

ALTERNATIVE DISPUTE RESOLUTION IN COMMERCIAL INTELLECTUAL PROPERTY DISPUTES

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INTRODUCTION

Too frequently when faced with an intellectual property dispute, business executives and attorneys fail to consider the unique attributes and potential advantages of alternative dispute resolution (ADR). Following the traditional path of litigation, parties may miss an opportunity to craft their own outcome, control the process, and preserve valuable resources, even though federal legislation and court decisions have provided parties more reliable outcomes through ADR. While ADR has become more prevalent in other areas of the law, many intellectual property attorneys do not regularly consider ADR as one of their options.

The intent of this Article is to discuss various ADR methods and show how they may become valuable to intellectual property practitioners in their practices. Part I describes various ADR techniques including arbitration, private judging, mediation, advisory opinions, and non-binding mock-trials. Part II focuses on major types of intellectual property disputes and why ADR offers distinct advantages in each context: copyright and software, patent, trademark and trade dress, trade secret and unfair competition, and licensing disputes. Part III discusses the deference courts increasingly give to ADR decisions, thereby providing parties more effective and efficient remedies.

A practitioner in the intellectual property area can choose from many types of ADR methods, providing clients with broader, and possibly better, choices when faced with a conflict. Parties especially should consider ADR, with the advice of counsel, when: (1) they have a sufficient understanding of the case, either through discovery or other means; (2) when it seems a dispute can or should be settled; or (3) when trial costs may be prohibitively high.¹ ADR also provides advantages when parties seek a rapid outcome.²

1. See generally ENDISPUTE, INC., SELECTING CASES FOR ADR 5-1 TO 5-3 (1994) [hereinafter ENDISPUTE] (discussing factors to consider when selecting cases for ADR).

2. See CENTER FOR PUBLIC RESOURCES INSTITUTE FOR DISPUTE RESOLUTION, CPR MODEL ADR PROCEDURES AND PRACTICES: TECHNOLOGY DISPUTES I-5 (1994) [hereinafter TECHNOLOGY

Only in limited circumstances should an attorney refuse to consider ADR. For example, an attorney probably should not recommend ADR in a "bet the company" situation.³ But in many cases, ADR can provide an excellent alternative to traditional methods. Former Chief Justice Burger advocated alternative dispute resolution, stating:

The notion that ordinary people want black-robed judges and well dressed lawyers and fine courtrooms as settings to resolve their disputes is not correct. People with problems, like people with pains, want relief, and they want it as quickly and inexpensively as possible.⁴

I. ADR METHODS IN GENERAL

Alternative dispute resolution does not describe a single approach or method, but comprises many practices for settling disputes between parties.⁵ ADR methods fall into two major categories: binding and consensual.⁶ Binding methods, as the name indicates, result in outcomes that automatically bind the parties, whereas consensual methods allow the parties to help shape the agreements and require their joint approval to take effect.⁷ Binding processes, such as arbitration and private judging, bear many similarities to traditional litigation,⁸ but still offer distinct advantages.⁹ Consensual

DISPUTES]. Rapid resolution to a dispute provides a distinct advantage when a corporation cannot afford the interference lengthy litigation can cause in day to day business, or when it seeks to maintain a relationship with the other party. See Campbell Killefer, *Negotiating ADR Provisions in Corporate Transactions*, CCM: AM. LAW. CORP. COUNS. MAG., Apr. 1995, at 60A.

3. See Killefer, *supra* note 2, at 61A. "Bet the company" situations refer to suits that turn on difficult legal issues, involving principles that go beyond the immediate dispute to affect a company's market position. See *id.* Other instances where ADR may not best serve clients' interests include cases involving unsettled areas of law and situations where a client has a significant procedural advantage in litigation. See Steven J. Elleman, *Problems in Patent Litigation: Mandatory Mediation May Provide Settlement Solutions*, 12 OHIO ST. J. ON DISP. RESOL. 759, 773 & n.88 (1997) (arguing that ADR is not appropriate for cases where non-monetary relief is sought).

4. Dina R. Janerson, *Representing Your Clients Successfully in Mediation: Guidelines for Litigators*, N.Y. LITIGATOR, Nov. 1995, at 15 (quoting Chief Justice Burger at the 1985 Chief Justice Earl Warren Conference on Advocacy: Dispute Resolution Devices in a Democratic Society (Roscoe Pound-American Trial Lawyers Foundation 1985)).

5. See CENTER FOR PUB. RESOURCES AND THE INT'L TRADEMARK ASSOC., *ADR IN TRADEMARK AND UNFAIR COMPETITION DISPUTES: A PRACTITIONER'S GUIDE II-1* (William A. Finkelstein ed., 1994) [hereinafter *ADR IN TRADEMARK AND UNFAIR COMPETITION DISPUTES*] (stating that the differing policies are not mutually exclusive in any particular conflict, but often are used in a customized combination).

6. See *id.* at II-2 (explaining that binding and consensual methods often involve the presence of a third party).

7. See *id.* (observing that most court-based ADR processes produce non-binding outcomes).

8. See *id.* (noting that binding processes involve a third party who has the authority to impose a resolution); see also *infra* notes 17-23, 35-37 and accompanying text (highlighting the attributes of arbitration and private judging).

methods, including mediation, advisory opinions, and non-binding mock-trials, offer a host of options for clients.¹⁰

Virtually any dispute, if examined closely, will reveal fruitful tactics for facilitating a resolution.¹¹ Forward-looking parties may also craft ADR clauses into contracts and agreements. For example, parties may include in a current settlement agreement a provision to use ADR as a means to deal with possible future conflicts.¹² ADR methods may also be classified as "court-annexed" or "private," depending on whether a court with jurisdiction over the parties requires or sponsors the particular process.¹³

Arbitration serves as one of the most popular and well-known forms of ADR. This binding and final method of private adjudication offers clients an alternative to courtroom litigation. Every state has adopted a version of the Uniform Arbitration Act,¹⁴ and the Federal

9. See *supra* note 7 and accompanying text (mentioning advantages of arbitration). Unlike traditional litigation, private judging allows parties to choose a judge with the necessary expertise and permits parties to have control over the timing of the resolution of their dispute. See *ENDISPUTE INC.*, ADR PROCESSES 4-18 (1994) [hereinafter ADR PROCESSES]; see also *infra* notes 41-50 and accompanying text (discussing the ability to choose an arbiter with expertise as an advantage of ADR).

10. See *infra* notes 24-29 and accompanying text (discussing mediation as one possible option); *infra* notes 30-34 and accompanying text (discussing non-binding mock-trials as another option).

11. 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 (1994) (providing considerations and materials to use in selecting the best ADR method).

