Some General observations

1. ‘Alternative Dispute Resolution’ (ADR) covers a spectrum of non-litigious options to the settlement of disputes and practitioners and judges alike have been pressed into recognising its growing utility. In present context, it is applicable to all aspects of the resolution of IP disputes and may be equally important to the assessment of damages following an action wherein the Plaintiff/Claimant has been successful. In the IP field, the reason why this is happening is especially clear. IP litigation has become too costly for many would-be litigants. IP, many feel, cannot become a forensic arena for wealthy multi-nationals and their lawyers; if it looses its universality it looses its social purpose. That said however, there are inherent cost issues in this field which can make IP litigation (particularly with patents and ‘new-era’ copyright subject-matter) unavoidably costly. It is the purpose of this paper to explore some of these matters and in doing so, I have adopted the practical approach of a Common Law lawyer (and latterly, judge) steeped in the practice of UK and Irish IP law.

2. This paper suggests that the existence of ADR (and of mediation in particular) as a possible means of resolving disputes should become a regular issue in all IP litigation, routinely being raised by the Court (if not by the parties themselves) at the case management (CMC) stage. This is what I prescribed when I took charge of the Patents County Court (as it was) and I incorporated in the Order following the CMC, words along the lines:

   ‘And the possible benefit of mediation as a means of resolving this dispute having been drawn to the attention of the parties by the Court and/or by the parties’ representatives...’

3. I should next make some further preliminary observations- in no particular order. The utility of mediation in practical terms has been proved, in my personal experience, many times over. Secondly, ADR is often not popular with litigants’ advisers who recognise in it the signs of a multiple by-pass. The importance of ADR has also come to the attention of the European Council and Commission in the context of facilitating access to justice across Member States. An important result in present context has been Directive 2008/52/EC.
on aspects of commercial and civil matters (the “EU Mediation Directive”), its aim being to harmonise the rules applicable to cross-border mediations in the EU. And in connection with the establishment of the Unitary European Patent and the Unified Patent Court, Chapter VII of the Regulations is specifically concerned with ‘Patent Mediation and Arbitration’ (in that order). In the UK there has recently been a comprehensive review of the cost of litigation culminating in the Jackson Report (2010) which has in no uncertain terms cast a burden on litigants to consider ADR as a means of avoiding litigation.

4. It is also worth noting that whilst WIPO, Geneva has taken an active interest in ADR, the EPO has as yet had little to do with it beyond general endorsement.

5. There are several methods of dispute resolution falling outside the trial system which are available to those finding themselves in litigious situations. Of these the forms of ADR most frequently encountered in IP work are: Arbitration, Mediation, and Preliminary Neutral Assessment.

6. **Arbitration.** In the context of IP litigation, arbitration is a well-established process of resolving disputes having certain advantages (such as privacy) and disadvantages (such as the inherent inability to challenge the validity of IP in issue). In arbitration, a dispute is referred to one or more appointed arbitrators instead of to a judge and the parties agree to be bound by the outcome. The arbitrator(s) is chosen by the parties or nominated by an arbitration institution. Its deployment, implementation and the subsequent enforcement of awards is normally subject to domestic rules and (in the UK and Ireland), national statutes. But note that as with court proceedings, arbitrations end with a decision/award and there is therefore, a traditional ‘winner’ and a ‘looser’. In patent context it finds most application in the resolution of disputes concerning agreements such as licencing, technology transfer and joint venture agreements. But it is not used in infringement cases and in many IP cases where interim relief and measures such as seizure are invoked, it also has no application.

7. **Enforcement of arbitral awards** is effected via the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958, to which most commercial nations are signatory. There are limited grounds which can be invoked against the enforcement of an award.

8. A judge’s decision is also reached in the case of the various forms of preliminary/early neutral assessment. In addition, in the context of patents, it was at first thought that this option could be of benefit in eliciting the Court’s views at an early point on the key issue of claim construction but in the majority of jurisdictions (where infringement and validity are litigated simultaneously), this has proved to be of little interest to litigants.

