically. To minimize the potential effect of this issue, some scholars suggest that online arbitration awards should be printed and a hard copy of the award signed by all of the members of the tribunal to better ensure enforceability of the award.¹⁹⁸

Moreover, the circumvention of a state’s jurisdiction or choice of law that is advantageous in online dispute resolution also may promote difficulties in enforcing awards.¹⁹⁹ Indeed, the very circumvention of a state’s jurisdiction or laws may be unjust to the party against whom enforcement is sought and thus be contrary to the enforcing state’s public policy.²⁰⁰

It also may be difficult to locate another party on the Internet or the location of a party’s assets from which the award will be satisfied.²⁰¹ The above issues related to enforceability of online arbitration agreements and awards, among others, may decrease confidence in online dispute resolution to resolve more complex, international disputes, including those related to information and communication technology transfers or intellectual property, if they are not addressed.

(e) Case Studies: How Problems with Current Forums May Depress the World Summit on the Information Society’s Goals

(i) National Courts

Pursuing intellectual property claims in the domestic courts of developing nations can be time-consuming, expensive, and lead to inconsistent results, in part because the law is often in flux and courts are not always informed

198 Mills, Firmansyah, and Woelandara, *Effective Formation of Contracts by Electronic Means and Dispute Resolution in the New E-conomy* 1, at p. 12 (2000).

199 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25, section V(F).

200 Krause, “Do You Want to Step Outside? An Overview of Online Alternative Dispute Resolution”, 19 *J. Marshall J. Computer and Info. L.* 457, at p. 475 (2001).

201 Shah, “Using ADR to Resolve Online Disputes”, 10 *Rich. J.L. and Tech* 25; Perritt, Jr., “Economic and Other Barriers to Electronic Commerce”, 21 *U. Pa. J. Int’l. Econ. L.* 563, at pp. 571 and 572 (2000).

regarding changes in the law.²⁰² For example, the pharmaceutical company Eli Lilly recently sued a Chinese company in Chinese court for patent violations.²⁰³

The lower court found no patent violation, but based its decision, in part, on a procedural error in which it did not permit Eli Lilly to cross-examine the defendant's witnesses. Eli Lilly appealed to the Supreme People's Court, which overturned the lower court's decision, and remanded the case for decision.²⁰⁴ As of December 2004, the case was not yet resolved.²⁰⁵

Although the Supreme Court ultimately overturned the lower court's decision, Eli Lilly was still forced to engage in protracted foreign litigation to protect its rights. Moreover, Eli Lilly's troubles may not yet be over. Practitioners note that, in China, even if parties can track down the violating companies and get a favorable decision in a national court, local judges will often refuse to enforce the rulings.²⁰⁶

China acceded to the WTO in 2001.²⁰⁷ Judge Jiang of the People's Supreme Court asserts that since then, Chinese courts are improving at enforcing intellectual property rights.²⁰⁸ In fact, there is a concerted effort to improve the enforcement of intellectual property rights in China, through training of judges and prosecutors.²⁰⁹ However, some private companies, such as Eli

202 Luh, "Let 100 Capitalists Bloom; China pries open some of its rules and regulations ahead of the WTO timetable. However, that's still not enough", 10 *Corp. Counsel* 132 (2003).

203 Ning, "Judicial Protection of Intellectual Property Rights in China, Courts More Cognizant of Intellectual Property Rights", *China Daily*, available at <http://www.chinaiprlaw.com> (visited 3 February 2005). Liu, Shen and Associates, list of intellectual property cases, at http://www.liu-shen.com/news02_en.asp (visited 4 February 2005).

204 Ning, "Judicial Protection of Intellectual Property Rights in China, Courts More Cognizant of Intellectual Property Rights", *China Daily*, available at <http://www.chinaiprlaw.com> (visited 3 February 2005); Liu, Shen and Associates, List of Intellectual Property Cases, at http://www.liu-shen.com/news02_en.asp (visited 4 February 2005).

205 Guogiang, "Injunctive Relief in China: A Judicial Perspective, China Intellectual Property Focus 2004", at [http://www.legalmediagroup.com/Mintellectual property/default.asp?Page=1&SID=2227&ImgName=chinaintellectual propertyfocus04.gif&=F=F](http://www.legalmediagroup.com/Mintellectual%20property/default.asp?Page=1&SID=2227&ImgName=chinaintellectual%20propertyfocus04.gif&=F=F) (visited 4 February 2005).

206 Luh, "Let 100 Capitalists Bloom; China pries open some of its rules and regulations ahead of the WTO timetable. However, that's still not enough", 10 *Corp. Counsel* 132 (2003).

207 World Trade Organization, Accessions, at <http://www.wto.org> (visited 7 February 2005).

208 Ning, "Judicial Protection of Intellectual Property Rights in China, Courts More Cognizant of Intellectual Property Rights", *China Daily*, available at <http://www.chinaiprlaw.com> (visited 3 February 2005).

209 Luh, "Let 100 Capitalists Bloom; China pries open some of its rules and regulations ahead of the WTO timetable. However, that's still not enough", 10 *Corp. Counsel* 132 (2003).

Lilly, may find that the prospect of facing Chinese court proceedings chill their desire to invest in China.²¹⁰

(ii) *International Arbitration*

The current system of arbitration pursuant to bilateral investment treaties and the International Center for Settlement of Investment Disputes also has failed in some instances concerning investment-related disputes. For example, in two recent arbitrations before *ad hoc* International Center for Settlement of Investment Disputes tribunals, the tribunals reached opposite conclusions on the question of the tribunals' jurisdiction over the claims, even though jurisdiction was alleged under virtually identical bilateral investment treaties provisions.

In *Société Générale v. Pakistan*,²¹¹ the claimant, a Swiss company (*Société Générale de Surveillance SA*) entered into a contract with Pakistan. When a dispute arose between the parties, *Société Générale de Surveillance SA* pursued arbitration through International Center for Settlement of Investment Disputes pursuant to a 1995 bilateral investment treaty between Switzerland and Pakistan.²¹²

The claims included pure contract claims that were not based on an alleged violation of the treaty. *Société Générale de Surveillance SA* argued that the tribunal had jurisdiction over the pure contract claims because of the presence of an "umbrella clause" in the bilateral investment treaty, stating that:

... [e]ither Contracting Party shall constantly guarantee the observance of commitments it has entered into with respect to the investments of the other Contracting Party.²¹³

The Tribunal rejected this argument and found that it did not have jurisdiction over the pure contract claims. The Tribunal opined that the bilateral investment treaty's umbrella clause could not be read to extend to disputes beyond those involving a breach of international law without

210 Luh, "Let 100 Capitalists Bloom; China pries open some of its rules and regulations ahead of the WTO timetable. However, that's still not enough", 10 *Corp. Counsel* 132 (2003). Specifically, this article cites the problems with enforcement of rights as a reason why biomedical companies are reluctant to build research and development facilities in China.

211 *Société Générale de Surveillance SA v. Islamic Republic of Pakistan*, International Center for Settlement of Investment Disputes Case Number ARB/01/13 (2003), available at <http://ita.law.uvic.ca>.

