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## Lynda Calderone Addresses the Role of an Alternative Dispute Resolution Lawyer in IP Disputes

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**Lynda Calderone**

The following is a chapter written by Attorney Lynda L. Calderone for the book *Intellectual Property Dispute Resolution - Leading Lawyers on Performing Due Diligence, Pursuing the Right ADR Approach, and Settling Infringement Claim*.

My primary activities as an alternative dispute resolution attorney in the intellectual property (IP) area are focused on mediation or direct settlement negotiation in the patent law area rather than arbitration. While arbitration is sometimes required, particularly when a contract mandates its use, it can be very costly in patent cases and is inconsistent in terms of a reliable outcome. Much in arbitration relies on the legal and technical skills of the arbitrator. While there are measures available to try to minimize the risk of an arbitrator having inadequate legal skills for a particular arbitratable dispute, there is always the risk of getting an arbitrator with weak skills, bad judgment, or bias. Such factors have a lesser or minimal risk in mediation as the mediator needs and uses a very different skill set than is required for an arbitrator.

ADR in IP disputes can be formal or informal. Both approaches contain varied components with which an ADR attorney must be comfortable and experienced. On the formal side, one can engage in arbitration using a variety of arbitration bodies or request court-supervised mediation. Commercial arbitrators and mediators are available with specialties in the various aspects of IP. Formal arbitration bodies that are generally accepted as authoritative (most of which also offer mediation services) include the American Arbitration Association (AAA) at [www.adr.org](http://www.adr.org), the National Arbitration Forum (NAF) at [www.arb-forum.com](http://www.arb-forum.com), the International Institute for Conflict Prevention and Resolution at [www.cpradr.org](http://www.cpradr.org), and JAMS at [www.jamsadr.com](http://www.jamsadr.com), to name a few. Arbitration assistance is also available through various professional associations such as the American Intellectual Property Law Association (AIPLA) at [www.aipla.org](http://www.aipla.org), World Intellectual Property Organization (WIPO) at [www.wipo.org](http://www.wipo.org), and International Trademark Association (INTA) at [www.inta.org](http://www.inta.org).

Domain name disputes are almost always arbitrated, with the primary arbitration body for domain name disputes being the Internet Corporation for Assigned Names and Numbers (ICANN) at [www.icann.org](http://www.icann.org). ICANN, like other organizations offering dispute resolution, provides a uniform set of rules and policies. ICANN provides a Uniform Domain Name Dispute Resolution Policy as well as listing approved domain name ADR agencies (NAF, WIPO, and the Asian Domain Name Dispute Resolution Center). These ADR organizations available for IP disputes, such as AAA and WIPO, provide national access to panels of neutrals and/or assistance in arbitration nationally, as well as sometimes internationally.

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The federal court system has varied mediation programs, some of which are court-ordered and/or court-assisted. Such programs are largely voluntary and many include training and certification of mediators used in their programs. The difference is that in some federal court programs, you are not guaranteed a mediator who has an area of expertise in the IP field; instead, the mediators who are assigned are more attuned to negotiating settlements generally than to resolving the underlying legal aspects of the dispute. Many senior attorneys or retired judges also offer independent mediation and arbitration services, either independently or through a larger organization such as the AAA.

Alternatively, more informal types of ADR are available. Many parties develop their own proposed mediation proposals and include them via contract at the outset of a commercial endeavor. This can be highly effective, unless the proposal is not well thought-out or sufficiently comprehensive to give enough guidance to the parties once they begin the process.

### **Cases That Are the Best Candidates for ADR**

In the IP area, all cases lend themselves to some form of ADR to some degree. However, the timing and institution of the process will vary and should involve strategic thinking and advance planning whenever possible.