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1 Institutionalised arbitration with its own rules is common. There are the IBA Rules for the taking of evidence in International Arbitration for example. Reference is also made to the UNICTRAL Model Law on International Commercial Arbitration. Most rules provide for the award of reasonable attorney’s fees as well.
9. With a successful **mediation** on the other hand, there are important distinctions from other forms of ADR:

(a) The mediator does not ‘decide’ the case  
(b) No winner need emerge from the process, and  
(c) The mediation is not itself binding but when successful, there will be an enforceable agreement.

10. In a successful mediation, *both sides* are in fact winners and what then emerges is a legal agreement which binds the parties affected by the dispute. Since this form of ADR is relatively new to IP disputes and in the light of the potentially high cost of such disputes (see below), particularly pharma disputes, in my view it has become the most promising form of ADR open to IP practitioners. It is in fact now the subject of a dedicated training course offered by WIPO, Geneva and oriented to IP disputes. In this paper my principal ADR topic will therefore be ‘mediation’ as viewed from the perspective of a trial judge. The **Harmonisation Directive** was enacted:

“to facilitate access to ADR and to promote the amicable settlement of disputes by encouraging the use of mediation and by ensuring a balanced relationship between mediation and judicial proceedings.”

### The cost of IP litigation

One of the most important drivers to make parties in IP litigation consider **mediation** as a realistic means for the resolution of disputes, is the inherent and substantial **costs** of such litigation. And it is principally, but not exclusively, from that perspective that I shall approach my subject. For some 150 years there has been concern about the high cost of litigation in the IP field, particularly as regards patent litigation. There are a number of reasons for this, some inherent, some man-made. Further, in this respect there are significant differences between experiences of costs in the Common Law and Civil Law jurisdictions, the latter so it is said, being less costly. I have become disturbed about the **deterrent effect of cost** on the use made of courts, even specialist IP courts, to resolve disputes. The blame for this is often put on the high fees of professional participants - specialist lawyers, experts, forensic accountants etc. But the real situation is, I consider, rather more complex.

Experience shows that when **arbitration** is used as a means of resolving IP disputes it is rare that any costs savings are achieved thereby. Specialist attorneys and experts invariably become involved.

I begin by setting out what I believe to be some six basic cost-related questions facing a would-be litigant in an IP suit anywhere:

(a) How much will the litigation be likely to cost – i.e. potential total exposure from possible interlocutory application to possible appeal.  
(b) How strong are the parties’ cases?
(c) Both infringement and validity of the IP right will usually be in issue. The consequences of bifurcation have also to be considered in some jurisdictions.  
(d) From the commercial point of view, what can one expect to get out of the litigation, win, lose or compromise?  
(e) How long will the litigation be likely to take – up to its predicted conclusion?  

(f) What is the likely extent/effect of the largely unproductive personal/corporate time involved.  
(g) Choice of experts and the performance of experiments.  

In IP cases, particularly in patent cases, a straightforward response in relation to these basic factors is seldom either possible or straightforward. I set out below some prime generators of costs which are of especial relevance to IP cases.  

At its broadest, what is mediation?  

11. Mediation is the name given to a form of dispute resolution where the parties make use of the intervention of a professional and neutral third party to help them reach a negotiated settlement. The aim of mediation is not to decide the dispute; there is no winner or looser. The aim of mediation is simply to enable the parties to resolve their dispute by finding a middle way.  

12. Mediation may be chosen either before or (more usually), whilst Court proceedings are underway. Mediation is initially non-binding and is open ended and if a settlement is not reached, the parties can walk away from the mediation and return to Court for a judge to decide the dispute.  

13. The parties decide themselves whether to go for mediation; in the UK and Ireland, mediation is not yet compulsory - though it is the invariable practice of judges to recommend it at the case management stage. In the UK and France, courts will sometimes take account of the fact that a party has unreasonably refused to mediate when assessing costs – and may penalise a party for not doing so.  

14. The parties choose the mediator, agree terms of his engagement and with him and/or a provider, organise the procedure to be followed – which of course relies on the impartiality and fairness of the mediator.  

15. The mediator and the parties must always respect the premise of confidentiality (see below).  

What are the advantages of mediation to IP cases in general? Pros and cons.  

