DISPUTE RESOLUTION SECTION

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"Disputes arise across a broad spectrum of relationships and substantive areas of the law. Alternatives to litigation may best serve client needs for resolving many of these disputes. The NYSBA Dispute Resolution Section has prepared a series of White Papers to set forth some of the special advantages of mediation and arbitration in the various contexts in which disputes commonly arise."

Edna Sussman, Chair, NYSBA Dispute Resolution Section
David Singer, Chair, White Paper Subcommittee

THE BENEFITS OF MEDIATION AND ARBITRATION FOR DISPUTE RESOLUTION IN INTELLECTUAL PROPERTY LAW

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"Traditional litigation is a mistake that must be corrected…. For some disputes trials will be the only means, but for many claims trial by adversarial contest must in time go the way of the ancient trial by battle…. Our system is too costly, too painful, too destructive, too inefficient for really civilized people." Chief Justice Warren E. Burger, United States Supreme Court

As any litigator will attest, litigation has become a lengthy and expensive proposition. It is a stressful process that destroys relationships. Because disputes will inevitably arise, lawyers seeking to best serve their clients must consider other forms of dispute resolution that can avoid much of the delay, expense, and disruption of traditional litigation. Mediation and arbitration, both of which are responsive to party needs in a way that is not possible in a court proceeding, are two of the most frequently utilized forms of dispute resolution, and they have particular applicability in the field of intellectual property.

Mediation and arbitration are no longer *alternative* dispute resolution (ADR) mechanisms, but have become common in the resolution of commercial and non-commercial disputes between business entities and/or individuals. Mediation and arbitration are routinely incorporated into contracts as the methods of choice for resolving disputes that may arise in the future and are also routinely used after problems arise and the parties are seeking a means to resolve their disputes. In this paper, we review the benefits of using mediation and arbitration for resolving intellectual property disputes, including how these ADR processes can lead to better outcomes for the parties.

"Discourage litigation. Persuade your neighbors to compromise whenever you can. Point out to them how the nominal winner is often a real loser -- in fees, and expenses, and waste of time." Abraham Lincoln

I. Mediation

Mediation is a process in which parties engage a neutral third person to work with them to facilitate the resolution of a dispute. The growth of mediation over the past fifteen years has been exponential, a tribute to the success of the process. User satisfaction is high because parties retain control and tailor their own solution in a less confrontational setting, thereby resulting in win/win instead of win/lose and also possibly preserving relationships. Although not every case can be settled, making an effort to mediate is advisable for almost every type of subject matter and in almost every area of law. Features and advantages of mediation include the following.

1. ***Mediation Works.*** Statistics show that mediation is highly effective for resolving disputes. For example, the mediation office of the U.S. District Court for the Southern District of New York reports that about 90% of its cases sent to mediation settle as a result. Most cases in mediation settle long before the parties reach the "courthouse steps," with significant savings in cost and time for the parties.

2. ***Control By The Parties.*** Each dispute is unique, and the parties have the opportunity to design their own approach and structure for each mediation. They can select a mediator who has the specialized experience and knowledge they require. That can be particularly valuable for IP mediations because of the complexity of the applicable law and, for patent disputes and many trade secret disputes, the presence of technological issues. With help of the mediator, the parties can plan how the mediation should proceed and modify the process during the mediation itself. This flexibility can be particularly useful in IP disputes, where a number of difficult questions often arise and disputes often reach across national borders. Intellectual property litigation must be conducted country by country, which for a number of reasons (cost, time, possibility of inconsistent outcomes, etc.) is generally less desirable than a dispute resolution mechanism that requires just a single forum to provide a truly global solution (such as mediation).

