

# Arbitration in Europe\*

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## Introduction

This chapter will focus on some characteristics of arbitration in continental Europe as experienced in intellectual property litigation. The author shall try to underline the differences that could strike an American attorney used to arbitration or judiciary proceedings as rather surprising - although nothing in the world can really surprise an experienced American litigator !

A first caveat would seem proper. There may indeed exist some similarities between arbitration in Austria, France, Germany, Italy, Spain, Sweden and Switzerland as well as other European countries, but there is no common tradition for procedural rules between all these countries. As has been pointed out<sup>1</sup>, even the International Chamber of Commerce in Paris did not impose a unique "continental" (rather than a "common law") approach for the manner of conducting the proceedings.

Further, the procedural peculiarities of European arbitration *vis-à-vis* American rules of procedure may well be fading away at an accelerated pace. Increased recourse to arbitration for the settlement of disputes involving parties on both sides of the Atlantic Ocean or of the Channel leads to converging ways and means to overcome the difficulties that may arise during the arbitral process.

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<sup>1</sup> W. L. Craig / W.W. Park / J. Paulsson, International Chamber of Commerce Arbitration, 2nd ed., Paris 1990, 4.

Arbitrators conferring with lawyers coming from London, New York or Washington, D.C. and from Paris, Geneva, Stockholm or Zurich will necessarily accommodate both traditions to devise various solutions to overcome certain common problems, such as the discrepancies which may exist in the rules for the production and examination of evidence. However, the same willingness may not always pervade the national courts with which an appeal may have to be filed. They may sometimes show a tendency to cling to perceptions pertaining to purely domestic or municipal law which are of course most familiar to them<sup>2</sup>.

*Examples of convergence*

- a. As shall be related later on<sup>3</sup>, there seems to be a developing common ground as to the treatment of direct and cross examination of witnesses<sup>4</sup>, a procedure which was not usual twenty years ago in Europe in ordinary court proceedings, where the judges (rather than the attorneys) put most or all questions to the witnesses and where it is still prohibited to brief the witnesses.
- b. The discovery proceedings are still rooted in the common law tradition and specifically in the bi-partite division of the pre-trial and trial phases. This division is unknown to continental rules of procedure, where no trial takes place before a jury. Thus each party bears the burden of proof for their own allegations, and each party has to find and supply the necessary evidence. Nevertheless, in recent years, a common consensus has been developing in the sense that it is proper for an arbitral tribunal to demand the production of documents (and other evidence), either upon request of a party or upon its own motion (see hereunder III. B). Further, depositions of witnesses before trial and filing of affidavits are not common in European arbitral proceedings although written witness statements are no longer unknown.

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<sup>2</sup> K. P. Berger, *International Economic Arbitration*, Deventer / Boston 1993, 171.

<sup>3</sup> See *infra* III B & C.

<sup>4</sup> See J. Thorens, *L'arbitre international au point de rencontre des traditions du droit civil et de la common law (The International Arbitrator at the Juncture of civil Law and Common Law Traditions)*, in *Etudes de droit international en l'honneur de Pierre Lalive (Studies on International Law in the Honour of Pierre Lalive)*, Basel / Francfort 1993, 696.

- c. Several European countries have modified their law on arbitration to provide for special rules regarding international arbitration. In so doing, they usually gave more leeway to the arbitrators sitting in international matters (e.g. France 1981, Netherlands 1986, Switzerland 1987, Italy 1994). Although the general view is that arbitration proceedings must be conducted under the law of a determined forum, it is accepted nowadays that the parties may agree to apply other rules than only state law<sup>5</sup>.

Typically, the parties (and, failing them, the arbitrators) are free to determine the procedure and, as far as necessary, the procedural rules to be applied, whether or not by reference to a particular code of procedure.

## I. Arbitrability

### A. Objective arbitrability

As concerns intellectual property, arbitration is less widely open in most European countries than in the United States. With the exception of Switzerland<sup>6</sup>, no European country enjoys the benefit of the system established under sec. 294 of the U.S. Patent Act.

Thus, arbitration of the validity of a patent or another industrial property title may under many European laws be conducted only as a **preliminary** issue, prior to the arbitration proper dwelling on contractual issues of a licensing or joint-venture agreement<sup>7</sup>. It may or may not form the subject matter of a preliminary award.

In some countries, arbitrability is even so strictly defined that no findings of fact or law may be made concerning patentability of an invention, the validity of a trademark or the protectability of a registered design or model. This is particularly the case in France<sup>8</sup>.

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<sup>5</sup> See F. Vischer, IPRG Kommentar (Commentary on the Swiss Private International Law), Zurich 1993, Comment 7 ad Art. 176, p. 1495.

<sup>6</sup> See F. Dessemontet, Arbitrage, Propriété intellectuelle et droit de la concurrence (Arbitration, Intellectual Property and Competition Law), Swiss Arbitration Association Special Series No 6 (1994), at 56 et seq.

<sup>7</sup> See e.g. ICC Award No 6097, 4 ICC Bull. No 2 (1993) [French edition cited throughout this chapter], 83 (arbitrability of the validity of a patent as preliminary issue, under German law). For a more liberal approach, see P. Schlosser, Zeitschrift für Wirtschaftsrecht 1987, 499.

