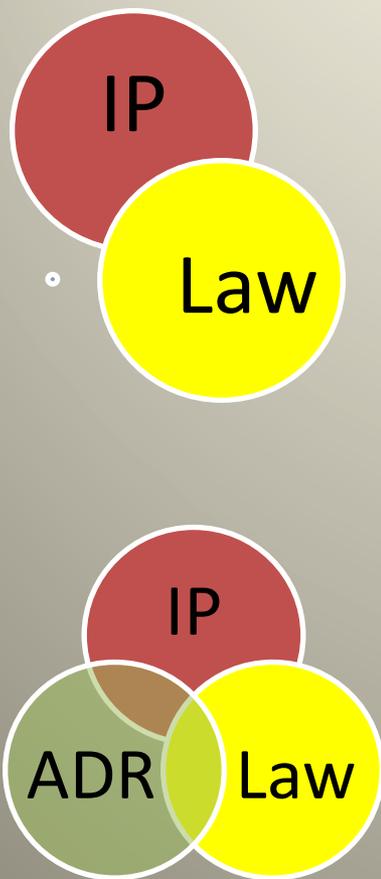


Prevention and Alternative Dispute Resolution of Intellectual Property Problems in the United States

By Thomas D. Barton

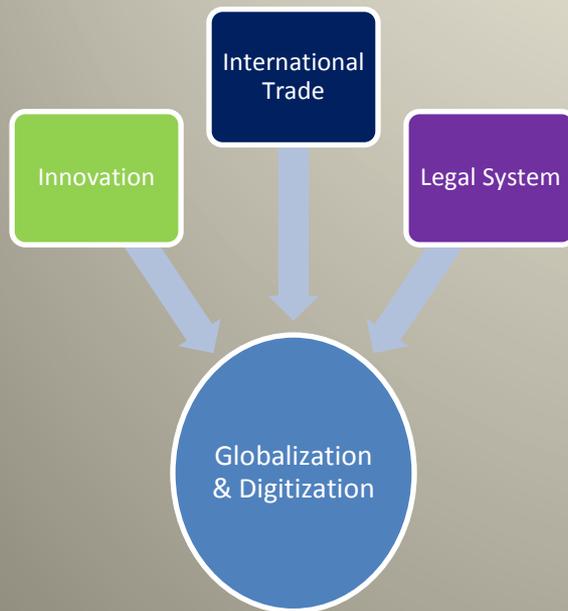
California Western School of Law

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



- Before describing ADR methods and their application to IP, however, we begin by underscoring the growing urgency for ADR through a brief Introduction tracing the background influences of globalization and digitalization on:
 - innovation and IP;
 - international trade; and
 - the efficacy of legal systems.

Road Map of this Presentation

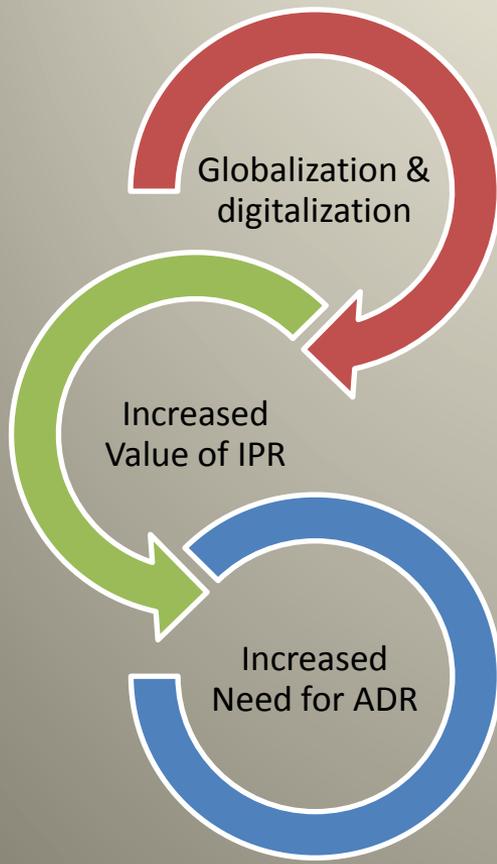
Introduction

ADR Methods

Factors in Choosing

- Following this Introduction, we:
 - 1. list a broad range of ADR and preventive methods;
 - 2. briefly describe each such method;
 - 3. suggest some of the major factors to be considered in choosing one procedure over another in the context of IP problems.

Introduction: Effects of Globalization and Digitalization



- For a variety of reasons— technical, economic, and social-- globalization and digitization of information greatly increase the value and importance of IP rights.
 - Some of those reasons contribute to the need for ADR systems to help resolve problems surrounding those rights.
 - Some of those reasons also bear on **how** that ADR system should be designed.

Introduction: Effects of Globalization and Digitalization

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- The relationship of technical progress to IP rights is complex and ironic.
- Suffice it to say that some of the influences that enhance the significance of IP come at a price:
 - They make it more difficult, slow, and expensive to **ENFORCE** IP rights through conventional legal procedures.
 - Furthermore, these influences are so strong that ADR is probably needed **more** in IP than in other areas of the law.

Introduction: Effects of Globalization and Digitalization

G Acceleration

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D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- Briefly, globalization and Information Age technology have made ADR more urgent because of all of the following:
 - 1. The accelerating pace of scientific and creative innovation (the “acceleration effect”);
 - 2. Easier copying because of digitalization of information and expression (the “digitization effect”);

Introduction: Effects of Globalization and Digitalization

G Acceleration

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D Digitalization

Complexity

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Jurisdictional

Trademarks &
Private Standards

- 3. The growing complexity of many inventions (the “complexity effect”);
- 4. The movement of most creations across multiple legal jurisdictional boundaries (the “multi-jurisdictional effect”); and
- 5. The blurring of public and private regulation and standards (the “trademark and private standards” effect) .

The Next 30 Slides

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- The next 30 slides further describe the impact of each of these various effects:
 - Acceleration;
 - Digitalization;
 - Complexity;
 - Multi-Jurisdictionality; and
 - Trademarks & Private Standards
- Time constraints preclude full discussion of them, but hopefully we can summarize.

The “Acceleration Effect”

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- Both globalization and Information Age technology have accelerated the pace of innovation and creative expression.
- Hence IP rights are also being generated at a faster rate. This is, of course, a very good thing.
- But it also challenges the ability of the U.S. legal system to cope with the number of problems that flow from the fast-growing body of IP rights.

The “Digitalization” Effect*

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- The digitalization of information means that although the innovation process often requires substantial investment to create the original, the marginal cost of copying and distribution are virtually zero.
- This in turn means that the originator of an idea cannot possibly compete on price with an infringing copier, who has none of the original investment costs.

* This effect is well described by Kevin Lemley

The “Digitalization” Effect*

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- Furthermore, digitalization permits the easy segmentation of ideas and their expression, so that people can illicitly use a portion of a creation, beyond what fair use would allow.
- Digitalization has thus made illicit infringement easier and more profitable, and thereby also made inventors and artists more vulnerable to exploitation.