3. ***The Mediator Plays A Crucial Role***. The mediator's goal is to help the parties reach a settlement that meets their needs and is preferable to the litigation alternative. An experienced mediator can, if asked, provide a helpful and objective analysis of the merits to each of the parties, serve as a sounding board, help identify and frame the relevant interests and issues of the parties, help the parties test their case and quantify the risk/reward of pursuing the matter, foster and even suggest creative solutions, and identify and assist in solving impediments to settlement. A mediator can move counsel and parties away from an advocate's one-sided view of the case to a more realistic assessment, often by passing along the other side's positions in a controlled manner and offering objective observations or comments about them. Having an

objective third party can lower the temperature, typically by meeting with parties separately so that participants can speak candidly, thereby promoting more objective analysis. The mediator also provides the persistence and positive can-do attitude that are often necessary to help parties reach a resolution.

4. ***Opportunity To Listen And Be Heard.*** Parties to a mediation have the opportunity to air their views and positions directly, in the presence of their adversaries. Thus, the process can provide catharsis for the parties and that in turn may engender in them a willingness to resolve their differences. Moreover, since they are heard in the presence of a neutral authority figure, the parties often feel that they have had "their day in court."

5. ***Mediation Helps In Complicated Cases***. When the facts and/or legal issues are particularly complicated (as in many IP cases), it can be difficult to sort them out during trial, where the goal is beat one's opponent rather than to resolve the matter in a way that satisfies the interests of both sides. Even direct negotiation may not be adequate. In contrast, mediation affords the parties an opportunity, through the mediator, to break down the facts and issues into smaller components, to separate the matters they agree upon from those that they do not yet agree upon, and to rank the importance of the unresolved issues. The mediator can be indispensable to this process by separating, organizing, simplifying, addressing, and ranking issues, as well as providing a neutral, confidential ear to the parties, which tends to obviate each party's concerns about being open and being the first to reveal its true interests to the other side.

6. ***Mediation Can Save An Existing Relationship.*** Litigation can be stressful, time-consuming, costly, and is often personally painful. By the end of a suit, parties are often unable to continue any relationship they may have had. In contrast, with mediation, disputes can be resolved in a way that saves a business or personal relationship, if the parties want to do so. Mediation may be useful in facilitating negotiation of IP agreements, for example, when negotiations have been so protracted that the future relationship is in jeopardy.

7. ***Expeditious Resolution.*** Mediation can take place at any time and does not require the courthouse being open or a jury being available. Because mediation can be conducted at the earliest stages of a dispute, the parties can avoid the potentially enormous distraction from and disruption of one's business and the upset in one's personal life that commonly result from litigation, particularly if protracted. Even if mediation is not used for trying to settle the dispute underlying a lawsuit, mediation may be used at different stages of the suit to good advantage. During discovery, mediation may be used to facilitate information exchange.[1] That can be particularly helpful in IP suits, where discovery is often expensive. For example, in patent disputes, mediation may be used to resolve questions regarding experts, or the mediator may even help the parties formulate the entire discovery plan (interrogatories, depositions, production of documents, etc.). The mediator may learn what information both parties need to engage

[1] Mary Pat Thynge, "Mediation in Patent Cases—One Judge's Perspective," 997 PLI/Pat 296 (March 2010).

in meaningful settlement discussions. After allowing a measured amount of time for discovery, a mediation session could be held to discuss possible settlement. A mediator with subject matter expertise can help facilitate such discussions.

8. ***Reduced Cost.*** By resolving disputes sooner rather than later, the parties can save significant sums in attorney's fees, court costs, and related expenses. Even if early mediation does not then result in settlement and a suit goes forward, mediation may be helpful by better defining and/or narrowing the issues, which can reduce litigation expenses. For example, in a patent infringement dispute involving a number of patents, the patentee may decide after a mediation session to go forward with litigating just one of the patents because of information learned during mediation. Thus, the alleged infringer may have strong invalidity and/or non-infringement arguments for the other patents, which arguments it shares with the mediator. The mediator is then able to present that information to the patentee in a non-confrontational way, possibly with the mediator's own views, which facilitates the patentee's making a more objective assessment than if the alleged infringer had presented the same information directly to the patentee.

