



PANITCH TRAINING ACADEMY

Insights From Leaders In IP Law

Training Academy Session # 36

Intellectual Property Arbitrations in the U.S. – The Good, the Bad, and the Ugly

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November 12, 2025

Session Overview

- Background of Arbitration in Intellectual Property (IP) Disputes
- Scope of Arbitrable IP Issues
- Lifecycle of IP Arbitration Cases
- The Good, the Bad, the Ugly of Arbitrating IP Disputes
- Key Takeaways

What is Arbitration?

- “**Arbitration**” is an out-of-court proceeding in which a neutral hears evidence in a dispute and then makes a binding decision on the parties, resulting in an arbitration award.
- Arbitration is among the most used method of alternative dispute resolution (ADR).
- Compared to traditional court litigation, arbitration is typically viewed as **more efficient, cost-effective, and confidential**. It also provides the parties with an opportunity to participate in selecting the arbitrator or arbitral panel that will hear their case.
 - **Strategic Tip**: In IP arbitrations, select arbitrators with both legal and technical expertise in the relevant IP area(s).

Federal Arbitration Act (1925)



- **The Federal Arbitration Act (FAA)** is an act of Congress that provides for non-judicial facilitation of private dispute resolution through arbitration.
- Arbitration clauses are enforceable in both federal and state courts.
 - See *Southland Corp. v. Keating*, 465 U.S. 1, 3 (1984) (holding “an arbitration clause that is enforceable in an action in a federal court is equally enforceable if the action is brought in a state court”)

Federal Arbitration Act

- The FAA, 9 U.S.C. §§ 1–16, provides the statutory framework for arbitration in the U.S.
 - **Section 2** discusses the validity, irrevocability, and enforcement of agreements to arbitrate.
 - **Sections 3–4** authorizes courts to stay litigation and compel arbitration when a valid clause exists.
 - **Section 5** concerns the appointment of arbitrators or umpire.
 - **Sections 9–11** governs the arbitral Award, confirmation, vacatur, modification, and correction of awards.

Federal Arbitration Act

- The FAA reflects a strong federal policy favoring arbitration.
 - Courts enforce arbitration clauses even if state law conflicts with them. *THI of N.M. at Hobbs Ctr., LLC v. Patton*, 741 F.3d 1162, 1164 (10th Cir. 2014).
 - “[A]ny doubts concerning the scope of arbitrable issues should be resolved in favor of arbitration.” *Harvey v. Joyce*, 199 F.3d 790, 793 (5th Cir. 2000).

The Role of Arbitration in IP Cases



Confidentiality: Arbitration shields trade secrets, proprietary technology, and sensitive commercial information from public disclosure.



Technical Expertise: Parties can select arbitrators with patent, trademark, or technology backgrounds—sometimes unavailable in jury trials.



Efficiency: Streamlined procedures, limited discovery, and flexible scheduling typically reduce resolution time.



Neutrality: Particularly valuable for cross-border IP disputes; avoids potential bias in national courts.



Cross-Border Enforcement: Awards enforceable under the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958)—ratified by 170+ countries.

Arbitration in Patent Disputes

35 U.S.C. § 294 Voluntary Arbitration

(a) A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract. In the absence of such a provision, the parties to an existing patent validity or infringement dispute may agree in writing to settle such dispute by arbitration. Any such provision or agreement shall be valid, irrevocable, and enforceable, except for any grounds that exist at law or in equity for revocation of a contract.

Scope of Arbitrable IP Issues



IP arbitration arises from disputes over **patent infringement, validity, ownership or breach of licensing** contracts relating to IP rights.



Trademark and copyright disputes are also arbitrable—see, e.g., *Packeteer, Inc. v. Valencia Systems, Inc.*, 82 U.S.P.Q.2d 1216 (N.D. Cal. 2007); *Vadilal Indus. USA, Inc. v. Singh Trading Co.*, No. 25-cv-2028, 2025 U.S. Dist. LEXIS 157167 (D. Md. Aug. 14, 2025)

Parties' Consent & Jurisdictional Basis in IP Arbitration

- **Parties' Consent**
 - Arbitration is only possible if both sides agree—either before the dispute (contract clause) or after (submission agreement).
- **Jurisdictional Basis**
 - Arbitration provisions in contracts define how and where disputes will be resolved — a critical component in determining the arbitral tribunal's authority
 - Common examples in IP agreements include license, joint development, or confidentiality agreements.

