

# The Use of Alternative Dispute Resolution to Resolve Intellectual Property Conflicts

By Alayne Manas

The use of alternative dispute resolution (“ADR”) to resolve intellectual property conflicts is a subject that “lies at the intersection of two rapidly growing branches of law.”<sup>1</sup> ADR comprises “all legally-permitted processes of dispute resolution other than litigation,”<sup>2</sup> which, is the default procedure of dispute resolution. Intellectual property comprises “exclusive”<sup>3</sup> “rights to novel ideas as contained in tangible products of cognitive effort,”<sup>4</sup> including:

literary, artistic and scientific works, performances of performing artists, phonograms, and broadcasts, inventions in all fields of human endeavor, scientific discoveries, industrial designs, trademarks, service marks, and commercial names and designations, protection against unfair competition, and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.<sup>5</sup>

## **AN INTRODUCTION TO ADR**

Outcomes of an ADR process, as opposed to those of litigation, “bind only those parties who have contracted to be bound by that process.”<sup>6</sup> In other words, a court can enforce a decision reached in an ADR proceeding solely against the parties in that proceeding.<sup>7</sup>

ADR embraces many techniques.<sup>8</sup> It includes arbitration, which is “adjudication in a private, *i.e.*, non-government, forum.”<sup>9</sup> As with all adjudication, arbitration requires that an

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<sup>1</sup> Bryan Niblett, *Arbitrating the Creative*, 50 DISP. RESOL. J. 64, 64 (1995).

<sup>2</sup> STEPHEN J. WARE, ALTERNATIVE DISPUTE RESOLUTION 5 (2001).

<sup>3</sup> Niblett, *supra* note 1, at 64 (citing CONVENTION ESTABLISHING THE WORLD INTELLECTUAL PROPERTY ORGANIZATION art. II, § 8 (1967) (amended 1979)).

<sup>4</sup> Dale A. Nance, *Forward: Owning Ideas*, 13 HARV. J. L. & PUB. POL’Y 757, 757 (1990).

<sup>5</sup> Niblett, *supra* note 1, at 64.

<sup>6</sup> WARE, *supra* note 2, at 8.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 11.

<sup>9</sup> *Id.* at 7.

individual or individuals determine the result in a conflict.<sup>10</sup> Parties may contract “*whether* a dispute goes to arbitration”<sup>11</sup> and “*what occurs* during arbitration.”<sup>12</sup> This ADR process thus affords parties the opportunity to tailor procedural and evidentiary rules to fit their needs.<sup>13</sup> When it is a “creature of contract,”<sup>14</sup> arbitration usually is “final and binding.”<sup>15</sup>

Unlike contractual arbitration, all other ADR methods require “post-dispute”<sup>16</sup> agreements for their outcomes to prove binding.<sup>17</sup> Such is the case with forms of non-binding adjudication, in which a party may ignore the non-binding adjudicator’s conclusion and may litigate.<sup>18</sup> If a party takes this route, a judge will apply a *de novo* standard of review and grant no deference to the arbitrator’s ruling.<sup>19</sup> Arbitration required by statute, rather than by contract, typically is non-binding to prevent an impingement on the constitutional right to a jury trial.<sup>20</sup> Non-binding adjudication also encompasses the summary jury trial, “a non-binding jury trial that normally occurs after discovery has been completed and after rulings on any motions for summary judgment,”<sup>21</sup> and the mini-trial, in which a “neutral advisor”<sup>22</sup> and “corporate managers with settling authority”<sup>23</sup> hear a condensed version of each party’s argument and the corporate managers try to negotiate a settlement, sometimes with the help of the neutral at their request.<sup>24</sup> Finally, in neutral evaluation, an evaluator, to whom the parties consented or whom a court required, assesses in writing a case’s merits and will share it if necessary to further settlement discussions.<sup>25</sup>

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<sup>10</sup> *See id.*

<sup>11</sup> *Id.* at 21.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.* at 22. *See id.* at 19.

<sup>16</sup> *Id.* at 8.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 265.

<sup>19</sup> *Id.* at 266.

<sup>20</sup> *Id.* at 19-20.

<sup>21</sup> *Id.* at 266-67.

<sup>22</sup> *Id.* at 268.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at 267.

Parties may opt for processes other than adjudication to resolve their conflicts.<sup>26</sup> In dispute negotiation, parties, either with or without attorneys, try to reach a settlement.<sup>27</sup> Mediation, on the other hand, involves a neutral third party who helps the disputants negotiate, but who does not issue a “specific, concrete ‘decision.’”<sup>28</sup> These processes, like types of non-binding adjudication,<sup>29</sup> require settlement agreements for courts to enforce them.<sup>30</sup>

## **THE GROWTH OF ADR**

Abraham Lincoln once stated that it is an attorney’s responsibility to “[p]ersuade [his] neighbors to compromise whenever he can. Point out to them how the nominal winner is often a real loser -- in fees, expenses and waste of time.”<sup>31</sup> His belief is a tenet of ADR.<sup>32</sup> ADR use has expanded in recent years as people and companies seek ways to circumvent overcrowded court dockets and soaring litigation expenses.<sup>33</sup> ADR also has gained popularity among parties in conflicts related to very technical or specialized topics because it allows for selection of an arbitrator proficient in those fields.<sup>34</sup> Finally, as more commercial disputes become international in character, participants frequently turn to ADR since they may choose neutral settings for resolution.<sup>35</sup>

## **AN INTRODUCTION TO INTELLECTUAL PROPERTY LAW**

Like ADR, intellectual property law is varied. The three main areas of intellectual property law involve patents, which are “federal statutory rights over novel inventions or

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<sup>26</sup> *See Id.* at 19.

