

Prevention and Alternative Dispute Resolution of Intellectual Property Problems[©]



By Thomas D. Barton

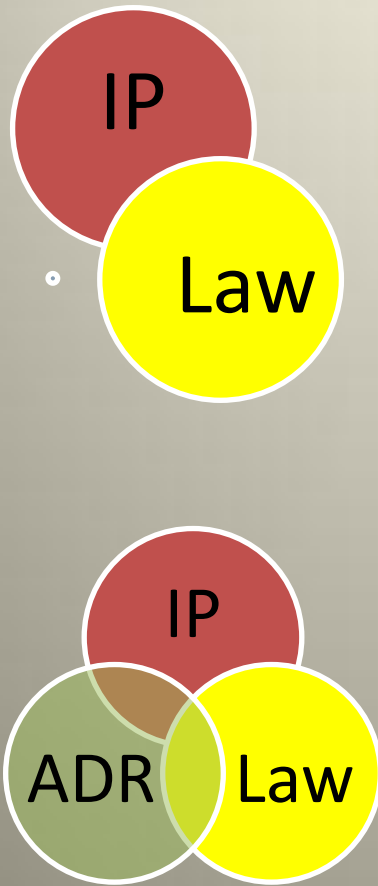
and



James M. Cooper

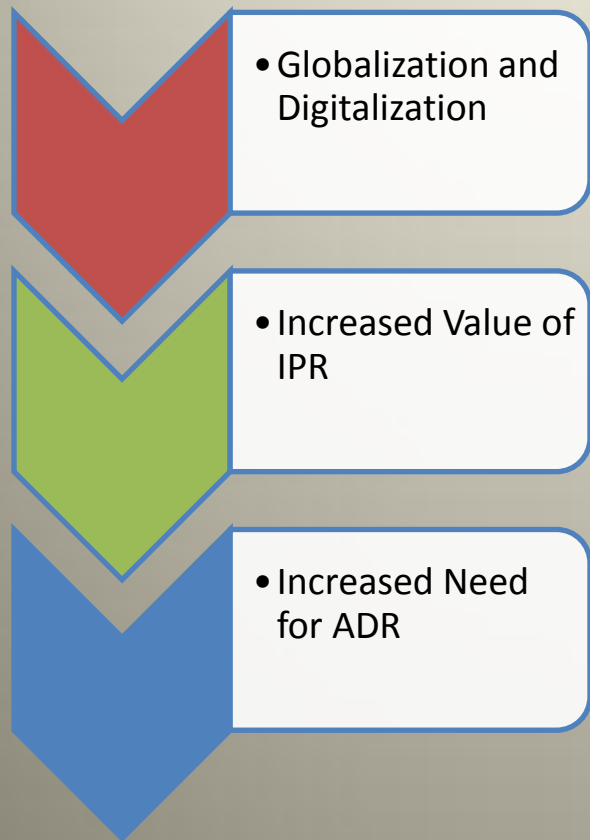
California Western School of Law,
San Diego, California

Road Map of this Presentation



- This presentation deals primarily with:
 - the intersection of Intellectual Property (IP) rights and law.
 - But instead of focusing on legal rights and the conventional legal procedures of litigation, we explore the potential use of various non-litigation alternatives (collectively called “Alternative Dispute Resolution” (ADR) methods) to prevent or resolve IP problems.

Road Map of this Presentation



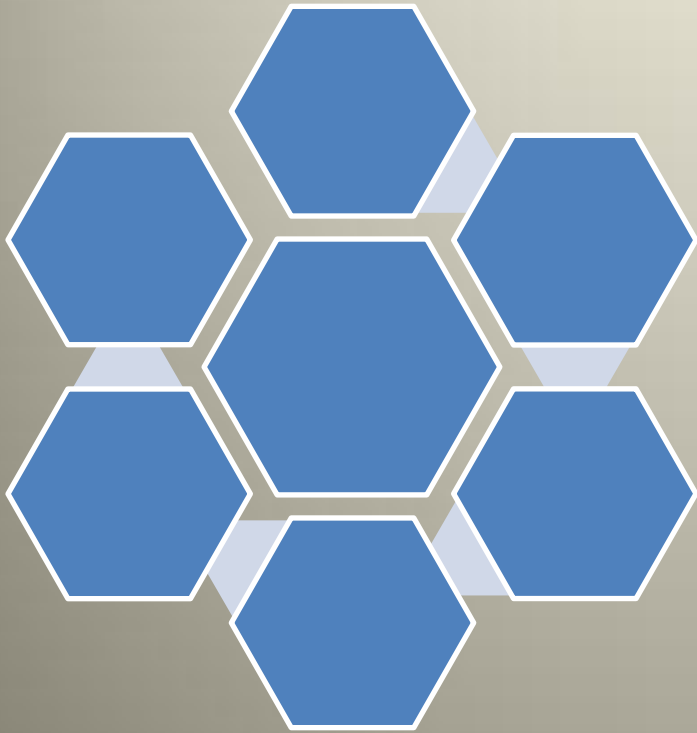
- Adding the ADR circle is increasingly important:
 - Because the globalization and digitization of the Information Age makes IP rights of special importance;
- BUT:**
- Those same global influences make traditional legal enforcement procedures more difficult and expensive.