<sup>8</sup> See ICC Award No 6709, 5 ICC Bull. No 1 (1994) 69-70 (the exclusive jurisdiction of state courts as regards the validity of a patent does not exclude the arbitrability of a license agreement under a contested patent). See further

However, an arbitral award may validly state that a patent has expired due to non-payment of annuities, in order to determine which party to a license agreement is at fault<sup>9</sup>. In addition, an award may state that a given patent license agreement conforms to European antitrust law<sup>10</sup>.

It remains to be seen if the institution of the WIPO Arbitration Center will lead to a modification of the restrictive practice of some European countries in this regard<sup>11</sup>. With the latest modification of its law, Italy took some account of the international developments as regards objective arbitrability<sup>12</sup>, whereas the German Draft Law follows closely the Swiss approach.

To sum up, Switzerland in 1976<sup>13</sup> and the U.S. in 1982 paved the way for a widening of the list of issues that may be properly submitted to an arbitral tribunal. For example, under Swiss law, an award containing an injunction against patent infringement is possible.

Of course, even in the most liberal European system, not all issues relative to an infringement can be submitted to arbitration. For example, arbitration appears to be excluded for the registration procedure, the defenses based on compulsory licensing provisions, and the refusal to inform the owner of a patent or of a trademark on the supplier of infringing goods. Nevertheless, under the liberal European approach, an award may properly contain an injunction

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Institut Henri-Desbois, Symposium of January 24, 1994, reports to be published. See ICC Award No 6036, 5 ICC Bull. No 1 (1994) 68-69 (under Italian law a compulsory license may be granted by decision of the Government, but an arbitral tribunal may nonetheless adjudicate the claims arising out of a contractual license given beforehand to the beneficiary of the compulsory license). See already P. Jolidon, A propos de l'arbitrabilité (Objective) en matière de brevets d'invention et de concurrence. Aperçu de droit comparé (On [objective] Arbitrability as regards Patents for Inventions and Competition, Comparative Law Aspects), in *Etudes de droit suisse et de droit comparé de la concurrence*, Genève 1986, 120-121 (on Belgium, France, Germany, Italy, Switzerland, U.S.)

<sup>9</sup> See Award ICC No 5480, 4 ICC Bull. No 2 (1993), 78.

<sup>10</sup> See ICC Award No 6709, 5 ICC Bull. No 1 (1994), 70-71.

<sup>11</sup> Unable to reach a consensus on this point, the authors of the UNCITRAL Model Law left the question of arbitrability to national laws. See H.M. Holtzmann and J.E. Neuhaus, *A Guide to the UNCITRAL Model Law*, 1989, 38-39.

<sup>12</sup> See Law No 25 of January 5, 1994, English translation in 12 SAA Bull. No 1 (1994), 82.

<sup>13</sup> See Communication of the Office for Intellectual Property, *Revue suisse de la propriété industrielle et du droit d'auteur* 1976, p. 37.

against the violation of a patent or trademark<sup>14</sup>. By contrast, unless there is an agreement to the contrary, English law does not confer such powers upon the arbitrators. Terms of reference may provide guidance to the arbitrators in this respect. However, the drafting of terms of reference is compulsory neither in *ad hoc* arbitration nor under some institutional regulations (with the well-publicized exception of the ICC Rules, that require the preliminary signing of terms of reference).

## B. Subjective arbitrability

The modern practice in Europe accepts that state contracts may be submitted to arbitration, even if the contract is classified as an administrative matter under some foreign law<sup>15</sup>. Some recent codifications of Mediterranean countries now explicitly accept that the State or state enterprises may be party to arbitration proceedings in disputes relating to an international industrial, commercial or financial relationship<sup>16</sup>. Nevertheless, no regulation as detailed as the Foreign Sovereign Immunities Act of 1976 as amended in 1988<sup>17</sup> exists in Europe, with the exception of the European Convention on State Immunities<sup>18</sup>. In this regard, it may be recalled that most continental countries take less of an absolute

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<sup>14</sup> See Award ICC No 6752, Yearbook 1993, 57 No 9.

<sup>15</sup> See F. Vischer, IPRG Kommentar, Comment 3 *in fine* ad Art. 176. See also the Resolution adopted by the Institute of International Law, September 19, 1989 in Santiago de Compostela on Arbitration between States, State Undertakings or State Entities and Foreign Enterprises, art. 9. Cf. ICSID Rev. FILJ 1990, 141.

<sup>16</sup> See Art. 7 subpar. 5 of Tunesian Law No 93-42 of April 26, 1993, as exposed by H. Malouche, 4 ICC Bull. No 2 (1993), 68; Art. 1 subpar. 2 of the Algerian Legislative Decree No 93-09 of April 26, 1993, as exposed by M. Bedjaoui, 4 ICC Bull. No 2 (1993), 58. According to ICC statistics, one ICC arbitration proceeding out of five involved a State or state-owned enterprise during the 80's. This proportion is decreasing due to the privatization of Central and Eastern European economies. In 1993, it stands at 12 %. See 5 ICC Bull. No 1 (1994) at 20.

