

Mediation of IP Disputes –Worth a Shot?

By Patricia Barclay

Introduction

Intellectual Property (IP) disputes have always struck me as being particularly suited for resolution by mediation. Indeed it was this that first attracted me into the mediation world as I was so dissatisfied with the more traditional methods, which I had found not only slow and expensive but lacking the tools and remedies to meet my client's needs. Nonetheless it seems that in spite of slowly growing interest, the number of this type of cases being referred to mediation remains low. In this essay I would like to explain why I believe opportunities are being missed here. In referring to IP I will be restricting my comments to patents, know-how and other types of technological disputes and deliberately will not be discussing trade mark disputes, which raise rather different issues and which are much more frequently the subjects of mediation.

What then are the advantages of mediating IP disputes?

- The disadvantages of the alternatives! A US patent case can easily cost \$5-10 million to litigate and remember IP rights are primarily national so you may be faced with further proceedings in other countries with the same party. Arbitration is usually cheaper but is still hardly a pastime for paupers and while it offers the possibility of some accelerated procedures it is still, like litigation, too slow. Business cannot live with these long periods of uncertainty as to its rights and potential liabilities. Lack of certainty means plans are put on hold and investments postponed even in areas beyond the disputed IP. Where patents are involved, the clock continues to tick all through the dispute. Further, the judge or arbiter may fail to grasp the true nature of the dispute, may decide the case on other grounds and of course is constrained in the remedies he can award, which may not address the situation in which the parties find themselves.
- As I have mentioned, IP rights are generally national and so one may be faced with fighting a battle on multiple fronts, although in reality this is not as common as one might expect as the costs are prohibitively high. However, mediation does offer the possibility of single forum resolution without all the

problems of differing rules in different places, the need to hire local counsel and the inevitable language and translation costs.

- It is extremely unusual for one side to be completely right and the other completely wrong and so compromise is not only commercially sensible but often the fairest solution.
- Although most courts can hold sensitive parts of a hearing in camera and seal the records from prying eyes, it is almost inevitable that information will get into the public domain that an organisation would prefer to keep private – in particular, the courts will not protect a party from mere embarrassment. Mediation and Arbitration offer greater security of confidentiality, while in mediation a party need not even reveal to the other party information that it would prefer to keep to itself.
- Many IP disputes evolve over time from a series of misunderstandings, changed plans and priorities, overlooked deviations from contract and general muddle before escalating into the dispute that goes to court. The final dispute may not even be the main problem between the parties. Mediation can avoid a pointless blame game and start from where the parties find themselves and what they want to do next rather than spending time and money trying to analyse how things came to be. There may indeed be cases where the parties are anxious to avoid any public knowledge that a dispute has arisen at all and mediation can accommodate this.
- IP can be licensed in very many ways and put to multiple uses. Technologically advanced organisations tend to have broad and complex interests so the opportunities for real world solutions can be much greater than in many other types of disputes. Only mediation really allows the parties to be imaginative in finding a solution that suits their particular circumstances.
- Most organisations working in a particular field will have some interests in common and would like to maintain at least some semblance of a relationship. An adversarial procedure spun out over months or years is likely to mean increased animosity and a hardening of positions, when in reality there will often be no real malice at the beginning. Many cases arise from misunderstandings or genuine differences of opinion. Bringing the parties together early in a process that encourages clarification and cooperation can avoid the animosity, increase understanding and open the way to a quicker healing of the relationship.

- A court decision in particular may set a precedent the parties would prefer to avoid. Depending on the jurisdiction, the court may chose to settle the case on a point of law that is not really of interest to the parties, who were really looking for the judge to rule on another aspect of the case.
- Even where a case is not totally resolved by mediation, it may still be worth trying, as it is likely that the parties will at least gain a greater understanding of the matter in dispute and the thinking of the other party. This may reduce animosity, narrow the issues to be resolved and encourage subsequent settlement.

What about the downsides of mediating IP disputes?

Mediation should never be considered a panacea. It is not appropriate for every type of case and will not always work. Amongst the downsides one might consider the following:

- Mediation is a private process between private parties and the outcome is a contract between the parties. It is not a declaration against the world so it cannot be used to declare a patent valid or infringed, for example. Often it will be sufficient to settle the current issue between a number of named parties but there will be times when a party wants a public declaration on perhaps validity or a point of law
- It is often said that IP cases are too complex for mediation. But surely a discussion between the parties, who know the matter intimately, assisted by a neutral facilitating that discussion is likely to be more relevant to a satisfactory resolution than leaving the matter to be explained second hand through lawyers to a judge or arbiter, who is highly unlikely to have a detailed understanding of the business at the core of the dispute. The complexity of the situation should make a creative solution easier to find. It would also be possible in a mediation to manage the dispute by breaking up the issues into different areas and even running parallel discussions on these different points.
- Sometimes the parties just will not cooperate. It is true that they cannot be forced to attend, although increasingly it is part of the dispute resolution clause of major contracts. So if the dispute is contractually based that may at least get the idea on the table. Even where a party does attend, however, they may refuse to become active in seeking a solution, although if they have

gone as far as getting to the venue most will agree to try and make the process work

- Another problem that is often cited is the difficulty in finding suitable mediators. While opinions differ on whether you need specialist mediators, in general, I do believe this is one area where you do need someone with IP knowledge who is antitrust aware, especially where there are international implications. Some knowledge of the sector may also be helpful. Obviously, this does limit your choice but the World Intellectual Property Organisation (WIPO) keeps a list of mediators with an interest in IP and can help you identify someone for your particular problem. They have a list of people who do trademarks on their website but there is another list that is not published of those able to undertake patent and related disputes. Another alternative, which I favour, is to use co-mediators. This allows you to have the best of both worlds in your choice of mediator and in general is I feel a better option for complex cases, where it can be very difficult for a single mediator to keep all the balls in the air. Given the amount of money at stake in IP cases and the huge costs of alternative forms of dispute resolution, to have a second mediator on board and so improve the settlement chance seems to me a very modest investment.
- A mediation agreement is not enforceable in the same way as a court judgement is in most jurisdictions, so one party may just ignore their obligations. This argument can be made of all mediation agreements. There is no reason to believe that IP agreements would be any more vulnerable than others, but this is always a risk

Conclusions

There are many cases that have international implications, are complex and costly to resolve and where at least one party is under time pressure, however, IP cases are unusual in that they will generally involve all three elements. They are also unusual in that in a goodly proportion of cases one of the parties is looking, at least initially, for some declaration of law or validity. Although while this may be their *position*, it is worth exploring whether the underlying *interest* needs must be met in that way. I have outlined some of the pros and cons for mediating this type of dispute above. It will be clear from these comments that I believe that in the majority of cases, it is worth trying to resolve the situation by mediation and that the difficulties are easily outweighed by the potential advantages. I think for me,

however, the clinching argument for trying mediation is that for most companies, which are embroiled in IP disputes, the IP forms the very basis of their company. Where something is so fundamental, it makes sense to try and keep control yourself of how that dispute is managed and resolved. Why leave it to strangers?

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About the Author: Patricia Barclay is a Lawyer and Mediator specialising in the life sciences and other innovative industries. She studied law at Edinburgh and Oxford Universities. After a number of years with Pfizer in the UK and US, she became General Counsel of Vernalis plc, a post that she subsequently held at the privately owned multinational Ferring Group and at Solvay Pharmaceuticals. As such, she has been involved in decision making at the highest level in very different organizations. She now has her own firm, Bonaccord, that specializes in supporting life science and other innovative industries. She also offers mediation and facilitation services and is currently co-chair of the IBA's Mediation Techniques Committee.

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