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# Mediation of Intellectual Property Disputes: A Critical Analysis

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*Many intellectual property disputes have common features that suggest mediation could provide the parties with a more satisfactory resolution than litigation. However, anecdotal evidence suggests that the number of intellectual property disputes in which parties choose to go to mediation remains low. Although the indiscriminate recommendation of all intellectual property disputes to mediation should be avoided, this article argues that the potential efficacy of mediation for many intellectual property disputes should be more widely acknowledged and could be explicitly mentioned within New Zealand's intellectual property legislation. As Mary Vitoria states:<sup>1</sup>*

*“In very many small to medium cases the point is rapidly reached where the costs incurred are larger than any likely award of damages. To give an extreme example, in one patent case heard in the Patents County Court [UK], the claimant's costs were US\$530,000 and the defendant's costs were US\$725,000 in what the judge called ‘a very simple patent case involving one of the simplest patents I have ever seen’. Each party's turnover was about US\$85,000 per year.”*

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## 1 INTRODUCTION

Intellectual property disputes pose unique difficulties for the traditional court system. Many such disputes are complex, sometimes involving several parties from different jurisdictions claiming separate legal interests in the intellectual property at issue.<sup>2</sup> In part this is a result of the nature of intellectual property itself; not only is intellectual property law an increasingly specialised and technical area, but also there are frequently several different intellectual property rights co-existing in a single work.<sup>3</sup> Each of these rights might be under separate ownership and might in turn have been licensed or assigned, wholly or partially, to another individual or business entity. Hence, many intellectual property disputes lead to prolonged and expensive litigation with which overworked court

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\* Thanks to Alexandra Sims for comments.

1 Mary Vitoria QC “Mediation of Intellectual Property Disputes” (2006) 1 JIPLP 398.

2 See Julia A Martin “Arbitrating in the Alps Rather than Litigating in Los Angeles: the Advantages of International Intellectual Property-Specific Alternative Dispute Resolution” (1997) 49 Stan L Rev 917.

3 For example, the intellectual property rights in a computer game might include a registered trade mark, one or more patents in the hardware, as well as separate copyrights in the graphics, the music, the script, and the underlying software.

systems struggle to cope.<sup>4</sup> In addition, the strict legal outcomes of the court process do not necessarily reflect the underlying business relationships of the disputing parties:<sup>5,6</sup>

“intellectual property is increasingly seen as an essential business asset... that is exploited on an increasingly international level in various forms of collaborative arrangements such as licenses, technology transfer agreements and R&D agreements... [P]arties increasingly looked for dispute resolution mechanisms that matched their business requirements: private procedures which would provide efficient, flexible and less costly means of settling international disputes without disrupting commercial relationships.”

Just as the significance of intellectual property in the modern global economy has expanded, so too inevitably, has the number of disputes involving intellectual property. The complexity of the disputes and their increasing numbers have prompted many commentators to recommend the use of mediation, an Alternative Dispute Resolution (ADR) process, in place of the court system for resolving intellectual property disputes.<sup>7</sup> Yet, although this recommendation has been in place for some years, the evidence for the actual use of mediation in intellectual property disputes is conflicting and anecdotal evidence indicates that the numbers remain somewhat low.<sup>8</sup> For example, although research conducted in 1991 into the use of ADR by United States in-house patent attorneys concluded there had been an increase in the use of mediation since the report of a similar study carried out in 1981,<sup>9</sup> conversely, a survey of United States patent lawyers in 1997 found that most corporations involved in patent disputes choose not to go to mediation or arbitration.<sup>10</sup>

In reality it is difficult to ascertain the precise numbers of intellectual property disputes that are currently resolved through mediation because both the mediation process and its outcomes in any particular dispute remain confidential to the parties concerned.<sup>11</sup> However, the records of the World Intellectual Property Organisation Arbitration and Mediation Center (the WIPO Center) provide further guidance.<sup>12</sup> These records reveal that since its establishment in 1994 until 2007 the WIPO Center had

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4 See, for example, Wendy Levenson Dean “Let’s Make a Deal: Negotiating Resolution of Intellectual Property Disputes Through Mandatory Mediation at the Federal Circuit” (2007) 6 J Marshall Rev Intell Prop L 365 at 367.

5 Scott H Blackmand and Rebecca M McNeill “ADR in Commercial Intellectual Property Disputes” (1998) 47 Am U L Rev 1709 at 1716.

6 “Development of WIPO’s Dispute Resolution Services” <<http://www.wipo.int/amc/en/>>. These comments preceded the establishment in 1994 of the World Intellectual Property Organisation Arbitration and Mediation Center.

7 See, for example, Mary Vitoria QC “Mediation of Intellectual Property Disputes” (2006) 1 JIPLP 398; Miriam R Arfin “The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes” (1995) 17 Comm/Ent Law Journal 893; Scott H Blackmand and Rebecca M McNeill “ADR in Commercial Intellectual Property Disputes” (1998) 47 Am U L Rev 1709; Wendy Levenson Dean “Let’s Make a Deal: Negotiating Resolution of Intellectual Property Disputes Through Mandatory Mediation at the Federal Circuit” (2007) 6 J Marshall Rev Intell Prop L 365.

8 Justice Rodgers “Presentation for APAA Conference” (presented at the 15th General assembly and 56th and 57th Council Meetings of the Asian Patent Attorneys Association, 19 November 2009), available at <<http://mediation.judiciary.gov.hk/en/>>; Patricia Barclay (2010) “Mediation of IP Disputes — Worth a Shot?” Mediate <<http://www.mediate.com/>>.

9 Thomas G Field and Michael Rose “Prospects for ADR in Patent Disputes: An empirical Assessment of Attorney’s Attitudes” (1992) 32 IDEA 309 cited in Eugene R Quinn “Using Alternative Dispute Resolution to Resolve Patent Litigation: A Survey of Patent Litigators” (1999) 3 Marquette Intellectual Property Review 77 at 79 n 7.

10 Eugene R Quinn “Using Alternative Dispute Resolution to Resolve Patent Litigation: A Survey of Patent Litigators” (1999) 3 Marquette Intellectual Property Review 77 at 99.

11 See Laurence Boulle, Virginia Goldblatt and Phillip Green *Mediation: Principles, Process, Practice* (2nd ed, LexisNexis, Wellington, 2008) at ch 13.