212 Agreement between the Swiss Confederation and the Islamic Republic of Pakistan on the Promotion and Reciprocal Protection of Investments, 11 July 1995 [hereinafter Switzerland–Pakistan Bilateral Investment Treaty].

213 Switzerland–Pakistan Bilateral Investment Treaty, article 11.

clear and convincing evidence that the parties to the treaty, i.e., Switzerland and Pakistan, so intended.²¹⁴

On the other hand, in the later case of *Société Générale de Surveillance SA v. Philippines*,²¹⁵ *Société Générale de Surveillance SA* entered into a contract with the Philippines. When a dispute arose between the two parties, *Société Générale de Surveillance SA* again pursued arbitration through the International Center for Settlement of Investment Disputes pursuant to a 1999 bilateral investment treaty between Switzerland and The Philippines.²¹⁶

As in *Société Générale de Surveillance SA v. Pakistan*, the claims included pure contract claims. In this case, however, the tribunal determined that it did have jurisdiction to hear the contract claim, despite the fact that its jurisdiction was based in the bilateral investment treaty and the contract claim did not involve claims of a breach of international law. In this case, the bilateral investment treaty's umbrella clause provided that:

... [e]ach Contracting Party shall observe any obligation it has assumed with regard to specific investments in its territory by investors of the other Contracting Party.²¹⁷

The tribunal read “any obligation” to be more expansive than the Switzerland–Pakistan bilateral investment treaties umbrella clause, and concluded that it included pure contract disputes in addition to violations of international law.²¹⁸

Although both arbitrations took place under the guise of the International Center for Settlement of Investment Disputes and included similar service contracts and virtually identical bilateral investment treaty umbrella clauses, the results were entirely inconsistent. Such disputes arising from investment contracts between a private party and a state will only increase with efforts to enhance participation in the Information Society.

However, absent reform, a party's ability to pursue arbitration of these types of disputes under the International Center for Settlement of Investment Disputes

214 *Société Générale de Surveillance SA v. Islamic Republic of Pakistan*, International Center for Settlement of Investment Disputes Case Number ARB/01/13 (2003), available at <http://ita.law.uvic.ca>.

215 *Société Générale de Surveillance SA v. Philippines*, International Center for Settlement of Investment Disputes Case Number ARB 2/6 (2003), available at <http://ita.law.uvic.ca>.

216 Agreement on the Promotion and Reciprocal Protection of Investments, 31 March 1997, Switzerland-Philippines (in force 23 April 1999) [hereinafter Switzerland–Philippines Bilateral Investment Treaty].

217 Switzerland-Philippines Bilateral Investment Treaty, article II.

218 *Société Générale de Surveillance S.A. v. Philippines*, International Center for Settlement of Investment Disputes Case Number ARB 2/6 (2003), available at <http://ita.law.uvic.ca>.

pursuant to its nation's bilateral investment treaties may be unclear and force such parties into other arbitration institutions or national court systems.

12.04 Prescription for a Remedy

(a) In General

The inconsistencies and problems of current forums as described above lead to the question of whether these and other current methods of dispute resolution are adequate, or whether there may exist a better solution. This author concludes that the current methods for resolving disputes of the nature discussed in this chapter are insufficient and that one or more proposed alternatives may better equip the global community to handle the panoply of disputes that will inevitably arise with efforts to increase participation in the Information Society.

Given the problems of enforcement of foreign judgments and issues of neutrality, the best solution may be to remove these disputes from the national courts. However, relegating these disputes to traditional alternative dispute resolution methods, commercial arbitration in particular, also is problematic because it presupposes that parties have agreed to arbitrate disputes and that such agreements are enforceable. Thus, simply recognizing that arbitration may be the best overall solution for these disputes does not address the issues of jurisdiction, arbitrability, and enforcement, among other issues raised above.

Creating a default forum for these disputes, from which parties presumably could opt out, much like parties can opt out of legal proceedings in domestic courts through arbitration agreements, will aid in the efficiency of dispute resolution and harmonize procedures and outcomes such that private entities (and states) can be assured that any intellectual property or other disputes arising from an information and communication technology transfer will, at the very least, be resolved according to generally agreed upon procedural principles.

Moreover, granting a panel and subsequent domestic or foreign court jurisdiction over a state against whom an award is rendered better assures the party seeking to contract with that state enforcement of an award in the event of a dispute. A default forum also will help stem some of the rising costs related to disputes over jurisdiction. However, to address these and other concerns, and to create such a default forum, some type of modification to the current arbitration reality is required.

(b) United Nations Involvement

The United Nations has taken a lead role in the movement to increase participation in the Information Society as evidenced, in part, by the World Summit

on the Information Society. The participation of the United Nations began in 1998 when the International Telecommunications Union (ITU), an organization within the United Nations system, instructed its Secretary-General to place the question of holding a World Summit on the Information Society on the agenda of the United Nations Administrative Committee on Coordination (ACC).²¹⁹

When the idea of such a summit was favorably received, the ITU went forward with the concept under the patronage of the United Nations Secretary-General, with ITU taking the lead role in preparations. The United Nations General Assembly then endorsed the Summit, and preparations for the World Summit on the Information Society, to be held in two phases, began.²²⁰

The World Summit on the Information Society Plan of Action, developed at the Geneva Summit, states that:

... [t]he commitment of the private sector is important in developing and diffusing information and communication technologies . . . , for infrastructure, content, and applications. The private sector is not only a market player but also plays a role in a wider sustainable development context.²²¹

The Plan of Action plainly memorializes the commonly held belief that the private sector and its economic resources are invaluable to carrying out the World Summit on the Information Society's goals. Recognizing the private sector's concerns about, among other things, legal protection of its intellectual property rights and infrastructure invested in developing nations, the Plan of Action also includes, as a goal:

... [e]ncourag[ing] the ongoing work in the area of effective dispute settlement systems, notably alternative dispute resolution . . . , which can promote settlement of disputes.²²²

In addition to its expertise regarding the Information Society and its past experience in conceiving, bringing to fruition, and governing other dispute resolution international forums,²²³ the multi-national nature of the United

219 The United Nations Administrative Committee on Coordination is now the United Nations System Chief Executive Board, CEB.

220 Background information on the World Summit on the Information Society is available at <http://www.itu.int/wsis/basic/background.html> (visited 24 January 2005).

221 World Summit on the Information Society Plan of Action (WSIS-03/GENEVA/DOC/0005), at <http://www.itu.int/wsis> (3 February 2005), paragraph A(3)(b).

222 World Summit on the Information Society Plan of Action (WSIS-03/GENEVA/DOC/0005), at <http://www.itu.int/wsis> (3 February 2005), paragraph C6(k).

223 These include the International Court of Justice, the International Criminal Court, and the International Criminal Tribunal for the Former Yugoslavia, and the International Criminal Tribunal for Rwanda.

Nations is, on its face, a substantial benefit to its involvement in improving dispute resolution methods for intellectual property rights and related information and communication technology issues.