12. See *IBM—Hitachi Trade Secret Settlement Creates Novel Arbitration Panel*, CPR'S ALTERNATIVES TO THE HIGH COST OF LITIGATION, Nov. 1983, reprinted in TECHNOLOGY DISPUTES, *supra* note 2, at III-32 (describing the settlement which included a mechanism for dealing with future disputes between the two parties in an attempt to avoid future litigation). See generally TECHNOLOGY DISPUTES, *supra* note 2 (discussing the formulation of dispute resolution clauses during negotiation of business agreements).

13. See ADR IN TRADEMARK AND UNFAIR COMPETITION DISPUTES, *supra* note 5, at II-1 to II-2 (differentiating between private and mandatory ADR processes).

14. See ALA. CODE §§ 6-6-1 to -16 (1993 & Supp. 1997); ALASKA STAT. §§ 9.43.010-180 (Michie 1996 & Supp. 1997); ARIZ. REV. STAT. ANN. §§ 12-1501 to -1518 (West 1994 & Supp. 1997); ARK. CODE ANN. §§ 16-108-101 to -224 (Michie 1987 & Supp. 1997); CAL. CIV. PROC. CODE §§ 1280-1288.8 (West 1982 & Supp. 1997); COLO. REV. STAT. §§ 13-22-201 to -223 (1987 & Supp. 1996); CONN. GEN. STAT. §§ 52-408 to -424 (1991 & Supp. 1998); DEL. CODE ANN. tit. 10, §§ 5701-5725 (1974); D.C. CODE ANN. §§ 16-4301 to -4319 (1997); FLA. STAT. ch. 44.1011, .102-108 (1988 & Supp. 1997); GA. CODE ANN. §§ 9-9-1 to -133 (1982 & Supp. 1997); HAW. REV. STAT. §§ 658-1 to -15 (1985 & Supp. 1994); IDAHO CODE §§ 7-901 to -922 (1990 & Supp. 1997); 710 ILL. COMP. STAT. ANN. 5/1-5/23 (West 1992 & Supp. 1997); IND. CODE ANN. §§ 34-57-2-1 to -22 (Michie Supp. 1998); IOWA CODE ANN. §§ 679A.1-.19 (West 1987 & Supp. 1997); KAN. STAT. ANN. §§ 5-401 to -422 (1991 & Supp. 1996); KY. REV. STAT. ANN. §§ 417.000-.240 (Banks-Baldwin 1997); LA. REV. STAT. ANN. §§ 9:4201-9:4217 (West 1997 & Supp. 1998); ME. REV. STAT. ANN. tit. 14, §§ 5927-5949 (West 1980 & Supp. 1997); MD. CODE ANN., CTS. & JUD. PROC. §§ 3-2A-04 to -09 (1995 & Supp. 1997); MASS. GEN. LAWS ANN. ch. 251, §§ 1-19 (West 1988 & Supp. 1997); MICH. COMP. LAWS ANN. §§ 600.5001-5035 (West 1997); MINN. STAT. ANN. §§ 572.08-.30 (West 1988 & Supp. 1998); MISS. CODE ANN. §§ 11-15-1 to -37 (1972 & Supp. 1997); MO. ANN. STAT. §§ 435.012-.470 (West 1992 & Supp. 1998); MONT. CODE ANN. §§ 27-5-111 to -324 (1997); NEB. REV. STAT. §§ 25-2601 to -2622 (1995 & Supp. 1997); NEV. REV. STAT. §§ 38.015-.205 (1995); N.H. REV. STAT. ANN. §§ 542:1-542:11 (1997 & Supp. 1997); N.J. STAT.

Government has similarly enacted a statute on arbitration.¹⁵ These statutes not only provide that the courts should enforce an arbitration award, but also state that the award is final except under extremely limited circumstances.¹⁶

In arbitration, the parties may select one private arbiter¹⁷ or a panel of three private arbiters, who often possess a particular expertise in the area of the conflict.¹⁸ General rules and regulations on arbitration have been promulgated by various organizations, however, parties may agree to tailor the regulations to fit their individual situations.¹⁹ Depending on the structure the parties have selected, the arbitration itself can offer the parties limited discovery, freedom from some or all of the rules of evidence, an opportunity to examine and cross-examine witnesses, and the option to use briefs and oral argument.²⁰

Further modifications can limit the range of possible outcomes. For example, in a "bracketed" or "high/low" arbitration the parties can agree in advance to maximum and minimum liability amounts.²¹

ANN. §§ 2A:23A-20 to -30, :24-1 to -11 (West 1987 & Supp. 1997); N.M. STAT. ANN. §§ 44-7-1 to -22 (Michie 1978 & Supp. 1996); N.Y. C.P.L.R. LAW §§ 7501-14 (McKinney 1980 & Supp. 1998); N.C. GEN. STAT. §§ 1-567.1-.20 (1996); N.D. CENT. CODE §§ 32-29.2-01 to -20 (1996 & Supp. 1997); OHIO REV. CODE ANN. §§ 2711.01-.24 (Anderson 1992 & Supp. 1997); OKLA. STAT. ANN. tit. 15, §§ 801-818 (West 1993 & Supp. 1998); OR. REV. STAT. §§ 36.300-425 (1997 & Supp. 1997); PA. STAT. ANN. tit. 42, §§ 7301-7320 (statutory arbitration), 7341-7342 (common law arbitration), 7361-7362 (judicial arbitration) (West 1982 & Supp. 1997); R.I. GEN. LAWS §§ 10-3-1 to -21 (1997); S.C. CODE ANN. §§ 15-48-10 to -240 (Law Co-op. 1976 & Supp. 1997); S.D. CODIFIED LAWS §§ 21-25A-1 to -8 (Michie 1987 & Supp. 1997); TENN. CODE ANN. §§ 29-5-301 to -320 (1988 & Supp. 1997); TEX. CIV. PRAC. & REM. CODE ANN. §§ 154.027, 171.001-.023 (West 1997 & Supp. 1998); UTAH CODE ANN. §§ 78-31a-1 to -20 (1996 & Supp. 1997); VT. STAT. ANN. tit. 12, §§ 5651-5681 (1973 & Supp. 1997); VA. CODE ANN. §§ 8.01-581.01 to .016 (Michie 1992 & Supp. 1997); WASH. REV. CODE ANN. §§ 7.04.010-.220 (West 1992 & Supp. 1998); W. VA. CODE §§ 55-10-1 to -8 (1994 & Supp. 1997); WIS. STAT. ANN. § 802.12 (West 1994 & Supp. 1997); WYO. STAT. ANN. §§ 1-21-801 to -804 (Michie 1988 & Supp. 1997).