16. Bearing in mind that litigation in certain industries (in the pharmaceutical industry in particular) often involves multi-jurisdictional disputes, the
advantages include the following (again in no particular order), each one being worthy of some separate discussion:

17. **The private and voluntary nature of such proceedings** affords the participants a high degree of control over the process and its outcome. The mediator has no power to force the parties continue against their wills.

18. **Costs saving** in a legal field where the cost of litigation is notoriously high, particularly patent litigation (see above).

19. **Avoiding ‘hassle’,** uncertainty, anxiety and the commercial ‘down time’ which is associated with the trial of IP matters.

20. **No appeals.** Normally because of their value, IP cases are very prone to appeal – and thus further costs.

21. **‘Judge risk’** and the inevitable uncertainties of litigation.

22. The possible settlement of **international disputes** involving the same parties (or their subsidiaries) and the same IP.

23. The possible resolution of the parties’ **collateral disputes.**

24. A much wider **range of possible solutions.** A skilful mediator may be able to provide a solution which is beyond the powers of the Court to provide.

25. A **faster forum** for dispute settlement.

26. **Confidentiality.** This is a key benefit. Dispute resolution without publicity and often without the disclosure of sensitive commercial information becomes possible via mediation. Moreover confidentiality enables the parties to explore the limits of their cases without fear of exposing weaknesses or setting precedents.

27. **‘Face saving’** which, coupled with the neutrality of the mediator, may culturally be of immense importance in certain jurisdictions.

28. Mediation often leads to a **‘win-win’ situation.** For example, it may catalyse the formation of a new commercial relationship to the exclusion of third parties by way of licensing or supply contracts. It should be remembered that in many IP litigations, either the claimant may win and can thus close down the relevant part of the defendant’s business or he loses and the IP in suit may be invalidated2 or the IP may be amended to a point where the defendant (or third parties) can compete. The IP may otherwise become commercially devalued.

29. There need be no costly **enquiry as to damages/account of profits** or, after a successful trial for the claimant, there may be a mediated compromise thereafter on the enquiry as to damages itself. The cost of expert evidence from forensic accountants may be very high.

30. **Psychological benefit**. The mediator is a skilled, trained neutral facilitator. He/she does not make a decision - the parties themselves do this. This can be very important commercially.

31. What goes on during a mediation is **‘without prejudice’** i.e. it is not binding and if the mediation fails, the parties can undertake/resume litigation confident in the knowledge that what was discussed within and for the purpose of mediation, will remain confidential.

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2 A counterclaim for revocation/expungement being a normal response to an allegation of infringement in several forms of IP- in addition to denial.
32. Even an unsuccessful mediation may lead to a better and more realistic **mutual understanding** of the parties’ positions on resumed litigation which, as experience shows, often leads to a successful post- mediation settlement or at least a saving of time.

**Possible disadvantages of mediation in IP cases**

33. It takes the **agreement of the other side** to set up a mediation - and time. Mediation cannot therefore avail if some emergency action is deemed necessary eg where a party seeks an interlocutory injunction against the invasion of its rights or, *a fortiori*, an unannounced *seizure* procedure is necessary.

34. It is impractical where a party wishes to establish a **legal (or commercial) precedent**. For example, the construction of a claim or an important clause in a contract – or the Court’s view on a legislative development.

35. It may be unattractive to either party seeking **summary judgment** or **interim relief**. The application for summary judgment is frequently invoked in IP litigation as an attempt to save costs. And interlocutory applications are very much the order of the day in IP cases in a number of jurisdictions eg India.

36. Mediation may become a forum for abuse, delay or non-cooperation. This may arise with parties in actions involving chancers, ‘try-ons’, aggressive conduct and trolls. The mediator ultimately has the power to call off a mediation if he considers that a party is acting in a silly manner or in **bad faith**.

37. It will not be of interest where **publicity for the litigation is actively sought** by a party eg in class actions.

38. It is irrelevant where **revocation of an item of IP is positively sought**, since this can only be effected by Court order to the national Patent/Trade Mark Office.

