

Performance as a Remedy

- Intellectual property and Licensing
- Information Technology
- Distributorship

Common law vs civil law

- Justice Holmes: *"In the case of a binding promise that it shall rain tomorrow, the immediate legal effect of what the promisor does is, that he takes the risk of the event, within certain defined limits, as between himself and the promise. He does no more when he promises to deliver a bale of cotton... The only universal consequence of a legally binding promise is, that the law makes the promisor pay damages if the promised event does not come to pass"*
- Civil law: distinction between « obligations de donner » and « obligations de faire ou de ne pas faire »

Performance in arbitration rules

- Rule 43 of AAA Rules: *"The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable and within the scope of the agreement of the parties, including, but not limited to, specific performance of a contract."*
- Rule 48 of the English Arbitration Act of 1996: *"The tribunal has the same powers as the court (...) to order specific performance of a contract (other than a contract relating to land)"*

Performance in arbitration practice

- New York Court of Appeals, *Stalinsky* [1]:
Arbitration may provide relief in circumstances and on conditions which "even a court has no power to grant"
- *Chorzow Factory* [2]:
"The essential principle contained in the actual notion of an illegal act (...) is that reparation must, as far as possible, wipe out all the consequences of the illegal act and re-establish the situation which would, in all probability, have existed if that act had not been committed"

[1] *Stalinsky* [Pyramid Elec. Co.], 180 NYS 2d 20 (NY App. Div. 1958)

[2] *Chorzow Factory* (Germany v. Poland), 1928, CIJ (ser. A) No. 17 (13 September):

Problems raised by specific performance

- Did the parties agree to specific performance? Did the arbitrators exceed their powers?
- Lack of power of enforcement of arbitral tribunals.
- Does the applicable law or the procedural law allow specific performance?
- Difficulty of judicial control over complex contracts and technical subjects
- Episodic nature of arbitration and difficulty to control the performance
- What is the role of the enforcing court? Does it have a *judicial* function or a *ministerial* one? Compliance of the award with Art. V of the New York Convention (public policy issues).
 - Difference between the relatively limited, mechanical task of transforming an award into a domestic money judgment and the complex nature of compelling performance (was the New York Convention drafted for enforcement of money damages only?)
 - Many national laws do not provide for specific performance

Specific Performance in IP and IT

- Characteristics of IP / IT disputes:
 - Confidentiality
 - Technical expertise (however, are they unique to IP disputes? → construction contracts...)
 - Interim measures are often sought
 - IP raises public policy concerns → consequence: non-arbitrability or non-enforcement of awards
 - Existence of "family jewels"
 - "Venture Capitalists – Stock Market View"
 - "Legal Culture View"
 - State-created property rights (patent rights, trade names, trade logos, insignias, trademarks...) → non-arbitrability?
 - IP creates rights against all third parties
- Specific characteristics of IT disputes
 - Dynamic nature of the conflicts
 - Importance of transnational rules, more dynamic and more concerned with its own specific problems than national laws

Rules applied to specific performance in IP / IT disputes

- Rule 42 of AAA Patent Arbitration Rules: “*The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable and within the scope of the agreement of the parties, including, but not limited to, specific performance of a contract or injunctive relief to terminate infringement.*”
- The WIPO (World Intellectual Property Organization) Arbitration Rules do not contain any provision on specific performance. However, the Tribunal has the capacity to order interim measures – Article 46-

Case law in IP / IT disputes

- **IBM v. Fujitsu [3]**: *ex aequo et bono* decision under AAA Rules
- Dispute concerning FJ's use of IBM information in FJ's development of IBM-compatible mainframe operating system software. IBM claimed that FJ copied IBM operating system programs in violation of IBM's copyrights. In 1983, the parties executed agreements to resolve the dispute, which included an arbitration clause.
- Original decision of the arbitral tribunal : established a framework for a comprehensive resolution of the dispute for the next 15 years, which included a “Secured Facility regime”:
 - « the Order will allow FJ, during a five to 10-year period (the exact duration to be determined by us) to examine IBM programs in a Secured Facility, and, subject to strict and elaborate safeguards, to derive and document information (...). FJ may use such information, with immunity, in its software development. FJ will fully and adequately compensate IBM for such access and immunity »

[3] *IBM v. Fujitsu*, AAA Commercial Arbitration Tribunal, 15 September 1987

AMD v. Intel [4]

- in 1982, AMD and Intel signed an agreement which provided that either party could elect to be a "second source" for products offered to it by the other. Disagreements over product exchanges led AMD to seek arbitration pursuant to the parties' agreement that *"the arbitrator may grant any remedy or relief which the arbitrator deems just and equitable and within the scope of the agreement of the parties, including, but not limited to specific performance of the contract"*. Arbitrators granted AMD specific performance.
- Decision of the California Supreme Court: the arbitrators *"enjoy the authority to fashion relief they consider just and fair under the circumstances existing at the time of the arbitration, so long as the remedy may be rationally derived from the contract and the breach"*

[4] *Advanced Micro Devices v. Intel*, 885 P.2d 994 (Cal. 1994), California Supreme Court

Resolution of conflicts regarding domain names

- ICANN (Internet Corporation for Assigned Names and Numbers) applying the UDRP (Uniform Domain Name Dispute Resolution Policy)
- « Non-binding arbitration » but enforceability of the decision by panelists guaranteed, since the ICANN has the monopoly of the use of force concerning domain names

Specific performance in distribution disputes

- **Remy Amerique Inc. v. Touzet Distribution [5]**

- Exclusive distribution agreement which included a clause authorizing injunctive relief (by arbitrators or judges) and an arbitration clause. Remy asked for injunctive relief before the Court and not before the arbitrators.
- Original solution of the New York Supreme Court : granted the defendant's motion to perform the arbitration agreement, stayed the proceedings provided the plaintiff applied for preliminary injunctive relief to the Court, and retained jurisdiction in the event that any party would be advised to move for post-arbitration relief.

- **Elta Industries, Inc. v. Pilot Pen Co. [6]**

Court of Appeals of New York: there is "*no unlawful restraint of trade*" involved in enforcing obligations under an exclusive distributorship agreement

[5] *Remy Amerique, Inc. v. Touzet Distribution S.A.R.L.*, 816 F. Supp. 213 (SDNY 2003)

[6] *Elta Industries, Inc. v. Pilot Pen Co., Ltd.*, 33 N.Y.2d 894, 352 N.Y.S.2d 447, 307 N.E.2d 563 (1973)

Conclusion

- No reason to exclude specific performance from the possible remedies offered to arbitrators.
- Case by case basis should prevail, taking into account the will of the parties, the nature of the breach of the contract, the possible remedies, the likeliness of the enforcement of the award in the different jurisdictions concerned by the enforcement, and the technical complexity and the practical difficulties which could arise in the enforcement by the national judge as a consequence of it.
- Importance of providing for the power of arbitrators to order specific performance and interim measures in the arbitration clause, particularly in IP / IT disputes.