Resolving Patent Disputes through Mediation and WIPO – *Less Risk, Less Cost, Better Results*

Peter L. Michaelson, Esq.

Michaelson and Associates
Red Bank, New Jersey

Peter L. Michaelson, Esq.

- Intellectual property practitioner for 25+ years (since 1979)
  - IP practice heavily emphasizes patent matters involving electronics and software, and mechanical technologies
  - 1984 to present -- Michaelson and Associates; 1982-1984 -- Patent Atty., Pennie and Edmonds; 1979-1982 -- Member Legal and Patent Staff, Bell Telephone Laboratories (now Lucent)
- Arbitrate/mediate IT/IP/technology and other disputes for 13+ years (since 1991)
  - Member of WIPO, CPR, AAA, NAF, ICC and LCIA and various other US and foreign mediation and arbitration panels for IP/IT/commercial and other matters
  - Member of WIPO, CPR, NAF and ADNDRC (Asian Domain Name Dispute Resolution Centre) ICANN arbitration panels for domain name disputes
- Fellow and Chartered Arbitrator, Chartered Institute of Arbitrators (UK)
- Accredited Mediator – Centre for Effective Dispute Resolution (CEDR) (UK)
- Mediator/arbitrator for USDC EDNY and mediator for NJ Sup. Ct.
- Court-appointed expert in patent law for USDC DNJ
- For detailed CV, see www.mandw.com/mich.html

Characteristics of US Patent Litigation

- High stakes
  (damages frequently run into US $ 10s -100s Millions+)
- Inordinately expensive legal fees (approx. US $ 1.5-2.5 M/patent/side)
- Time consuming (measured in years to final decision)
- Exceedingly complex and arcane subject matter -- technology
  (often involves making very fine distinctions: (a) regarding meaning and extent of technical teachings in the "prior art" for claim interpretation and validity (novelty and obviousness) analyses; and (b) between claims and accused infringing article to determine extent of infringement)
- Lack of requisite technical knowledge of decision maker
  (often judge and certainly jury)
- Protracted, exhaustive, highly intrusive and disruptive discovery
  under F.R.C.P. and F. R. Evid.
- Public (press routinely publishes news of patent verdicts/awards)
- Polarizing (destroys on-going/potential business relationships)
- Distributional result that solely addresses parties' legal positions; not their underlying interests/needs => all parties are usually dissatisfied with overall results

Patent Mediation/Arbitration/Litigation Characteristics

- Fundamental Goal:
  - Mediation: Find a business solution that meets interests/needs of the disputants through joint problem-solving
  - Arbitration and Litigation: Submit dispute to a third-party decision-maker to find the truth and decide among conflicting legal positions

- Transaction Cost:
  - Mediation: Low (<5% of cost of patent litigation, often much less; mediation carries approx 80% success rate across all substantive areas, patent disputes are no exception)
  - Arbitration: Moderate
    (depends on complexity of arbitral process used, but generally still much less than litigation)
  - Litigation: Inordinate (C = (US $ 1.5-2.5M) •N) per side); most is spent during discovery

Patent Mediation/Arbitration/Litigation Characteristics (cont.)

- Speed of Process:
  - Mediation: Relatively quick

    (Usually a few months, if not less, start to finish)
  - Arbitration: Moderate
  - Litigation: Lethargic (years)

- Result:
  - Mediation: 80% probability of successful negotiated settlement that meets parties' interests/needs
  - Arbitration and Litigation: Imposed distributional award

- Appeal:
  - Mediation: N/A
  - Arbitration: No

    (Some rules sets provide appeal procedure, parties need to expressly and contractually agree to its use; absent that, grounds of vacatur under FAA are very limited and Courts are very reluctant to vacate arbitration awards; the lack of appeal is a main factor that inhibits acceptance of arbitration in patent litigation)
  - Litigation: Yes

    (To CAFC and US Sup. Ct., though latter is very reluctant to grant cert in patent cases; therefore, for all intents and purposes, CAFC usually has final word in patent matters)

Patent Mediation/Arbitration/Litigation Characteristics (cont.)

- How invoked and when:
  - Mediation and Arbitration: By contract

    (Mediation is best started before any discovery begins since disputants will not have "invested" in the process and thus each will be significantly motivated by prospect of significant transaction cost savings; Include well-thought out ADR process in initial agreement between parties, e.g. license, supply, joint venture, partnering, technology sharing, etc. -- far easier to agree on "divorce" provision then than later)
  - Litigation: Complaint filed in USDC

    (Frequently preceded by a "warning" letter from counsel to provide notice for "willfulness")
- Discovery:
  - Mediation: Typically highly focused information exchange

    (Agreed to information exchange with very targeted requests – sufficient for each disputant to reasonably assess business risk to both sides; not search for truth; negligible disruption; pre-mediation depositions are very rare – assuming mediation occurs prior to commencement of discovery in litigation)
  - Arbitration: Targeted discovery

    (Arbitrators typically exercise firm control over discovery; typically document exchange, though depositions can occur but are usually very limited)
  - Litigation: Extensive discovery

    ("Fishing expedition"; patent litigations can produce millions of pages of documents; discovery in large patent case can cost upwards of $ 100K-300K+ in legal fees per disputant/ per month and causes considerable disruption, intrusion and distraction to disputants – additional "soft" costs)

Patent Mediation/Arbitration/Litigation Characteristics (cont.)