Arbitration is difficult and unpredictable in U.S. patent cases, as the quality and outcomes are not as reliable as those of a district court and fewer of the safeguards of a district court litigation are present, particularly concerning the multiple and varied issues and technical complexity of a patent case, the complex discovery and document issues, not to mention the currently fast-paced changes in the law, all of which can create issues during a long-running arbitration. Further, many times arbitration is binding and non-appealable, so that final outcomes, if legally incorrect or undesirable, cannot be remedied. Thus, patent arbitration can be just as, if not more, expensive than litigation, as it can last for just as long a time. Arbitrations can take place in as little as six months, if parties are amenable and cooperative, but more typically, can last for one to two years or more, depending on the complexity of the case and the degree of animosity between the parties. As a result, many parties see it as a less desirable alternative to standard district court patent litigation, where the parties have available to them both the safeguards of the district court's involvement, magistrate-supervised discovery (and in many cases settlement involvement), and the availability of appellate review first to the U.S. Court of Appeals for the Federal Circuit (the federal appellate court having exclusive jurisdiction in patent cases) and ultimately to the U.S. Supreme Court. In addition, judges are generally more likely to be free of bias and keep within the rules as they are subject to appellate review on a regular basis for such issues, whereas arbitration is typically non-appealable.

In international disputes however, some of the above-noted issues disfavoring arbitration in U.S. patent cases can be outweighed by the unpredictability of international litigation, the inherent cost involved in litigating a commercial patent dispute in a foreign jurisdiction, and the difficulties in handling such a case through the Hague Convention and/or through foreign patent laws or in foreign jurisdictions. Other concerns relate to languages, translations, and other logistical issues.

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With more non-technical IP cases, such as trademark, copyright and/or IP contractual cases, arbitration can be a more desirable path than it is in patent cases. This is largely because the law and issues tend to be more straightforward and typically do not involve complex technical issues, review of technical documents, patent claim interpretation, or patent damages issues. However, some computer-related copyright or trade secret disputes are equally daunting from a technology perspective.

With patent cases, it is typically a better path to have the parties attempt to work out a business resolution or settlement directly or with the aid of a court-appointed or patent-knowledgeable mediator. To the extent that there is room for settlement, this will be the most cost-effective path for the parties involved. In order to resolve patent cases, most federal district courts are facilitative of settlement, through mediation or other means, including through involvement of a magistrate judge monitoring settlement during litigation. It is in their best interest to get patent cases resolved due to the size and expense of the litigation, as well as the large amount of the court's time that must be spent on such long-term, complex cases.

#### **IP Issues That Currently Represent the Greatest Percentage of IP Disputes**

Currently, based on recent statistics, IP litigation of all types increased in 2006. However, the economy or other factors may be starting to have an effect, and fewer trademark and copyright cases were filed in 2007. See M. Meland, "Boutique Market Continues to Slide," *IP Law* 360 (Sept. 11, 2006); E. Coe, "Fewer IP Lawsuits Filed in 2007," *IP Law* 360 (Jan. 2, 2008). Of further interest is the detailed and careful patent litigation statistics compiled by the Institute for Intellectual Property and Information Law, University of Houston, Professor Paul Janicke, at [www.patstats.org](http://www.patstats.org). ICANN disputes appear to grow in view of Internet and domain name use and abuse.

Despite the overall decline generally in IP litigation, the sub-category of patent litigation continues to be on the rise. According to recent research, as noted above, the number of cases was up 6 percent in 2007. E. Coe, "Fewer IP Lawsuits Filed in 2007," *IP Law* 260 (Jan. 2, 2008). Most patent cases do settle, however, with only about 3 percent actually making it to trial. There are many opportunities for settlement and for introducing ADR throughout the life of an IP dispute, particularly at or before discovery is initiated; this is largely because this first stage in IP litigation, particularly in patent litigation, is where costs become a significant concern to most clients.

There are many competitive factors driving these IP issues to prominence, but the primary factors are the overall economy, as well as the continuing changes in the patent law area led by the increasing judicial activism of the current U.S. Supreme Court in patent issues.