The “Complexity” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- Dramatically reduced costs of information enable vastly complex innovations, sometimes possible only through years of cumulative work by teams of researchers.
- As a result, IP disputes more and more frequently involve highly technical or complex facts and issues.
- This additional complexity may have at least three effects:

The “Complexity” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- A. The financial cost of an infringement case increases greatly as the time required expands for explaining the technical issues to a generalist judge or jury;
- B. The potential risks of errors/injustice rise when the decision makers in the case do not fully comprehend the matter;

The “Complexity” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

– C. With greater complexity in the creative process often comes stronger possibilities of alternative ways of accomplishing the same outcome.

- As a result, infringement disputes can be more frequent and less clear-cut.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks & Private Standards

- Globalization and digitization make IP problems *particularly* difficult and expensive for traditional litigation, as the uses and misuses of IP rights often spill across many different countries.
- The free movement of ideas and goods significantly enhances *economic* efficiency, but just as significantly makes *legal regulation* and lawsuits far *less* efficient.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks & Private Standards

- That is because unless an international treaty, compact, or custom applies, the reach of any nation-state’s laws and legal procedures typically (although not *always*) stop at that state’s borders.
- Each country in which an IP right may be used—either legitimately or illegitimately—thus has an interest in applying its own domestic laws and legal procedures to those uses.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- Each different legal system is jealously guarded by instincts of national sovereignty, creating issues of possible duplication of costs, inconsistent results, substantial delays, and frustrated expectations.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- IP issues are dramatically affected by this, at every stage:
 - A. Invention and creation;
 - B. Production; and
 - C. Distribution.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- The impact on invention or creation is probably the most familiar:
 - absent a treaty, for example, patents are recognized only within the state in which the patent was issued, because the legal monopoly created by the patent can only be enforced within those national boundaries.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks & Private Standards

- Consequently, without a treaty patented inventions could be freely copied in another country, unless that country (unilaterally) recognizes patents issued by other countries.
- This is why any consideration of ADR in IP disputes must have a significant international element, describing the substance and importance of various treaties like TRIPS (as my colleague Jamie Cooper shortly will).

The “Multi-Jurisdictional” Effect

G Acceleration

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D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- For now, we will describe the obstacles facing, say, the holder of a U.S. patent in an infringement action trying to enforce those rights in U.S. courts ***absent*** a treaty or other international obligation.

The “Multi-Jurisdictional” Effect

G Acceleration

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D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- These obstacles to securing patent rights using traditional litigation are listed in detail, because they also form one important basis for explaining the growth in international arbitration of IP disputes.

The “Multi-Jurisdictional” Effect

G Acceleration

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D Digitalization

Complexity

Multi-Jurisdictional

Trademarks & Private Standards

- 1. First, the U.S. patent-holder would have to have personal jurisdiction over the infringer.
 - This could be problematic, since the infringer may have virtually no contacts within the U.S.
- 2. Even if jurisdiction were obtained, the defendant would have a serious objection to the attempt to have U.S. patent laws apply extraterritorially, beyond U.S. boundaries.

The “Multi-Jurisdictional” Effect

G Acceleration

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D Digitalization

Complexity

Multi-Jurisdictional

Trademarks & Private Standards

- 3. Even if the defendant’s actions were reachable by U.S. laws, discovery of factual evidence about those actions in the infringer’s state would be especially difficult and expensive:
 - A. The subpoena power of the U.S. courts regarding witnesses would not reach into the foreign country.

The “Multi-Jurisdictional” Effect

G Acceleration

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D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- B. And the evidence available of monetary losses to the plaintiff based on the market impact in the infringer’s country of the infringement may not meet the standard of “reasonable certainty” demanded by the courts (although “reasonable royalty rate” may be available as a substitute remedy).

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- 4. Even supposing that the plaintiff were able to obtain a judgment against the foreign defendant, the U.S. judgment may not be recognized in the courts of the defendant’s country.
 - This matters because frequently, injunctive remedies as well as money damages remedies must be enforced in the defendant’s legal system, rather than in the U.S. system.

The “Multi-Jurisdictional” Effect

G Acceleration

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D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- 5. Even with recognition and cooperation by the legal system of the defendant’s home state, the financial costs to the plaintiff in securing enforcement of the judgment and remedy could be enormous.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- Furthermore, delays could eventually render the judgment irrelevant on a practical level, because the economic benefit of the patent may be fleeting.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- All of these problems are most severe in a pure piracy infringement case, where the two parties to the dispute are not likely to have a pre-existing contractual relationship.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- Where the parties have an established contractual license (or other relationship) that is alleged by the patentee to have been breached, some of these “multi-jurisdictional” effects—but not all of them—are softened.

The “Multi-Jurisdictional” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-Jurisdictional

Trademarks &
Private Standards

- That is because in the licensing agreement the parties can stipulate their consent to personal jurisdiction in particular courts. They can also choose the body of law that will be applied to the contract.
- But the evidence-gathering difficulties, and also the uncertainty and delay in enforcing a U.S. court judgment, would still be problems.

The “Trademarks and Private Standards” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- A more subtle impact of globalization has to do with assuring consumers of the quality and sources of the products they purchase.

The “Trademarks and Private Standards” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- One important function of trademark, of course, is to inform a purchaser about the source of a product. But behind the trademark are unspoken assurances of the quality and conditions of the product’s manufacture, and even possible safety concerns.

The “Trademarks and Private Standards” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- With the globalization of product distribution, trademark infringement thus takes on even more importance.
- In countries lacking significant official legal regulation in the manufacture of goods, consumers must rely even more strongly on the ***private, self-regulation*** that stand behind trademarks or service marks like the Good Housekeeping seal, the “UL” electrical standards, or “Fair Trade” designation.

The “Trademarks and Private Standards” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- Globalization has meant, in other words, a necessary blurring between formal governmental standards and purely private relationships and contractual warranties.
- One country’s health, safety, environmental and labor regulations cannot bind the production procedures of another country.

The “Trademarks and Private Standards” Effect

G Acceleration

&

D Digitalization

Complexity

Multi-
Jurisdictional

Trademarks &
Private Standards

- Trademarks and service marks thus serve increasingly important quasi-regulatory functions:
 - they can stand as an informal substitute for formal legal manufacturing, labor, or environmental regulations.