<sup>17</sup> 28 U.S.C. 1605 (a) (b), commented by G. R. Delaume, De l'efficacité des sentences transnationales intéressant un Etat (On the Efficacy of Transnational Awards Involving a State), Etudes Pierre Lalive, 479-481.

<sup>18</sup> This Convention has been ratified so far by Germany, Austria, Belgium, Chyprus, United Kingdom, Luxembourg, Netherlands and Switzerland. See also 1991 UN Draft Articles on Jurisdictional Immunities of States and Their Property, as mentioned by K. P. Berger, 180.

view of state immunities than that adopted by the Anglo-American tradition.

### C. Time Limit for the Award

Some institutional regulations (such as ICC Rule 18 (1)) and many arbitration clauses still provide for a time-limit, for example six months, to render an award in a given case. Depending from which event the calculation of the allowed time begins to run, this time-limit may be extremely short. In fact, therefore, time-limits are often extended. The ICC Courts of Arbitration for example has the power to extend a time-limit for the rendering of an award either at the request of the arbitrator or even on its own initiative (Article 18 (2) of the ICC Rules).

Nevertheless, French courts have declared null and void an award made after the expiration of the contractual time-limit, on the theory that the arbitrators enjoy authority to decide upon the case only within the said period of time<sup>19</sup>.

It is not unknown that arbitrators in European ad-hoc arbitration proceedings condition acceptance of their functions upon the parties striking out any unreasonably short time-limit that might have been introduced in the original agreement. However, the practice in the U.S. may differ to some extent in this regard<sup>20</sup>.

### D. Severability of the arbitration clause

On this subject at least, there is no longer any doubt that the arbitration clause is independent from the main contract<sup>21</sup>.

## II. Selection and duties of the arbitrators

### A. Contents of the arbitration clause

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<sup>19</sup> French Cour de Cassation, 13 janvier 1993, 12 SAA Bull. No 1 (1994), 119.

<sup>20</sup> See T. Arnold, *Arbitration ? Here Are Real Recommendations*, 28 LES Nouvelles No 1 (1993), 26 sec. 12.2 and fn 33.

<sup>21</sup> See Th. Rüede and R. Hadenfeldt, *Schweizerisches Schiedsgerichtsrecht (Swiss Arbitration Law)* 2nd ed., Zurich 1993, at 87-88; M. Blessing, in K.-H. Böckstiegel, ed., *Die Internationale Schiedsgerichtbarkeit in der Schweiz (International Arbitration in Switzerland)*, 2nd ed., Köln / Berlin 1989, 42-43; M. Blessing, *Globalization (and Harmonization ?) of Arbitration*, 9 Int. Arb. No 1 (1992), 83-84.

In European countries, there is no doubt that the name of the arbitrators need not be mentioned in the arbitration clause, contrary to a view which has been held for example in Egypt<sup>22</sup> under the former Arbitration Act. Moreover, the arbitrators need not be nationals or residents of any European country in which the arbitration takes place.

## B. Number of arbitrators

The arbitral tribunal may consist of one or more arbitrators<sup>23</sup>. This writer is aware of a few instances in which there were more than three arbitrators because more than two parties were involved in the litigation. It is nevertheless a difficult question whether each party to a multi-party arbitration enjoys the **right** to nominate an arbitrator. The Swiss courts have for example indicated that the nomination of one arbitrator for all co-defendants, as practiced by the ICC, is not contrary to Swiss public policy<sup>24</sup>. However, the French Cour de cassation has been more restrictive and has not accepted any inequality of the parties in the nomination of the arbitrators<sup>25</sup>. Practically, it means that it is preferable if the arbitration clause does not mention a limitative number of arbitrators in case third parties have to enter the arbitration or two cases are consolidated.

One Swiss case is known to this writer of an "arbitration" with two "arbitrators", in charge of presenting a common proposal for the settlement of a difficulty. This should really be seen as a **mediation** in disguise. Such a composition of a tribunal seems to be extremely rare in Europe, although the English Arbitration Act and the Draft Arbitration Bill circulated in 1994 for its revision both contain rules designed to regulate precisely this two-person

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<sup>22</sup> See S. Jarvin, 4 ICC Bull. No 2 (1993), 13.

<sup>23</sup> Almost half of the ICC arbitration tribunals consist of a sole arbitrator. See 5 ICC Bull. No 1 (1994), 10.

<sup>24</sup> Westland Helicopters Ltd (UK) v. Arab Organization for Industrialization, e.g. Semaine Judiciaire 1984, 309 (Geneva Court of Justice) and Yearbook 1986, 127 (interim award). See J.-F. Poudret, Arbitrage multipartite et Droit suisse (Multi Party Arbitration and Swiss Law), 9 SAA Bull. No 1 (1991), 12-13.

<sup>25</sup> See Siemens AG & BKMI Industriean Lagen GmbH v. Dutco Construction Co., January 7, 1992, 4 ICC Bull. No 2 (1993), 6; comments i. a. by J.-L. Delvolvé, in 10 SAA Bull. No 2 (1992), 182-193.

tribunal<sup>26</sup>. On the other hand, it is well known that the *IBM v. Fujitsu* tribunal consisted of two arbitrators at the time the award was issued.