12 WIPO Caseload Summary <<http://wipo.int/amc/en/>>.

administered “over 220 mediation and arbitration cases, most of which were filed in the last five years”<sup>13</sup> (the WIPO Center attributes this increase to an increased awareness of its procedures).<sup>14</sup> In the five years from 2002 to 2007, the WIPO Center received some 70 requests for mediation, some based on contract clauses and others as a result of agreement after the dispute arose.<sup>15</sup> On an international scale this seems surprisingly low and provides some support for the notion that mediation is, as yet, not commonly used for resolving intellectual property disputes.<sup>16</sup>

There are several factors that may have contributed to the low numbers of intellectual property disputes that are currently referred to mediation. They include the beliefs of some parties and their advisors that ADR in general and mediation in particular can never be suitable for disputes where the financial stakes are high.<sup>17</sup> Another possible factor stems from mistrust of the mediation process itself and a corresponding reluctance on the part of lawyers to participate in a process with which they have no familiarity or confidence.<sup>18</sup> Legally trained advisors tend to be inherently suspicious of informal and unstructured resolution processes, in which the neutral party is not required to adhere to strict legal principles,<sup>19</sup> and has no power to impose a binding decision on the parties.<sup>20</sup> In addition, there is a perception, not always unfounded, that there is potential for misuse of the process by one or more of the disputing parties<sup>21</sup> or the mediator.<sup>22</sup> Furthermore, even were all other factors to be overcome, there may be a need for more clarity regarding the kinds of intellectual property disputes that are appropriate for mediation. As is the case with disputes involving other areas of law, mediation is not appropriate for all types of intellectual property disputes.<sup>23</sup> The low numbers of intellectual property disputes that are taken to mediation and, conversely, the need to prevent indiscriminate recommendation of all intellectual property disputes to mediation provide good reasons to explore the potential efficacy of mediation for intellectual property disputes in the 21st century.

In the following part of the article I describe the trend in New Zealand and internationally for mediation to be affirmed in legislation and promoted by the courts as an alternative to litigation. In Part 3, I enlarge upon the traditional processes of mediation which have become prevalent in New Zealand and which are similar to those currently recommended by the WIPO Center. These processes are contrasted with the more recently developed “Mediation through Understanding” process (the

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13 Ibid.

14 “Development of WIPO’s Dispute Resolution Services” <<http://www.wipo.int/amc/en/history/>>.

15 Ibid.

16 Justice Rodgers “Presentation for APAA Conference” (presented at the 15th General assembly and 56th and 57th Council Meetings of the Asian Patent Attorneys Association, 19 November 2009) <<http://mediation.judiciary.gov.hk/en/>>; Patricia Barclay (2010) “Mediation of IP Disputes — Worth a Shot?” Mediate <<http://www.mediate.com>>.

17 William F Heinze “Patent Mediation: The Forgotten Alternative in Dispute Resolution” (1990) 18 AIPLA Q J 333 at 344.

18 Linda Mulcahy *Contract Law in Perspective* (5th ed, Routledge Cavendish, London, 2008) at 226.

19 William F Heinze “Patent Mediation: The Forgotten Alternative in Dispute Resolution” (1990) 18 AIPLA Q J 333 at 346.

20 Linda Mulcahy *Contract Law in Perspective* (5th ed, Routledge Cavendish, London, 2008) at 224.

21 Laurence Boule, Virginia Goldblatt and Phillip Green *Mediation: Principles, Process, Practice* (2nd ed, LexisNexis, Wellington, 2008) at 100-102.

22 Gary Friedman and Jack Himmelstein *Challenging Conflict: Mediation through Understanding* (American Bar Association, United States, 2008) at 35-36.

23 See for example Marion M Lim “ADR of Patent Disputes: A Customized Prescription, Not an Over-the-Counter Remedy” (2004) 6 CJCR 155 at 177; Miriam R Arfin “The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes” (1995) 17 Comm/Ent Law Journal 893 at 909 n 82.

understanding-based model) developed by Gary Friedman and Jack Himmelstein.<sup>24</sup> The preceding parts set the context for the fourth part of the article, in which I explain why mediation is a viable alternative to court based litigation for many intellectual property disputes and suggest that the understanding-based model should be the preferred process for these disputes. Finally, I explain why mediation is not necessarily suitable for all intellectual property disputes and suggest a means of categorising intellectual property disputes into those for which the parties should be encouraged to go to mediation, and those for which traditional court-based litigation remains more appropriate.

## 2 MEDIATION AND THE COURTS

### 2.1 New Zealand

During the past 30 years ADR has become acknowledged as no longer an “alternative” approach to dispute resolution but a legitimate part of the mainstream judicial process.<sup>25</sup> Carol Powell reports research that found “three quarters of New Zealanders would prefer to solve a dispute through mediation or arbitration, rather than going to court”.<sup>26</sup> This preference is reflected by the increasing prevalence of legislation that requires disputing parties to participate in or to consider the use of ADR prior to litigation. Thus, in 1999, Claire Baylis reported there were “approximately thirty [New Zealand] statutes and several regulatory instruments containing some type of mediation or conciliation model of dispute resolution”.<sup>27</sup> In 2010, however, there are at least 50 such statutes in force as well as many regulatory instruments.<sup>28</sup>

Statutes that contain an explicit requirement for disputing parties to consider the use of ADR are limited, mainly, to areas of law believed more susceptible to disputes characterised by the need to preserve ongoing relationships after resolution of the dispute. The main examples are disputes in the areas of family and employment law.<sup>29</sup> The Patents Bill 2008, for example, explicitly provides for the possibility of ADR in connection with the investigation of complaints concerning patent attorneys and patent attorney companies, but does not provide for ADR to be used for the resolution of disputes about patents.<sup>30</sup> There are no ADR provisions in any other New Zealand intellectual property statutes.

However, the New Zealand High Court Rules and the District Court Rules provide that, in general, mediation is an option that may be selected and confirmed in an order of the court, provided it is first

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24 Gary Friedman and Jack Himmelstein *Challenging Conflict: Mediation through Understanding* (American Bar Association, United States, 2008). The Mediation through Understanding process was taught at the 2010 WIPO Workshop for Mediators in Intellectual Property Disputes Workshop for Mediators in Intellectual Property Disputes, 6–7 May, 2010, WIPO, Geneva, Switzerland.

25 *Ibid.*, at xxi.

26 MRL Research Group, commissioned by the New Zealand Law Society, January 1997, reported in Carol Powell “Reluctant to Change” [1998] NZLJ 91.

27 Claire Baylis “Reviewing Statutory Models of Mediation/Conciliation in New Zealand: Three Conclusions” (1999) 30 VUWLR 279.

28 Recent examples include the Care of Children Act 2004, the Weathertight Homes Resolution Services Act 2006 and the Lawyers and Conveyancers Act 2006.

29 Examples include the Children, Young Persons and their Families Act, 1989 and the Employment Relations Act 2000. Other areas include instances of significant societal problems in relation to which the law is unclear or uncertain, such as the “leaky homes” problem which led to the Weathertight Homes Resolution Services Act 2006.

30 Patent Attorneys Bill 2008, cl 210.

agreed to by the parties to a dispute.<sup>31</sup> Hence, there is no reason why the parties to any civil dispute, including an intellectual property related dispute,<sup>32</sup> cannot voluntarily choose to make use of any ADR process, either prior to or instead of proceeding through the court system.

The majority of New Zealand's statutes do not compel the use of ADR but provide that its use is an option which the parties should consider. The Human Rights Act 1993 is an exception.<sup>33</sup> Under s 81 of the Human Rights Act the Human Rights Commission is required to carry out a conciliation once the investigating officer has formed an opinion. Baylis comments that the removal of any discretion for either party to a dispute to choose not to go to ADR can be problematic, citing examples such as cases of sexual harassment or discrimination.<sup>34</sup> Nevertheless it appears that the compulsory use of ADR is becoming more acceptable internationally.

