

**International Institute for
Conflict Prevention & Resolution**

CPR PROCEDURES & CLAUSES

Rules for
Non-Administered
Arbitration of
Patent &
Trade Secret
Disputes

2005 Revision

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ABOUT CPR

The International Institute for Conflict Prevention & Resolution (formerly the CPR Institute for Dispute Resolution) is a membership-based nonprofit organization that promotes excellence and innovation in public and private dispute resolution, serving as a primary multinational resource for avoidance, management, and resolution of business-related disputes.

CPR Members – General counsel and senior lawyers of Fortune 500 organizations as well as partners in the top law firms around the world. It is a committed and active membership, diligently participating in CPR activities and serving on committees.

The CPR 1,000 – 1,000 of the highest quality arbitrators and mediators, with specialization in over 17 practice areas and industries. As part of CPR's nomination process, we check not only the suitability, but the availability of all neutrals nominated, as well as disclose any conflicts of interest prior to submission of names to the disputants.

CPR Pledge Signers – More than 4,000 operating companies have committed to the Corporate Policy Statement on Alternatives to Litigation®. Moreover, better than 1,500 law firms have signed the CPR Law Firm Policy Statement on Alternatives to Litigation®, including 400 of the nation's 500 largest firms. This Pledge has been invaluable in bringing disputing parties to the negotiating table.

CPR's Commitment – As we celebrate over 25 years of achievement, we continue to dedicate the organization to providing effective, innovative ways of preventing and resolving disputes affecting business enterprises. We do so through leadership and advocacy, and by providing comprehensive resources such as information, training, consultation, neutrals, and networking for business, the judiciary, government, and other institutions.

Rules for Non-Administered Arbitration of Patent & Trade Secret Disputes

INTRODUCTION	2
CPR CLAUSES	2
ARBITRATION RULES	4
A. GENERAL AND INTRODUCTORY RULES	4
Rule 1: Scope Of Application	
Rule 2: Notices	
Rule 3: Commencement Of Arbitration	
Rule 4: Early Disclosure Of Information	
B. RULES WITH RESPECT TO THE TRIBUNAL	7
Rule 5: Selection Of Arbitrators By The Parties	
Rule 6: Selection Of Arbitrators By CPR	
Rule 7: Qualifications, Challenges And Replacement Of Arbitrators	
Rule 8: Challenges To The Jurisdiction Of The Tribunal	
C. RULES WITH RESPECT TO THE CONDUCT OF THE ARBITRAL PROCEEDINGS	11
Rule 9: General Provisions	
Rule 10: Applicable Laws And Remedies	
Rule 11: Discovery	
Rule 12: Evidence And Hearings	
Rule 13: Interim Measures Of Protection	
Rule 14: The Award	
D. MISCELLANEOUS RULES	18
Rule 15: Failure To Comply With Rules	
Rule 16: Costs	
Rule 17: Confidentiality	
Rule 18: Settlement And Mediation	
Rule 19: Actions Against CPR Or Arbitrators	
Rule 20: Waiver	
Rule 21: Good Faith	
ARBITRATOR'S OATH	23
CPR PRINCIPLES	24

INTRODUCTION

In 1987 the International Institute for Conflict Prevention & Resolution (“CPR”) published a Model Agreement for Patent and Trade Secret Adjudication. In 1989 CPR published the CPR Rules for Non-Administered Arbitration.

In 1993, the CPR Technology Committee, consisting of leading practitioners in the patent field, developed Rules for Non-Administered Arbitration of Patent and Trade Secret Disputes (the “Rules”). These Rules were revised in 2005 by CPR’s International Commission on Patent Disputes. Because these are rules for non-administered arbitration, CPR, itself, will not undertake to function as an administrative body with respect to these Rules. However, CPR will act as the appointing authority in certain circumstances (*see* Rule 6) and in deciding challenges to an arbitrator and certain other matters (*see* Rule 7).

The Rules are intended to assure expeditious completion of the process, consistent with giving each party adequate opportunity to prepare and present its case. The Rules specify time limits for certain phases of the process and require the Tribunal to establish time limits for other phases and to enforce time limits, subject to extension for good cause. Parties adopting these Rules consider it a fundamental condition of their agreement to arbitrate and rather than litigate, that the proceeding be conducted in this manner.

CPR CLAUSES

Pre-Dispute Clause: Negotiation, Mediation and Arbitration

These dispute resolution procedures shall be the exclusive means for resolution of disputes arising out of or relating to this Agreement, or its breach.

A. Negotiation

If a dispute arises out of or relates to this Agreement, or its breach, the disputing party may give the other party written notice of any dispute not resolved in the normal course of business. Within [30] days after delivery of the written notice, executives who have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement shall meet at a mutually acceptable time and place and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

B. Mediation

If the dispute has not been resolved by negotiation within [45] days after delivery of the initial notice of negotiation, [or if the parties failed to meet within [30]

days after delivery], the parties agree to resolve the dispute through mediation by a sole mediator selected by the parties or, at any time at the option of a party, to mediation by the CPR Mediation Procedure.

C. Arbitration

If not thus resolved, any controversy or claim arising out of or relating to this contract, or the enforcement, breach, termination or validity thereof, shall be finally resolved by arbitration in accordance with the [current] CPR Rules for Non-Administered Arbitration of Patent and Trade Secret Disputes [in effect on the date of this contract], by (a sole arbitrator) (three neutral arbitrators, none of whom shall be appointed by either party) (three arbitrators, of whom each party shall appoint one). The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§1 *et seq.*, and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. The place of the arbitration shall be (city, state). Insofar as the proceeding relates to patents, it shall also be governed by 35 U.S.C. §294, to the extent applicable.

