SYMPOSIUM INTRODUCTION: ADVANCING INTELLECTUAL PROPERTY GOALS THROUGH PREVENTION AND ALTERNATIVE DISPUTE RESOLUTION

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The importance of Intellectual Property (IP) can scarcely be underestimated. Human knowledge and understanding are advanced through the inventions, innovation, and creative expression that IP recognizes and protects. Directly or indirectly, IP is involved in the creation of most new private wealth, and is also an important impetus to development, economic growth, and a stable property regime for developing countries.[1]

The legal system is central to realizing the social, economic, and political potentials of IP and the exercise of IP rights.[2] For IP to exist, much less to encourage innovation and wealth generation, effective laws and legal processes must satisfy three functions:

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The authors gratefully acknowledge the advice and support of Rachel Wallace, Director of the Global Intellectual Property Academy of the United States Patent and Trademark Office; and the helpful research and editing of Heather L. Carmody, Executive Editor of the California Western International Law Journal.

1. *But cf.* Sudip Chaudhuri, *Is Product Patent Protection Necessary to Spur Innovation in Developing Countries? R&D by Indian Pharmaceutical Companies After TRIPS*, *in* THE DEVELOPMENT AGENDA: GLOBAL INTELLECTUAL PROPERTY AND DEVELOPING COUNTRIES 265 (Neil Weinstock Netanel ed., 2009) (exploring the effects of patent protection on rates of innovation, research, and product development in the Indian pharmaceutical industry).

2. *See, e.g.*, John A. Fraser, III, *Congress Should Address the Issue of Provisional Remedies for Intellectual Property Disputes Which Are Subject to Arbitration*, OHIO ST. J. ON DISP. RESOL. 505, 505-06 (1998); Susan Corbett, *Mediation of Intellectual Property Disputes: A Critical Analysis*, 17 N.Z. BUS. L.Q. 51, 52 (2011).

- *Recognize* private IP rights: i.e., to award legitimate claims of rights and to deny claims that should not be legally recognized;
- *Enforce and protect* legitimate IP rights by providing processes and remedies for their infringement; and
- *Regulate and facilitate* the use of legitimate IP rights.

Although these three functions form an intertwined system within the law, distinguishing the functions is useful for two reasons.

First, identifying the functions of IP law broadens the context for understanding the contributions made within this Symposium. In exploring how to prevent and resolve IP disputes, the Symposium focuses primarily on the enforcement and protection function. But other functions of IP law are affected by the procedures used for enforcing IP rights. What IP rights should be recognized, and the manner in which those rights can be regulated and facilitated, are influenced by the feasibility of enforcement efforts.

Second, separating the three functions advances understanding of each and reveals opposing tensions in their future development. Technological advances in the globalization of economies and communications, together with the digitalization of information, have made IP rights dramatically more important.[3] These developments have further made the facilitative function, i.e., using or capturing value of IP rights, far easier.[4] However, those same forces have also made recognition, enforcement, and regulation of those rights more difficult.[5] Information Age advances create a challenging environment for the law to accomplish what it must: clear recognition and strong enforcement of legitimate IP rights *and* strong facilitation of their productive use.

Those influences sparked the United States Patent and Trademark Office research grant that prompted this Symposium.[6] IP rights are

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3. *See* Francis Gurry, *Globalization, Development, and Intellectual Property: New Challenges and New Opportunities*, 99 AM. SOC'Y INT'L L. PROC. 291, 291-94 (2005).

4. *See id.*

5. *See* Corbett, *supra* note 2, at 51.

6. *See generally* Thomas D. Barton & James M. Cooper, Preventing and Resolving Intellectual Property Problems: Understanding and Using an Evolved System, Research Report of Patent and Trademark Office Study, Memorandum Of Understanding 2010-140-117 (2012) (on file with authors).

dependent on both the enforcement and the facilitative frameworks of the law, but traditional legal enforcement methods may be degrading in effectiveness even while the facilitative devices become stronger.[7] Metaphorically, IP rights are running faster and wider, causing concern that they may be leaving traditional enforcement gasping for breath.

The tensions that give rise to the push and pull of the three legal functions will not go away. They are deeply embedded in the digitization of information and globalization of both the production and distribution of creative ideas and innovations. Nor are the pressures on the enforcement function likely to lessen. Unless new procedures are adopted, legal enforcement methods may undermine not only the value of IP rights, but also the incentives for human creativity that give purpose to IP law.[8]

How can this three-sided puzzle best be reconciled? How can the potential global use and value of IP rights best be facilitated by some aspects of legal systems even while other methods of the law are made gradually obsolete and inefficient by those same successes? Crucially, how can the legal roles of recognition, enforcement, and facilitation *advance together?* That is the underlying question raised by this symposium, and an important research agenda for IP law over the next decades.

The backdrop of these research efforts is that formal disputes about IP rights in the United States and elsewhere continue to be brought before each country's respective courts.[9] In the ensuing adjudication, IP problems are procedurally treated similarly to other statutory or common law legal problems. These traditional methods, however, are becoming cumbersome and inefficient.[10] They evolved

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7. *See* Steven J. Elleman, *Problems in Patent Litigation: Mandatory Mediation May Provide Settlements and Solutions,* 12 OHIO ST. J. ON DISP. RESOL. 759, 759-61 (1997).

8. *Id.*

9. *See, e.g., id.* at 761; Marcus Norrgård, *International IP Infringements and Alternative Dispute Resolution, in* INTELLECTUAL PROPERTY BEYOND RIGHTS 264 (Niklas Bruun ed., 2005).

10. *See* Peter K. Yu, *Toward a Nonzero-Sum Approach to Resolving Global Intellectual Property Disputes: What We Can Learn from Mediators, Business Strategists, and International Relations Theorists,* 70 U. CIN. L. REV. 569, 588-89 (2002).

in a slower, simpler era and now struggle to address adequately the blizzard of highly complex and often multinational and multi-jurisdictional problems that characterize modern IP rights.[11]

Progress, however, is underway. Private parties began the movement toward Alternative Dispute Resolution (ADR) methods, and they now commonly bypass formal courts through private arbitration or mediation.[12] As reported by the essays in this symposium, stronger preventive and ADR methods are also being adopted within domestic courts, administrative agencies, multinational organizations, and international treaties.

This essay offers a brief background to the issues that prompted a global exploration of alternative methods for preventing and resolving IP disputes, and that gave rise to this symposium. Part One describes the exploding importance of IP rights and law and consequent challenges to court adjudication. Part Two offers a snapshot of current IP enforcement methods: traditional and emerging, public and private, domestic and international. Part Three suggests factors toward matching IP problems with alternative procedures for their effective resolution.

Finally, woven throughout this essay is a recommendation of stronger involvement by public domestic or international bodies in dispute prevention and ADR methods. Bringing these techniques more strongly into the public sphere permits better integration between ADR enforcement and the other functions served by IP law: recognition of rights and the regulation/facilitation of their use. Public bodies that are crucial for the recognition function of IP—like national patent, trademark, and copyright offices and international organizations created through treaties—could conceivably broaden their legal role to embrace more strongly the enforcement and facilitative functions of IP law. Specialized or general jurisdiction courts can also do more to promote a variety of ADR methods.

The potential for stronger public involvement in IP ADR seems feasible as well as sensible. IP-recognition organizations possess expertise in IP creation and regulation, plus the stature and

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11. *See id.*

12. *See* E. Casey Lide, *ADR and Cyberspace: The Role of Alternative Dispute Resolution in Online Commerce, Intellectual Property and Defamation*, 12 OHIO ST. J. ON DISP. RESOL. 193, 208-09 (1996).

governmental power to assist in protecting and promoting the use of IP rights. Thus, fuller use of executive and judicial branch capabilities and personnel could bring a clearer and more cohesive public voice to the use of ADR methods, while simultaneously stimulating private creativity and innovation.[13]

I. THE EVOLUTION OF INTELLECTUAL PROPERTY PROBLEMS AND ENFORCEMENT METHODS

Procedures for preventing or resolving problems are always linked to the problems they face. That is unsurprising, given that procedures are typically invented to cope with particular sorts of problems. But problems often evolve in complexity, or become more challenging in other ways. When that happens, the procedures designed to resolve those problems must also evolve in sophistication. If a procedure has developed smoothly alongside increased challenges posed by the problems it addresses, then the procedure can remain efficient as well as effective. The procedure can remedy problems without generating unwanted spill-over effects. And the best procedures will help to prevent a recurrence of the problem.

