[InsideCounsel].com
BUSINESS INSIGHTS FOR LAW DEPARTMENT LEADERS
April 2, 2013

IP: Three things to know about mediating licensing disputes

Follow these tips to have the best opportunity for settlement in IP cases

BY ZELA "ZEE" G. CLAIBORNE, ESQ.

The number of IP disputes resolved in mediation has continued to increase as more attorneys make efforts to find a speedy resolution and cut litigation time and cost for their clients. Only a small percentage of costly patent infringement cases actually go to trial, and approximately 90 percent of them are settled, often by entering into a licensing agreement covering future use.

Business people and their counsel recognize that mediation is a cost-effective, low-risk process with a remarkably high success rate when conducted by an experienced mediator. In mediation, the parties avoid the risk of trial and remain in control of the resolution rather than turning it over to a third party, a judge or jury. Also, mediation is a good way to preserve business relationships, something that often is important in a licensing dispute. In order to have the best opportunity for settlement, counsel should consider the following three points:

1. Bring the right people to the mediation. That might sound like common sense, but it is surprising how many mediations fail because the right decision makers are not present. When a mediation is court-ordered, all named parties and their counsel are generally required to attend unless formally excused. Even when the mediation is strictly voluntary, this is a good rule to follow.

Mediation is a dynamic process that cannot be adequately summarized on the phone or after the fact to an absent decision maker. It is just too easy for someone who has not been present for all the interactions to say "no" to whatever proposal is on the table. This is especially true when a decision maker is in another country, another time zone or is impossible to reach at the crucial moment. In a recent patent infringement case, settlement was impossible because the key decision maker was in Taiwan while the U.S.-based company representative lacked sufficient settlement authority.

2. In advance of mediation, consider some possible business solutions that might be acceptable to your client and to the opposition. Look at an array of options, giving some thought to how the dispute looks to the other side and analyzing what their needs might be. Sometimes, parties consider only a specific dollar range, including the highest amount to be offered and the lowest amount to be accepted, but that approach is a mistake.

After participating in mediation and hearing from the other side, your client's views may shift. The mediator will point out some weaknesses of your client's position, and these should be considered. You may learn something new that will cause your client to rethink his settlement position. The benefits could be great because many licensing disputes involve an ongoing business relationship. Also, there may be options that include something other than money, such as an agreement to do some business together in the future.

3. Finally, do not leave the mediation without preparing a short list of the deal points agreed upon. The end of the mediation is not the time to draft a lengthy final settlement agreement with all the appropriate legal provisions. Decide who will prepare the first draft and when it will be sent to the other side for review. All client representatives should sign the short-form document so there is a legally binding agreement. Failure to do this might result in additional disputes that could undo the settlement.

Mediation is an opportunity to resolve an IP dispute by reaching a settlement that makes more business sense than a litigated outcome. Use your professional skill to assist your client in making the most of the mediation opportunity.

Zela "Zee" G. Claiborne is an arbitrator and mediator with JAMS in San Francisco. She has been arbitrating commercial disputes since 1991 and has been a full-time neutral since 1998. She can be reached zclaiborne@jamsadr.com.