



**FACULTY OF LAW  
UNIVERSITY OF MACAU**

**MASTER DEGREE THESIS**

**Intellectual Property Arbitration and Public Policy in China:  
Conflict or Coordination?**



STUDENT: CHEN HAIFEI (M-B0-4925-6)

SUPERVISOR: PROF. DR. ROSTAM J. NEUWIRTH

CO-SUPERVISOR: PROF. DR. FAN JIANHONG

ENTRANCE ACADEMIC YEAR: 2010

PROGRAMME: MASTER OF INTERNATIONAL BUSINESS LAW

TIME OF SUBMISSION: JUNE 27, 2013

# DECLARATION OF AUHORSHIP

Name of the Student: Chen Haifei

Student Number: M-B0-4925-6

Entrance Academic Year: 2010

Program Enrolled: Master and Postgraduate of Law in International Business  
Law in English Language

Supervisor: Prof. Dr. Rostam J. Neuwirth

Co-supervisor: Prof. Dr. Fan Jianhong

Title of the Thesis:

## **Intellectual Property Arbitration and Public Policy in China: Conflict or Coordination?**

“I hereby declare and confirm that this thesis is entirely the result of my own work except where otherwise indicated. This work has not been submitted anywhere else, either in part or whole, for a degree or other academic credits. I undertake the sole responsibility for any inaccuracy in this declaration.”

Yours sincerely,

Date: June 27, 2013

Signature:

Place: Macau

Name: Chen Haifei

## ACKNOWLEDGEMENTS

Constructing a master thesis is regarded as a great project, which requires the students to full of perseverance and persistence. During the process of writing this thesis, I do this research in the library almost every day. However, I do believe that it is by no means to accomplish this thesis without support and company of other people. Therefore, I would like to expand my heartfelt thanks to many people here.

First and foremost, my sincere gratitude goes to Prof. Rostam J. Neuwirth, my thesis supervisor and my course professor. Taking the four courses that Prof. Neuwirth taught me at the first year of master program, namely international law, international and inter-regional trade law, legal issues of transnational contracts and intellectual property law, inspired me to realize that intellectual property has advanced to a prominent element of the modern creative economy all over the world. Connecting with my interest in the field of arbitration, I chose intellectual property arbitration as my thesis topic. Due to the valuable guidance and patient supervision from Prof. Neuwirth, I finally accomplished my thesis project. I am thus grateful that Prof. Neuwirth agreed to be my supervisor and consequently provided useful guidance in the process of doing research and writing a thesis. His words and deeds instruct me to acknowledge that doing research really requires professional methods and attitudes, which calls for the researchers to cultivate and improve academic literacy.

I am also deeply indebted to my co-supervisor, Prof. Fan Jianhong, who is an expert in the field of arbitration and gave me a lot of suggestions with regard to the choice of my thesis title. Furthermore, his encouragement accompanied me throughout the whole writing process and I also received valuable instructions on research method from him. My thankfulness is also extended to Prof. Jorge A. F. Godinho, the coordinator of my master program, Prof. Paulo Cardinal and Prof. Fernando M. D. Simoes for their supervisions on the two research papers written prior to this thesis. Equivalent gratitude extends further to all professors who delivered lectures during my master program, in particular Prof. Wei Dan, Prof. Muruga Perumal Ramaswamy, Prof. Tu Guangjian, Prof. Goncalo Cabral, Prof. Augusto T. Garcia and Prof. Sten Verhoeven. Their professional classes and serious attitudes towards teaching enriched my master study and life. I also want to thank my college professors who support my master thesis, especially my head teacher Prof. Tan Guizhen, Prof. Li Xiaoping and Prof. Liu Bin. Meanwhile, I want to appreciate the kind help and endless patience from Winnie Tam and Nicola Tai, the administrative secretaries of the IBL program.

Additionally, during my master study, I have got the valuable friendship from my dear friends and classmates, including but not limited to Lin Min, Li Xiaoyue, Chai Zhenjiao, Zhang Jie, Chen Wenwen, Wang Yan, Huang Xinyu, Liu Qi, Zeng Xiaojin, Liu Tong, Ai Di, Lu Jicheng, Chen Chunhua, Lucy Chu, Yang Wenjing, Du Honggai, Liu Jianmeng, Ma Li and Cao Hangyu. I appreciate

their kindness and strong support which helped me to overcome the difficulties I have met throughout the life as a postgraduate student in the University of Macau.

The last but definitely not the least gratitude goes to my family members. Thanks a million for my dearest parents. They have been providing the constant understanding and endless support of my study in the past 25 years regardless of my success and failure. The kindness and concerns from my beloved sisters and brothers, Chen Haijing, Chen Xi, Zhou Xiuyang, and Chen Jiangpan, make me feel warm and confident with my thesis writing. Finally, I want to thank my boyfriend, Liu Huadong, who provides academic help for me and gives me happiness and support everyday although we are separated from each other by two thousand kilometers, and I am also appreciated for his parents' concern and support.