9. ***Lessens The Emotional Burden.*** As compared to litigation, mediation can be conducted sooner, more quickly, less expensively, and in a less adversarial manner. Thus, there is often less of an emotional burden on the individuals involved than if they proceeded with a trial. Trials may also garner publicly, thereby forcing the litigants to relive an unpleasant experience or expose business or personal information that causes further emotional burden on them. Mediation avoids this.

10. ***Confidential Process And Result.*** Mediation is private; only the mediator, the parties, and their representatives participate. The mediator is generally bound (often by law) not to divulge any information disclosed in the mediation. Agreements among the parties and mediator are usually put in place to impose/reinforce confidentiality obligations, which often include a requirement that the parties keep their dispute and the nature of the settlement confidential even after the matter is resolved. Maintaining confidentiality is usually important in all disputes and particularly so in IP disputes. For example, at the core of trade secret disputes are the existence and details of the alleged trade secrets; patent disputes often involve confidential technical and business information, not just of the alleged infringer but also of the patent owner.

11. ***Avoiding The Uncertainty Of A Litigated Outcome.*** Resolution via mediation avoids the inherently uncertain outcome of litigation and, as noted above, enables the parties to control the outcome. Recent studies have confirmed the wisdom of attempting to achieve a mediated solution instead of throwing the dice with a judge or jury; the predictive abilities of parties and their counsel are not as good as they might wish. Attorney advocates often suffer from "advocacy bias": they come to believe in and overvalue the strength of their client's case and, of course, parties typically believe strongly in their cases. An analysis of 2,054 cases that went to trial from 2002 to 2005 indicates that plaintiffs realized smaller recoveries than the settlement offered in 61% of the cases. Although defendants made the wrong decision in proceeding to trial far less often (in only 24% of the cases), they suffered a greater cost (an average of $1.1 million)

when they did make the wrong decision.[2]

A mediator, who will not have any advocacy bias or stake in the outcome, can be an effective "agent of reality" in helping the parties be more objective regarding their litigation and arbitration alternatives. This can be particularly helpful in IP disputes, which often present difficult technological, factual, and/or legal issues, for example, in patent disputes, issues such as inventorship, obviousness, infringement, the doctrine of equivalents, conception, and corroboration; in trade secret disputes, issues such as the existence and scope of the alleged trade secret and adequacy of protective measures; in trademark disputes, issues such as likelihood of confusion, dilution, and fame of a mark; and in copyright disputes, issues such as work made for hire, joint authorship, and fair use. A mediator with expertise in the applicable law and business (and for patent and many trade secret disputes, in the relevant technology) can confidentially provide each party with a candid neutral assessment of the strengths and weaknesses of its case.

12. ***There Are No "Winners" Or "Losers."*** In mediation, the mediator has no authority to make or impose any determination on the parties. Any resolution through mediation is solely voluntary and at the discretion of the parties.

13. ***Parties Retain Their Options***. Because resolution during mediation is completely voluntary, the option to proceed thereafter to arbitration or trial is not lost if mediation is not successful in resolving all matters.

14. ***More Creative And Long-Lasting Solutions.*** With mediation, parties can develop their own solutions tailored to their own particular needs and interests rather than being limited by the remedies available in litigation or arbitration. The solutions are more likely to be long-lasting because the parties have crafted them.[3]

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Each of the following examples of the use of mediation for IP disputes demonstrates a number of the benefits discussed above.[4]

<u>*Patents*</u>

In one example, Company A, the owner of a number of patents, wanted to sell its business related to the patents to a third party, but a pending patent infringement lawsuit between Companies A and B concerning one of the patents was an obstacle. Company B had staked its future on using technology that allegedly infringed the patent in suit. With

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[2] Randall Kiser, *Beyond Right and Wrong: The Power of Effective Decision Making for Attorneys and Clients*, Springer Science + Business Media LLC, New York publ. (2010).