Existing Dispute Submission Agreement

“We, the undersigned parties, hereby agree to submit to arbitration in accordance with the CPR Rules for Non-Administered Arbitration of Patent and Trade Secret Disputes (the “Rules”) in effect on the date of this agreement the following controversy:

[Describe briefly]

We further agree that the above controversy shall be submitted to (a sole arbitrator) (three neutral arbitrators, none of whom shall be appointed by either party) (three arbitrators, of whom each party shall appoint one). We further agree that we shall faithfully observe this agreement and the Rules and that we shall abide by and perform any award rendered by the arbitrator(s). The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§1 *et seq.*, and judgment upon the award may be entered by any court having jurisdiction thereof. The place of the arbitration shall be (city, state). Insofar as the proceeding relates to patents, it shall also be governed by 35 U.S.C. §294, to the extent applicable.

NOTE: The Rules are designed to provide a procedural basis for the settling of disputes. They are not intended to change substantive provisions of applicable law. Therefore, it is recommended that parties consider the inclusion in their agreement of specific clauses as to the law governing the contract and the arbitration.

ARBITRATION RULES

A. GENERAL AND INTRODUCTORY RULES

Rule 1: Scope Of Application

- 1.1 Where the parties to a contract have provided for arbitration under the International Institute for Conflict Prevention & Resolution (“CPR”) Rules for Non-Administered Arbitration of Patent and Trade Secret Disputes (the “Rules”), they shall be deemed to have made these Rules a part of their arbitration agreement, except to the extent that they have agreed in writing, or on the record during the course of the arbitral proceeding, to modify these Rules. Unless the parties otherwise agree, these Rules, and any amendment thereof adopted by CPR, shall apply in the form in effect at the time the arbitration is commenced.
- 1.2 These Rules shall govern the arbitration except that where any of these Rules is in conflict with a mandatory provision of applicable arbitration law, that provision of law shall prevail.

Rule 2: Notices

- 2.1 Notices or other communications required under these Rules shall be in writing and delivered to the address specified in writing by the recipient or, if no address has been specified, to the last known business or residence address of the recipient. Notices and communications may be given by registered mail, courier, telex, facsimile transmission, or any other means of telecommunications that provides a record thereof. Notices and communications shall be deemed to be effective as of the date of receipt. Proof of transmission shall be deemed *prima facie* proof of receipt of any notice or communication given under these Rules.
- 2.2 Time periods specified by these Rules or established by the Arbitral Tribunal (the “Tribunal”) shall start to run on the day following the day when a notice or communication is received, unless the Tribunal shall specifically provide otherwise. If the last day of such period is an official holiday or a non-business day at the place where the notice or communication is received, the period is extended until the first business day which follows. Official holidays and non-business days occurring during the running of the period of time are included in calculating the period.

Rule 3: Commencement Of Arbitration

- 3.1** The party commencing arbitration (the “Claimant”) shall address to the other party (the “Respondent”) a notice of arbitration.
- 3.2** The arbitration shall be deemed commenced as to any Respondent on the date on which the notice of arbitration is received by the Respondent.
- 3.3** The notice of arbitration shall include in the text or in attachments thereto:
- (a) The name, address, telephone and facsimile numbers of the Claimant and of any persons who will represent the Claimant in the arbitration;
 - (b) A demand that the dispute be referred to arbitration pursuant to the Rules;
 - (c) The text of the arbitration clause or the separate arbitration agreement that is involved;
 - (d) A statement of the general nature of the Claimant’s claim;
 - (e) A list of the patents, patent claims and/or the general area of alleged trade secrets under which the Claimant asserts rights against the Respondent;
 - (f) The relief or remedy sought; and
 - (g) The name and address of the arbitrator appointed by the Claimant, unless the parties have agreed that neither shall appoint an arbitrator.
- 3.4** Within 20 days after receipt of the notice of arbitration, the Respondent shall deliver to the Claimant a notice of defense. Failure to deliver a notice of defense shall not delay the arbitration; in the event of such failure, all claims set forth in the demand shall be deemed denied. Failure to deliver a notice of defense shall not excuse the Respondent from notifying the Claimant in writing, within 20 days after receipt of the notice of arbitration, of the arbitrator appointed by the Respondent, unless the parties have agreed that neither party shall appoint an arbitrator.
- 3.5** The notice of defense shall include:
- (a) Any comment on items (a), (b), and (c) of the notice of arbitration that the Respondent may deem appropriate;
 - (b) A statement of the general nature of the Respondent’s defense;

- (c) The name and address of the arbitrator appointed by the Respondent, unless the parties have agreed that neither shall appoint an arbitrator; and
- (d) The names, addresses, telephone and facsimile numbers of any persons who will represent the Respondent in the arbitration.

3.6 The Respondent may include in its notice of defense any counterclaim within the scope of the arbitration clause. If it does so, the counterclaim in the notice of defense shall include items (b) – (f) of Rule 3.3.

3.7 If a counterclaim is asserted, within 20 days after receipt of the notice of defense, the Claimant shall deliver to the Respondent a reply to the counterclaim, which shall have the same elements as provided in Rule 3.5 for the notice of defense. Failure to deliver a reply to counterclaim shall not delay the arbitration; in the event of such failure, all counterclaims set forth in the notice of defense shall be deemed denied.