Conversely, if the procedures employed to cope with legal problems are *not* flexible enough to change along with those problems, then higher costs and reduction of procedural effectiveness will follow. To remain effective, procedures must constantly be monitored to ensure that their methods are capable of responding, as the problems themselves become more sophisticated.

Historically, adjudicative legal procedures have been applied to most problems of IP rights enforcement. A patent, copyright, or trademark infringement case would typically be brought before a generalist judge, using traditional court procedures.[14] Broadly speaking, those procedures have been adequate. Even though few

13. *See* Francis Gurry, *The Evolution of Technology and Markets and the Management of Intellectual Property Rights*, 72 CHI.-KENT L. REV. 369, 375-77 (1996).

14. *See, e.g.*, Elleman, *supra* note 7, at 759-61. We recognize the movement towards specialized IP courts, reflected and examined at the seminar on this topic organized by the Global Intellectual Property Association and held at its Alexandria, Virginia headquarters on January 17-19, 2012. *Seminar on Specialized Intellectual Property Courts*, INT'L INTELL. PROP. INST., http://iipi.org/2012/02/seminar-on-specialized-intellectual-property-courts/ (last visited Sept. 7, 2012).

judges are widely knowledgeable about IP, until recently the cases were relatively few in number and expert witnesses were available to bring the problems within the normal range of courtroom capabilities.[15]

Furthermore, traditional courts have certain advantages, like the availability of interim injunctive remedies,[16] and the ability to uncover thorny factual issues through a variety of discovery techniques.[17] The same generalist judges who preside over IP enforcement matters are likely to have significant experience with facilitative legal devices like contracts, antitrust prohibitions, and trade regulations. So that even while generalist judges may struggle with the complexities of particular IP problems, they are well-positioned to understand the broader legal and regulatory significance of IP issues.

This historically healthy matching of IP enforcement problems with traditional adjudicatory procedures is under strain.[18] IP problems are becoming more complex, dynamic, and jurisdictionally uncontainable. Yet the procedures traditionally employed by the law to deal with those problems may no longer be nimble enough to keep up with those stronger challenges. Adjudication could now be compromising the facilitative function of IP law through clumsiness in the IP rights enforcement function. That is the reason why private parties have developed ADR methods to deal with IP problems. With ingenuity—through refining traditional legal procedures and by devising and applying new procedures—legal efforts in IP enforcement may encourage the next evolution of IP usefulness.

The questions now are: (1) whether the ADR methods are adequate to the new tasks; (2) whether use of those methods creates risks of unintended consequences; and (3) if privately-generated ADR methods are in need of public refinement or supplementation, determining the institutions through which that might best be done. Before addressing those questions, however, we explore some of the factors responsible for the evolving challenges presented by IP problems.

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15. *See* Elleman, *supra* note 7, at 759.

16. *See* Kevin R. Casey, *Alternate Dispute Resolution and Patent Law*, 3 FED. CIR. B.J. 1, 7-8 (1993).

17. Corbett, *supra* note 2, at 59.

18. Elleman, *supra* note 7, at 759-62.

A. Globalization, Acceleration, and Digitization Effects in the Evolution of IP Problems

Arguably more than any other area of the law, IP's growth and evolution is tied to the emergence of the Information Age. IP rights may have been crucial in stimulating the inventions that created the preconditions for the digital revolution. Almost certainly, IP rights have been central to the commercial applications that brought those innovations into everyday life.[19]

Computers, and especially networked computers through the internet, dramatically reduce the costs of processing and sharing information.[20] Lower information costs, coupled with the equally significant improvements in communications and transportation, permit greater specialization of labor and economies of scale.[21] We may speculate that those productivity gains in turn stimulate the acceleration of economic activity, and especially of innovation—because even the smallest incremental improvements in performance are worthy research investments if the scale of production is high enough to recoup the initial investment.

Globalized markets thus enable good ideas to be commercialized that previously would have been prohibitively expensive.[22] Global markets broaden the reach of those ideas and prompt their further development. The growing sophistication of IP problems is thus largely a creature of its own successes.[23] As IP and the Information

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19. *See, e.g.*, Julia A. Martin, *Arbitrating in the Alps Rather than Litigating in Los Angeles: The Advantages of International Intellectual Property-Specific Alternative Dispute Resolution,* 49 STAN. L. REV. 917, 922-23 (1997). "The internationalization of intellectual property is further spurred by the fact that no country is technologically self-sufficient. As a result, highly developed countries export and import high levels of technology, producing a large volume of international transactions involving intellectual property.... Additionally, corporations are increasingly forming international strategic technology alliances." *Id.* at 931.

20. *See, e.g.*, *Exploring the Future of Cloud Computing: Riding the Next Wave of Technological Transformation*, WORLD ECON. FORUM 1-7 (2010), *available at* https://members.weforum.org/pdf/ip/ittc/Exploring-the-future-of-cloud-computing.pdf.

21. RICHARD A. POSNER, THE ECONOMICS OF JUSTICE 146-48 (1981).

22. *See* Gurry, *supra* note 3, at 291.

23. *See* Gurry, *supra* note 13, at 378. Francis Gurry of the World Intellectual

Age reinforce one another in a hastening spiral, the incentives for IP rights infringement and abuse grow alongside one another. Hence, the pressures on the enforcement function of IP law are as severe as those on the recognition function.

Digitization technology accentuates these challenges.[24] The virtuous cycle of lowered transaction costs, which stimulate innovations, which in turn lead to further efficiencies, depends on stable IP rights.[25] Those who invest in the research required for

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Property Organization (WIPO) has identified the challenges of accelerating technology for the *recognition* function of IP law: "The rapidity of development of the technological base challenges the capacity of the intellectual property system to adapt adequately and within a sufficiently short period of time to serve a useful function in respect of new developments. Given the speed of change, are we able to adapt rights that were designed for mechanical technology and the printed medium with sufficient swiftness? Does the time allowed for an effective response enable us to know enough about the new development and its future direction to adapt rights or to design new rights appropriately? Already in the last fifteen years two new forms of intellectual property rights have emerged in response to either new technology or new commercial applications of existing technology, namely, sui generis rights in the layout designs or topographies of integrated circuits and the unfair extraction right in respect to databases." *Id.*

24. *See* JASON MAZZONE, COPYFRAUD AND OTHER ABUSES OF INTELLECTUAL PROPERTY LAW 227 (2011) ("Copyfraud and other abuses of intellectual property law now affect, on a daily basis, the way we live, work, and express ourselves. A good many creative acts—those long familiar to us as well as those recently made possible by advances in technology—are impeded by overreaching."); *see generally* Ryan C. Grelecki, *Can Law and Economics Bring the Funk . . . or Efficiency? A Law and Economics Analysis of Digital Sampling,* 33 FLA. ST. U. L. REV. 297 (2005) ("survey[ing] the copyright law concepts involved in digital sampling" in the music industry).

25. Kevin M. Lemley, *I'll Make Him an Offer He Can't Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes*, 37 AKRON L. REV. 287 (2004). As Lemley states: "Intellectual property law seeks to 'provide incentives for innovation . . . by establishing enforceable property rights for the creators of new and useful products, more efficient processes, and original works of expression.' Simply put, intellectual property law grants rights to inventors and innovators so they can profit from their developments. With the ability to profit, intellectual property owners have an incentive to produce new innovations for society to enjoy. Without intellectual property rights, infringers could easily exploit these new innovations and steal profits from the owners. Innovators would have no economic incentives to innovate, and society would ultimately suffer the loss." *Id.* at 288-89 (citations omitted) (citing U.S. DEP'T OF JUSTICE & FED. TRADE COMM'N, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY § 1.0 (1995), *available at* http://www.justice.gov/atr/public/guidelines/0558.pdf).

innovation must be assured of the opportunity for cost recoupment through the protection afforded by an exclusive market. The market must be exclusive because, as Kevin Lemley has pointed out, under modern conditions the originator of an idea can rarely compete with someone who simply copies the idea.[26] In the digital age, the marginal cost of copying ideas becomes very low.[27] Hence the copying enterprise can re-sell the idea at a far lower price than the originator who must reflect development costs in the resale price.[28] Furthermore, digitization of information permits the easy segmentation of ideas and their expression so that people can illicitly use a portion of a creation—a portion beyond what fair use would allow.[29] Digitization has thus made illicit infringement easier and more profitable, thereby making inventors and artists more vulnerable to exploitation by pirates and others who fail to pay appropriate royalties or licensing fees.[30]

In sum, IP law has largely delivered on its facilitative promise. IP gives innovators a fair chance at recouping investments in creativity (indeed, to profit hugely if the idea finds broad market acceptance). But for legal systems charged with enforcement, the digitization of information and acceleration of IP use translates into the steady growth of IP-related problems. Globalized markets also raise the financial stakes of those problems, since the legitimacy of an IP right can mean commercial life or death to parties who contest that right. Dealing in a timely and affordable manner with IP matters is vital given the rapid pace of technological breakthrough, as well as increasingly challenging in terms of the electronic marketplace.[31]

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26. *Id.* at 290-91.

