DISPUTE RESOLUTION CLAUSES IN INTERNATIONAL SPONSORED RESEARCH CONTRACTS

Dennis Lazarev*

ABSTRACT

Pharmaceutical companies are the greatest non-governmental sponsors of biomedical research in academia. Increasingly they sponsor foreign entities, typically universities or non-commercial research institutions. Another type of cross-border sponsorship occurs when two research institutions engage in a collaborative research effort. In either case disputes may arise. The most common types of disputes are the rights to the intellectual property developed in the course of sponsored research, and the scope of research activities that an agreement covers. Parties to these cross-border sponsorship arrangements have rarely incorporated dispute resolution clause in their contracts. This Article will argue that arbitration is an approach far superior litigation for achieving enforceable results. This Article will examine different methods of dispute resolution in the context of cross-border contracts and suggest an approach that is optimal for achieving an enforceable result.

I. INTRODUCTION

Few appreciate that the initial round of globalization involved not commercial and economic relations, but scientific and academic pursuits, and the first truly global international efforts occurred in the area of scientific research.¹ These early efforts involved few disputes that reached the legal plain. Since then,

* Mr. Lazarev is currently a Patent Agent with Pearl Cohen Zedek Latzer & Baratz and is awaiting admission to the New Jersey Bar. He received his B.A. from The Johns Hopkins University and his Ph.D. from Yale University. Mr. Lazarev received his J.D. from the Benjamin N. Cardozo School of Law. The author would like to thank Professor Arthur J. Jacobson for his insightful comments, suggestions, and guidance. This Article is dedicated to Anna Kochetkova and Alex and Lana Lazarev for their constant love and support.

¹ One of the earliest such efforts was a truly global observation of the transit of Venus across the disk of the Sun in 1761, when the event was observed by a number of scientific expeditions from Madagascar to Siberia. See DAVID LEVERINGTON, BABYLON TO VOYAGER AND BEYOND: A HISTORY OF PLANETARY ASTRONOMY 140–42 (2003).
technology made dissemination of research information ever easier, while its value steadily increased. The growing complexity of research process increasingly demanding international efforts, the commercial importance of academic research becoming ever greater, and governments endeavoring to commercialize technologies developed in academia—all contribute to the increasing number of international disputes involving academic institutions engaged in sponsored research under a contract.

Compared to general commercial contracts, the sponsored research agreements that involve academic research institutions present additional complexities, especially in the United States. These complexities stem from such agreements’ characteristic feature, the delineation of present or future intellectual property commercialization rights in technologies developed in the course of sponsored research. These rights however are also subject to competing policy objectives in many jurisdictions. Examples of such objectives are academic freedom, dissemination of information into public domain, and government rights in intellectual property developed with the use of government funds. Particularly, in the United States all the sponsored research agreements that involve federal funding must conform to the federal policy regulations developed under Bayh-Dole Act.

Parties to an international contract have access to four general methodologies for resolving disputes: direct negotiation, mediation, arbitration, and litigation. All can be contractually pre-agreed upon, but the first two approaches are voluntary, and therefore do not guarantee settlement of a dispute. While negotiation and mediation are beyond the scope of this Article, it is important to keep in mind that many international trade agreements mandate mediation as the first step of dispute resolution between the international parties.

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2 It is important to note that such disputes are almost always contractual in nature (e.g. the rights to licensing and other commercial use of the covered inventions) and usually do not directly involve the highly specialized questions of validity or infringement of intellectual property rights.

3 Guidelines For Acquiring Research Resources For Use in NIH-Funded Research, 64 Fed. Reg. 72,095 (Dec. 23, 1999).

4 The Bayh-Dole Act grants the rights to inventions developed with the use of federal funding to the recipient institutions and businesses, while mandating that these institutions engaged in pro-active commercialization of such inventions and also reserving a license to the inventions developed with the use of federal funds. 35 U.S.C. §§ 200–212 (1980).

Arbitration is increasingly prominent as a valuable intermediate approach to international disputes where the solution, if achieved through other means (e.g., litigation) may be difficult to enforce. While the practice of arbitration dates back to ancient times, it started to gain importance as a cheaper and more expeditious way to resolve disputes with the establishment of the International Chamber of Commerce (ICC) after World War I. This organization became a driving force behind creation of international mechanism of recognition of arbitration awards. The ICC’s efforts culminated in 1958 adoption of New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, to which 148 countries eventually joined. The award enforcement clauses of the convention propelled arbitration to the position of the most preferred method of settlement of international commercial disputes. However, as discussed below, arbitration is neither suitable for resolving certain kinds of disputes, nor always automatically enforceable in a member jurisdiction. Some of these restrictions are likely to apply to international sponsored research agreements involving academic institutions. Furthermore, enforceability of an arbitration award depends in great degree on the wording of the arbitration clause of the contract.