3.8 Claims or counterclaims within the scope of the arbitration clause may be freely added or amended prior to the establishment of the Tribunal and thereafter with the consent of the Tribunal. Notices of defense or replies to amended claims or counterclaims shall be delivered within 20 days after the addition or amendment.

3.9 If a dispute is submitted to arbitration pursuant to a submission agreement, Rule 3 shall apply to the extent that it is not inconsistent with the submission agreement.

Rule 4: Early Disclosure Of Information

4.1 Each party, based on the information then reasonably available to it, shall provide to the other without awaiting a request:

- (a) a copy, or a description by category and location, of all documents, data compilations, and tangible things in the possession, custody or control of the party that are relevant to facts known or reasonably believed to be in dispute, including but not limited to, documents that are to be relied on by the party; and
- (b) a computation of damages claimed by the disclosing party.

4.2 The Claimant shall make the disclosures required by Rule 4.1 within 30 days of the Commencement Date. The Respondent shall make such disclosures within 45 days of the Commencement Date.

B. RULES WITH RESPECT TO THE TRIBUNAL

Rule 5: Selection Of Arbitrators By The Parties

- 5.1** Unless the parties have agreed otherwise in writing, the Tribunal shall consist of a sole arbitrator, selected as provided in Rule 5.2.
- 5.2** If the Tribunal is to consist of a sole arbitrator or of three arbitrators who shall be appointed jointly by both parties the parties shall attempt jointly to select such arbitrator(s) within 30 days after the notice of defense provided for in Rule 3.4 is due. The parties may extend their selection process until one or both of them have concluded that a deadlock has been reached. In this event, the arbitrator(s) shall be selected as provided in Rule 6.
- 5.3** If the Tribunal is to consist of three arbitrators of whom each party shall appoint one, within 30 days of the appointment of the second arbitrator, the two party-appointed arbitrators shall appoint a third arbitrator. If the party-appointed arbitrators are unable to agree on the third arbitrator, the third arbitrator shall be selected as provided in Rule 6.
- 5.4** If the Tribunal consists of three arbitrators, appointed jointly as provided in Rule 5.2, the Tribunal shall designate one of its members as Chair. If the Tribunal consists of three arbitrators, two of whom were appointed by the individual parties as provided in Rule 5.3, the third arbitrator shall serve as Chair.
- 5.5** Where the arbitration agreement entitles each party to appoint an arbitrator but there is more than one Claimant or Respondent to the dispute, and either the multiple Claimants or the multiple Respondents are unable to jointly agree on an arbitrator within 30 days after the notice of defense provided for in Rule 3.4 is due, CPR shall appoint all arbitrators as provided in Rule 6.3.
- 5.6** No party or anyone acting on its behalf shall have any *ex parte* communication with any candidate for appointment as arbitrator except to discuss the candidate's qualifications, availability, or independence in relation to the parties.

Rule 6: Selection Of Arbitrators By CPR

- 6.1** If an arbitrator or arbitrators have not been appointed as provided in the parties' agreement or pursuant to Rule 5, upon receipt of written notification of this fact in compliance with Rule 6.2, CPR shall forthwith make the appointment as provided in Rule 6.3.

6.2 The written notification shall be served on the other party and CPR and shall include:

- (a) A description of the nature of the failure and the time at which the failure occurred;
- (b) Complete copies of the notice of arbitration and the notice of defense or, if the dispute is submitted under a submission agreement, a copy of the agreement supplemented by the notice of arbitration and notice of defense if they are not part of the agreement; and
- (c) If the parties have agreed on specific arbitrator qualifications, that agreement shall be included.

6.3 Upon receipt by CPR of a written notification in compliance with Rules 6.1 and 6.2, within fifteen business days thereof or within such additional time as CPR and the parties shall agree, CPR shall make the necessary appointment(s).

Rule 7: Qualifications, Challenges And Replacement Of Arbitrators

7.1 Independence, Impartiality, and the Duty to Disclose

- (a) Each arbitrator shall be independent and impartial.
- (b) Each prospective arbitrator shall, before accepting appointment, disclose to the parties, to CPR, and to any other arbitrator(s) already appointed any circumstances that might give rise to justifiable doubt as to the arbitrator's impartiality or independence, or shall confirm in writing that no such circumstances exist.
- (c) If at any stage of the arbitration new circumstances arise that may give rise to justifiable doubt as to any arbitrator's impartiality or independence, the arbitrator shall promptly disclose such circumstances to the parties, to CPR, and to any other arbitrator(s) already appointed.

7.2 Appointment of Arbitrators

- (a) By accepting appointment, each arbitrator shall be deemed to be bound by these Rules and any modification agreed to by the parties.
- (b) An individual shall not accept appointment as an arbitrator if previous commitments may significantly delay the proceeding, and once appointed shall not make any such commitments.

- (c) Each arbitrator at the time of appointment shall sign and deliver to each party a statement in the form attached to these Rules (Arbitrator's Oath) subject to any modifications agreed upon among the arbitrator and the parties.