15. 9 U.S.C. § 1-16 (1994).

16. See *supra* notes 14-15 (citing federal and state statutes on arbitration).

17. The Authors use the term "arbitrator" to indicate specifically the decision maker of an arbitration, and "arbiter" to refer generally to any decision-maker in a dispute, whether a judge, arbitrator, or mediator.

18. See ADR PROCESSES, *supra* note 9, at 4-15 (stating that parties often select a neutral party with particular expertise or experience).

19. See, e.g., INSTITUTE FOR DISPUTE RESOLUTION, CENTER FOR PUBLIC RESOURCES, INC., CPR MODEL ADR PROCEDURES AND PRACTICES: ARBITRATION I-5 to I-18 (1995) [hereinafter CPR: ARBITRATION] (discussing how parties can use CPR's non-administered arbitration rules and commentary as a procedural basis to settle disputes); AMERICAN ARBITRATION ASS'N, PATENT ARBITRATION RULES 6 (1993) (describing the procedure used to administer arbitration by the American Arbitration Association).

20. See ADR IN TRADEMARK AND UNFAIR COMPETITION DISPUTES, *supra* note 5, at VIII-10, VIII-24 to VIII-25 (explaining that parties may adopt or reject certain rules of evidence depending on their situation); Gregg A. Paradise, *Arbitration of Patent Infringement Disputes: Encouraging the Use of Arbitration Throughout Evidence Rules Reform*, 64 FORDHAM L. REV. 247, 270-78 (1995) (discussing how the lack of evidence rules for patent infringement arbitration is a double-edged sword and allows for the admission of certain forms of hearsay evidence).

21. See ADR PROCESSES, *supra* note 9, at 4-16 to 4-17 (stating that parties may or may not

In contrast, "final offer arbitration" requires each party to submit a final offer to the arbiter who must then choose between the two submissions.²² Fear that the arbiter will not accept an excessively inflated (or deflated) figure encourages the parties to submit more moderate proposals and works to drive the parties closer to a mutually acceptable solution.²³

Mediation offers another option for clients involved in disputes. During mediation, a neutral third party assists the conflicting parties in crafting a settlement.²⁴ In contrast to an arbitrator, the mediator does not decide the outcome, but merely facilitates resolution between the parties.²⁵ In this process, the parties themselves try to create a solution that will work.²⁶ Further, for clients who have an important business relationship with the other side, mediation offers the benefit of a less adversarial solution than arbitration.²⁷ At the conclusion of mediation, the parties can both claim ownership of the resolution.²⁸ Obviously, for a successful, non-binding mediation, both parties must have a genuine desire to resolve the matter reasonably.²⁹

Both mock-trials (non-binding and consensual) and private judging (binding) allow parties to take advantage of several facets of the traditional legal system, such as oral argument and the examination and cross-examination of witnesses.³⁰ Both of these options may also include using private juries composed of experts, able to digest information in a technology-intensive dispute. The two

agree to disclose the bracketed range to the arbitrator).

22. See *id.* at 4-17.

23. See *id.* (explaining that final offer arbitration forces the parties to name reasonable figures).

24. See INSTITUTE FOR DISPUTE RESOLUTION, CENTER FOR PUBLIC RESOURCES, INC., CPR MODEL ADR PROCEDURES AND PRACTICES: MEDIATION I-1, I-4 (1995) [hereinafter CPR: MEDIATION] (defining mediation as a process where a neutral third-party "actively assists" parties towards a settlement).

25. See *id.* (explaining that a mediator does not make binding decisions while an arbitrator has the power to bind the parties).

26. See *id.* This expresses the traditional facilitative mediation. Some mediators have developed an evaluative mediation style. In this less traditional style, the parties still ultimately agree on the solution, but the mediator evaluates their claims during the process, providing feedback on the parties' assertions. See ADR PROCESSES, *supra* note 9, at 4-2 to 4-4.

27. See CPR: MEDIATION, *supra* note 24, at I-4 (characterizing mediation as a form of communication that reduces hostility and facilitates rational discussion).

28. See *id.* (reasoning that as a mediator allows parties to communicate freely in a controlled environment, the parties feel that they have a stake in both the dispute and the resolution).

29. See *id.* (stating that the principal precondition for a successful mediation is the mutual goal of resolution).

30. See *Expert Jurors Spur Accord at High-Tech Private Trial*, CPRS ALTERNATIVES TO THE HIGH COST OF LITIGATION, Dec. 1987, reprinted in TECHNOLOGY DISPUTES, *supra* note 2, at III-28 [hereinafter *Expert Jurors Spur Accord*] (describing the procedures of a private trial involving witnesses, evidentiary rules, and motions); see also TECHNOLOGY DISPUTES, *supra* note 2, at I-25 (explaining that a mini-trial is synonymous with a mock-trial).

options, however, may offer very different outcomes.³¹ In a non-binding mock-trial, decision-making individuals for each side typically observe opening and closing arguments by their attorneys and opposing counsel, as well as the examination and cross-examination of key witnesses.³² This process educates corporate executives on both sides, allowing them to "stand back" and make another, often more realistic, assessment of their case. Such a process typically promotes additional flexibility and allows the parties to negotiate a settlement with a greater chance of success.³³ The judge or jury, if present, may offer conclusions for consideration by the parties, but such a conclusion will not be binding on the parties.³⁴

In contrast, private judging, if established by the jurisdiction, creates a decision with the force of law and, unlike other ADR options, brings with it rights of appeal.³⁵ Private judging can be distinguished from arbitration because, in private judging, the parties do not typically select the rules of evidence or civil procedure, but follow jurisdictional rules.³⁶ The private judge is the functional equivalent of a public judge, except the private judge lacks the power of contempt.³⁷

II. APPLICABILITY OF ADR METHODS TO INTELLECTUAL PROPERTY DISPUTES

ADR methods aptly suit commercial intellectual property disputes. A survey of patent attorneys, conducted in 1981 and again in 1991, showed their increased willingness to arbitrate and reported an increased number of attorneys with mediation experience.³⁸ Several

31. See *Expert Jurors Spur Accord*, *supra* note 30, at III-28.

32. See TECHNOLOGY DISPUTES, *supra* note 2, at I-25 (describing consensual ADR where management representatives with a command of the disputed subject matter participate in the mock-trial).

33. See *id.* at I-9 to I-10 (explaining that a mock-trial encourages settlement because it gives both sides a balanced view of the case and a glimpse at the possible outcome). See *generally id.* at IV (providing a sample negotiation clause for a negotiation between executives). For example, after a non-binding arbitration of a patent dispute concluded that the device in question did indeed infringe the patent, the parties settled. See *Stenograph Corp. v. Fulkerson*, 972 F.2d 726, 727 (7th Cir. 1992).