<sup>27</sup> *Id.* at 121.

<sup>28</sup> *Id.* at 202. *See id.* at 201-02.

<sup>29</sup> *See id.* at 7-8

<sup>30</sup> *Id.*

<sup>31</sup> Scott H. Blackmand and Rebecca M. McNeill, *Alternative Dispute Resolution in Commercial Intellectual Property Disputes*, 47 AM. U. L. REV. 1709, 1734 (1998) (citing Institute for Dispute Resolution, Center for Public Resources, Inc., ADR in Trademark & Unfair Competition Disputes Discourage Litigation Brochure 1 (quoting Abraham Lincoln in 1850)).

<sup>32</sup> *See id.*

<sup>33</sup> Julia A. Martin, Note, *Arbitrating in the Alps Rather Than Litigating in Los Angeles: The Advantages of International Intellectual Property-Specific Alternative Dispute Resolution*, 49 STAN. L. REV. 917, 923 (citing ARPAD BOGSCH, Preface, WORLDWIDE FORUM ON THE ARBITRATION OF INTELLECTUAL PROPERTY Disputes i, i (WIPO ed., 1994).

<sup>34</sup> *Id.* at 923 (citing BOGSCH, *supra* note 36, at i).

<sup>35</sup> *Id.* at 923 (citing BOGSCH, *supra* note 36, at i).

designs;<sup>36</sup> copyrights, which are “federal statutory rights over original literary or artistic expressions;”<sup>37</sup> and trademarks, which are “identifications of commercial origin, protected under common law with a substantial overlay of federal statutory rights.”<sup>38</sup> Intellectual property is the origin of many of the world’s most powerful industries, including information technology, pharmaceuticals, publishing, and entertainment.<sup>39</sup> The legal conflicts that occur in these booming commercial sectors<sup>40</sup> “relate not only to title to the property and infringement of the exclusive rights but also to the problems arising from contracts relating to these properties -- the license agreements, the royalty bargains, and covenants of various kinds.”<sup>41</sup>

### **THE GROWTH OF INTELLECTUAL PROPERTY LAW**

Intellectual property is acquiring increasing importance today, both because of the global economy<sup>42</sup> and “the historical transition from an industrial society founded on tangible assets to an information society based on intangible assets generated by talented individuals”<sup>43</sup>. For instance, patent protection has gained new significance as technology and production have intertwined.<sup>44</sup> A greater number of product and service distributors understand the importance of trademarks, which safeguard and bolster market reputations worldwide.<sup>45</sup> Also, individuals and businesses have grown more dependent on copyright laws as they develop alternatives for keeping and channeling words, representations, and sound.<sup>46</sup>

### **BENEFITS OF ADR IN INTELLECTUAL PROPERTY DISPUTES**

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<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>39</sup> Niblett, at 64.

<sup>40</sup> *Id.* at 64-65.

<sup>41</sup> *Id.* at 65.

<sup>42</sup> Martin, *supra* note 36, at 922 (citing Francis Gurry, Resolving Intellectual Property Disputes Through Arbitration and Mediation 2 (April 24-26, 1996)(unpublished paper prepared for the Conference on Intellectual Property Rights in the Czech Republic, on file with the Stanford Law Review)).

<sup>43</sup> Niblett, *supra* note 1, at 64.

<sup>44</sup> Martin, *supra* note 36, at 922 (citing BOGSCH, *supra* note 36, at i).

<sup>45</sup> *Id.* (citing BOGSCH, *supra* note 38, at i; Gurry, *supra* note 47, at 2).

<sup>46</sup> *Id.* at 922-23 (citing BOGSCH, *supra* note 36, at i; Gurry *supra* note 47, at 2).

The general benefits of ADR prove particularly significant in the field of intellectual property.<sup>47</sup> The use of ADR produces notable financial and time savings.<sup>48</sup> Such savings are especially appreciated in the area of intellectual property, where the amount of litigation is skyrocketing<sup>49</sup> and the complexity of disputes makes litigation extremely expensive.<sup>50</sup> “Patent arbitration expert”<sup>51</sup> Tom Arnold<sup>52</sup> argues that complex commercial, licensing, patent infringement, or other intellectual property conflicts can be resolved through arbitration in 15 percent of the time needed to resolve those conflicts in litigation.<sup>53</sup>

The savings occur, in part, because parties may select “factfinders”<sup>54</sup> who have experience pertinent to the dispute’s subject matter.<sup>55</sup> Depending on the arrangement they choose, parties may determine factfinders’ qualifications and contact ADR associations if they do not know a specific individual or panel of individuals with an understanding of the topic.<sup>56</sup> They therefore avoid the costs that accrue from “teaching’ the judge and jury often esoteric

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<sup>47</sup> *Id.* at 923.

<sup>48</sup> *Id.* at 924.

<sup>49</sup> *Id.* (citing David W. Platt, *ADR and Patents*, 2 PATENT LITIGATION 797, 800 (1992)).