7.3 Challenge of Arbitrators

- (a) Any arbitrator may be challenged by a party if circumstances exist that give rise to justifiable doubt regarding the arbitrator's independence or impartiality. A party may challenge an arbitrator whom it has appointed or in whose appointment it has concurred only for reasons of which it becomes aware after the appointment has been made.
- (b) A party challenging an arbitrator shall send notice in writing to CPR, to the Tribunal and to the other party, stating the reasons for the challenge, no later than 15 days after being notified of that arbitrator's appointment or after becoming aware of the circumstances that it considers give rise to justifiable doubt as to that arbitrator's impartiality or independence.
- (c) When an arbitrator has been challenged by a party, the other party shall have the right to respond to the challenge and shall, if it exercises this right, send, within 15 days of receipt of the notice referred to in Rule 7.3(b), a copy of its response to CPR, to the party making the challenge, and to the arbitrator(s).
- (d) The Tribunal may, in its discretion, suspend or continue the arbitral proceedings during the pendency of the challenge.
- (e) The other party may agree to the challenge or the arbitrator may voluntarily withdraw. In either case, the arbitrator will be replaced without any implication that the grounds of the challenge are valid.
- (f) If the other party does not agree to the challenge and the challenged arbitrator does not withdraw, the challenge shall be decided by CPR in accordance with its internal procedures. Such a decision is administrative in nature and shall be final. CPR shall not be required to state the reasons for its decision.

7.4 Release From Appointment

- (a) At the arbitrator's own request, an arbitrator may be released from appointment as arbitrator either with the consent of the parties or by CPR.

- (b) Irrespective of any request by an arbitrator, the parties may jointly release an arbitrator from appointment as arbitrator. The parties shall promptly notify CPR of such release.
- (c) At the request of a party or on its own motion, CPR may release an arbitrator from appointment as arbitrator if the arbitrator has become *de jure* or *de facto* unable to fulfill, or fails to fulfill, the duties of an arbitrator. In such a case, the parties shall be offered the opportunity to express their views thereon, and the provisions of Rule 7.5 shall apply.

7.5 Replacement of an Arbitrator

- (a) Whenever necessary, a substitute arbitrator shall be appointed pursuant to the procedure provided for in Rules 5 and 6 that was applicable to the appointment of the arbitrator being replaced.
- (b) In the event that an arbitrator appointed by a party has either been successfully challenged on grounds which were known or should have been known to that party at the time of appointment, or has been released from appointment as arbitrator in accordance with Rule 7.4(c), CPR shall have the discretion not to permit that party to make a new appointment. If it chooses to exercise this discretion, CPR shall make the substitute appointment.
- (c) Pending the replacement, the arbitral proceedings shall be suspended, unless otherwise agreed by the parties.
- (d) Whenever a substitute arbitrator is appointed, the Tribunal shall, having regard to any observations of the parties, determine in its sole discretion whether all or part of any prior hearings is to be repeated.

7.6 Truncated Tribunal

- (a) If an arbitrator on a three-person Tribunal, though duly notified and without good cause, fails to participate in the work of the Tribunal, the two other arbitrators shall, unless a party has made an application under Rule 7.4(c), have the power in their sole discretion to continue the arbitration and to make any award, order, or other decision, notwithstanding the failure of the third arbitrator to participate. In determining whether to continue the arbitration or to render any award, order, or other decision without the participation of the third arbitrator, the other two arbitrators shall take

into account the stage of the arbitration, the reason, if any, expressed by the third arbitrator for such non-participation, and such other matters as they consider appropriate in the circumstances of the case.

- (b) In the event that the other two arbitrators determine not to continue the arbitration without the participation of a third arbitrator, CPR shall, on proof satisfactory to it of the failure of the arbitrator to participate in the work of the Tribunal, declare the office vacant, and a substitute arbitrator shall be appointed by CPR in the exercise of the discretion defined in Rule 7.5, unless the parties otherwise agree.

Rule 8: Challenges To The Jurisdiction Of The Tribunal

- 8.1** The Tribunal shall have the power to hear and determine challenges to its jurisdiction, including any objections with respect to the existence, scope or validity of the arbitration agreement.
- 8.2** The Tribunal shall have the power to determine the existence, validity or scope of the contract of which an arbitration clause forms a part. For the purposes of challenges to the jurisdiction of the Tribunal, the arbitration clause shall be considered as separable from any contract of which it forms a part.
- 8.3** Any challenges to the jurisdiction of the Tribunal, except challenges based on the award itself, shall be made not later than the notice of defense or, with respect to a counterclaim, the reply to the counterclaim; provided, however, that if a claim or counterclaim is later added or amended such a challenge may be made not later than the reply to such claim or counterclaim.

C. RULES WITH RESPECT TO THE CONDUCT OF THE ARBITRAL PROCEEDINGS

Rule 9: General Provisions

- 9.1** Subject to these Rules, the Tribunal may conduct the arbitration in such manner as it shall deem appropriate. The chair shall be responsible for the organization of arbitral conferences and hearings and arrangements with respect to the functioning of the Tribunal.

9.2 The proceedings shall be conducted in an expeditious manner consistent with giving each party adequate opportunity to prepare and present its case. The Tribunal is empowered to impose time limits it considers reasonable on each phase of the proceeding, including without limitation the time allotted to each party for presentation of its case and for rebuttal. In setting time limits, the Tribunal should bear in mind its obligation to manage the proceeding firmly in order to complete proceedings as economically and expeditiously as possible, but the Tribunal shall also give consideration to any agreements of the parties regarding the time allotted to each phase of the proceeding.

