



# Alternative Dispute Resolution in Intellectual Property Disputes

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# Overview

- Types of ADR
- Routes to ADR
- ADR Clauses
- Choosing an ADR Neutral
- Procedural Aspects of ADR
  - Mediation
  - Arbitration

## Types of ADR

- Mediation-a nonbinding procedure in which a neutral intermediary, the mediator, assists the parties in reaching a settlement of a dispute
- Arbitration-a neutral procedure in which the dispute is submitted to one or more arbitrators who make a binding decision on the dispute.
- Others-Early neutral evaluation (ENE-objective third party evaluates the merits of each party's case); mini-trial

# Possible Scenarios

- Mediation
  - Settlement
- Arbitration
  - Mediation
    - Settlement
- Arbitration
  - Award
- Mediation
  - Arbitration
    - Award

## Routes to ADR

- Voluntary decision of the parties
- Court annexed
- ADR clauses

# Voluntary mediation

- Parties agree to mediator
- May choose mediator who is on the panel from providers such as American Arbitration Association, Center for Public Resources, JAMS, WIPO

# Court annexed ADR in Federal Courts

## What does Court-annexed ADR mean?

ADR programs that are authorized, implemented and administered by a Court.

## Court-annexed programs do not include:

Party-initiated proceedings outside the context of federal court litigation or proceedings, or proceedings conducted pursuant to an ADR provision in an agreement, whether conducted:

- ad hoc, or
- through an administering organization, such as WIPO, AAA, CPR, LCIA, ICC, etc -- though a Court often compels ADR proceedings to occur through enforcement of an underlying ADR provision

# Court annexed ADR in Federal Courts

General characteristics:

- Sophistication of ADR programs varies across districts
  - Some districts, EDNY, have rather rigorous, well-developed programs with full-time ADR staff and case managers; others, e.g., DNJ, have simpler programs with no dedicated staffing
- Case entry (depends on Court program):
  - Sole discretion of Judge (mandatory referral)
  - Party request or Judicial referral with party consent (voluntary referral)
  - Selection (case suitability screening) by ADR staff
  - Automatic referral at early stage (e.g., after answer is filed)



# Court annexed ADR in Federal Courts

## ➤ Type of cases

- Mediation – nearly any civil matter (some exceptions, e.g., Constitutional questions, tax, prisoner's civil rights, social security, pro se)

### -Success rate:

- ✧ <50% when Court ordered (e.g., mediation referral often occurs too early; parties entrenched and/or have unreasonable expectations); particularly successful if parties have an on-going relationship with each other of some sort; though empirically, patent cases have proven to be more difficult to settle through Court-annexed programs than non-Court annexed
- ✧ ≥ 80% when all parties consensually agree to mediation on non-Court annexed basis.
- Prior to signing, any party can terminate its participation in a mediation at any time; though party must participate in mediation in good faith.

# Court annexed ADR in Federal Courts

## ➤ Type of cases

- Arbitration may be compulsory for cases with relatively small amounts in dispute ( $\leq \$ 150K$ ); Court may exempt case from arbitration sua sponte or on motion from any party (case is too complex, legal issues predominate over factual issues and/or for other good cause);
  - Within 30 days after award, any party dissatisfied with award may file demand for trial de novo; cost penalties may be assessed if party filing demand obtains less at trial than previously obtained through award
- ENE, summary jury trials and/or mini-trials in some districts
- Other approaches with Court approval and parties' consent

# Court annexed ADR in Federal Courts

- Parties can pick any Mediator they want, including from court-approved list or not, Arbitrator is chosen by Court from its list of arbitrators
  - Most Courts, e.g. EDNY, post lists of their neutrals to the Court's website
  - Some Courts use their own Magistrates as Mediators (e.g. USDC Dist. of Del.)
- Quick; Flexible; Very cost-effective
  - Common problem with arbitration: increasing “litigationalizing” of arbitration

# Court annexed ADR in Federal Courts

- Confidential
- District Judge (DJ) has no knowledge of what occurred in mediation; only that, if case returned to active trial docket, mediation was attempted and failed.
- Magistrate or ADR coordinator supervises mediation and works with Mediator, and Magistrate makes all necessary rulings (if any)
  - Purpose: totally insulate DJ from any mediation activities and settlement offers made by parties so as not to prejudice DJ should the case return to DJ for decision.
- Neutrals enjoy same level of judicial immunity as Judges; Neutrals can not be subpoenaed or compelled to testify.