The “Trademarks and Private Standards” Effect

G Acceleration

&

D Digitalization

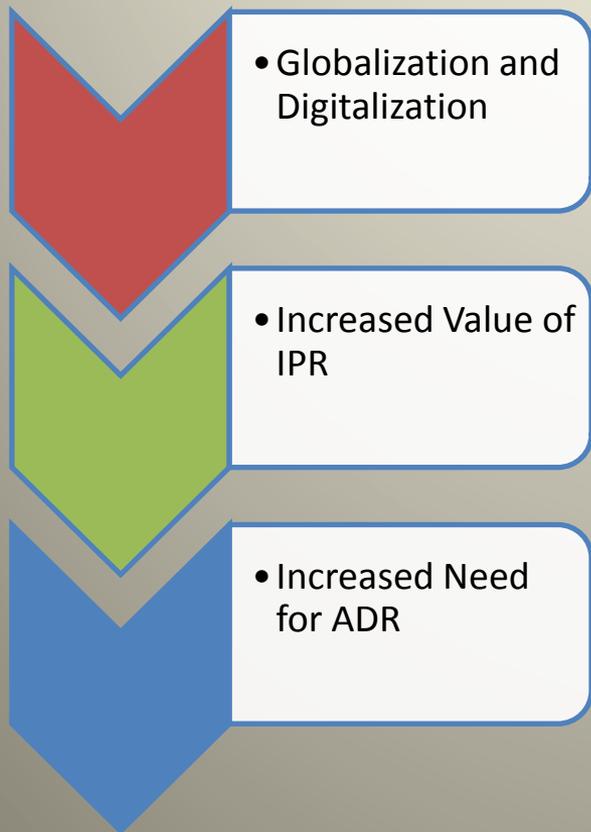
Complexity

Multi-
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Trademarks &
Private Standards

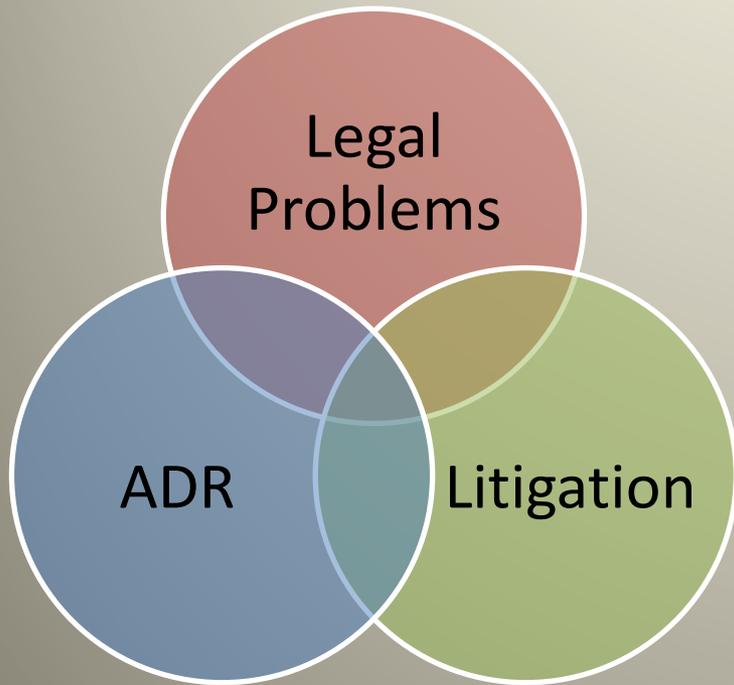
- But these consumer protection functions are not readily enforceable by individual buyers.
- Trademark holders can, of course, bring infringement proceedings but it is important to consider possible ADR supplements to bolster the strength of the marks.

Transition to Main Body of Presentation



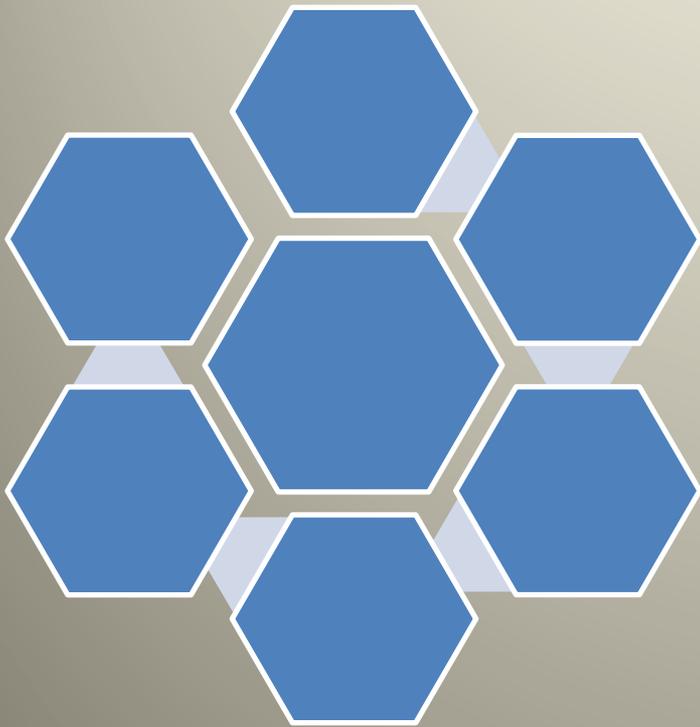
- Hence we can see that the globalization and digitization of the Information Age makes IP rights of special importance, but also makes traditional legal procedures to protect those rights more difficult.
- Which brings us to consider ways of offering various ADR methods to supplement traditional litigation.

ADR in Legal Systems



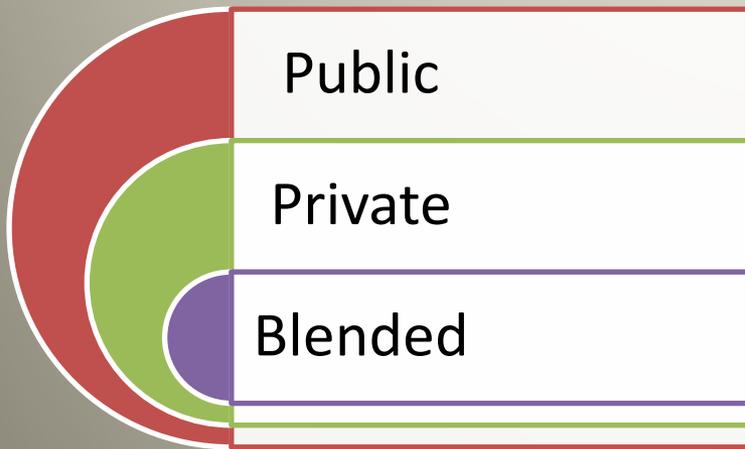
- The slides that follow describe ways that various ADR methods may supplement traditional litigation.
- Importantly, we are ***not*** saying that traditional legal procedures should be eliminated: litigation will always be vital for resolving ***some*** problems; just not for ***all*** problems.