Possible IP Arbitration Clauses

- **Scope of Disputes:**
 - Define which disputes fall within arbitration.
 - Example: “Any dispute arising out of or relating to this Agreement, including its validity, interpretation, performance, or termination...”
 - State whether patent validity, inventorship, or ownership are included.
 - Under 35 U.S.C. § 294, parties can arbitrate patent validity and infringement inter partes only (binding on the parties, not the USPTO or third parties).
- **Choice of Law and Forum:** Choose applicable law (including FRE), forum, and the number of arbitrators.
- **Confidentiality:** Protect proprietary or trade secret information throughout the proceedings.
- **Parameters of Discovery:** Define scope of discovery and methods available.
- **Damages and Remedies:** Clarify available remedies — injunctive relief, specific performance, or monetary damages.

Binding or Nonbinding Arbitration Awards

Arbitration can be:

- **Binding** (meaning the parties must follow the arbitrator's decision and courts will enforce it); or

Binding arbitration is more common

- **Non-binding** (meaning either party is free to reject the arbitrator's decision and take the dispute to court, as if the arbitration had never taken place).



Public Policy Considerations in Arbitration

- “A court generally will enforce an **arbitration** agreement unless it violates **public policy**.” *Hernandez v. Brinker Int’l Payroll Co., L.P.*, No. 20-17667, 2021 U.S. Dist. LEXIS 188328, *15-16 (D.N.J. Sept. 30, 2021).
- Federal policy endorses that any uncertainties concerning the scope of arbitrability “should be resolved in favor of arbitration.” *Id.*; *Bayer Cropscience AG v. Dow Agrosciences LLC*, NO. 2:12cv47, 2016 U.S. Dist. LEXIS 5571, *16 (E.D. Va., Jan. 15, 2016).
- **Public policy considerations apply to IP arbitrations.** See e.g., *Kamakazi Music Corp. v. Robbins Music Corp.*, 522 F. Supp. 125, 130-31 (S.D.N.Y. 1981) (Notwithstanding the public policy concerns, the court found that “arbitration clauses commonly are enforced in trademark, patent and copyright infringement cases, as was the arbitration claim in the Agreement in this case.”)

Public Policy Considerations in IP Arbitration

***Bayer Cropscience AG v. Dow Agrosciences LLC*, NO. 2:12cv47, 2016 U.S. Dist. LEXIS 5571, *16 (E.D. Va., Jan. 15, 2016):**

- Defendants argued that the arbitral Award “violates constitutional patent policy against double patenting,’ the public policy against manifest disregard of the law, and disregards unambiguous contract provisions.”
- The Court upheld the Award, finding that the: “the most pressing public policy concern at this point in this matter is the **public policy in favor of the arbitration process**. The policy supporting fair, competent, and judicially respected arbitration proceedings is about as strong and compelling a public policy that our federal courts embrace.”

Lifecycle of IP Arbitration

Filing and Initiation

Arbitrator Selection

Preliminary Hearing

Information Exchange and Preparation

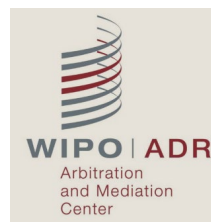
Hearing

Post-Hearing Submissions

The Award

Initiating Arbitration – Choice of Provider

- Before arbitration can begin, the parties must designate an arbitration provider — either by contract or by mutual agreement after a dispute arises.
- The arbitration provider (also called an *administering institution*) manages procedural logistics, appoints arbitrators if needed, and ensures compliance with its rules.
- The choice of provider shapes the rules, costs, and procedural flexibility of the entire arbitration.
- *Study the governing rules carefully*



How Arbitration Begins

- Arbitration typically begins by one party submitting a demand under an arbitration clause or agreement, submitting the arbitration provision of the contract, and paying appropriate filing fee to the arbitration provider.
- The demand should set forth the type of information you would find in a federal complaint together with the underlying document that demonstrates the jurisdiction of the arbitration provider.
 - Be mindful of the provider's clerical requirements.
 - Demand should articulate the claimant's bases for arbitration.
 - *Have your house in order*

Arbitrator Selection



Choosing the panel: parties must consider number of arbitrators, qualifications, and neutrality.

Must assess the technical expertise of arbitrators in IP cases (e.g., patent-savvy arbitrators).

Strategic tip: The panel has massive discretion—be mindful in the arbitrators you select in IP cases.