While the economy can negatively affect the initiation of general commercial litigation as businesses conserve resources, it can increase the use of various ADR procedures. The same economic forces that drive other types of commercial litigation, however, are not always the same where patent disputes are concerned. For example, there is an ever-increasing use of the patent system, even more so in a tough economy, to target competitors in various industries, in many cases as an additional way to increase revenue through forcing licenses and/or driving weaker competitors from the marketplace. Thus, companies tend to be more vigilant in the mining of existing IP for gaining a competitive edge, a tactic that has given rise to the negative image of the "patent troll." Such patentees are thought to be those who are not

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manufacturers, but who have patents that are strategically written to systematically go after certain industries for damages or other corporate deals. This unfortunate behavior, occurring in narrow but publicly disturbing instances, has given rise to a misplaced view that all non-manufacturer patent enforcement is bad. However, innovators without manufacturing resources who apply for a right to exclude others from practicing their idea can, more typically, represent legitimate small businesses or individual inventors that simply lack significant financial resources.

Judicial activism aimed at narrowing the reach of patents and giving increasingly easier paths to challenge patents, while in many cases is aimed at the prototypical "patent troll" and at reining in what is perceived to be an uncontrollable increase in patent litigation, also gives rise to a negative impact on small businesses and independent inventors and is contributing to the devaluation of U.S. patents overall. Clearly it is not reducing patent litigation.

A factor contributing further to additional patent litigation in the future will result from a recent series of cases that has led to a more lenient standard for asserting jurisdiction under the Declaratory Judgment Act (28 U.S.C. §2201). In the past, for an accused infringer to establish jurisdiction under the Declaratory Judgment Act, to show a case or controversy exists, an imminent threat of suit was required. That standard was repudiated in 2007 and a new standard has been put into place that is likely to lead to races to the courthouse by the patentee to enforce a patent and by the accused infringer to try to challenge a patent. See *Micron Technology Inc. v. MOSAID Technologies Inc.*, 518 F.3d 897 (Fed. Cir. 2008); following *SanDisk Corp. v. STMicroelectronics Inc.*, 480 F.3d 1372 (Fed. Cir. 2007) and *MedImmune Inc. v. Genentech Inc.*, 549 U.S. 118, 127 S. Ct. 764 (2007). See also L. Calderone, "Lax Declaratory Judgment Standard Can Lead to Forum Contests," *Legal Intelligencer*, March 19, 2008.

By allowing increasing access to courts for accused infringers who want to challenge patents, and combining that with an increasingly anti-patentee litigation climate, the ADR landscape should also change accordingly. More patentees are likely to seek recompense through ADR provisions and use of ADR in litigation settings than to go through the full litigation to trial, as the odds are no longer in their favor. It can also help to avoid the "forum race" issue as ADR can be contractually tied to a particular forum in advance in the ADR provisions of a preexisting contract or, when disputes arise and arbitration is proposed, forum selection is more likely to be reasonably negotiated by parties who are already disposed to avoiding litigation in favor of compromise and alternative tactics resulting in selection of mutually agreed upon or "neutral" locations. Further, it is anticipated that ADR will remain an alternative avenue for defendants who are seeking to invalidate a patent or otherwise resolve patent accusations inexpensively and with perhaps more receptiveness to licensing to avoid losing the right to manufacture that can otherwise occur through court-ordered temporary or permanent injunctive relief.

For the above reasons, parties will typically remain more prepared to arbitrate contractual IP issues, such as licensing or exclusive supply arrangements, as well as trademark and copyright disputes than they are to arbitrate patent disputes. Although, for the reasons noted previously, for patent matters, mediation can still be a more favorable path for patent disputes than arbitration. But the economy and changes in the law are likely to contribute to increasing use of ADR on all fronts.

**Taking an IP Dispute through Arbitration to Successful Resolution: The Process**

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Depending on the type of IP, various steps in the arbitration process may be more or less complex. However, the primary steps begin with first either seeking agreement of the parties to engage in arbitration or pointing out to a reluctant party the basis for arbitration (for example, a contract provision mandating arbitration). In more formal proceedings, as before the AAA, specific clauses may be enforced to initiate AAA arbitration. This step can take various paths. The goal of this step is to simply get the process started.

