# RESOLVING INTELLECTUAL PROPERTY DISPUTES

By: Arthur A. Chaykin, Esq., Mediator

## Introduction

Intellectual property issues impact businesses of all sizes and in all industries. As more companies and individuals become aware of the importance of intellectual property as a strategic business asset, the amount of intellectual property created has increased and, generally speaking, so has the number of intellectual property disputes. For the sake of efficiency, cost-effectiveness, and control, intellectual property cases are particularly good candidates for alternative dispute resolution – most commonly, mediation or arbitration. This is because transaction costs involved in resolving an intellectual property dispute through traditional litigation are extremely high relative to resolution of "normal" litigation. And although there is a wide range of intellectual property including patents, trade secrets, copyrights and trademarks, parties considering alternative dispute resolution in an intellectual property case should consider certain factors pertaining to the characteristics of the third party-neutral selected to help resolve the dispute.

## The Neutral: Expert in IP or in Dispute Resolution?

Although a high level of general dispute resolution skill is an important factor when selecting any neutral, a mediator needs to develop certain special skills and qualities while also gaining a firm handle on the principles, practices, terminology, and damage issues that make intellectual disputes unique.

In the typical business case, the neutral expects that lay business leaders thoroughly grasp the business issues and key principles that impact the dispute. However, intellectual property disputes present an unusual challenge: Although some business decision makers are quite sophisticated with regard to intellectual property issues, there are aspects of intellectual property law that are counter-intuitive and sometimes run contrary to the business and legal principles that apply in other types of property disputes. This sometimes results in confusion, incorrect evaluation, and misunderstanding. This confusion is compounded by the fact that intellectual property disputes often arise in technical or very industry-specific contexts, which can also undermine the clear understanding the parties need to resolve their differences. If not properly managed, these challenges can frustrate the parties, undermine their confidence that the process is effective, and cause the mediation or dispute resolution process to bog down.

Using real estate – the ultimate tangible property – as an example, when one purchases a house, one registers the deed and it is understood that, absent unusual circumstance, rights to the land are protected and have fully vested. Such is not the case for trademarks (for example). A trademark registrant's rights can be greatly impacted by the trademark registrant's use (or non-use) of the mark, as well as the strength of the mark. And the trademark owner's ability to stop a later user of the mark can also be impacted by the extent to which the new use will cause confusion in the marketplace.

A third-party neutral attempting to resolve a trademark dispute must be able to understand such principles and also explain them in a compelling and comprehensible way to the disputants. Of course, when attorneys are involved (which is almost always the case with intellectual property disputes), a neutral can enlist the attorneys to help clarify the issues for their respective clients, which they are usually more than happy to do. A mediator, however, must assure that the jargon and confusion are slowly stripped away so that the parties can perceive their interests with clarity and resolve them through the normal mediation process. Because of the complexity of intellectual property cases, this is a critical function even when the disputants have a high degree of intellectual property knowledge. The law of intellectual property has evolved so rapidly of late, and there have been so many new developments in the field, it is absolutely critical for the neutral to make sure that the parties are "speaking the same language." This becomes critical toward the resolution phase of the mediation, when the parties may need to carefully identify which party has which rights.

Patent cases sometimes involve detailed issues relating to particular scientific or technical fields. Although the technical field itself may be familiar to the parties, the patent principles that impact their rights may not be totally understandable and they are rarely intuitive. The patent claims will define the scope of the patent holder's rights but interpretation of claims is a complex and difficult process. In some case, the prosecution history, the patent disclosure, the claims allowed by the patent office, and the exact structure, operation and function of the article accused of infringement are all relevant to a determination of liability, pinpointing the source of disagreement between the parties often requires sustained focus and patience.

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Patent cases, therefore, require a mediator who is a fast learner but once again, overall technical skill is secondary to the ability to clarify, articulate, and help remove confusion and create "buy-in" as to the true nature of the dispute and the range of possibilities available for resolution. The mediator must create an agenda of issues that assure that the parties come to agreement as to the nature and scope of their disagreement.

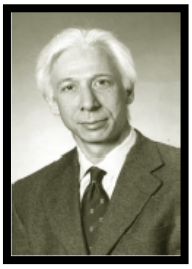
In fact, in some cases, simply getting agreement as to the agenda of issues for resolution can often clarify issues sufficiently to build substantial momentum toward resolution.

Patent lawyers are specialists who always have some technical or scientific background. As a result, my experience is that intellectual property lawyers in general and patent lawyers in particular usually possess a high degree of technical skill and a fairly deep attachment to the processes, procedures, terminology, and nuances of patent law. However, not all patent lawyers find it easy to move between the very technical field in which they operate and the world of laypeople and dispute resolution where emotions, varied interests and diverse backgrounds and levels of understanding can seriously undermine the dispute resolution process. As a result, a third-party neutral who is a "patent nerd" may not be successful in helping the parties clarify the issues and interests that are keeping them from reaching settlement, unless the third party can help the parties break down the communication barriers that may be keeping them from understanding the dispute and the settlement options. A good intellectual property mediator can use apt analogies, comparisons, and descriptions that are understandable to lay parties and intellectual property experts involved in the decision making to move the process forward.

Finally, the types of proof, processes, and remedies that are typically involved in intellectual property cases play a large role in successful dispute resolution. Because IP disputes are so expensive to litigate, the incentive to reach a consensual settlement is high. But although some principles of litigation remain constant, remedies and damages in IP cases can differ markedly from the types of damages available in normal commercial litigation, depending upon the type of property involved and the exact nature of the injury. A skillful third-party neutral will have sufficient understanding of the real world expenses and problems of proof that face the various parties in an intellectual property dispute so that the parties can find ways to increase their overall understanding of the case, narrow their zone of disagreement, and avoid the expensive processes and procedures that will greatly drive up their costs.

In conclusion, mediation of IP disputes can help parties avoid the very high expense of IP litigation while maintaining much greater control over the outcome of the dispute. Parties to mediation may find resolutions that are simply not available to a judge adjudicating a case in a bi-modal "win or lose" fashion. Where parties have invested significant amounts of money in developing their intellectual property, both plaintiff and defendant face grave risks. The plaintiff faces the risk that the IP will be invalidated through the court proceeding. The defendant faces the risk of being found liable for intellectual property infringement with the attendant exposure to heavy liability. Both parties face the risk of long and protracted litigation involving very expensive and specialized attorneys and experts.

For all these reasons, parties should strongly consider at least attempting to resolve their IP disputes through a mediator who has experience clarifying issues for resolution, clarifying the key elements of dispute and the range of possible outcomes, and assisting the parties in understanding their risks and helping them generate and focus on appropriate avenues for settlement. To accomplish this, a mediator who can successfully help the parties cut through the confusion, terminology, and data overload typical of intellectual property cases will be in a position to help the parties reach resolution.



***Arthur Chaykin*** is a third-party neutral associated with ADR. He focuses his mediation and arbitration practice on complex commercial and intellectual property disputes. Most recently, Arthur has successfully mediated cases involving trademark rights in the context of computerized search, patent rights in the field of computer system development, and disputes between franchisors and franchisees.

Some practitioners might not include trademarks as Intellectual Property for technical reasons, but for purposes of this article, trademarks are included.