9.3 The Tribunal shall hold an initial pre-hearing conference for the planning and scheduling of the proceeding. Such conference shall be held promptly after the constitution of the Tribunal, unless the Tribunal is of the view that further submissions from the parties are appropriate prior to such conference. It is preferable that the pre-hearing conference be held at the place of the arbitration, and that all members of the Tribunal and the principal representative of each party attend in person; however, the Chair may designate a different place, and may permit the conduct of the pre-hearing conference by telephone if (s)he concludes that meeting in person would impose an unreasonable burden on one or more party representatives. The objective of the conference shall be to discuss all elements of the arbitration with a view to planning for its future conduct. Matters to be discussed and decided in the initial pre-hearing conference may include, *inter alia*, the following:

- (a) Procedural matters such as setting specific time limits for, and manner of, any required discovery; the desirability of bifurcation or other separation of the issues in the arbitration; the desirability and practicability of consolidating the arbitration with any other proceeding; the scheduling of conferences and hearings; the scheduling of pre-hearing memoranda; the need for and type of record of conferences and hearings, including the need for transcripts; the length of the hearings and the amount of time each party reasonably needs for presentation of its case and for rebuttal; the mode, manner and order for presenting proof, the use of affidavit evidence and cross-examination with respect thereto; and the need for expert witnesses and how expert testimony should be presented and the necessity for any on-site inspection by the Tribunal;

- (b) The early identification and narrowing of the issues in the arbitration, including disclosure of the relevant details of the accused product or method, each party's proposed construction of terms in the asserted patent claims, plaintiff's claim charts and defendant's responsive claim charts, and the defendant's identification of prior art, if any, upon which defendant relies in asserting a defense of invalidity or unenforceability;
- (c) The possibility of stipulations of fact and admissions by the parties solely for purposes of the arbitration, as well as simplification of document authentication;
- (d) The possibility of appointment of an independent expert by the Tribunal; the procedures for selection of such an expert; and the parties' respective willingness to pay for such independent expert and any budget that should be imposed on such expert expenses.
- e) The possibility of the Tribunal's issuing before the hearings an order in the nature of a partial summary judgment; and
- (f) The possibility of the parties engaging in settlement negotiations, with or without the assistance of a mediator.

At the initial conference the parties shall agree upon a date for the mutual exchange, with copies to the Tribunal, of a list of all fact and expert witnesses to be called by that party at the hearings, including witnesses in the employ of, or affiliated with, the other party and witnesses independent of either party. Any persons not so listed may be called only with the consent of the Tribunal given for good cause.

At the initial conference each party shall also commit to an early date for the mutual exchange, with copies to the Tribunal, of signed statements of expert witnesses to be called at the hearing, including all the facts and opinions to which each is expected to testify and grounds for each opinion, and any written expert's report on which the parties intend to rely at the hearing.

After the initial conference, further pre-hearing or other conferences may be held as the Tribunal deems appropriate.

- 9.4** Within five days following the initial pre-hearing conference the Tribunal shall issue a pre-hearing order which shall include *inter alia* a schedule for the completion of discovery and the hearings and the

hearing time allotted to each party for presentation of its case and for rebuttal. Hearings may be held, and the Tribunal may schedule meetings wherever it deems appropriate.

- 9.5** In order to define the issues to be heard and determined, the Tribunal may *inter alia* make pre-hearing orders for the arbitration and instruct the parties to provide more detailed statements of claim and of defense and pre-hearing memoranda.
- 9.6** Unless the parties have agreed upon the place of arbitration, the Tribunal shall fix the place of arbitration based upon the contentions of the parties and the circumstances of the arbitration. The award shall be deemed made at such place notwithstanding the location of any hearing.
- 9.7** The dispute should in most circumstances be submitted to the Tribunal for decision within six months after the initial pre-hearing conference required by Rule 9.3.

Rule 10: Applicable Laws And Remedies

- 10.1** The Tribunal shall apply the substantive law(s) or rules of law designated by the parties as applicable to the dispute. Failing such a designation by the parties, the Tribunal shall apply such law(s) or rules of law as it determines to be appropriate.
- 10.2** The Tribunal may grant any remedy or relief it deems just and equitable, including but not limited to specific performance of the contract, which is within the scope of the agreement of the parties and permissible under the law(s) or rules of law applicable to the dispute. Unless the parties otherwise agreed, the Tribunal may award such damages as it considers appropriate taking into consideration the contract and applicable law.
- 10.3** The Tribunal may award such pre-award and post-award interest, simple or compound, as it considers appropriate, taking into consideration the contract and applicable law.

Rule 11: Discovery

Discovery shall be limited to that for which each party has a substantial, demonstrable need, taking into account material received by each party pursuant to Rule 4, and shall be conducted in the most expeditious and cost-effective manner. Before or at the initial pre-hearing conference held pursuant to Rule 9.3, the parties shall attempt to agree on the scope of discovery to which each party will be entitled, a schedule therefore,

and on anticipated discovery problems. The Tribunal shall resolve any differences at the aforesaid conference. Absent agreement by the parties to the contrary or good cause shown, interrogatories will be limited to 10 interrogatories per party (including subparts). Depositions will similarly be limited to 5 depositions per party lasting no more than 8 hours per deposition. The limitation on depositions shall not apply to depositions for the purpose of preserving the testimony of non-parties who cannot otherwise be compelled to attend the arbitration or depositions of individuals who have been identified as witnesses who will testify at the arbitration. Insofar as possible, the Tribunal (or the Chair) will be available in person or by telephone to rule immediately on any motions made by either party related to discovery. All discovery shall be completed within 60 days of the aforesaid conference, unless the parties otherwise agree with the approval of the Tribunal. The Tribunal may require and facilitate such discovery as it shall determine is appropriate in the circumstances, taking into account the needs of the parties and the desirability of making discovery expeditious and cost-effective. The Tribunal may issue orders to protect the confidentiality of proprietary information, trade secrets and other sensitive information disclosed in discovery.