## 2.2 United Kingdom

One of the functions of the Civil Procedure Rules (the UK Rules) of the courts in England and Wales is "to encourage and indeed to put pressure on parties in all civil disputes to use ADR and in particular mediation."<sup>35</sup> There is also provision in the UK Rules for the court to take into account when awarding costs the willingness or otherwise of any party to have gone to mediation.<sup>36</sup> The failure to explore mediation properly was considered in *Halsey v Milton Keynes General NHS Trust*<sup>37</sup> where the United Kingdom Court of Appeal was required to consider whether it should impose a costs sanction against the successful defendant on the grounds that it had refused to agree to an ADR. Two guiding principles emerged from the ruling in *Halsey*. First, compulsion to use ADR is an unacceptable constraint on the right of access to the court and, therefore, a violation of art 6(1) of the European Convention on Human Rights (the Convention) which provides for the right to a fair trial.<sup>38</sup> Second, cost penalties can be imposed by the courts on parties that have unreasonably refused to consider some form of ADR.<sup>39</sup> However because the general rule in litigation is that the losing party is required to pay the winning party's costs, the onus lies with the losing party to show that the winning party was unreasonable in refusing to mediate, or to consider some other form of ADR.<sup>40</sup>

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31 High Court Rules, Rule 7.79(5). See also the District Courts Rules 2009, Rule 1.7.

32 There is no explicit mention of ADR, compulsory or otherwise, in intellectual property statutes currently in force in New Zealand.

33 Another exception, noted by Baylis, is the Forest and Rural Fires Act 1977, s 64A(2), which states that a "Rural Fire mediator appointed under this section shall be appointed to investigate and determine" specified matters and that the decision of these mediators is "final and conclusive" subject to appeal rights exercisable within one month (s 64A(6)). "Clearly the process which is intended here is not mediation but a hybrid of mediation and arbitration, in which case it should be explicitly identified as such": Claire Baylis "Reviewing Statutory Models of Mediation/Conciliation in New Zealand: Three Conclusions" (1999) 30 VUWLR 279 at 284-285.

34 See Claire Baylis "Reviewing Statutory Models of Mediation/Conciliation in New Zealand: Three Conclusions" (1999) 30 VUWLR 279 at 288.

35 Mary Vitoria QC "Mediation of Intellectual Property Disputes" (2006) 1 JIPLP 398 at 399. See Civil Procedure Rules (UK), Rule 1.4(2)(e).

36 Civil Procedure Rules (UK), Rule 3.1(4).

37 *Halsey v Milton Keynes General NHS Trust* [2004] 4 All ER 920 (CA).

38 *Ibid*, at 924.

39 *Ibid*, at 925.

40 *Ibid*.

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The guidelines in *Halsey* were adhered to in a recent review of the costs of civil litigation in the UK,<sup>41</sup> following which no significant changes were recommended to the current way in which the courts deal with mediation. In essence the review recommended there should be no compulsory mediation and that the onus of establishing the appropriateness of imposing costs sanctions for unreasonably refusing to mediate should remain with the losing party. The review does however recommend a campaign to promote the use of mediation and an authoritative handbook to explain mediation (along with other types of ADR).<sup>42</sup>

### 2.3 Europe

A recent decision of the European Court of Justice (ECJ) has cast some doubt on the United Kingdom's position in relation to compulsory mediation in civil disputes. Conversely to the interpretation in *Halsey* of the meaning of article 6(1) of the Convention,<sup>43</sup> the ECJ ruled that an Italian court's imposition of compulsory mediation on parties to litigation did not amount to a breach of article 6(1) of the Convention.<sup>44</sup>

In *Rosalba Alassini v Telecom Italia*<sup>45</sup> the claimants had complained that the refusal of the Italian court to hear their cases, because they had not gone through the out-of-court disputes process, amounted to a breach of article 6(1) of the Convention. The Court referred a question to the ECJ, asking whether the provision that required parties to seek an out-of-court settlement before taking out court proceedings was precluded by Community law.<sup>46</sup> Advocate General Kokott concluded that it is not an infringement of the right to a fair trial for an Italian law to require customer complaints against telecoms suppliers to be dealt with in an out-of-court dispute resolution procedure, before judicial proceedings can be brought. The provisions constitute a minor infringement on the right to enforcement by the courts, which is outweighed by the opportunity to end the dispute quickly and inexpensively.<sup>47</sup>

### 2.4 United States

Uniquely, in Anglo-American legislatures at least, the United States requires mediation in connection with intellectual property disputes which go to appeal. Due mainly to an increasing number of intellectual property-related appellate cases, many of which were technologically complex and time-consuming,<sup>48</sup> by 2005 each of the 13 United States Courts of Appeals had enacted a mandatory appellate mediation program.<sup>49</sup> The programs have been described as successful, despite the commonly

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41 Lord Justice Jackson *Review of Civil Litigation Costs: Final Report* (December 2009, Ministry of Justice, London), available at <<http://www.judiciary.gov.uk>>.

42 *Ibid.*, at 468-469.

43 *Halsey v Milton Keynes General NHS Trust* [2004] 4 All ER 920 (CA).

44 See *Rosalba Alassini v Telecom Italia SpA* [2010] 3 CMLR 17.

45 *Ibid.*

46 *Ibid.*

47 *Ibid.*

48 Hon Paul R Michel, Chief Judge, United States Court of Appeals for the Federal Circuit, State of the Court Address at the Federal Court Judicial Conference "In the Matter of The Federal Court: A National Court of Appeals Approaching a Quarter Century" (May 19, 2006) cited in Wendy Levenson Dean "Let's Make a Deal: Negotiating Resolution of Intellectual Property Disputes Through Mandatory Mediation at the Federal Circuit" (2007) 6 J Marshall Rev Intell Prop L 365.

49 Wendy Levenson Dean "Let's Make a Deal: Negotiating Resolution of Intellectual Property Disputes Through Mandatory Mediation at the Federal Circuit" (2007) 6 J Marshall Rev Intell Prop L 365 at 367.

accepted view that mediation at appellate level is likely to be adversely affected by the reality that a lower court has already declared a winner and a loser.<sup>50</sup>

Wendy Levenson Dean suggests that one reason for the success of appellate mediation is that while the outcome of any case on appeal is notoriously unpredictable,<sup>51</sup> research has shown the outcome of intellectual property appeal cases to be even less predictable than disputes involving other areas of law.<sup>52</sup> She asserts that this indicates the suitability of mediation for intellectual property appeals.<sup>53</sup>

## 2.5 In General

It is apparent that the trend both internationally and in New Zealand is for the courts to assimilate ADR processes, including mediation, into the traditional legal system. The most effective way to do this is to enshrine recommendations regarding ADR as an optional path in statutory provisions.<sup>54</sup> Mediation, in particular, may need to be given legislative support in order to overcome misconceptions about its appropriateness for complex intellectual property cases where there is the potential for large financial losses or wins for disputing parties. With this in mind, the following Part provides an overview of the traditional mediation process, describes criticisms of that process, and presents the understanding-based model both as a way of overcoming these criticisms and also as the appropriate choice of mediation process for many intellectual property disputes.