[3] Irene C Warshauer, "Creative Mediated Solutions," New York Dispute Resolution Lawyer, volume 2, number 2, New York State Bar Association, Dispute Resolution Section (Fall 2009).

[4] These examples are based on actual mediations and have been disguised for obvious reasons.

the help of a mediator, the representatives of Companies A and B were able to share information with one another, get to know and to understand one another, and craft a mutually satisfactory solution. The parties were able to accommodate each other's interests and needs beyond what a judge could have done.[5]

In a second example, Company A licensed technology from Company B, which held patents on compound X and methods of using it for treating several medical disorders, including disorders M and N. Company B granted Company A an exclusive license to use compound X to treat disorder M. After two years, Company B asserted that Company A was using compound X to treat disorder N as well as disorder M, both of which are disorders of the intestinal tract. Company B was reluctant to grant Company A an exclusive field of use license for the second disorder (disorder N). The mediator was able to help the parties reach a solution that involved renegotiating the license agreement to add a non-exclusive license for disorder N as well as a right of first refusal for an exclusive license for disorder N.

A manufacturer of wind turbine components entered into a settlement agreement in the form of a patent license with one of its competitors. The agreement contained a dispute resolution clause that provided for mediation and then arbitration if mediation failed. Three years later, the manufacturer requested mediation from Provider X, alleging infringement of its US patents and claiming royalty payments for the licensed technology. The mediator held an initial session with the parties and allowed them a month to consider what they had learned during that session. Mediation then resumed and the parties held separate and joint caucus sessions with the mediator and exchanged proposals to discuss what changes would be made in the agreement, particularly with respect to royalties. At the end of the second day, the parties agreed on a term sheet containing the key points of a final agreement. This procedure allowed the parties to continue their business activities.

A start-up biotech company holding patent applications in several countries granted an option to a pharmaceutical company to take a license for platform technology. The pharmaceutical company exercised the option and negotiations commenced but after two years, the parties were unable to agree on terms. The parties then engaged a mediator who had considerable licensing experience, technical expertise, and had worked in-house for a pharmaceutical company and represented small biotech companies as outside counsel. During a one-day session, the mediator helped the parties identify key issues and more fully understanding the applicable law. This enabled the parties to resume direct negotiations with enhanced prospects for reaching agreement.

Trademark

A North American company involved in a trademark dispute with two Italian

[5] Thanks to David W. Plant, Esq. for suggesting this example.

companies and a Spanish company requested mediation with the goal of helping the parties avoid confusion and misappropriation of their trademarks and regulate future use of their marks. Although Italian was the agreed-upon language for the proceedings, any settlement agreement would be recorded in both Italian and English. The administering organization recommended potential mediators with specific expertise in European trademark law and fluency in Italian and English, and the parties selected an Italian mediator with a trademark practice. The mediator conducted an initial telephone conference with counsel, during which they scheduled the mediation session and agreed on the procedure. Two months later, the mediator met with the parties in a two-day session in Italy. The mediation was held in joint session with the exception of two brief caucuses. At the end of the second day, the parties, with the assistance of the mediator, were able to execute a settlement agreement covering all of the pending issues in dispute.

Copyright

One example of the use of mediation for copyright disputes involved an individual who recorded her lengthy interview of a famous person, who died soon afterwards. There were no writings concerning what use would be made of the recorded interview. The heirs challenged the right of the individual to use the interview for a book, film, etc. about the decedent on the basis that they owned the entire copyright because the decedent was, in their view, the sole author of the content of the interview (the decedent did virtually all of the talking during the interview and the conduct of the interview and its fixation had been done at the request/direction of the decedent). Through mediation, the parties were able to achieve a resolution that a court would not have been able to provide, to do so in a much shorter time and at much lower cost than litigation would have entailed, and to avoid the emotional toll that cross-examination of the parties in court would have taken.