One need only briefly review the controversy over domain name and other Internet governance issues to understand why so many would prefer to imbue the responsibility of an international forum in a multi-national body such as the United Nations.²²⁴

The credibility of the United Nations as a sponsor of advances in the Information Society must be distinguished from its oft-perceived lack of credibility as a regulator or enforcement mechanism of rights. Moreover, the United Nations has, in recent times, lost some of its credibility as a consensus-builder or, at least, its ability to include the United States in its consensus building. These issues do not merely permeate the highly publicized area of conflicts over nuclear proliferation, but have even infested the World Summit on the Information Society.

For example, the United States, which currently and for the foreseeable future maintains at least indirect control over the administration of domain names through ICANN, is not a member of the World Summit on the Information Society's Working Group on Internet Governance (WGIG).²²⁵ Moreover, pure "consensus building" of the type generally pursued by the United Nations, will not necessarily represent the concerns of the private parties who will be the primary investors/losers in information and communication technology transfer, in particular, *vis-à-vis* intellectual property rights.

(c) Expanding TRIPS Dispute Settlement Procedures to Private Parties

One potential, but limited, solution is to expand the WTO's Understanding on Dispute Settlement procedures to private party claims. This solution would be limited in scope, as it would only be available for the resolution of claims brought by private parties to the effect that states are not protecting their intellectual property rights according to the minimum rights under TRIPS.

Therefore, it would not resolve the problems associated with pure private party disputes (such as intellectual property infringement, piracy, and private

224 The United States indirectly controls domain name administration via ICANN; however, many states, among them Brazil, India, Singapore, South Korea, Tunisia, and several European countries, contest this, and have called for United Nations or other inter-governmental control. Barrett, "Few Said to Fear United Nations Takeover of Internet, Washington Internet Daily", Volume 6, Number 12, 19 January 2005, available at <http://www.wgig.org/docs> (visited 23 January 2005).

225 WGIG Members, <http://www.wgig.org/members.html> (visited 2 February 2005).

party Internet transactions), because the responding private parties do not have obligations under the treaty.²²⁶ Moreover, such a solution is limited to disputes that involve states who are TRIPS signatories because states who are not signatories to TRIPS would not have any obligations under the treaty.

Private parties could, however, bring claims against a state (as signatory to the treaty) if the state itself infringed its intellectual property rights, or if a private party infringed its intellectual property rights and the state failed to properly enforce its own intellectual property law, or failed to enact intellectual property protections pursuant to TRIPS, therefore permitting private parties to infringe intellectual property rights with impunity.

The WTO added TRIPS and the Understanding on Dispute Settlement during the Uruguay Round. The government of each state determines whether a claim should be made to the WTO's Dispute Settlement Board (DSB). Allowable claims include violations of the TRIPS agreement, which include the incorporated sections of the Berne Convention. There are two types of TRIPS claims, a violation complaint and a non-violation complaint.

A violation complaint involves a claim that a benefit under TRIPS is nullified or impaired by the laws or other measures taken by another member state.²²⁷ A non-violation complaint involves a claim that an objective of TRIPS is impeded as a result of a measure taken by another member state, regardless of whether that measure actually violates TRIPS.²²⁸

A finding that the state has violated TRIPS can lead to recommendations by the DSB that violators must conform with the treaty, pay compensation to the complaining state, allow the complaining party to suspend trade concessions granted to the violating state, or other trade obligations.²²⁹

There is great debate over private party standing under the Understanding on Dispute Settlement, the full reach of which is outside the scope of this chapter. However, it is helpful to highlight some of the advantages and disadvantages

226 World Trade Organization Understanding on Rules and Procedures Governing the Settlement of Disputes, Annex 2 to the Agreement Establishing the World Trade Organization, (1994) article 1.

227 Dreyfuss and Lowenfeld, Symposium: "Intellectual Property Law in the International Marketplace — Trade-Related Aspects of International Property Rights — Enforcement and Dispute Resolution - Principle Paper: Two Achievements of the Uruguay Round: Putting TRIPS and Dispute Settlement Together", 37 *Va. J. Int'l L.* 275, at p. 283 (1997).

228 Dreyfuss and Lowenfeld, Symposium: "Intellectual Property Law in the International Marketplace — Trade-Related Aspects of International Property Rights — Enforcement and Dispute Resolution - Principle Paper: Two Achievements of the Uruguay Round: Putting TRIPS and Dispute Settlement Together", 37 *Va. J. Int'l L.* 275, at p. 283 (1997).

229 World Trade Organization Understanding on Rules and Procedures Governing the Settlement of Disputes, Annex 2 to the Agreement Establishing the World Trade Organization (1994), articles 19 and 22.

of allowing private party standing under the Understanding on Dispute Settlement to give the reader a taste of the debate, and place it in the context of information and communication technology transfer. There are several benefits to permitting a private party to bring claims against TRIPS member states.

First, permitting private party actions gives private party investors a degree of security that they will be able to enforce an already accepted legal minimum standard of protection for their intellectual property rights. They will thus not be subject to a lower standard at the national level if the state has not yet implemented TRIPS provisions. Nor will they find themselves without remedy if the state has infringed their intellectual property rights, but has claimed sovereign immunity in a domestic action.²³⁰

Furthermore, if the private party has pursued an action on the domestic level against a state, but has been unsuccessful because the state either did not enact the minimum level of protection or did not enforce it, the private party will have recourse, at least against the state. This security may motivate the private sector to engage in information and communication technology transfers, furthering the World Summit on the Information Society's goals. Likewise, a suit against the state may cause the state to seek compliance from offending persons in its jurisdiction. State leverage against private persons and entities may be much more substantial than ordinary litigation brought within the jurisdiction by a foreigner.

Second, private party standing may increase treaty enforcement. States may be hesitant to bringing an action against another state for TRIPS violations because of diplomatic relations which are completely unrelated to intellectual property, or any aspect of trade.²³¹ For instance, a state may refuse or delay effort to enforce TRIPS against another state for fear of jeopardizing its diplomatic relationship relevant to some other trade or military concern.

On the other hand, a private party is not constrained by the same political pressures.²³² Furthermore, a state can distinguish between actions filed by a private party and actions filed by other states.²³³

230 A member state subjects itself to the jurisdiction of the Understanding on Dispute Settlement; in fact, it cannot join the WTO with a reservation to the Understanding on Dispute Settlement. WTO, Introduction to the WTO dispute settlement system, Module 1.3: "Functions, objectives and key features of the dispute settlement system", at <http://www.wto.org> (visited 2 February 2005).

231 Schleyer, "Power to the People: Allowing Private Parties to Raise Claims before the WTO Dispute Resolution System", 65 *Fordham L. Rev.* 2275, at p. 2277 (1996–1997).

232 Schleyer, "Power to the People: Allowing Private Parties to Raise Claims before the WTO Dispute Resolution System", 65 *Fordham L. Rev.* 2275, at p. 2277 (1996–1997).

233 Schneider, "Democracy and Dispute Resolution: Individual Rights in International Trade Organizations", 19 *U. Pa. J. Int'l Econ. L.* 587, at p. 634 (1998).

