THE RECORDER

134RD YEAR NO. 201 www.therecorder.com MONDAY, OCTOBER 10, 2011

Mediating Intellectual Property Disputes

The Recorder
By Alexander "Lex" Brainerd
October 10, 2011

In our technology-driven world, nothing may be more important strategically or monetarily than intellectual property. Accordingly, the acquisition and assertion of patents have become vitally important to protect innovation and the investment necessary to achieve it, and to create revenue either through the sale of innovative products or the licensing of a patent or a patent portfolio. Patent litigation has become a major factor in this environment, creating high risks and rewards and exposing the participants to onerous litigation expense and significant business disruption. Patent litigation would therefore appear to be a prime candidate for mediation. However, many attorneys and clients remain skeptical of mediation in the patent litigation context. Below are some reasons for this skepticism and suggestions of procedures and techniques to create a successful mediation.


Alexander "Lex" Brainerd, JAMS neutral

Clients and attorneys who are reluctant to mediate a patent case usually express some or all of the following concerns: The technology and issues are too complex; there isn't enough time; the mediator won't really drill down on the complex issues; the mediator will just carry numbers back and forth between the parties; the mediator will just state the obvious.

The response is that a mediator familiar with patent litigation, either as a former judge or patent litigator, and armed with the right set of tools and techniques can address and overcome each of these concerns and produce a successful mediation. Complex technology is challenging, but if it can be presented to a jury, it certainly can be presented to a mediator. Time issues can be dealt with by pre-mediation conferences and by scheduling the mediation for longer than a day. A mediator familiar with patent litigation should and will drill down on the technology and will help each side appreciate the strengths and weaknesses of its position on issues such as infringement, validity and unenforceability. Numbers will usually not be discussed for many hours and not until all necessary information is on the table and the risks associated with each party's position have been thoroughly explored.

PRE-MEDIATION CONFERENCE

A lot of valuable work can be accomplished before the mediation through one or more pre-mediation conferences. Either with all parties participating in one conference or individual conversations with each party, crucial issues can be identified, logistic and personality problems can be discussed and procedures can be established to ensure the effective use of time and a meaningful exchange of information.

A significant topic for the pre-mediation conference is whether the parties wish to engage in a joint session at the outset of the mediation. While joint sessions can be time consuming and run the risk of creating strong emotions, in some patent cases they can be a valuable tool in educating both sides about their adversary's position and creating productive dialogue. This is especially true if the case is in its initial stages and little information has been exchanged between the parties. However, if the parties are fierce competitors or there is a history of personality conflicts, the risks associated with a joint session might outweigh the benefits. Even if it's rejected, the mediator should raise the possibility of bringing the decision makers together to discuss a resolution in a business environment.

Another important topic for the pre-mediation conference is whether each side has all necessary information to evaluate the case and fully participate in the mediation. For example, does the plaintiff have sufficient revenue and other damage information to evaluate the case? On the other hand, the defendant might need more information concerning which products are accused of infringement and exactly how the plaintiff is reading the patent claims on the products. The pre-mediation conference can facilitate the exchange of such vital information and establish procedures for protecting the confidentiality of the information if a protective order is not in place.

MEDIATION STATEMENTS

Generally, mediation statements should not be more than 15 to 25 pages long, excluding attachments. In a patent case, a portion of the statement should describe the technology. If a technology tutorial is available, it should be attached as an exhibit. Other useful exhibits might include a few graphics, a short but not too dense technical paper, or other readily available material that explains the technology. The statement

should also identify the two or three critical issues driving the case and provide sufficient detail to explore them.

For example, if there is an invalidity issue, it should be set forth in some detail, with a description of how the prior art does or does not read on the patent claims. Also, the one or two pieces of critical art should be attached as exhibits, with the key passages highlighted. Finally, the statement should contain some discussion of damages. If possible, revenue and gross margin information should be discussed as well as the damage model being asserted and whether it is appropriate under the rigorous standards recently established by the Federal Circuit.

The mediation statements should be exchanged between the parties so the attorneys, but more importantly the client decision makers, will have a clear vision of the adversary's case. In patent cases, perhaps more than others, issues of confidentiality will arise with respect to certain information or a strategic position which would be helpful to the mediator, but to which the other side should not have access. Such information can be handled by a confidential statement, letter or email to the mediator.

THE MEDIATION SESSION

Every mediation has its own personality and is a fluid process driven by facts, law, differing perceptions and agendas, and a host of other factors. In this dynamic setting, there are a few procedures and techniques which may enhance the possibility of a successful mediation in a patent case.

The first few caucus sessions should fully explore the critical issues separating the parties. In this setting, the mediator should ensure that each party has a clear understanding of the other's positions and appreciates the risks presented by them. The identification and full understanding of risk are critical to this process. In most patent cases there will be two or three key issues, usually focused on invalidity, infringement, unenforceability or damages. The initial caucus sessions should explore the facts and law relating to these issues and identify each party's strengths and weaknesses with respect to them. At some time during this process, it may be beneficial to bring opposing lawyers together, usually without the clients, to ensure that both sides fully appreciate their adversary's position on the critical issues.

Most patent cases are resolved by a monetary payment and a license. The terms and conditions of the license can often create additional conflict and difficult points of negotiation. Accordingly, it is vital that the plaintiff, or perhaps the defendant, bring to the mediation its proposed form of license. This will allow the terms and conditions of the license to be discussed and resolved at the mediation and will prevent a potential settlement from failing for lack of specificity. For example, whether the license will cover after-acquired companies can be a difficult and hotly contested issue. If the proposed license addresses this potentially difficult issue, it can be thoroughly discussed and resolved.

As the caucus sessions move into discussions of money and the structure of a settlement, the conflicting positions of the parties will usually create an impasse at some point during the negotiations. Here the mediator's role is to assist the parties in exploring alternative structures and solutions. Perhaps the plaintiff is demanding more than the defendant is willing to pay for a fully paid up, worldwide license. The mediator may help the parties to bridge the gap by suggesting a field of use or geographical restrictions on the license. Other alternative structures that might be explored include a lump sum payment rather than a running royalty, a covenant not to sue, the possible acquisition of the patents or other business solutions. During the exploration of alternative structures, a meeting between the executive decision makers can be extremely productive.

POST-MEDIATION

The settlement of a patent case is a process. Patent cases are complex, with many moving parts, and a settlement may not be achieved at the first mediation session. The parties may need more information, more time to explore a difficult legal issue or more time to reflect and analyze. If this occurs, the mediator should work with the parties to identify a process and a timetable to address these needs and concerns. At the same time, a schedule for further negotiations should be established. The parties may choose to schedule another mediation session or to conduct further negotiations through conference calls or possibly a meeting between executives. Ideally, the mediator should remain involved in this post-mediation process to assist in driving the negotiations to a successful resolution.

Alexander ("Lex") Brainerd is a neutral with JAMS and focuses his practice on intellectual property litigation with an emphasis on patent trials. He also has significant experience in complex commercial, professional malpractice and construction matters. He can be reached at abrainerd@jamsadr.com.