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 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**,

Listing of Alternative Methods

Prevention

Negotiation

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Hybrid

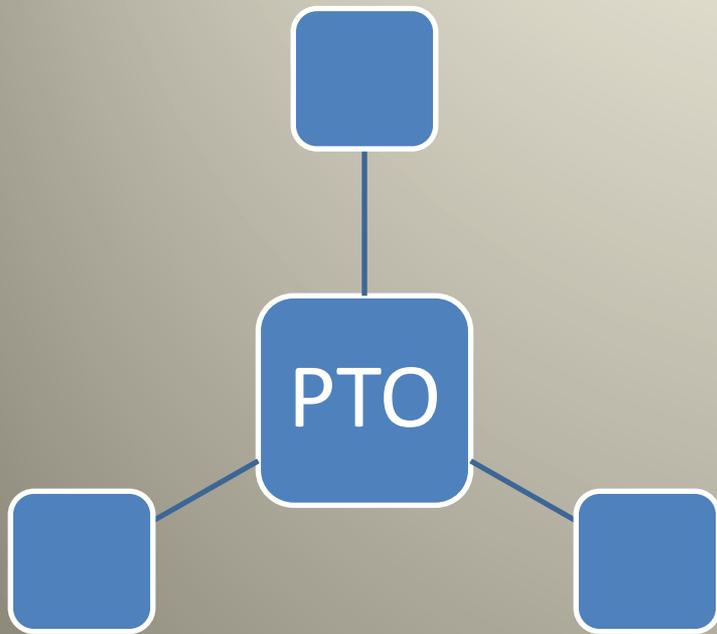
Expert Determination

Court-Centered Settlement

Specialized IP Court

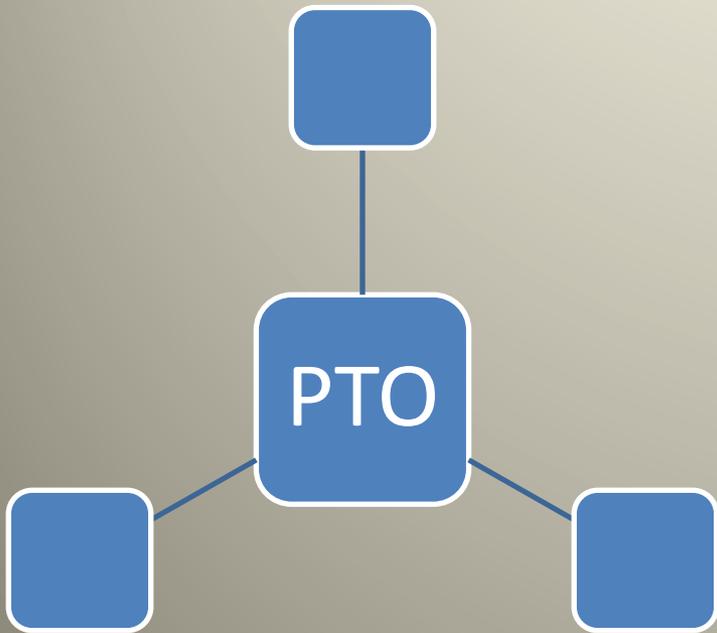
- 8. **hybrid methods** like mediation-arbitration (“med-arb”) or arbitration-mediation (“arb-med”) procedures;
- 9. **expert determination**;
- 10. **court-centered settlement** efforts; and
- 11. creation of **specialized courts for IP**

PTO as Possible Facilitator of ADR



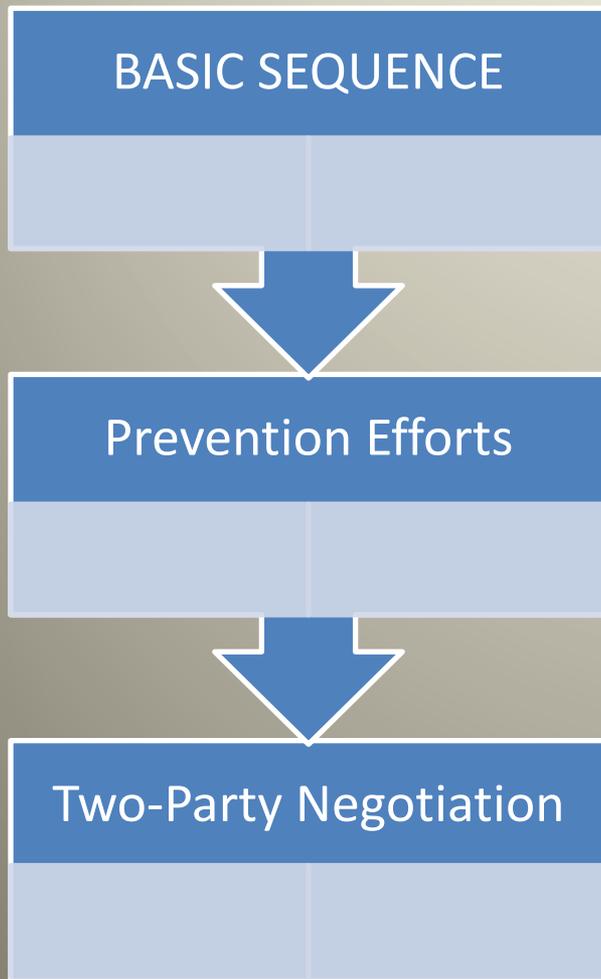
- Ideally, one could imagine an agency like the PTO, or even an IP specialty court, acting as the hub and coordinator of this full variety of ADR methods.
- The following slides expand briefly on each alternative method.

PTO as Possible Facilitator of ADR



- 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.

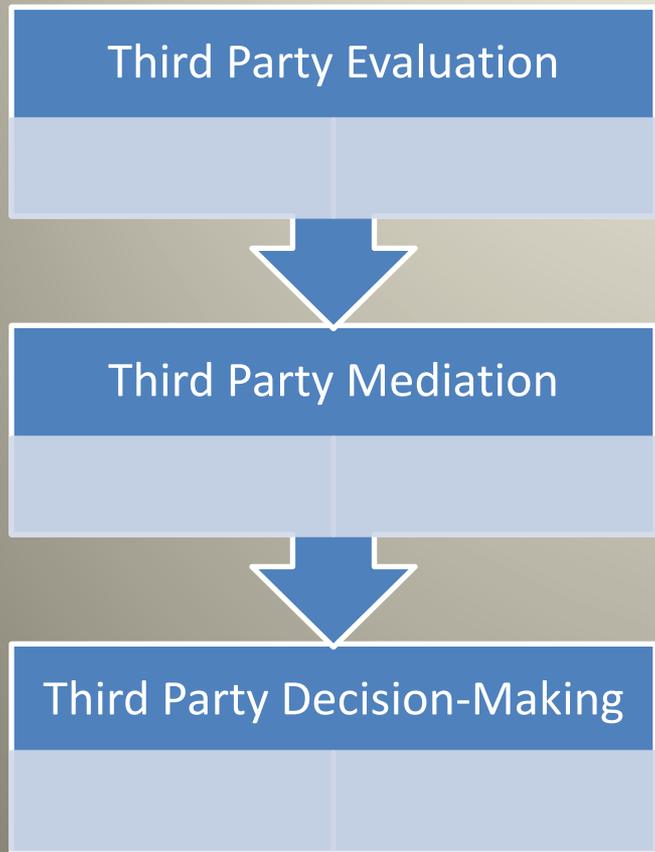
Basic Sequence of ADR



– As we move through these methods, also 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.***

The Next 83 Slides

Prevention

Negotiation

ENE

Mediation

Online Settlement

Arbitration

Hybrid

Expert Determination

Court-Centered Settlement

Specialized IP Court

- The next 83 slides describe each of the various Prevention and ADR methods.
- I will have time only to discuss the first of them, i.e., “Prevention,” and perhaps one or two others.
- I choose to discuss Prevention because it is the most unfamiliar method, and also perhaps the easiest for a government agency or specialty IP court to adopt.