Thus, if a private party is permitted to file complaints against states that violate TRIPS, it will have the positive effect of increasing treaty enforcement without jeopardizing diplomacy. A state also may be cautious about bringing a claim against another state for a TRIPS violation for fear that it will, in turn, be implicated for its own TRIPS or other treaty violations.²³⁴ Private party actions can overcome this collusion or impasse, causing not only the direct effect of forcing the state against whom they have brought their claim to conform to TRIPS, but also potentially causing the indirect effect of forcing their own state to conform to treaty provisions.

For all of the advantages, there also are several problems with permitting private party standing under the Understanding on Dispute Settlement. Initially, permitting such standing is contrary to the structure of the WTO, which is akin to a global representative democracy wherein states represent their constituent citizens.²³⁵

This, however, could be said about any treaty or international agreement. Moreover, even in a representative democracy, private citizens maintain the ability to hold their governments “in check” through the judiciary.²³⁶ Given that private parties would only be given standing to enforce treaties, not negotiate them, there is little danger that private parties will “make” the law, rather, they will simply enforce it.

Some commentators also argue that granting private parties standing will limit their own government’s ability to choose which claims to bring. This problem is two-fold. Some scholars argue that private party actions might ultimately harm the domestic industry. For example, governments are most likely to bring claims that have the greatest significance to trade.²³⁷ As such, on a domestic level, private parties who could not afford to bring a claim themselves can pool their resources with similarly situated parties to lobby their government to bring a claim on their behalf.

Allowing private parties to bring claims directly could result in only well-funded parties, whose interests may not reflect the domestic majority, asserting claims against non-complying governments. However, it appears likely that the

234 Waincymer, “Transparency of Dispute Settlement within the World Trade Organization”, 24 *Melb. U. L. Rev.* 797, at pp. 831 and 832 (2000).

235 Professor Philip M. Nichols argues that governments best represent their constituencies, and that the values to be balanced in this “representative democracy” should be held closely to the local level. Nichols, “Extension of Standing in the World Trade Organization Disputes to Non-Government Parties”, 17 *U. Pa. J. Int’l Econ. L.* 295, at pp. 310–313 (1996).

236 For example, in the United States, private citizens can challenge state, local, or federal legislation or executive branch actions in state and federal courts.

237 Waincymer, “Transparency of Dispute Settlement within the World Trade Organization”, 24 *Melb. U. L. Rev.* 797, at p. 831 (2000).

above-mentioned well-funded party is likely to have great influence with its own government, and could convince the government to bring a claim on its behalf. Prohibiting private party actions, therefore, likely does not prevent the problem of a single party imposing its interests on others in the industry.²³⁸

In addition, as noted above, permitting private party standing could divest states of their power to negotiate often delicate trade policies, which in turn prevents the government from using another state's non-compliance as a bargaining tool. Such a tool may force the state to comply with other WTO requirements, and/or prevent government from using another state's non-compliance as a means of diverting attention away from its own non-compliance to TRIPS or other WTO provisions. These concerns, however, ignore the argument that treaty enforcement is one of the primary goals of permitting private party standing in support of independent enforcement actions. If the by-product of a private party action against a foreign state is treaty enforcement in its own state, this is ultimately a positive side effect.

Another argument against private party standing in the Understanding on Dispute Settlement is that the remedies available thereunder do not account for correcting an injured private party's harm.²³⁹ For example, a private party cannot force its own state to suspend concessions until the violating state has changed its laws or methods of enforcing TRIPS, but mere compensation may be insufficient to remedy the private party's harm. Thus, the Understanding on Dispute Settlement would need to reconsider available remedies to make them appropriate for the purpose envisioned.

(d) A New Merged Forum

Another potential solution lies in creating an entirely new international forum with original jurisdiction over all of these disputes. As outlined above, the problem with existing dispute resolution forums is that they do not provide sufficient legal protection, in the nature of bilateral investment treaties²⁴⁰ or otherwise, to escape local protectionism and a lack of transparency in state courts that depress the goals of the World Summit on the Information Society summit. An international forum for these disputes, one that is acknowledged

238 Nichols, "Extension of Standing in the World Trade Organization Disputes to Non-Government Parties", 17 *U. Pa. J. Int'l Econ. L.* 295, at pp. 310-313 (1996).

239 Carmody, "Remedies and Conformity under the WTO Agreement", *J. Int'l Econ. L.* 307, at p. 316 (2002).

240 In addition, although bilateral investment treaties can help to increase information and communication technology transfers through consistent rules and a forum for disputes from which a state cannot excuse itself through sovereign immunity, they actually create an inconsistent patchwork system, as noted above in the discussion of the *Société Générale de Surveillance SA* cases.

and approved by all nations, can transcend the lack of credibility in national courts, the burdens and inefficiencies of existing alternative dispute resolution, and the questioned legitimacy of online dispute resolution.

There are several advantages to such a forum. First, it provides default jurisdiction for these disputes, along with consistent procedural and evidentiary rules. Furthermore, it will create a body of consistent jurisprudence that will produce precedent for future actions, thereby providing all parties involved with some insight, before they enter a contract, into how a potential dispute will be resolved.

Finally, scholars identify several benefits to specialized intellectual property and technology forums, including experienced judges who can provide reasoned and consistent decisions, an ability to focus resources on specific training and knowledge of current developments in the field, and, as noted, a consistent body of law on which parties can rely.²⁴¹

For all of its advantages, this solution also presents many hurdles, many of which are logistical. For example, given the range of disputes related to the Information Society, it is inevitable that parties to these disputes will run the gamut from developed states, to developing states, to private parties. The question arises whether it is appropriate to open one forum as a venue for disputes to which both states and private parties may bring claims. Notwithstanding this legitimate concern, other international forums do permit some private party disputes in addition to state party disputes.

For example, private parties may bring claims against states under the North American Free Trade Agreement (NAFTA)²⁴² and the Convention for the Protection of Human Rights and Fundamental Freedoms (the “Human Rights Convention”),²⁴³ which established the European Court of Human Rights. In general, these treaties permit private parties to bring actions against states for violations of international law.²⁴⁴

A second challenge concerns the range of disputes that will be under the jurisdiction of this court. The range of disputes highlighted in this chapter

241 International Bar Association, Draft, International Survey of Specialized Intellectual Property Courts — 2004 article 11, at <http://www.iba.org> (visited 30 January 2005) [hereinafter Draft IBA survey].

242 North American Free Trade Agreement (1994), available at <http://www.mac.doc.gov/nafta/naftatext.html> [hereinafter NAFTA].

243 Convention for the Protection of Human Rights and Fundamental Freedoms, as amended by Protocol Number 11, ETS # 155, 4 November 1950 (as amended by Protocol Number 11 on 11 May 1994) [hereinafter Human Rights Convention].

244 Human Rights Convention, as amended by Protocol Number 11, ETS 155, 4 November 1950 (as amended by Protocol Number 11 on 11 May 1994). (1994), available at <http://www.mac.doc.gov/nafta/naftatext.html>.

includes intellectual property infringement and piracy by private individuals and states, as well as other intellectual property and non-intellectual property issues related to technology transfer disputes between private parties or private parties and states. Thus, these disputes could be simple contract claims, treaty violation claims, complex intellectual property infringement claims, or a variety of other claims related to information and communication technology transfers (i.e., tort claims).