Litigation is the most adversarial form of dispute resolution. Litigation is mandatory for the adverse party, whether foreign or domestic, and results in final and binding decision, although this is usually achieved at the cost of ongoing relationship between parties. In the international context, however, the binding character of these decisions depends on their enforceability. While a party in dispute with a foreign party can always rely on domestic enforcement of a decision rendered in the domestic forum, the extra-jurisdictional enforcement of such a decision is by no means certain. The enforcement of judgments against foreign parties in their domestic jurisdiction is of particular importance when those parties have no assets in the jurisdiction where the judgment was ren-

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8 Id.

9 This is not always the result—litigation on a particular issue between two large and sophisticated parties having a complex multifaceted relationship does not necessarily affect the entire relationship, as exemplified by the recent series of high profile disputes between Apple and Samsung.
II. ENFORCEMENT OF LITIGATION AWARDS

A. Recognition of Foreign Judgments in the U.S.

The general procedure of recognition of the judgments rendered in foreign jurisdictions involves two steps: recognition of the foreign nation judgment and actual enforcement of the judgment, once it has been recognized. In the cases concerning federal questions the federal courts base the decisions whether to recognize a foreign nation judgment on the standard outlined by the Supreme Court in *Hilton v. Guyot*.

Under this standard, to be recognized the judgment must have been rendered in a court of competent jurisdiction, after a trial conducted under regular proceedings, after the defendant was at least duly cited. Further requirements include general fairness and impartiality of the judicial system, and absence of prejudice in substantive laws fraud or other "special reasons" for not recognizing the judgment without independent examination of the merits of the case. Importantly, the burden of showing that the judgment should not be recognized is on the defendant.

In all other cases, state law generally governs recognition in both state and federal courts. In some states, statutes delineate the rules of foreign judgments’ enforcement. These statutes are usually some form of either the 1962 Uniform Foreign Money-Judgments Recognition Act or the 2005 Uniform Foreign-Coun-

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10 Complete integration of litigation into any international dispute resolution scheme is unlikely, and possibly undesirable, as it may run against the concept of national sovereignty.

11 Hereinafter referred as "foreign nation judgments."

12 Antitrust law is the most likely federal question to arise in the context of international sponsored research agreement.


14 *Id.* at 202–03.

15 *Restatement (Second) of Conflict of Laws* § 98 cmt. c (1988).

try Money Judgments Recognition Act,\textsuperscript{17} promulgated by National Conference of Commissioners on Uniform State Laws. These acts have important differences from the common law standards. For instance the 1962 Recognition Act requires that the decision be “final and enforceable between the parties,” but does not view a possibility of appeal an indicative of the lack of finality.\textsuperscript{18} The 2005 Recognition Act specifies the parties respective burdens of proof in seeking recognition of the foreign nation judgment: the party seeking recognition must show that the requisite standards are met, while the opposing party must provide grounds for denial of recognition.\textsuperscript{19} In addition, the 2005 Recognition Act introduces time limits for seeking recognition of the foreign judgments.\textsuperscript{20} Importantly, not all the provisions of the model laws have been adopted by every state, and thus it is important to examine respective laws of each state to understand the applicable standard.

In the states lacking statutes dealing with recognition of the foreign nation judgments, courts make recognition decisions based on the common law standard.\textsuperscript{21} Under this standard the foreign nation judgments are recognized without re-examination of the merits only if the foreign judicial system is fair and impartial, the court rendering the judgment had jurisdiction over the defendant under the laws of the rendering forum.\textsuperscript{22} There are also several optional criteria that the courts may evaluate in making the decision whether to recognize foreign nation judgment. These include the foreign court having subject matter jurisdiction, the defendant being timely notified of the proceedings, the judgment not having been obtained by fraud, not being repugnant to public policy of the United States or the rendering forum, not being in conflict with another final judgment that is entitled to recognition, and not having been obtained in violation of agreement between parties regarding dispute resolution.\textsuperscript{23}

In practice the state and federal laws add up to a fairly liberal regime of recognition of foreign nation judgments. There is neither