If both parties are amenable to a particular type of ADR, the procedure can go forward without significant obstacles. However, that is not always the case, and both parties may not be on the same page regarding using ADR or the type of ADR. If a proper commercial contract provision was included in an underlying agreement between the parties, one party may have to seek enforcement of that clause through extrajudicial negotiation or judicial mechanisms. Such disputes would be regulated under state contract law and choice of law rules. If ADR is sought and desirable by all parties, it is important to achieve a common view of the non-litigation alternative. For example, it would be difficult to get both parties to agree to non-binding arbitration if one party had a prior unsatisfactory experience using that procedure and is now dead-set against it. With the variety of procedures from which to choose, however, something should be proposed that both parties are comfortable with.

It is not always reasonable or practical to have an arbitration provision to rely on in many IP disputes, and patent disputes in particular, since the parties are not always in a preexisting relationship and, even when there is a preexisting contract, use of such provisions is very inconsistent and tends to be specific to certain litigants based on their own experiences with ADR. However, when such provisions are available and can be taken advantage of, they should be carefully worded. An arbitration provision that is either unenforceable or simply does not accomplish what is desired can be more trouble than it is worth. *See, e.g., J.M. Townsend, "Drafting Arbitration Clauses: Avoiding the 7 Deadly Sins,"* *Dispute Resolution Journal* (Feb./Apr. 2003).

Once the parties are on the same page regarding agreeing to use ADR and the type of ADR, a form of an ADR body must be selected. Whether the parties wish to themselves pick an arbitrator or panel of arbitrators or to use an organization with a more formal process, such as AAA, or wish to use a mediator (either from AAA or hand-selected), this is the next step. Generally, once the type of ADR is chosen, this step is reasonably straightforward. Decisions such as whether to use a panel of arbitrators or a single arbitrator, and whether the parties should select them or seek a recommendation are typically a function of the parties' own experiences, as well as how much they trust one another and the complexity of issues. If arbitration is used, cost must be kept in mind. While a panel of qualified arbitrators is best from a fairness standpoint, it may be too expensive when viewed proportionately to the actual dispute. For instance, if only a small amount of damages is at stake, one should strive to select an ADR process incurring costs that are minimal as well, and certainly less than the anticipated cost of recovery where possible. Similarly, if a dispute is too complex and resolution of the issues is not the parties' desired goal, meaning they only desire assistance in working a settlement, seeking an approved patent mediator or court-appointed mediator and going down the mediation path is a far better idea. This is particularly true when one or both parties have a settlement proposal in mind.

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In choosing arbitrators and mediators, the parties must be cautious to ensure that those whom they have chosen have the requisite skills and experience, and a lack of ties or other biases to either party or to either party's representatives. It is very important to determine this information before the process begins, and parties should not be reserved when it comes to asking the relevant questions. It is recommended that a mediator or arbitrator be one that is certified or otherwise approved by one of the commercial or judicial resources mentioned above. Such ADR representatives have typically undergone mandatory initial training, and sometimes ongoing training from the commercial organization sponsoring the ADR representative, the courts and/or from another commercial training source and which usually have some sort of industry-acceptable certification process. Informal comments from colleagues should be sought for any mediator or arbitrator, and when indicated, such as for a complex matter or where much is at stake, it is strongly recommended that references be checked. If the parties are not working with an organization like AAA or the federal courts, it is definitely recommended that references be sought; otherwise, the parties have no way of knowing that the mediator or arbitrator is familiar with the ADR process. Further, an inexperienced mediator or arbitrator can actually make a situation worse. Inexperience with conflicts resolution, ethical issues, protocols and procedures associated with the selected form of ADR, negotiation skills, the applicable law and/or the steps necessary to finalize a settlement properly can lead to significant fallout between or damages to the participating parties, which can lead to further litigation and harm including malpractice allegations against the ADR representative.