- Process and result confidentiality:
  - Mediation and arbitration: Yes, as to both

    (Parties can decide what information to release, how and when, e.g., through an agreed joint press release)
  - Litigation: Confidentiality is very problematic

    (Trials are public. Patent trials, particularly due to the size of their awards/potential awards, often beget significant media attention.
    Confidential documents and other info will be revealed through discovery to other side, though access can be limited, e.g., "attorney eyes only" – significant risk still exists that materials may be inadvertently disclosed outside of scope of "protective order" to those who should not receive it; stipulated settlements and/or confidential documents contained in pleadings/correspondence with Court can be held by Court under "seal".)
- Quality of neutral and how chosen:
  - Mediation and Arbitration: High, parties appoint

    (Parties generally select neutral with requisite substantive expertise. Potential for "knucklehead" neutral in sole-panelist arbitration can present considerable risk if no appeal process is used.)
  - Litigation: Problematic quality, Random selection

    (Legal quality of Federal Judge is often very high though degree of technical expertise is low/non-existent. Quality of jury is highly suspect and its technical competence is non-existent. Poor decision by judge/jury may be rectified through appeal.)

Patent Mediation/Arbitration/Litigation Characteristics (cont.)

- Suitability to Domestic Patent Disputes:
  - Mediation and Arbitration: Yes – ideally suited

    (Provided parties select proper neutral)
  - Litigation: Problematic

    (Federal Courts have recognized that complex litigation can be better handled through ADR -- patent cases are no exception; Courts are very amenable to parties taking initiative and suggesting ADR process and neutral; Court annexed mediation programs are becoming increasingly common in Federal District Courts – with patent cases often diverted to mediation, though quality of court mediators and/or those on Court's list is quite variable)

- Suitability to International Patent Disputes:
  - Mediation and Arbitration: Yes -- ideally suited

    (Extent of process is determined by parties' ADR provision; arbitration awards are enforceable under New York Convention; excellent administering organizations exist, e.g., WIPO; foreign entities generally know and are comfortable with arbitration for resolving international disputes)
  - Litigation: Not suited at all

    (Jurisdiction over foreign entities is highly problematic; most foreign entities are very uncomfortable with US litigation and particularly exhaustive and expensive US style discovery)

Patent Mediation/Arbitration/Litigation Characteristics (cont.)

- Overall Risk to Parties:
  - Mediation: VERY LOW
  - Arbitration: MODERATE

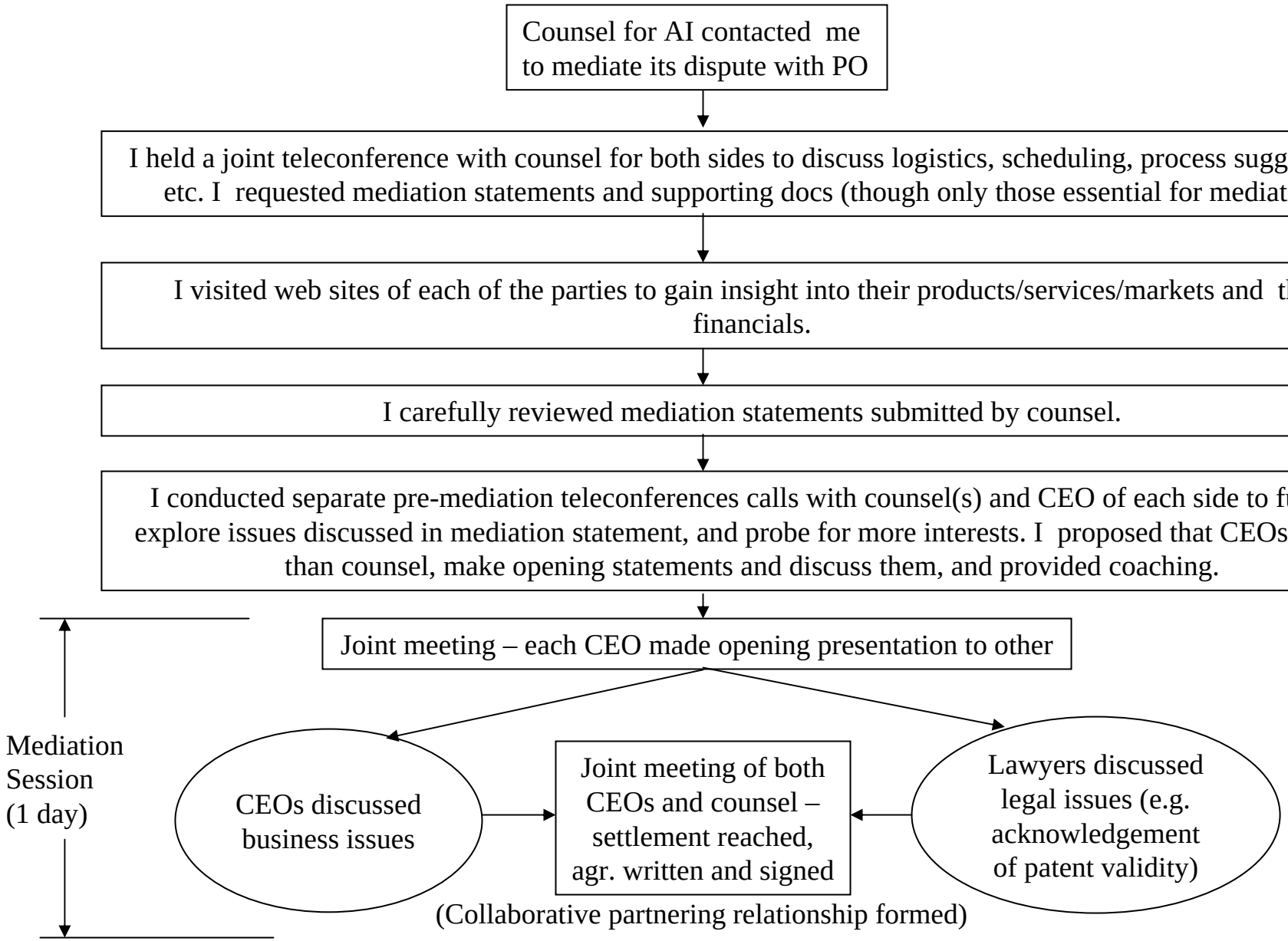
  (Counterbalanced by finality, but must choose proper neutral(s))
  - Litigation: VERY HIGH

