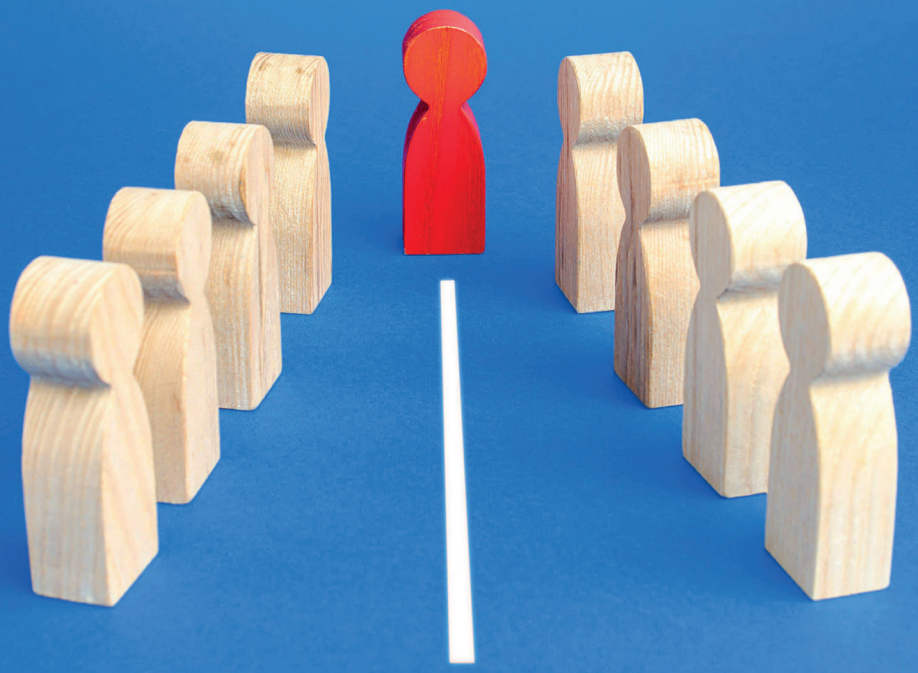
Talk it over



JAMS' **Joyce B Klemmer** provides pointers for using mediation to resolve trademark cases

The cost of the litigation, the threat of injunctive relief, the complexity of the law, the frequent use of experts, and ever-present confidentiality issues all differentiate the trademark case from general commercial litigation. In many trademark mediations, counsel tends to focus on the law rather than the resolution. The parties will make significantly more progress in the mediation if they appeal to reason and not strictly legal arguments. Why does it make more sense to settle than to litigate? Because the parties control the outcome, and resolutions beyond the power of the court are available.

Timing is everything – choose the right time to mediate

In deciding whether a case is ready for mediation, it is important to take into consideration the stage of the dispute. Has the dispute been triggered by an announcement of a coming product, or has the product been released? Is the dispute at the demand stage, or is it already in litigation? If in litigation, how far has the litigation has progressed? Most mediators recommend that the parties use mediation at an early stage in the dispute, before positions have solidified and substantial expenditures have been incurred. But most litigators do not want to mediate until they are comfortable that they have sufficient facts to evaluate the merits and value of the case. Frequently, that is after the close of discovery.

Not unexpectedly, both sides tend to be more reasonable when faced with a deadline, an expense, an impending court ruling, or trial. Accordingly, as most litigators recognise, there are stages in the litigation when settlement discussions are more likely to be successful.

Handle expectations by setting the ground rules of the mediation

After mediation is scheduled, the mediator will schedule a joint conference call with counsel for the parties and give them an outline of the matters to be discussed during that call. The purpose of the initial pre-mediation phone conference is to give the mediator an opportunity to get acquainted with counsel, to learn of any factors that may affect the success of the mediation, to begin to establish trust and build rapport, and to get commitments to the process and confidentiality. Aside from logistical matters – such as date, time, length of the mediation, special needs of either party, and the identification of persons who will be attending – some of the more important matters to be discussed are requirements imposed by confidentiality orders, the need for additional information from the opposing party, and whether there will be opening statements.

Individual party conference calls

Once the mediator has conducted an initial pre-mediation call, individual party follow-up calls with counsel should be scheduled. These follow-up calls are usually scheduled for a time after the mediator has read the parties' mediation statements and reviewed other information or documents submitted by the parties. The individual follow-up calls give the mediator the opportunity to ask questions about the case, the parties, and impediments to settlement. They also give counsel an opportunity to engage in a candid private conversation.

If counsel and the clients are willing, there are significant advantages to scheduling another conference call between the mediator, the party representative, and that party's counsel. Getting the client involved helps to get them invested in the process and thinking about settlement. The client's participation provides them the opportunity to begin building rapport with the mediator, ask questions about the process and, most importantly, to express their opinions on acceptable settlement alternatives. Client participation also gives the mediator valuable insight into issues, possible resolutions and personality dynamics that might come into play during the mediation.