Company A licensed certain artwork to Company B, which combined that artwork with Company B's own proprietary artwork. Company B then licensed the combined artwork to Company C for use on Company C's packaging for consumer products, assuring Company C that it (Company B) had the right to grant the necessary rights from Company A. Company A later accused Company C of copyright infringement because the Company A artwork was on the packaging. The parties differed significantly on how much profit was attributable to the alleged infringement, which kept them far apart on the monetary aspect of any possible settlement. A mediator helped the parties more realistically assess the value of their cases and ultimately reach settlement.

"Choice -- the opportunity to tailor procedures to business goals and prioritize -- is the fundamental advantage of arbitration over litigation."[6]

II. Arbitration

Arbitration is an adjudicative process in which parties engage a neutral arbitrator or a panel of arbitrators (typically three) to conduct an evidentiary hearing and render an award in connection with a dispute. Broadly speaking, a party cannot be forced to arbitrate a matter unless it has agreed to do so, although there are some exceptions (e.g., successor in interest, statute, estoppel). The agreement to arbitrate is usually part of a larger contract entered into by the parties before any dispute arises (e.g., contained in the dispute resolution section of a license agreement); however, an agreement to arbitrate may also be entered into after a dispute has arisen, in which case the process can be tailored to handle the specifics of the dispute. Features and advantages of arbitration over traditional litigation include the following.

1. ***More Control And Flexibility.*** The parties are free to agree to almost any arbitration procedure that does not violate the law or public policy (e.g., in some jurisdictions, an arbitrator may not award punitive damages, even if the agreement to arbitrate calls for them). Thus, the parties' agreement can specify the number of arbitrators, the amount and timing of discovery (e.g., number of and/or time limits for depositions), the type of award (e.g., ranging from a barebones award without any discussion of the reasoning underlying the award to detailed findings of fact and conclusions of law), a time limit for making the award (e.g., within four months of the appointment of the arbitrator), the location of the hearing, the number of hearing days, whether any motions (e.g., for summary judgment) will be allowed, the process for selecting the arbitrator, the procedural rules (e.g., the International Institute for Conflict Prevention and Resolution's Non-Administered Arbitration Rules), and whether the arbitration is to be administered by an ADR provider (e.g., the American Arbitration Association) or is to be self-administered. In contrast, in litigation, the parties have little or no control.

2. ***Speed And Efficiency***. Arbitration can be faster than court litigation. Arbitrations can be commenced and concluded within months and often in less than a year. The agreement to arbitrate may in fact contain a time limit for rendering the award. Leading dispute resolution providers report that the median time from the filing of the demand to the award was 8 months in domestic cases (i.e., cases involving only U.S. parties) and 12 months in international cases (i.e., cases involving at least one non-U.S. party). In contrast, for the twelve-month period ending March 31, 2009, the median time from filing of a civil complaint to disposition by trial was 28.4 months in the U.S. District Court for the Southern District of New York.[7] Several providers have expedited

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[6] Thomas J. Stipanowich, *Arbitration and Choice: Taking Charge of the "New Litigation,"* 7 DePaul Bus. & Comm. L.J. 3 (2009).

[7] *Judicial Business of the United States Courts 2009,* Table C-5. The Southern District of New York was not atypical.

procedures in place, for example, International Chamber of Commerce (ICC) fast track procedures,[8] World Intellectual Property Organization (WIPO) expedited arbitration,[9] International Institute for Conflict Prevention and Resolution (CPR) expedited arbitration,[10] JAMS expedited procedures,[11] and American Arbitration Association (AAA) expedited procedures under the Commercial Rules.[12]

3. ***Less Expensive.*** Arbitration can result in substantial savings of attorney's fees and other litigation expenses because, if the parties cooperate with each other and with the arbitrator, the process can be significantly more streamlined and shorter than a lawsuit would be. Even without full cooperation, an arbitrator may still be able to significantly reduce discovery and other costs. For example, an arbitrator can limit the number of depositions, ban requests for admission, allow only a small number of interrogatories (if any), etc., which will significantly reduce costs (of course, because arbitration is a creature of contract, if both sides agree to extensive discovery, the arbitrator's hands may be somewhat tied). Time-consuming and expensive motion practice is also less common in arbitration, with some arbitrators ordering parties not to make motions without permission (and to obtain permission, the parties typically need to show there are no disputed material facts, that granting of the motion would significantly shorten the process, etc.).