Rule 12: Evidence And Hearings

- 12.1** The hearings shall commence not more than 30 days from the date of completion of discovery. Insofar as possible, hearing dates shall be scheduled consecutively. The parties wish to limit the length and cost of hearings to the minimum consistent with giving each party adequate opportunity to present its case, *inter alia* by limiting evidence to that which is truly relevant and avoiding duplicative evidence. The hearings shall be limited to a number of days or hours determined at the initial pre-hearing conference by agreement of the parties, or failing agreement, by the Tribunal upon consultation with the parties. The total hearing time shall be allocated fairly between the parties by the Tribunal. The aforesaid time limits may be extended only by the Tribunal for good cause.
- 12.2** The Tribunal shall determine the manner in which the parties shall present their cases. Unless otherwise determined by the Tribunal or agreed by the parties, the presentation of a party's case shall include the submission at least 10 days before commencement of the hearing of a pre-hearing memorandum including the following elements:
- (a) an outline of the case;

- (b) a list of fact and expert witnesses to be called by the party at the hearing;
- (c) summaries of anticipated testimony of the fact and expert witnesses to be called by the party at the hearing;
- (d) copies of deposition transcripts which will be used in the hearing;
- (e) copies of all exhibits in possession of the party to be relied on at the hearing; and
- (f) a list of persons who will represent the party at the hearing.

Absent good cause shown, the parties may not supplement the information contained in their pre-hearing memoranda.

- 12.3** Testimony may be presented in written or oral form as the Tribunal may determine is appropriate. The Tribunal will be guided by but is not required strictly to apply the rules of evidence used in judicial proceedings, provided, however, that the Tribunal shall apply the lawyer-client privilege and the work product immunity. The Tribunal shall determine the applicability of any privilege or immunity and the admissibility, relevance, materiality and weight of the evidence offered. Except for good cause shown, the Tribunal shall exclude evidence which should have been, but was not, disclosed pursuant to Rule 12.2. The parties empower the Tribunal to make the final determination of what evidence is to be admitted, after hearing from the parties on the issue. Any ruling by the Tribunal excluding arguably relevant evidence shall not be grounds for vacation of any award or failure to enforce the same. The Tribunal, in its discretion, may request the parties to produce evidence in addition to that initially offered. It may also appoint experts whose testimony shall be subject to cross examination and rebuttal.
- 12.4** The hearings shall not be transcribed, unless the parties otherwise agree.
- 12.5** The Tribunal shall require witnesses to testify under oath administered by the Tribunal. The Tribunal shall determine the manner in which witnesses are to be examined. The Tribunal shall have the right to exclude witnesses from hearings during the testimony of other witnesses.
- 12.6** The Tribunal, in its discretion, may request the parties to submit post-hearing briefs. If such a request is made, each party shall deliver its brief

to all members of the Tribunal and to the principal representative of the other party within 15 days after the close of the hearings.

Rule 13: Interim Measures Of Protection

- 13.1** At the request of a party, the Tribunal may take such interim measures and afford such interim relief as it deems necessary. A request by a party to a court for such interim relief may be made only if the matter is urgent and the Tribunal is not able to act timely or the Tribunal cannot provide an adequate remedy. The Tribunal may require appropriate security as a condition of ordering such measures.
- 13.2** At any time when the Tribunal is not fully constituted or able to act, a request may be made by a party to a court for interim measures affording relief in respect to the subject matter of the dispute.
- 13.3** Requests to a court for interim measures pursuant to Section 13.1 and 13.2 shall not be deemed incompatible with the agreement to arbitrate or as a waiver of that agreement.

Rule 14: The Award

- 14.1** The Tribunal may make final, interim, interlocutory and partial awards. With respect to any interim, interlocutory or partial award, the Tribunal may state in its award whether it views the award as final for purposes of any judicial proceedings in connection therewith.
- 14.2** All awards shall be in writing. When there are three arbitrators, the award shall be made and signed by at least a majority of the arbitrators. The award shall not include a statement of the reasoning on which the award rests, unless the parties otherwise agree.
- 14.3** Unless extended by the parties, executed copies of awards shall be delivered by the Tribunal to the parties within 30 days after conclusion of the hearings, unless post-hearing briefs are submitted, in which event the award shall be delivered within 30 days after receipt by the Tribunal of the last brief to be received.
- 14.4** Within [15] days after receipt of the award, either party, with notice to the other party, may request the Tribunal to clarify the award to correct any clerical, typographical or computation errors, or any errors of a similar nature in the award, or to make an additional award as to claims or counterclaims presented in the arbitration but not determined in the award. The Tribunal shall make any clarification,

correction or additional award requested by either party that it deems justified within 30 days after receipt of such request. Within [15] days after delivery of the award to the parties or, if a party requests clarification, correction or additional award, within 30 days after receipt of such request, the Tribunal may make any such corrections and additional awards on its own initiative as it deems appropriate. All clarifications, corrections and additional awards shall be in writing, and the provisions of Rule 14 shall apply to them.