## ABSTRACT

Set against the backdrop of the current creative economy and knowledge-based economy, intellectual property (IP) has advanced to an important area of law. Along with the rapid development of IP and the increasing IP transactions, it is no surprise that disputes involving intellectual property rights occur more frequently. Although arbitration, as an old form of dispute resolution other than litigation, has been playing a very significant role in resolving the increasing IP disputes, there is no general consensus on the issue, in particular with regard to the question whether all kinds of the IP disputes, including IP contract disputes, IP infringement disputes, and disputes on the validity of IP, can be submitted to arbitration. The countries who oppose the arbitration of IP disputes mainly consider that if disputes on the validity of IP are submitted to arbitration which is of private nature, the arbitral award may challenge the public authority and may run counter to public policy which is being regarded as the local standards of morality and justice. In China, (here mainly refers to the People's Republic of China (PRC), not including Hong Kong & Macau SARs and Taiwan), based on the relevant laws, such as the *Arbitration Law of PRC*, the *Copyright Law of PRC*, the *Patent Law of PRC*, and the *Trademark Law of PRC*, it can be concluded that disputes on the validity of IP have been stipulated by law to be settled by administrative organs and they are limited to arbitration. Therefore, conflicts between the arbitrability of disputes on the validity of IP on the one hand and the public policy on the other have the potential of becoming a serious issue in China. However, many related issues provide strong support for the recognition of the arbitrability of disputes on the validity of IP, such as the nature and purpose of IP, the reasonable application of public policy, and the features and significance of arbitration. Meanwhile, the international practical experiences provided by some countries and international organizations also have great significance on China concerning the recognition of arbitrability of disputes on the validity of IP. These key points constitute the basis for the recognition of the arbitrability of disputes on the validity of IP and the coordination between intellectual property arbitration and public policy in China.

**Keywords:** Creative Economy, Intellectual Property, Intellectual Property Arbitration, Intellectual Property Dispute, Public Policy, Conflict, Coordinate, China

# TABLE OF CONTENTS

|                                                                                                                   |            |
|-------------------------------------------------------------------------------------------------------------------|------------|
| <b>ABBREVIATIONS.....</b>                                                                                         | <b>VII</b> |
| <b>INTRODUCTION.....</b>                                                                                          | <b>1</b>   |
| <b>CHAPTER 1 INTELLECTUAL PROPERTY ARBITRATION AND PUBLIC POLICY .....</b>                                        | <b>5</b>   |
| <b>1.1 General Remarks on Intellectual Property Arbitration .....</b>                                             | <b>5</b>   |
| 1.1.1 The Definition of Intellectual Property Arbitration .....                                                   | 5          |
| 1.1.2 The Historical Development of Intellectual Property Arbitration.....                                        | 7          |
| 1.1.3 A Critical Analysis of Intellectual Property Arbitration .....                                              | 9          |
| <b>1.2 Overviews on Public Policy .....</b>                                                                       | <b>15</b>  |
| 1.2.1 The Definition of Public Policy .....                                                                       | 15         |
| 1.2.2 The Classification of Public Policy.....                                                                    | 18         |
| 1.2.3 The Role of Public Policy .....                                                                             | 20         |
| <b>CHAPTER 2 THE CONFLICT BETWEEN INTELLECTUAL PROPERTY ARBITRATION AND PUBLIC POLICY .....</b>                   | <b>23</b>  |
| <b>2.1 The Definition of Arbitrability .....</b>                                                                  | <b>23</b>  |
| <b>2.2 The Classification of Intellectual Property Disputes.....</b>                                              | <b>26</b>  |
| 2.2.1 General Classifications of IP Disputes.....                                                                 | 26         |
| 2.2.2 The Classification According to the Nature of IP Disputes .....                                             | 26         |
| <b>2.3 The Analysis of the Arbitrability of Intellectual Property Disputes .....</b>                              | <b>27</b>  |
| 2.3.1 Disputes Related to Contracts Governing the Transfer of Intellectual Property .....                         | 27         |
| 2.3.2 Disputes Concerning Infringements of Intellectual Property Rights .....                                     | 28         |
| 2.3.3 Disputes on the Validity of Intellectual Property.....                                                      | 29         |
| <b>2.4 The Conflict between Intellectual Property Arbitration and Public Policy.....</b>                          | <b>31</b>  |
| <b>CHAPTER 3 THE WORLDWIDE PRACTICE OF INTELLECTUAL PROPERTY ARBITRATION ...</b>                                  | <b>33</b>  |
| <b>3.1 An Overview over the Arbitrability of IP Disputes in Some Selected Countries.....</b>                      | <b>33</b>  |
| 3.1.1 The Totally Negating Attitude: the Republic of Korea and South Africa .....                                 | 33         |
| 3.1.2 The Restricted Recognition on the Basis of Public Policy: Germany.....                                      | 34         |
| 3.1.3 The Recognition under the Strict Protecting Measures: the United States .....                               | 36         |
| 3.1.4 The Fully Affirmative Stand: Switzerland and Belgium.....                                                   | 40         |
| <b>3.2 The Practice of Intellectual Property Arbitration in International Organizations and Conventions .....</b> | <b>41</b>  |
| <b>3.3 Implications for China .....</b>                                                                           | <b>43</b>  |
| <b>CHAPTER 4 INTELLECTUAL PROPERTY ARBITRATION IN CHINA.....</b>                                                  | <b>45</b>  |
| <b>4.1 Legislation on Intellectual Property Arbitration: An Overview .....</b>                                    | <b>45</b>  |
| 4.1.1 Legislation on the Scope of Arbitrable Matters .....                                                        | 45         |
| 4.1.2 Legislation on the Arbitrability of Intellectual Property Disputes .....                                    | 46         |
| <b>4.2 The Practice of Intellectual Property Arbitration in China .....</b>                                       | <b>52</b>  |
| 4.2.1 Practical Efforts on Intellectual Property Arbitration .....                                                | 52         |
| 4.2.2 Current Deficiencies in Intellectual Property Arbitration .....                                             | 55         |
| <b>4.3 The Origins of the Negation of the Arbitrability of Disputes on the Validity of IP.....</b>                | <b>56</b>  |
| 4.3.1 The Evolution of the Nature of Intellectual Property .....                                                  | 57         |
| 4.3.2 The Dual Nature of Modern Intellectual Property .....                                                       | 60         |
| <b>4.4 The Recognition of the Arbitrability of Disputes on the Validity of IP.....</b>                            | <b>62</b>  |
| 4.4.1 Theoretical Bases for the Recognition .....                                                                 | 62         |
| 4.4.2 The Necessity of the Recognition .....                                                                      | 65         |
| 4.4.3 The Feasibility of the Recognition.....                                                                     | 68         |