<sup>50</sup> *Id.* (citing David Bender, *Alternative Dispute Resolution and the Computer-Related Dispute: An Ideal Marriage?*, COMPUTER L. 9, 12 n. 12 (1990)).

<sup>51</sup> *Id.* at 925.

<sup>52</sup> See Tom Arnold, *Why ADR?*, 572 PLI/PAT 1013, 1044 n.1 (1999). Tom Arnold is a founder and member of Arnold, White & Durkee. He has served as a patent, trademark, and trade secret lawyer for thirty years. He has practiced alternative dispute resolution for ten years, and serves on AAA Panel for Large Complex Cases. Mr. Arnold co-authored several books, including *Patent Alternative Dispute Resolution*, *Licensing Law Handbook 1988*, and *Patent Law for Engineers*. He also has written many articles and speeches on ADR, litigation, intellectual property, and licensing law and practice. He is the co-editor of *The Law and Business of Licensing*. He is a former adjunct professor of patent law at the University of Texas and of ADR at the University of Houston. In addition, Mr. Arnold is Past President of numerous organizations, including the Licensing Executives Society; A. A. White Dispute Resolution Institute; American Intellectual Property Association; ABA Section on IP Law; Houston Bar Association; Executives Association of Houston; and the National Council of Intellectual Property Law Associations. He is a Fellow of the Chartered Institute of Arbitrators (London) and Executive Committee NA Branch. He is a member of the Advisory Board of the Institute of Transnational Arbitration. Finally, Mr. Arnold is listed in *The Best Lawyers of America*.

<sup>53</sup> *Id.* at 925 (citing Tom Arnold, *Suggested Form of Contract to Arbitrate a Patent or Other Commercial Dispute*, Annotated, 2 TEX. INTELL. PROP. L. J. 205, 208 (1994)).

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> Martin, *supra* note 36, at 933 (citing William K. Slate II, *International Arbitration: Do Institutions Make a Difference?*, 31 WAKE FOREST L. REV. 41, 58 (1996)).

factual or legal concepts<sup>57</sup> of an intellectual property dispute, and from a factfinder's heavy "reliance upon technical expert opinion."<sup>58</sup>

Currently, intellectual property litigation time and costs greatly surpass those in other arenas because of the prevalence of unclear or archaic law, intricate details, and, in some cases, requisite understanding of rapid technological change that most judges and juries lack.<sup>59</sup> If participants in intellectual property disputes sought the assistance of specialists, they might reverse this trend.<sup>60</sup> An arbiter with relevant expertise, for example, "has more input and control over how much background the parties provide, resulting in a sufficient understanding of the parties' positions, the issues involved, and the technology at hand, without wasting time and money."<sup>61</sup>

ADR also allows parties to resolve their differences while avoiding many of the mind-boggling costs associated with going to trial.<sup>62</sup> Litigation results in exorbitant legal fees for trial counsel, expert witnesses, and exhibits.<sup>63</sup> Furthermore, its inevitable delays pose threats to intellectual property owners in many ways.<sup>64</sup> Patents and copyrights, which are "wasting assets,"<sup>65</sup> are granted for a circumscribed period and continually lose value.<sup>66</sup> Mr. Arnold estimates that "the average time, from filing a patent infringement suit to final appellate determination, is more than a third of a patent's seventeen year life."<sup>67</sup> Trademarks are "time-sensitive because the products they symbolize often have a limited market window."<sup>68</sup> In

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<sup>57</sup> Michael H. Diamant & Shira Adler, *Alternatives to Going to Trial: Settlement and ADR Methods*, SE32 ALI-ABA 157, 160 (1999).

<sup>58</sup> Mills, Jennifer, Notes and Comments, *Alternative Dispute Resolution in Intellectual Property Disputes*, 11 Ohio State J. on Disp. Resol. 227, 232 (1996).

<sup>59</sup> Martin, *supra* note 36, at 925-26 (citing BOGSCH, *supra* note 36, at 14)..

<sup>60</sup> *Id.*, at 926.

<sup>61</sup> Blackmand & McNeill, *supra* note 34, at 1717.

<sup>62</sup> Diamant and Adler, *supra* note 63, at 160.

<sup>63</sup> *Id.*

<sup>64</sup> See Mills, *supra* note 65, at 231.

<sup>65</sup> Martin, *supra* note 36, at 928.

<sup>66</sup> *Id.*

<sup>67</sup> Arnold, *supra* note 61, at 672.

<sup>68</sup> Martin, *supra* note 36, at 928.

addition, “a market can become so saturated with infringing material that by the time the dispute reaches trial, no mechanism can correct the injury to the damaged party.”<sup>69</sup>

ADR, on the other hand, might guard against “the saturation of a market with infringing materials”<sup>70</sup> because it may shorten the time span of intellectual property disputes.<sup>71</sup> ADR proceedings, rather than trials, can start “as soon as the parties are ready”<sup>72</sup> because ADR eliminates the need to “wait for a court date.”<sup>73</sup> This feature proves especially beneficial in the United States, with its “backlogged”<sup>74</sup> federal district courts.<sup>75</sup> Another example of ADR’s efficiency is its simplified evidentiary rules, which prove most advantageous “in the admission of technological evidence, such as computer-generated reports.”<sup>76</sup>

For instance, arbitration’s many benefits, taken together, can save disputants “up to two-thirds or more of the cost of litigation.”<sup>77</sup> Its circumscribed discovery rules can “limit the scope of an out-of control case;”<sup>78</sup> they abate the long process that is attributed to approximately 80 percent of total legal fees.<sup>79</sup> Arbitration therefore can reduce the need for the involvement of parties’ executives and can result in additional financial savings “through the value of the officers’ time.”<sup>80</sup> Although parties do not usually consider how much litigation time takes away from their work, business people’s “jobs are not in yesterday; [their] jobs are in tomorrow.”<sup>81</sup>

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<sup>69</sup> Mills, *supra* note 65, at 231.