\textsuperscript{18} 1962 Recognition Act § 2.
\textsuperscript{19} 2005 Recognition Act §§ 3(c), 4(d).
\textsuperscript{20} Id. at § 9.
\textsuperscript{21} Outlined in Restatement (Third) of the Foreign Relations Law of the United States §§ 481–482.
\textsuperscript{22} Id. at § 482(1).
\textsuperscript{23} Id. at § 482(2).
requirement for conforming to substantive U.S. laws (such as having jurisdiction under U.S., rather than rendering state laws) nor mandatory requirement for reciprocity. Furthermore the jurisdiction for hearing recognition action is also determined in most states under a liberal standard. Other mandatory grounds for non-recognition tend to be strictly interpreted, also favoring the recognition. Even greater deference is given to foreign forum decisions regarding issues arising out of discretionary grounds for non-recognition. In fact it appears that many of these discretionary grounds have never been used to justify non-recognition of a foreign judgment. Enforcement of the foreign nation judgment is even less problematic for requesting parties: once recognized either by the state or by the federal court, the procedure is generally the same as for the judgments rendered by other U.S. states. Thus the requesting party becomes the defendant’s judgment creditor and may request the court to order discovery from any person, including the judgment debtor, in order to locate the debtor’s assets.

26 See, e.g., Soc’y of Lloyd’s v. Ashenden, 223 F.3d 473 (7th Cir. 2000). See also Chevron Corp. v. Donziger, 768 F. Supp. 2d 581, 633 (S.D.N.Y. 2011) (requiring that the impartiality was a systemic problem, not an occurrence specific to the case); Hilton v. Guyot, 159 U.S. 113 (1895) (stating that even radical procedural differences between rendering forum and U.S. courts are not sufficient for not recognizing foreign nation judgment); Nippon Emo-Trans Co., v. Emo-Trans, Inc., 744 F. Supp. 1215, 1222–26 (E.D.N.Y. 1990) (appearance in the foreign court, even for the sole reason of challenging jurisdiction, is sufficient for judgment recognition once the challenge is defeated, and the case proceeds on the merits).  
27 See, e.g., Harrison v. Triplex Gold Mines, 33 F.2d 667 (1st Cir. 1929) (fraud is not a basis for non-recognition if the rendering court considered and ruled on the issue); see Ackerman v. Ackerman, 517 F. Supp. 614, 623–26 (S.D.N.Y. 1981), aff’d, 676 F.2d 898 (2d Cir. 1982) (earlier judgment in a different U.S. state does not have automatic priority over a later foreign judgment).  
B. Foreign Recognition of U.S. Court Judgments

In contrast to the situation with recognition of foreign nation judgments by the U.S. courts, the converse recognition is considerably more challenging, since the United States is not a party to any bilateral or multilateral treaty on recognition and enforcement of foreign judgments. Some countries will not recognize any foreign judgments in the absence of a requisite treaty. In jurisdictions where recognition is possible in the absence of such treaty the laws mandate evaluation of each judgment under consideration for recognition on the case-by-case basis under the laws of each jurisdiction. Foreign jurisdictions tend to examine many of the same issues as the U.S. courts when they determine whether to recognize a U.S. judgment, although the analysis varies greatly between Common Law and Civil Law systems, and many jurisdictions also examine additional factors. The aspects considered in making decision whether to recognize a U.S. judgment include presence of valid jurisdiction over the defendant, the finality of judgment, the alignment of the decision with the jurisdiction’s public policy, the fairness and adequacy of the trial procedures, reciprocity, and fraud. Importantly most of foreign jurisdictions tend to have a strict interpretation of at least one of these factors, and that is usually enough to create a serious obstacle to recognition of the U.S. judgment. Jurisdiction presents especially thorny problem since most foreign forums do not recognize the concept of long-arm jurisdiction. Thus many countries, both in Common Law and Civil Law systems demand that jurisdiction must be established under their own laws. On the other hand, some nations, most notably China, do not consider jurisdiction when deciding whether to recognize a foreign judgment.

Of the greatest concern among the public policy grounds for not recognizing U.S. judgments is the refusal to recognize punitive damages as contrary to public policy. While increasing number of

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jurisdictions recognizes such damages there are a few notable exceptions.33

The procedural grounds for non-recognition of the foreign judgments also vary widely. Some countries demand that the service of process must be carried out in accordance with the laws of recognizing jurisdiction, or that the defendant must be given an opportunity to be heard,34 effectively precluding recognition of summary judgment. Also a U.S. judgment may not be recognized in some jurisdiction while they are appealable.35

A number of countries condition recognition of foreign judgment on reciprocity from the requesting jurisdiction.36 Finally, allegations of fraud are reviewed de novo in at least one jurisdiction.37

Additional obstacles to recognition of the foreign judgments are corruption and bias in the recognizing forum, availability of procedural mechanisms (e.g. appeals) to delay recognition of adverse judgment long enough to shelter the assets, and special procedural requirements imposed on the foreign parties before they are able to file in the nation’s court. Another practical consideration in some countries is the existence of the currency control laws that may complicate removal of proceeds from jurisdiction once the judgment is satisfied.