## 3 MEDIATION

### 3.1 The Process

There are several reasons for the increasing prevalence of mediation as an alternative process to litigation for dispute resolution in areas of law other than intellectual property. These include the practical objectives of speed, economy, informality, and efficiency of the process, as well as more philosophical ideals such as the preservation of ongoing relationships between the disputing parties and the possibility of reaching compromise “solutions” to the dispute.<sup>55</sup> Such arguments have proved persuasive to many governments who seek, not only to reduce the economic burden of the costly court system and its backlog of cases, but also to address the views of many parties to litigation that “their” dispute was taken over by the professionals, that as non-lawyers they were disenfranchised from the justice system, and, often, that they were dissatisfied with the outcome of a formal hearing.

Mediation in its purest form is a voluntary process in which the parties to a dispute are facilitated to negotiate a mutually beneficial solution to that dispute with the assistance of a non-coercive, neutral,

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<sup>50</sup> Ibid, at 366.

<sup>51</sup> Ibid.

<sup>52</sup> Jessie Seyfer “Panel Advises IP Litigators to Wake Up and Smell the Reversals” (2007) 131(14) *The Recorder* cited in Wendy Levenson Dean “Let’s Make a Deal: Negotiating Resolution of Intellectual Property Disputes Through Mandatory Mediation at the Federal Circuit” (2007) 6 *J Marshall Rev Intell Prop L* 365 at 367.

<sup>53</sup> Wendy Levenson Dean “Let’s Make a Deal: Negotiating Resolution of Intellectual Property Disputes Through Mandatory Mediation at the Federal Circuit” (2007) 6 *J Marshall Rev Intell Prop L* 365 at 367.

<sup>54</sup> Linda Mulcahy *Contract Law in Perspective* (5th ed, Routledge Cavendish, London, 2008) at 226.

<sup>55</sup> See, generally, Laurence Boulle, Virginia Goldblatt and Phillip Green *Mediation: Principles, Process, Practice* (2nd ed, LexisNexis, Wellington, 2008).

third party, who does not have the power to impose a settlement on the parties.<sup>56</sup> It is a useful process for parties who have participated in a negotiation, from which no agreement has been forthcoming.<sup>57</sup> The introduction of a neutral third party to the dispute resolution process can often defuse emotions and assist the disputing parties to define the issues and the points of agreement in a more dispassionate and objective way.<sup>58</sup>

Although there are a number of different models for the mediation process, the requirement of consensus of outcome is fundamental.<sup>59</sup> In addition, the participation of the parties in mediation is consensual (unless there is relevant legislation that requires that parties go to mediation).<sup>60</sup> Because the process itself is voluntary either party may abandon the mediation at any time and, for example, choose to continue the resolution of the dispute with arbitration or litigation. In addition, because the mediation process and its outcomes are confidential to the parties there is no associated loss of reputation for either party.

Prior to the mediation the disputing parties negotiate and agree on practical matters relating to the forthcoming process. These include for instance whether or not lawyers will be present, whether or not other supporting parties will attend, the time and place of the mediation (although the mediator will often undertake the practical arrangements including booking the agreed venue for the mediation, the parties are responsible for meeting all the costs), and agreement as to how the mediator's fee will be paid. Other significant matters that should be discussed include whether or not the mediator will meet, or "caucus", with each party separately and confidentially at any time during or prior to the mediation, and whether or not the legal implications of the dispute will be clarified in regard to each party. Ideally, the mediation proper will then involve the parties working together utilising the negotiated and agreed process with a view to resolving their differences and eventually reaching an agreement.

The traditional principles of confidentiality, voluntariness of participation, and autonomy for the parties themselves to produce a mutually satisfactory solution to their dispute are adhered to by the WIPO Mediation Rules (WIPO Rules) which are designed for the resolution of international intellectual property disputes and are administered by the WIPO Center.<sup>61</sup> The WIPO Rules also permit the parties to agree that the mediation process may include separate caucusing with the mediator, as required.<sup>62</sup>

### 3.2 Criticisms of Mediation

Although mediation is frequently promoted as the "ideal" solution for most disputes because it facilitates a fairer and more accessible justice system, it is also criticised for its separation from the

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56 Note that this ideal form is not necessarily dominant, particularly where mediation is a requirement under statute law. See Claire Baylis "Reviewing Statutory Models of Mediation/Conciliation in New Zealand: Three Conclusions" (1999) 30 VUWLR 279 at 287.

57 Selene Mize and Leslie Arthur "Negotiation" in P Spiller (ed) *Dispute Resolution in New Zealand* (2nd ed, Oxford University Press, Auckland, 2007) at 23.

58 Ann Edge "Basic Skills for Mediators" (paper presented to AMINZ, Wellington, 3 October 2008).

59 Virginia Goldblatt "Mediation" in P Spiller (ed) *Dispute Resolution in New Zealand* (2nd ed, Oxford University Press, Auckland, 2007) at 73.

60 *Ibid.*, at 119. A statutory requirement for disputing parties to mediate before litigation is commonly found in employment law and family laws.

61 WIPO Arbitration and Mediation Center *Guide to WIPO Mediation* (2009) <<http://www.wipo.int/amc/en>>.

62 WIPO Mediation Rules, art 10 <<http://www.wipo.int/amc/en>>.

broader societal factors, including public scrutiny and accountability, within which the courts operate.<sup>63</sup> “In focusing on the needs and interests of the parties [mediation] gives less heed to the public interest”.<sup>64</sup> In addition many scholars are critical of a growing trend to recommend its indiscriminate use for all disputes<sup>65</sup> including, for example, disputes where society requires an authoritative public decision on a matter of public interest, such as the “leaky homes” disputes in New Zealand.<sup>66</sup>

Other criticisms centre upon the lack of the informality of the mediation process. For example, Richard Delgado contends that while the formality of the court-room tends to discourage any overt expressions of ethnic and racial prejudices, the informality of the mediation process provide a less repressive setting in which a disputing party can feel as though they are at liberty to express their prejudices in regard to the other party.<sup>67</sup> A similar complaint relates to possible power imbalances between the disputing parties, which can be exacerbated by the informality of mediation and can distort the ability of the weaker party to achieve a substantially just outcome.<sup>68</sup> Another criticism of mediation is that the lack of a formal and compulsory discovery process disadvantages weaker parties who are unlikely to be in a position to exert pressure on a stronger party to produce certain documents at the mediation. Finally, it is argued that the possibility of caucusing can lead to the mediator being less than impartial since she is likely to find it difficult to separate her actual knowledge of each party’s confidential arguments from the arguments they provide in open discussion at the mediation table.