Once the ADR body is in place, the forum and specific arbitrators must then be selected. In instances where there are contract provisions in existence, the forum selection may be easy, as is the case when both parties are in the same geographic area. However, this is not always the situation. For geographically disparate disputes, there are plenty of alternatives to having to take legal action to settle the issue. Possible solutions include finding a location equidistant from both parties, holding the proceedings at the location of one party who shares in the travel expenses of the other who is more willing or able to travel, and, when possible, taking advantage of technology to conduct mediation or arbitration over videoconferencing or by telephone conference. The latter, while sometimes a necessary compromise, is sometimes inefficient and lacks the advantages achieved through one-on-one face-to-face communication as well as the benefit to the arbitrator or mediator of watching the behavior of the parties and their counsel. Observing veracity and body language plays an important role in the ADR representative's ability to facilitate negotiations, determine what questions to ask and what to follow up on, how to handle various parties in discovery, how to assess veracity for issue resolution, or in some cases, simply to determine whether a mediation is progressing toward settlement.

In patent cases, it is preferable that arbitrators and mediators with suitable patent background and possibly even relevant technical backgrounds are chosen. The reason for this is that it helps in understanding the nature of the technology and damages law involved for arriving at the best legal resolution in the case of arbitration, or in finding a logical settlement balance in a particular industry for mediation. The same can be said for other types of IP with respect to some knowledge or exposure to the relevant IP law. The AAA provides specific resources and rules for arbitrator and mediator selection and governing the process itself pursuant to its Commercial Arbitration Rules and Mediation Rules as well as Supplementary patent ADR rules. See, e.g., AAA Patent Arbitration Rules (2005) at <http://www.adr.org/sp.asp?id=22013> and Supplementary Rules for Resolution of Patent Disputes at <http://www.adr.org/sp.asp?id=27417>. Other organizations mentioned above provide similar resources. The patent supplementary rules derive their basis

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from the patent statutes, specifically Title 35 of the U.S. Code (the Patent Act), Section 294 (governing voluntary arbitration), and Section 135 (for interference proceedings with approval of the director of the U.S. Patent and Trademark Office).

Once the parties have selected their forum and appointed a mediator or arbitrator(s), the process will move forward in accordance with its specified rules. In a more informal proceeding, the parties can select their own procedures (or may already have done so through contract). If the procedure is more informal, some time must be spent working out the details in advance. Failure to set procedure in advance in a more informal setting can create significant problems after the process commences. The mediator or arbitrator selected can assist the parties in this regard if they need help in coming up with a neutral procedure.

In a formal setting, the rules may vary by organization. When using AAA, for example, arbitrated IP disputes proceed according to the AAA Commercial Dispute Rules. If the case is more complex, in addition to the main arbitration hearing, there may be a preliminary hearing in advance of the arbitration hearing. Such preliminary hearings are part also of the supplementary patent rules of the AAA. In patent arbitrations, there may also be a claim construction hearing (like an independent *Markman* hearing) to provide a framework for legal analysis in the hearing involving the infringement or validity issues.

The preliminary hearing is used for complex matters, such as patent cases, to set the pace and tone of the arbitration hearing(s) to be scheduled. Issues discussed at the preliminary hearing include whether to use the arbitration procedure at all for the matter (as opposed to first trying mediation), initial disclosures laying out the evidence needed for the issues pending in the proceeding, the scheduling of discovery, if any (including what witnesses will be used and what evidentiary submissions will be made), scheduling of the actual hearing, the deadlines for submission of pre-hearing joint statements, whether an injunction is needed, whether and when to use experts and exchange expert reports, and any other outstanding issues. An example of such an issue would be the setting of a claim construction hearing.

Such preliminary hearings are similar to early phase hearings and magistrate discovery conferences in district court litigation. Thus, the same or similar strategies employed by parties in structuring and pursuing an IP litigation can be employed in complex arbitrations using a preliminary hearing. A party who knows in advance that they will be entering into a dispute that will be arbitrated or litigated has the advantage in that much preparation can be made prior to even contacting the other party. Further, the experience and background of the arbitrators should be taken into account in how the evidence should be presented. Experienced patent arbitrators with a relevant technical background, for example, will require less educational presentation on the law or technology involved than those who lack such knowledge. Failure to seek enough time to adequately prepare for the hearing, to carefully articulate strategies at the preliminary hearing or to investigate the arbitrator(s)' background prior to the hearing, can lead to disadvantages at the later hearing.