**How does it work?**

39. **Preliminary matters.** There are a number of steps involved in a typical mediation. Mediation is effected in a pre-determined, informal but structured manner. First there must be agreement to mediate. This may have been ‘propelled’ by an observation of the trial judge but (in most jurisdictions), not ordered by him (see above). The terms of reference are normally established by a mediation agreement/contract³.

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³The contents will be tailored to suit the circumstances. An important item is to ensure that those taking part in the future mediation possess the power to bind the party they represent. Some contracts provide for mediation in the event of a dispute.
40. Then the mediator must of course, be selected and his fees settled. The provenance of mediators is varied. There are national lists of mediators both specialist and general. The WIPO Mediation and Arbitration Centre is another provider and under Art 35 of the Agreement on a Unified Patent Court two patent mediation centres have been nominated. Then a decision must be made as to whether to involve members of the legal profession - their presence not being compulsory but frequently helpful. Practical matters such as dates of mediation, procedural timings, venue and suchlike must be established often via a mediation service provider.

41. Normally the preliminary timings for getting things done will be short, weeks and days and not months being involved. It will also be established how long the actual mediation session will take when it occurs.

42. A mediation is above all not a mini-trial and even in complex cases should not last for more than a day - or two at the most. Lengthy paper preparations/skeletons of argument/case citations are definitely not required and the use of lawyers though often helpful, is entirely optional.

43. The mediator should be aware that sometimes, though rarely, mediations are conducted with ulterior motives and hidden agendas eg to ‘fish’ for information which could prove useful at trial, to harass and / or insult an opponent – and so forth. If this occurs, it should be raised and dealt with in a polite but firm manner.

44. The flexibility of this process means that it can take place at any time from before the issue of proceedings until a final decision is issued by the court or arbitrator. However to make the process worthwhile, mediation usually occurs after a certain amount of information has been exchanged.

A typical IP mediation works thus:

45. Each party prepares a short Summary of Case which is presented to the mediator and to the other side in advance.

46. At the mediation itself, the mediator will first introduce everyone and explain how the mediation will take place. The mediator will usually re-iterate the absolute need for mutual confidentiality and will address the issue of ‘without prejudice’ as preliminary matters.

47. Each party then makes a short (c 15 minutes) presentation of his case to the other side and not to the mediator. Remember: The mediator is a facilitator not a judge; his role is essentially non-judgmental. The mediator may also encourage parties to air their grievances at this stage.

48. The parties may split up into two groups - in separate rooms for ‘shuttle handling’ (‘caucusing’, as it is referred to in US practice). This is where the

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4 How this may be done will be explained. A number of commercial enterprises exist which provide both trained and qualified or specialist mediators - together with a venue and basic facilities for the mediation.
real engine of mediation and the skill of the mediator finds its place. Each party discusses its case frankly and openly with the mediator who does the same with the other side - in particular, touching on outcomes, hopes and aspirations. Strengths and weaknesses will of course be discussed as well as financial matters – together with any number of practical considerations relevant to a possible settlement. The mediator will make helpful comments and suggestions throughout.

49. The mediator then ‘shuttles’ between the parties in a diplomatic and efficient manner. In each case, he will be careful to receive instructions from a particular party as to what he is entitled to mention to the other side at his next ‘visit’ – and what he is to remain silent about. He may of course mutually report on matters outside such restrictions. The mediator will use his best endeavours to alleviate mutual suspicions and generally to enhance mutual understanding. This is often hard work requiring much patience.

50. If the mediation proves to be successful, the mediator will at once prepare heads of agreement wherein the agreed issues are recorded. This is put to the parties for comment and if necessary, adjustment. Where lawyers are involved, the signed heads of agreement will be crafted into a formal written agreement to reflect the earlier heads of agreement and signed by the parties with power to do so. This then binds the parties in law as any other contract.

51. If the mediation is unsuccessful, the parties may of course continue with their litigation. Confidentiality will be maintained thereafter and the court will not investigate why the mediation was unsuccessful. The question of the costs of the litigation may however be raised with the trial judge if say, a party unreasonably refuses to mediate: see above. The case can of course be settled later or by another attempt at mediation.

A final observation

A bad agreement is always better than a bad judgment. Think about it.

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