Certain features of the WIPO Rules are open to similar criticisms. For example, the WIPO Rules permit caucusing and are therefore similarly susceptible to mediator bias. The lack of prescribed time limits in the Rules allows for the possibility that delays can be incorporated into the mediation process, sometimes as a tactical measure by one of the parties to the dispute. In addition, the WIPO Rules are ambiguous — requiring that the mediator is “... to promote the settlement of the issues in dispute between the parties in any manner that the mediator believes to be appropriate...” (despite the mediator having no authority to actually *impose* a settlement on the parties).<sup>69</sup>

Gary Friedman and Jack Himmelstein argue that the acceptance of mediation into mainstream judicial process has had a somewhat negative effect.<sup>70</sup> For example, as increasing numbers of former judges become mediators, and transfer their courtroom experiences at settlement hearings, or

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63 Laurence Boulle, Virginia Goldblatt and Phillip Green *Mediation: Principles, Process, Practice* (2nd ed, LexisNexis, Wellington, 2008) at 94 and 105.

64 Ibid.

65 See, for example, Marion M Lim “ADR of Patent Disputes: A Customized Prescription, Not an Over-the-Counter Remedy” (2004) 6 CJCR 155 at 155; Miriam R Arfin “The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes” (1995) 17 Comm/Ent Law Journal 893.

66 See Laurence Boulle, Virginia Goldblatt and Phillip Green *Mediation: Principles, Process, Practice* (2nd ed, LexisNexis, Wellington, 2008) at 103.

67 See Richard Delgado, Chris Dunn, Pamela Brown, Helena Lee and David Hubbert “Fairness and Formality: Minimizing the Risk of Prejudice in Alternative Dispute Resolution” (1985) Wis L Rev 1359 at 1388.

68 See Laurence Boulle, Virginia Goldblatt and Phillip Green *Mediation: Principles, Process, Practice* (2nd ed, LexisNexis, Wellington, 2008) at 100-102.

69 WIPO Mediation Rules, art. 13(a) at <<http://www.wipo.int/amc/en>>. See further Roby Arya Brata “International Intellectual Property Dispute Resolution: A Study of the World Trade Organisation (WTO) and the World Intellectual Property Organisation (WIPO) Dispute Resolution Mechanisms” (1997) LLM Research Paper, Law Faculty, Victoria University of Wellington at 29-35.

70 Gary Friedman and Jack Himmelstein *Challenging Conflict: Mediation through Understanding* (American Bar Association, United States, 2008) at xxii.

mediators, whatever their original professions, “are simply hired to broker a deal... the coercion that was the source of the initial dissatisfaction with the traditional ways conflicts have been resolved has crept back into the process.”<sup>71</sup> This argument has led Friedman and Himmelstein to develop an alternative model for the mediation process, which they warn is challenging for all parties including the disputants, the lawyers and the mediator, but which they also believe has many advantages over the more traditional process.

### 3.3 The “Understanding-Based Model”

In brief, the understanding-based model developed by Friedman and Himmelstein differs from the “traditional” model in several ways. First, in the understanding-based model the mediator meets with all parties at all times; the parties are not offered the option of caucusing, as is usual in a traditional mediation process.<sup>72</sup> Friedman and Himmelstein assert that caucusing is commonly used to inform the mediator about matters which the parties ask to be kept confidential, in case of later litigation or for business reasons, and that this knowledge places the mediator in a position of power rather than one of neutrality.<sup>73</sup> They suggest that it is unavoidable in such cases that the outcome of the mediation process will be manipulated by the mediator, rather than an outcome that is truly negotiated by both parties.<sup>74</sup>

A second requirement of the understanding-based model is that the legal aspects of the dispute are fully disclosed to all parties, either by their lawyers or by the mediator, if there are no legal representatives. This disclosure includes an estimate of the likely outcome for each party if it should “win” or “lose” in court, and a realistic analysis for both parties of the risks of losing in court.<sup>75</sup> Although the parties are not necessarily encouraged to insist upon their strict legal rights, Friedman and Himmelstein believe that a realistic assessment of the legal environment allows the parties to move forward to more creative solutions to the dispute.<sup>76</sup>

The requirement to establish the legal position for each party is in contrast to that of many traditional mediations in which the legal aspects of the dispute are often ignored. This is particularly the case if the mediator has no legal background.<sup>77</sup> Conversely, if the mediator is a member or former member of the legal profession, the legal rights and wrongs of the dispute are likely to be heavily influential on the mediator’s advice to the disputants,<sup>78</sup> potentially providing a somewhat negative influence on any possible compromise solution which is usually a preferred outcome of the process.

Although members of the legal profession may be somewhat uncomfortable with the proposal that the legal situation be fully exposed at a mediation process, I suggest that it is precisely this feature of the understanding-based model which makes it more suitable for intellectual property disputes. Several commentators argue that it is important for the intellectual property owner and the intellectual property infringer to understand the rights at stake before entering ADR or litigation. This includes, for example, an assessment of the value of the disputed intellectual property and whether to aggressively seek to

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71 Ibid.

72 Ibid, at xxxv.

73 Ibid, at xxxvi.

74 Ibid.

75 Ibid.

76 Ibid, at xxxvii.

77 Ibid, at xxxvi.

78 Ibid, at 36.

protect their intellectual property at all costs or to seek licensing profits for the remainder of the term of a patent or copyright.<sup>79</sup>

The third distinctive feature of the understanding-based mediation model is that the mediator uses a communication technique, described as “looping”, to reassure each disputant that their arguments and motivations for the dispute have been heard and understood. In essence, “looping” requires a listening party to rephrase or paraphrase commentary and repeat it back to the speaker with the request that the speaker confirm that the rephrased commentary conveys an accurate report of the speaker’s comments. If appropriate in the specific dispute, the mediator will also encourage the disputing parties to loop each other’s explanations of both the dispute and their interests. During this process the mediator is actively involved as a bridge between the parties — for example, correcting any misunderstandings one party may have about the other and ensuring that the objective of deeper understanding within and between the parties is attained, so far as possible.<sup>80</sup>

#### **4 MEDIATION AS THE PREFERRED FORM OF ADR FOR INTELLECTUAL PROPERTY DISPUTES**

The earliest proponents of the use of ADR in intellectual property disputes focused on arbitration.<sup>81</sup> Arbitration “is identified with the adjudicative end of the ADR continuum”<sup>82</sup> and for that reason may be inherently more appealing to the legal profession than mediation for the resolution of commercial disputes. Unlike mediation, arbitration is a statute-based process with certain formal requirements that are not entirely dissimilar to the court process, although nevertheless as a form of ADR it maintains certain advantages over court-based litigation.<sup>83</sup> These advantages include that the parties have some degree of control over the process, including setting the time and place for the arbitration and appointing an arbitrator with appropriate technical expertise, and also that the process itself and the arbitral ruling are confidential to the parties. Similarly however to the judge’s role in the court process, the arbitrator’s ruling is binding and therefore provides certainty.<sup>84</sup> In addition to these features, arbitration is internationally accepted as a means of resolving business disputes and is widely endorsed by traditional legal systems.<sup>85</sup> More recently, however, mediation is frequently suggested to

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79 Kevin Lemley “I’ll Make Him an Offer He Can’t Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes” (2004) 37 Akron L Rev 287 at 293-294; Gary Friedman and Jack Himmelstein *Challenging Conflict: Mediation through Understanding* (American Bar Association, United States, 2008) at 167.