- 14.5** The awards shall be final and binding on the parties, and the parties will undertake to carry out the awards without delay. If a clarification, correction or additional award is requested by a party, or a correction or additional award is made by the Tribunal on its own initiative, as provided under Rule 14.4, the award shall be final and binding on the parties when such clarification, correction or additional award is made by the Tribunal or upon the expiration of the time periods provided for in Rule 14.4 for such clarification, correction or additional award to be made, whichever is earlier.

D. MISCELLANEOUS RULES

Rule 15: Failure To Comply With Rules

Whenever a party fails to comply with these Rules, or any order of the Tribunal pursuant to these Rules, in a manner deemed material by the Tribunal, the Tribunal shall fix a reasonable period of time for compliance. If the party does not comply within said period, the Tribunal may impose a remedy it deems just, including an award on default. Prior to entering an award on default, the Tribunal shall require the non-defaulting party to produce evidence and legal argument in support of its contentions, as the Tribunal may deem appropriate. The Tribunal may receive such evidence and argument without the defaulting party's presence or participation.

Rule 16: Costs

- 16.1** Each arbitrator shall be compensated on a reasonable basis determined at the time of appointment for serving as an arbitrator and shall be reimbursed for any reasonable travel and other expenses.
- 16.2** The Tribunal shall fix the costs of arbitration in its award. The costs of arbitration include:
- (a) The fees and expenses of members of the Tribunal;
 - (b) The costs of expert advice and other assistance engaged by the Tribunal;

- (c) The travel and other expenses of witnesses to such extent as the Tribunal may deem appropriate;
- (d) The costs for legal representation and assistance and experts incurred by a party to such extent as the Tribunal may deem appropriate;
- (e) The charges and expenses of CPR with respect to the arbitration;
- (f) The costs of a transcript; and
- (g) The costs of meeting and hearing facilities.

16.3 Subject to any agreement between the parties or applicable law to the contrary, the parties will share the costs of the arbitration equally. However, where a party has obstructed the arbitration and/or advanced arguments, claims or defenses in bad faith, the Tribunal may apportion the costs of arbitration between or among the parties in any such manner as it deems appropriate, and may include in its final award an order requiring a party to pay some or all of the other party's litigation expenses including, but not limited to, its attorney's fees and the costs of experts retained by that party taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration.

16.4 The Tribunal may request each party to deposit an appropriate amount as an advance for the costs referred to in Rule 16.2, except those specified in subparagraph (d), and, during the course of the proceeding, it may request supplementary deposits from the parties. Any such funds shall be held and disbursed in such a manner as the Tribunal may deem appropriate.

16.5 If the requested deposits are not paid in full within 20 days after receipt of the request, the Tribunal shall so inform the parties in order that jointly or severally they may make the requested payment. If such payment is not made, the Tribunal may suspend or terminate the proceeding.

16.6 After the proceeding has been concluded, the Tribunal shall return any unexpended balance from deposits made to the parties as may be appropriate.

Rule 17: Confidentiality

17.1 All transcripts, documents, things and other information of the furnishing party produced and the testimony given in or attendant to the arbitration shall be maintained in confidence by the receiving party and the Tribunal, and shall be used only for purposes of this arbitration. No

information concerning the existence of an arbitration may be unilaterally disclosed by a party to any third party except:

- (a) to the extent necessary in connection with a court challenge to the arbitration or an action for enforcement of an award; or
- (b) as otherwise provided by the Rules.

The parties will insure that their respective agents, employees, attorneys and experts agree in writing to be bound by the confidentiality provisions of this Rule 17.

- 17.2** Whenever a party, arbitrator, expert witness or other person bound by the confidentiality provisions of this Rule 17 is requested pursuant to a subpoena, request for production of documents or things, civil investigative demand or other legal process, or is otherwise required by law to disclose to persons or entities not a party to an arbitration any confidential transcripts, documents, things or testimony in the arbitration, or the existence of the arbitration, such person shall notify the parties and third persons who produced confidential information for purposes of the arbitration, of the existence and terms of such request or requirement. If a response to such request is due in 10 days or less, such notice shall be given within 24 hours after receipt of such request.
- 17.3** Within 30 days after entry of judgment of confirmation, or within 120 days after issuance of the award where judicial confirmation is not sought, each party and each arbitrator, at the election of the party furnishing the same, shall destroy or return all documents, transcripts or other things, and any copies thereof, as well as all summaries or other materials containing or disclosing information contained in, or directly related to, such documents, transcripts or things; provided, however, that counsel for the receiving party shall not be required to destroy or return its own work product which includes any of the aforesaid materials. Each party and each arbitrator shall certify under oath compliance with the above requirement.
- 17.4** The confidentiality provisions of this Rule 17 shall survive the arbitration proceeding.
- 17.5** The Tribunal may issue such orders as it deems necessary to protect any privileged information, any trade secrets or proprietary information, or any confidential business information, such as information of commercial, financial or industrial significance, that might be disclosed during the proceeding.

17.6 Damages are not adequate, and the parties otherwise would be without an adequate remedy at law for any threatened or actual disclosure or use of information in violation of this Rule 17. Accordingly, an injunction may be entered against any threatened or actual disclosure or use of the information in violation of this Rule 17 or any protective order issued by the Tribunal.