27. *Id.*

28. *Id.*

29. *See, e.g.*, Grelecki, *supra* note 24, at 297-98. Although digitization technology raises similar opportunities for pictorial and narrative expression, segmentation of digitized expression is most apparent in music sampling: "Artists, typically in the rap and hip-hop genres, often utilize small portions of songs created by other artists. Digital technology provides artists with the ability to simply lift notes from a previously recorded song, modify them (or not), and place them into the background, bass line, or basic beat of a new song. This practice has uncovered a new set of issues within copyright law." *Id.* at 298.

30. *Id.*

31. Gurry, *supra* note 13, at 376-78.

B. Complexity

A "complexity" effect further challenges traditional adjudication of IP problems. Reductions in information costs have enabled vastly complex inventions and innovations, developments that are sometimes achievable only through years of efforts by teams of researchers. As a result, IP problems more frequently involve highly technical or complex fact patterns and legal issues. As the complexity increases, the IP rights multiply: "[T]here are frequently several different intellectual property rights co-existing in a single work. 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."[32]

This additional complexity and fragmentation of IP interests may have at least three effects: higher costs, lower accuracy, and greater opportunity to skirt the effectiveness of IP rights.[33] Financial costs of an infringement lawsuit increase as it becomes harder to explain the technical issues to a generalist judge or jury.[34] Second, the potential costs of errors (and hence injustice) rise when the decision makers in the case do not fully understand the matter.[35] Third, with greater complexity in the underlying creative or inventive process often comes commensurately stronger alternative ways of accomplishing the same end.[36] Hence, infringement actions can be more frequent but less clear-cut as reverse engineering opens more avenues to avoid the dictates of an IP right.[37]

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32. Corbett, *supra* note 2, at 51 (citation omitted).

33. *See, e.g.*, Richard E. Posell, *Mediation Spells Trade Dress Success,* MANAGING IP MAG., Nov. 2008, at 53, 54-55.

34. Jesse S. Bennett, *Saving Time and Money by Using Alternative Dispute Resolution for Intellectual Property Disputes—WIPO to the Rescue,* 79 REV. JUR. U.P.R. 389, 395 (2010).

35. *Id.*

36. *See, e.g.*, Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 YALE L.J. 1575, 1579-80 (2002).

37. *Id.* at 1582-84.

C. Multiple Jurisdictions

IP problems become particularly difficult and expensive for traditional litigation as the uses and misuses of IP rights increasingly spill across state borders. The free movement of ideas and goods significantly enhances economic efficiency, but just as significantly makes legal regulation and lawsuits far less efficient. Electronic commerce only magnifies the problem.

Unless an international treaty, compact, or custom applies, the reach of any state's laws and legal procedures typically stop at that state's borders.[38] Each country in which an IP right may be used—either legitimately or illegitimately—has an interest in applying its own domestic laws and legal procedures to those uses. Each individual legal system is jealously guarded by instincts of state sovereignty, creating issues of possible duplication of costs, inconsistent results, substantial delays, and frustrated expectations. Issues of jurisdiction, extraterritoriality and choice of law, discovery and securing of witness testimony, remedy alternatives, and enforcement of foreign judgments all conspire to make transnational IP litigation dauntingly complex, expensive, and unpredictable.

D. The Growing Mismatch Between IP Problems and Traditional Adjudication

Accelerating IP problems thus represent a growing risk of mismatch with the adjudicative procedures that may have once seemed adequate to enforce IP rights. The mismatch surfaces along three domains:

- The effectiveness of the procedure to resolve the problem, and to do so without introducing significant adverse side-effects;
- The efficiency of the procedure, in time and money; and
- The ability of the procedure to preserve the personal and commercial relationships of the parties who participate in the procedure.

38. Gurry, *supra* note 13, at 374-75.

1. Effectiveness Concerns

Traditional adjudication as a method of addressing IP problems obviously becomes less effective when the ensuing legal judgments are wrong or unpredictable. Possible sources of error or inconsistency within conventional IP dispute resolution are factual or technical complexity, unfamiliarity with IP law, vagueness or intricacy of that law, lack of judicial resources, and the elusiveness of placing monetary value on IP rights as a remedy. As one observer stated bluntly:

> The quality and fairness of court judgments in patent infringement cases are questionable. Jury verdicts are unpredictable. The submission of complex questions to juries, a debatable practice in any case, is particularly problematic in highly technical intellectual property infringement cases. Bench trials are no more reliable. Most judges lack technical expertise or experience with patent law. Frequently, they also lack the resources needed to try the cases efficiently and fairly.[39]

Appellate courts may suffer from the same shortcomings. IP cases may be relatively unpredictable—a reason that explains why mediation may be sensible.[40]

2. Efficiency Concerns

a. Structural Dependence on Court Recognition of IP Rights

Shortcomings in administrative-level recognition of IP rights create difficulties for IP rights enforcement. One primary example is the manner in which current IP law indirectly makes court judgments a requirement for IP rights recognition, with the effect of creating a

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39. Martin, *supra* note 19, at 932 (citations omitted).

40. *See, e.g.*, Wendy Levenson Dean, *Let's Make a Deal: Negotiating Resolution of Intellectual Property Disputes Through Mandatory Mediation at the Federal Circuit*, 6 J. MARSHALL REV. INTELL. PROP. L. 365, 366 nn.10, 11 (2007); Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?* 15 HARV. J.L. & TECH. 1, 2 (2001) (reporting on "the results of an empirical study that shows that district court judges improperly construe patent claim terms in 33% of the cases appealed to the Federal Circuit").

reliance on adjudication that may not be necessary.[41] That may be especially so for copyrights, which arise without any registration formalities.[42] But it extends as well to patents and trademarks:

> 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.[43]

Yet another efficiency problem shows up at the appellate level of traditional adjudication. Perhaps more than in other areas of law, IP disputes are prone to appeal, which obviously increases costs even while undermining predictability.

> 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".... "[T]he combination of discretion to the fact finder and large damage awards provides losing parties with great incentives to appeal."[44]

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41. Corbett, *supra* note 2, at 64.

42. *Id.*

43. *Id.*; *cf.* Sapna Kumar, Jason Mazzone, Hannibal Travis & Jasmine Abdel-Khalik, *An Uncomfortable Fit?: Intellectual Property Policy and the Administrative State*, 14 MARQ. INTELL. PROP. L. REV. 441, 443-44 (2010) (describing controversies stemming from the narrow interpretations of administrative authority under the Patent Act); Daniel R. Cahoy, *Changing the Rules in the Middle of the Game: How the Prospective Application of Judicial Decisions Related to Intellectual Property Can Promote Economic Efficiency*, 41 AM. BUS. L.J. 1 (2003) (explaining how court decisions made retroactively or prospectively impacts the economic efficiency of IP rights).