- Overall Satisfaction of Parties:
  - Mediation: VERY HIGH

  (Settlement effectuates business interests/needs; even where mediation itself fails, settlement often occurs shortly thereafter based on info parties learned during mediation)
  - Arbitration: HIGH

  (As long as each party feels that it has been accorded proper due process; i.e. full, fair and complete opportunity to be heard; and process used correctly)
  - Litigation: VERY LOW

Case study: PO v. AI patent mediation – Basic Process used



Case study: PO v. AI patent mediation – Interest Table

Item	Patent Owner (PO)	Alleged Infringer (AI)
Damages	Wants no monetary damages from AI	Wants to pay no monetary damages to PO
Injunction	Wants permanent injunction v. AI such that AI will not use PO's patented technology in PDAs	Agreement from PO that AI's continued use of its technology will not conflict with PO's patents. AI had ceased making devices that would possibly infringe PO's patents and wants to exit that business
Public Statement	Wants public statement directed to 3rd parties that PO will enforce its patents against all infringers	Wants joint statement that matter has been resolved and that parties are entering into a "solution based alliance"
Future Relationship	AI is not "kind of company" with which PO wants to collaborate but will do so only if a "damn good reason to do so" exists	Would like to see some type of collaborative relationship, AI thinks its technology, products and market might be of interest to PO as PO continues to evolve its PDA technology
Explanation	Wants explanation as to why AI did what it did to PO	Wants explanation as to why PO did what it did to AI
Each Party's Perception of other	Each party felt that the other did not act within norms of reasonable business conduct	
My view of parties	Parties are in complementary and non-competitive markets and might benefit from collaborative dealings of some sort	

The Experience of the WIPO Arbitration and Mediation Center

WIPO Arbitration and Mediation Center

- Established in 1995 as part of the World Intellectual Property Organization (WIPO)
  - WIPO is a specialized agency of the United Nations