The question remains, is it appropriate to create a forum to hear all of these claims, and no others? If, on the other hand, the nature of allowable claims is limited, for example, to claims relating to intellectual property or information technology issues only, what happens when parties have multiple claims arising from information and communication technology transfers, but only one or two of them are directly related to intellectual property or information technology? This could increase the costs to private parties because they will be forced to pursue their claims in multiple jurisdictions, decreasing their motivation to engage in information and communication technology transfers and depressing the World Summit on the Information Society's goals.

Moreover, such a specialized forum may be expensive to maintain, and the potential caseload may overrun it. In addition, a specialized court may increase travel costs and diminish parties' flexibility and decreased costs associated with selecting a local forum.²⁴⁵ Other logistical challenges include where such a forum should be located²⁴⁶ and which rules of procedure and evidence to apply, among others.

Another significant issue that remains unresolved is the lack of harmonization in international intellectual property law. Treaties such as TRIPS and the Berne Convention create minimum standards of protection required by the laws of the member states, but they do not create a standard for private behavior or affect laws in non-member states. Until intellectual property law is successfully harmonized, the problems of inconsistent outcomes and un-remedied intellectual property claims will persist, even in a new forum.

Finally, there remains a question of remedies and enforcement. In intellectual property and technology disputes, remedies in the form of compensation and/or injunction are appropriate, depending on the nature of the claim.²⁴⁷

245 Draft International Bar Association Survey, article 13, at <http://www.iba.org> (visited 30 January 2005).

246 For example, in the Hague, like the World Court and the International Criminal Court, or perhaps with regional offices, to facilitate resolution of disputes in developing nations. This could address the above-noted concerns about travel costs.

247 Lemley, "I'll Make Him an Offer He Can't Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes", 37 *Akron L. Rev.* 287, at pp. 290-292 (2004).

Injunctions are generally a vital form of relief.²⁴⁸ The obstacle is whether an international forum such as this would have the power to grant, and then enforce, injunctive relief against either a private party or state.

Various forms of non-monetary relief and methods of enforcement do occur in other international tribunals. For example, in contentious cases before the International Court of Justice, relief is generally in the form of declaratory relief, i.e., a statement that the responding state is or is not in violation of treaty law, and a direction to conform, generally in some specific way.²⁴⁹

States are expected to abide by International Court of Justice decisions according to their obligations under the United Nations Charter.²⁵⁰ If a state fails to abide by an International Court of Justice judgment, the other state can seek to enforce it via the Security Council. In addition, under the WTO's Understanding on Dispute Settlement, remedies come in the form of a declaration that the responding state has violated one of the Agreements and a direction to conform.²⁵¹ The Understanding on Dispute Settlement also may direct the responding state to compensate the complaining state. Furthermore, it may allow the complaining state to suspend trade concessions granted to the violating state, or other trade-related obligations.²⁵²

In this proposed new forum, if the disputes are between two states, similar remedy and enforcement mechanisms could be applied. However, if one or more of the parties is a private party, the above provisions are not applicable. For example, a private party who brings a claim cannot singularly abrogate trade concessions, or seek enforcement of its judgment through the Security Council. Moreover, if a judgment is against another private party, there is no place for assuring compliance with such remedies.

Even if it is determined that this new forum may provide for injunctive relief as well as compensation, enforcing awards remains a challenge. Private parties would likely need to seek enforcement of these judgments in a national court, similar to the methods by which enforcement of international arbitration awards occur today. The document creating this new forum should

248 Moore and Parisi, Symposium on Constructing International Intellectual Property Law: "The Role of National Courts: Thinking Forum Shopping in Cyberspace", 77 *Chi-Kent. L. Rev.* 1325, at p. 1350, note 56; Kesan and Ulen, Symposium: "Intellectual Property Challenges in the Next Century", 2001 *U. Ill. L. Rev.* 57, at p. 66 (2001).

249 Case Concerning Aveno and other Mexican Nationals (*Mexico v. United States*), International Court of Justice Case Number 128 (28 March 2003), available at <http://www.icj-cij.org>.

250 United Nations Charter, article 94.

251 World Trade Organization, Understanding on Dispute Settlement, article 19; Carmody, "Remedies and Conformity under the WTO Agreement", *J. Int'l Econ. L.* 307, at p. 316 (2002).

252 World Trade Organization, Understanding on Dispute Settlement, articles 19 and 22.

therefore contain a provision requiring all states to recognize and enforce judgments of this new forum as against both state and private parties. States would similarly waive their sovereign immunity *vis-à-vis* national proceedings to enforce judgments.

Then, a private party could enforce judgments against both states and private parties. One problem with this solution is that it fails to diminish expensive and drawn-out proceedings because, after conclusion of the proceedings in this proposed new forum, the private party must still then submit the award to a national court for enforcement. However, presumably, the national court would not require the parties to litigate the award's validity, as might be necessary with an international arbitration award. Likewise, waiver of sovereign immunity is not likely to receive favorable consideration without some restriction or recompense for meritless claims that could inundate nations that unwittingly waive that immunity.

Another obstacle to creating such a new forum is that it fails to solve the problem of enforcing awards against a reticent state. Under the WTO, the possibility of losing trade concessions or other trade-related retaliatory action appears to be successful in inducing states to settle with the complaining state or comply with DSB decisions.²⁵³

However, as noted above, a private party cannot, on its own, abrogate trade concessions. One possible solution is to create a registry of states against whom private party investors have obtained judgments that remain open due to some act or failure to act by the state against whom the party has obtained the judgment.²⁵⁴

While this approach may have seemed unwieldy in the past, the age of the Internet and computer advancement allow central registration and updating with relative ease. Potential investors could access this registry to determine whether the state with which they are considering executing an information and communication technology transfer contract is likely to avoid enforcement of

253 Carmody, "Remedies and Conformity under the WTO Agreement", *J. Int'l Econ. L.* 307, at p. 316 (2002).

254 This could be similar to the U.S.T.R.'s Special 301 "Watch List", published annually, which creates a list of countries in which piracy is especially prevalent, or governments are less likely to enforce intellectual property rights. This list purports to "warn a country of [the U.S.T.R.'s] concerns. In addition, it warns potential investors in that country that their intellectual property rights are not likely to be satisfactorily protected". U.S.T.R., The Work of United States Trade Representative and Intellectual Property, http://www.ustr.gov/Trade_Sectors/Intellectual_Property/The_Work_of_U.S.T.R._Intellectual_Property.html (visited 2 February 2005). This system has yielded success for US interests. Yu, "From Pirates to Partners: Protecting Intellectual Property in China in the Twenty-First Century", 50 *Am. U. L. Rev.* 131, at p. 140 (2000); Newby, "Effectiveness of Special 301 in Creating Long Term Copyright Protections for U.S. Companies Overseas", 21 *Syracuse J. Int'l L. and Com.* 29 (1995).

any judgment rendered against it. This places the threat of decreased investment over that state and, although not as biting as actual retaliatory actions, it would at least provide a modicum of security that awards will be enforced.