34. See TECHNOLOGY DISPUTES, *supra* note 2, at IV (providing a sample negotiation allowing for both a jury mini-trial or a mediation presided over by a judge).

35. Many states, including California, Connecticut, Nebraska, New Hampshire, New York, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Texas, and Washington offer this option. See *id.* at I-18; see also Note, *The California Rent-A-Judge Experiment: Constitutional and Policy Considerations of Pay-As-You-Go-Courts*, 94 HARV. L. REV. 1592, 1600 (1981) (discussing the private judge process in California and how it allows for appeals to a trial court judge either by a motion to set aside the referee's findings or by a motion for a new trial).

36. See ADR PROCESSES, *supra* note 9, at 4-18 (noting that certain jurisdictions such as California have general reference statutes which govern private judging).

37. See *id.*

38. See Francis Flaherty, *ADR: Low Cost for High Tech.*, CPR'S ALTERNATIVES TO THE HIGH

reasons converge to make these types of cases even more ADR-friendly than the "average" dispute.

In most situations, resolution of intellectual property disputes does not require an "either/or" result in which one party walks away with all the rights at issue.³⁹ Instead, parties often consider some form of shared rights to be an acceptable, or even preferred, result.⁴⁰ Shared rights usually take the form of a license arrangement, where one party grants the other party a license for a discrete portion of the rights at issue, in return for cash payment, a reasonable royalty, an exchange of technology, or some combination thereof.⁴¹

Also, intellectual property cases often challenge the legal system with their complicated, technical nature. Frequently, the legal issues require an arbiter to develop an understanding of the underlying technology involved. Parties may feel more comfortable with the ability to choose at least one arbiter whose background and knowledge will allow him or her to understand fully the technology involved.⁴² A judge or jury, without a scientific or technical background, may have trouble, for example, understanding the distinction between sophisticated software programs or the nuances of plant and animal cloning. Parties to such a dispute may prefer to use—and perhaps, more importantly, to assist in the selection of—a qualified mediator or arbitrator.⁴³ Parties can also create their own trial with an expert judge and even a panel of expert jurors.⁴⁴ When faced with a technology-intensive dispute, hiring such a "court" can

COST OF LITIGATION, Jan. 1993, *reprinted in* TECHNOLOGY DISPUTES, *supra* note 2, at III-2, III-4 (highlighting the increased preference for arbitration and mediation).

39. Patent controversies, as well as other intellectual property disputes, because of their nature, provide opportunities for crafting win-win solutions through ADR. See Elleman, *supra* note 3, at 774-75 (discussing how the technical nature of intellectual property disputes often inhibits voluntary settlements and instead leads to more mediation proceedings). In contrast, litigation often requires participants to play a zero-sum game. See John R. Kahn, *Negotiation, Mediation and Arbitration in the Computer Program Industry: Why play hardball with software?*, pt. III.B (1989) (visited Sept. 23, 1998) <<http://www.accesscom.com/~jkahn/adr.html>> (listing disadvantages of pursuing litigation in lieu of ADR alternatives).

40. See Elleman, *supra* note 3, at 774-75.

41. In fact, traditional license negotiations share common attributes with ADR. See Flaherty, *supra* note 38, at III-2 to III-3 (defining traditional license regulations as informal meetings that involve lawyers, executives, and technical personnel from both sides of a patent dispute, although typically without a neutral party present). Other disputes are more constructively solved through ADR rather than through a winner-take-all litigation, as in areas where the parties have existing business relationships. See Richard B. Potter, Q.C., *ADR and Computer Contracts*, CPR's ALTERNATIVES TO THE HIGH COST OF LITIGATION, June 1990, *reprinted in* TECHNOLOGY DISPUTES, *supra* note 2, at III-15 to III-16.

42. See *Expert Jurors Spur Accord*, *supra* note 30, at III-28.

43. See Flaherty, *supra* note 38, at III-2 (concluding that in a high-tech trial it is not uncommon to receive a jury decision that is "totally off the wall").

44. See *Expert Jurors Spur Accord*, *supra* note 30, at III-28.

provide distinct advantages.⁴⁵

Highly technical issues also present a substantial economic incentive to favor ADR methods. Whereas the parties may need to spend a significant amount of time, effort, and money "teaching" the relevant technology to a lay judge or jury, the selected arbiter usually will not require nearly as much education.⁴⁶ Further, the selected arbiter has more input and control over how much background the parties provide, resulting in a sufficient understanding of the parties' positions, the issues involved, and the technology at hand, without wasting time and money. Using a panel of diverse arbiters may provide an additional advantage in technical cases. For instance, in chemical patent litigation, the parties could select a chemist with experience in the area, a business executive, and a patent attorney, covering many of the issues likely to arise in formulating appropriate resolution of the case.⁴⁷

Technically complicated issues, particularly in patent cases, also tend to lead to protracted litigation with long, drawn-out discovery, yielding enormous quantities of paper.⁴⁸ ADR can tighten the reins on complicated intellectual property cases by helping to limit the scope of an out-of-control case.⁴⁹ In addition, a mediator or arbitrator experienced in the relevant law, technology, or industry may be able to help find a unique solution appropriate to the particular situation, such as a special licensing arrangement or a joint venture.⁵⁰

On the other hand, intellectual property disputes probably present more actual or potential discovery-intensive issues, such as "fraud," in one form or another.⁵¹ The presence of discovery-intensive issues often means that one, if not both parties, will likely want full and complete discovery, at least on those issues.⁵² Although this desire

45. See *id.* (describing a trade secret dispute involving a new semiconductor chip, which was settled after the private expert jury of engineers was permitted to ask witnesses questions, thereby revealing holes in each side's case).

46. See Elleman, *supra* note 3, at 772 (noting that the use of an arbitrator with technical expertise avoids the problem of uneducated verdicts and the skill of these arbitrators usually guarantees that arbitration costs are 50% less than the litigation costs).

47. See Tom Arnold, *Booby Traps in Arbitration Practice and How to Avoid Them*, 396 PRAC. L. INST./PATENT LITIG. 197, 222 (1994) (asserting that a panel of arbitrators can provide a better balance of expertise).

48. See Elleman, *supra* note 3, at 764 (discussing the prolonged nature of patent litigation).

49. See *id.* at 767-75 (examining the benefits of using ADR to resolve patent disputes); ENDISPUTE, *supra* note 1, at 5-2 (suggesting that ADR allows for cost effective discovery).

50. See Tom Arnold, *Why ADR?*, 493 PRAC. L. INST./PATENT LITIG. 245, 256-57 (1997) (identifying the possibility of creative business solutions as a benefit of ADR).