In mediation, the mediators can use AAA or similar organizational guidelines, federal court mediation program local rules, or their own agreed-to procedure. Typically, the participants are asked to make some sort of short case mediation statement providing basic information about the nature of the dispute, its posture, any settlement history to date and, preferably, a starting point for that party in mediation settlement discussions. In most cases, the mediator will counsel both parties as well in the nature of the

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proceedings and that communication with the mediator is restricted. Typically, the mediator will share information of one party with the other only with permission of the party disclosing the information. The type of meeting(s) to be set varies, but a full "hearing" as in the arbitration setting is typically not necessary. Instead, the mediator may meet first with both parties and their counsel and then attempt to facilitate communication back and forth. Thus, mediation is much more flexible in its approach to arbitration. This makes sense given the different goals of these forms of ADR, in which the goal of mediation is a third-party facilitated business resolution and the goal of arbitration tends to go deeper to a substantive resolution of the issues and assignment of a damage award or final judgment against a party by third party neutral arbitrator.

In the arbitration context, once a hearing is set, the parties must prepare for the hearing, conduct any authorized discovery, and prepare any necessary expert reports. Depending upon the time set for the arbitration (if any), the parties will have to move faster or slower accordingly. One party may try to delay the proceedings in the same manner that parties use such tactics in litigation; however, a strong arbitrator or arbitration panel can control the scheduling and try to manage party behavior. Thus, another vetting question for potential arbitrators is to inquire into how they enforce scheduling during the arbitration procedure.

The process in getting through any approved discovery and the arbitration hearing can be as time-consuming as litigation or longer, and can be ratcheted up in terms of complexity and litigious behavior by the parties, particularly when an arbitrator does not properly control and manage the process. It is helpful at the outset (absent a preliminary hearing) to request similar information and guidelines such as those discussed above for the preliminary hearing, from the arbitrator or arbitration panel.

Depending on the type of arbitration (formal or informal), hearings may involve varying amounts of discovery, witnesses, briefing and the like more akin to litigation or may involve significantly less steps than a litigation. What is critical is that when parties are contemplating any ADR proceeding, some time is spent at the outset understanding the nature of the different paths and deciding which will work best in their particular circumstances. After that choice is made, the parties must spend time knowing what will be involved, discussing it thoroughly, memorializing procedures and agreed terms in writing, and adequately preparing. Conducting any binding ADR involves little room for error, as there is no refuge in an appeal. Thus, expedited time frames, lack of preparation or effort in setting forth the case to the arbitrator(s) or mediator can lead to a bad outcome with no opportunity for reconsideration.

### **The Lawyer's Role in ADR for IP Disputes**

As an attorney who has participated in ADR for my clients and also acted as a mediator, the latter has provided me with a perspective on the former. The attorney's role is different in different types of ADR. In arbitration, the attorney representing his or her client can be a zealous advocate for the client and must ensure that the same safeguards are in place for disclosure of information, documents, and preparation of witnesses as in litigation. The attorney should know what key evidence supports the primary elements of the client's position and be prepared for each communication and meeting with the arbitrator or arbitration panel. This involves a highly collaborative effort between the attorney and client, much like in litigation.

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When a party is a difficult person to deal with, ADR can be as difficult to manage as any litigation, but the same techniques used to deal with a difficult client in a litigation setting can be applied in ADR. It is important, as always, to explain procedures step-by-step, to confirm instructions given to clients, and to review such information periodically, allowing clients to ask as many questions as they need to in order to understand and be comfortable with the process. If ADR is new to a client, or a client has not previously been in any civil dispute, this need for careful explanation and counseling is even greater. Analyzing and reviewing costs, planning payment and billing strategies, and setting clear expectations regarding the process will all go a long way to help alleviate the potential to develop problems with a client going through an ADR process. Issues also arise when clients are emotional, have explosive temperaments or an inability to control what they say and how they react in a face-to-face encounter, particularly since ADR can seem more informal than a court proceeding. Such reactions can be very detrimental in a negotiation or when trying to get parties to cooperate and come together toward resolution. However, to the extent possible, these negative reaction situations can be minimized with difficult clients by spending time before beginning the process explaining how it works, preparing the clients for what may happen, and timely requesting a break to speak to one's client alone when something troubling occurs or is said by someone on the other side of the dispute. Thus, as in all legal proceedings, ADR requires attorneys to carefully prepare clients, manage client expectations, explain costs, and provide clear and strong communications throughout the process.