80 Gary Friedman and Jack Himmelstein *Challenging Conflict: Mediation through Understanding* (American Bar Association, United States, 2008) at 216-218.

81 Julia A Martin “Arbitrating in the Alps Rather than Litigating in Los Angeles: the Advantages of International Intellectual Property-Specific Alternative Dispute Resolution” (1997) 49 Stan L Rev 917.

82 Marion M Lim “ADR of Patent Disputes: A Customized Prescription, Not an Over-the-Counter Remedy” (2004) 6 CJCR 155 at 163.

83 John V O’Hara “The New Jersey Alternative Procedure for Dispute Resolution Act: Vanguard of a ‘Better Way’?” (1988) 136 U Pa L Rev 1723 at 1725.

84 See further Roger Pitchforth “Arbitration” in P Spiller (ed) *Dispute Resolution in New Zealand* (2nd ed, Oxford University Press, Auckland, 2007) 128 at 129.

85 Julia A Martin “Arbitrating in the Alps Rather than Litigating in Los Angeles: the Advantages of International Intellectual Property-Specific Alternative Dispute Resolution” (1997) 49 Stan L Rev 917 at 936.

be the preferred form of ADR for many intellectual property disputes, in part because it focuses on the parties' interests, rather than declaring "a winner", as occurs in arbitration.<sup>86</sup>

Mediation is particularly suitable for disputes in which an acceptable outcome for both parties is some form of shared rights, for example, a licensing agreement or a supply contract, rather than "success" for one party and "defeat" for the other as is traditionally provided by litigation. Such disputes are common in the field of intellectual property where there can be several intellectual property rights in a single entity and each might be owned by a different party as well as separately licensed to other parties. A mediated outcome in such instances also has the advantage of preserving ongoing business relationships, while the confidentiality of the process is advantageous to parties who wish to preserve the confidentiality of certain information related to their intellectual property and perhaps also their business reputations.<sup>87</sup>

There are several other reasons that support the choice of mediation over litigation for many intellectual property disputes. First, although intellectual property law is complex and often highly technical, judges of intellectual property disputes are rarely selected for their expertise in intellectual property law. Hence, intellectual property litigation can be frustrating for all concerned. Conversely, nearly all ADR methods, including mediation, permit the parties to the dispute to agree on the appointment of the "third party neutral" and that third party can be selected for their expertise in the technical area of the particular dispute.

Second, it is fundamental to most intellectual property laws, trade mark law being the main exception,<sup>88</sup> that intellectual property protections last for a limited term during which the owner of the intellectual property has an exclusive right to exploit his or her intellectual property commercially. After the term of protection has expired, the intellectual property falls into the public domain from whence it is freely available for anyone to use.<sup>89</sup> The backlog of cases awaiting hearing and the formal court process itself, including discovery requirements, exchange of documents and other procedural formalities prescribed by the relevant rules of court all contribute to what can be a significant delay and inroad into the intellectual property owner's term of protection and economic monopoly. This is particularly significant where the disputed intellectual property relates to new "high-tech" technology and the parties are large international corporations,<sup>90</sup> but is also important for less technologically inventive intellectual property. In *IDA Ltd v The University of Southampton*, for example, which

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86 Carmen Collar Fernandez and Jerry Spolter "International Intellectual Property Dispute Resolution: is Mediation a Sleeping Giant?" (1998) 53(3) *Dispute Resolution Journal* 62; Kevin Lemley "I'll Make Him an Offer He Can't Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes" (2004) 37 *Akron L Rev* 287 at 306; Mary Vitoria QC "Mediation of Intellectual Property Disputes" (2006) 1 *JILP* 398.

87 For the extent to which New Zealand courts will uphold the confidentiality of the process in subsequent litigation see generally Laurence Boule, Virginia Goldblatt and Phillip Green *Mediation: Principles, Process, Practice* (2nd ed, LexisNexis, Wellington, 2008) at ch 13. For a United States example where the courts upheld confidentiality against a requirement for discovery in litigation see *Haworth Inc. v Steelcase Inc.* (Herman Miller Intervener) 29 *USPQ* 2d 1368 (Fed. Cir. 1993).

88 Trade mark protection can last indefinitely, provided the trade mark is used in trade and its registration is renewed at specified periods.

89 This is a simplification — in copyright for example, the "public domain" is a contestable notion, the precise nature of which is the subject of an "emerging international conversation": see Pamela Samuelson "Challenges in Mapping the Public Domain" in Lucie Guibault and P Bernt Hugenholtz (eds) *The Future of the Public Domain: Identifying the Commons in Information Law* (Kluwer Law International, The Netherlands, 2006) at 7.

90 Carmen Collar Fernandez and Jerry Spolter "International Intellectual Property Dispute Resolution: Is Mediation a Sleeping Giant?" (1998) 53(3) *Dispute Resolution Journal* 62.

involved a dispute about the ownership of intellectual property rights in a cockroach trap, the Judge commented that as a result of the litigation there had not yet been any exploitation of the disputed patent although eight years had expired since the original Patent Cooperation Treaty application.<sup>91</sup>

Mary Vitoria describes the likely train of events for a moderately complex intellectual property dispute in the United Kingdom, as follows:<sup>92</sup>

“12–24 months to reach trial, 12–15 months for an appeal to the Court of Appeal and 12–24 months for an appeal to the House of Lords. Interim hearings may be needed to deal with issues such as the clarification of the scope of the case, applications to strike out all or part of it, applications for further disclosure of documents, and applications for security for costs. Sometimes a party may use interim applications as a tactical exercise to delay the proceedings or to put pressure on the other party, to force it to incur additional costs.”

Third, in today’s global economy, many intellectual property disputes involve parties in different geographical locations and jurisdictions. Should the parties decide to litigate their dispute using the traditional court system, the process will be subject to complex conflict of laws rules and it is not unlikely that multiple court actions in different jurisdictions will be required. Conversely, a mediated (or arbitrated) agreement can apply to all parties in the dispute regardless of whether or not they are physically or legally situated in different jurisdictions.<sup>93</sup>

The fourth reason relates to the complexity of the business environment surrounding many intellectual property disputes. As stated earlier in the paper, a single “work” as it is known in copyright law, or “invention”, in patent law, may in fact give rise to several separate intellectual property rights with the possibility of multiple licensing and assignments of those rights.<sup>94</sup>

The anonymised examples of mediations conducted under the WIPO Rules provide telling examples of the kinds of disputes that can arise and the way mediation can be instrumental in encouraging the parties to a mutually acceptable outcome.<sup>95</sup> The examples of disputes include one that involved a technology consulting company holding world-wide patents. Having disclosed its patented invention to a manufacturer in the context of a consulting contract that neither transferred nor licensed any rights in the invention, the company subsequently alleged unauthorised commercial use of the patented invention by the manufacturer. The WIPO mediator was able to facilitate a process whereby the parties eventually agreed on both the terms of a patent licence for future use of the patent (thus preserving the ongoing business relationship) and the amount of damages to be paid to the technology company by the manufacturer for its past misuse of the patent.<sup>96</sup>

The value of many well-known trade marks exceeds the value of the goods or services to which they are attached. For this reason many companies are becoming more active in both protecting their trade marks and also expanding their brands into diverse areas of goods and services. This “brand expansion”

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91 *IDA Ltd v The University of Southampton* [2006] EWCA Civ 145, 2 March 2006.