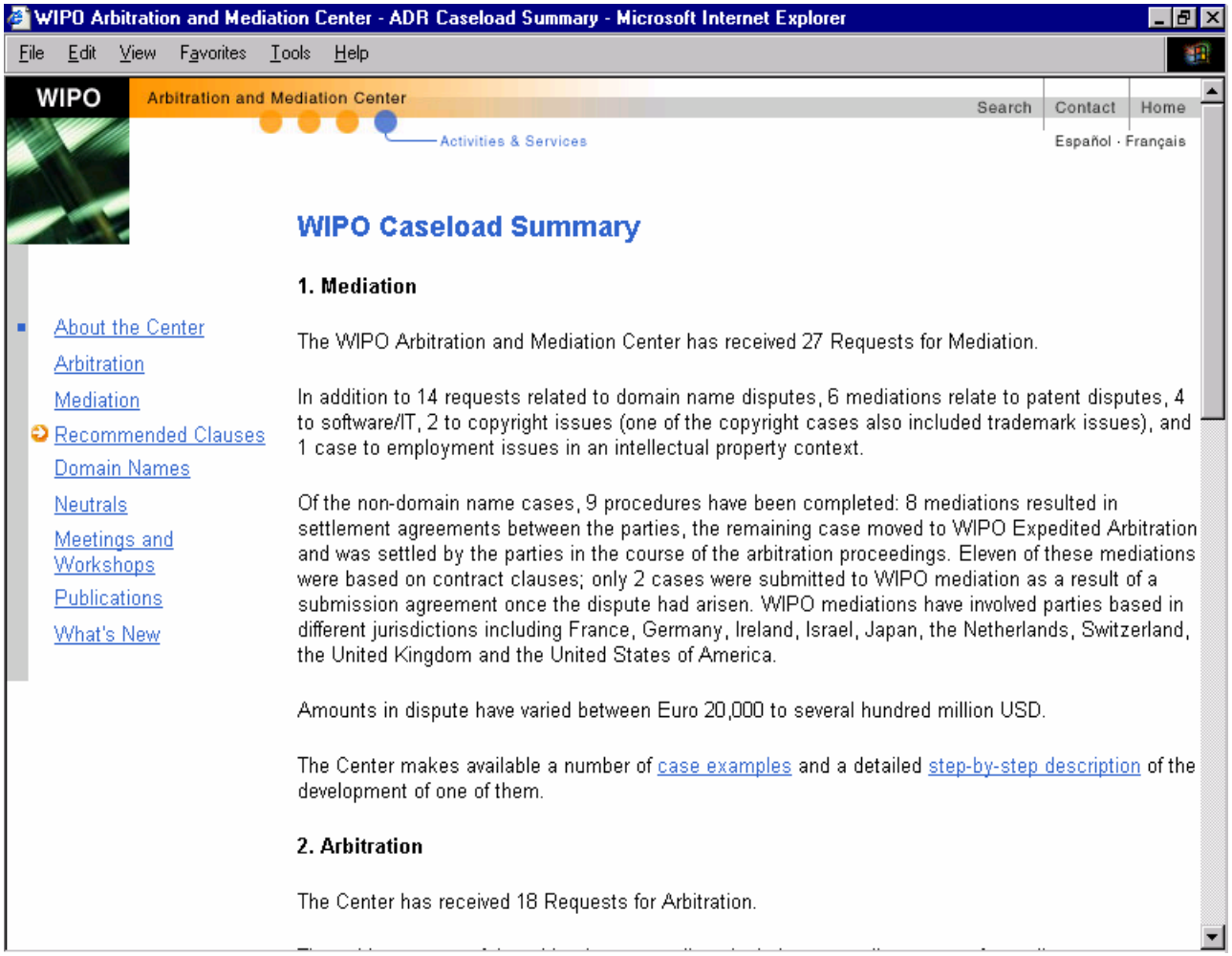
- Purpose: to promote cost-effective resolution of IP/IT disputes through arbitration and mediation

WIPO Center Experience : Domain Names

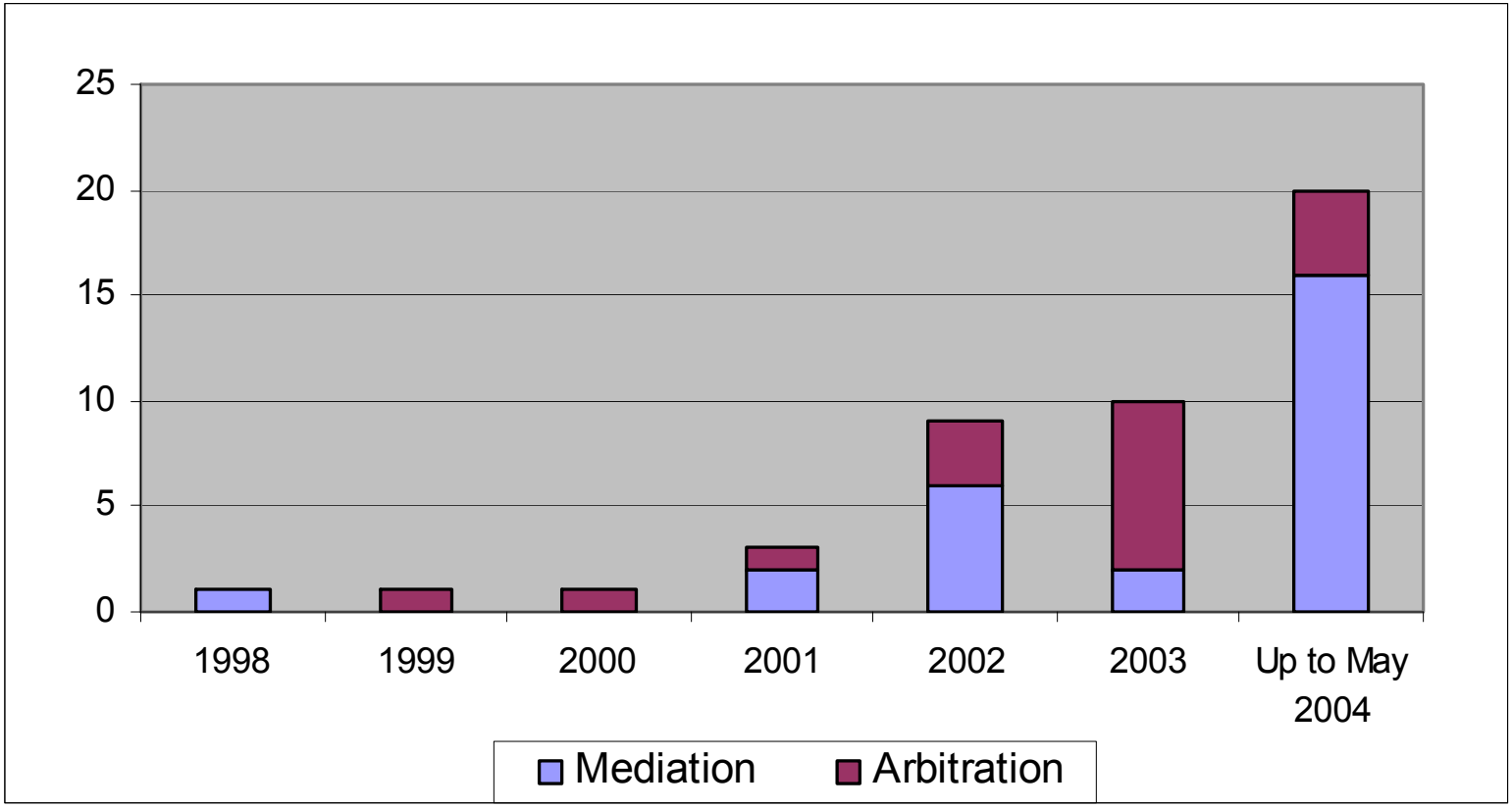
- Leading provider of domain name dispute resolution services