51. See *Report on Discovery Under Rule 26(b)(1)*, 127 F.R.D. 625, 632 (1990) (recognizing intellectual property as a discovery-intensive field).

52. See 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.

may detract from an argument advocating ADR instead of courtroom litigation, parties may consider resorting to ADR after sufficient official discovery has occurred.⁵³ Thus, a factor that would normally appear to discourage the use of ADR may, particularly in intellectual property cases, merely precipitate a delay in, rather than complete avoidance of, an ADR process.

Different areas of intellectual property present varied advantages and focal points in the decision of whether to use ADR.⁵⁴ Certain areas have even been the subject of particularized model ADR rules and procedures, such as the CPR/INTA guidelines for "ADR in Trademark and Unfair Competition Disputes."⁵⁵ The following sections of this Article discuss some of the particular issues and facts raised when parties consider using ADR to resolve commercial disputes regarding intellectual property.

A. *ADR in Commercial Copyright and Software Disputes*

Copyright disputes typically involve the issue of whether or not an accused party infringed a copyright.⁵⁶ A key issue in such a dispute is usually the question of whether the accused party unlawfully "copied" or derived his own work from a work protected by copyright.⁵⁷ Absent clear indication of outright duplication of the original work, resolution of the dispute typically involves weighing the evidence of the accused party's access to the original work and the degree of substantial similarity between the particular expressions of the

REV. 917, 950 (1997) (stating that intellectual property attorneys fear that they cannot prove infringement without extensive discovery).

53. See *ENDISPUTE*, *supra* note 1, at 5-1 to 5-2 (discussing the role of discovery in ADR).

54. See, e.g., *Foreword to ADR in TRADEMARK AND UNFAIR COMPETITION DISPUTES*, *supra* note 5, at I (noting the role of ADR in trademark and unfair trade disputes); *TECHNOLOGY DISPUTES*, *supra* note 2, at I (discussing the advantages of ADR in resolving highly technical patent disputes); Kahn, *supra* note 39, pt. IV (analyzing the use of ADR to address computer software copyright disputes).

55. See *ADR in TRADEMARK AND UNFAIR COMPETITION DISPUTES*, *supra* note 5 (detailing both the mini-trial and mediation ADR processes in unfair competition and trademark settlement disputes); see also *AMERICAN ARBITRATION ASSOC., PATENT ARBITRATION RULES* (1993).

56. See *Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832, 837 (Fed. Cir. 1992) (defining a copyright infringement claim as one in which the copyright owner must establish that the alleged infringer copied protectable expression); see also Jessica Litman, *Copyright As Myth*, 53 U. PITT. L. REV. 235 (1991) (providing a general overview of the issues of authorship and infringement in copyright law).

57. See *Atari Games*, 975 F.2d at 837-38 (noting that there is literal and non-literal infringement). That a totally independent creation cannot be found to infringe a copyright is a well-established defense in the federal courts. See, e.g., *Ty, Inc. v. GMA Accessories, Inc.*, 132 F.3d 1167, 1169 (7th Cir. 1997) (stating that it is not infringement when an independent creation results in identical work); *Repp and K & R Music, Inc. v. Webber*, 132 F.3d 882, 891 (2d Cir. 1997) (noting that independent creation is an affirmative defense to infringement); *Grubb v. KMS Patriots, L.P.*, 88 F.3d 1, 6 (1st Cir. 1996) ("[I]f two people arrive at the same result independently, copyright law will protect the first.").

original work and the accused party's work.⁵⁸

Usually the case arises in a less-than-exacting setting. For example, consider the situation where the author of a book sues a movie company alleging that a movie infringed his copyright in the book, or a writer of an old song sues the writer of a new song alleging that the other writer copied his song. Normally, of course, the name of the accused work and any characters, as well as the setting, plot, and words, are not identical to their purported counterparts in the earlier work. If such were the case, the dispute would in all likelihood be settled quickly. Accordingly, the arbiter of the dispute must decide whether the accused party copied the expression fixed in the earlier work. This is accomplished by examining (1) the accused author's access to the earlier work; and (2) the degree of similarity between his work and the earlier work.⁵⁹ A strong determination on the first element will mitigate the need to find a strong showing on the second.⁶⁰

Copyright cases are not technical and are usually fairly constrained in scope and complexity. Rarely do these cases require extensive discovery or documentation. Because similarity is viewed from the perspective of the "ordinary observer," no particular expertise is required or appropriate for deciding these types of cases.⁶¹ Accordingly, these cases often are amenable to resolution through ADR, but no more or less so than most relatively straightforward commercial disputes.

Although involving more complicated subject matter, disputes involving duplication or derivation of computer software and other highly technical issues can also be appropriate candidates for ADR.⁶² As parties recognize the benefit of utilizing an arbiter with a particular technical background and ability to understand the subject matter at hand, ADR becomes a more attractive means of resolution.⁶³ Likewise, a strong potential or desire for an ongoing relationship between the parties may increase the attractiveness of ADR.⁶⁴

58. See *Atari Games*, 975 F.2d at 844 (articulating the accessibility and substantial similarity analysis).

59. See *id.* (identifying the factors of access and similarity as determinative of non-literal infringement).

60. See *Shaw v. Lindheim*, 919 F.2d 1353, 1361 (9th Cir. 1990) (stating that clear and convincing proof of access can justify a lower standard of proof required to show similarity).

61. See *Hupp v. Siroflex of Am., Inc.*, 122 F.3d 1456, 1464 (Fed. Cir. 1997) (citing the well established "ordinary observer" standard).

62. See Kahn, *supra* note 39, pt. IV (discussing ADR as applied in software disputes).

63. See *id.* pt. IV.C(1)(c) (discussing advantage of selecting adjudicators with a high level of expertise).

64. See *id.* pt. V (concluding that ADR can preserve business relationships); see also MICHAEL C. GEMIGNANI, *COMPUTER LAW* 21:8 (1985 & Supp. 1989).