4. ***Qualified Neutral Decision Makers.*** The parties can select arbitrators who meet desired criteria, e.g., arbitrators with expertise/experience in the relevant subject matter. Arbitration avoids a trial where the subject matter may not be within the knowledge or experience of the judge or jury. This advantage is especially relevant to IP disputes. In patent and trade secret cases, the subject matter is often highly technical. Arbitration allows parties to select an arbitrator having subject matter expertise and to avoid spending time and money attempting to educate a judge or jury with no guarantee the attempt will succeed. A three-person arbitration panel provides an opportunity to have many areas of expertise represented if no one arbitrator can be found having all of the requisite expertise/experience. Thus, in a single IP dispute, expertise in patent law, contract law, trade secret law, and employment law could be needed. One of the authors of this paper has proposed a legislative change that would enable replacement of the fact-finding role of non-technically trained Article III district court trial judges with tribunals of expert arbitrators in civil actions against the US Patent and Trademark Office for judicial review of adverse USPTO decisions on patent applications involving complex technical fact issues.[13]

5. ***Confidentiality.*** Court proceedings are generally open to the public, but arbitrations are conducted in private. Only the arbitrators, parties, counsel, and witnesses

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[8] Article 32(1) of the ICC Rules of Arbitration.
[9] WIPO Expedited Arbitration Rules.
[10] CPR Procedures & Clauses: Global Rules for Accelerated Commercial Arbitration.
[11] Rules 16.1 & 16.2 of JAMS Comprehensive Arbitration Rules.
[12] AAA Commercial Arbitration Rules and Mediation Procedures, Expedited Procedures.
[13] Charles E. Miller, "New Procedural Rights for IP Owners and the Promotion of Judicial Economy and Efficiency Through the Use of Arbitration in Civil Actions Against the USPTO," *IPO Daily News* (Sept. 24, 2007).

attend the arbitration. The arbitrator and the provider (if any) are usually required by law and/or by the rules of the provider to maintain confidentiality. Confidentiality obligations (including with respect to documents and other evidence) are often self-imposed on the parties by agreement.[14] Parties desiring to maintain confidentiality may opt to obtain a simple (barebones) award and not a reasoned award because either party might to go to court to confirm or vacate the award (in which case the award might become part of the public record).

6. ***Arbitration Provides Finality.*** In litigation, parties have the right to appeal the decision of a judge or the verdict of a jury, and appellate courts have substantial power to undo what a judge or jury has done. In contrast, the award of an arbitrator is final and binding on the parties and the grounds for court review of the award (during a proceeding to confirm or vacate it) are limited.[15] This could be particularly useful in patent cases where there are claim construction issues. Under *Markman v. Westview Instruments, Inc.*[16] claim construction, the meaning of terms of a claim, is a question of law. However, the Court of Appeals for the Federal Circuit does not consider claim construction determinations to be final or appropriate for interlocutory review. Therefore, when the Federal Circuit finally does review claim construction determinations, if it decides the trial court has erred, it will often remand the case to the trial court for further proceedings, which may well involve a new trial on infringement and/or validity, thereby possibly delaying ultimate resolution by months (if not years) and costing the parties substantial additional sums. One of the authors of this paper has previously proposed arbitrating claim construction because such arbitral determinations would be final and unassailable except on narrow grounds, thereby significantly reducing the risk that the parties would have to retry infringement and validity issues because of a trial court's erroneous claim construction.[17]