Preliminary Hearing

- During the preliminary hearing, the arbitrator and the parties may discuss procedural matters such as the case schedule and hearing dates, the scope of discovery (if any), and any other issues that need to be addressed before the main hearing.
- At this stage, the arbitrator customizes the procedural framework to reflect the nature of the IP dispute and facilitate an efficient progression of the case.

“Discovery”

- Parties exchange information relevant to the dispute, including documents, witness lists, and other evidence.
- Flexibility in procedure—discovery process is more limited and streamlined than traditional court litigation, which helps maintain the efficiency and cost-effectiveness of arbitration.
 - Document exchange?
 - Interrogatories?
 - Admissions?
 - Depositions?

Hearing; Post-Hearing Submissions; and The Award

Hearing

- The hearing process is less formal and more flexible than a court trial. The goal is for each side to present witnesses, cross-examine the other party's witnesses, and submit evidence.
 - Pre-hearing submissions?
 - Hearing protocol?
 - Duration and division of time
 - Other logistics (in-person vs. remote, exhibit exchange, AV issues)?

Post-Hearing Submissions

- After the hearing, the arbitrator may ask the parties to submit post-hearing briefs or additional evidence to clarify their positions on certain issues.
 - Raise this issue *before* the hearing

The Award

- The arbitrator will issue a final decision, known as an award.

Appealability

- The FAA allows an appeal from “a final decision with respect to an arbitration.” See 9 U.S.C. § 16(a)(3).
- Appellate grounds for arbitral awards are very limited (e.g., mathematical errors, errors relating to form, fraud, corruption, and errors resulting from arbitrators exceeding their authority).
- An order dismissing claims in favor of arbitration is immediately appealable. *Devon Robotics, LLC v. DeViedma*, 798 F.3d 136, 144 (3d Cir. 2015).

The Good: Advantages of IP Arbitration

✓ Confidentiality

- Protects trade secrets, source code, and licensing terms from public disclosure
- Particularly valuable in patent licensing and technology transfer disputes

✓ Expertise

- Parties can select arbitrators with technical or IP backgrounds (e.g., former patent attorneys, engineers).
- Leads to more informed and efficient decision-making

✓ Efficiency & Flexibility

- Streamlined procedures under institutional rules (e.g., AAA, JAMS, WIPO)
- Typically resolved in 12–18 months, faster than federal litigation

The Good: Advantages of IP Arbitration

✓ **Neutrality & Enforceability**

- Neutral forum ideal for cross-border IP disputes.
- Arbitral awards enforceable globally under the New York Convention (1958).

✓ **Finality**

- Awards are typically binding and enforceable under FAA §§ 9–13 with limited judicial review.
- The award is res judicata between the same parties and issues, preventing relitigation of the same IP dispute—especially valuable where IP ownership, licensing rights, or royalty obligations were contested.

The Good: Finality and Limited Judicial Review

✓ Strong Deference to Arbitral Decisions

- Courts rarely overturn arbitration awards — preserving **finality and predictability**.
- Courts have “repeatedly recognized the strong deference appropriately due [to] arbitral awards and the arbitral process”. See *Interdigital Communs. Corp. v. Samsung Elecs. Co.*, 528 F. Supp. 2d 340, 349 (S.D.N.Y. 2005).
- Courts will vacate an award only upon finding a violation of one of the four statutory bases enumerated in the Federal Arbitration Act, 9 U.S.C. §10(a), or, more rarely, if a court finds a panel has acted in manifest disregard of the law. *Id.*

The Good: Limited Judicial Review

- The four statutory bases to vacate an arbitral award includes:
 - (1) where the award was procured by **corruption, fraud, or undue means**;
 - (2) where there was evident **partiality or corruption in the arbitrators**, or either of them;
 - (3) where the **arbitrators were guilty of misconduct** in refusing to postpone the hearing, upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; or of any other misbehavior by which the rights of any party have been prejudiced; or
 - (4) where the **arbitrators exceeded their powers**, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made.

See 9 U.S.C. § 10; *Interdigital Communs. Corp. v. Samsung Elecs. Co.*, 528 F. Supp. 2d 340, 349 (S.D.N.Y. 2005).