Of course, disadvantages associated with some ADR methods, such as the unavailability of provisional relief or the absence of a jury trial, may also be important factors to a particular party.⁶⁵ Nevertheless, the costs, duration, and complexity of technical software disputes are often much easier to handle and control through ADR than by litigation.⁶⁶

ADR also provides the parties with the opportunity for far greater protection of trade secrets and other proprietary or sensitive information during the proceeding itself. Unlike a trial, ADR allows the parties to determine for themselves the degree to which such information will or will not be made publicly available.⁶⁷ This would likely be considered a substantial advantage in disputes regarding computer software, for example, where continued confidentiality is often a primary concern.⁶⁸

B. ADR in Commercial Patent Disputes

Patent disputes, especially those involving complex technological issues, are often particularly well suited for resolution through ADR. For instance, an arbiter selected by the parties may be better situated to address the technical aspects of an invention.⁶⁹ Resolution of a patent dispute involves addressing the patent's validity and subsequent infringement.⁷⁰ To address these issues the decision maker must examine the technical aspects of the patent, including the claims and specification⁷¹ from the perspective of a person "skilled in the art" of the patent's subject matter.⁷² Because many of the patents issued and involved in litigation today deal with

65. Of course, parties can tailor ADR methods to suit their needs by giving an arbiter power to render provisional relief or by hiring a private "judge." See David W. Plant, *Overview ADR Procedures*, in AIPLA ALTERNATIVE DISPUTE RESOLUTION GUIDE 4 (1995).

66. See Kahn, *supra* note 39, pt. IV.C(1) (discussing the advantages of arbitration); see also JOHN T. SOMA, *COMPUTER TECHNOLOGY AND THE LAW* 6 (1983 & Supp. 1988).

67. See JAY E. GRENIG, *ALTERNATIVE DISPUTE RESOLUTION* § 1.2 (2d ed. 1997 & Supp. 1998).

68. See Kahn, *supra* note 39, pt. IV (noting that ADR affords privacy to parties in computer software disputes).

69. See *TECHNOLOGY DISPUTES*, *supra* note 2, at I-23 (stating that a carefully selected arbitrator is more likely to understand technical arguments than a lay judge or jury); Elleman, *supra* note 3, at 771 (noting that the parties can select an arbitrator with particular legal and technical knowledge).

70. See *Engel Indus., Inc. v. Lockformer Co.*, 96 F.3d 1398, 1403-04 (Fed. Cir. 1996) (articulating this two-part analysis for infringement claims).

71. A court must often review highly technical data when interpreting a patent claim. See, e.g., *id.* (investigating a system for sheet metal assembly); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 821 (Fed. Cir. 1992) (examining a portable loam screening apparatus for patent infringement); *Senmed, Inc. v. Richard-Allan Med. Indus., Inc.*, 888 F.2d 815, 818 (Fed. Cir. 1989) (reviewing a patent for surgical staplers).

72. See *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979-80 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996) (outlining the process of construing claims).

biotechnology, chemicals and pharmaceuticals, or computer hardware and software (often referred to as "high technology"),⁷³ the ability to select a neutral arbiter, with training sufficient to understand the subject matter at issue, can prove a considerable advantage.⁷⁴

The need for and availability of discovery may also provide important considerations in deciding how to settle a patent dispute. A plaintiff suing for patent infringement may realize or expect that in a particular case, she may appropriately raise the issue of willfulness, which, if proved in the course of litigation, could result in an award for treble damages.⁷⁵ In this event, the plaintiff may prefer full discovery and disclosure on the willfulness issue.⁷⁶

A defendant may also benefit from full discovery.⁷⁷ Evidence gathered through full discovery potentially may be used to support a claim against the plaintiff for inequitable conduct before the Patent and Trademark Office, which, if successful, would render the patent unenforceable.⁷⁸ Similarly, a defendant on the issue of infringement, under the doctrine of equivalents,⁷⁹ may prefer significant discovery to help formulate a potential defense of prosecution history estoppel, which may prevent an overly broad definition of the relevant claims.⁸⁰

73. See, e.g., *Ethicon Endo-Surgery, Inc. v. United States Surgical Corp.*, 93 F.3d 1572, 1574-75 (Fed. Cir. 1996) (examining a linear cutter surgical stapler); *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1579 (Fed. Cir. 1996) (dealing with printed circuit boards).

74. One expert believes that, depending on the jurisdiction, patent litigants have a chance of 1:20, 1:10, or 1:5 that their decision will be "totally off the wall." See Flaherty, *supra* note 38, at III-3 (quoting Norman Balmer, Union Carbide's Chief patent counsel). Even if attorneys do their best in explaining the technical differences between the patent claims, the prior art, and the allegedly infringing device, it may be unreasonable to expect a judge or jury to understand these fine points. See Elleman, *supra* note 3, at 765 & n.36.

75. See *Westvaco Corp. v. International Paper Co.*, 991 F.2d 735, 740, 745 (Fed. Cir. 1993) (reversing an award for treble damages after concluding that the district court erred in finding willful infringement).

76. See Ira V. Heffan, *Willful Patent Infringement*, 7 FED. CIR. B.J. 115, 146 (1997) (discussing pre-trial maneuvers in willful patent infringement cases).

77. Michael M. Markman, *Patent Opinions, Privileges, and the Advice of Counsel Defense to Claims of Willful Patent Infringement: Litigation Counsel Caught in the Crossfire*, 19 HASTINGS COMM. & ENT. L.J. 949, 958 (1997) (asserting that an alleged patent infringer will likely conduct extensive discovery).

78. See *Consolidated Aluminum Corp. v. Foseco Int'l, Ltd.*, 910 F.2d 804, 809 (Fed. Cir. 1990) (upholding the conclusion that inequitable conduct bars patent enforcement).

79. See *Dolly, Inc. v. Spalding & Evenflo Cos.*, 16 F.3d 394, 397 (Fed. Cir. 1994) (identifying how a product may constitute infringement under the doctrine of equivalents, which holds that a product or process that does not fall within the literal terms of a patent claim may nevertheless be deemed to infringe the claim because the product or process performs substantially the same way to obtain the same result).

80. See *Amhil Enters., Ltd. v. WAWA, Inc.*, 81 F.3d 1554, 1559 (Fed. Cir. 1996) (using the prosecution history to limit the scope of claimed invention); *Autogiro Co. of Am. v. United States*, 384 F.2d 391, 398-99 (Ct. Cl. 1967) ("[C]laims are best construed in connection with the other parts of the patent instrument and with the circumstances surrounding the inception of the patent application.").

In any of these situations, the parties can pursue discovery prior to initiating ADR or, in the alternative, include some form of discovery as part of the ADR process.⁸¹

Discovery conducted as part of the ADR process may work to either expand or narrow the scope of evidence presentable in a particular dispute. ADR may broaden the scope of admissible evidence by relieving the parties of their obligations to comply with the Federal Rules of Evidence,⁸² or narrow the scope by granting parties the power to control the duration and breadth of evidentiary requests. Defining the scope of the discovery process used in ADR may be decided, for example, on the basis of the type of case presented and presentable by one or both of the parties. Accordingly, it is crucial that parties choosing to include discovery as part of ADR carefully lay the framework for the discovery process. The need to define carefully the process used is also an important consideration in the selection of an arbiter skilled in the subject matter of the patent at issue.