As the above discussion should make clear, the recognition of U.S. judgments abroad is a challenging task at best, and, in most jurisdictions, is likely to negate any advantage of avoiding review of the merits of the case or of having merits reviewed at the home jurisdiction. Given that some of the intellectual property commercialization rights may span (and thus must be enforced in) multiple jurisdictions, the task of recognizing a U.S. judgment in all these jurisdictions is downright daunting. While in the last decade there

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33 Italy is one such exception—in a recent decision Italian Supreme Court refused to recognize a U.S. judgment on the grounds that punitive damages are contrary to public policy. See Soc. Ruffinatti v. Oyola-Rosado, Cass., 8 Feb. 2012, n. 1781 (2012) (It.).

34 Both of these demands are present in Mexican law. See Código Federal de Procedimientos Civiles [C.F.P.C.] [Federal Civil Procedure Code], art. 549–71, Diario de la Federación [D.O.], 1 de Septiembre de 1932 (Mex.). Thus it appears that not showing in court is sufficient to make a U.S. judgment not recognizable.

35 This is the current view in Japan, Marubeni-America v. Kansai-Tekko 361 HANREI TAIMUZU, 127 (Osaka Dist. Court, Dec 22, 1977) (Jap.).


37 Jet Holdings v. Patel, [1983] 3 WLR 295 (Eng.) (English court refusing to enforce a foreign judgment if it was obtained by fraud even if the allegations have been addressed by the originating court).
was a trend for improvement, the problems still outweigh the benefits in the estimate of most commentators.

A major change in the dynamics of recognition of U.S. judgments in foreign forums may be imminent. On January 19, 2009 the United States signed the Hague Convention on Choice of Court Agreements (HCCCA) but has yet to ratify it. The HCCCA applies to the judgments on civil and commercial matters rendered under the choice of law and forum clauses in agreements between parties residing in different countries. Under the HCCCA such judgments are to be recognized by the courts of other signatory states under local procedures. The HCCCA does not apply to certain types of contract and subject matters. The convention establishes the procedure for requesting enforcement and delineates the conditions for enforceability: the choice of courts agreement must be valid and proper, the chosen court must have heard the case, the judgment rendered by chosen court is valid in that court’s jurisdiction, and the judgment is not in conflict with the public policy of the requested state. The HCCCA also contains an option of being extended to non-exclusive choice of court clauses. Ratification of the HCCCA may make litigation a preferred method of dispute resolution between parties residing in different countries.

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38 E.g., Belgium and Portugal have abolished revision au fond.
39 HAGUE CONFERENCE ON PRIVATE LAW AGREEMENTS, Convention on Choice of Court Agreements, art. 3(a) (June 30, 2005) [hereinafter HCCCA].
41 HCCCA at art. 3(a).
42 Id. at art. 8(1).
43 Id. at art. 14.
44 Id. at art. 2.
45 Id. at art. 3(c).
46 Id. at art. 9.
47 HCCCA at art. 6.
48 Id. at art. 8(3).
49 Id. at art. 9.
As mentioned above arbitration has become the method of choice for resolving disputes between parties residing in different countries. The preference for this approach is grounded in significant advantages that arbitration has over litigation. Arbitration is typically a voluntary process\textsuperscript{50} to which the parties have consented,\textsuperscript{51} or contractually bound themselves,\textsuperscript{52} prior to dispute. The contractual nature of an agreement to submit disputes to arbitration allows parties to set the procedures\textsuperscript{53} under the freedom to contract principles. This allows the parties to design the process that is less formal in nature,\textsuperscript{54} ensuring speediness\textsuperscript{55} and thus lowering costs and saving time,\textsuperscript{56} while also minimizing publicity.\textsuperscript{57} The parties may also select arbitrators,\textsuperscript{58} thus ensuring that the decision maker possesses technical expertise and knowledge of the parties’ industry and its customs. The expertise of the decision makers is viewed as a factor that enhances overall fairness of the process, and can be viewed as a moderating influence on the size of the award, which in litigation depends on a capricious jury. In addition the arbitration awards are subject to neither judicial precedent, nor, with some exceptions, to laws of the jurisdiction where arbitration takes place or where the award enforcement will be sought. Finally, the awards are subject to only limited judicial review,\textsuperscript{59} further speeding the final resolution of a dispute.

