Paper prepared for Fordham University's Annual Conference on Intellectual Property Law and Policy – April 2006

The Resolution of IPR disputes in Asia: Litigation, Arbitration or Mediation?

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Introduction

In an increasingly competitive world, the ability of businesses to realise, protect and exploit their intellectual property is crucial. A vulnerable IP portfolio can undermine the growth and value of a business whereas a well protected IP portfolio is likely to have a positive affect on its market valuation. IP, or more particularly the way it is managed and protected, is becoming more and more important in the world of corporate finance. Patent protection for core products of a target company is a crucial consideration for an acquirer of its business. So too might be the IP licensing strategy of a business whose income is dependent on future royalty streams and which hopes to go public, or perhaps raise low cost secured debt on the basis of those future royalty streams.

There is now a huge global focus on IP and no more so than in Asia, one of the world's most dynamic regions with its increasing intra-regional economic activity and huge consumer and industrial markets. Indeed strong IPR regimes are increasingly recognised around the world as important factors for economic development and growth, promotion of investment and encouragement of innovation. But a strong IPR regime requires effective dispute resolution procedures and this paper looks at the role of mediation in that context.

Whilst the title of the session for which this paper has been prepared asks whether 'Litigation, Arbitration or Mediation' is appropriate for the resolution of IP disputes, as an independent mediator with a practice focused on IP disputes, the more interesting and, it seems to me, important question is this – do parties, when it comes to the resolution of their IP disputes, prefer an adjudicative procedure i.e. a third party to determine the dispute, be it by way of a private tribunal (arbitration) or state run courts (litigation), or do they prefer to try and resolve their dispute themselves by way of an assisted negotiation (mediation)?

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Mediation – second class justice?

Sceptics often refer disparagingly to mediation as second class justice or compromised justice, or worse!. But I think they are missing the point, as gratifying as it might be to have the process of mediation elevated to such lofty heights such that it can be compared, unfavourably or otherwise, to 'justice'. For the process of mediation couldn't be further removed from 'justice'. Yes, it often takes place under the eye of the law or in the shadow of the law, but nothing much of the process resembles anything like the procedures that categorise a justice system at work. For one thing I, as a mediator, do not make a decision. I have no power to 'order' parties to do anything at all. And, significantly in terms of differentiators, I work for much of the time in secret. Parties share information with me, not just about their own position but that of their adversary, that will never see the light of day. An adjudicative process simply doesn't work in this way. Each party must hear and be given an opportunity to respond to submissions made by their opponents to a judge or arbitrator.

So, mediation is fundamentally different to the adjudicative processes of litigation and arbitration but there is no reason why mediation shouldn't work in parallel with an adjudicative procedure; until final adjudication, they are not mutually exclusive. In fact in the majority of IP cases that I mediate, litigation has already been commenced and the process of mediation is used as an adjunct to that litigation. I say litigation, because in many of the IP cases in which I am appointed, there is no contractual relationship between the parties. Therefore there can be no question of an arbitration agreement requiring the parties to arbitrate rather than litigate. Of course, once a dispute has arisen parties can enter into an agreement to arbitrate, but in infringement cases this is rare, particularly if immediate injunctive relief is sought, other parties may need to be joined or questions of validity are likely to arise. Even if there is a pre-existing contractual relationship between the parties, such as between licensor and licensee, or between competitors setting up a joint venture to exploit their respective IP portfolios, it does not follow that the parties will have agreed to arbitrate, as opposed to litigate, future disputes. However, where confidentiality is important, such as in know-how related agreements, it is indeed usual for the parties to provide for arbitration in place of litigation. In fact when it comes to legislating in contractual arrangements for future conflict, it is becoming more and more common to find mediation clauses, followed by, in the hierarchy of contractual dispute escalation provisions (absent a resolution of course), either arbitration or litigation.

Adjudication or mediation?

The answer to this question depends on what it is you are trying to achieve. I would suggest that in the vast majority of IP cases, claimants can get what they

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need through mediation, and without running the risks of an adverse final determination by a judge or arbitrator.

Generally, a claimant will want the infringement stopped. Yes, it may well be in the public interest for their to be a judicial decision on the validity or scope of a particular IP right. Yes, a thorough examination of the merits of a dispute followed by a reasoned decision (in the claimant's favour of course) maybe a welcome outcome. But usually a claimant just wants the infringement to stop, or a payment to be made in return for allowing the defendant to continue what would otherwise be an infringement. And a claimant usually wants to achieve this outcome speedily, inexpensively, with as little waste of management time as possible and, importantly, with the minimum of risk to either itself or its IP in terms of uncertainty of outcome. For these reasons, I believe that IP disputes are eminently suitable for mediation.

High stakes, limited outcomes

Usually IPR owners who pursue alleged infringers through litigation to final judgment, face one of two results – they prove infringement and the defendant is prevented, permanently, from carrying on the infringing activity. Or, because the defendant has, in response to being sued, challenged the validity of the IP right in question and succeeded, the claimant's rights are invalidated or narrowed thus enabling the defendant and, importantly, anyone else, to carry on the activity sought to be prohibited. Yet, so often, there is a whole spectrum of other outcomes that can be achieved by a negotiated settlement, either by simple negotiation or mediation, which are far beyond the outcomes achievable in an adjudicatory process and which achieve the primary aim of the IPR owner, (and perhaps more).