<sup>70</sup> *Id.* (citing Robert G. Krupka et al., *Section 337 and the GATT: The Problem or the Solution*, 42 AM. U. L. REV. 779, 783 (1993)).

<sup>71</sup> *Id.*

<sup>72</sup> Diamant and Adler, *supra* note 63, at 159.

<sup>73</sup> Martin, *supra* note 36, at 926.

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> *Id.* at 927.

<sup>77</sup> Anita Stork, Note, *The Use of Arbitration in Copyright Disputes: IBM v. Fujitsu*, 3 HIGH TECH. L.J. 241, 254 (1988).

<sup>78</sup> Blackmand and McNeill, *supra* note 36, at 1717.

<sup>79</sup> Martin, *supra* note 36, at 927 (citing Gregg A. Paradise, Note, *Arbitration of Patent Infringement Disputes: Encourage the Use of Arbitration Through Evidence Rules Reform*, 64 FORDHAM L. REV. 247, 253 (1995)).

<sup>80</sup> Sork, *supra* note 84, at 254 (citing Arnett, *Alternative Dispute Resolution: Privacy for High-tech*, BUSINESS J. 1 (1985)).

<sup>81</sup> Class notes, July 10, 2001. Robert J. MacPherson, Postner & Rubin, lecture.

They might try to calculate their potential loss in daily earnings, but they rarely factor in the loss of opportunities.<sup>82</sup>

Arbitration also affords people the opportunity to definitively resolve a complex conflict in a single action.<sup>83</sup> For example, “[w]here a dispute concerns subject matter covered by intellectual property titles in several jurisdictions, resolving the dispute through a single arbitral proceeding instead of multiple court actions in several different countries may provide substantial advantages of economy and efficiency.”<sup>84</sup> Also, most parties who enter into arbitration agreements specify that the arbitrator’s determination “will be final and binding,”<sup>85</sup> and it therefore “usually cannot be appealed on the merits.”<sup>86</sup> The “virtual waiver of appeal”<sup>87</sup> saves time and money, and, according to Mr. Arnold, “[o]ne of the great advantages of arbitration is the avoidance of the burden of appeals.”<sup>88</sup>

Moreover, arbitrators tend to reach decisions faster than judges.<sup>89</sup> The American Arbitration Association rules provide that, unless the parties’ agreement states otherwise, the arbitrator must determine an award within 30 days from the end of evidence presentation in a case.<sup>90</sup>

Besides providing the opportunity for cheaper and quicker resolution, ADR also offers “greater predictability regarding time and cost.”<sup>91</sup> Businesses need to have an idea when

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<sup>82</sup> *Id.*

<sup>83</sup> Martin, *supra* note 36, at 926.

<sup>84</sup> *Id.* at 926-27.

<sup>85</sup> Charles P. Lickson, *The Use of Alternative Dispute Resolution in Intellectual Property, Technology-Related or Innovation-Based Disputes*, 55 AM. JUR. TRIALS 483 (1995). \*Publication page references are unavailable for this article.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> Arnold, *supra* note 61, at 684.

<sup>89</sup> Stork, *supra* note 84, at 253.

<sup>90</sup> *Id.* (citing McKie, *A Practical Look at Arbitration in Trade Secrets and Know How Cases*, 18 IDEA 55, 58 (1976).

<sup>91</sup> Martin, *supra* note 36, at 928.

disputes might be resolved because they often must make decisions based on the results.<sup>92</sup>

They also need to predict with some certainty their legal fees.<sup>93</sup>

For reasons previously discussed, the selection of expert factfinders also minimizes risks<sup>94</sup> inherent in litigation, in which parties “surrender their legal fate”<sup>95</sup> to people whom they do not know. For example, jury verdicts are uncertain.<sup>96</sup> Jurors' ability to decide complicated issues in any case is questionable, but such a system is “particularly problematic in highly technical intellectual property infringement cases.”<sup>97</sup> Bench trials, with judges who often lack technical knowledge and the resources to try cases justly and effectively, are equally unpredictable.<sup>98</sup>

In addition, arbitrators issue judgments of “higher quality”<sup>99</sup> than those reached by judges because they are familiar with the “markets, language, law and technology”<sup>100</sup> relevant to the disputes.<sup>101</sup> Their knowledge allows them to engage in productive conversations with expert witnesses, as well as to understand and appraise their testimony more readily.<sup>102</sup> Also, experts are inclined to take more moderate positions than they would with inexperienced arbitrators.<sup>103</sup> Parties who seek the aid of arbitration institutions further improve their chances for “quality”<sup>104</sup> decisions because the institutions, “as repeat player[s],”<sup>105</sup> are motivated to train the arbitrators on their panels well so they are able to provide excellent services.<sup>106</sup>

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<sup>92</sup> *Id.* (citing Paradise, *supra* note 86, at 251-52).