### C. Role of arbitrators

In a three-member tribunal, should the arbitrators nominated by a party be independent and impartial to the same extent as the third arbitrator? This question, although often posed by the parties to an arbitration, seems frivolous to arbitration practitioners in most European countries, where the arbitrators consider themselves as party-appointed **judges**. For these arbitrators, the best way to conduct the arbitration would be to forget which party nominated them. In an ideal world, all the delicate issues that are raised in the United States about contacts between arbitrators and parties and about each party directly remunerating its "own" arbitrator should not arise in Europe<sup>27</sup>.

Now, various arbitrators have different approaches to the practice of their role as a party-appointed arbitrator. As regards contacts with "their" party, these should not occur, for example in view of the assured reaction of the other arbitrators sitting on the same panel, should they become aware of these contacts. In addition, such behaviour is ill-advised because of the possible far-reaching consequences on the validity of the award<sup>28</sup>. On the other hand, it is not usual in continental arbitration that the fee of the party-appointed arbitrator will be directly negotiated and paid by the party. Nonetheless, in the terms of reference or otherwise, the parties may agree that each of them shall pay the fees of the

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<sup>26</sup> An even number of arbitrators is theoretically permissible under Swiss law and UNCITRAL Rules, on the contrary to Dutch law (obligation to appoint an additional arbitrator), Belgium, Spain, Italy and France (for domestic arbitration). Allowing for the invalidation of a two-member agreement providing for a two-member arbitral tribunal if it comes to a deadlock, the German solution seems impracticable. See K. P. Berger, 204-205 or at 206 for some consideration on choice between one or three arbitrators.

<sup>27</sup> Concerning especially the arbitrators' remuneration, German law shields the arbitrator from liability only if the remuneration is not asked or received "behind the back of the other party" (§331 et seq., §335a German Criminal Code). See K. P. Berger, 237.

<sup>28</sup> See for the unfortunate initiative of a counsel driving back an arbitrator to his own car a Colorado case (*T.A.H. General Partnership v. Southwest Radiographics*, No 90 CA 0041 Colo. Ct. App. 1991), as cited in 9 SAA Bull. No. 4 (1991), 424. See also M. Blessing, *Globalization*, at 84.

arbitrator whom they selected<sup>29</sup>. Of course, it is against public policy and a good ground for removal of the arbitrator or setting aside of the award if one of the arbitrators has a personal interest in the outcome of the litigation. For example, the Swiss Federal Tribunal remitted an award that had been decided by a three-person arbitral tribunal, one of whom was the sole director and important shareholder of a corporation that was under a contractual obligation to pay to claimant any indemnification which defendant would owe by reason of the arbitral award<sup>30</sup>. Another difficult case would be to have an employee of a licensee No 1 sitting on the tribunal instituted to adjudicate the claims of the licensor against a licensee No 2, where there is a likelihood that a further litigation may oppose licensee No 1 and licensor in the future for a related set of legal and/or factual issues. In my view, this could be contrary to the requirement of independence and impartiality, although it does not appear *prima facie* to fall under ICC Rule 7 (1), that requires independence from the parties to the litigation and not from third entities. However, the best general rule appears to be that the arbitrator be not "biased either intellectually or financially"<sup>31</sup>. The terms of reference may clarify the issue, for example in the case of an arbitrator being the partner in the law firm of a party's counsel, which double position is only possible with the consent of all parties.

European potential arbitrators are thus expected to have at most merely preliminary discussions with the party wishing to appoint them, and at that to behave as passive listeners only<sup>32</sup>. During the hearings and deliberation, they may legitimately see to an attentive examination of all arguments put forward by the party which appointed them, but they should not dispose of privileged information without disclosing it to the co-arbitrators<sup>33</sup>.

#### D. Immunity of arbitrators

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<sup>29</sup> See however *English Court of Appeal K/S Norjal A/S v. Hyundai Heavy Industries Co. Ltd.*, [1991] 3 All ER 211, 221, which qualifies as misconduct the payment of any fees agreed after the acceptance of the appointment and without the consent of the other party.

<sup>30</sup> ATF 111 Ia 72.

<sup>31</sup> Craig et al., 221.

<sup>32</sup> Craig et al., 224.

<sup>33</sup> See Cl. Reymond, *Des connaissances personnelles de l'arbitre à son information privilégiée - Réflexions sur quelques arrêts récents* (From Personal Knowledge of the Arbitrator to his Privileged Information - Considerations on Some Recent cases), *Rev. Arb.* 1991, No 1, 3.

There appears to be a prevalent feeling in the U.S. that arbitrators partake of judiciary immunity<sup>34</sup>, extended to the witnesses and the lawyers. No such unambiguous rule is stated in most European countries. The question is a difficult one. Although it only seems fair to state that an arbitrator is liable for fraud<sup>35</sup>, any further statement may well be incorrect in one or more important countries of arbitration<sup>36</sup>. For example, under Swiss law, some cases accept that the arbitrator is under a "contract of agency" (*Auftrag, mandat*) (Art. 394 et seq. Swiss Code of Obligations)<sup>37</sup>. This might entail a liability for negligence, but the peculiarities of the arbitrator's role should be taken into account<sup>38</sup>. Some authors even consider that the arbitrator is liable only for fraud or gross negligence<sup>39</sup>.