With mediation, the attorney's role is different. Since the mediator's goal is to try to find a reasonable settlement position and avenue to allow the parties to find a business resolution, the attorney for each party needs to focus on presenting the damages and settlement positions to the mediator; he or she must also focus on the realistic expectations of the client. A trained mediator who has done a number of mediations can determine reasonably quickly when the parties truly are participating willingly and working toward resolution, when one party is abusing the process and not being realistic, and when the parties have no basis to come to resolution. While a mediator will try to make the situation work, typically through the attorneys when the parties are not being reasonable and/or do not understand the nature of their position from a legal perspective, the mediator cannot force the parties to agree unless the mediation procedure allows for a forced mediator supervised settlement. Thus, the attorneys must focus on helping the mediator move the matter forward and come to a realistic and reasonable business settlement.

### **The Typical Components of a Trade Secret Dispute**

A trade secret dispute involves proving that a party had a secret and took all due precautions to protect the secret, then the accused party misappropriated that secret and did not come by the information from some legitimate source. Such cases can be quite contentious and emotional and many times involves an accusation of theft of a trade secret and/or stopping a disgruntled ex-employee from disclosing a trade secret. In such circumstances, injunctive relief is the more critically sought form of relief. With the difficulties involved in such a situation, going through an ADR procedure can be problematic if the ADR cannot be conductive expeditiously or does not have the authority to grant injunctive relief.

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Such relief is important as stopping disclosure or sharing of information is generally the key aspect of relief sought by the aggrieved party. Timing is generally a key element to consider in a trade secret dispute when considering ADR. One way to take account timing issues is to set up ADR taking account of any and all available procedures under the prevailing rules (or through contractual provisions) to allow for emergency hearings and/or imposition of an agreed-upon stay or other temporary cessation of activities. The parties can agree to ADR in an expedited time frame or the arbitrator or mediator can have the parties agree to a self-imposed temporary halt of activities. In the absence of voluntary actions, the parties may have to resort to seeking court-ordered injunctive relief. The attorney must be cautious however, as when a contract is in place the contract may or may not support such an action. The contract may consider seeking an injunction outside of agreed-upon ADR to be a breach of contract or it may have supportive provisions enabling a request for injunction to go forward even while ADR is the preferred resolution path. Thus, when considering how to approach necessary injunctive relief, attorneys need to examine any existing contracts between the two parties to determine whether there are provisions concerning injunctive relief, its impact on ADR, or other ADR-related provisions.

If potential injunctive relief is involved, it needs to be brought to the arbitrator's or mediator's attention as soon as possible. When setting up contractual provisions concerning arbitration or mediation provisions for parties that are or were in privity, this can be taken into account. An example of such a scenario would be employer/employee agreements for departing employees, or confidentiality or other collaborative business agreements where one party had access to the other's confidential information and trade secrets. One way to handle such a situation via contract is to include an injunctive relief provision in which the parties agree that disclosure creates a presumption of irreparable harm for which no adequate relief can be had absent an injunction. Such a provision can be relied upon in an ADR setting to try to quickly obtain an injunction at the outset of the process.

Absent adequate control by the arbitrator or mediator of the timing of the process, parties should carefully weigh the need and perceived cost savings of ADR in their dispute against the ability to seek an order to show cause or preliminary injunction in the IP dispute. Unfortunately, in patent cases, seeking a preliminary injunction is now more difficult than in the past due to the standards set forth in *eBay Inc. v. MercExchange LLC*, 126 S. Ct. 1837 (2006). Now, a full showing of all factors, including irreparable harm, the balance of the hardships, and public policy, must be made instead of a primary reliance on a likelihood of success on the merits creating a presumption of irreparable harm.