Because of the great freedom in designing the arbitration procedures, the process of arbitration can vary greatly between disputes. However in most cases the parties find it easier to incorporate by reference rules of an institutional provider, such as

\textsuperscript{50} In some cases however arbitration may be mandated by statute. Watts v. King 794 A.2d 723 (Md. Ct. Spec. App. 2002).
\textsuperscript{52} Air Line Pilots Ass'n v. Miller, 523 U.S. 866 (1998).
\textsuperscript{55} Showmethemoney Check Cashers, Inc. v. Williams, 27 S.W.3d 361 (Ark. 2000).
\textsuperscript{56} Id.
\textsuperscript{58} Brook v. Peak Int’l., Ltd., 294 F.3d 668 (5th Cir. 2002).
American Arbitration Association\(^{60}\) (AAA) or Judicial Arbitration and Mediation Service (JAMS),\(^{61}\) and write in any modifications they find desirable. In the alternative, the parties may specify a state’s substantive law that will govern the proceedings. These private rules, however, do not supersede statutes governing arbitration.\(^{62}\) On the federal level, the Federal Arbitration Act (FAA) governs arbitration.\(^{63}\) Corresponding state laws are based on Uniform Arbitration Act,\(^{64}\) although an updated version, the Revised Uniform Arbitration Act\(^{65}\) is now adopted in eighteen states and District of Columbia, and is under consideration in additional three states.\(^{66}\)

Although the arbitration procedures lack the formality of judicial proceedings, they still are subject to the minimum standards aimed at achieving fair and impartial examination of the merits of the dispute.\(^{67}\) In general the following steps comprise the arbitration proceedings: demand, appointment of arbitrators, discovery (optional), evidentiary hearing, and award.

Appointment of arbitrators is arguably the most critical step of the arbitration process, since the arbitration agreement can grant them extensive decision-making powers,\(^{68}\) including questions of

\(^{60}\) American Arbitration Association, https://www.adr.org/aaa/faces/home;jsessionid=8mLNjv1fhFdiK0njQOqBTIn4KTr8LMS11RGyHHp8JDDyMt37Xbk17968063607_afrLoop=346598217525503&_afrWindowMode=0&_afrWindowId=4f%3F_afrWindowId%3Dnull%26_afrLoop%3D3465982117525503%26_afrWindowMode%3D0%26_adf.ctrl-state%3Dtvxf800l4 (last visited November 11, 2014) [hereinafter AAA].


procedure and arbitrability. To be valid the arbitration proceedings must involve arbitrators who were properly appointed and accepted by both parties. The arbitrators may be appointed by the court if authorized by statute or, in federal court, on petition of either party to the district court. There are also several alternative ways to appoint arbitrators.

In most favorable jurisdictions an arbitration award automatically receives the effect of court judgment, and is enforceable through the same mechanisms. In the absence of such provision an arbitration award has the effect of contract in writing between the parties and becomes enforceable after the court enters judgment on the award. In some jurisdictions such court confirmation is mandatory, while in others the judgment is entered automatically once certain preliminary requirements are satisfied. The proceedings to confirm an arbitration award are intended to be summary—there is a presumption that the arbitration award will be confirmed, and courts are expected to exercise deference to the arbitrator’s decision. Confirmation can only be denied if the award has been vacated, corrected or modified under the FAA.

In addition the courts do not confirm awards that are deemed un-

question witnesses and attorneys as well as determine the time and location of the hearing); Uniform Arbitration Act § 5(a) (arbitrators may adjourn or postpone the hearing).

70 First Options of Chicago, Inc. vs. Kaplan, 514 U.S. 939 (1994) (stating that the arbitration clauses that assign the question of arbitrability to the arbitrator are generally enforceable).
72 Merritt-Chapman & Scott Corp. v. Pa, Turnpike Comm’n, 387 F.2d 768 (3d Cir. 1967).
73 The appointment by petition is used in the absence of contractual agreement as to specific procedure for appointing the arbitrators, the or when any party does not avail itself to the method specified in contract. 9 U.S.C.A. § 5 (2012).
74 For example, each party can appoint one panel member and the institutional provider of the arbitration services appoints the third panel member. Another approach is for each party to examine a list of potential arbitrators presented by the institutional provider deleting the candidates that each party finds objectionable and numbering the remaining candidates in the order of preference. Institutional provider subsequently appoints the paneled from the remaining candidates (This is the approach preferred by AAA).
75 Spang v. Mattes, 97 A. 1026 (Pa. 1916)
81 Frazier v. CitiFinancial Corp., LLC, 604 F.3d 1313 (11th Cir. 2010).
enforceable. Furthermore the judgment entered on the award must conform to the award. Once the judgment has been entered, it is up to the courts to enforce it in a way substantially similar to enforcement of any other judgment, such as through execution, injunction, attachment, or contempt.