92 Mary Vitoria QC “Mediation of Intellectual Property Disputes” (2006) 1 *JIPLP* 398.

93 Julia A Martin “Arbitrating in the Alps Rather than Litigating in Los Angeles: the Advantages of International Intellectual Property-Specific Alternative Dispute Resolution” (1997) 49 *Stan L Rev* 917.

94 For example, the intellectual property rights in a computer game might include a registered trade mark, one or more patents in the hardware, as well as separate copyrights in the graphics, the music, the script, and the underlying software.

95 WIPO Caseload Summary <<http://wipo.int/amc/en>>.

96 *Ibid.*

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has led to an increasingly complex network of rights attaching to a brand and in turn to more complex disputes.<sup>97</sup>

Complicating matters further is the fact that intellectual property protection of a work is never certain until a court rules on the issue. This is particularly relevant for copyright works because copyright protection arises automatically without any requirement for formalities such as registration in accordance with the requirement of the Berne Convention for the Protection of Literary and Artistic Works that member countries may not require any formalities from foreign authors before granting copyright protection to their works.<sup>98</sup>

Despite the requirement for formal application and registration of patents and trade marks, the grant of a patent or registered trade mark is also not conclusive. There is no guarantee that a patent holder or trade mark holder will prevail over a subsequent challenge. This is partly due to practical matters, including a lack of sufficient qualified staff at many national intellectual property offices, and partly also to the legal environment which does not necessarily call for rigorous examination, particularly of patent applications. Hence, for example, a business that has licensed a patent to another business, which it now claims has misused the patent and breached the terms of the licence, may be vulnerable to a threat from the licensee business that it will challenge the validity of the patent. A trade mark holder might claim that an agreement to share the use of its trade mark to a limited extent with a second trader who was trading in defined category of goods and services, has been violated when the second trader expands her brand into yet another category of goods and services not covered by the earlier agreement.<sup>99</sup>

A mediated resolution can explore innovative solutions to such complexities from outside the formal court system:<sup>100</sup>

“Perhaps a cross-licence is of mutual interest to the parties, or perhaps the parties’ competing interests can be accommodated by geographic limitations or restrictions on the scope of use. Perhaps a patent right could be traded for a trade secret or a copyright. These are all solutions that the parties themselves could discover and create, while the courts cannot. By negotiating a win-win solution, parties who may have a history of cross licensing or cooperation can continue to cooperate in harmony, without upsetting the balance of the entire relationship.”

An additional reason for avoiding litigation over intellectual property matters is the difficulty of attributing a precise monetary value to an intellectual property right. Arguably, an intellectual property right can be precisely valued in only two situations: when it expires and when a court rules that it never existed in the first place. In both these instances the value of the intellectual property right is zero.<sup>101</sup> As Kevin Lemley explains:<sup>102</sup>

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97 David Allen Bernstein “A Case for Mediating Trade Mark Disputes in the Age of Expanding Brands” (2005) 7 CJCR 139.

98 *Berne Convention for the Protection of Literary and Artistic Works 1886*, art 5.

99 See for example, *DC Comics v Kryptonite Corp*, 336 F Supp 2d 324 (SDNY 2004) discussed David Allen Bernstein “A Case for Mediating Trade Mark Disputes in the Age of Expanding Brands” (2005) 7 CJCR 139 at 148-149.

100 Kristine F Dorrain “Alternative Dispute Resolution in Intellectual Property Disputes” (February 2006) *The Metro Corp Couns* 31 at 31 cited in Wendy Levenson Dean “Let’s Make a Deal: Negotiating Resolution of Intellectual Property Disputes Through Mandatory Mediation at the Federal Circuit” (2007) 6 *J Marshall Rev Intell Prop L* 365 at 369 n 19.

101 Kevin Lemley “I’ll Make Him an Offer He Can’t Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes” (2004) 37 *Akron L Rev* 287 at 291.

102 *Ibid*, at 292 and 303.

“Aside from these extremes, pinpointing the value of the Intellectual property Asset is a difficult task... The intellectual property owner cannot precisely calculate the economic loss inflicted upon the intellectual property asset; likewise the infringer cannot calculate his potential liability.”

Finally, yet another reason for preferring ADR to litigation for many intellectual property disputes is the fact that intellectual property disputes are highly susceptible to appeals, given the nature of intellectual property laws which tend to be imprecise in their wording and rely upon standards of “reasonableness” and vague concepts such as “literary” and “artistic”.<sup>103</sup> As Lemley explains, “the combination of discretion to the fact finder and large damage awards provides losing parties with great incentives to appeal”.<sup>104</sup>

In contrast to litigation, mediation allows the disputing parties to choose an expert third party to act as mediator, it circumvents the formal court process and its inherent delays, and there is the potential to resolve the dispute in a single proceeding rather than via a number of courts in different jurisdictions. Mediation also offers the ability to find flexible “solutions” to the dispute that are not simply an affirmation of the parties’ strict legal positions but that also acknowledge, if appropriate, their ongoing business relationships and preserve any useful synergies between them.

Finally, the confidentiality of mediation can be advantageous to businesses seeking to preserve business relationships and reputation. This feature can of course also be viewed as a disadvantage, since no body of precedent is created for guidance in future disputes,<sup>105</sup> and any defects or inadequacies in the law are not made public.<sup>106</sup> Neither does the intellectual property owner receive the public affirmation of the validity and ownership of the intellectual property right, which might act as a deterrent to future infringers.

## **5 CATEGORIES OF INTELLECTUAL PROPERTY DISPUTES — MEDIATION OR LITIGATION?**

Although there are multiple variants upon the facts of any dispute, in essence, for the purpose of ascertaining whether a dispute should be resolved by mediation or litigation, I suggest that intellectual property disputes can be broadly divided into three categories.<sup>107</sup> The first category consists of disputes in which the complainant requires to assert their ownership of an intellectual property right and their right to benefit economically from that right. The second is where one or both parties wish to settle a point of law such as the validity of a patent, while the third category consists of disputes where the parties consider some form of shared rights to be an acceptable or even a preferred result.

In both the first and second categories, the complainant is not interested in any kind of licensing arrangement with other parties but wishes to be the sole owner and profit maker. This category is exemplified in New Zealand (and internationally) by disputes involving the unauthorised downloading

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103 Ibid, at 304.