Year \ Case Type	UDRP	.info Sunrise	.biz STOP	.name ERDRP	Total Cases
1999	1	-	-	-	1
2000	1,857	-	-	-	1,857
2001	1,556	1,579	53	-	3,188
2002	1,208	13,593	285	1	15,087
2003	1,100	-	-	-	1,100
					21,233

WIPO Center Experience: Mediation and Arbitration



WIPO Arbitration and Mediation Case Filing Rate



Arbitration and Mediation - Subject matter handled

- patent licenses
- R&D agreements biotech/pharma
- software/IT issues
- trademark/domain name issues
- trademark co-existence agreements
- technology transfer issues

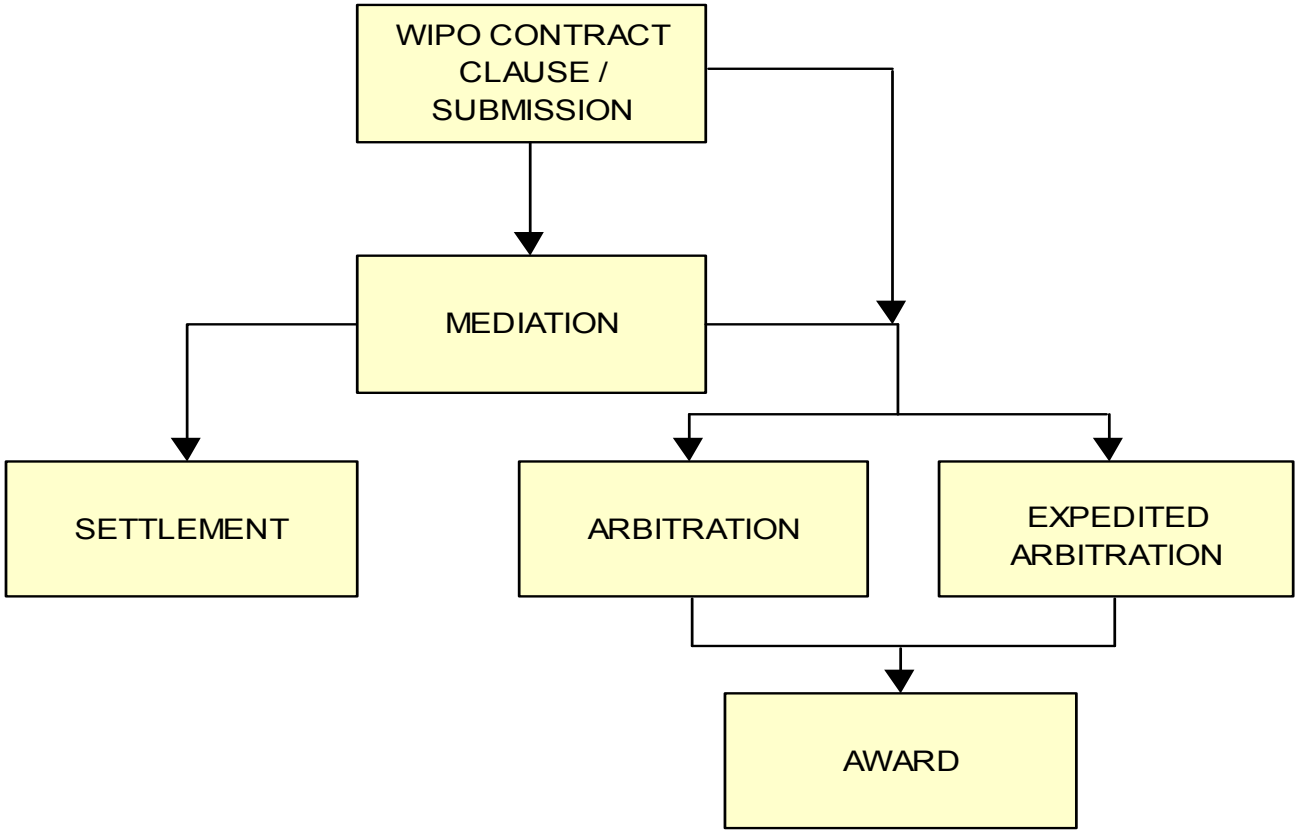
Mediation and Arbitration

- Appropriate for most IP/IT disputes
- Enhances party control / autonomy
- Time / cost-effective
- Less adversarial and less risky than court litigation