In contrast to the situation with court judgments, the United States, as a signatory to Convention on the Recognition and Enforcement of Foreign Arbitral Awards (CREFAA), is part of a robust international system of foreign arbitral award recognition. This enables U.S. parties to seek enforcement of U.S.-rendered arbitration awards in any of the 148 foreign forums that participate in CREFAA. The participating jurisdictions are bound to recognize arbitration awards and enforce them following local rules. CREFAA imposes relatively simple procedural demands on the parties seeking recognition. The party opposing the enforcement bears the burden of showing that any of the above conditions are not met. The convention provides limited grounds for refusing recognition to a foreign arbitral award—where the subject matter is not arbitrable under the laws of the recognizing jurisdiction, or

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87 West v. Duncan, 210 P. 699 (Colo. 1922).


90 Id.


92 Id. at art. III.

93 The agreement to arbitrate must be valid in the country it was made, the award must result from proceedings conducted by an authority that is in accordance with arbitration agreement, and through a valid arbitration procedure, be within the scope of matters submitted for arbitration, and be currently binding on the parties. Id. at art. IV(a).

94 Id. at art. V(2)(a).
the award is against the recognizing jurisdiction’s public policy.\footnote{Id. at art. V(2)(b).} While CREFAA apparently creates a straightforward procedure for recognizing foreign arbitration awards, the above-mentioned grounds for refusal can become serious obstacles to enforcement in certain circumstances.

### IV. Arbitration of Intellectual Property Rights

Arbitration of intellectual property rights is still relatively rare, despite the apparent suitability of certain issues for arbitration.\footnote{For example patent validity and infringement can be resolved without resorting to extensive discovery, and the technical expertise of the arbitrators would enhance the probability of correct result. Furthermore, intellectual property rights are more likely to be violated by a contracting party in more than one jurisdiction, and it is easier to achieve cross-jurisdictional recognition of the arbitral awards. Moreover arbitration proceedings from different jurisdictions can be consolidated.} Among the possible reasons for reluctance to resort to arbitration of intellectual property disputes are the decisions’ lack of precedential value and their effects being restricted to the parties involved. These limitations are likely to be viewed as absolutely inadequate in the context of intellectual property since those rights are not self-executing and have to be asserted against all parties. Such limitations however are acceptable in disputes over intellectual property commercialization rights, which are in essence contract disputes. Nonetheless even in these cases arbitral awards may run into significant enforcement problems in foreign jurisdictions.\footnote{Also, the issues that are purely related to intellectual property (e.g. patent validity) may be raised as the defense by the opposing party.} Some of these problems are of particular concern in the case of intellectual property licensing sponsored research agreements involving U.S. parties, especially where the federal funding is involved as well.

One of the most challenging problems that arise in the context of international arbitration of intellectual property commercialization disputes is plain denial of arbitrability of certain intellectual property issues. Under Article V(2)(a) of CREFAA the requested jurisdictions have complete discretion not to recognize foreign arbitral awards rendered on disputes that are not legally arbitrable in that jurisdiction. Thus if a country considers a particular intellectual property issue not arbitrable, it will likely not enforce foreign
arbitral decision on that issue. This problem may be partially mitigated by framing the agreement in contractual, rather than intellectual property terms, or contracting not to raise particular issues or defenses in arbitration.

An even greater potential problem for the U.S. academic institutions that are parties to the sponsored research agreements is the possible conflict of laws arising out of their obligations as federal funding recipients. While the choice of law to be used in arbitration is up to the parties to agree on, most jurisdictions have a set of so-called “mandatory laws” that cannot be contracted around in a dispute resolution clause. These mandatory laws may have to be complied with in resolution of disputes regardless of the choice of law provision in the arbitration clause. Most important for intellectual property commercialization disputes, certain commercial transactions involving intellectual property rights may violate antitrust regime in many jurisdictions. Potentially offending clauses are in fact common in technology transfer and licensing agreements. Indeed some of these clauses are explicitly or implicitly part of sponsored research agreements as the matter of law. If, for example, an arbitration award mandates that the defending party observe such an offending provision, the foreign forum may refuse to recognize the award based on public policy considerations under CREFAA Article V(2)(b). This problem can be addressed in part through a general clause disclaiming the effect of certain clauses of the agreement in the jurisdictions where such clauses are in conflict with local laws, and in part through avoiding of making a specific the choice of law in the arbitration clause. Instead the choice of law can be generally designated as the law of jurisdiction or jurisdictions where enforcement will be sought as specified in the demand. This may necessitate tailoring the awards to individual jurisdictions and thus complicating the arbitration process,