104 Ibid.

105 Arbitration is also a confidential process but anonymised reports of arbitral findings are sometimes made available.

106 Marion M Lim “ADR of Patent Disputes: A Customized Prescription, Not an Over-the-Counter Remedy” (2004) 6 CJCR 155 at 183, citing Paul M Janicke “The Future of Patent Law: Maybe We Shouldn’t Arbitrate: Some Aspects of the Risk/Benefit calculus of Agreeing to Binding Arbitration of Patent Disputes” (2002) 39 Hous L Rev 693 at 725.

107 This is an over-simplification; see Kevin Lemley “I’ll Make Him an Offer He Can’t Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes” (2004) 37 Akron L Rev 287 at 297, who asserts there are nine possible scenarios for intellectual property disputes.

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of copyright works from the Internet.<sup>108</sup> In general most disputes regarding the alleged illegal downloading of material from the internet are unlikely to be suitable for mediation, but should be pursued in a court of law or appointed tribunal. There are exceptions to this general rule; for example a dispute between a musician and an individual who is alleged to have illegally downloaded the musician's copyright work is more likely to be amenable to mediation than a dispute between a music publishing company and an individual.

The reasons why the option of mediation is not suitable for the latter kinds of dispute include, first, the confidentiality of mediation. This confidentiality would ensure no body of precedents could be built up and, even more importantly, there would be no deterrent effect for future infringers due to the lack of public reporting and public scrutiny of mediation agreements. Secondly, mediation in these circumstances could very easily demonstrate the failings described earlier such as improper use of power and quasi-legal decision masquerading as a mediated "agreement". While it is very much in the interest of a large music corporation not to be seen to be persecuting a small time infringer or individual citizen, and mediation would provide that possibility, for the individual citizen there is the risk that the mediation would in fact be a quasi-judicial hearing with a highly trained expensive legal team assisting the music corporation, and a legally trained mediator "suggesting" a solution. Finally, in this kind of dispute, the music industry is not interested in entering into any kind of agreement with the infringer. It wishes to assert its ownership of the intellectual property and to stop the alleged infringement. A recorded court decision which is publicly available and creates a precedent for forthcoming disputes, where both complainant and infringer are required to follow the formal rules of court and each has access to legal advice, is therefore the best choice for this kind of intellectual property dispute.

A recent example of the failure to recognise the need for selective recommendation to mediation is the suggestion, made during the review of the Copyright (New Technologies) Amendment Act 2007, that parties involved in disputes regarding alleged unauthorised downloading of copyright works from the Internet should be permitted to seek mediation as a first option before formal court proceedings. Fortunately, this recommendation was removed from the final version of the provision.<sup>109</sup>

The second category, where the dispute is concerned with the validity of a patent or the existence of copyright in a work, is equally unsuitable for mediation. Marion Lim argues that there is a strong public interest in the public adjudication of the validity of patents and "success and cost savings to the parties... do not provide a rationale for public support of ADR".<sup>110</sup> This argument is tacitly affirmed in the United Kingdom, where the Patent Office has jurisdiction to hear applications for the revocation of patents and patent entitlement disputes. Unlike the position in the Patents Court, if the applicant for revocation wishes to discontinue, the Office remains seized of the proceedings in the public interest. Thus the patentee must assess the vulnerability of the patent to subsequent unilateral revocation by the Patent Office when assessing the desirability of entering into a mediated agreement. In *Secretary of State v Farrow System Ltd*, the Patent Office hearing officer refused a request by the patentee to stay revocation proceedings so that the parties could resolve the dispute by ADR: mediation did not provide an effective resolution because it could not decide the issue of the validity of the patents in question.<sup>111</sup>

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108 See in New Zealand, the Copyright (Digital Technologies) Act 2007, s 92A (not in force).

109 See the Copyright (Infringing File Sharing) Amendment Bill 2010 (not in force at the time of writing).

110 Marion M Lim "ADR of Patent Disputes: A Customized Prescription, Not an Over-the-Counter Remedy" (2004) 6 CJCR 155 at 184.

111 Mary Vitoria QC "Mediation of Intellectual Property Disputes" (2006) 1 JIPLP 398 at 401.

It is in intellectual property disputes of the third category that mediation becomes the preferred choice for dispute resolution.<sup>112</sup> While discovery is often an important and necessary part of intellectual property disputes, for both parties, there is no reason why the parties to a mediation should not agree that some form of discovery will be part of the mediation agreement. Furthermore, such disputes are generally (although not invariably) between parties of similar societal and professional levels so that there is not the risk of inappropriate use of power that can arise in a mediation.

An example of a third category dispute where there could well be a power imbalance, however, is a dispute over patent or copyright ownership between an employer and an employee, where the issue is whether or not the employee has developed the invention or work in his or her own time or in his or her employer's time. The United Kingdom Court of Appeal has expressed the view that early mediation is particularly suitable in entitlement proceedings.<sup>113</sup> This is the kind of dispute where the understanding-based model of mediation is likely to be most effective. Such disputes are often susceptible to agreed outcomes involving licensing or other contractual arrangements, but are not necessarily situations where one party wishes to be proved right and the other discredited. The ongoing business relationships that are necessary for these kinds of cooperative arrangements are preserved by the non-adversarial mediation process and its lack of public scrutiny.

## 6 CONCLUSION

Mediation can be a useful process for certain categories of intellectual property related disputes. While the features of the mediation process itself may vary, in general mediation of one form or other is likely to be preferable to litigation in disputes where the parties desire to preserve ongoing business relationships or are ready to consider some kind of joint ownership or licensing arrangement of the intellectual property in question. Mediation will not, however, be appropriate in all instances. In particular, the confidentiality of mediation means there is no body of precedent established and no public deterrent. If mediation is to be offered, it must be optional and the manner in which it operates must be very carefully prescribed. Statute-based mediation processes can provide the worst of both worlds — displaying sufficient formality to intimidate weaker parties but not providing a reasoned and impartial decision. Furthermore, in disputes where one party wishes to assert ownership and assert full control of their intellectual property, such as occurs in disputes concerning the unauthorised downloading of copyright works, any proposal that mediation be offered to the parties as an alternative to the traditional litigation process is inappropriate.

The possibility of a statutory requirement of compulsory mediation for intellectual property disputes, whether at an appeal stage or prior to the first hearing, is not currently under consideration in New Zealand. Whilst it seems unlikely that New Zealand would take this somewhat extreme step, at least in the near future, it is nevertheless important that careful note be taken of scholarly research in this area and that consideration be afforded to including explicit mention of the potential use of mediation in intellectual property disputes in the relevant intellectual property statutes.

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<sup>112</sup> Scott H Blackmand and Rebecca M McNeill “ADR in Commercial Intellectual Property Disputes” (1998) 47 Am U L Rev 1709 at 1716.

<sup>113</sup> *IDA Ltd v The University of Southampton* [2006] EWCA Civ 145, 2 March 2006, cited in Mary Vitoria QC “Mediation of Intellectual Property Disputes” (2006) 1 JIPLP 398 at 401.