Provide the mediator with a summary of the applicable law and facts

In preparing the mediation statement, the facts recited should be just the salient facts and the summary of the applicable law should truly be a summary. Attaching unnecessary pleadings, motions, and briefs as exhibits will not help the mediator to focus on the real issues. The mediator's role is to facilitate a resolution of the dispute, not to make rulings on the merits or motions. However, if there is a potentially dispositive legal issue that the mediator should be aware of, don't hesitate to include it in the mediation statement. The summary of law should include a discussion of the relief sought and the legal authority for the award of that relief. If there is adverse legal authority to the granting of relief, then that too should be addressed. Both the mediator and the parties need to be fully aware of the risk/reward factors to be in a position to negotiate an acceptable outcome.

Preparing for mediation – getting client 'buy-in'

Nothing will doom settlement negotiations in mediation faster than lack of preparation. Preparation requires a detailed evaluation of:

- The strengths and weaknesses of the case.
- The parties' business needs; and, most overlooked
- The needs and wants of the opposing party. Preparation also means ensuring that the company's management agrees with the lawyer's assessment.

"In preparing the mediation statement, the facts recited should be just the salient facts and the summary of the applicable law should truly be a summary."

In preparing the mediation statement, time spent by the lawyers discussing settlement options with their client is always time well spent. In most intellectual property matters, the creator of the intellectual property at issue may have almost a parental instinct about protecting it. Lawyers and mediators need to be empathetic to the emotional ties of a party to the trademark while simultaneously discussing the benefits of reaching a negotiated settlement. The cost of protracted litigation, the loss of management time, reactions of the marketplace to the litigation, the distraction the litigation causes to other more profitable endeavors, and uncertainty of the outcome are all factors that need to be raised and discussed. It should also be discussed that reaching a settlement opens the door of alternative outcomes that are satisfactory to both parties but not within the power of the judicial system. For example, the court cannot require a party to grant a license to use the trademark, but the parties can achieve that result in settlement.

These matters should not just be discussed with in-house counsel. Before the mediation, counsel should suggest a joint meeting with the businesspeople, in-house counsel, and outside counsel to brainstorm about different ways the matter could be resolved and acceptable settlement terms. This is also a good time to deal with unrealistic expectations. For example, if the client has been reading the briefs and has formed the belief that attorney's fees are routinely awarded then their expectations of a litigated outcome may be unrealistic.

Counsel should outline two or more reasonable, alternative, and/or contingent settlement proposals that would be acceptable to the client and the reasoning supporting those proposals. Give the draft proposals to the client, in writing, giving them sufficient time to discuss these proposals with other counsel and business associates. This will create an atmosphere of "buy-in" and willingness to engage in the negotiation process. In the Mediation statement, narrow the proposals down to a more general outline of the settlement proposal alternatives, recognising that there will be negotiation. Provide the mediator with an explanation of the law and the reasoning supporting any money damages or other relief proposed.

Draft a settlement agreement and agree on key terms before the mediation

It is often said "he who controls the document controls the deal." The parties should be encouraged to bring to the mediation a draft settlement agreement that contains the terms they will insist be included in any settlement reached. There are terms that parties generally include in any settlement agreement such as confidentiality, governing law, the scope of the release, whether any pending case or administrative proceeding will be dismissed, whether the parties will ask that the settlement agreement be made the order of the court, and enforcement provisions should the settlement agreement be breached. Provide a copy of these usual and customary terms to the other side in advance of the mediation. Doing so sends a message that your client is serious about reaching an agreement and it will speed up documenting any agreement reached.

The goal should be that any agreement reached will be documented and signed at the mediation without undue delay caused by negotiating these necessary terms which, in all likelihood, were not the focus of the negotiations.

The parties – who to bring to the mediation

The lawyers have great influence over who attends the mediation. Sometimes the person who knows the most about the facts of the dispute is not the best person to attend the mediation. Sometimes a business person with little knowledge of the facts, but who is attuned to the needs of the business, can be far more valuable at the mediation than a person with full knowledge of the facts who may have a personal or professional stake in the outcome.

Who is in a position to suggest creative resolutions? For example, in one trademark case mediation, the mediation was attended by a global product manager who had numerous regional product managers reporting to him who had independent product purchasing power. He was in a position to suggest that, as part of the settlement, he would arrange for the other party – a company that made products for private label – the opportunity to make a presentation to his regional product managers about some of their new products available for private label.