(e) Multilateral Treaty Vesting Jurisdiction of Certain Disputes in the International Center for Settlement of Investment Disputes

A third potential solution, which is again limited in scope, involves the creation of a multilateral treaty which places intellectual property-related information and communication technology transfer disputes under the jurisdiction of the International Center for Settlement of Investment Disputes.

The International Center for Settlement of Investment Disputes was established under the Convention on the Settlement of Investment Disputes between states and Nationals of Other States (the Convention), which came into force on 14 October 1966.²⁵⁵ Investment contracts between governments of member states and investors from other member states generally provide for arbitration under the International Center for Settlement of Investment Disputes.

Furthermore, advance consents by governments to submit investment disputes to International Center for Settlement of Investment Disputes arbitration also can be found in approximately 20 investment laws and in more than 900 bilateral investment treaties.²⁵⁶ Arbitration under the International Center for Settlement of Investment Disputes also is one of the primary mechanisms for the settlement of investment disputes under four multilateral trade and investment treaties (NAFTA, the Energy Charter Treaty, the Cartagena Free Trade Agreement, and the Colonia Investment Protocol of Mercosur).²⁵⁷

All International Center for Settlement of Investment Disputes Contracting states, whether or not parties to the dispute, are required by the Convention to recognize and enforce International Center for Settlement of Investment Disputes arbitral awards.²⁵⁸

Currently, disputes arising from transfers of technology subject to a bilateral investment treaties are generally subject to the jurisdiction of the International Center for Settlement of Investment Disputes (provided that in the bilateral

255 International Center for Settlement of Investment Disputes, see <http://www.worldbank.org/icsid/about/about.htm> (visited 30 January 2005).

256 International Center for Settlement of Investment Disputes, see <http://www.worldbank.org/icsid/about/about.htm> (visited 30 January 2005).

257 International Center for Settlement of Investment Disputes, at <http://www.worldbank.org/icsid/about/about.htm> (visited 30 January 2005).

258 International Center for Settlement of Investment Disputes, at <http://www.worldbank.org/icsid/about/about.htm> (visited 30 January 2005); Convention on the Settlement of Investment Disputes Between States and Nationals of Other States, 14 October 1966.

investment treaty definition of “investment” is sufficiently broad).²⁵⁹ A multilateral treaty, however, could cover disputes between states and parties that are not subject to bilateral investment treaties (either because the transaction is outside the scope of the bilateral investment treaty or because there is no bilateral investment treaties in place).

As noted, this solution is limited in its scope. It will likely not cover intellectual property-related Internet transactions unless they arise from information and communication technology transfer contracts between a private party and a state; nor will it provide for the resolution of general intellectual property infringement or piracy disputes. According to the International Center for Settlement of Investment Disputes Convention, the Center is intended to resolve investment disputes between private parties and states.²⁶⁰

The benefits of creating such a treaty are similar to those of the solutions above. This will provide a default forum, with a consistent set of rules and a body of precedent to which panelists could look for guidance.²⁶¹

The disadvantages to relegating these disputes to the International Center for Settlement of Investment Disputes are the converse of the advantages to creating a new forum. That is, while the International Center for Settlement of Investment Disputes is currently the forum of choice for investment disputes,²⁶² it is not a specialized intellectual property or technology forum. So, while this solution gains the benefit of established legitimacy and a broad caseload to sufficiently fund the court and give its panelists varied perspective, it loses the benefits of an intellectual property or technology-specific forum.²⁶³

Numerous prior attempts at drafting multilateral investment treaties, however, have failed.²⁶⁴ Most recently, the Organization for Economic

259 As an example, see the 2004 United States Model Bilateral Investment Treaty, article 1, available at <http://www.ustr.gov> (“An investment is every asset that an investor owns or controls, directly or indirectly that has the characteristic of an investment . . .”).

260 International Center for Settlement of Investment Disputes Convention, articles 1 and 25. Disputes between states are referred to the International Court of Justice.

261 Thereby avoiding the divergent outcomes of *Société Générale de Surveillance SA v. Philippines* and *Société Générale de Surveillance SA v. Pakistan*, which resulted from different language in bilateral investment treaties.

262 By its nature, the transfer of technology to a developing country or an entity located in a developing country is correctly considered an “investment”, although it may or may not involve transfers of negotiable instruments. This is particularly so in circumstances where the so-called return on the investment is speculative or long-term. It is clear that without substantial investment in the technological infrastructure of developing countries, the upswing in demand for technology and sophisticated products is unlikely to follow.

263 Unless, of course, this treaty created an intellectual property-specific procedure, perhaps as an addendum to the International Center for Settlement of Investment Disputes Convention.

264 Muchlinski, “The Rise and Fall of the Multilateral Agreement on Investment: Where Now?”, 34 *Int’l L.* 1033, at pp. 1034–1037 (2000).

Cooperation and Development (OECD) attempted to draft and promulgate a multilateral investment agreement. Although it was generally supported by developed nations (such as the United States and members of the European Union), it ultimately failed.²⁶⁵ There are a variety of reasons for its failure, but scholars point primarily to the negotiating environment and certain provisions of the treaty as its major roadblocks.²⁶⁶

For example, the OECD is seen to have failed to include NGOs and developing nations in the negotiations.²⁶⁷ Problems with specific provisions of the treaty included the definitions of “investor” and “investment”, the large number of country-specific exceptions, and the inability to reach consensus on most-favored nation and national treatment issues, performance requirements for entry and establishment, expropriation and taxation, and the dispute resolution proceedings.²⁶⁸ Regarding dispute resolution proceedings, some NGOs were concerned that permitting private parties to bring claims against states for violation of the treaty allowed these investors to “neutralize legitimate national laws and regulations”.²⁶⁹

Because this new proposed multilateral treaty would presumably be far more limited in scope than a general multilateral investment treaty, however, these issues may not arise. For example, the definitions of “investor” and “investment” would be specifically limited to those envisioned by the World Summit on the Information Society. Moreover, because many of these disputes are specifically related to intellectual property and technology issues, questions of most-favored nation and national treatment may be resolved according to the current efforts to harmonize intellectual property rights. Furthermore, the issue with dispute resolution giving citizens power to challenge legitimate laws is not new — the methods provided are identical to those already provided for in numerous bilateral investment treaties.

This new multilateral treaty must clearly define the disputes within its scope, to prevent a rash of jurisprudence on the subject. Furthermore, the treaty could be over-ridden by subsequent bilateral investment treaties (if the bilateral investment treaties so states) or existing bilateral investment treaties (as long as the contracting state so signifies when acceding to the treaty).

265 Muchlinski, “The Rise and Fall of the Multilateral Agreement on Investment: Where Now?”, 34 *Int'l L.* 1033, at p. 1039 (2000).

266 Muchlinski, “The Rise and Fall of the Multilateral Agreement on Investment: Where Now?”, 34 *Int'l L.* 1033, at p. 1038 (2000).

267 Muchlinski, “The Rise and Fall of the Multilateral Agreement on Investment: Where Now?”, 34 *Int'l L.* 1033, at pp. 1039 and 1040 (2000).

268 Muchlinski, “The Rise and Fall of the Multilateral Agreement on Investment: Where Now?”, 34 *Int'l L.* 1033, at p. 1038 (2000).