44. Corbett, *supra* note 2, at 65 (quoting Lemley, *supra* note 25, at 304).

b. Delay and Cost

Processing claims expeditiously is always important to the effectiveness of a legal procedure. Where IP rights are involved, and patents in particular, avoiding court delays may be especially important due to the limited life of the rights.[45]

Delays can present significant opportunity costs as well as direct costs. Patents possess value largely because they represent advances over the current, existing state of technology. The cost of lost opportunities due to time spent in litigation to determine the status of a patent, or to clarify terms in a patent-related contract, may diminish or even completely dissipate the value of the patent: "What is today's innovation is tomorrow's obsolete product."[46] Even more importantly, inordinate delays in processing disputes raise effectiveness and justice concerns. The practical impact of delays can be so unevenly distributed between the contending parties that one party is pressured to agree to a poor settlement.[47]

3. Relational Concerns

Less tangible but often no less real are the costs to business and personal relationships that often accompany litigation, and that are softened by using ADR methods.[48]

> Because arbitration is less adversarial than traditional litigation, it is more likely to leave prior business relationships, such as licensor/licensee, seller/buyer, or employer/employee, intact. Arbitration minimizes the possibility that one party will strategically delay or extend the proceedings, thereby infuriating the other side. In traditional litigation, the party subjected to these

45. *Id.* at 62; Lemley, *supra* note 25, at 313-14.

46. Elleman, *supra* note 7, at 761 (quoting Roger S. Borovoy, *Alternative Means of Resolving High Technology Disputes*, *in* PATENT ANTITRUST, at 539, 542 (PLI Patents, Copyrights, Trademarks & Literary Prop. Course Handbook Ser. No. 270, 1989)).

47. *Id.* at 763.

48. *See, e.g.*, Miriam R. Arfin, *The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes,* 17 HASTINGS COMM. & ENT. L.J. 893, 900 (1995); Martin, *supra* note 19, at 935; Casey, *supra* note 16, at 6.

> tactics is likely to avoid future business dealings with the opponent because the conduct appears unfair and underhanded.[49]

A related and subtle relational cost of litigation may be the difficulty of continuity between the parties and the decision maker. As Bryan Niblett points out, long-term IP arrangements can be smoothed out by the repeated availability of a third party who is acquainted with the parties' relationship:

> Many intellectual property disputes concern license agreements or contracts for the transfer of technology where it is anticipated there will be a fruitful relationship between the parties extending over many years. It is then desirable that all disputes which arise be settled by the same tribunal. It is much easier for an arbitrator to supply this continuity than for a judge. In the case of arbitration the continuity is secured by an agreement between the parties and the arbitrator. It is unlikely that a judge would be able to enter into such an agreement.[50]

II. ALTERNATIVE METHODS, DOMESTIC AND INTERNATIONAL

A. A Basic Sequence of Domestic Alternative Dispute Resolution Methods

The sub-sections below offer thumbnail descriptions of some of the ADR methods available for use in resolving IP disputes in both the domestic and international arenas. These include prevention, private discussion and negotiation, consultation with an advisor or neutral, early neutral evaluation, mediation, online settlement procedures, arbitration, expert determination, and court-centered settlement efforts.

These alternatives are not mutually exclusive, but instead can be used in succession until the problem is effectively resolved. A basic functional sequence for their employment would be as follows:

- First, attempt to prevent the problem from arising.
- Second, if a problem does occur, use self-help: try to find good advice and begin private two-party negotiations.

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49. Martin, *supra* note 19, at 935; *see also* Casey, *supra* note 16, at 6.

50. Bryan Niblett, *Arbitrating the Creative*, DISP. RESOL. J., Jan. 1995, at 64, 65-66.

- Third, if those negotiations fail, add a third party to help facilitate the negotiations through offering evaluation or mediation.
- Fourth, if that fails, empower a third party to decide the matter—through expert determination, arbitration, a specialty court, or traditional litigation.

B. Various Alternative Dispute Resolution Methods

1. Prevention

Prevention is not technically an "Alternative Dispute Resolution" method, because effective prevention means that no dispute ever arises.[51] But preventive measures should be strongly considered and planned for in building a legal system that provides and protects IP rights. Preventive measures are often relatively inexpensive. Once problems or disputes arise, the procedures for addressing those problems become more costly and risky. Furthermore, effecting preventive measures requires identifying virtually every other aspect of the system, and working toward understanding and communicating how those elements work together.[52] Those efforts *in themselves* will often reveal trouble spots that can be eliminated, and that begin a network of communication that generates constant feedback and system improvement.[53]

2. Private Discussion and Negotiation

Private discussion and negotiation is the initial step of "self-help" toward resolving a problem between disputing parties once it has arisen. Neither lawyers nor public bodies would necessarily be involved directly at this stage, but the power of private conversations between problem holders should not be neglected.

Public bodies can be helpful in the background for prompting these negotiations. Public IP rights-recognition bodies can be a

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51. *See generally* THOMAS D. BARTON, PREVENTIVE LAW AND PROBLEM SOLVING: LAWYERING FOR THE FUTURE (2009) (describing preventative law and the problem-solving approach to lawyering).

52. *See id.* at 70-77 (listing five steps to effective preventative lawyering).

53. *See id.*

readily accessible source to clarify the beginning entitlements of one party or the other that will facilitate private negotiations. If the erring party can be steered to an easy source of information that reveals legal rights, then both parties may quickly clear up any inadvertent infringement or abuse without any third-party involvement. At the very least, declaring a rights entitlement may clarify which party is the remedy provider.

If simple two-party negotiations fail, then a third party—either an individual or an organization—can play any or all of the following roles in helping people resolve their dispute:

- Offer *advice* to parties about either the substance of their problem or how procedurally they might resolve it;
- Offer an *evaluation* of the outcome of the problem, as if it were decided by a traditional judge or jury;
- *Facilitate better communication* between the disputing parties, thus augmenting self-help so they can find their own resolution and perhaps improve their future interactions; and
- *Decide the matter*, i.e., making an expert determination, declaring an arbitral award, or pronouncing a traditional legal judgment.

Each of those four functions (advising, evaluating, facilitating, and decision-making) play a varying role in the remaining third-party ADR mechanisms.

3. Consultation with an Advisor or "Standing Neutral"

The advisor or "standing neutral" technique is well known in large construction-industry projects,[54] but can also be applied in various IP settings. It may be especially useful in complex multi-faceted

54. James P. Groton, *Preventive Practices: Lessons from the Construction Industry*, *in* PREVENTIVE LAW AND PROBLEM SOLVING: LAWYERING FOR THE FUTURE, 85-88 (2009); *see also* BARRY B. BRAMBLE & MICHAEL T. CALLAHAN, CONSTRUCTION DELAY CLAIMS § 14.08 (2012); Thomas J. Stipanowich, *Beyond Arbitration: Innovation and Evolution in the United States Construction Industry*, 31 WAKE FOREST L. REV. 65, 125-26 (1996); James P. Groton & Kerry C. Lawrence, *"Real Time" Prevention and Resolution of Construction Disputes: Varieties of Standing Neutral and What They Do*, 65 DISP. RESOL. J. 128 (2010).

licensing agreements or joint ventures, in which the parties realize they will have a series of unknowable contingencies.[55]

It works as follows: at the outset of a major project or venture, the parties agree on the appointment of a named expert who will be available to offer non-binding advice to the parties in the event of a problem.[56] The advisor informs him or herself about the particulars of the project, and periodically keeps abreast of developments.[57] The function of this proactive information-gathering is to ensure that the neutral will know the parties, and will be able to respond quickly in the event advice is needed.[58]

Experience has found that appointing a standing neutral to give advice about disputes actually reduces the incidence and seriousness of disputes.[59] Although this is contrary to intuition, once someone is officially named as advisor and is personally known to the parties, both parties seem to be reluctant to resort to that advisor.[60] Instead, one party tends to contact his or her counterpart in the project with whom there may be some disagreement or early dispute. Informal negotiations then take place to resolve the matter so that no consultation with the standing neutral becomes necessary.

4. Early Neutral Evaluation

The "Early Neutral Evaluation" (ENE) mechanism has been used successfully for various legal problems, and may be especially well suited to IP problems.[61] An ENE is as the phrase suggests: taking the

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55. Groton, *supra* note 54 at 85, 87.

56. *Id.*

57. *Id.* at 85-86; *see also* James P. Groton & Kurt L. Dettman, *How and Why the Standing Neutral Dispute Prevention and Resolution Technique Can Be Applied*, 29 ALTERNATIVES TO HIGH COST LITIG. 177 (2011) (emphasizing that the technique's characteristics make it applicable to situations beyond the construction industry).

58. Groton, *supra* note 54, at 85-86.

59. *See generally* James P. Groton, *The Standing Neutral: A 'Real Time' Resolution Procedure That Also Can Prevent Disputes*, 27 ALTERNATIVES TO HIGH COST LITIG. 180 (2009) (describing the success of using the standing neutral process).