Who is high enough up in the organisation to have settlement authority? If a person with unfettered settlement authority will not be attending, they need to be available by phone or by joining a private Zoom breakout room to make a decision. The mediator and the other party should be advised well in advance of the mediation who will attend so that the other party can make a decision about who they want to bring to the mediation.

Often in-house counsel is required to attend the mediation, but would welcome being accompanied by a corporate representative whose judgment and negotiating skills are respected within the company.

Opening statements/presentations – an opportunity to educate

On the question of whether there will be opening statements, opinions differ about their value. Some lawyers suggest that having opening

statements will be unproductive, may polarise positions, and will only give opposing counsel an opportunity to posture. In some cases, that may be true. If opening statements are to be made there must be agreed-upon ground rules including that:

- Each party will respectfully listen to the other side without interruption.
- Opening statements will be non-argumentative; and
- Subject to agreed-upon time limits.

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Opening statements give the parties the opportunity to see the case as the other party sees it. The opening statement may give insight into what is important to the other party or disclose errors in fact or law that should be addressed in negotiation, and thus statements made may become starting points for discussion in private caucuses. An opening statement in mediation should not be treated like an opening statement at trial. The goal is not only to educate and persuade but also to open a dialogue, create trust and encourage compromise. Frame it as an invitation to resolve the matter in a way that is satisfactory to both parties.

- One of the goals should be to educate those persons who have the ability to settle the case and to lay the groundwork for persuading the decision-maker, not the mediator or opposing counsel.
- Explain the facts and the key evidence and how they support the case.
- It is a fine line to walk, but counsel need to show that they know the facts and the law and are ready to proceed with the litigation if the matter is not resolved, but counsel must present that knowledge in a non-argumentative, non-inflammatory manner.
- Counsel should highlight any facts or law that the parties agree about.
- In an opening statement, counsel should mention any weaknesses in their case. The other party will not fail to mention them in his or her opening statement or behind closed doors in private caucus. Acknowledging weaknesses or areas of uncertainty will take the "sting" out of them when they are raised by opposing counsel. More importantly, mentioning them gives the lawyer credibility with the mediator, opposing counsel, and party representatives.
- Explain the framework and supporting rationale for the method of calculating damages, but don't set a hard and fast number or give ultimatums such as "we will settle for no less than."
- Counsel should communicate that both they and the client have spent significant time preparing for the mediation and are willing to compromise.
- Well-planned presentations, such as charts and concise PowerPoint presentations, can be very effective in presenting complicated information that supports the party's position in negotiations.

A mediator will not insist on an opening substantive joint sessions if it is opposed by the lawyers. But, as discussed above, making an opening statement gives lawyers an opportunity to educate and influence the decision makers on the other side.

Consider nonmonetary terms

In trademark cases, there are usually nonmonetary terms that are important to both parties. At the heart of every trademark infringement case is the question of whether or not there is a likelihood of confusion between the plaintiff's goods or services and the defendant's goods or services. Can that likelihood of confusion can be diminished by:

- Modification of the accused trademark.
- Changes in the way the trademark is used on the product.
- Changes in the types of products that the trademark or modified trademark can be used on; or
- By the defendant's transitioning to an entirely new trademark.

If the defendant is willing to change its trademark, should the defendant be compensated for the cost of that change including the cost of hiring graphic designers, changing its advertising or the legal costs to be incurred for registering a new trademark?

Some other common nonmonetary considerations in a trademark case include:

- What is to be done with existing accused inventory? Should the defendant be allowed to sell off its existing inventory and, if so, over how long a period of time? Can the product be sold overseas?
- If a defendant is willing to abandon or change the trademark, will there be a transition period?
- Does resolution require ending a pending parallel Trademark Trial and Appeal Board or US Patent and Trademark Office proceeding, or a proceeding in a foreign venue?
- Will there be mutual or separate press releases if the case has been publicised?
- Will there be corrective advertising or marketing campaigns?
- Will there be a required process for future disputes relating to the trademark or the settlement agreement itself?

Keep the door open to further negotiation

The mediation is often the first substantial investment of time that the business-side decision-makers at corporations have made in a lawsuit. Sometimes it is the first time that they have spoken with their counterparts on the other side. Even if the case does not settle on the day of the mediation, try to keep the lines of communication open. Resolution of the hardest cases often happens only when these key decision-makers focus on the lawsuit. In some cases, if the case has not settled after mediation, it might be appropriate to leave the last offers made during the mediation "on the table" for a period of 24 to 48 hours. Keep the door open to further negotiation.

Author

JAMS is a private alternative dispute resolution provider. Joyce B Klemmer is a JAMS mediator and arbitrator (neutral) with more than three decades of experience in IP litigation. Klemmer has effectively resolved hundreds of cases in the areas of copyright, patent and trademark infringement; trade secrets; and related commercial disputes involving contracts and licenses.