Rule 18: Settlement And Mediation

18.1 Either party may propose settlement negotiations to the other party at any time. The Tribunal may suggest that the parties explore settlement at such times as the Tribunal may deem appropriate.

18.2 At any stage of the proceedings, the parties may agree to conduct a mediation to facilitate settlement. The mediator shall be a person other than a member of the Tribunal. Unless the parties agree otherwise, any such mediation shall be conducted under the CPR Mediation Procedure.

18.3 The Tribunal will not be informed of any settlement offers or other statements made during settlement negotiations or a mediation between the parties, unless both parties consent.

Rule 19: Actions Against CPR Or Arbitrators

Neither CPR nor any member of the Tribunal shall be liable to any party for any act or omission in connection with any arbitration conducted under these Rules.

Rule 20: Waiver

A party knowing of a failure to comply with any provision of these Rules, or any requirement of the arbitration agreement or any direction of the Tribunal, and neglecting to state its objections within 15 days after learning of such failure, waives any objection thereto.

Rule 21: Good Faith

21.1 Good faith, legally supportable and factually accurate submissions by each party to the Tribunal and to every other party and person of claims, defenses, responses, testimony, affidavits, briefs and any other materials relevant to resolution of the dispute are essential to a proper resolution and shall be effected by each party. No submission to another party or to the Tribunal shall be interposed

for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of the arbitration.

- 21.2** The Patent and Trademark Office Code of Professional Responsibility and the provisions of 37 C.F.R. §10.20 *et al*/and 37 C.F.R. §10.18 (signature and certificate of practitioner) shall apply to the arbitration proceeding.
- 21.3** Each arbitrator shall be held to the standards for independent arbitrators promulgated in the Code of Ethics for Arbitrators in Commercial Disputes (2004).

ARBITRATOR'S OATH

State of _____)
County of _____) ss:

In the Matter of the Arbitration between X and Y

I hereby accept appointment as arbitrator in the above matter and will faithfully and fairly hear and decide the matters in controversy between the parties, in strict compliance with the CPR Rules for Non- Administered Arbitration of Patent and Trade Secret Disputes (the "Rules") as modified by the parties' arbitration agreement. Without limiting the foregoing, I will comply faithfully with the provisions of the Rules and the parties' arbitration agreement relating to the confidentiality obligations of the arbitrator(s).

There are no grounds known to me for reasonable concern regarding my independence or impartiality, and I will comply with the standards for independent arbitrators promulgated in the Code of Ethics for Arbitrators in Commercial Disputes (2004). To that end, I shall persevere to uphold the integrity and fairness of the arbitration process, I shall avoid conflicts of interest or partiality, or appearances thereof, and shall disclose any new circumstances that might create such an appearance. After appointment as arbitrator, I shall avoid *ex parte* substantive communications with parties. I shall conduct proceedings fairly and diligently, render decisions in a just, independent and deliberate manner, and be faithful to the relationship of trust and confidentiality inherent in this office.

I am cognizant of the importance the parties attach to the expeditious completion of the arbitration, consistent with each party's being given adequate time to prepare and present its case. I have no previous commitments that may significantly delay the proceedings, and I shall not make any such commitments.

Arbitrator

Sworn to before me

this ___ day of _____, 20__

Notary Public

CPR PRINCIPLES

CPR brings a distinct viewpoint to the field of domestic and international dispute resolution. Its tenets:

1. Most disputes are best resolved privately and by agreement.
2. Principals should play a key role in dispute resolution and should approach a dispute as a problem to be solved, not a contest to be won.
3. A skilled and respected neutral third party can play a critical role in bringing about agreement.
4. Efforts should first be made to reach agreement by unaided negotiation.
5. If such efforts are unsuccessful, resolution by a non-adjudicative procedure, such as mediation, should next be pursued. These procedures remain available even while litigation or arbitration is pending.
6. If adjudication by a neutral third party is required, a well-conducted arbitration proceeding usually is preferable to litigation.
7. During an arbitration proceeding, the door to settlement should remain open. Arbitrators may suggest that the parties explore settlement, employing a mediator if appropriate.
8. Arbitration proceedings often can be conducted efficiently by the Arbitral Tribunal without administration by a neutral organization, or limiting the role of such an organization to assistance in arbitrator selection or ruling on challenges to arbitrators, if necessary.

The Rules for Non-Administered Arbitration of Patent & Trade Secret Disputes reflect these principles.

CPR Institute is the leading global **advocate** and **resource** for preventing and resolving business disputes.

CPR's Rules for Non-Administered Arbitration of Patent & Trade Secret Disputes is only one part of an arsenal of materials that we have created specifically for the patent community. For a complete listing of technology/patent resources, please go to **www.cpradr.org** and click on Industries & Practice Groups.

In addition to our work in the patent industry, we also offer a wide range of conflict prevention and management information and services in the following areas:

- Arbitration
- Banking and Financial Services
- Construction
- Domain Name Disputes (ICANN)

- Employment
- Energy, Oil, and Gas
- Europe/International
- Franchise

- Information Technology
- Insurance
- Mass Claims
- U.S./China Disputes

CPR's wealth of intellectual property and published material has educated and motivated general counsel and their firms around the world and helped reduce costs and risks associated with conflict. CPR's proprietary panel of esteemed arbitrators and mediators has provided resolutions in thousands of cases, with billions of dollars at issue, worldwide.



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