60. *Id.* at 183.

61. *See* Kenneth B. Germaine, *Getting a Grip on a Trademark/Trade Dress Case Before It Gets a Grip on the Budget: Using Subject-Savvy Early Neutral*

dispute to a mutually agreed-upon expert who evaluates the likely outcome and cost if the matter were to go to court.[62]

A classic ENE does not decide a dispute, nor does it directly facilitate talks between the disputing parties. An ENE does often stimulate better private negotiations between the parties, if those private negotiations are being obstructed by one or both parties holding unrealistic visions of their prospects in court.[63] Once people hear a realistic assessment from a disinterested, knowledgeable source, it may narrow the range of bargaining to create a band of overlap in which a mutually agreeable bargain may be struck.

The key to a successful ENE is finding individuals with credibility and expertise. Once again, however, public IP agencies like the Patent and Trademark Office and Copyright Office would seem well positioned to offer ENE as an initial ADR mechanism.[64] Staff at these agencies have the technical expertise, and likely have the legal background to be effective and credible evaluators. For example, this would be an especially promising role for experienced IP lawyers who seek semi- or early-retirement opportunities.

The evaluative role of the classic ENE could even be combined with a stronger advisory role, akin to that of the standing neutral.[65] This advisory role could concern the substance of the problem, if alternative courses of action are still available to the parties. Or this additional advisory role of the ENE could concern procedural alternatives. In other words, if properly informed about ADR

Evaluators to Grapple with Difficult Dilemmas, *in* UNDERSTANDING TRADEMARK LAW, 386, 391-92 (PLI Patents, Copyrights, Trademarks & Literary Prop. Course Handbook Ser. No. 18666, 2009).

62. *Id.* According to Kenneth B. Germaine: "ENE can be an effective *evaluative* technique in various intellectual property disputes. ENE allows an unbiased third party, a person deeply steeped in the legal subject matter and trained to listen to all sides, to help both sides—or, in *ex parte* situations, the sole retaining party—understand the strengths/weaknesses of their positions *before* large litigation expenses are incurred. Indeed, ENE can be commenced very early, based on existing allegations and information, thus possibly avoiding substantial 'discovery' expenditures. As an unbiased neutral, the ENE professional can see the problem from perspectives different from those of the disputing parties and she/he can identify dimensions and possible solutions which may not be apparent to them." *Id.*

63. *Id.*

64. *Id.*

65. *See id.* at 393.

possibilities, the ENE could act as an advisor about what procedures the parties might next attempt, in the event that their private settlement talks fail.

5. Mediation

Mediation functions primarily to facilitate better communication between the parties toward concluding a settlement. The mediator may possibly also act as an evaluator, but some mediators disapprove of combining this role with their facilitative role. The clear aim of a mediation, in any event, is to settle the dispute and enable the parties to come to a formal written agreement, which they can enforce as a private contract. The mediator is skilled in communication, helping to draw out the interests of the parties and find a range of mutual benefits. Mediation in general offers the possibility of creative solutions and better relationship protection for the parties.[66]

Mediation is generally recognized as offering the advantages of retaining party control, flexibility of remedy, speed of resolution, confidentiality, low cost, and the possibility of maintaining or improving the parties' relationship. Despite these advantages, IP disputants have been somewhat slow to accept mediation. Some cultures, for example, resist mediation because it lacks the state's authoritative involvement.[67] In other legal traditions, the reluctance may stem more from the highly complex fact patterns often involved and the technical nature of some IP laws. Parties may be skeptical that a mediator can understand the problem and be effective. However, mediation is generally more accepted when expert mediators in IP are available to the parties,[68] such as through the World Intellectual Property Organization (WIPO), or in some U.S. District Courts.[69]

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66. Max Vilenchik, *Expanding the Brand: The Case for Greater Enforcement of Mandatory Mediation in Trademark Disputes*, 12 CARDOZO J. CONFLICT RESOL. 281, 291 (2010).

67. Personal communication with Dr. Karin Klempp, Brazilian IP lawyer, at USPTO Conference on Trends in ADR Concerning IP Rights Litigation, Cal. W. Sch. of L., San Diego, Cal. (Mar. 9, 2012) (concerning Brazilian culture).

68. Vilenchik, *supra* note 66, at 290.

69. *See id.* at 289-90. Here is how one District Court implements mediation: "ADR seems to work in those courts that used it for patent issues. The United States

6. Online Settlement Procedures

Because of its potential for dramatically reduced costs, legal professionals and online technologists have experimented for several years with possible online settlement methods to resolve legal problems. Those efforts have had mixed results. The next paragraphs describe one successful approach, but also describe the particular features of the problem and procedures that together suggest the difficulty of generalizing this approach to other IP problems.

The successful example of an online IP-related ADR program is the Uniform Domain Resolution Procedure (UDRP).[70] UDRP was conceived largely by WIPO at the behest of the Internet Corporation for Assigned Names and Numbers (ICANN) for resolving problems of "cyber-squatting," or internet domain name trademark disputes.[71] Briefly, the UDRP works as follows: every registrant of an internet domain name through one of the generic top-level domains (like ".com," ".net," or ".org")[72] must contractually agree to participate in the UDRP procedures in the event of a controversy about the chosen name.[73] If a trademark holder notices internet activities by a registrant

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District Court for the District of Delaware has gained a reputation among patent litigators as having expertise in handling patent cases. This district court relies heavily upon the ADR practice of mediation. Some of the judges require the parties to meet with Magistrate Trostle to discuss mediation as part of their conference order, while others merely recommend this practice. During a one-day mediation session, Magistrate Trostle encourages the parties to explore creative solutions and, at the very least, provides a framework for the parties to continue discussions in a non-adversarial atmosphere. After this daylong session, the parties usually continue negotiations with Trostle via teleconference. While the procedure is not complicated, it is extremely successful. According to Magistrate Trostle, about sixty-five to seventy percent of patent cases are settled as a direct result of mediation." Thomas Hitter, *What is So Special About the Federal Circuit? A Recommendation for ADR Use in the Federal Circuit,* 13 FED. CIR. B.J. 441, 465-66 (2004).

70. *See generally Domain Name Dispute Resolution*, WORLD INTELL. PROP. ORG., http://www.wipo.int/amc/en/domains/ (last visited Oct. 12, 2012).

71. *Frequently Asked Questions: Internet Domain Names*, WORLD INTELL. PROP. ORG., http://www.wipo.int/amc/en/center/faq/domains.html (last visited Oct. 12, 2012) (follow "What is the nature of domain name disputes?" hyperlink) [hereinafter *Frequently Asked Questions: Internet Domain Names*].

72. *Id.* (follow "What is a gTLD?" hyperlink).

73. *Uniform Domain-Name Dispute Resolution Policy*, INTERNET CORP. FOR

using a name that raises infringement issues, the trademark holder can initiate a UDRP proceeding with WIPO[74] or another ICANN-approved organization.[75] These organizations maintain a list of qualified UDRP decision-makers called "panelists."[76]

The proceeding is then akin to arbitration, with the panelist receiving information from the complainant trademark holder about the trademark allegedly infringed and reasons why the domain name is too similar to it.[77] The registrant is then given a chance to counter these allegations by a trademark holder.[78]

The UDRP is an effective and inexpensive match to the cyber-squatting problem it addresses.[79] However, its success is not easily duplicated. That is because of a combination of features of the problem itself, and the UDRP procedure. First, cyber-squatting as a problem is fairly simple, both legally and factually.[80] This limits the scope of the inquiry and need for testimony; it also means that preparation is relatively easy. Virtually no vital information need be "discovered" by one party from the other. Second, the remedy is also easy. It is limited to a binary "valid/invalid" decision about the use of the domain name; no money damages need be calculated.

Finally, the UDRP benefits from assurances of participation and decisional enforcement. Rather than relying on the consent of the defendant to participate in the process once a problem has arisen, that

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ASSIGNED NAMES AND NUMBERS, http://www.icann.org/en/help/dndr/udrp (last visited Oct. 12, 2012).

74. *See Frequently Asked Questions: Internet Domain Names*, *supra* note 71 (follow "What does WIPO offer as a resolution service provider?" hyperlink).