### **The Components of an IP Portfolio**

An IP portfolio may include patents, trademarks and trade dress, copyrights, trade secrets, domain names, know-how and/or trade secrets. The most often disputed are the trademarks, copyrights, and domain names. These are easily subject to ADR, and in many cases, parties will resolve common use or overlapping use and/or copying disputes on their own by agreement. Patent and trade secret cases are perhaps less frequent but can be more complex and costly to litigate. ADR techniques can prove invaluable for resolving such disputes, as long as the parties agree to submit to them or are bound to by agreement.

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When proceeding in a situation where complex technical issues are involved, there are several techniques and resources for helping the parties, their attorneys and the selected ADR representative, particularly when the ADR representative does not have a technical background. The first is the appointing of experts by the parties to help explain their cases and/or settlement positions (if technology is involved in understanding settlement) to the arbitrator or mediator. When individual experts are used, they are hired technical advocates of one view of the technology or a technical issue much the same way technical expert witnesses are used in standard litigation. Such experts can be hired to act as consultants to the parties and their representatives or as experts that attend arbitration meetings to explain technical issues to the arbitrator. They may also prepare written reports. Such experts are costly and the arbitrator or mediator (as well as the rules that apply to the particular type of ADR) may or may not want to encourage their use. As an alternative, or in addition to experts hired by the parties, the arbitrator or mediator can require the parties to provide adequate written technical background documents and explanations of the technology involved and can also request appointment of an expert who is neutral to assist the arbitrator or mediator akin to a special master used in patent litigation.

When faced with different types of technology, research should be done into seeking the best and most helpful experts as the number and/or type of experts is much more likely to be limited than in standard district court litigation. Consulting with industry experts, technical representatives of the parties (who tend to be technologically versed in most complex technology matters), Internet searching as well as consulting local universities and research facilities are all helpful in selecting the best, most technologically helpful expert. While some issues are very general and any chemist or electrical engineer could serve a useful purpose in explaining the technology issues involved, there are times when technological issues are much narrower and the field of expertise leaves a much smaller pool of qualified experts. Early consideration of these issues and discussion of these issues with the parties in advance is beneficial to finding and retaining the best experts as quickly as possible, something of value when there is a limited pool and the parties are competing for the best experts.

In very complex technology cases, it is thus a great benefit to hire a mediator who already has an appropriate technical background, and while that may seem difficult at first, availing oneself of the resources of organizations like AAA and AIPLA will typically result in a successful recommendation. Other helpful support in explaining technical issues to arbitrators and mediators is the use of technology to present background information in useful graphical and/or demonstrative exhibits, including animation and other modern electronic visual forms of communication. Such techniques, while extremely helpful to an ADR decision maker, can also be very costly. They can also be prejudicial if one party can afford their use and the other cannot. Use of technology should be another aspect of an arbitration that is worked out in advance by the parties and agreed upon by the appointed arbitrator.

Similarly, as e-discovery becomes an increasingly frequent issue in technology litigation, particularly patent litigation, it is beginning to infiltrate arbitration as well. Therefore, the parties should have discussions at the outset of more formal arbitrations regarding the use of electronic discovery materials and the presentation and preservation of electronic documents.

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Budgeting for an ADR for an IP dispute is generally no easier than budgeting for litigation. The best approach is to select the type of ADR desired, and plan with the client how you would like to approach the ADR (what ADR body to use and what will be required). After doing so, a budget would involve best estimates for the steps involved. If the ADR is arbitration, which mirrors fast-paced patent litigation, the party's budget will be similar to budgeting for a patent litigation, albeit scaled down somewhat to take account of any limitations (by rule or self-imposed) on discovery and the use of technical experts. Attorneys would base their charges on hourly estimates for completion of the arbitration, including whether or not the attorney is being paid out of any recovery or on a strictly hourly basis.

With mediation, it can be a planned process and so budgeting can be easier. This is particularly true if a limited time is set for the mediation such that the attorney can easily predict hourly charges or proposed cost-recovery fees.

#### **ATTORNEYS MENTIONED**

Lynda Calderone