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Four tips for the successful mediation of patent cases

Patent litigation presents concerns for in-house counsel

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Patent litigation continues to be a booming business. While that may be good news for lawyers in private practice, it presents serious concerns for in-house counsel. These hotly contested and protracted cases can cost hundreds of thousands, if not millions, of dollars to prosecute or defend. The risks of litigation could include a large damage award for infringement, an injunction preventing use of the technology or a finding that the patent is invalid. In view of these risks, in-house counsel should consider ways to minimize financial exposure to their companies while retaining some degree of control over the litigation process. Mediation is one such option. Here are some tips for the successful mediation of a patent case.

1. Selection of the mediator. The selection of a strong mediator who understands the legal issues and procedural complexities of a patent case is critical to success. A mediator who tests the strengths and weaknesses of arguments can serve as a "reality check" to the lawyers and their clients, thereby facilitating settlement. It is also important to choose a mediator willing to invest substantial time before and, if necessary, after the mediation session. If a settlement is not reached at the first mediation, the mediator should work with the parties until the case is resolved. Finally, a good mediator must be willing and able to craft creative solutions to complex problems. Look for a mediator who can "think outside the box."

2. Timing of mediation. There are three optimum times for the mediation of a patent case. The first opportunity is after the parties exchange preliminary infringement contentions, preliminary invalidity contentions and claim construction statements. Most jurisdictions with active patent dockets have local rules that require the parties to make these disclosures at various intervals within the first three or four months after the initial case management conference. By mediating after exchanging preliminary disclosures and claim construction statements, the parties can explore settlement before incurring substantial legal fees.

The second opportunity for mediation is after the court issues its claim construction ruling. Once the parties know how the court will interpret the disputed claim terms, they can more reasonably assess the strengths and weaknesses of their arguments relating to infringement. Mediation after claim construction, but before fact and expert discovery begins in earnest, also can result in a substantial cost savings. Even if the case does not settle after an early mediation, it can lay the groundwork for subsequent settlement discussions.

The third opportunity for mediation is after the court rules on summary judgment motions. Although less desirable from a cost savings standpoint, sometimes discovery and court rulings are necessary to make informed settlement decisions.

3. Exchange of information. One pitfall to an early mediation is the lack of information. In order for a mediation to be productive, it is important that parties exchange relevant information in advance. The information required to make an informed settlement analysis varies from case to case, but may include prior art materials, contracts, licenses, sales data and settlement agreements with other parties.

4. Party representatives. The potential for a successful mediation often depends on who participates in the process. Party representatives attending the mediation, whether in-house counsel or business executives, should have full authority to negotiate and ultimately settle the case. It is also important that the party representative with ultimate settlement authority attend the mediation in person. Participation by phone does not allow the mediator to develop a personal rapport with the representative—a connection that greatly enhances the opportunity for a settlement.

In sum, a negotiated settlement through mediation can minimize the risks and expenses of costly patent litigation. Following these four suggestions will make the mediation more productive and greatly enhance the possibility of settlement.

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