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99 For example, limiting a license to a particular set of products or product features instead of contents of a patent portfolio.
100 In re Wachusett Spinning Mills, Inc., 7 A.D.2d 382,(1st Dep’t 1959), order aff’d, 161 N.E.2d 222 (N.Y. 1959).
101 E.g., grant backs, tying arrangements, pooling, field of use restrictions, cross-licensing, restrictions on licenclee’s dealings with third parties, and certain types of royalty provisions.
102 E.g., retention by the U.S. government of rights in inventions made with federal funding. 35 U.S.C §202(c)(4) (2012).
however in the end it will result in maximally enforceable agree-ment. Although such a solution may not be suitable for an agreement between two large multinational entities, it may be acceptable to academic institutions since they are rarely a party to sponsored research agreements involving a multitude of jurisdictions.

V. NEGOTIATING ARBITRATION CLAUSE WITH A FOREIGN ENTITY

Despite some potential problems, arbitration may be the optimal approach to resolving the intellectual property disputes arising out of sponsored research agreements. In contrast, litigation, although applicable to a wider range of disputes, also presents a major enforcement problem for the U.S. litigants seeking to enforce judgment abroad. The difficulty of enforcement is likely to negate any advantages of litigating at the home forum. Since foreign litigants in most cases have far easier time enforcing judgment in the U.S., they are not likely to be aware of these difficulties. Consequently, a U.S. party negotiating dispute resolution clause will lose little by consenting to a clause specifying the choice of foreign party’s forum for litigation. In fact this accession can be framed as a major concession on the part of the U.S. party to negotiations. In return it may be quite advantageous to convince the counterparty to adopt the dispute resolution clause that mandates arbitration in the U.S. party’s home forum.

The arbitration clause must be drafted in a way that maximizes the probability of an enforceable award, and would allow the parties to resort to litigation only if obtaining an enforceable award is impossible. Under CREFAA such situations will primarily arise in the cases where the issues are not arbitrable in the jurisdictions where enforcement will be sought. The clause therefore should include an objective method of determining arbitrability in those jurisdictions. There are several possible approaches: one approach would be to designate a trusted neutral party that in case of dispute could be retained to investigate its arbitrability. Another possible

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method is to approach national arbitral bodies in the jurisdictions of interest\textsuperscript{104} with an official inquiry. Finally, the arbitrators may be charged with making the determination of arbitrability in relevant jurisdictions. In order to preserve one of the main advantages of arbitration,—speediness—the time for determination of arbitrability should be limited. The clause should additionally specify the course of action in cases where the issue’s arbitrability was not determined within specified time or is impossible to determine (litigation would likely be the only viable route), and where issue is found arbitrable in some jurisdictions of interest and not in others.

The clause should designate the arbitration services provider, the source of arbitration rules, and the size of the arbitration panel, and qualifications of panel members (including requirement of background and experience necessary to understand the technology in dispute). If the parties agree to arbitrate in the United States, there are several institutional service providers that are generally acceptable, including AAA and JAMS. Both AAA and JAMS have experience in resolving international intellectual property disputes.

The choice of law clause should specify the law of the jurisdiction where enforcement will be sought as stated on the Demand. While this may complicate the process, as mentioned above, it will also craft an enforceable award. The parties have to carefully evaluate their positions on that issue.

It is advisable that the parties take advantage of the possibility of tailoring the arbitration procedure while drafting the clause. The goal should be to expedite and streamline procedure to save costs and time, but of course, not at the expense of probability of resulting in an enforceable award. Since discovery is both the most time consuming step and the major source of costs, the above objectives can be achieved through limiting the discovery, both in absolute\textsuperscript{105} and in relative\textsuperscript{106} terms. The discretion of arbitrators regarding extension of discovery may be similarly limited. Granting the arbitrators the power to exclude evidence on the grounds of prejudice, irrelevance, or redundancy may further expedite the arbitration process. In addition, the parties may wish to specify the overall time limit for the arbitration process.

\textsuperscript{104} For a list of national and regional arbitration providers, see National Arbitral Bodies, WWW Virtual Library – Arbitration Database, http://interarb.com/vl/p/014039671 (last visited Nov. 11, 2014).

\textsuperscript{105} E.g., number of depositions, total time allowed for discovery.

\textsuperscript{106} E.g., available only when the amount in dispute exceeds a certain number.
There are several additional considerations that should be addressed in the dispute resolution clause. A strong confidentiality requirement is especially important in the intellectual property disputes. It may also be advisable for the clause to contain an express authorization for the party making arbitration demand to seek emergency relief under the laws of the jurisdiction where enforcement is sought. This may be especially important in cases where a technology is about to be transferred to a prohibited or unauthorized party. Other issues that the parties may want the arbitration clause to address are the payment of arbitration fees, possibility of appeal, and punitive damages.