# Court annexed ADR in Federal Courts

- Some Federal mediation programs rely on “pro bono” mediators to provide “equal access to Courts” (in practice, mediators are only parties at table not being paid); others permit compensation (market rate, Court established hourly rate or pro bono/market or pro bono/fixed rate mix)
  - ADR Act of 1998 left compensation to discretion of District Courts
  - Courts are now realizing that not compensating Mediator is unfair and exploitive if parties (e.g. large corporations) can afford to pay
- Now approx 1.5 % of Federal cases go to trial (“vanishing trial” phenomena)
  - down from approx 4 % in 1960s), increasing use of ADR processes is one factor facilitating this trend (approx. 250,000 civil filings per year 1995-2005; with approx. 2500-3000 patent cases filed/year)

# Court annexed ADR in Federal Courts

- Appellate mediation programs exist in Circuit Courts of Appeal, including Federal Circuit (no program, to my knowledge, exists in US Supreme Court)
  - Fed. Cir. Mediation pilot program started in October 2005
    - very new
  - Very short list of Court-approved mediators (approx. 12); currently only people who no longer actively practice law and are from Washington, DC metro area; parties can pick mediator not on list, but mediator must serve pro bono
  - Fed. Cir. success rate is unknown as program is too new and data is too sparse; Mediator compensation issues exist in Fed. Cir. program (currently pro bono with minor or full cost reimbursement depending whether mediator is on Court list or not) as some cases can consume ample amounts of mediator time to properly handle

# ADR Clauses

- Elements
  - Type of ADR
  - Means of selection of neutral
  - Location of ADR
  - Language of ADR
  - Number of neutrals, if arbitration
  - Law applied, if arbitration

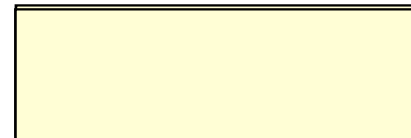
## Examples of ADR Clauses

- “Arbitration in Geneva.”
- WIPO Arbitration with a sole arbitrator, place of arbitration Geneva, no applicable law.
- WIPO Arbitration with three arbitrators: amount in dispute USD60,000
- Exclusive patent license: “WIPO Expedited Arbitration of infringement disputes, [other provider] arbitration of contractual disputes.”





# Arbitration and Mediation Procedures: Options



## WIPO Mediation Clause

Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be submitted to mediation in accordance with the WIPO Mediation Rules. The place of mediation shall be [New York]. The language to be used in the mediation shall be [English]

## WIPO Arbitration Clause

Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules.

The arbitral tribunal shall consist of [a sole arbitrator]. The place of arbitration shall be [New York]. The language to be used in the arbitral proceedings shall be [English]. The dispute, controversy or claim shall be decided in accordance with [New York] law.

# Mediation followed by Arbitration

- Try mediation before arbitration, at least until
  - lapse of time period
  - termination
- Combining the benefits
  - arbitration well-prepared

"Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be submitted to mediation in accordance with the WIPO Mediation Rules. The place of mediation shall be [New York]. The language to be used in the mediation shall be [English]"



**If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within [60][90] days of the commencement of the mediation,** it shall, upon the filing of a Request for Arbitration by either party, be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. Alternatively, **if, before the expiration of the said period of [60][90] days, either party fails to participate or to continue to participate in the mediation,** the dispute, controversy or claim shall, upon the filing of a Request for Arbitration by the other party, be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. The arbitral tribunal shall consist of [a sole arbitrator]. The place of arbitration shall be [New York]. The language to be used in the arbitral proceedings shall be [English]. The dispute, controversy or claim referred to arbitration shall be decided in accordance with [New York] law."

# Mediator Selection

➤ Sources of Mediators:

- Administering organizations (WIPO, CPR, etc.) (provide lists and screening assistance)
- Court lists
- Counsels' (law firms') lists of neutrals  
Directories and various listings
- Recommendations from others web search