<sup>93</sup> *Id.*

<sup>94</sup> Lickson. *Supra* note 92.

<sup>95</sup> *Id.*

<sup>96</sup> Martin, *supra* note 36, at 932 (citing Paradise, *supra* note 86, at 254).

<sup>97</sup> *Id.* (citing Paradise, *supra* note 86, at 254).

<sup>98</sup> *Id.* (citing Paradise, *supra* note 86, at 254).

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> *Id.*

<sup>102</sup> Niblett, *supra* note 1, at 65.

<sup>103</sup> Martin, *supra* note 36, at 933 (citing Bender, *supra* note 55, at 12).

<sup>104</sup> *Id.*

<sup>105</sup> *Id.* at 934 (citing Slate, *supra* note 62, at 58).

<sup>106</sup> *Id.* (citing Slate, *supra* note 62, at 58).

The inherent flexibility of ADR also contributes to high-quality decisions.<sup>107</sup> Arbitrators can effectively gain any additional necessary knowledge through other sources, such as seminars conducted by the parties or by professors of the relevant subject matter.<sup>108</sup>

Moreover, arbitrators enjoy considerable flexibility in designing awards.<sup>109</sup> Unlike litigation, which usually limits remedies to money damages or injunctive relief, ADR processes present almost endless options for “sensible or “creative”<sup>110</sup> solutions “tailored to suit the parties’ needs.”<sup>111</sup> Such flexibility proves particularly beneficial in the intellectual property context, where most conflicts do not demand that “one party walks away with all the rights at issue”<sup>112</sup> and where the majority of disputants seek “satisfaction of their own needs”<sup>113</sup> rather than punishment for their adversaries.<sup>114</sup> In fact, parties may not only find some arrangement of “shared rights”<sup>115</sup> satisfactory, but they may favor such an outcome.<sup>116</sup> ADR offers opportunities for compromise and often leads to “win-win situation[s]”<sup>117</sup> as opposed to the “either/or result[s]”<sup>118</sup> typically produced by jury decisions.<sup>119</sup>

ADR’s flexibility is apparent from the beginning of any of its proceedings because parties customize the process they select to use.<sup>120</sup> For example, disputants, rather than rely on the Federal Rules of Civil Procedure and the Federal Rules of Evidence, may employ rules that fit their particular needs.<sup>121</sup> They determine in their arbitration agreement the amount of

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<sup>107</sup> *Id.*, *supra* 38, at 929.

<sup>108</sup> *Id.* at 929.

<sup>109</sup> *Id.* at 930

<sup>110</sup> *Id.* (citing Bender, *supra* note 39, at 12).

<sup>111</sup> Diamant and Adler, *supra* note 63, at 160. *See* Lickson, *supra* note 92.

<sup>112</sup> Blackmand and McNeill, *supra* note 34, at 1716 (citing John H. Kahn, *Negotiation, Mediation, and Arbitration in the Computer Industry: Why Play Hardball with Software?*, pt. IIIB (1989) (visited Sept. 23, 1998) <<http://www.accesscom.com/~jkahn/adr.html>>).

<sup>113</sup> Lickson, *supra* note 92.

<sup>114</sup> *Id.* at 4.

<sup>115</sup> Blackmand and McNeill, *supra* note 34, at 1716 (citing Steven J. Elleman, *Problems in Litigation: Mandatory Mediation May Provide Settlement Solutions*, 12 OHIO ST. J. ON DISP. RESOL. 759, 774-75 (1997)).

<sup>116</sup> *Id.* (citing Elleman, *supra* note 123, at 774-75).

<sup>117</sup> Diamant and Adler, *supra* note 63, at 160.

<sup>118</sup> Blackmand and McNeill, *supra* note 34, at 1716 (citing Kahn, *supra* note 120).

<sup>119</sup> Diamand and Adler, *supra* note 63, at 160.

<sup>120</sup> Lickson, *supra* note 92.

<sup>121</sup> WARE, *supra* note 2, at 21.

discovery they want,<sup>122</sup> as well as if, and to what extent, they would like to use evidentiary rules.<sup>123</sup> Parties also may choose pre-dispute the location of the proceedings so they do not have to bear “the expense of transporting witnesses, documents, arbitrators, and counsel long distances.”<sup>124</sup> If necessary, parties may conduct different stages of the arbitration in various places.<sup>125</sup> Such freedom also allows them to “ensure that witnesses and documents are available, that courts have personal jurisdiction over the parties to enforce decisions and grant temporary relief, and that the proceedings are neutral.”<sup>126</sup>

Neutrality is another feature of ADR that makes it a particularly useful tool to resolve conflicts about intellectual property, which is global in nature, “both in the national affiliations of the parties and the jurisdictions that granted the property rights in the dispute.”<sup>127</sup> Furthermore, even highly developed nations are not technologically self-reliant,<sup>128</sup> and therefore participate in a vast number of international transactions that include intellectual property.<sup>129</sup> Worldwide misuse is particularly prevalent in the intellectual property context since, “unlike physical property, users can exploit intellectual property in multiple locations so long as the conditions for the physical embodiment of intellectual property exist.”<sup>130</sup> Also, many users can exploit the intellectual property at the same time through licensing agreements.<sup>131</sup>

Given these factors, parties desire neutral arenas to solve the intellectual property conflicts that are inescapable in today's society.<sup>132</sup> For example, arbitration currently is favored

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<sup>122</sup> *Id.* at 79.