ADR in Legal Systems



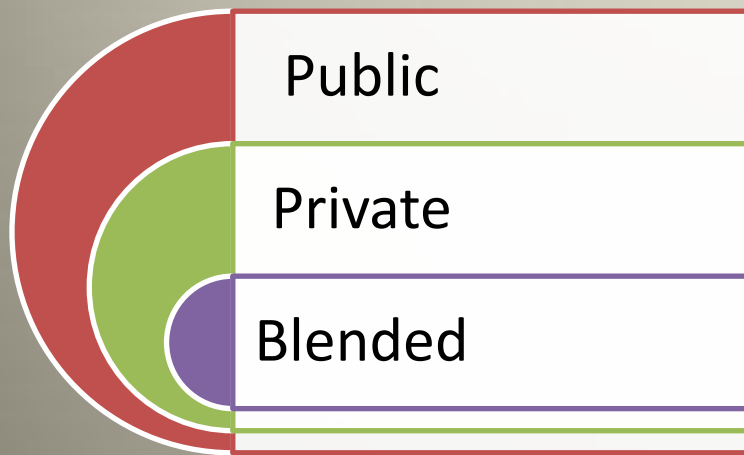
- The slides that follow describe ways that various ADR methods may supplement traditional litigation.
- Importantly, we are ***not*** saying that traditional legal procedures should be eliminated: litigation will always be vital for resolving ***some*** problems; just not for ***all*** problems.

Starting Assumptions



- The most efficient, accurate, and IPR-advancing system to deal with IP problems is one that makes available many different procedures.
- Designing a system containing a broad variety of methods increases the chances that the most appropriate procedure for a particular problem can be found, and used.

Starting Assumptions



- A full system to address IP problems could include:
 - **public alternatives**, like traditional courts, the ITC, or WTO methods;
 - **purely private alternatives**, as seen in the fast-growing use of privately-contracted mediation and arbitration;
 - and **blended public/private alternatives**, such as the WIPO-sponsored expert determination and other ADR methods that WIPO facilitates. The PTO and Copyright Office, or traditional courts, or specialty “problem solving” courts potentially may use a blended system.

Listing of Alternative Methods



- Possible ADR methods for IP problems thus include at least the following:

- 1. methods to **prevent the problem** in the first place;
- 2. **self-help efforts**, i.e., private discussion and negotiation between the parties to the dispute;

Listing of Alternative Methods

Prevention

Negotiation

ENE

Mediation

Online Settlement

Arbitration

Hybrid

Expert Determination

Court-Centered Settlement

Specialized IP Court

- 3. that failing, **consultation** by the parties with an advisor or “standing neutral;”
- 4. **early neutral evaluation** (“ENE”);
- 5. **mediation**;
- 6. **online settlement procedures**;
- 7. **arbitration**,

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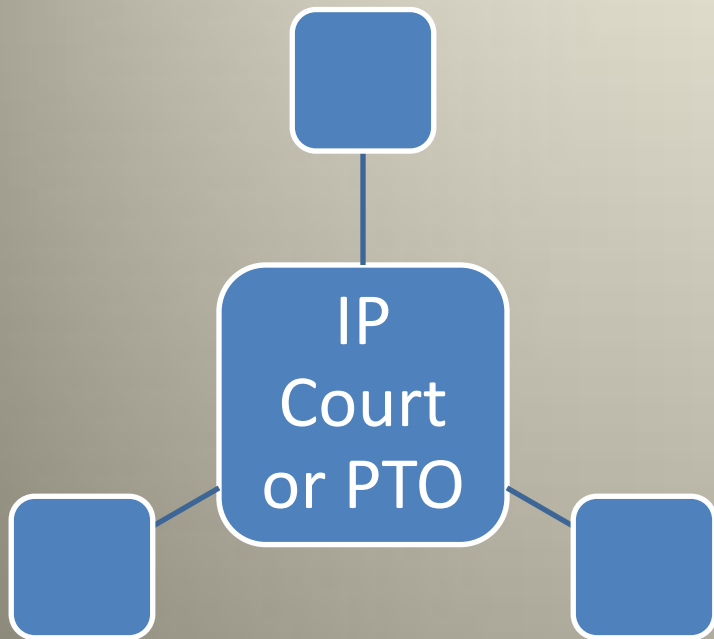
Expert Determination