269 Muchlinski, “The Rise and Fall of the Multilateral Agreement on Investment: Where Now?”, 34 *Int'l L.* 1033, at p. 1046 (2000).

Moreover, the terms could be over-ridden by contract terms, as long as it is clear from the contract that the parties so intended.

To further the goals of the World Summit on the Information Society through the methods outlined in this chapter, namely, harmonizing resolution of these disputes to motivate the private sector to invest in information and communication technology transfers in developing nations, some changes to the International Center for Settlement of Investment Disputes will be necessary.

First, because the jurisdiction of the International Center for Settlement of Investment Disputes is generally invoked pursuant to a bilateral investment treaty, and the disputes involve an alleged violation of a state's obligations under the bilateral investment treaty, the bilateral investment treaties itself generally provides the standards for performance. The International Center for Settlement of Investment Disputes panels also can hear contract disputes between a private party and a state that do not allege treaty violations.²⁷⁰

The contract investment between the parties will generally decide the law to be applied but, failing a choice of law provision, the International Center for Settlement of Investment Disputes panel will apply the substantive law of the state in which the private party invested.²⁷¹ Thus, absent a bilateral investment treaty that creates the standards of protection of intellectual property, or a provision in the contract that creates the standards of protection of intellectual property, the International Center for Settlement of Investment Disputes panel will apply the intellectual property protections of the state in which the private party invested (i.e., the state that was on the receiving end of the technology transfer).

This could be problematic; if the parties do not agree on a choice of law provision in their contract, or if the arbitral panel finds it defective, the private party may be forced to apply the law of the state in which it has invested.²⁷²

In the context of intellectual property, as earlier described, this is not always favorable to the private party, especially in the context of the World Summit

270 Gill, *et al.*, "Contractual Claims and Bilateral Investment Treaties: A Comparative Review of the Société Générale de Surveillance SA Cases", *J. Int'l Arb.* 2004, available at <http://www.kluwerarbitration.com>.

271 International Center for Settlement of Investment Disputes Convention, article 42.

272 Indeed, this is a specific circumstance where the definition of "investment" becomes difficult. When focused on the World Summit on the Information Society's objectives, a right of "access" to technology may amount to an investment by the party allowing such access. In the context of web sites that today contain compilations of data and proprietary narratives (such as a medical advice or treatment site), the mere access is sufficiently dangerous to the web provider's exclusivity or uniqueness so that it may considerably off-set intended benefits, such as sales or advertising revenues. If a party who has access to the technology can essentially conscript it for personal or commercial use without international accountability, the World Summit on the Information Society objectives are likely to be squelched until protection of the proprietary materials is assured.

on the Information Society's goals because the state will likely be a developing nation.²⁷³ Accordingly, although harmonization of intellectual property law is outside the scope of this chapter, it is a necessary step to increasing participation in the Information Society if for no other reason than to motivate the private sector to invest technology. Moreover, absent a choice of law provision from a bilateral investment treaty or contract, the arbitral panel will apply the arbitration law of the state party to the dispute.

Again, this could be problematic for a private party because it may find particular aspects of the arbitration law unfavorable (such as the validity of the agreement or arbitrability of intellectual property claims).²⁷⁴ Many of these concerns, however, can be addressed in the language of the new multilateral treaty itself.

Additionally, jurisdiction should be extended to disputes between a private party investor and a private party acting for the state (i.e., one that has received concessions from the state).²⁷⁵ As such, states will not be able to avoid their responsibilities to private parties by "farming out" their information and communication technology development.

Lastly, the International Center for Settlement of Investment Disputes permits states to indicate which disputes are and are not arbitrable under the Center;²⁷⁶ thus, to be effective, the International Center for Settlement of Investment Disputes must be clear that states may not decline arbitrability for information and communication technology transfer-related disputes.

(f) New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards

Another potential solution, which may, in fact, simply be an interim solution while a new treaty or forum is debated, is to modify the New York Convention to improve the efficacy of current international arbitration.

273 World Summit on the Information Society World Summit on the Information Society Plan of Action (WSIS-03/GENEVA/DOC/0005), at <http://www.itu.int/wsis> (3 February 2005).

274 Some states do not permit certain intellectual property disputes to be arbitrated. Arfazadeh, "Arbitrability under the New York Convention: the Lex Fori Revisited", 17 *Arb. Int'l* 73 (2001), available at <http://www.kluwerarbitration.com>, stating that such states permit arbitration of intellectual property disputes only where the arbitration panel must simply determine whether a party has violated an intellectual property right created by a contract between the parties. Baron and Liniger, "A Second Look at Arbitrability Approaches to Arbitration in the United States, Switzerland, and Germany", *Arb. Int'l* 2003, available at <http://www.kluwerarbitration.com>; Blessing, "Arbitrability of Intellectual Property Disputes", 12 *Arb. Int'l* 191 (1996), available at <http://www.kluwerarbitration.com>. In the absence of specific contract provisions in an information and communication technology transfer agreement between a private party and the state, this treaty would be the gap-filler that gives the panel jurisdiction.

275 *Salini and Italstrade v. Kingdom of Morocco*, International Center for Settlement of Investment Disputes Case Number ARB/00/4 (2002), available at <http://www.kluwerarbitration.com>.

276 International Center for Settlement of Investment Disputes Convention, article 25(4).

First, an addendum could be added to the New York Convention that distinguishes intellectual property disputes related to information technology and other identified disputes relating to information and communication technology transfers from other types of disputes resolved through arbitration. These disputes would be so designated with the express purpose of furthering the goal of increasing participation in the Information Society, to bridge the “digital divide”. This addendum could then either specify a particular forum into which these disputes should be resolved or simply outline specific rules and procedures to be applied to the enforcement of awards rendered in existing arbitral forums.

Second, the addendum should include a modified definition (which is not limiting) of “a writing” that includes electronic documents.²⁷⁷ Furthermore, the term “signed by both parties” should be defined (but not limited) to include the methods by which willing parties to contracts entered electronically deem to be “signed”. A careful survey of current accepted business practice must be undertaken before this addendum is added.

Third, this addendum should define a method by which a court enforcing the award may determine where the award is rendered to reflect current accepted business practice. This is particularly important where arbitration has been conducted via telecommunication methods (e.g., via email or video-conferencing).

Fourth, a provision should be incorporated wherein each contracting state waives its sovereign immunity and subjects itself to the jurisdiction of the arbitral tribunal and the contracting state in which the award is to be enforced for the specific purposes identified under the so-called “World Summit on the Information Society Addendum”. Such a proviso would be a major departure from the existing treaty as it would compel signatories to likewise submit themselves, through an express waiver of sovereign immunity, to the arbitral process in these circumstances. If the award is to be enforced in a state other than that of the state-party, this will still leave unresolved the obvious problem of enforcement in a state that is not a party.²⁷⁸

²⁷⁷ For example, soft copy word processing documents, electronic forms, or email.