# Mediator Selection

## ➤ Type of Mediator desired:

- Sufficient mediation experience/expertise
- Substantive (technical) expertise necessary? (be careful of requiring someone with excessively narrow qualifications – person may not exist; mediations rarely require a Mediator to have the level of technical knowledge which the parties think Mediator should have)
  - ✧ Provides "level of comfort" to parties and counsel – as Mediator is familiar with specific "lingua franca" of underlying technology, i.e., vernacular and basic "qualitative" technical concepts (though usually these aspects can be readily learned by any technically trained Mediator).
- Success rate? (useless metric, as mediations succeed/fail for many reasons outside control of Mediator)
- Mediation model used by Mediator
  - ✧ Interest-based (only one that makes sense for commercial disputes)
  - ✧ Transformational, etc.
  - ✧ Mediation style: Facilitative/Evaluative (this distinction, frequently made in academia, is nonsense as any commercial mediation has elements of both, and mediation process is dynamic often requiring Mediator to switch styles as need arises)

# Mediator Selection

## ➤ Selection Process:

- "Beauty Contest" – Counsel should interview Mediator candidates (by telephone, in person if possible); in sufficiently important matters; Client representatives who will participate in mediation should also interview candidates (to see if proper rapport/"chemistry", comfort and trust exists between Counsel and client representatives, and Mediator; etc.)
- Get references from each candidate and talk with them

# Co-mediation

➤ Very useful where:

- Issues in dispute and/or facts are complex and/or numerous
- Numerous parties



# Co-mediation

## ➤ Benefits:

- Splits mediation task between two Mediators (divided as Mediators see fit), thus simplifying effort of each mediator.
- Mediators consult and collaborate with each other; each can "check" the other.
- Allows each Mediator to focus on different aspect of mediation, e.g. one could be conducting session or talking to one party, other could view and assess parties and their reactions; Both Mediators could conduct simultaneous caucus sessions with parties, thus saving time for overall process.
- Could split required expertise between two Mediators, e.g., one might have required technical/substantive expertise; other might have extensive mediation expertise.

# Co-mediation

## ➤ Concerns:

- Added cost (more than 2X charge of each Mediator, as some inefficiency is also incurred due to caucuses between Mediators, etc.)
- Same mediation model followed by each, e.g., Interest-based?
- Psychological considerations:
  - ✧ Generally, is each Mediator comfortable working with another Mediator? Can particular Co-mediators work with each other? Do they have similar work regimen and process approach to mediation?
  - ✧ Personality clashes or other factors might exist which may impede particular Co-mediators from closely and effectively interacting with each other.
- May be difficult to find two proper Co-mediators; hence causing considerable delay.

# WIPO Arbitration and Mediation Center

- Established October 1994
- Purpose:
  - to provide services for the resolution of commercial disputes between private parties involving intellectual property (IP) and technology, through procedures other than court litigation (“ADR”)
- Background:
  - Internationalization of creation and use of IP (calling for cross-border solutions)
  - Technical and specialized nature of IP (calling for specific expertise of ‘neutral’)

# WIPO Center Experience: Mediation and Arbitration

- Statistics
  - ▶ 51 mediations
  - ▶ 57 arbitrations
  - ▶ Parties from 17 countries
    - Procedures in English, French and German
- Subject Matter
  - ▶ Contractual
    - Patent licenses, distribution agreements, R&D, joint ventures, software/IT, copyright collecting societies, trademark coexistence agreements, etc.
  - ▶ Patent infringement
    - Later submission

# Choosing a Mediator or Arbitrator (1)

- WIPO List of Mediators and Arbitrators
  - ▶ +1000 Mediators, Arbitrators and Experts
  - ▶ patents, trademarks, copyright, IT
  - ▶ industry expertise
  - ▶ detailed profiles
- WIPO Mediation:
  - ▶ mediator agreed by the parties, appointed by Center after consultation with parties Art. 6

## Choosing a Mediator or Arbitrator (2)

- WIPO Arbitration:
  - ▶ Number of arbitrators 1 or 3 (Art. 14)
  - ▶ Sole arbitrator:
    - ▶ Appointed jointly by parties (Art. 16).
    - ▶ If parties cannot agree: List Procedure (Art. 19).
  - ▶ Three arbitrators (Art. 17):
    - ▶ Claimant appoints an arbitrator in its Request for Arbitration
    - ▶ Respondent appoints an arbitrator in its Answer to the Request
    - ▶ Two party-appointed arbitrators appoint the presiding arbitrator
- **The Center is able to assist the parties to identify the best candidates for their dispute**

# Mediation Process

COMMENCEMENT



APPOINTMENT OF MEDIATOR



INITIAL CONFERENCE



MEETINGS



CONCLUSION

# Pete Michaelson's general mediation process

- **Premediation Activities**

- ▶ Preliminary teleconference with all counsel (discuss logistics, discuss process going forward – set up a separate “process” mediation, if necessary)
- ▶ Separate confidential pre-session teleconference w/each party and its counsel
- ▶ Targeted exchange of docs and very narrowly focused discovery (to extent necessary)
  - ▶ Remember: basic purpose of mediation is not to find truth, but to make a business deal; therefore very little discovery, if any, is required for mediation
- ▶ Mediation statements submitted to Mediator
  - ▶ Highly confidential, not exchanged to encourage candor
- ▶ Further separate telephone caucuses with each party and its counsel, as needed; Joint teleconference(s), if beneficial, etc.