Patent cases often involve complex technology issues and have a tendency to consume a great deal of time, effort, and expense. Discovery, document production, motions practice, and the trial itself are a tremendous drain on resources and time,⁸³ and can even slow awards of preliminary relief.⁸⁴ ADR, however, has the ability to provide a focused, limited, and relatively quick procedure without the significant financial costs of litigation. ADR also provides each side with a chance for a "reality check." In other words, after "hearing" the opponent's case, each client can re-evaluate the strength of its own case and its expectations for success, and weigh this against the willingness and flexibility of the opposing party to negotiate a settlement.⁸⁵ Furthermore, public disclosure of confidential trade secrets or other proprietary information can more easily be avoided in an ADR proceeding if the parties so choose.⁸⁶

81. As a part of, or a condition to ADR, parties can agree to discovery rules and scope. See TECHNOLOGY DISPUTES, *supra* note 2, at 1-26. The assistance of the neutral arbiter also helps parties overcome the difficulties associated with this phase of the dispute. See *id.*

82. FED. R. EVID. 101, 1101.

83. See Elleman, *supra* note 3, at 764 (citing discovery and courtroom delays as the major time-consuming factors in patent cases).

84. See William A. Morrison, *The Impact of the Creation of the Court of Appeals for the Federal Circuit on the Availability of Preliminary Injunctive Relief Against Patent Infringement*, 23 IND. L. REV. 169, 186 (1990) (noting that preliminary relief is granted infrequently).

85. See Miriam R. Arfin, *The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes*, 17 HASTINGS COMM. & ENT. L.J. 893, 899 (1995) (stating that cases using ADR are more likely to settle because ADR allows the parties to focus on the case and to communicate much earlier than they would during the course of litigation). Moreover, the public does not bear the cost of these "reality checks" as they would in traditional litigation.

86. See GRENIG, *supra* note 67.

In addition, while an individual inventor faced with challenging a large corporation may perceive the availability of a jury trial, rather than ADR, to be a particular benefit, some advantages of ADR should prompt the individual inventor to reconsider such options. For example, while the individual may not have the opportunity to play on the potential sympathy of a jury, the savings in time and resources typically provided by ADR methods may make it much easier for a small party to bring a suit.⁸⁷

Plaintiffs suing big companies for patent infringement often look for legal representation on a contingent-fee basis because of the incredible cost usually associated with a patent case.⁸⁸ Many attorneys and firms balk at contingent-fee cases, often in large part because of the time, effort, and expense involved in a patent case. In a normal, bill-by-the-hour situation, firms are paid as the case proceeds. But in a contingent-fee patent case, the lawyer or firm will likely have to expend substantial amounts of time, effort, and money for a period of many months or years. Even when the case has a good chance of a favorable outcome, many lawyers and firms simply are not in a position to commit to an extensive outlay over a lengthy period of time.⁸⁹ For this reason, individual plaintiffs often have a great deal of trouble finding representation on a contingent-fee basis.⁹⁰

ADR, however, may make it much easier for a lawyer or firm to justify taking on such a case. The limited degree of discovery and processing in the case, as well as the likelihood of a quicker resolution, may allow more lawyers or firms to accommodate individual plaintiffs with contingency fee arrangements.⁹¹ In this manner, ADR may help such plaintiffs seek justice, even if they lose the potential advantage of a jury trial.⁹² Depending on the nature of

87. See Martin, *supra* note 52, at 924-25 (emphasizing the dramatic cost and time savings of ADR in the field of intellectual property where cases often cost between two and five million dollars).

88. See P.L. Skip Singleton, Jr., *Justice for All: Innovative Techniques for Intellectual Property Litigation*, 37 IDEA 605, 606 (1997) (listing the contingency fee arrangement as an intriguing option for those in litigation).

89. See *id.* at 608 (quoting a patent attorney's statement that "[f]irms do not have the opportunity to take contingency fee cases" because of the complexity, cost, and time-consuming nature of patent litigation).

90. See *id.* at 608-09 (noting that only a few patent attorneys work on a contingency basis and that most clients are unsuccessful when suggesting contingency arrangements).

91. Compare Kevin R. Casey, *Alternative Dispute Resolution and Patent Law*, 3 FED. CIR. B.J. 1, 4-5 (1993) (emphasizing the relative cost savings of ADR and the opportunity it provides to predict when resolution will be achieved), with Edward V. Filardi et al., *Pre-Litigation Considerations Relating to United States Patent Infringement Actions: An Overview*, 375 PATENT LITIG. 9, 16-28 (Nov.-Dec. 1993) (discussing the extensive and prolonged nature of patent litigation and the attorney's responsibilities).

92. See Jack E. Brown, *The Advantages and Disadvantages of Juries in Technical Cases*, 9 SANTA CLARA COMPUTER & HIGH TECH. L.J. 403, 406-08 (1993) (discussing the role of the jury in

the issues and the strength of the case, even those parties who normally gravitate towards litigation before a jury may find that ADR provides a welcome alternative to resolving their dispute.

Additionally, the large corporate opponent will often be amenable to using ADR, at least in part, to avoid the vagaries that can result from a jury trial.⁹³ Thus, the large opponent also may appreciate the opportunity to wind up the matter, and its unavoidable uncertainty, in a manner more expedient and more efficient than the typical patent litigation, and without the potential image of being a big company "picking on a little guy."

In cases presenting a more "level playing field" between disputants, many of the typical advantages of ADR over litigation simply become more prominent. Both sides may appreciate the ability to control substantially the amount of time, effort, intrusion and expense of the litigation.⁹⁴ For example, an average patent dispute arbitration rarely exceeds twelve to fifteen months, and often concludes within six months.⁹⁵

Also, since many such patent cases do not require that only one party may be deemed the victor, both parties may appreciate the opportunity to use ADR instead of litigation as a way to find the appropriate middle ground. For example, a mutually-agreeable license arrangement benefits both parties and may be preferable to an all or nothing outcome.

Frequently, patent issues arise between parties that otherwise have, or likely may have, an ongoing relationship, whether or not it is related to the patent issues.⁹⁶ In such a situation, the parties also may appreciate the opportunity to use a mechanism that is much less formal and less aggressive than litigation.⁹⁷ This may allow the parties to work out their differences without souring their relationship or ability to work together in the future.⁹⁸

Lastly, patent litigation has a well-deserved reputation for being

patent disputes).

93. See *id.* at 403 (conceding that juries in technological cases do not consistently reach rational and just results).

94. See TECHNOLOGY DISPUTES, *supra* note 2, at I-22 (noting that ADR proceedings are attractive because of their flexibility, informality, privacy, and limited discovery).