The Next 83 Slides

Prevention

Negotiation

ENE

Mediation

Online Settlement

Arbitration

Hybrid

Expert Determination

Court-Centered Settlement

Specialized IP Court

- Prevention is important where the goal is to construct a legal system for conferring and protecting IPR that is optimally:
 - inexpensive;
 - accurate;
 - promoting of innovation;
 - and effective.

The Next 83 Slides



- Every problem that is averted scores highly on those measures.
- Once problems or disputes arise, the procedures for addressing those problems because more costly and risky.
- So it is important to pay attention to designing a system well, that enables people to know their rights and help avoid most problems.

Description of Methods: Up Next

Prevention

Negotiation

ENE

Mediation

Online Settlement

Arbitration

Hybrid

Expert Determination

Court-Centered Settlement

Specialized IP Court

- 1. **prevention;**
- 2. private discussion and negotiation;
- 3. consultation with an advisor or neutral;
- 4. early neutral evaluation;
- 5. mediation;
- 6. online settlement procedures;
- 7. arbitration
- 8. hybrid methods;
- 9. expert determination;
- 10. court-centered settlement efforts; and
- 11. creation of a specialized IP court.

1. Prevention: Information & Education



- First, note that the PTO 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 design new marks that avoid infringement;
 - and also through PTO website education about the nature of IP rights, application procedures, and enforcement.

1. Prevention: Information & Education



- For example, the instructive and innovative “Trademark Information Network” videos on the PTO website about trademark registration and application procedures:
 - are clever, accessible, and useful in providing people with information that will guide them in both avoiding trouble and expense, and securing their rights.

1. Prevention: Information & Education



- And the informal, very practically-oriented approach to presenting answers to “Frequently Asked Questions” and more, is exactly the right sort of method for delivering legal information to the public in a format:
 - that works;
 - and that people may even enjoy.
- 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 could be the next role of a coordinating office or court?

Description of Methods: Up Next

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ENE

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Specialized IP Court

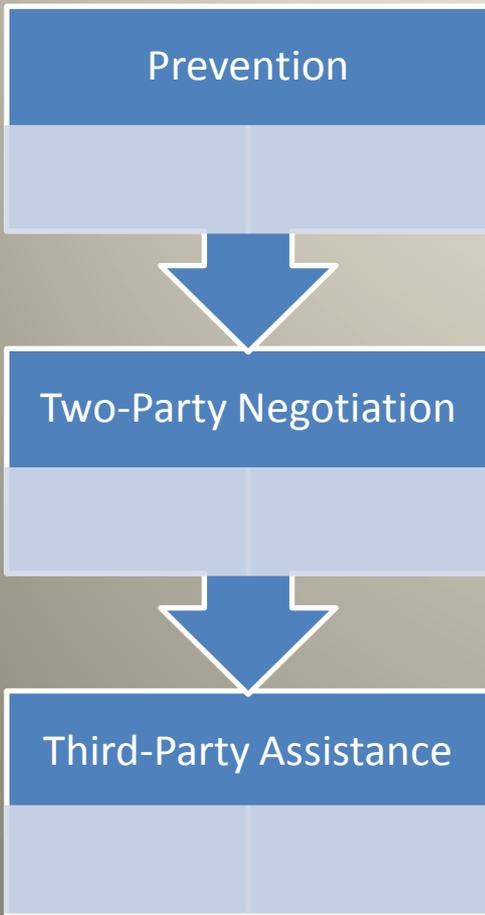
- 1. prevention;
- **2. private discussion and negotiation;**
- 3. consultation with an advisor or neutral;
- 4. early neutral evaluation;
- 5. mediation;
- 6. online settlement procedures;
- 7. arbitration
- 8. hybrid methods;
- 9. expert determination;
- 10. court-centered settlement efforts; and
- 11. creation of a specialized IP court.

2. Private Discussion & Negotiation



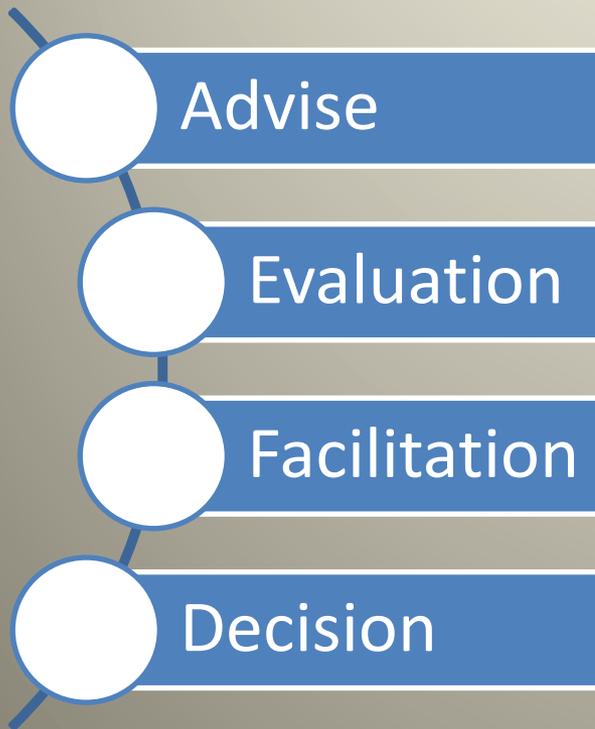
- This initial “self-help” step would be private discussion and/or negotiation between the parties—efforts at “two party resolution.”
- The PTO/Copyright Office would not be directly involved in this step, apart from its role in helping to clarify IP rights and procedures—which in itself may lubricate private negotiation.

Involving Third Parties in Disputes



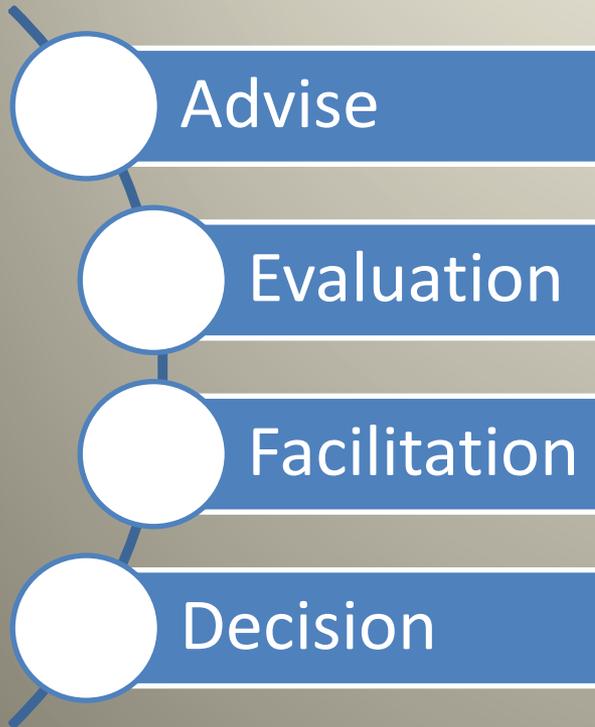
- But if self-help “two-party” efforts fail, what are some of the ways to involve a third party in addressing a dispute?
- Generally, a third party—an individual or an organization—can play any or all of the following roles in helping people resolve a dispute:

Involving Third Parties in Disputes



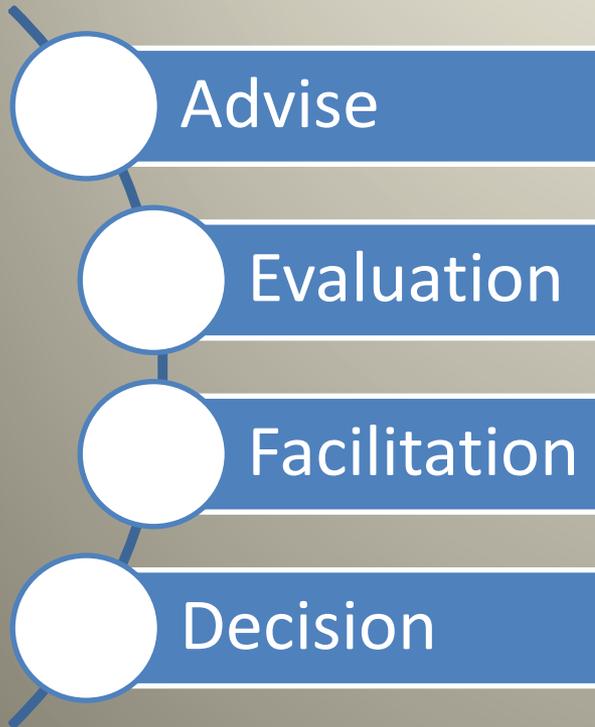
- 1. Offering ***advise*** to parties about either the substance of their problem or about how procedurally they might resolve it;
- 2. Offering an ***evaluation*** of the outcome of the problem, in the event that it were to be heard as a traditional law case decided by a judge or jury;

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.

Description of Methods: Up Next

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Specialized IP Court

- 1. prevention;
- 2. private discussion and negotiation;
- 3. consultation with an advisor or neutral;
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- 11. creation of a specialized IP court.

3. Seeking Counsel from an Advisor or “Standing Neutral”



- The *advisor* or “standing neutral” is discussed by James Groton, a prevention-minded attorney who works with construction-industry projects.
- This construction setting 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.

3. Seeking Counsel from an Advisor or “Standing Neutral”

- Here is how it works:



- At the outset of a major project or venture, the parties agree on the appointment of a named expert who will be available to offer non-binding advice to the parties in the event of a problem.

3. Seeking Counsel from an Advisor or “Standing Neutral”

- The advisor informs him or herself about the particulars of the project, and periodically keeps abreast of developments.
- The function of this proactive information-gathering is so that the neutral will know the parties, and will be able to respond quickly in the event of advice being needed.

Prevention

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Specialized IP Court

3. Seeking Counsel from an Advisor or “Standing Neutral”

- Experience has found that naming a standing neutral to give advice about disputes actually reduces the incidence and seriousness of disputes.
- Although this is contrary to intuition, once someone is officially named as advisor, and is personally known to the parties, both parties seem to be reluctant to consult that advisor.

Prevention

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Specialized IP Court

3. Seeking Counsel from an Advisor or “Standing Neutral”



- Instead, the tendency is for the party to contact the counterpart in the project with whom there may be some disagreement.
- Informal negotiations then take place to resolve the matter so that no consultation with the standing neutral becomes necessary.

3. Seeking Counsel from an Advisor or “Standing Neutral”



- Exactly what psychology prompts this self-help through better inter-party communication is not clear. But the mechanism seems helpful in averting escalation of problems.
- Further, where a respected neutral’s advice is actually sought early after a problem arises, that too can help to resolve the problem quickly and without disruption to the project.

3. Seeking Counsel from an Advisor or “Standing Neutral”



- Could an agency like the PTO or Copyright Office offer such a service? (At a fee, of course.)
- It would seem a good possibility, for some projects. These institutions are highly respected, and have a public status that could be especially effective in advancing a preventive psychology.

3. Seeking Counsel from an Advisor or “Standing Neutral”

- Further, these offices are repositories for the sort of detached, objective expertise that could readily generate a listing of individual consultants who would be well-qualified to act as standing neutrals.
- Providing individuals who could play this role could thus be a win-win for government and the public:

Prevention

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ENE

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Court-Centered Settlement

Specialized IP Court

3. Seeking Counsel from an Advisor or “Standing Neutral”

- 1. It could provide an additional service to the public, but one that would be consistent with the mission of the agencies;
- 2. Offering the standing neutral service could provide an additional source of funding for the agencies; and
- 3. It also could be a two-way learning experience, serving to educate private parties about IP rights but also keeping the neutral (and indirectly the PTO or Copyright Office) up to date about technical developments in the field.

Prevention

Negotiation

ENE

Mediation

Online Settlement

Arbitration

Hybrid

Expert Determination

Court-Centered Settlement

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- 1. prevention;
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- **4. early neutral evaluation;**
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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



- Once again, however, the PTO and Copyright Office would seem well positioned 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.

Early Neutral Evaluation



- The *evaluative* role of the classic ENE could even be combined with a stronger *advisory* role, akin to that of the standing neutral.
- This advisory role could concern the substance of the problem (if alternative courses of action are still available to the parties);
- Or this additional advisory role of the ENE could concern procedural alternatives.

Early Neutral Evaluation



- In other words, if properly informed about ADR possibilities, the ENE could act strongly as an advisor about what procedures the parties might next attempt, in the event that their private settlement talks fail.

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Mediation



- Mediation functions primarily to *facilitate better communication* between the parties toward concluding a settlement.
- The mediator may possibly also act as an *evaluator*, but some mediators disapprove of combining this role with their facilitative role.

Mediation



- The clear aim of a mediation, in any event, is to enable the parties come to a formal written agreement, which then can be enforced as a private contract.
- The mediator is skilled in communication, helping to draw out the interests of the parties and find a range of mutual benefits.

Mediation



- Mediators may or may not be lawyers; and they may or may not have technical background in the subject matter of the parties' dispute.
- The growth of mediation in general toward helping to resolve legal problems has been enormous over the past 10--15 years.

Mediation



- 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 prior to hearing appeals from traditional court cases (many of them involving patents and other IPR).

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.
- Mediation, offered together with a list of qualified mediators, is also becoming more popular within federal agencies to deal with internal employee problems and other issues.

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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. The next few slides describe one successful effort, but also describe the features of the problem and procedures that suggest the approach cannot easily be generalized to other IP problems.

Online Settlement Procedures



- The successful example of an IP-related online ADR program is the Uniform Domain Resolution Procedure or “UDRP.”
- UDRP was conceived largely by WIPO, at the behest of ICANN (the Internet Corp. for Assigned Names and Numbers) for resolving problems of “cyber-squatting,” or internet domain name trademark disputes.