²⁷⁸ This is, of course, the problem that exists today in commercial disputes resolved by international arbitration. Ultimately, the World Summit on the Information Society objectives can advance the objectives of the 1958 New York Convention and reach even further to newly developing countries in need of technology transfers, such as those contemplated by the World Summit on the Information Society objectives. In this scenario, each is complimentary of the other. If a new and developing country seeks access to technology, the first step is accountability for the lawful protection of such an investment. To achieve that end, the waiver of sovereign immunity and the adherence to both the commercial dispute resolution procedures of the New York Convention, coupled with the same avowal to support the World Summit on the Information Society Addendum will go a long way to advancing the objectives of the international community.

Finally, a special provision should be added that reinforces the jurisdiction of the default forum to which disputes arising from information and communication technology transfer-related transactions that lack a choice of forum clause or dispute resolution agreement are subject. This should specifically address the domestic constitutionality of a default forum, i.e., can the state abrogate private parties' rights to pursue their claim in a court of law?²⁷⁹ Because these disputes are limited to international intellectual property infringement, intellectual property disputes related to international information and communication technology transfers and potential other disputes stemming from information and communication technology transfers, therefore implicating problems with personal jurisdiction that cannot be constitutionally overcome, states will likely find that the treaty does not violate domestic constitutional provisions.

There are several advantages to modifying this treaty, as opposed to creating a new treaty or an entirely new forum. First, many states, including many developing nations, have already acceded to the New York Convention.²⁸⁰ Furthermore, this solution merely acts to modify the current method of enforcing an arbitral award and is not a major upheaval of the current arbitration forums.

Thus, no action, other than conforming national laws or rules that conflict with the new provisions of the treaty, are necessary by states or arbitral institutions. Third, such an addendum provides parties with considerable flexibility and freedom of choice in resolving their disputes; parties may resort to any arbitral body and be assured that the award will be enforced.

There are, however, disadvantages and obstacles to successful modification of the New York Convention. First, if the treaty is not clear that the specific definitions advised are not exhaustive, a panel's discretion to interpret the terms may be too limited. Second, some states may not wish to give up their sovereignty in the area of intellectual property and technology for public policy or other reasons. It also may be awkward to limit these new provisions to

279 A "default" is critical to the success of such an addendum. It is a foreseeable consequence of the Information Society that transactions will occur in electronic and digital circumstances devoid of typical contract formalities. When this occurs, the state must have already provided the regulatory "default" to international arbitration. Likewise, the state itself must be subject to this default so that appropriate political leverage between the state and its constituent citizens may occur. The targeted government defendant in an international arbitration may find itself more willing to influence disreputable citizens in its borders than a state that is merely a bystander to theft of intellectual property or other technology.

280 More than 135 nations are parties to the New York Convention. Parties to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (as of 23 December 2003), <http://arbiter.wipo.int/arbitration/ny-convention/parties.html> (visited 2 February 2005).

the disputes highlighted in this chapter, as that may lead to greater inconsistency within any given single contract dispute. Finally, some developing states are not parties to the New York Convention. Thus, the question arises: what is the reasonable prognosis for capturing developing nations? Moreover, what is the value of such a change when some developing countries lack stability and may change regimes overnight?

Developing nations must recognize that to motivate information and communication technology transfer and increase investment in the Information Society by private entities from developed nations, they must give some security to these private entities. Private entities that fear a loss of control over their intellectual property, or fear that they will have no recourse in the event of a breach of contract by a state or private entity within the developing nation, will be less motivated to “share the wealth”.²⁸¹

For example, during the Intercessional Meetings of July 2003 of the Coordinating Committee of Business Interlocutors, representatives from the private sector around the globe gave their thoughts on the first phase of the World Summit on the Information Society. Common themes among the speakers included the need for transparency and predictability in the legal environments of developing nations and sufficient protection of intellectual property rights.²⁸² Thus, those developing nations that refuse to become a party to the New York Convention (or any proposed treaty) may find themselves at the end of the line to receive investments of technology, replaced by those developing nations that can provide security for private entities.

281 Hassan, “Actions for Governments to Undertake to Attract Private Sector Investments in ICT, Remarks at the Coordinating Committee of Business Interlocutors”, *Intersessional Meeting*, 16 July 2003, at <http://www.iccwbo.org> (visited 26 January 2005); Danish, “Intellectual Property, Standards, Security, and Other Issues”, *Remarks, Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005); Wintrebert, “Enabling Environment and Infrastructure Issues”, *Remarks, Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005); Leca, “Investment”, *Remarks, Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005).

282 Hassan, “Actions for Governments to Undertake to Attract Private Sector Investments in ICT”, *Remarks at the Coordinating Committee of Business Interlocutors, Intersessional Meeting*, 16 July 2003; see <http://www.iccwbo.org> (visited 26 January 2005); Danish, “Intellectual Property, Standards, Security, and Other Issues”, *Remarks, Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005); Wintrebert, “Enabling Environment and Infrastructure Issues”, *Remarks, Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005); Leca, “Investment”, *Remarks, Coordinating Committee of Business Interlocutors Intersessional Meeting*, 15 July 2003, transcript available at <http://www.iccwbo.org> (visited 26 January 2005).

The effect of the current political climate, on the other hand, may not be so easily solved by such a simple theory of market economics. Clearly, a state in flux cannot be relied on to submit itself to the jurisdiction of any tribunal, or enforce any award, even if an earlier regime has signed the treaty. In addition, there is no doubt that such states are likely in the most dire need of investment, as such instability leads to greater poverty, which in turn can widen the digital divide.²⁸³

On the other hand, developed nations have accepted reasonable risk in other areas of international investment. Thus, developed nations may be independently motivated to accept reasonable risk to extend markets opened by the extension of information and communication technology transfers. While it is true that risk will remain, even in transfers among constituents in “stable government and economic systems”, the more narrow the spectrum of risk as a whole, the greater the ability to accept significant risk in limited circumstances. The objectives of the World Summit on the Information Society conventions cannot be altruistic solutions.

Rather, the objectives are, to be blunt, accelerated segues from the back road to the digital superhighway. No participant in the Tunis Convention expects or demands this segue occur without problems or uncertainty. Each knows only too well that the existing world is a patchwork of legal accountability and that enforcement is not predictable. In such times, the effort of the United Nations Summit must focus on narrowing the field of potential problems to encourage the risk and rewards that will flow from our Information Society during the legitimate and necessary exchange of information among the “Haves” and the “Have-Nots”.

12.05 Conclusion

The Plan of Action from the first phase of the World Summit on the Information Society recognized that the private sector is necessary to increasing participation in the Information Society. It also recognized that the protection of intellectual property rights and improving dispute resolution methods are an integral part of wooing the private sector to participate.

The above solutions may be a starting point for improving dispute resolution methods *vis-à-vis* intellectual property disputes related to information and communication technology transfer, Internet contracts, and the general rise of piracy and infringement that will result from the increase in information and communication technology users. The methods suggested in this paper

283 World Summit on the Information Society World Summit on the Information Society Declaration of Principles (WSIS-03/GENEVA/DOC/0004) and Plan of Action (WSIS-03/GENEVA/DOC/0005), at <http://www.itu.int/wsis> (3 February 2005).

may, when combined with a concerted effort to harmonize intellectual property rights, help to achieve the important goals of the World Summit on the Information Society.