Court-Centered Settlement

Specialized IP Court

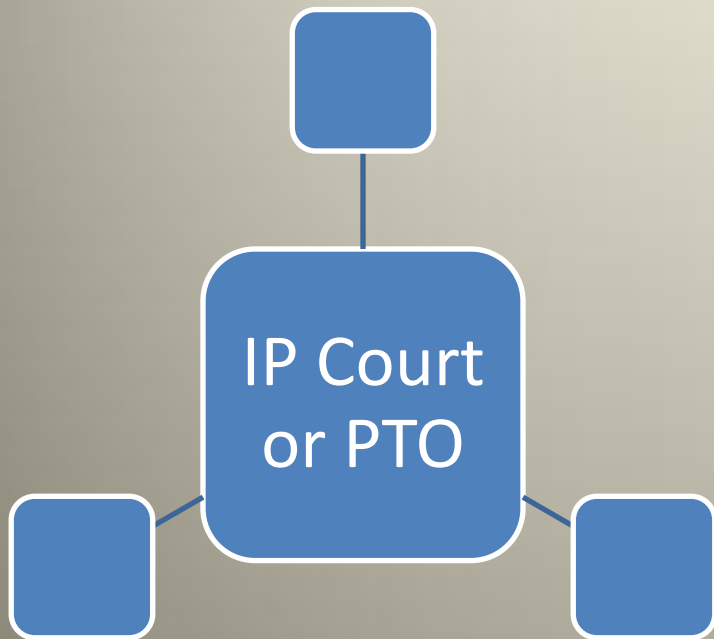
- 8. **hybrid methods** like mediation-arbitration (“med-arb”) or arbitration-mediation (“arb-med”) procedures;
- 9. **expert determination**;
- 10. **court-centered settlement** efforts; and
- 11. creation of **specialized courts for IP**

PTO as Possible Facilitator of ADR



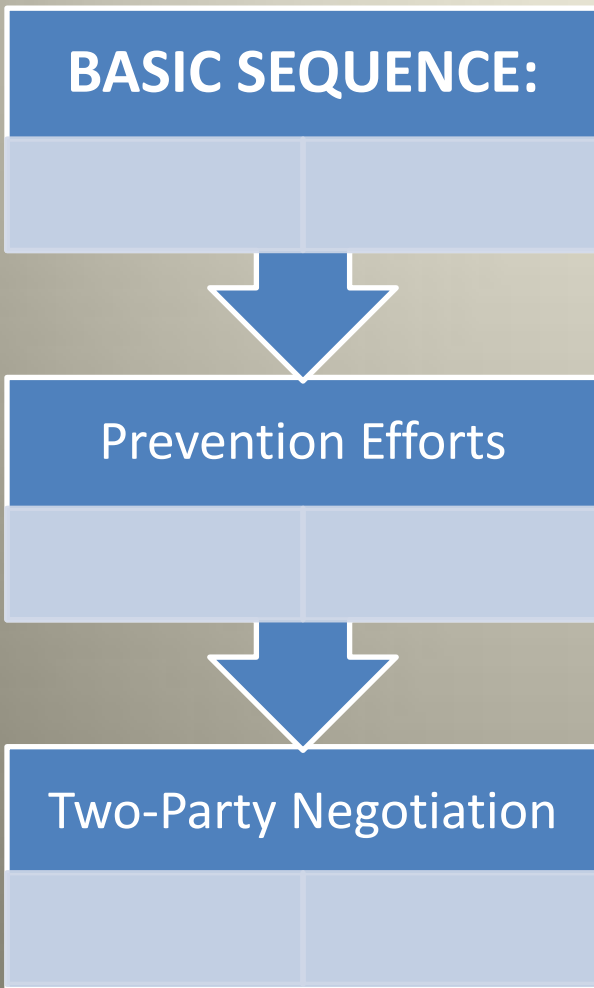
- Ideally, one could imagine a national government agency like the USPTO or IP specialty court acting as the hub and coordinator of this full variety of ADR methods.
 - For all of the alternative methods discussed below, we suggest how government bodies—either courts or a national IP agency—could possibly be involved to expand the use of the ADR method.

PTO as Possible Facilitator of ADR



- So as the slides unfold, consider how the hub agency or court might offer both counsel about, and access to, each such procedure and the experts who can help make the procedure effective.
- The key message is that ADR is not solely private—it can benefit from government initiatives.