Online Settlement Procedures



- Briefly, the UDRP works like this:
 - Every registrant of an internet domain name through one of the generic top-level domains (like “.com,” “.net,” or “.org”) must contractually agree to participate in the UDRP procedures in the event of a controversy about the chosen name.

Online Settlement Procedures



- If a trademark holder notices internet activities by a registrant using a name that raises infringement issues, the trademark holder can initiate a UDRP proceeding with WIPO or other ICANN-approved organization that maintains a list of qualified UDRP decision-makers called “panelists.”

Online Settlement Procedures



- The proceeding is then akin to an arbitration, with the panelist receiving information from the complainant trademark holder about:
 - the trademark allegedly infringed;
 - and reasons why the domain name is too similar to it.
- The registrant is then given a chance to counter these allegations by a trademark holder.

Online Settlement Procedures



- UDRP works well, but its online method cannot always be easily replicated.
- That is because of a combination of features of the problem itself, and the UDRP procedure. Unfortunately, this well-designed matching of procedure to problem cannot always result in such an elegant and inexpensive method.

Online Settlement Procedures



- As to features of the problem itself:

– Legally, it is relatively simple. This limits the scope of the needed inquiry.

– Factually, the problem is also relatively simple. It does not require the testimony of witnesses.

Online Settlement Procedures



- Preparation is relatively easy. Virtually no vital information need be “discovered” by one party from the other.
- Finally, the remedy is also easy. It is limited to a binary “valid/invalid” decision about the use of the domain name; no money damages need be calculated.

Online Settlement Procedures



- UDRP also benefits from assurances of participation and decisional enforcement:
 - **Participation:** Rather than relying on the consent of the defendant to participate in the process once a problem has arisen, that participation is ensured in advance as a requirement of registering a domain name.

Online Settlement Procedures



- Furthermore, **enforcement** is virtually assured, through cooperation of the internet domain name registrars who agree to abide by the UDRP decision.
- Court appeals are rare.

Online Settlement Procedures



- Adoption of online methods may be limited because other IP problems are not so easily confined as cyber-squatting.
- Furthermore, especially when money damages could be high or the outcome of the case could mean life or death for a company, parties are reluctant to limit discovery of facts, communication style, or remedy.

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.



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Arbitration



- Arbitration, both U.S. based and international, has long-standing recognition as an ADR method.
- Arbitration is a flexible procedure in which a private third party is engaged to decide the merits of a controversy.

Arbitration



- The parties may shape much about the procedures that will be used in a particular arbitration, through either:
 - a pre-existing contractual clause calling for arbitration in the event of a dispute;
 - or an agreement submitting a dispute to arbitration at the time the dispute arises.

Arbitration



- From the perspective of common law procedures, here are some of the common variables available for the parties to decide in an agreement leading to an arbitration proceeding:
 - The rules of evidence may apply, or not;
 - Legal precedent could be mandatorily followed, or not;

Arbitration



- Formal discovery could be available, or not;
- The parties could have the right to make oral presentations, or not;
- The award may be accompanied by a written rationale of the arbitrator, or not.

Arbitration



- Through the contract setting up their arbitration, the parties may also be able to stipulate the substantive law that will apply to their arbitration.
- For example, rather than general law being applied the parties could agree that:

Arbitration

- the traditions of the parties would govern the resolution;
- or the customs of a trade;
- or the law of a particular nation;
- or even to permit the arbitrator to invoke equitable principles as appropriate.

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Arbitration



- 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

Arbitrations



– 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).

- ***As outlined in the Introduction, 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.***

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Hybrid Methods



- Arbitrations are sometimes combined with mediations, or some other ADR devices.
- The most common of these “hybrids” are:
 - A mediation effort, followed by the arbitration of any issues that could not be resolved consensually by the parties in mediation (a “med-arb”);

Hybrid Methods



- --and a second significant hybrid which is the converse:

– an “arb-med” in which a full arbitration is first done, complete with an award determined by the arbitrator, *followed by a mediation.*

Hybrid Methods



- More specifically, the arbitrator in an arb-med does not immediately reveal the award to the parties after the arbitration is completed.
 - Instead, following the arbitration the parties attempt to come to a consensual resolution through mediation. If they are able to do so, the mediation agreement resolves their dispute.
 - If the mediation is unsuccessful, however, then the arbitration award is opened and is binding on the parties.

Hybrid Methods



- Each of these hybrids is somewhat problematic:
 - As to a “med-arb,” the same person should not act as both mediatory and arbitrator.
 - The reason is that if the parties know there is a possibility that the mediator ultimately will transform in an authoritative decision-maker, the parties will not open up to the mediator about the weaknesses in their respective positions. This undermines the effectiveness of the mediation.

Hybrid Methods



- An “arb-med,” on the other hand, can end up duplicating costs.
- Further, the adversarial process of arbitration can sometimes inflame poor relationships of the parties, making a subsequent mediation less effective than it *would have been* without the arbitration having first occurred.

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Expert Determination



- “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

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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.

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Specialized IP Tribunals



- Although there is not yet a U.S. specialized IP Court as one finds in some other countries, some tribunals are specifically tailored for IP matters:

Specialized IP Tribunals



- 1. The U.S. Court of Appeals for the Federal Circuit, which takes appeals nationally on patent matters from the U.S. District Courts, the PTO, and the International Trade Commission.
- As a result, Federal Circuit judges have developed considerable patent expertise.

Specialized IP Tribunals



- 2. The PTO, which maintains administrative proceedings to reexamine the validity of patents:
 - The “*ex parte*” procedure begun in 1980; and
 - The “*inter partes*” procedure started in 1999).

Specialized IP Tribunals



- PTO reexaminations have the advantage of highly expert decision-makers.
- However, reexaminations may be initiated only on limited grounds;
- and *ex parte* reexaminations have been criticized for the limited role they permit to the complaining party.

Specialized IP Tribunals



- Furthermore, reexamination can require years to complete (including initial appeal to the PTO’s Board of Patent Appeals and Interferences (BPAI), and then to the Federal Circuit).

Specialized IP Tribunals



- A more technical legal point about both PTO and District Court validity challenges--but one that is important in designing an efficient, consistent, and fair enforcement system—is the “preclusive” power of decisions made within the system.

Specialized IP Tribunals



- In this regard, Eric Cheng points out that PTO (and District Court) *invalidity* decisions affirmed on appeal preclude the patentee from reasserting the validity of the patent in subsequent proceedings.
- But findings of patent *validity* do not preclude future attacks on the patent from other parties (i.e., the preclusion is “non-mutual”).

Specialized IP Tribunals



- 3. The International Trade Commission, in its “Section 337” proceedings:
 - ITC §337 proceedings are heard by Administrative Law Judges, and based on the Trade Act of 1974 rather than the Patent Act.
 - Although ITC rulings do not have preclusive effects on U.S. District Courts, the rulings are influential because of the expertise behind them.