The following clause incorporates the solutions outlined above:

If a dispute arises from or relates to this contract or the breach thereof, and if the dispute cannot be settled through direct discussions, the parties agree to endeavor first to settle the dispute by mediation administered by the American Arbitration Association (hereinafter AAA) under its Commercial Mediation Procedures before resorting to arbitration.

The parties further agree that any unresolved controversy or claim arising out of or relating to this contract, or breach thereof, shall be settled by arbitration administered by the AAA in accordance with its Commercial Arbitration Rules and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

The arbitration may be initiated by demand made by either party either after ___ days after commencing mediation, or at any earlier time within no less than ___ days after the other party explicitly or implicitly refused to participate in mediation. Mediation can be resumed only if the apparently refusing party shows a good excuse.

The demand shall be served on the other party in accordance with the rules of AAA, and shall state the nature of the dispute and list the jurisdictions where enforcement will be sought. The demanding party is not allowed to amend the list of jurisdictions except by the permission of the arbitrators, who will have complete discretion regarding this question.

Upon initiation of arbitration proceedings the parties agree to retain ______ for express purpose of determining arbitrability of the dispute in relevant jurisdictions. The parties agree to

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107 This model clause is based on the dispute resolution clause initially generated by the AAA ClauseBuilder Tool. Alternative Dispute Resolution ClauseBuilder Tool, American Arbitration Association, https://www.clausebuilder.org/cb/faces/index?_afrLoop=3891906203757379&_afrWindowMode=0&_adf.ctrl-state=160du1foiu_4 (last visited Nov. 11, 2014).
share the costs equally. If the issue is found not arbitrable in all relevant jurisdictions, or if arbitrability of the issue is not determined within ____ days, or found to be impossible to determine, the arbitration proceedings shall terminate, and the parties shall be released from obligation to submit the dispute to arbitration. Is the issue is found not to be arbitrable in some of the relevant jurisdictions the parties shall be released from obligation to submit the dispute to arbitration only in regard to those jurisdictions.

Claims shall be heard by a panel of three arbitrators. The arbitrator(s) shall __________. The place of arbitration shall be __________. The arbitration shall be governed by the laws of the jurisdictions where enforcement will be sought as stated in the demand. Discovery shall be limited to _____ days. Depositions shall be limited to a maximum of _____ per party and shall be held within _____ business days of the making of a request. Additional discovery may be ordered by the arbitrators, and for good cause shown or by mutual agreement of the parties. The award shall be made within __________ months of the filing of the demand, and the arbitrators shall agree to comply with this schedule before accepting appointment. However, this time limit may be extended by the arbitrators for good cause shown, or by mutual agreement of the parties.

The arbitrators shall have authority to award punitive or other damages not measured by the prevailing party’s actual damages, except as may be prohibited in one or more jurisdictions where the enforcement is sought.

The prevailing party shall be entitled to an award of reasonable attorney fees. The Commercial Arbitration Optional Rules for Emergency Measures of Protection are also incorporated by the parties. The award of the arbitrators shall be accompanied by a reasoned opinion. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

The parties agree that failure or refusal of a party to pay its required share of fees related to determination of arbitrability, or of the deposits for arbitrator compensation, or administrative charges shall constitute a waiver by that party to present evidence or cross-examine witness. In such event, the other party shall be required to present evidence and legal argument as the arbitrator(s) may require for the making of an award. Non-payment shall not be a basis for default judgment against the non-paying party.

Within 30 days of receipt of any award (which shall not be binding if an appeal is taken), any party may notify the AAA of
an intention to appeal to a second arbitral tribunal, constituted in the same manner as the initial tribunal. The appeal tribunal shall be entitled to adopt the initial award as its own, modify the initial award or substitute its own award for the initial award. The appeal tribunal shall not modify or replace the initial award except for clear errors of law or because of clear and convincing factual errors. The award of the appeal tribunal shall be final and binding, and judgment may be entered by a court having jurisdiction thereof.

VI. CONCLUSION

Despite the prevailing perception, arbitration is well suited for resolution of most international intellectual property commercialization disputes, including ones arising from technology licensing and transfer agreements, and from sponsored research agreements. It is particularly advantageous to the U.S. parties, since enforcement of U.S. court judgments is difficult in foreign forums. While some disputes may not be arbitrable in all jurisdictions, a proper framing of an agreement and a well-designed arbitration clause may allow arbitration of a dispute in at least some of them, resulting in a cheaper and faster resolution, and in an award that is easier to enforce in foreign forums.