# Pete Michaelson's general mediation process

- **Mediation session (joint session(s) and caucuses)**
  - ▶ Two days minimally are reserved
  - ▶ Opening joint session: presentations by business people first (may be first time business adversaries have met and/or discussed the dispute), Q&A of business people, lawyer presentations, Q&A of lawyers (no interruption rule)
- **Conclusion at session:**
  - ▶ If settlement reached, have Counsel prepare and sign term sheet before session concludes and parties and counsel leave (Counsel can draw up more formal agreement later)
  - ▶ If settlement not reached, schedule further sessions, etc. – be relentless until impasse or settlement reached
  - ▶ Report back to Court (Magistrate or ADR coordinator) merely to state that session was held and whether or not case was resolved, and other status info
- ▶ **Request Court's/Provider's assistance, if and as needed, throughout process**

## WIPO Mediation Example (1)

- Patent infringement dispute
  - R&D company holding patents disclosed patented invention to manufacturer during consulting contract.
  - No transfer or license of patent rights
  - Manufacturer started selling products which R&D company alleged included patented invention
  - Negotiation patent license failed
  - Parallel infringement proceedings in several jurisdictions?
- Parties submitted to WIPO Mediation

# Commencement and Appointment of the Mediator

COMMENCEMENT



APPOINTMENT OF  
MEDIATOR

- Request for mediation
  - ▶ Mechanics - Arts. 3-5
  - ▶ Administration fee - Art. 21
  - ▶ Statute of limitations
- Appointment of mediator
  - ▶ Parties or Center after consultation - Art 6

# Mediation Sessions

COMMENCEMENT



APPOINTMENT OF  
MEDIATOR



INITIAL CONFERENCE



MEETINGS

- Alternatives to settlement
  - ▶ Risk and cost of litigation
- Interests of the parties
  - ▶ Use of patented technology vs. further business
- Settlement options
  - ▶ Mutual interest in cooperation

# Conclusion of the Mediation



- Settlement agreement
  - ▶ Here:
    - ▶ license and agreement on further business relationship
    - ▶ Total duration: 4 months
    - ▶ mediator's fees: 24,000
  - ▶ Enforceable under contract law
    - ▶ But usually voluntary compliance
- Termination
  - ▶ Withdrawal by one or both parties after the first meeting
  - ▶ Decision of the mediator

- Party autonomy
- Flexibility
- Efficiency
- Rules on technical evidence
- Confidentiality provisions

Request for Arbitration



Answer to Request for Arbitration (30 days)



Appointment of Arbitrator(s)



Statement of Claim (30 days)



Statement of Defense (30 days)



Further Written Statements and Witness Statements



Hearings



Closure of Proceedings (9 months)



Final Award (3 months)

## Two exchanges of pleadings:

### 1) Short notice: Request

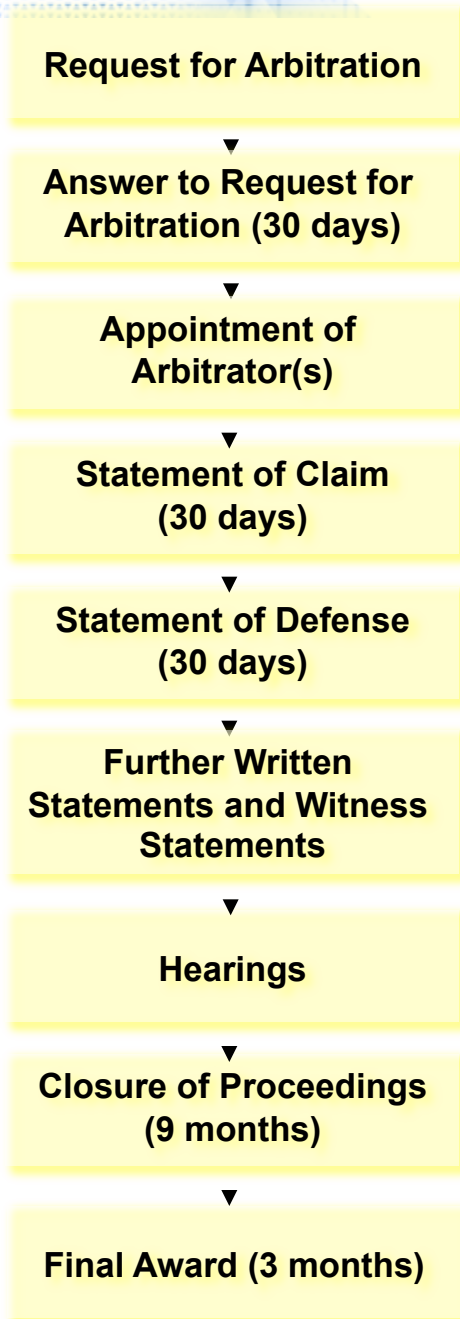
- “Testing the water”
- Statute of limitations
- Answer