Specialized IP Tribunals



- The ITC is empowered under §337 to exclude products from being imported into the U.S. that would violate a valid U.S. patent.
- Based on such an infringement finding, the ITC may issue cease and desist orders against specific persons;
- Furthermore, through the ability to enjoin particular products importation, an ITC ruling can on a practical level have strong preclusive effects.

Specialized IP Tribunals



- Section 337 determinations thus become essentially an alternative forum for patent enforcement.
- Further, §337 proceedings are often more efficient than U.S. District Court infringement actions, because §337 limits discovery and mandates timely decision-making.

Specialized IP Tribunals



- Notwithstanding these specialty administrative proceedings of the PTO and ITC, with review by the knowledgeable Federal Circuit judges:
 - **should the U.S. also move toward an Article III specialty IP trial court?**
- Perhaps. In proposals for such a court, however, the following slides should be kept in mind.

- First, such a court should be designed to:

Specialized IP Tribunals



- increase accuracy, fairness, and speed of decision-making through strong judicial expertise;
- have preclusive effects so that patentees are not subjected to multiple lawsuits; and
- avoid duplication, excessive formality and costs.

Specialized IP Tribunals



- The actual procedures used in such a court could be flexible, however, even while its jurisdiction is limited to IP matters.
- In other words, a specialty IP trial-level court could augment the foundational Federal Rules of Civil Procedure so as to incorporate some of the ADR mechanisms described throughout this slideshow.

Specialized IP Tribunals



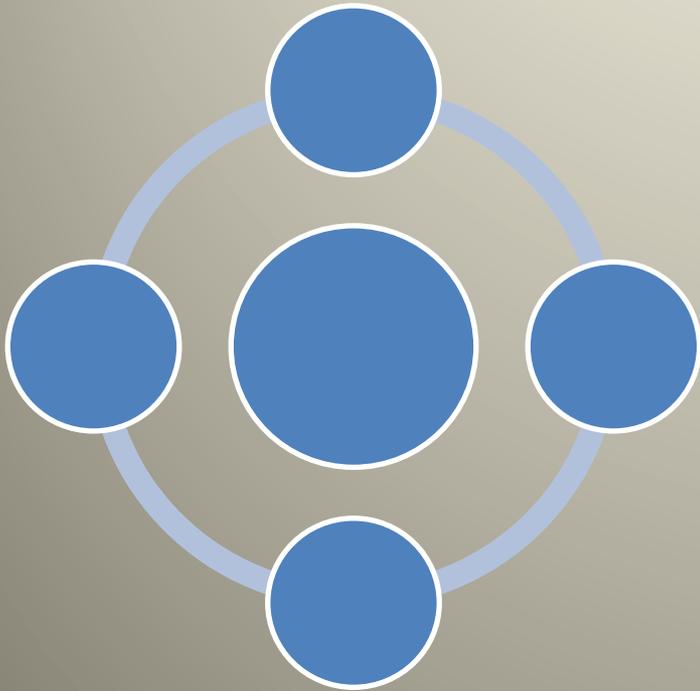
- Embracing ADR methods into its procedures offers the opportunity to create not only a specialty jurisdiction court, but a procedural “problem solving” court akin to the now well-established state drug courts or domestic violence courts.

Specialized IP Tribunals



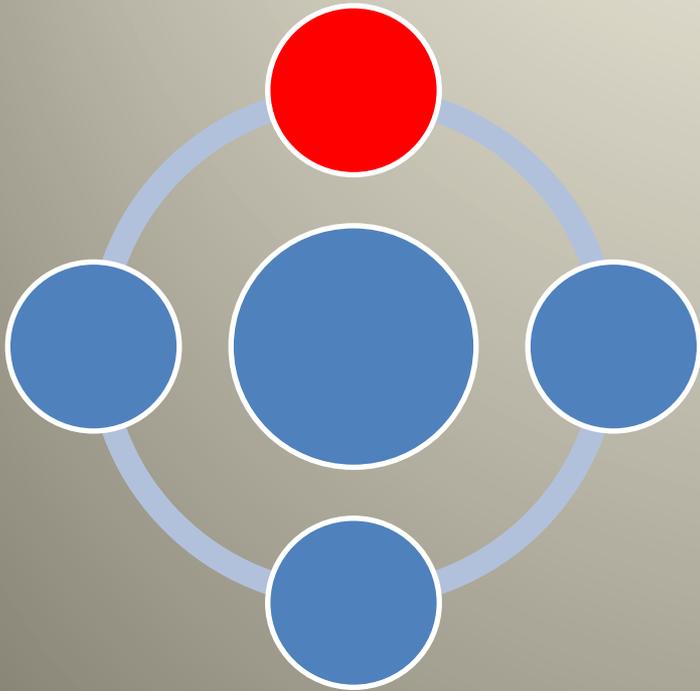
- A problem solving court model could possibly offer-- within a flexible structure-- some the advantages that make ADR methods appealing:
 - stronger party participation and consent powers;
 - flexibility of remedy beyond binary decisions;
 - the potential for better future party relationships;
 - and speedier decisions at less cost.

IP Procedures—Factors in Selection



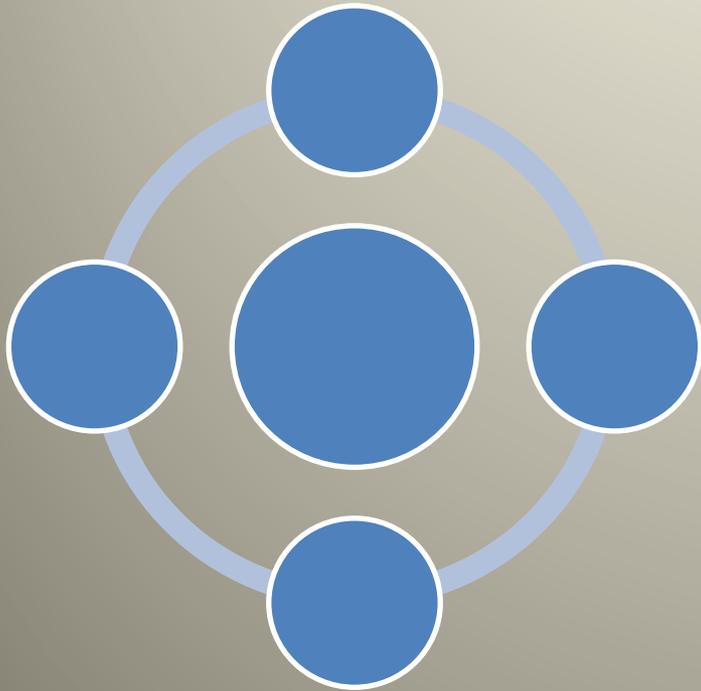
- Because of time constraints, the final section of this presentation is reduced to a single chart, summarizing some of the major factors that could lead to choosing one method of ADR over another.
- These factors are based on a variety of private strategies and public concerns.

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
		Limit'd Cooperation between parties	Limit'd Cooperation between parties
		If Discovery is Vital	If Discovery is Vital
		Interim Relief Needed	Interim Relief Needed