### III. Proceedings

#### A. Diverging Background in Civil Procedure

A most theoretical difference between U.S. and continental civil procedures appears to be the division between **pre-trial** and **trial** under American law, where the continental approach is generally to perceive the litigation as one **single** process. It may well be that some practical differences arise out of this basic divergence of tradition. For example, the notion that any and all arbitration proceedings should result in extended hearings, oral deliberation and immediate opening of the award to the parties is not familiar to

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<sup>34</sup> For the American rules on arbitrators' immunity, as seen by a Continental jurist, see K. P. Berger, 236.

<sup>35</sup> As proposed in some common law jurisdictions, as Australia and Bermuda, as well as in the English Bill on Arbitration (1994).

<sup>36</sup> See e.g. E. Robine, The Liability of Arbitrators and Arbitral Institutions in International Arbitrations under French Law, *Int. Arb.* 1989, 323.

<sup>37</sup> *Swiss Review of Jurisprudence* 1978, 59 No. 18 (nomination of an arbitrator); see also *Semaine Judiciaire* 1984, 391 (undecided). See P. Lalive, J.-F. Poudret, C. Reymond, *Le droit de l'arbitrage (Arbitration Law)*, 1989, 92.

<sup>38</sup> See P. Jolidon, *Commentaire du Concordat Suisse sur l'Arbitrage (Commentary on the Swiss Arbitration Concordate)*, 1984, 234 and 237-238; P. Lalive, J.-F. Poudret, C. Reymond, 93.

<sup>39</sup> F. Hoffet, *Rechtliche Beziehungen zwischen Schiedsrichtern und Parteien (Juridical Relationships between Arbitrators and Parties)*, 1991, 305, with citations.

the European lawyers. They do not always see the necessity of hearing all witnesses, expert-witnesses and pleadings during a continuous session of the arbitral tribunal. Generally speaking, they do not object to the deliberations being conducted by a mixture of oral [tele-] conferences and written exchanges of views between the arbitrators. Occasionally the parties accept that an award be made on the strength of a case shown by written memorials and documentary evidence. Of course, every arbitrator has the right to participate and comment in all deliberations and at every stage of the proceedings. Only the suspicion of "filibustering" by an arbitrator may lead to the rejection of his continuous requests for more oral deliberation or extended periods for written comments<sup>40</sup>.

The diverging conceptual background of continental *vis-à-vis* U.S. civil procedure explains other features of the arbitration process as conducted by some European arbitrators.

## B. Discovery and Burden of Proof

First, in some jurisdictions the judges have an inquisitorial approach, rather than an adversarial one as may prevail in the Anglo-American tradition. Combined with the European notion of a single procedure as seen above, this may lead to the arbitrator denying motions for full and lengthy **discovery**. The arbitral tribunal may be empowered to order production of documents, but shall often wish to limit its orders to the documents relevant to the issues as filtered by legal reasoning. In other words, although a general statement is almost impossible on such a delicate issue, the discovery procedure is not commonly practiced in international arbitrations taking place in continental Europe. As the limitation of discovery is seen as one of the great advantages of the ADR methods in the Anglo-American world, there appears to be a convergence in the making between American and European rules of evidence as are practiced in arbitration.

In both adversarial and inquisitorial systems, the *onus* of proof rests with the party articulating certain facts : "He who asserts must prove". For example, patent infringement must be proved by the

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<sup>40</sup> See K.-H. Böckstiegel, Experiences as an Arbitrator Using the UNCITRAL Arbitration Rules, *Mélanges Pierre Lalive*, 431. The discovery might well appear inquisitorial in the eyes of an European lawyer. See Cl. Reymond, *Common Law and Civil Law Procedures*, Part Two, 55 *Arbitration* (1989), 161.

plaintiff in a suit for infringement. On the other hand, some rebuttable presumptions may apply, e.g. that a patented process has been used by defendant for a specific product described as the end product in the patent. Further, as regards to the validity of a patent, under Swiss law for example, the issuance of the patent is *prima facie* evidence of the fact that the patentee holds good title to the patent. If the invention is novel, it shall be presumed to be non-evident. For a trademark, the first person to file the trademark is presumed to hold good title to that mark and, if he shows that he started to use it, a further presumption is that the use was sufficient use under the law. For license agreements, two basic rules apply : firstly, the obligee who asserts the existence of an obligation must prove it; secondly, the obligor who asserts that he performed it or tendered to perform or is discharged in any other way must prove it. Naturally enough, the arbitrators try to narrow the scope of the controversy to issues of fact (and law) that are really important to their decision as they perceive it after a certain time.

### C. Witnesses

Direct examinations and cross examination were formerly unknown in continental procedure. The lengthy questioning of a witness about his background, his education, possible prejudices etc. that are familiar to American litigators might still impose on the patience of a continental arbitral tribunal, but there is now however a growing consensus in Europe that not only the arbitrators, but both counsels can direct questions to the witnesses.