ADR Advantages

- International disputes: neutrality (avoid "home court advantage" through choice of: arbitrator/mediator, language, law and venue)
- Enforceability:
  - **Arbitration:** New York Convention
  - with limited exceptions, "automatic" enforcement of arbitral awards
  - more than 130 signatories
  - **Mediation:** Settlement agreement

ADR Options


WIPO CONTRACT CLAUSE / SUBMISSION
MEDIATION
SETTLEMENT
ARBITRATION
EXPEDITED ARBITRATION
AWARD

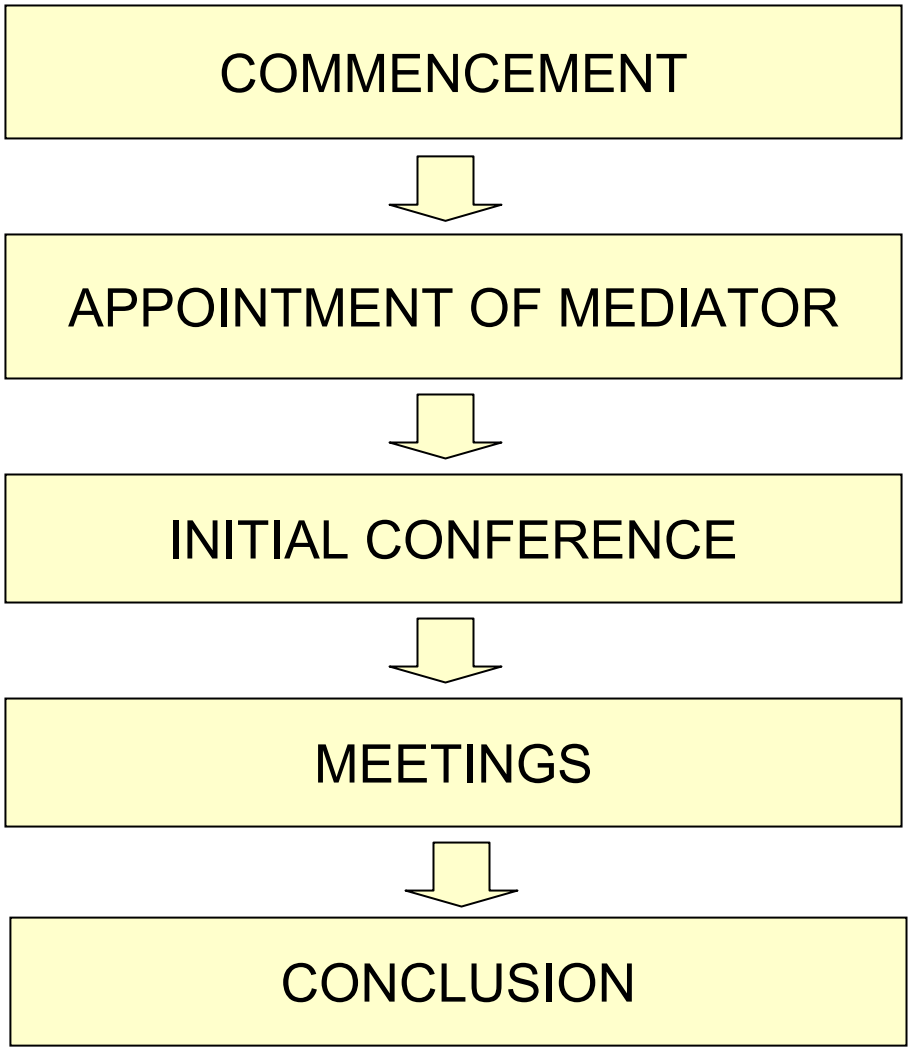
WIPO Rules, Clauses and Submission Agreements

- **Mediation**
- **Arbitration**
- **Expedited Arbitration**
- **Mediation followed by arbitration**
- **http://arbiter.wipo.int**

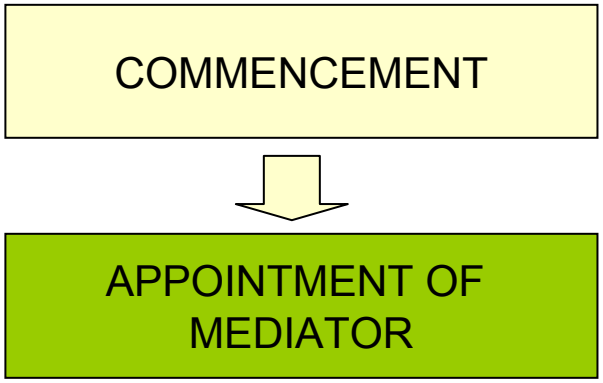
"Any dispute, controversy or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be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