75. *See Uniform Domain Name Dispute Resolution Policy (Policy Document)*, INTERNET CORP. FOR ASSIGNED NAMES AND NUMBERS, http://www.icann.org/en/help/dndr/udrp/policy (last visited Oct. 12, 2012).

76. *List of Approved Dispute Resolution Service Providers*, INTERNET CORP. FOR ASSIGNED NAMES AND NUMBERS, http://www.icann.org/en/help/dndr/udrp/providers (last visited Oct. 12, 2012).

77. *See Frequently Asked Questions: Internet Domain Names*, *supra* note 71 (scroll to "How does the UDRP work?"); *see also* John G. White, *ICANN's Uniform Domain Name Dispute Resolution Policy in Action*, 16 BERKELEY TECH. L.J. 229, 234-36 (2001).

78. *See Frequently Asked Questions: Internet Domain Names*, *supra* note 71 (scroll to "How does the UDRP work?").

79. White, *supra* note 77, at 237.

80. *Id.*

participation is ensured in advance as a requirement of registering a domain name.[81] Further, enforcement is virtually assured through cooperation of the internet domain name registrars who agree to abide by the UDRP decision.[82] As such, court appeals are rare.

7. Arbitration

Arbitration, both U.S.-based and international, has long-standing recognition as an ADR method.[83] Arbitration is a flexible procedure in which a private third party decides the merits of a controversy.[84] The parties may shape much about the procedures that will be used in a particular arbitration through either a pre-existing contractual clause calling for arbitration in the event of a dispute, or an agreement submitting a dispute to arbitration at the time the dispute arises.[85]

From the perspective of common law procedures, there are several variables available for the parties to decide in an agreement leading to an arbitration proceeding. These include: applying the rules of evidence,[86] following legal precedent, the extent of fact discovery,[87] making oral presentations, and whether the award will be accompanied by a written rationale of the arbitrator.[88] Furthermore, through the arbitration contract, the parties may also be able to stipulate the substantive law that will apply to their arbitration.[89] For example, the parties could agree that their traditions, the customs and practices of a trade, or the law of a particular nation would govern the

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81. *Id.* at 232.

82. *Id.*

83. *See* Joseph L. Daly, *Arbitration: The Basics*, 5 J. AM. ARB. 1, 3-6 (2006).

84. *What is Arbitration?*, WORLD INTELL. PROP. ORG., http://www.wipo.int/amc/en/arbitration/what-is-arb.html (last visited Oct. 12, 2012). Arbitration is not a new concept, but has been used for centuries as a viable option for resolving disputes. Daly, *supra* note 83, at 3-6 (describing the historical context of arbitration).

85. Daly, *supra* note 83, at 12-13.

86. *See* Martin, *supra* note 19, at 929.

87. Lucille M. Ponte & Erika M. Brown, *Resolving Information Technology Disputes After NAFTA: A Practical Comparison of Domestic and International Arbitration*, 7 TUL. J. INT'L & COMP. L. 43, 56 (1999).

88. *See* Martin, *supra* note 19, at 952.

89. *Id.* at 929.

resolution. Further, the parties may even be able to agree to permit the arbitrator to invoke equitable principles as appropriate.[90]

Private arbitration for resolving IP matters enjoys several advantages. The arbitrator (or panel of arbitrators) can be selected for their subject-matter expertise as well as their reputation for fairness;[91] the proceeding can be kept confidential, even as to whether an arbitration occurred;[92] the parties may select both the location of the proceeding[93] and the law upon which it will be based;[94] the arbitral decision or "award" is authoritative, being reviewed in the courts only on very limited grounds;[95] and finally, an arbitral award is enforceable world-wide through the New York Convention[96] (which is ratified by most countries[97]). As suggested above, this last advantage is highly significant. Enforcing court judgments across national legal systems is often legally and politically problematic, as well as time-consuming and financially burdensome.

However, one possible limitation of arbitration is its questionable ability to affect IP recognition or validity.[98] Most IP matters are

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90. *See id.*

91. Bennett, *supra* note 34, at 396, 404; Casey, *supra* note 16, at 6; Niblett, *supra* note 50, at 65.

92. Bennett, *supra* note 34, at 396; Niblett, *supra* note 50, at 65; Martin, *supra* note 19, at 934-35.

93. Martin, *supra* note 19, at 930; Gurry, *supra* note 13, at 382.

94. Martin, *supra* note 19, at 929; Philip J. McConnaughay, *The Risks and Virtues of Lawlessness: A "Second Look" at International Commercial Arbitration*, 93 NW. U. L. REV. 453, 453 (1999).

95. *See* Scott H. Blackmand, *Alternative Dispute Resolution in Commercial Intellectual Property Disputes,* 47 AM. U. L. REV. 1709, 1732-33 (1998); *see also* Martin, *supra* note 19, at 953-54 (describing how arbitration attempts to balance the need for finality with the right to appeal by allowing only limited appellate review).

96. Convention on the Recognition and Enforcement of Foreign Arbitral Awards, June 10, 1958, 21 U.S.T. 2517, 330 U.N.T.S. 3 (commonly referred to as the New York Convention).

97. *Contracting States*, N.Y. ARB. CONVENTION, http://www.newyork convention.org/contracting-states/list-of-contracting-states (last visited Aug. 10, 2012) (listing the countries that have ratified the Convention).

98. *See generally* M. A. Smith et al., *Arbitration of Patent Infringement and Validity Issues Worldwide,* 19 HARV. J.L. & TECH. 299 (2006) (exploring the worldwide practical and legal obstacles to the use of binding arbitration in patent cases).

arbitrable in most countries, but not always.[99] The reluctance of some nations to permit arbitration of the validity or proper recognition of IP rights reflects a significant concern. IP rights are essentially monopolistic, with inherent potential for anti-competitive effects or protection of local enterprises. Private arbitration may limit the information that flows into public institutions, and thereby limit regulatory potential.[100]

Two additional features of arbitration exacerbate this shift from public to private power: confidentiality and court enforcement of arbitral awards without substantive review. Confidentiality in arbitration can be virtually total and is often discussed as one of its significant attractions.[101] Parties can privately agree to various levels of secrecy. They may forego entirely the arbitrator giving reasons for the award, or agree to its non-disclosure beyond the parties; or they may seal the terms of the award; or they may even prevent the public from learning that an arbitration occurred. To that extent, public policy development about IP is deprived of this information about effects or trends. Legal development, especially in common law jurisdictions, is similarly stunted by fewer judgments circulating that otherwise would be available to help interpret IP legislation or judicial doctrines.

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99. *Id.* at 305. For example, patent validity issues cannot be arbitrated in France. *Id.* at 333. In the Netherlands, the Hague's Court of First Instance has exclusive jurisdiction over substantive patent law issues, which limits the scope of arbitrability for patent-related issues. *Id.* at 339. In China, "[p]atent arbitration is practically unknown." *Id.* at 345. *See also* Martin, *supra* note 19, at 944-46.

100. Hitter, *supra* note 69, at 463-64. "Despite the economic incentives that ADR offers for resolving patent and intellectual property disputes, there is still the concern that it may be against the public's interest. Patents are 'an exception to the general rule against monopolies and to the right to access to [sic] a free and open market.' The patent is a right being assigned to particular people, thus excluding others. As a result, there is a strong desire that the exclusive rights associated with a patent be awarded only to those who undertake valid research. Unlike government contract and employee disputes, people other than just the parties to a dispute are concerned with the outcome of a patent's validity—most notably, the patent holder's competitors. Judicial scrutiny and full disclosure in discovery are used to protect the social and economic interest in awarding valid property rights." *Id.* at 463 (quoting Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 816 (1945)).

101. *See* Martin, *supra* note 19, at 935.

The New York Convention or equivalent domestic statutes that require court enforcement of arbitral awards without significant merit review[102] also operate to limit public influence on IP problem solving. That said, Professor Philip McConnaughay has identified the dilemma posed by courts taking a "second look" at the merits of an arbitration award or imposing other quality control measures before enforcing the award.[103] By taking second looks, particular economic and social policies can come under stronger control and further the Western ideal of consistency and predictability in the law.[104] On the other hand, a second look may undermine the flexibility of arbitration, which would in turn reduce its attractiveness as an alternative to the courts.[105]

Increasing the level of merit-based court review of arbitration awards would, on the one hand, help protect the public interest in competitive markets and the appropriate accessibility of IP rights, and maintain confidence that the rule of law underpins the awards. But on the other hand, the confidentiality, clarity, and efficiency of the arbitral process could be compromised by court oversight that is too strong. One possible way to soften this dilemma would be to strengthen the role of courts or administrative agencies in supplying arbitrators, and craft template rules for how arbitrations should proceed.