Depositions in advance are not to be ruled out nowadays although these are seemingly uncommon in European arbitration, and of limited interest in view of the general system of evidence. Written statements by witnesses are widely practiced.

A difference still remains on the briefing of witnesses, possibly with video equipment, as American lawyers sometimes practice both for ordinary witnesses and for expert witnesses. It is against the rules in continental Europe, and some difficulty may arise therefrom in intercontinental arbitration. In fact, arbitrators in Europe may assume that no contacts have taken place between the witnesses and counsel before the hearings; if briefings did really happen, testimony of the various witnesses may be misjudged by the arbitral tribunal, especially when one of the litigators did not brief his witnesses and the other one did.

Nevertheless, the biggest complications arise when an arbitral tribunal starts the instruction of the case within a given framework, e.g. the continental tradition, then switches to some American methods, either for hearing witnesses, or accepting affidavits in lieu of oral testimony before the tribunal, or further granting motions for discovery<sup>41</sup>.

On the other hand, it should be emphasized that the continental approach to evidence does not absolutely exclude **hearsay** evidence just as the Anglo-American approach does not absolutely include it. This might have been reflected upon in at least one ruling of the Iran-United States Claims Tribunal of The Hague in which hearsay evidence was found to be sufficient<sup>42</sup>.

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<sup>41</sup> See J. Thorens, at 697. Of course, a discovery is a discovery even if it does not bear that name in the orders of the tribunal.

<sup>42</sup> Award No 57-244-1, J.T. Case Co. and Islamic Republic of Iran, June 15, 1983 at 62 et seq., as cited by K.-H. Böckstiegel, 435 fn. 32 in fine.

#### D. Expert witnesses

There might well be laymen active in the field of construction and commodities arbitration, most of the latter taking place in England in any case. However arbitration in continental Europe is most often conducted by lawyers, judges, law professors and other persons of juridical training. In intellectual property matters especially, the expertise of a patent attorney would seem to be necessary in many a litigation. Therefore, recourse often has to be made to an expert for certain technical issues.

Now there appears to be a prevailing view that an expert opinion should be requested by the arbitral tribunal as such, acting under the supervision of the parties who may suggest names of experts and draft questionnaires. In other words, continental practice should favor the nomination of a neutral expert reporting in writing to the tribunal (as provided in Article 27 of the UNCITRAL Rules). Of course, the difficulties inherent in the nomination of an expert if not agreed upon by all parties, as well as the delay and the costs (not covered by the provision in most institutional systems) explain a certain reluctance of the arbitrators who wish to proceed towards a swift resolution of the dispute. Nevertheless, case law is to the effect that the parties may, in some circumstances, have the right to request an expert testimony, for example, if it would be necessary for the arbitral tribunal to rely on an outside source of technical knowledge because the arbitrators themselves or one of them do not have a sufficient command of the technology involved<sup>43</sup>. The courts may even set aside an award even if the parties did not request an expert testimony, where the arbitrators lacked altogether the necessary technical knowledge<sup>44</sup>. This "need-to-know" test mirrors the right of due process, i.e. the right to request necessary evidence<sup>45</sup>.

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<sup>43</sup> See Swiss Federal Tribunal, 10 SAA Bull. No 3 (1992) 397; see also ATF 102 Ia 492 et seq, point 8 unpublished. (It is another difference of civil law and common law tradition that not all parts of a ruling by a court, even a Supreme Court, shall be made available to the public by way of publication in official or private reports. This has been criticized as leading to some opacity of the case law in various areas, particularly under the Swiss Act on Private International Law, Chapter on International Arbitration).

<sup>44</sup> Federal Tribunal, 10 SAA Bull. No 3 (1992), 397.

<sup>45</sup> See for a review of the case law J.-F. Poudret, *Expertise et droit d'être entendu dans l'arbitrage international* (Expertise and Right to be Heard by the Court in International Arbitration), *Mélanges Pierre Lalive*, 614.

An opportunity to file determinations on the expert testimony shall be granted to both parties. The determinations need not be made at oral hearings<sup>46</sup>, which means in practice that cross examination of the expert shall not necessarily take place, although a motion for an additional report on a complementary questionnaire can be presented. Costs for the expert testimony, as procedural order may define them, are often advanced by the party requesting this evidence, but the other party may share them if it presents the arbitral tribunal with an additional questionnaire which may entail considerably greater costs. The definitive adjudication of costs shall then be made in an award.

#### E. Protective orders

In patent and trade secrets cases, one of the most difficult aspects of evidence is the necessity to protect secret information belonging to either party while affording to this party his full right to disclose to the tribunal any and all documents or to benefit from expert testimony.

Various techniques have evolved before the ordinary courts. For example, in the United States a protective order may be issued by the judge to limit disclosure of relevant trade secrets to the effect that only the counsel of the other party might have access to them. A special master may be appointed, or **in camera** proceedings shall assure a sufficient degree of confidentiality.

In Switzerland, specific provisions of Federal law state that the access of a party to the documents contained in the file may be excluded if this is necessary for the protection of trade secrets<sup>47</sup>. Thus, such an exclusion is admissible even though it is a rather strong derogation to the equality of the parties and their right to have access to and comment upon all evidence. In France, the question does not appear to be settled as favorably for the owner of trade secrets.