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[14] The patentee, assignee, or licensee of a patent is supposed to notify the Director of the USPTO of any arbitration award concerning the patent's validity or its infringement and provide a copy of the award and certain other information, which are then entered in the prosecution record of the patent. 35 U.S.C. § 294(d). The award is unenforceable until such notice is received by the Director. 35 U.S.C. § 294(e). Even though the award may become part of the public record, the information it contains will likely be considerably less than a publicly available litigation record would contain, particularly if the award is a barebones award. Patent interferences may also be arbitrated, and notice of the award must be given to the Director or else the award is unenforceable. 35 U.S.C. § 135(d).

[15] Under the Federal Arbitration Act ("FAA"), the four statutory grounds are (1) where the award was procured by corruption, fraud, or undue means; (2) where there was evident partiality or corruption in the arbitrators, or either of them; (3) where the arbitrators were guilty of misconduct in refusing to postpone the hearing, upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; or of any other misbehavior by which the rights of any party have been prejudiced; or (4) where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made. 9 U.S.C. § 10(a). Depending on the Federal Appellate Circuit, manifest disregard of the law is or is not a viable ground for vacating the award, but it too is a narrow ground. Broadly speaking, the grounds for vacating an award under state laws are similar to those in the FAA. Experienced arbitrators are not likely to provide any basis for vacating an award.

[16] 517 U.S. 370 (1996).

[17] Stephen P. Gilbert, "Arbitrating to Avoid the Markman Do-Over," *Dispute Resolution Journal*, vol. 61, no. 3, pp. 60-65 (August-October 2006).

7. ***Special Considerations For International Arbitrations.*** Party selection of arbitrators ensures that a neutral rather than the home court of one party decides the dispute. The parties can select an arbitrator who is not from any of the parties' countries and who has cross-cultural expertise and understanding of the different relevant legal traditions. Also of importance is the enforceability of arbitration awards under the New York Convention, in contrast to the more difficult enforcement of court judgments across borders. Intellectual property disputes often involve parties from various countries, which makes arbitration preferable for the reasons just discussed. Even if the parties are not from different countries, intellectual property disputes often involve intellectual property cutting across national boundaries (inventions, trade secrets, works of authorship, etc. are not geographically limited). Intellectual property litigation must be conducted country by country, which for a number of reasons (cost, time, possibility of inconsistent outcomes, etc.) is generally less desirable than a dispute resolution mechanism that requires just a single forum to provide a truly global solution (such as arbitration).

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Each of the following examples of the use of arbitration for IP disputes demonstrates a number of the benefits discussed above.[18]

Patent

In one example, a U.S. inventor held patents in several countries and had licensed them to a company based in Asia. The inventor and licensee disagreed on who should pay the annuities to keep the patents in force. After the Asian company terminated the license, the inventor filed a demand for arbitration, claiming damages and requesting a declaration that he was free to use the patents. The arbitrator, who was knowledgeable in patent and licensing law and sensitive to the cultural issues, was able to quickly render an award after the evidentiary exchange and a brief hearing.

Two companies involved in a software patent infringement dispute disagreed as to whether there was infringement and ultimately agreed to arbitrate the matter. The two companies had prior to the dispute done business, and they wanted to continue to do so in the future. The parties needed a simple yes-no answer as soon as possible to the sole question presented to the arbitration tribunal, namely, whether there was infringement. The parties selected three arbitrators who were knowledgeable about software and patent law. Through arbitration, the parties received their answer from people knowledgeable about the technology and the law, far more quickly than they would have through traditional litigation, at far lower cost, and with complete confidentiality.

[18] These examples are based on actual arbitrations and have been disguised for obvious reasons.