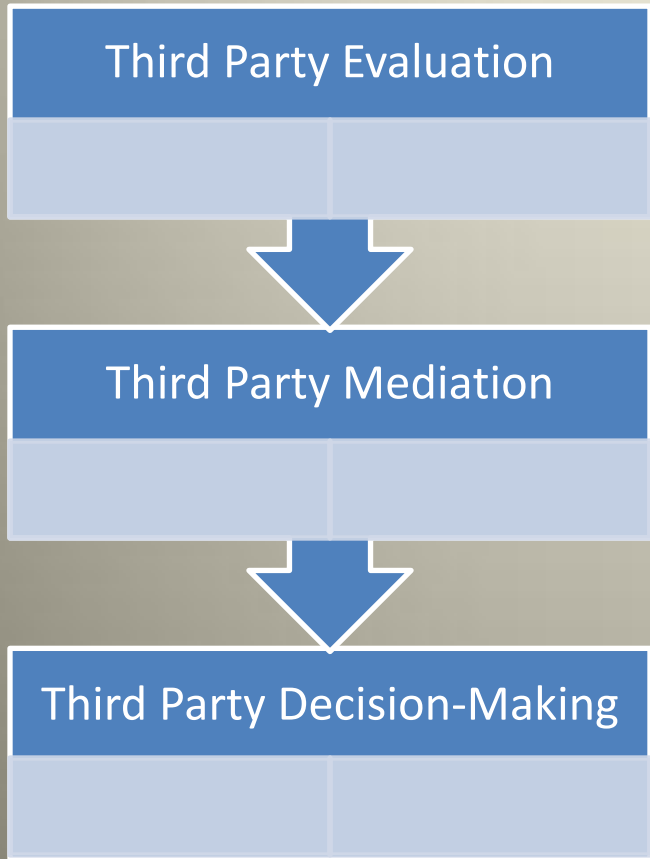
Basic Sequence of ADR



– Also as we move through these methods, keep in mind that they **are not mutually exclusive, but instead can basically be sequenced as follows:**

- ***First, attempt to prevent trouble from arising.***
- ***But, second, if a problem does occur, try to find good advice and begin private 2-party negotiations.***

Basic Sequence of ADR



- *Third, if those negotiations fail, add a third party to help facilitate the negotiations through offering evaluation or mediation.*
- *Fourth, if that fails empower a third party to decide the matter—through expert determination, arbitration, a specialty court, or traditional litigation.*

Prevention

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Specialized IP Court

- Once problems or disputes arise, the procedures for addressing those problems become more costly and risky.
- So it is important to pay attention to designing a system well, to enable people to know their rights and help avoid most problems.

1. Prevention: Information & Education

Prevention

Negotiation

ENE

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- First, note that the USPTO has already made a major start toward preventive education, and thus plays an important role in preventing IP problems:
 - Through its searchable databases of existing patents and trademarks so that people can avoid infringement;
 - and also through PTO website education about the nature of IP rights, application procedures, and enforcement.

1. Prevention: Information & Education



- As examples, especially helpful and accessible are:
 - the instructive and innovative “Trademark Information Network” videos on the USPTO website about trademark registration and application procedures; plus
 - the practically-oriented approach to presenting answers to “Frequently Asked Questions.”
- Specialty IP courts could adopt these same education efforts, through websites or pamphlets.

1. Prevention: Information & Education



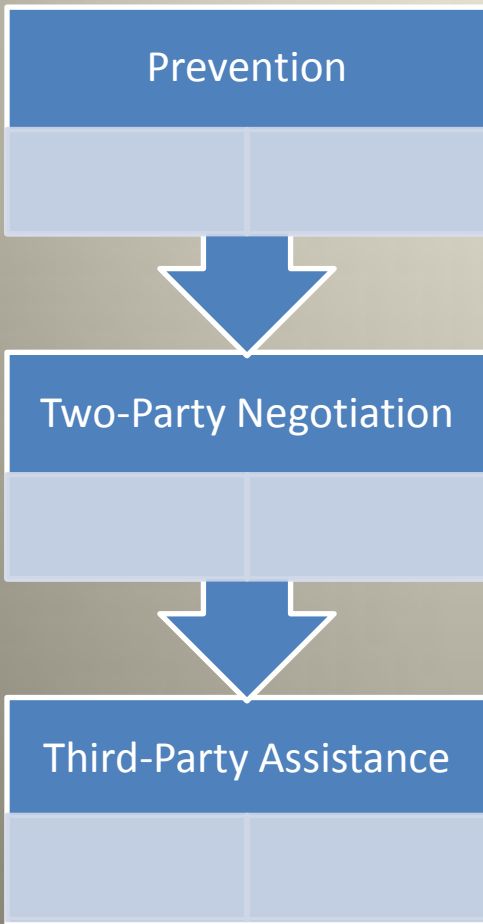
- But suppose that notwithstanding these preventive efforts, a dispute actually arises.
- What are the next ADR steps, and what could be the role of a coordinating office or court in each step?

2. Private Discussion & Negotiation



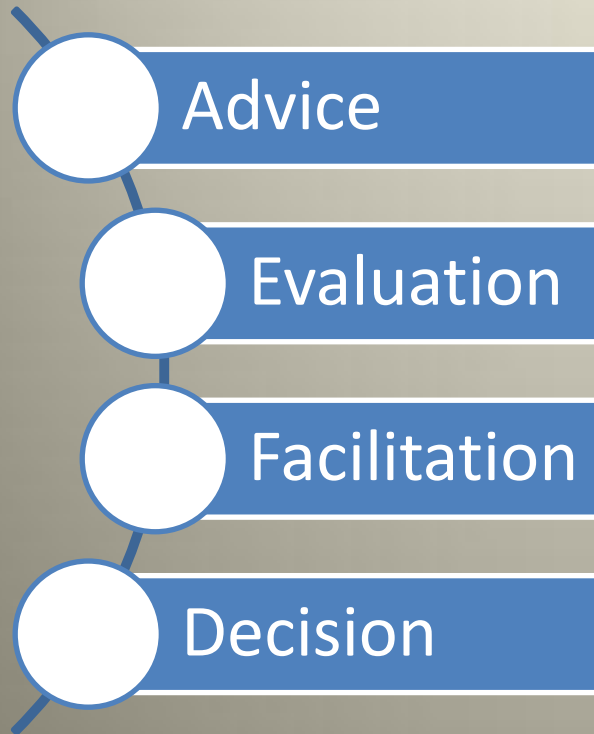
- This initial “self-help” step would be private discussion and/or negotiation between the parties—efforts at “two party resolution.”
- Neither the courts nor a PTO/Copyright Office would be directly involved in this step, apart from their role in helping to clarify IP rights and procedures—which in itself may lubricate private negotiation.