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<sup>46</sup> See ATF 117 II 348, so holding even in the case where terms of reference explicitly provided for oral hearings before the rendering of the award.

<sup>47</sup> See Articles 38 Federal Rules of Civil Procedures, 15 subpar. 2 Unfair Competition Act, 12 Antitrust Act, 68 Patent Act. For a brief comment, see M. Guldener, *Schweizerisches Zivilprozessrecht*, 1979, 177-178.

## F. Interlocutory orders

Injunctions **pendente lite** may be ordered by the arbitral tribunal in Switzerland on the basis of Article 183 PIL, that allows for a convention precluding this injunctive power. This jurisdiction is not exclusive : barring an agreement to the contrary, ordinary courts are also competent at least as long as the arbitral tribunal has not received a request. However, the jurisdiction for interlocutory injunctions is not accepted throughout Europe in spite of Article 17 UNCITRAL Model Law and Article 26 UNCITRAL Arbitration Rules. In most countries the ordinary procedure for interlocutory measures has to proceed before the competent court. In these countries, the order granting interlocutory measures will not necessarily be given an **exequatur** (i.e. a judicial leave to enforce the award) by the (possibly other) court competent for exequatur of foreign arbitral awards. In practice, most parties would then go directly to the court competent for interlocutory orders rather than use the circuitous path of requesting an order by the arbitrators and then requesting its **exequatur** by the foreign courts.

Within Switzerland, the ordinary courts in their role as supporting authority may give effect to an order on interlocutory measures<sup>48</sup>. Thus, arbitral tribunals sitting in Switzerland are more and more often requested to order provisional measures. It may be measures relating to the conservation of evidence or other measures. In one international case, an arbitral tribunal was requested to issue an injunction against the winding-up of a French company party to the proceedings. It is obvious that in some cases there may be a clash between the order requested from the arbitral tribunal and the procedure under the municipal law as provided for safeguarding the interests of a company's other creditors.

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<sup>48</sup> It is to be noted that, according to P. Lalive, J.-F. Poudret, C. Reymond, Comment 2 ad Art. 183 PIL, the interlocutory order would not be an award within the meaning of Article 193 subpar. 2 PIL. On the other hand, P. Lalive (10 SAA Bull. No 4 [1992] at 490) rightly considers that the supporting judge has only "to adopt" the interlocutory measures decided by the arbitral tribunal. Query : can the Swiss judge "adopt" measures that have been ordered in conformity with a foreign law, like Mareva injunctions under English law ? (See for the possibility of the arbitral tribunal with seat in Switzerland to order measures known by a foreign law F. Vischer, Comment 5 ad Art. 183 PIL).

Other measures can go as far as the payment of a sum of money if the foreign law itself provides for this type of measure<sup>49</sup>. More often, an order will nonetheless prevent parties from doing something or not doing something that would harm irreparably the other party.

Examples :

- an injunction barring a licensor from interfering with licensee's efforts to find sub-licensees for a given market, on the ground that the main licence is not valid or has been rightfully terminated;
- an order to bar a licensee from advertising for brand products when the trademark license has been terminated;
- an order to prevent a party from making certain statements to the professional media.

#### **IV. Award**

##### **A. Drafting of Awards**

No general statement may reflect the diversity of drafting styles that prevail in continental Europe. Each arbitrator has his own habits and they are strongly influenced by national traditions. It may well be that most awards are drafted according to the style of the ordinary courts of the country in which the drafter learned his trade.

As a general rule, continental awards identify the parties and restate their claims and argumentation, then proceed to sum up the facts. The legal considerations follow on jurisdiction as well as on substantive issues, and finally comes the adjudication of the claims and counterclaims.

There might be a propensity to divide very clearly the facts and the law. For example, where an Anglo-American award might discuss the exact meaning of a contract under the discussion on facts, a continental award will probably do that only under the heading "legal considerations".

Whereas an Anglo-American award may indicate in much detail why a witness has been followed or not followed by the

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<sup>49</sup> See e.g. Sec. 14 of the English Arbitration Bill (1994); in this case, however, it is an "interim award" and not an interlocutory order.

arbitrators<sup>50</sup>, continental arbitrators may find the facts "on the strength of all evidence lying before them" - but this is by no means an absolute rule.

In fact, awards very often state why a precise document is considered to be relevant or irrelevant, why an expertise is to be followed, etc.

To sum up, it is a necessary consequence of the working together of arbitrators with various legal training that the awards do not use a technical, "legalese" wording, but rather a broadly intelligible, matter-of-fact style to describe the issues and the solutions.

Another difference between common law and civil law judicial reasoning may be mirrored in arbitration. Whereas the English judge would be unlikely to depart from either party's argumentation in order to justify his ruling on a third, altogether new argumentation, a continental court of law might well do it, especially in Switzerland, but in many other countries as well, on the strength of the maxim *jura novit curia* ("the court knows the law", and therefore is not bound by the pleadings of the parties).