### 2) Full Statement of Claim

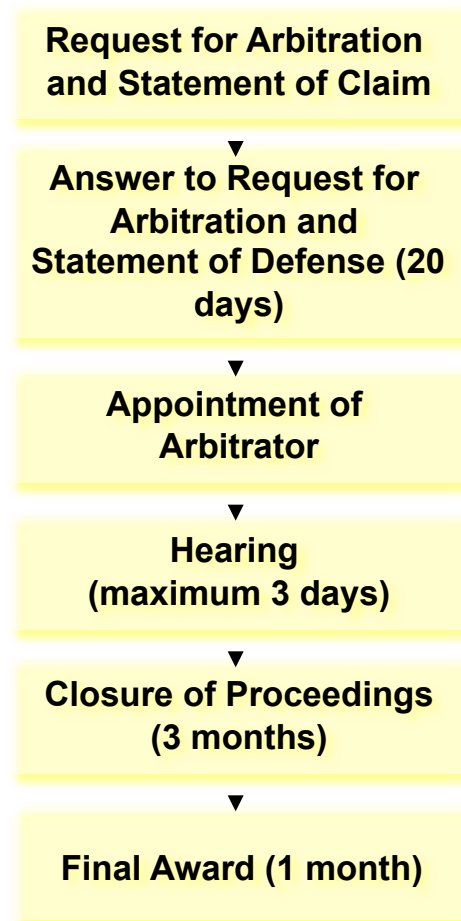
- After Tribunal appointment
- Statement of Defense



## WIPO ARBITRATION



## WIPO EXPEDITED ARBITRATION



- One exchange of pleadings
- Shorter time limits
- Sole arbitrator
- Shorter hearings
- Fixed arbitrator's fees

# WIPO Expedited Arbitration: Flexibility

- Example I
  - Both parties see urgency and agree on short deadlines
  - Only one issue in dispute
  - One day hearing
  - Final Award: 5 weeks
- Example II
  - Dispute involving European and 5 US patents
  - Turns out to involve highly complex legal and technical issues
  - Business secrets, models, site visits
  - Eight days hearing
  - Final Award: 15 months



# WIPO Arbitration Schedule of Fees

(All amounts are in United States dollars)

	Amount in dispute	Expedited Arbitration	Arbitration
<b>Registration Fee</b>	Any Amount	\$1,000	\$2,000
<b>Administration Fee *</b>	Up to \$2.5 M	\$1,000	\$2,000
	Over \$2.5 M and up to \$10 M	\$5,000	\$10,000
	Over \$10 M	\$ 5,000 +0.05% of amount over \$10 M up to a maximum fee of \$15,000	\$10,000 +0.05% of amount over \$10 M up to a maximum fee of \$25,000
<b>Arbitrator(s) Fees *</b>	Up to \$2.5 M	\$20,000 (fixed fee)	As agreed by the Center in consultation with the parties and the arbitrator(s)  Indicative rate(s) \$ 300 to \$ 600 per hour
	Over \$2.5 M and up to \$10 M	\$40,000 (fixed fee)	
	Over \$10 M	As agreed by the Center in consultation with the parties and the arbitrator	

# Information

- <http://www.wipo.int>
- [arbiter.mail@wipo.int](mailto:arbiter.mail@wipo.int)
- Mailing lists
  - ▶ <http://www.wipo.int/amc/en/subscribe/index.html>

# THANK YOU

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