<sup>123</sup> *Id.* at 121.

<sup>124</sup> Martin, *supra* note 36, at 930 (citing David W. Plant, *Alternative Dispute Resolution*, PATENT LITIGATION, 197, 255 (1988) citing (PLI PATENTS, COPYRIGHTS, TRADEMARKS, & LITERARY PROPERTY COURSE HANDBOOK, Series No. 258, 1988)).

<sup>125</sup> *Id.* (citing Plant, *supra* note 132, at 255).

<sup>126</sup> *Id.* (citing Plant, *supra* note 132, at 255).

<sup>127</sup> *Id.* (citing Gurry, *supra* note 47, at 4-5).

<sup>128</sup> *Id.* at 931.

<sup>129</sup> *Id.* (citing Gurry, *supra* note 47, at 3-5).

<sup>130</sup> *Id.* at 930 (citing Gurry, *supra* note 47, at 3).

<sup>131</sup> *Id.* (citing Gurry, *supra* note 47, at 3).

<sup>132</sup> *Id.* (citing Gurry, *supra* note 47, at 4-5).

over litigation internationally.<sup>133</sup> The World Intellectual Property Organization<sup>134</sup> (WIPO) Center employs arbitration procedures that embody standard law and practice of commercial arbitration so its operations are impartial to disputants' law, culture, and language.<sup>135</sup>

Confidentiality, another characteristic of ADR, is equally crucial in the intellectual property context.<sup>136</sup> For example, parties may decide not to seek redress for infringement of intellectual property because they fear that litigation, particularly discovery, will lead competitors and the press to obtain valuable information,<sup>137</sup> such as trade secrets, financial records, or client lists.<sup>138</sup> Moreover, if the public learned of a dispute, a business could suffer greater damage than it would if a judge ruled against it.<sup>139</sup> Although litigating parties might seek protective orders, they rarely are granted them because the "good cause" standard under Rule 26(c) of the Federal Rules of Civil Procedure is very difficult to meet.<sup>140</sup>

Arbitration, on the other hand, provides parties "full confidentiality"<sup>141</sup> without requiring them to demonstrate "good cause."<sup>142</sup> Parties are entitled to keep a dispute's occurrence classified.<sup>143</sup> They also may consent to employ any other ADR process in private.<sup>144</sup> In addition, many state statutes require that mediation be confidential.<sup>145</sup> Finally, Rule 408 of the Federal Rules of Evidence, Rule 68 of the Federal Rules of Civil Procedure, and certain state

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<sup>133</sup> Camille A. Laturno, *International Arbitration of the Creative: A Look at the World Intellectual Property Organization's New Arbitration Rules*, 9 TRANSNAT'L LAW. 357, 369 (1996) (citing Richard J. Graving, *The International Commercial Arbitration Institutions: How Good a Job Are They Doing?*, AM. U. J. INT'L L. & POL'Y 319, 320 (1989); Niblett, *supra* 1, at 64)).

<sup>134</sup> Martin, *supra* note 36, at 917.

<sup>135</sup> *Id.* at 932 (citing *WIPO Arbitration Center Opens*, J. PROPRIETARY RTS. 33, 33 (1995)).

<sup>136</sup> Lickson, *supra* note 92.

<sup>137</sup> Mills, *supra* note 65, at 231 (citing TOM ARNOLD ET AL., PATENT ADR HANDBOOK § 5.05 (1991)).

<sup>138</sup> Martin, *supra* note 36, at 935 (citing Paradise, *supra* note 86, at 264).

<sup>139</sup> *Id.* (citing Paradise, *supra* note 86, at 264).

<sup>140</sup> Stork, *supra* note 84, at 252 (citing M. DOMBROFF, DISCOVERY, § 1.17 (1986)).

<sup>141</sup> Martin, *supra* note 36, at 934.

<sup>142</sup> *Id.*

<sup>143</sup> *Id.*

<sup>144</sup> Lickson, *supra* note 92.

<sup>145</sup> *Id.*

provisions pertaining to settlement conferences protect information shared in offers for dispute resolution.<sup>146</sup>

The use of ADR also helps parties involved in intellectual property disputes maintain business relationships, such as those between licensors and licensees,<sup>147</sup> despite differences on certain matters.<sup>148</sup> The goal of ADR “is resolution – not victory (and loss); thus, there are not lingering hard feelings which can affect the future”<sup>149</sup>.<sup>150</sup> ADR processes are “less adversarial than traditional litigation,”<sup>151</sup> in which parties deem each other’s conduct dishonest and therefore sever ties.<sup>152</sup> For instance, arbitration’s minimal discovery rules help get rid of the “sometimes harassing exchange of documents and deposition-taking.”<sup>153</sup> Also, parties who have consented to arbitration probably will not purposely stall or prolong the process and, consequently, there is a decreased chance of alienation.<sup>154</sup>

The “very voluntariness” of most ADR proceedings<sup>155</sup> which improves the chances for cooperation during sessions also increases the “ease of enforcement” of resolutions.<sup>156</sup> For example, while parties who won adjudicated judgments often face difficulty collecting their awards, it has been reported that participants in mediation voluntarily abide by the agreements 85% of the time.<sup>157</sup>

This “ease of enforcement” of decisions<sup>158</sup> may be attributed to the “far greater sense of satisfaction”<sup>159</sup> experienced by parties who choose ADR than by those who opt for litigation.<sup>160</sup>

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<sup>146</sup> *Id.*

<sup>147</sup> Martin, *supra* note 36, at 935 (citing Paradise, *supra* note 86, at 264).