Trademark

European Company A registered a trademark for consumer goods in several countries. Asian Company B started to sell the same types of goods under a similar mark in those countries. After Company A accused it of infringement, Company B commenced administrative proceedings in several of the countries to cancel the registrations. The parties then entered into a settlement agreement containing an arbitration clause. The agreement provided for each party to restrict its use of its mark to its part of the world. After Company A used its trademark at a trade show in Company B's home country, Company B commenced arbitration, claiming violation of the settlement agreement. The Tribunal rendered its award within a few months of the close of the hearing, and, among other things, ordered Company A to refrain from using the trademark in Company B's home country.

Domain name disputes are arbitrated under a policy established by ICANN (Internet Corporation for Assigned Names and Numbers), which is responsible for management of the generic top level domain names (".com," ".org," etc.). ICANN adopted the UDRP (Uniform Domain Name Dispute Resolution Policy) effective December 1, 1999. Various organizations, such as WIPO (World Intellectual Property Organization), have established procedures for neutrals to decide whether to order domain name registrars to cancel, transfer, or sustain the domain names of parties accused by complainants of "cybersquatting." These arbitrations are faster and less costly than traditional litigation, and the neutrals are knowledgeable in the area. Since 1999, thousands of UDRP disputes have been adjudicated by arbitration tribunals, involving the famous and the not-so-famous. For example, the complaints of actress Julia Roberts (*Julia Fiona Roberts v. Russell Boyd*, WIPO Case No. D2000-0210) and of the estate of singer Jimi Hendrix (*Experience Hendrix, L.L.C. v. Denny Hammerton*, WIPO Case No. D2000-0364) were sustained, and the domain names "juliaroberts.com" and "jimihendrix.com" were ordered to be transferred to the respective complainants; in contrast, the complaint of singer/actor Sting was not sustained (*Gordon Sumner, p/k/a Sting v. Michael Urvan*, WIPO Case No. D2000-0596).

Copyright

Company A and Company B both manufactured computers. Company A accused Company B of infringing numerous copyrights on Company A's operating system software, but Company B claimed it had developed its software using only publicly available information about Company A's operating system. After protracted negotiations, the parties entered into a settlement agreement under which Company B made a lump sum payment to Company A, agreed to pay future royalties, and agreed to respect Company A's intellectual property rights. Under the agreement, any disputes would first go for resolution to a group of executives from both companies and any unresolved disputes would be arbitrated. Company A eventually requested arbitration, saying Company B had breached its promise to respect Company A's intellectual property rights. The arbitrators, who were knowledgeable in the software and copyright fields, attended a multi-day seminar presented by the parties

to educate them regarding systems software. The panel made numerous rulings that shortened the proceeding. For example, rather than their examining many tens of thousands of lines of computer code, the panel asked each party to designate a relatively smaller number of code segments that it believed proved its case (i.e., infringement, or non-infringement because of, e.g., independent creation, scènes à faire, etc.). The time from filing of the demand to issuance of the award was about two years, significantly less time than litigation would have taken. The complex award provided that: (a) Company B would pay for past and future use of Company A's intellectual property; (b) Company B's system developers could examine the Company A code being used up to a specified earlier date and prepare written system specifications based on that code, which specifications would then be given to Company B's software developers to write their own system code, without any further communication between the system developers and the software developers (a modified "clean room" procedure); and (c) the panel retained jurisdiction to decide any further disputes. This proceeding demonstrates several of the advantages of arbitration, including the parties' control over the process, reduced cost, and ability to select knowledgeable arbitrators.

Trade Secret

Company A exclusively licensed technology to Company B, which at the time needed to use the technology to make a product for which it was seeking governmental marketing approval. Company B had collected substantial data from the various product trials it had run. The license agreement specified that if Company B terminated the license, Company A could use the technology to make its own version of the product and that Company A could have access to and rely on the data when it sought governmental marketing approval. Company B terminated the license but refused to allow Company A to have access to or to use the data. Despite the complicated nature of the case, involving a number of days of hearing with substantial expert testimony and a lengthy post-hearing briefing schedule, the hearing was held only eight months after the demand was filed and the award was rendered less than four months later.

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