The Good: Sizable Awards and Meaningful Outcomes in IP Disputes

✓ High-Value Disputes Are Common in Technology Arbitration

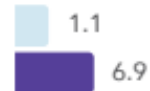
- In 2024, over **\$1.2 billion** in total claims were filed in technology arbitrations at the AAA, with an **average claim of \$2.38 million** and a **largest claim exceeding \$319 million**.
- Counterclaims also reached significant levels — totaling **\$391 million**, with the largest counterclaim valued at **\$125 million**.
- Example in Case Law: In an arbitration concerning breach of a patent license agreement, the Panel of Arbitrators found respondent Samsung liable for **\$134 million** in royalty payments to Interdigital. See *Interdigital Communs.*, 528 F. Supp. 2d at 343.

The Good: Quicker Resolution in Arbitration than Litigation of IP Disputes in Court

TIME TO AWARD (IN MONTHS) FOR AWARDED CASES CLOSED IN 2024

AAA gets you to award much more quickly than courts.

AAA Technology Cases claims of up to \$100k



AAA Technology Cases claims of \$100k-\$999k



AAA Technology Cases with claims \$1 million and above

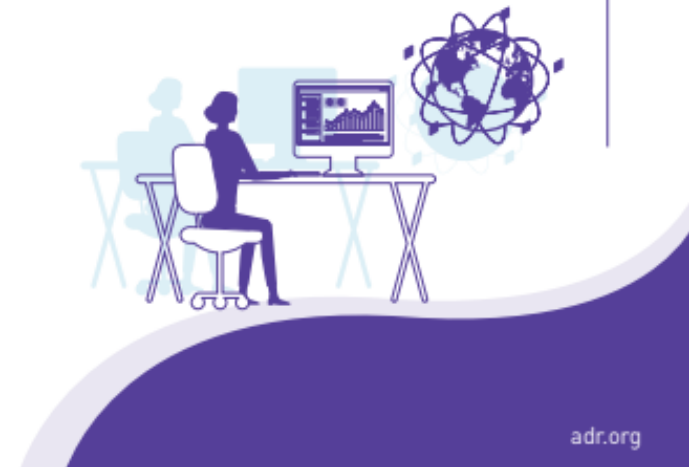


Time to Trial in U.S. District Court (Civil Cases)



Quickest
Median

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The Bad: Limitations and Risks in IP Arbitration

Limited Discovery

- No right to full discovery or subpoenas beyond what arbitral rules allow.
- Third-party evidence can be difficult to compel.

Restricted Appeal Rights

- Awards can be vacated only on narrow grounds (9 USCS § 10)
- No general appeal for errors of law or fact.

The Bad: Limitations and Risks in IP Arbitration

Cost Uncertainty

- Arbitrator and administrative fees can be substantial—especially for three-member panels or technical experts.
- Cost savings depend on scope management.

Limited Precedential Value

- Awards are confidential and non-precedential, providing little guidance for future disputes.

Public Policy Limitations

- 35 U.S.C. § 294(a) expressly allows arbitration of “any dispute relating to patent validity or infringement,” **but only inter partes** (between the parties).
 - Thus, the USPTO and third parties are *not* bound, and the public’s right to challenge invalid patents remains unaffected.

The Ugly: Practical Pitfalls and Cautionary Tales

⊘ Panel Discretion = Unpredictability

- Arbitrators have wide latitude; procedural fairness and evidentiary rulings vary.
- Courts rarely overturn arbitral decisions, even if arguably mistaken. See *e.g.*, *Oxford Health Plans LLC v. Sutter*, 569 U.S. 573 (2013).

⊘ Split-the-Baby Outcomes

- Perceived tendency toward compromise awards in complex IP valuation or infringement cases.

⊘ Enforcement Complications

- Domestic enforcement under the FAA is straightforward, but international enforcement may face public policy defenses or jurisdictional issues.

The Ugly: Practical Pitfalls and Cautionary Tales

⊘ Confidentiality vs. Transparency

- Lack of published awards means parties can't anticipate how similar IP issues are decided.

⊘ Loss of Leverage

- No jury, limited motion practice, and minimal discovery can reduce strategic pressure.

Key Takeaways of IP Arbitration in the U.S.



Arbitration Is a Powerful Tool for IP Disputes

- Offers confidential, efficient, and expert-driven resolution compared to litigation.
- Particularly effective for licensing, royalties, and contract-based IP disputes.



Expertise and Efficiency Drive Value

- Parties can select arbitrators with technical or legal IP backgrounds, leading to informed decisions.
- Faster outcomes and awards than federal court.

Strategic Tip: Arbitration can be effective — but only if the clause is well-drafted, the panel is carefully chosen, and expectations are managed early.

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