WIPO Mediation Process



Commencement and Appointment of the Mediator



- Request for mediation
  - Mechanics - Articles 3-5
  - Administration fee - Article 21
- Appointment of the mediator
  - Role - Article 13
  - Procedure – Article 6

WIPO List of Neutrals

ORGANISATION MONDIALE
DE LA PROPRIÉTÉ INTELLECTUELLE

Centre d'arbitrage et de médiation de l'OMPI

WORLD INTELLECTUAL
PROPERTY ORGANIZATION

WIPO Arbitration and Mediation Center

WIPO LIST OF NEUTRALS

BIOGRAPHICAL DATA

David W. PLANT
1451 Little Lake Sunapee Road
New London, NH 03257
United States of America

Telephone: +1 603 526 2653/2655

Facsimile: +1 603 526 2654
E-mail: DPlantADR@aol.com

Date of Birth: April 22, 1931
Nationality: American

EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS

Registered to practice before United States Patent & Trademark Office, 1982;
Licensed to practice in United States Supreme Court, 1968;
Licensed to practice law, N.Y. State Bar, 1957;
LLB, Cornell University, 1957;
BME, Cornell University, 1953.

LANGUAGES

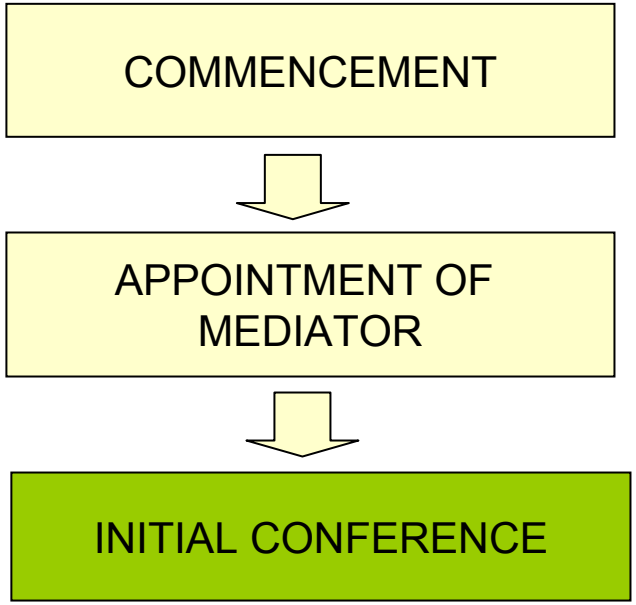
English.

PRESENT POSITION

Acting as a neutral in domestic and international arbitrations and mediations.

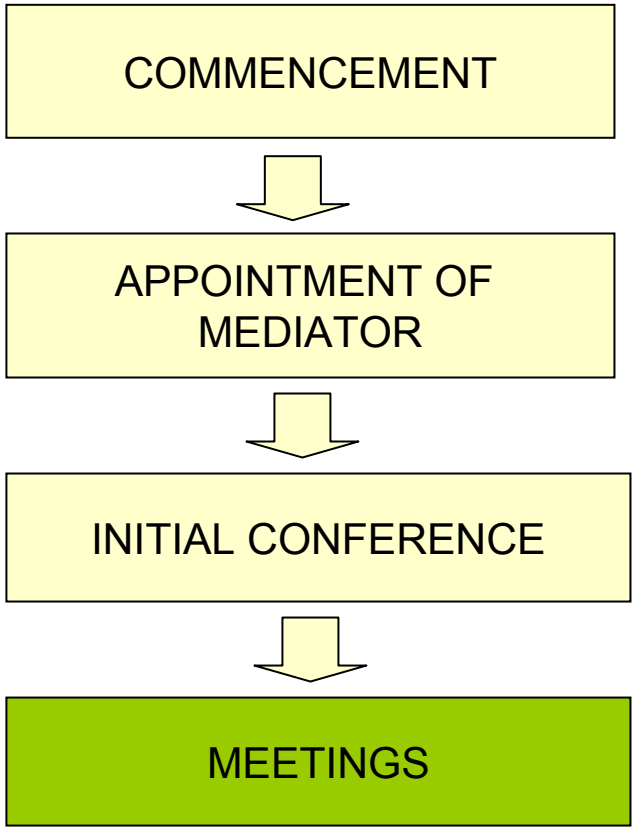
- 1,000 experts
- 100 nationalities
- Broad range of ADR, IP and technical backgrounds
- Mediator's fees
  - Role of the WIPO Center