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102. *See* Ponte & Brown, *supra* note 87, at 47; *see also* McConnaughay, *supra* note 94, at 453.

103. McConnaughay, *supra* note 94, at 457-58. Philip J. McConnaughay summarizes various proposals to standardize or regulate international arbitrations: "The proposed reforms extend to mandatory and nonmandatory law cases alike. Among the proposals are calls for greater transparency of the arbitral process, more uniform rules of procedure, standard rules of evidence, reasoned arbitral opinions, and the publication of opinions and awards. Some commentators even have proposed the creation of a single neutral international institution that would administer all international commercial arbitrations pursuant to a system of adjudication incorporating the foregoing reforms." *Id.* at 457.

104. *See id.* at 458.

105. *See, e.g., id.* McConnaughay goes on to observe that "the success of commercial dispute resolution for participants from [Asia and much of the developing world] often turns on the availability of precisely those features of arbitral 'lawlessness' that proponents of arbitral reform seek to displace: carefully guarded secrecy, complete flexibility of procedure and evidence, and the absence of reasoned opinions and published awards attributing breach, blame and fault." *Id.* at 459.

8. Expert Determination

"Expert Determination" is a device formalized in WIPO.[106] Its process is a simplified version of arbitration,[107] sometimes utilizing online communications[108] and an IP expert as a third party decision-maker who can be chosen by the parties or supplied by WIPO.[109]

Compared to arbitration, the WIPO Expert Determination is a less legally-structured process.[110] It is especially well suited to narrower technical, scientific, or business issues like the valuation of an IP right, or the breadth of a patent claim.[111]

9. Court-Centered Settlement Efforts

"Court-centered settlement" methods often have no special application to IP rights cases, but are certainly available for use in IP disputes. The most common of these is court-ordered settlement conferences, in which a judge to whom a formal case has been assigned will require the lawyers (and perhaps the parties) to appear informally before the judge to discuss possible settlement. The judge may or may not be strong in pressuring a resolution. Even if a full settlement is not reached, some of the issues may be concluded.

However, using a magistrate judge or appointing a special master is especially promising in IP cases. Their role would resemble an ENE involvement,[112] but with stronger authority.

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106. *See generally What is Expert Determination?*, WORLD INTELL. PROP. ORG., http://www.wipo.int/amc/en/expert-determination/what-is-exp.html (last visited Apr. 19, 2012) [hereinafter *What is Expert Determination?*].

107. *Id.*

108. *WIPO Electronic Case Facility (ECAF)*, WORLD INTELL. PROP. ORG., http://www.wipo.int/amc/en/ecaf/index.html (last visited Aug. 10, 2012).

109. *What is Expert Determination*, *supra* note 106.

110. *Why Expert Determination in Intellectual Property?*, WORLD INTELL. PROP. ORG., http://www.wipo.int/amc/en/expert-determination/why-is-exp.html (last visited Aug. 10, 2012) [hereinafter *Why Expert Determination in Intellectual Property?*].

111. *Id.* *See also* WIPO Arbitration, Mediation Center, *Why Mediate/Arbitrate Intellectual Property Disputes?* 42 LES NOUVELLES 301, 303 (2007) [hereinafter *Why Mediate/Arbitrate?*].

112. *See* Casey, *supra* note 16, at 11-13.

A more exotic device that could be connected directly to courts is the "mini-trial" in which lawyers for each side of a dispute make short adversarial arguments in front of all the assembled disputants.[113] In a mini-trial, there is no judge or jury, but a neutral party may be present to control the proceedings. The theory behind this ADR method is that one party may hear for the first time how the dispute is viewed *legally* by the other side.[114] Having heard these arguments, the parties themselves may be more willing to negotiate a private solution. On the other hand, some attorneys resist using mini-trials for fear of revealing too much of the strategy they intend to employ in trial.[115]

Nonetheless, some consider the mini-trial to have significant potential.[116] The tone of a mini-trial differs from other ADR methods, offering some special possibilities for creative solutions as well as maintaining relationships.[117]

III. GENERAL FACTORS IN THE SELECTION OF APPROPRIATE PROCEDURES TO ADDRESS IP PROBLEMS

Challenges to the effectiveness of traditional adjudication, together with concerns about its costs, delays, and possible spill-over consequences were discussed in Part One. Yet traditional adjudication may remain appropriate to some IP problems, or at the least be of significant strategic advantage to one party.[118] The factors and contexts suggested below are necessarily general, but may provide some beginning guidance on choosing the appropriate procedure.[119]

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113. Thomas J. Klitgaard & William E. Mussman, *High Technology Disputes: The Minitrial as the Emerging Solution*, 8 Santa Clara Computer & High Tech. L.J. 1, 2 (1992); *see* Blackmand, *supra* note 95, at 1715.

114. *See* Blackmand, *supra* note 95, at 1715.

115. Personal communication with Richard Naiberg, Canadian IP attorney, at USPTO Conference on Trends in ADR Concerning IP Rights Litigation, Cal. W. Sch. of L., San Diego, Cal. (Mar. 9, 2012).

116. *See, e.g.*, Casey, *supra* note 16, at 10.

117. Klitgaard & Mussman, *supra* note 113, at 3-4.

118. *See* Martin, *supra* note 19, at 948-55.

119. *See* Frank E.A. Sander & Stephen B. Goldberg, *Fitting the Forum to the Fuss: A User-Friendly Guide to Selecting an ADR Procedure*, 10 NEGOTIATION J. 49, 50 (1994).

A. Contexts That Suggest the Use of Adjudication

The contexts favoring adjudication are:

- where the relationship of the parties will not likely generate the minimal openness toward compromise that ADR generally requires;
- where circumstances either demand an immediate, authoritative interim remedy like an injunction or where adjudication could result in treble damages; or
- where other parties, or the public generally, are intended to be influenced by the lawsuit or its ensuing judgment.

These contexts are discussed below under the headings of *relationships; remedies*; and *public impact.*

1. Relationships

Apart from arbitration, ADR methods rely less on power and more on the mutual consent of the parties to resolve the problem. They rely, in other words, on the parties reaching some sort of agreement.[120] Where mutual consent is unavailing, no agreement is likely and those ADR methods will thus be unsuccessful.[121]

Under what circumstances will the parties refuse to reach an agreement? Generally, where one party seeks to punish the other, or where for some other reason one party adopts an absolutist approach that is likely unacceptable to the other party.[122]

An example is flagrant intentional piracy of IP rights, which is an additional justification for the continued use of criminal sanctions. The rights holder in such instances will likely adopt an absolutist position against the infringer on moral or emotional grounds that will preclude a negotiated agreement. Punishing or absolutist sentiments could also be the legacy of some history between the parties that has poisoned current relations.

A "non-zero sum approach" like much of ADR does not work well, says Professor Yu, "when a party's interests can be served only

120. *See* Elleman, *supra* note 7, at 770.

121. Casey, *supra* note 16, at 6-7.

122. Yu, *supra* note 10, at 616; *Why Mediate/Arbitrate?*, *supra* note 111, at 302, 306.

by a complete victory. 'Sometimes a party's interest in public vindication is so strong that it cannot be met without adjudication, and that interest may outweigh whatever tangible settlement options the other party can offer.'"[123]

2. Remedies

Obtaining emergency relief like a temporary restraining order or preliminary injunction can sometimes be critical to containing the damage of an immediate IP dispute.[124] As Hitter explains, "[t]he longer the definition of the property rights is unclear, the more value the intellectual property loses.... Therefore, 'control of the use of the property' is what is important both during and after an intellectual property dispute."[125]

Although injunctive relief is available to most arbitrations through legislation or court cooperation,[126] authoritative interim relief is not an option for other ADR methods. Even where injunctive relief is enforceable between the parties to an arbitration, in most jurisdictions third persons may not be compelled to obey arbitral interim relief orders.[127] Where goods are being held by third parties, for example, some plaintiffs may benefit from initial filing of a court claim.[128]

The potential availability of monetary damages and attorney's fees as final remedies can also influence the choice between

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123. Yu, *supra* note 10, at 616 (quoting ROBERT H. MNOOKIN ET AL., BEYOND WINNING: NEGOTIATING TO CREATE VALUE IN DEALS AND DISPUTES 107 (2000)).