Involving Third Parties in Disputes



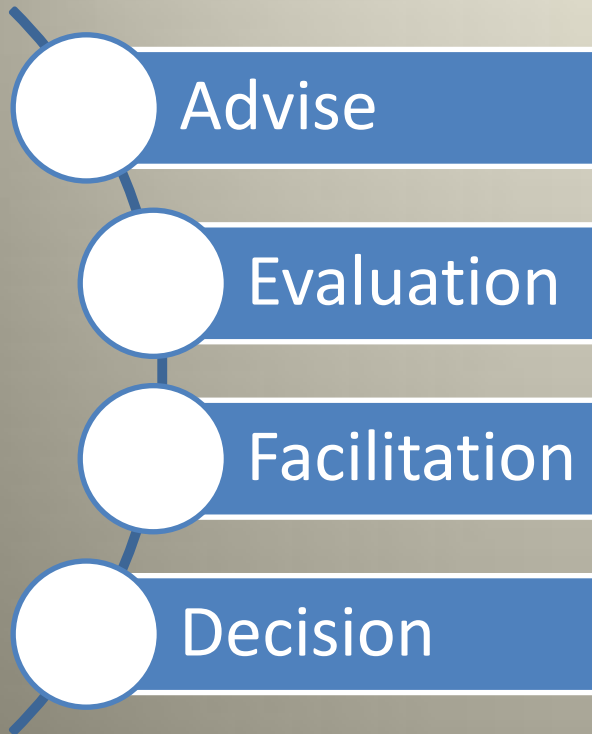
- But if self-help “two-party” efforts fail, what are some of the ways to involve a third party in addressing a dispute?
- Generally, a third party—an individual or organization-- can play any or all of the following roles in helping people resolve a dispute:

Involving Third Parties in Disputes



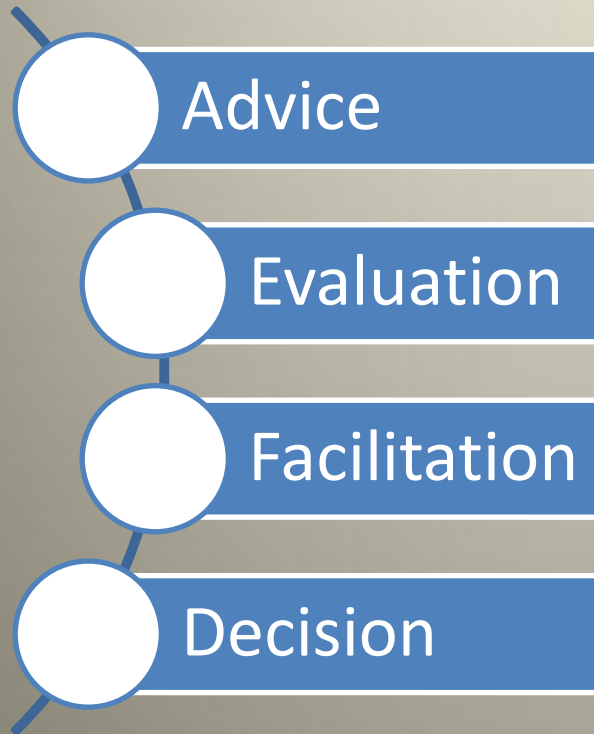
- 1. Offering ***advice*** to parties about either the substance of their problem or about how procedurally they might resolve it;
- 2. Offering an ***evaluation*** of the outcome of the problem, in the event that it were to be heard as a traditional law case decided by a judge or jury;

Involving Third Parties in Disputes



- 3. ***facilitating better communication*** between the disputing parties, thus augmenting self-help so they can find their own resolution and perhaps also improve their future interactions; and

Involving Third Parties in Disputes



- 4. ***deciding the matter***, i.e., making an expert determination, declaring an arbitral award, or pronouncing a traditional legal judgment.
- We shall keep these four functions in mind as we consider the various ADR mechanisms.

Seeking Counsel from an Advisor or “Standing Neutral”



- The *advisor* or “standing neutral” has historically been used in construction-industry projects.
- But the use of a standing neutral could be broadened to various IP settings, especially in complex multi-faceted licensing agreements or joint ventures in which the parties know they will have a series of unknowable contingencies.