Preparation / Initial Conference



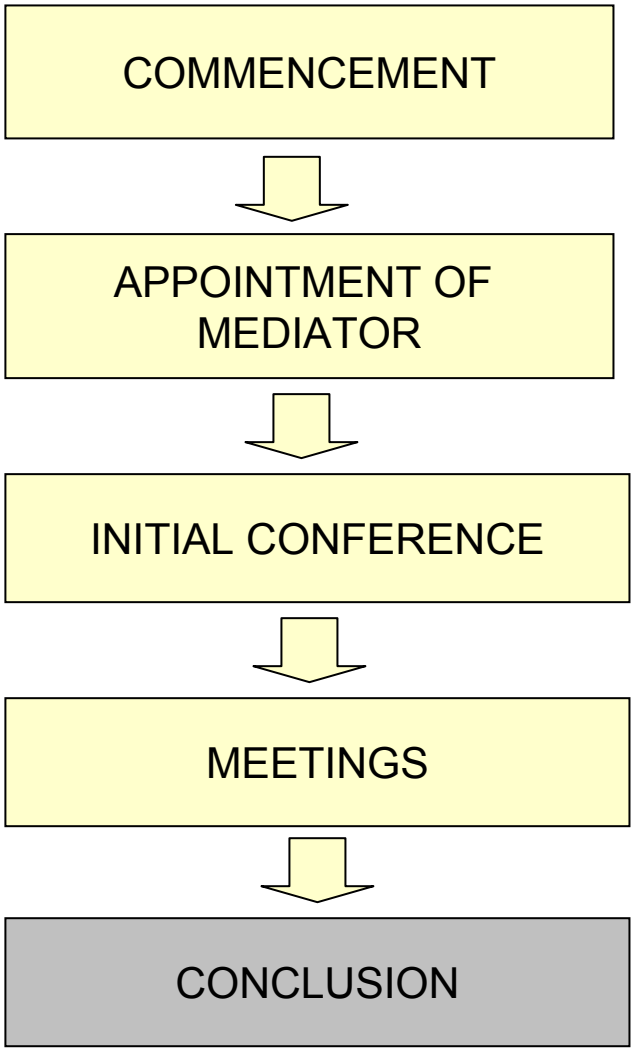
- Preparation
- Initial Conference
  - Issues to be mediated
  - Participants (all stakeholders involved, individuals with settlement authority to attend session)
  - Submissions (information exchange, mediation statements, etc.)
  - Scheduling / logistics
    - Role of the WIPO Center

Mediation Session(s)



- Preliminary discussions by mediator (ground rules for session discussed, e.g., confidentiality, voluntary process, requisite settlement authority, written settlement agreement, etc.)
  - Tone (to set a collaborative, joint-problem solving atmosphere)
  - Format
    - Joint session only? Caucuses? Both?
    - Order of presentations, etc.
- Party presentations (initial joint session), followed by cacussing and resumption of joint sessions (the latter two as appropriate)
  - Object: Identify *interests* of the parties, create options to settlement that satisfy those interests, analyze and negotiate options to reach settlement agreement

Conclusion of the Mediation



- **Successful mediation**
  - Written signed settlement agreement (to save time, it can be a simple "heads of agreement", e.g. a bulleted list) – enforceable under national contract law
- **Unsuccessful mediation**
  - Withdrawal by one or both parties anytime during the session
  - Decision of the Mediator
    - Impasse declared
    - Failure of a party to pay fees/deposits to mediator and/or WIPO

WIPO Patent Mediation R&D Case Example

- R&D company, holding patents, disclosed patented invention to manufacturer during consulting contract.
- Contract did not transfer or license patent rights to manufacturer.
- Manufacturer started selling products which R&D company alleged included patented invention.
- R&D co. threatened infringement court proceedings.

WIPO Patent Mediation R&D Case Example (cont.)

- Negotiation for patent license failed.
- Parties submitted dispute to WIPO Mediation.
- WIPO Center suggested and appointed mediator.
- Two-day mediation.
- Agreement on royalties and future consulting contracts resulted.

WIPO Patent Arbitration

Biotech/Pharma Case Example

- R&D and exclusive licensing agreement between small French biotech entity and European pharmaceutical co. for biotech compound invented by biotech entity.
- Alleged delays occurred by pharma co. during development and regulatory approval of the compound. Biotech entity running out of funding due to delayed market entry by pharma co. and hence delayed royalty payments.
- Biotech entity lost faith in pharma co., terminated agreement & started WIPO arbitration proceedings v. pharma co. claiming damages.
- Arbitrator, having expertise in biotech-pharmaceutical disputes, selected by WIPO Center.
- Two-day hearing at WIPO Center with CEO's and other witnesses attending
  - Arbitrator suggested creative approach: hearing conducted with witness surrounded in a horse-shoe fashion by all others so (s)he could be questioned by all; through this approach, each party was able to better communicate and, as a result, understood the positions and concerns of the other.
- Based on knowledge gained during hearing and apparent misconceptions each side had, parties then terminated arbitration, negotiated a settlement agreement and repaired their business relationship.
- Pharma co. is now about to launch a product based on the compound.

Role of the WIPO Arbitration and Mediation Center

- Certainty
- Efficient and cost-effective administration
- List of Highly Experienced Neutrals and institutional knowledge
- Other resources

Further Information

- Handouts (rule sets, conference flyers, etc.)
- Upcoming WIPO Workshops and Conferences:
  - Arbitration Workshop: October 25 and 26, 2004
  - WIPO Conference on Dispute Resolution in International Science and Technology Collaboration April 25-26, 2005
- http://arbiter.wipo.int
- arbiter.mail@wipo.int