<sup>148</sup> Lickson, *supra* note 92.

<sup>149</sup> *Id.*

<sup>150</sup> *Id.*

<sup>151</sup> Martin, *supra* note 36, at 935 (citing Paradise, *supra* note 86, at 264).

<sup>152</sup> *Id.* (citing Paradise, *supra* note 90, at 264).

<sup>153</sup> Stork, *supra* note 84, at 253.

<sup>154</sup> Martin, *supra* note 36, at 935 (citing Paradise, *supra* note 86, at 264).

<sup>155</sup> Lickson, *supra* note 92.

<sup>156</sup> *Id.*

<sup>157</sup> *Id.* (citing Richard Evarts, Professional mediator and former president of SPIDR, at mediation training, Dallas, September 1991).

<sup>158</sup> *Id.*

<sup>159</sup> *Id.*

<sup>160</sup> *Id.*

Many attorneys admit that neither party is completely pleased with most adjudicated judgements.<sup>161</sup> The tremendous toll litigation takes on participants emotionally, financially, and time-wise contributes to their discontent.<sup>162</sup> Since ADR allows them to take an active role in the resolution of their own dispute, participants feel much more fulfilled by the results on procedural, substantive, and psychological levels.<sup>163</sup> The parties experience such fulfillment because they believed they were actively involved throughout the process, and that they “had a chance to tell their story.”<sup>164</sup> For example, one author, after surveying disputants who chose ADR, reported that they frequently were satisfied with ADR even in situations where they did not achieve all they desired financially or otherwise.<sup>165</sup>

Although parties in some circumstances may not end their conflicts through ADR, ADR is still worthwhile because mediation affords them the opportunity to determine the real issues and to more thoroughly educate themselves about what steps they must take to reach resolutions.<sup>166</sup> If they decide that they must go to court, the litigation should be quicker and more focused on the issues in dispute.<sup>167</sup>

### **DISADVANTAGES OF ADR IN INTELLECTUAL PROPERTY DISPUTES**

ADR is not without potential disadvantages,<sup>168</sup> but people must keep them in perspective. Skeptics assert that arbitration can take almost as long as litigation, and that even mediation may require several, lengthy sessions.<sup>169</sup> Even though the costs associated with ADR may prove substantial,<sup>170</sup> and parties must pay for a decision maker’s services, whereas

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<sup>161</sup> *Id.*

<sup>162</sup> *Id.*

<sup>163</sup> *Id.* (citing MOORE, THE MEDIATION PROCESS: PRACTICAL STRATEGIES FOR RESOLVING CONFLICTS, San Francisco, Jossey-Bass (1986)).

<sup>164</sup> Robert J. MacPherson, *supra* note

<sup>165</sup> Lickson, *supra* note 92 (citing MOORE, *supra* note 182, at § 7).

<sup>166</sup> *Id.* (citing Robert S. Bramson, a well-respected technology lawyer and computer law expert, former President and Technology Counsel at Unysis and former president of Interdigital Patents Corp.).

<sup>167</sup> *Id.* (citing Bramson, *supra* 186).

<sup>168</sup> Diamant and Adler, *supra* note 63, at 160-61.

<sup>169</sup> Lickson, *supra* 92.

<sup>170</sup> *Id.*

the government covers the costs of court proceedings,<sup>171</sup> they usually run significantly less than those of litigation.<sup>172</sup> Opponents also argue that ADR's flexible rules decrease predictability about admissibility of evidence,<sup>173</sup> but a skilled arbitrator can prevent "the proceeding from turn[ing] into 'an expensive evidentiary free-for-all' in which the parties attack one another with an endless barrage of expert witnesses."<sup>174</sup> Another common complaint is that arbitrators frequently "split the baby";<sup>175</sup> yet, they seldom do this in reality.<sup>176</sup> Furthermore, "resolution of any disagreement involves movement, concession, and compromise by both sides, particularly where both parties were at fault to some degree, which is not unusual in any dispute."<sup>177</sup>

One might also point out that a drawback of ADR is the absence of a jury trial.<sup>178</sup> Although people may not have the chance to win a jury's sympathy, ADR's conservation of time and money may increase their ability to sue.<sup>179</sup> Individuals who hope to bring patent infringement claims against large companies often seek an attorney's services on a contingent-fee basis because patent lawsuits frequently are very expensive.<sup>180</sup> Potential plaintiffs often face trouble securing such an arrangement, though, because many lawyers and firms, even when they have a good chance of winning a case, lack the resources to invest the money, time, and effort most patent suits require.<sup>181</sup> ADR's less-extensive discovery and the prospect for

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<sup>171</sup> *Id.*

<sup>172</sup> Stork, *supra* note 84, at 253-54 (citing Kritzer & Anderson, *The Arbitration Alternative: A Comparative Analysis of Case Processing Time, Disposition Mode, and Cost in the American Arbitration Association and the Courts*, 8 JUST SYS. J. 6, 18, 19 (1983)).