Early Neutral Evaluation



- The “Early Neutral Evaluation” (“ENE”) mechanism has been used successfully for various legal problems, and may be especially well suited to IP problems.
- An ENE is as the phrase suggests: taking the dispute to a mutually agreed-upon expert for *evaluation* of the outcome (and likely cost) in the event the matter were to go to court.

Early Neutral Evaluation



- A classic ENE does not decide a dispute, nor does it directly facilitate talks between the parties.
- But an ENE does often stimulate better private negotiations between the parties:
 - wherever those private negotiations are being obstructed by one or both parties holding unrealistic visions of their prospects in court.

Early Neutral Evaluation



- Once people hear a realistic assessment from a disinterested, knowledgeable source, it may narrow the range of bargaining to create a band of overlap in which a mutually agreeable bargain may be struck.
- The key to a successful ENE is finding individuals with credibility and expertise.

Early Neutral Evaluation

- ENE as a process has been used effectively in some U.S. courts.
- The Northern District of California federal court, for example—within whose jurisdiction lay Silicon Valley—lays out ENE as one part of its broader ADR program.

Prevention

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Early Neutral Evaluation



- Its local rules even specify particular treatment for patent, copyright, and trademark cases.
- Statistics for use of ADR generally by this federal district court are striking, as appear in the next slide (note: the data are for all cases, not exclusively IP cases).

Early Neutral Evaluation



ADR Referrals, Northern District of California Federal Court

	2006	2007	2008	2009	2010	2011
Total Referred to an ADR Process	1494	1532	1519	1638	1549	1469
Arbitration	11 (>1%)	15 (>1%)	7 (>1%)	2 (>1%)	3 (>1%)	2 (<1%)
Early Neutral Evaluation	173 (12%)	188 (12%)	193 (13%)	201 (12%)	138 (9%)	133 (9%)
Mediation	566 (38%)	630 (41%)	661 (44%)	779 (48%)	716 (46%)	756 (51%)
Private ADR	306 (20%)	285 (19%)	311 (20%)	330 (20%)	296 (19%)	334 (23%)
Settlement Conference	438 (29%)	414 (27%)	347 (23%)	326 (20%)	396 (26%)	436 (30%)

Early Neutral Evaluation



- This N.D.Ca federal court is well located geographically for supplying expert technical evaluators.
- Note, however, that the PTO and Copyright Office would also seem well positioned on a national level to offer ENE as a first ADR mechanism:
 - people at these agencies have the technical expertise, and may well have the legal background, to be effective and credible as evaluators.
 - This would be an especially promising role for experienced IP lawyers who seek a semi-retirement position.

Mediation



- Mediation as a process is increasingly familiar. Indeed, some courts are making court-annexed mediation efforts a prerequisite of the parties being able to access the courts for traditional judicial determination.
- The U.S. Court of Appeals for the Federal Circuit, for example, mandates mediation efforts in many cases.
- The next slide shows the **success rate** of mediation in patent cases for 2013 in the Federal Circuit:

Mediation

United States Court of Appeals for the Federal Circuit

Circuit Mediation Office Statistics 2013 Calendar Year (January 1, 2013 through December 31, 2013)



Appeals settled: 31

- Patent: 31
- Non-patent: 0

Appeals not settled; mediation terminated: 40

- Patent: 40
- Non-patent: 0

Success rate - overall (of appeals selected for mediation): 44%

- Patent: 44%
- Non-patent: 0%

Mediation



- Some judges and magistrates in U.S. District (trial-level) Courts also report success in mediating IP disputes specifically.
- For example, according to the *Delaware Law Review* in 2004, “Most patent cases in the [federal] District of Delaware are referred to Magistrate Judge Mary Pat Thyng for mediation.”

Mediation



- “In the ten years starting January 1, 1993, Judge Thyng mediated 893 cases. ... Of 893 cases, 203 were patent matters. Of those 203 cases, 136.5 (67.2%) settled at or after the mediation.”
- After attorneys started becoming more accustomed to mediation, the success rate moved yet higher:
- “From January 2002 to January 9, 2003, Judge Thyng mediated fifty-eight cases Twenty of the fifty-eight were patent matters, and almost all of those settled (87.5%)”

Mediation



- Another Delaware federal magistrate has similar rates of success with fairly simple one-day mediation efforts via telephone conference. As Thomas Hitter describes:
 - “During a one-day mediation session, Magistrate Trostle encourages the parties to explore creative solutions and, at the very least, provides a framework for the parties to continue discussions in a non-adversarial atmosphere.”

Mediation



- “After this daylong session, the parties usually continue negotiations with Trostle via teleconference.”
- “While the procedure is not complicated, it is extremely successful. According to Magistrate Trostle, about sixty-five to seventy percent of patent cases are settled as a direct result of mediation.”