The obvious consequence is that both parties may be surprised by the legal reasons put forward in the award. In order to give them the opportunity to take a definite position on this third reasoning, an arbitral tribunal might inform both parties of his autonomous thinking, and invite them to comment upon the grounds on which the arbitrators purport to rely.

## B. Reasoned awards

Until the reform of the English Arbitration Act in 1979, awards in England were not reasoned. Now, reasons for an award are given unless parties have agreed not to ask for a reasoned award<sup>51</sup>. Under the 1994 Draft Arbitration Bill, any party could

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<sup>50</sup> See H. Lloyd, *Rédaction des sentences. La conception d'un juriste de common law (Writing Awards - A Common Lawyer's Perspective)*, 5 ICC Bull. No 1 (1994), 43-44.

<sup>51</sup> Sec. 1 (5) of the 1979 Act requires consent of all the parties to an application for an order by the High Court that reasons be given.

apply to the High Court for an order that the arbitral tribunal set out the reasons for the award, but this right would not be available if the party did not give prior notice to the tribunal that a reasoned award would be required<sup>52</sup>.

Thus, there has been an evolution of the traditional notion of English common law in this area. It is recalled that many an arbitration is conducted by non-lawyers in England and Wales.

The Continental notion has been that the parties have a right to receive a reasoned award in national arbitration. However, for international arbitration, both the French *Cour de cassation* and the Swiss Federal Tribunal decided that the absence of reasons is not *per se* contrary to national public policy as applied in international transactions, insofar as the solution on the substantive issues does not run contrary to this notion of public policy and does not prejudice the right of defendants to a due process<sup>53</sup>.

In fact, one arbitral clause is known to this writer where the parties to an intellectual property litigation requested the sole arbitrator to sit through a "continuous hearing" and immediately to hand down an "informal award", which may be understood as an "unreasoned award" rather than an "oral" award<sup>54</sup>. (It may be dangerous to set out at once the main reasons verbally, since some difficulties of argumentation appear only when writing down the "final" award). This example shows that parties who are interested in arbitration because they wish above all to know what a neutral umpire thinks of their dispute may also wish to receive an unreasoned decision after a short delay. This is why the true rule should be that an agreement excluding reasons, be it express or implied, should be given full effect by the courts in Europe. The same could be said of "ruling" *ex aequo et bono*, less familiar to the Anglo-American tradition than to European arbitrators, and to some extent different from usual equity clauses<sup>55</sup>.

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<sup>52</sup> See Sec. 29 (3) (a) of the 1994 Bill.

<sup>53</sup> Civ. cass., March 18, 1980, Clunet 1980, 874. ATF 116 II 374-375.

<sup>54</sup> In an arbitration having some points of contact with Italy, "informal judgment" may be the translation of "arbitrato irrituale", which may be roughly translated as form-free arbitration.

<sup>55</sup> See R. H. Christie, Amiable Composition in French and English Law, 56 Arb. (1992), 259 et seq., at 266.

### C. Judicial Review

No general statement could reflect the various approaches to exclusion or limitation of appeals or petition for nullity against arbitral awards in continental Europe. Suffice it to say that the trend is towards complete exclusion of appeal for international litigation (new Belgian Law, Dutch Law)<sup>56</sup> or at least towards limitation of the grounds for appeals and of the number of appellate courts that may have jurisdiction on appeal (e.g. in Switzerland either the Federal Tribunal as sole appellate court, or a sole cantonal court if so provided by the parties).

### Conclusion

In the field of intellectual property, national approaches to procedural as well as substantive issues have given way to a globalization of some administrative procedures, e.g. under the Patent Cooperation Treaty, the Munich Convention on European Patents, the TRIPS and Dispute Resolution agreements within GATT, and so many other multilateral treaties.

A similar convergence between Anglo-American and continental traditions as regards arbitration has been noted by practitioners for some time<sup>57</sup>. The next step towards harmonization might well be the inclusion of some ADR methods in "ordinary" arbitration proceedings. For example, arbitrators often offer to help the parties when they sense that a settlement is possible. Not only will the necessary procedural steps be ordered if both parties request it - like adjournment for a shorter or longer period, etc., but the arbitrators may help in delineating the issues as they see them, or by holding separate sessions with the parties like a mediator - although a common request to this end is a condition sine-qua-non. An arbitrator (most generally the chairman of a panel) may also be appointed by the parties to supervise the performance of any obligation undertaken in a settlement. In this regard, institutional

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<sup>56</sup> See for a review of comparative law in this regard M. Rubino - Sammartano, *International Arbitration Law*, 1990, 459-474.

<sup>57</sup> See M. Blessing, *Globalization (and Harmonization ?) of Arbitration*, 9 *Int. Arbitration* (1992), 79; see also Ch. Borris, *Common Law and Civil Law : Fundamental Differences and their Impact on Arbitration*, 60 *Arbitration* (1994), 78, at 84-85; M.P. Reynolds & Ch. Dubois, *Arbitration Laws in France : A Comparative Study (1) - Distinctive but Similar*, 58 *Arbitration* (1992), 99, at 101.

arbitration might appear to present some constraints absent of ad-hoc arbitration, where no definitive choice between methods of dispute settlement need be made.