<sup>173</sup> Martin, *supra* note 36, at 927 (citing Paradise, *supra* note 86, at 271).

<sup>174</sup> *Id.* (citing Paradise, *supra* note 86, at 271).

<sup>175</sup> Lickson, *supra* note 92.

<sup>176</sup> *Id.*

<sup>177</sup> *Id.*

<sup>178</sup> Blackmand and McNeill, *supra* note 34, at 1723.

<sup>179</sup> *Id.* (citing Martin, *supra* note 36, at 924-25).

<sup>180</sup> *Id.* (citing P.L. Skip Singleton, Jr., *Justice for All: Innovative Techniques for Intellectual Property Litigation*, 37 IDEA 605, 6075 1997).

<sup>181</sup> *Id.* (citing P.L. Skip Singleton, Jr., *supra* note 191, at 608).

quicker resolution, may permit more lawyers and firms to take patent cases.<sup>182</sup> Thus, ADR could help individuals “seek justice, even if they lose the potential advantage of a jury trial.”<sup>183</sup>

The benefits of ADR may outweigh the opportunity for a jury trial in other situations as well.<sup>184</sup> For instance, a large corporation may appreciate ADR, not only for its usual advantages, but also because the plaintiff, without a sympathetic jury, will have more difficulty portraying the company as a powerhouse “picking on a little guy.”<sup>185</sup> In cases where the parties possess relatively equal bargaining power, many of ADR’s perks are more salient.<sup>186</sup>

Several of ADR’s other features, which some may deem as disadvantages, may prove beneficial to others. For example, while arbitration awards may contradict judicial determinations in the same jurisdiction and may be more inconsistent than final appellate court judgments,<sup>187</sup> they can be tailored to fit the parties’ needs.<sup>188</sup> Parties might appreciate the lack of judicial precedent if they wish to settle a conflict in an unresolved branch of law without fearing the effects of an “adverse”<sup>189</sup> result under *stare decisis*.<sup>190</sup> Also, although appellate review generally does not occur in adjudicative ADR,<sup>191</sup>

there is significant reason to believe that the initial-hearing neutral who is not trying to make common law precedent for other cases, who typically gives to the issues some ten times more study than an appellate review tribunal, provides more justice and equity on average than our reviewing tribunals who hear only truncated expressions of the case which are inherently distorted.<sup>192</sup>

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<sup>182</sup> *Id.* (citing Kevin R. Casey, *Alternative Dispute Resolution and Patent Law*, 3 FED. CIR. B.J. 1, 4-5 (1993); Edward V. Filardi et al., *Pre-Litigation Considerations Relating to United States Patent Infringement Actions: An Overview*, 375 PATENT LITIG. 9, 16-28 (1993)).

<sup>183</sup> *Id.* (citing Jack E. Brown, *The Advantages and Disadvantages of Juries in Technical Cases*, 9 SANTA CLARA COMPUTER & HIGH TECH. L. J. 403, 406-408 (1993)).

<sup>184</sup> *Id.*

<sup>185</sup> *Id.*

<sup>186</sup> *Id.*

<sup>187</sup> Lickson, at 92.

<sup>188</sup> WARE, *supra* note 2, at 21.

<sup>189</sup> *Id.*

<sup>190</sup> *Id.*

<sup>191</sup> Diamant and Adler, *supra* note 63, at 160.

<sup>192</sup> Arnold, *supra* note 61, at 684-85.

Finally, while ADR typically is confidential and therefore cannot “send a message to prospective infringers,”<sup>193</sup> parties in intellectual property disputes sometimes are more concerned about resolution of the matter at hand and about the ability to keep important information private than about the likelihood that an outcome will “serve as deterrent to others.”<sup>194</sup>

## **CONCLUSION**

A dispute’s nature and the parties involved determine the appropriateness of ADR in any given situation.<sup>195</sup> The amount of financial and time savings gained by choosing ADR over litigation depends a great deal on the “intensity”<sup>196</sup> of disputants’ “fixed positions”<sup>197</sup> and disputants’ ability to pick a qualified decision maker<sup>198</sup> if they opt for third party-involvement. Also, values and ultimate goals shape whether people view certain features of ADR as drawbacks or benefits.<sup>199</sup> Although ADR has potential disadvantages, record numbers of disputants in intellectual property cases are deciding that its many perks make it a wiser choice than the traditional court route.<sup>200</sup> This phenomenon can be attributed to a realization that, as Mr. Arnold explains,

without resort to alternative dispute resolution methods, we find ourselves and our practice all too often transformed into modern day versions of Jarndyce v. Jarndyce in Charles Dickens’ Bleak House, where the litigation over the children’s very large inheritance consumed both their lives and their great fortune. And, there is a better way for a majority of your cases. A dispute, you see, is a problem to be solved, rather than a contest to be won.<sup>201</sup>

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<sup>193</sup> Diamand and Adler, *supra* note 63, at 161.

<sup>194</sup> *Id.*

<sup>195</sup> Lickson, *supra* note 92.

<sup>196</sup> *Id.*

<sup>197</sup> *Id.*

<sup>198</sup> Martin, *supra* note 36, at 927.

<sup>199</sup> Lickson, *supra* note 92

<sup>200</sup> Martin, *supra* note 36, at 923.

<sup>201</sup> Arnold, *supra* note 61, at 708.