Mediation



- Mediation has the advantages of:
 - retaining party control;
 - flexibility of remedy;
 - speed of resolution;
 - confidentiality;
 - low cost;
 - and the possibility of maintaining or improving the parties' relationship

Mediation



- Notwithstanding these advantages, IP disputants have been somewhat slow to accept mediation.
 - In part this could be due to the highly complex fact patterns often involved, and the technical nature of some IP laws. Parties may be skeptical that a mediator can understand the problem and be effective.

Mediation



- But where mediators who are expert in IP have been made available to parties (as through WIPO), mediation appears to be more strongly accepted.
- Cultural barriers, however, may still limit the use of mediation.

Online Settlement Procedures



- Because of its potential for dramatically reduced costs, people have experimented for several years with possible online settlement methods to resolve legal problems.
- Those efforts have had mixed results.

Online Settlement Procedures



- Online dispute resolution is likely to work better with problems holding the following sorts of features:

- If **legally** and **factually**, they are relatively simple. This limits the scope of the needed inquiry and witness testimony;
- If the **remedy** is limited to a binary “valid/invalid” decision so that difficult money damages need not be calculated; and
- If **participation** in the process and **enforcement** of the remedy is assured, perhaps through contract or membership in an organization.

Online Settlement Procedures

- Online mediations have also been tried.
- One observer notes that online communications may be better suited for *evaluative* styles of mediation, rather than those that stress *facilitation* of stronger communication and relationship-building between the parties.



Arbitration



- Arbitration is also a common, well-known procedure, especially in international commercial dealings.
- Among the advantages of private arbitration for resolving IP matters are:
 - The arbitrator (or panel of arbitrators) can be selected for their subject matter expertise as well as their reputation for fairness;
 - The proceeding can be kept confidential, even as to whether an arbitration occurred;
 - The parties may select both the location of the proceeding and the law upon which it will be based; and

Arbitration



– the arbitral decision or “award” is authoritative, being reviewable in the courts only on very limited grounds and being enforceable world-wide through the New York Convention (ratified in most nations).

- *This last advantage is enormous: enforcing court judgments across national legal systems is often legally and politically problematic, as well as time-consuming and financially costly.*

Expert Determination (bypassing “Hybrid” in the interest of time)



- “Expert Determination” is a device formalized in WIPO.
- Its process is a simplified version of arbitration, relying on some online communications and an IP expert as third party decision-maker who can be chosen by the parties or supplied by WIPO.

Expert Determination



- Compared to arbitration, the WIPO Expert Determination is:

- a less “legally-structured” process; and
- especially well suited to narrower technical, scientific or business issues like the valuation of an IPR, or the breadth of a patent claim

Court-Centered Settlement Efforts

- “Court-Centered Settlement” methods have no special application to IPR, but are certainly available for use in IP disputes:
 1. The “mini-trial” in which lawyers for each side of a dispute make short adversarial arguments in front of all the assembled disputants.



Court-Centered Settlement Efforts

- In a mini-trial, there is no judge or jury, but a neutral party may be present to control the proceedings.
- The theory behind this ADR method is that one party may hear for the first time how the dispute is viewed *legally* by the other side. Having heard these arguments, the parties themselves may be more willing to negotiate a private solution.



Court-Centered Settlement Efforts

- 2. Court-ordered settlement conferences, in which a judge to whom a formal case has been assigned will require the lawyers (and perhaps the parties) to appear informally before the judge to discuss possible settlement.
- The judge may be strong in pressuring a resolution, or not. Even if a full settlement is not reached, some of the issues may be concluded.



Specialized IP Tribunals



- Embracing ADR methods into its procedures offers the opportunity to create not only a specialty jurisdiction court, but a procedural “problem solving” court akin to the now well-established state drug courts or domestic violence courts.

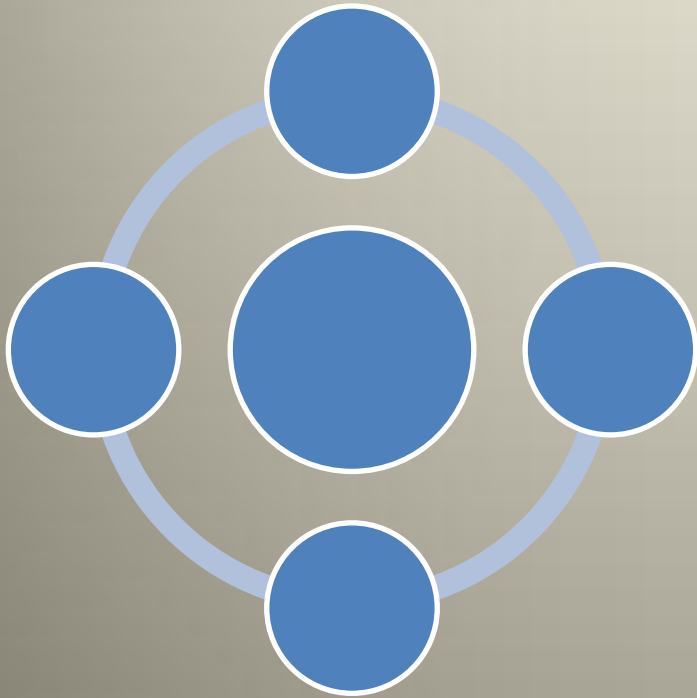
Specialized IP Tribunals



- A problem solving court model could possibly offer-- within a flexible structure-- some of the advantages that make ADR methods appealing:

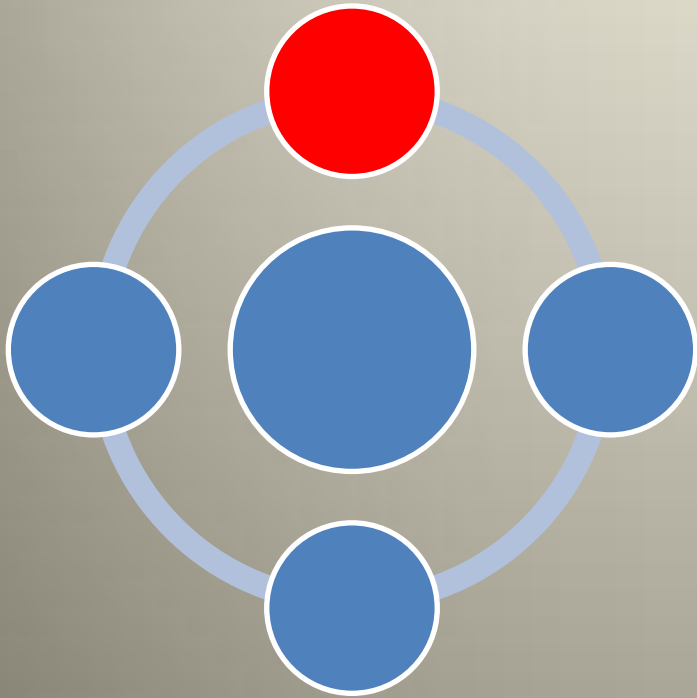
- stronger party participation and consent powers;
- flexibility of remedy beyond binary decisions;
- the potential for better future party relationships;
- and speedier decisions at less cost.

IP Procedures— Factors in Selection



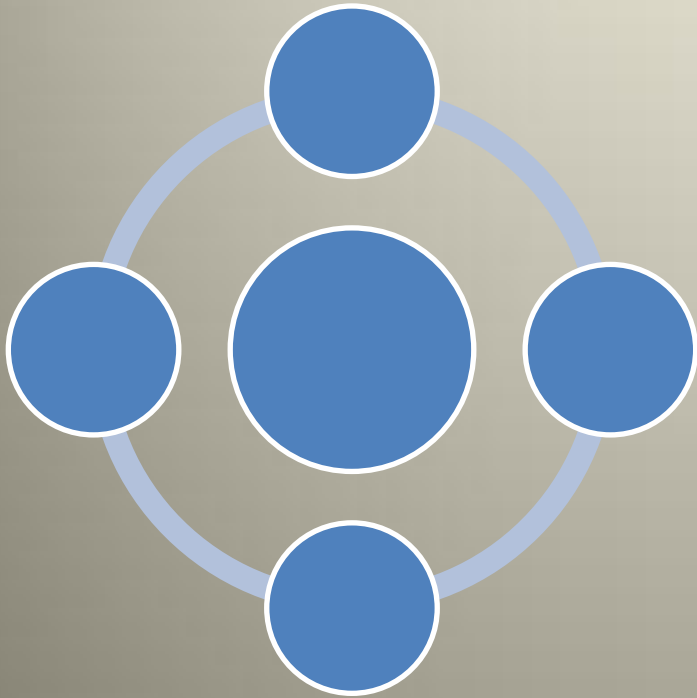
- Because of time constraints, the final section of this presentation is reduced to a single chart, summarizing some of the major factors that could lead to choosing one method of ADR over another.
- These factors are based on a variety of private strategies and public concerns.

IP Procedures— Factors in Selection



- No single factor is conclusive for recommending any particular ADR method; instead, several factors come into play in weighing any choice.
- Where a factor is particularly strong in suggesting the appropriateness of a given ADR method, however, that factor is highlighted in red.

IP Procedures— Factors in Selection



- Finally, one must remember that:
 - the methods are not mutually exclusive; and
 - they can be used in an escalating sequence, moving from methods fully within the control of the parties, toward methods that rely far more strongly on state power.

ADR apart from Arbitration	Binding Arbitration	Conventional Litigation	Newly Created Specialty Court
International Parties	International Parties		
Confidentiality	Confidentiality		
3 rd Party Expertise	3 rd Party Expertise		3 rd Party Expertise
Need for Speed			
Concern about Costs	Concern about Costs		
Relational Concerns	Relational Concerns		
Flexible Remedies	Flexible Remedies		Flexible Remedies
		Public Impact of Decision	Public Impact of Decision
		Limited Cooperation between parties	Limited Cooperation between parties
		If Discovery is Vital	If Discovery is Vital
		Interim Relief Needed	Interim Relief Needed