|                                                                     |           |
|---------------------------------------------------------------------|-----------|
| 4.4.4 Proposal for the Recognition .....                            | 69        |
| 4.4.5 Problems in the Recognition Process.....                      | 70        |
| <b>4.5 The IP Policy in Intellectual Property Arbitration .....</b> | <b>72</b> |
| 4.5.1 The Connotation and Composition of IP Policy .....            | 72        |
| 4.5.2 IP Policy in Practice.....                                    | 74        |
| 4.5.3 Proposal for the Development of IP Policy in China .....      | 76        |
| <b>CONCLUSION. ....</b>                                             | <b>79</b> |
| <b>BIBLIOGRAPHY .....</b>                                           | <b>81</b> |



## Abbreviations

|                                |                                                                                           |
|--------------------------------|-------------------------------------------------------------------------------------------|
| AAA                            | American Arbitration Association                                                          |
| ADR                            | Alternative Dispute Resolution                                                            |
| CIETAC                         | China International Economic and Trade Arbitration Commission                             |
| Co. Ltd                        | Company Limited                                                                           |
| Corp.                          | Corporation                                                                               |
| Development<br>2006-2020       | Plan National Medium and Long Term Development Plan on Science and Technology (2006-2020) |
| DNDRC                          | Domain Name Dispute Resolution Center                                                     |
| DSB                            | Dispute Settlement Body                                                                   |
| DSU                            | Understanding on Rules and Procedures Governing the Settlement of Disputes                |
| GATT 1994                      | General Agreement on Tariffs and Trade 1994                                               |
| GATS                           | General Agreement on Trade in Services                                                    |
| Inc.                           | Incorporated                                                                              |
| IP                             | intellectual property                                                                     |
| IP Policy                      | intellectual property policy                                                              |
| IP rights                      | intellectual property rights                                                              |
| IP validity                    | validity of intellectual property                                                         |
| IPO                            | Intellectual Property Owners Association                                                  |
| Ltd.                           | Limited                                                                                   |
| New York Convention<br>of 1958 | Convention on the Recognition and Enforcement of Foreign Arbitral Awards                  |
| NPC                            | National People's Congress                                                                |
| PRC                            | People's Republic of China                                                                |
| SC                             | Standing Committee                                                                        |

|          |                                                                    |
|----------|--------------------------------------------------------------------|
| SIPO     | State Intellectual Property Office                                 |
| SPC      | Supreme People's Court                                             |
| TRIPS    | Agreement on Trade-Related Aspects of Intellectual Property Rights |
| UNCITRAL | United Nations Commission on International Trade Law               |
| UNCTAD   | United Nations Conference on Trade and Development                 |
| US       | the United States                                                  |
| U.S.C.   | United States Code                                                 |
| USPTO    | US Patent and Trademark Office                                     |
| WIPO     | World Intellectual Property Organization                           |
| WTO      | World Trade Organization                                           |