124. *See* Bennett, *supra* note 34, at 398; Christine Lepera & Jeannie Costello, *New Areas in ADR*, *in* ALTERNATIVE DISPUTE RESOLUTION: WHAT THE BUSINESS LAWYER NEEDS TO KNOW 593, 599 (PLI Litig. & Admin. Practice, Course Handbook Ser. No. H-605, 1999).

125. Hitter, *supra* note 69, at 467 (quoting John A. Fraser, III, *Congress Should Address the Issue of Provisional Remedies for Intellectual Property Disputes Which are Subject to Arbitration*, 13 OHIO ST. J. ON DISP. RESOL. 505, 512 (1998)).

126. *See* Bennett, *supra* note 34, at 398-99; Blackmand, *supra* note 95, at 1733; Lepera & Costello, *supra* note 124; Martin, *supra* note 19, at 943; *cf.* Anahit Tagvoryan, *A Secret in One District is No Secret in Another: The Cases of Merrill Lynch and Preliminary Injunctions under the FAA,* 6 PEPP. DISP. RESOL L.J. 148 (2006).

127. Martin, *supra* note 19, at 949.

128. *Id.*

adjudication and ADR.[129] Full damages undiminished by compromising settlement—and even treble damages or attorney's fees—can potentially be awarded in a formal judgment.[130]

3. Public Impact

Compared to arbitration awards or mediation settlements, adjudicative decisions are more visible, better circulated,[131] and hold stronger precedential value.[132] Because of these features, some parties choose litigation as the procedure perceived to clarify and protect IP rights in the strongest fashion.[133]

Some of this perception, however, may be exaggerated. For example, Elleman deflates two common stereotypes by stating:

> A common criticism of arbitration is that the arbitrators are often perceived as rendering 'compromise verdicts' in which they simply split the difference between both parties' demands. When this happens, both parties may walk away unsatisfied. However, this

129. Lemley, *supra* note 25, at 310-11, 315.

130. *Id.*

131. *See, e.g.*, Yu, *supra* note 10, at 616-17. As Peter K. Yu describes the tendencies of ADR methods: "[T]he nonzero-sum approach creates very limited propaganda value. For example, if a party wants to announce to all its trading partners that it has adopted a new and tougher policy on pirated software or counterfeit audiovisual products, the nonzero-sum approach may not be effective in disseminating this message. Likewise, this approach would not create a reputation that deters similar disputes in the future." *Id.*

132. Yu, *supra* note 10, at 616. "[A] nonzero-sum approach does not work well if the party has an interest in creating a longlasting precedent and is using the adversary process as a means to that end. After all, the nonzero-sum approach assumes that there will be no eventual winner or loser, and the dispute resolution process does not seek to establish right or wrong. In fact, by assuming that each case is unique, the approach acknowledges that the settlement will be of very limited precedential value." *Id.* In contrast, says Lemley, a "legal precedent grants the owner leverage against subsequent infringers. As subsequent infringers emerge, the precedent conveys increased bargaining power to the owner. Moreover, the precedent will likely cause subsequent infringers to shift from the adversarial commitment to the fundamental commitment and become more willing to enter licensing arrangements." Lemley, *supra* note 25, at 302.

133. *See Why Mediate/Arbitrate?, supra* note 111, at 302, 306.

may be an unfair criticism as it has been noted that both judges and juries also regularly render compromise verdicts.[134]

Another criticism of arbitration, continues Elleman, is that "[i]f there is a more fundamental disagreement or source of animosity between the parties, arbitration will usually only resolve the current, surface dispute without mending the deeper conflict. However, the same shortcoming is also present in patent litigation."[135]

B. Contexts that Suggest the Use of ADR

Several characteristics of a particular dispute may suggest that ADR should be especially preferred over adjudication, and some of those factors even point to a particular ADR method. One example was suggested above.[136] Where the dispute involves parties from different countries, the costs, delays, and uncertainty of enforcement all point toward using ADR generally. In particular, arbitration affords the easiest and most reliable enforceability of outcome, because of the New York Convention.

In contrast, where a quick resolution of the dispute is crucial, adjudication should be avoided but arbitration will not always be much better. Mediation or one of the other assisted negotiation methods can be concluded as fast as the parties can come to an agreement. Similarly, if keeping costs low is a primary concern, an ADR method other than adjudication is strongly suggested. Mediation or another more informal method is also suggested where the parties have strong potential for future dealings: their personal and business relationship can be preserved—perhaps even strengthened—in the hands of a skilled mediator or advisor who can suggest flexible remedies or cross-licensing compromises.[137]

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134. Elleman, *supra* note 7, at 772.

135. *Id.*

136. *See supra* Part II.B.6.

137. As Francis Gurry states: "A large range of commercial relations depend upon a joint interest in the profitable exploitation of an intellectual property asset, such as licensing contracts, franchising and distribution arrangements, technology-intensive joint ventures, R&D contracts and publication, music and film contracts. In all these instances, a dispute (and its consequent litigation) risks sterilizing the use of the asset that lies at the base of the commercial arrangement. In these forms of relationships, mediation, with its accent on outcomes that are sensitive to the future

Other factors pointing toward ADR are more difficult to differentiate among methods. Where the underlying facts or law are highly complex, for example, ADR is suggested over adjudication because of the parties' control over third party involvement with the dispute. Regardless of whether the third party will play a decisional role (as in arbitration), a facilitator role (as in mediation), an evaluator role (as in ENE), or an advisor role (as with a standing neutral), the parties can seek out persons with high technical understanding or relevant legal experience.

Finally, where confidentiality is significant to the parties, ADR is the natural choice. As suggested above, however, the public regulatory interest may be compromised by such closed proceedings. Trade secrets disputes may present the least tension between party confidentiality and the public's interest in transparency; patent claims constructions are more difficult to reconcile between openness and secrecy.[138] For larger corporations, the disclosure of certain material facts involved in a trade secrets dispute could very well provide competitors with strategically advantageous information.

IV. CONCLUSION

As stated at the outset, IP enforcement should protect rights that have been legitimately recognized by the law, and facilitate their future use. The three functions of IP law must be properly balanced if the underlying goals of social invention and creativity are to be achieved. As globalization and digitization progress, creating effective, efficient, and productive enforcement procedures becomes more difficult, yet more crucial.

Adjudication must remain a central option, as its properties of transparency, clarity, power, precedent, and ability to bring a public regulatory voice to IP disputes makes it an invaluable resource.

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business interests of both parties, offers great value." Francis Gurry, *A New Synergy*, 6 No. 2 DISP. RESOL. MAG. 4, 5 (2000); *see also* Dean, *supra* note 40, at 369.

138. Hitter, *supra* note 69, at 464. "The public also has a strong interest in definite rulings on claim constructions. The 'claim construction is the touchstone for any infringement or validity analysis,' since it defines the terms of an inventor's property rights. Only once these are defined can a court determine if an infringement occurred." *Id.* (quoting Moore, *supra* note 40, at 2).

Nonetheless, its accelerating costs, delays, uncertain expertise, and possible relational destructiveness have spawned a private market for alternative methods.

The market has generated admirable procedural innovations, many of which were sketched in the body of this Introduction. The next evolutionary stage is toward stronger use of the ADR methods within public bodies and international organizations. This should not, and will not, displace the purely private use of these methods. Rather, by folding these alternative practices into public legal systems, as well as increasing public recognition, agencies may enhance the quality and consistency of the ADR methods themselves, thereby permitting easier integration of public values into IP dispute resolution. Moreover, it will prompt further innovations in designing ADR methods, and build experience among IP legal practitioners in fitting the procedures to particular problems and contexts.

Finally, offering a broader, more flexible, and cheaper enforcement system for IP rights may make IP generally more accessible and feasible. By increasing efficiency and party participation in enforcement, more creators may be encouraged to seek legal recognition for their inventions and expression. Once those rights are secured, the ideas will be put to better use for their creators, the public, and the new innovators who will build on those rights.