For instance, could a judge order a licence to be granted in return for a market rate royalty? Could a judge order that a co-existence agreement be entered into between owners of similar marks specifying, for instance, the kind of material or manufacturing process each is permitted to use on goods bearing the marks in question? Could an order be made providing for a cross-licensing arrangement between the disputants? Or for products of the defendant to be changed slightly in return for some small payment by the claimant? Or, in return for contractual undertakings not to carry on the allegedly infringing activity, that a defendant assists a claimant in some way, perhaps by the continued running of an allegedly infringing (but successful) website to the mutual benefit of both parties. The answer is 'No' to all of the above, yet these are the kinds of solutions that are negotiated everyday in IP related mediation, solutions that are reached quicker and less expensively than any judgment from a court could be obtained, and which avoid the risks inherent in any adjudicative procedure.

Another advantage a mediated solution enjoys over an adjudication is in terms of scope of matters resolved. Frequently competitors bump into one another in

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more than one jurisdiction and often IP litigation becomes multi-jurisdictional. I have mediated disputes where there have been trade mark registry opposition and validity proceedings as well as court proceedings in several jurisdictions. In one dispute, we drew up a frighteningly long schedule of all the various proceedings ongoing in relation to the same mark. I only had to ask how much it would cost to fight on all these diverse fronts and gently enquire as to the risks of inconsistent findings, for the parties to embrace the process of mediation and work hard towards finding a negotiated solution. As it did in this case, mediation can resolve, in one global agreement, all extant proceedings, something a judge simply couldn't do. In short, the parties can achieve, by working together and keeping control of their own dispute, a much higher quality outcome than would be available from the courts.

So why not just negotiate?

If, in the majority of cases, it is preferable for the parties to do something other than ask a third party to decide their case, why don't they just negotiate rather than appoint a mediator? Well, not surprisingly, there are several good reasons.

First, a mediator can help break down the barriers that have been built up and which continue to increase in height and number as a result of adversarial proceedings. For legal proceedings tend to encourage parties to put their respective cases at their highest; there are no shades of grey. Claims are made and are met with absolute denial. The parties become more and more polarised with each letter seeking to advance one party's case, whilst seeking to destroy the opposing case. Often, in simple negotiation, a party will hear just enough of what the other side says about its own case to be able to shoot it down in flames. The skilled mediator can urge parties to actively listen, not just 'hear'. A mediator can encourage effective dialogue, courageous conversations and help understanding. This does not mean 'splitting the difference', 'carving it up', doing a deal regardless of cost or the parties losing control. Quite the contrary. It means helping the parties to effectively communicate with one another. If that means helping a defendant understand that there is little room for a claimant to compromise, so be it. There is not always a win-win outcome. But usually those on the 'lose' side of the equation will begin to appreciate during a mediation that a mediated solution is likely to be far less destructive than an adverse judgment from the courts.

Secondly, in a mediation, ideas can be floated by the mediator that a party might not want to raise itself. This might be out of fear of ridicule, fear of giving rise to a perception of weakness or fear of being unnecessarily inflammatory. For instance, in a recent breach of confidence case I mediated, the key to resolution lay in the resignation of a board member. That in fact suited all parties but it was not an idea that would have easily, if ever, seen the light of day had it not been for the process of mediation. Moreover, it is sometimes the case that an idea explained by a mediator has a greater chance of survival than if the very same

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idea was articulated by an opposing party. An alleged infringer wanting to enter into a manufacturing arrangement with a claimant IPR owner may be something best explored by the mediator first, in private with the claimant!

Thirdly, and closely aligned with the preceding point, mediators can help with option generation. Licence arrangements, revenue sharing, payment for stock to be destroyed, face saving climb-downs, press releases etc. When parties are in litigation, they tend to think about rights based remedies. Often they dismiss other ideas they might have on the basis that the other side would never go for it. They are often wrong!

Fourthly, often in bi-lateral negotiation, given the sometimes high level of distrust and animosity that can exist between parties, as soon as a sticky patch is reached, the parties pack up and fall back on the process of litigation. A mediator can build traction, trust in the process and, ultimately trust between the parties such that they both work through the difficult times. Often, when discussions on one element of a deal have stalled, I will suggest work on other elements. A breakthrough in one area often leads to a breakthrough on previously insoluble issues. A mediator can help mould the process of negotiation so as to give the parties the best possible chance of reaching an overall settlement.

There are several other advantages mediation enjoys over simple negotiation but one that I think is becoming more and more important lies in the efficiency of the process, and therefore its relative cost. Mediation is a highly efficient form of negotiation. Principals, their negotiating teams, advisors and experts can spend a day or two together, brainstorming. Everyone is present that is needed for a decision to be made. Offers can be made, dismissed, counter-offers put forward, deals struck and the fine detail worked out all in the space of 24 or 48 hours. I have had parties tell me that the ground covered in a mediation could have taken months in traditional negotiation. And if a settlement isn't going to be possible, it is probably better to find that out sooner (at a mediation) rather than later.

Mediation and its limitations

There are very few situations where mediation would not be appropriate. If a claimant knows that any settlement simply won't be adhered to there is little point in bothering to mediate. If it is important to establish a legal precedent or pursue a defendant to judgment by way of a deterrent, then again mediation may not be the right way to proceed. But the overwhelming majority of disputes, particularly IP disputes, are well suited to mediation, offering less expensive, speedier and more creative solutions than the alternatives.

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April 2006

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