95. See Paradise, *supra* note 20, at 262 (discussing the dramatic time savings of arbitration).

96. See Kahn, *supra* note 39, pt. III.C(4) (noting that computer software businesses often develop mutually beneficial relationships); Martin, *supra* note 52, at 935 (asserting that existing licensor/licensee, employer/employee, and seller/buyer relationships are more likely to survive disputes where ADR is utilized).

97. See Martin, *supra* note 52, at 924 (recognizing that ADR allows parties to resolve disputes in a less adversarial, more flexible, neutral setting).

98. See Nancy Neal Yeend & Cathy E. Rincon, *ADR and Intellectual Property: A Prudent Option*, 36 IDEA 601, 603 (1996) (asserting that mediation allows parties to maintain business relationships).

costly. In patent cases, attorney fees easily can exceed a million dollars.⁹⁹ Alternative dispute resolution allows parties to resolve their disputes in a more efficient manner, without significantly depleting their budgets. One expert said that an arbitration, conducted with skill and experience, should cost less than fifty percent of a patent infringement suit.¹⁰⁰ As ADR has become more popular in patent disputes, specific materials are now available to assist the practitioner, ensuring a more successful process.¹⁰¹

C. *ADR in Commercial Trademark and Trade Dress Disputes*

Many trademark and trade dress litigation cases settle out of court.¹⁰² Alternative dispute resolution can encourage parties to settle their disputes earlier, saving time, money, and valuable business relationships.¹⁰³ Trademark and trade dress disputes typically involve a question of "likelihood of confusion."¹⁰⁴ Trademark plaintiffs are often involved in claims that allege that the defendant's mark is confusingly similar to the plaintiff's mark.¹⁰⁵ The trade dress complainant often argues that the defendant's packaging presents his product in a manner that misleads the public to believe it is the plaintiff's product.¹⁰⁶ In both instances, a key issue is the likelihood

99. This figure was determined by reviewing decisions on patent damages reported during the years 1982-1992. *See id.* at 604-05 & n.11 (citing Ronald B. Cooley, *Overview and Statistical Study of the Law on Patent Damages*, 75 J. PAT. & TRADEMARK OFF. SOC'Y 515 (1993)).

100. Elleman, *supra* note 3, at 772 & n.77 (quoting Tom Arnold & William G. Schaurman, *Alternative Dispute Resolution in Intellectual Property Cases*, 321 PATENT LITIG. 437, 450 (1992)).

101. *See, e.g.*, Tom Arnold, *Contracts to Arbitrate Patent and Other Commercial Disputes*, CPR'S ALTERNATIVES TO THE HIGH COST OF LITIGATION, Dec. 1992, *reprinted in* INSTITUTE FOR DISPUTE RESOLUTION, CENTER FOR PUBLIC RESOURCES, INC., MODEL ADR PROCEDURES AND PRACTICES: COMMERCIAL CONTRACT DISPUTES III-25 (1994) (providing assistance in drafting an arbitration clause of a contract, an agreement to arbitrate a patent dispute, and commentary).

102. As reported by the Administrative Office of the United States Courts, in 1993, of the 2378 Lanham Act cases concluded in U.S. District Courts, 2321 settled prior to trial. *See Forward to ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES*, *supra* note 5, at ii. The Lanham Act encompasses the registration of trademarks and creates a cause of action for trademark infringement. *See* Trademark Act (Lanham Act) of 1946, 15 U.S.C. § 1051 (1994).

103. *See Forward to ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES*, *supra* note 5, at ii. *id.* (noting that ADR can enhance the possibility of an early settlement, thereby saving parties considerable time, money, and other resources).

104. *See* L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117, 1132 (Fed. Cir. 1993) (analyzing the issue of "likelihood of confusion" between original and mirroring "look-alike"); *see also* ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES, *supra* note 5, at I-1, I-2 (discussing typical claims in the trademark and unfair competition categories which are mediated by CFR/INTA panelists). The trademark area may also include: (1) oppositions or cancellations, composed of a claim by one party that the other is not entitled to registration of a generic mark, i.e., one confusingly similar to their own trademark; (2) trademark license and contract disputes; and (3) dilution or ownership right disputes. *See id.* at I-2.

105. *See* ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES, *supra* note 5, at I-1 (recognizing such infringement claims as typical).

106. *See, e.g.*, L.A. Gear, 988 F.2d at 1128; Roulo v. Russ Berrie & Co., 886 F.2d 931, 935 (7th Cir. 1989).

that consumers will be confused about the source of the involved products.¹⁰⁷

Issues often requiring resolution in both types of cases can include: the degree of distinctiveness obtained by the plaintiff's mark or trade dress; actual or likely confusion by consumers; similarity of the opponents' products or product categories; similarity of the marks or trade dress; sophistication of the relevant potential buyers and of the marketing channels used by the parties; and the defendant's intent in choosing his mark or trade dress.¹⁰⁸ Unlike patent and trade secret cases, these cases typically present issues that do not require an understanding of technical or complicated subject matter. Rather, the law requires many of these issues to be considered from the perspective of the "ordinary" observer.¹⁰⁹ There is often little or no need for the use of a subject-matter expert in deciding these issues.¹¹⁰

Many such cases, however, arise where the parties have an ongoing business relationship.¹¹¹ The parties in the dispute may, for example, have a license or franchise relationship existing prior to or unrelated to the dispute.¹¹² Often, a reasonable resolution may involve modification of the existing license from one party to the other, or the creation of an additional agreement.¹¹³ In such situations, there is a substantial benefit to avoiding outright litigation not only in terms of time and expense saved, but also in being able to formulate the solution that best meets the needs of the parties and the situation.¹¹⁴ This also helps prevent the parties from escalating the dispute into a purely aggressive "seek and destroy" approach, which easily could destroy any potential for future collaboration.¹¹⁵

Moreover, the parties to such a dispute may prefer to have a legal

107. See *Roulo*, 886 F.2d at 935-36 (stating that marked similarity between products that causes confusion in the marketplace is an element of infringement).

108. See ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES, *supra* note 5, at IV-5 to IV-6 (listing potential trademark disputes such as advertising, geographic expansion, line expansion, licensing, and contractual disputes).

109. See *Warner Bros., Inc. v. American Broad. Co.*, 523 F. Supp. 611, 618 (S.D.N.Y. 1981) (asserting that the ordinary observer test is applied to trademark questions where the prospective buyer is confused or misled by a similar trademark).

110. See *Dawson v. Hinshaw Music, Inc.*, 905 F.2d 731, 737 (4th Cir. 1990) (holding that courts should only abandon the lay observer as the ordinary observer in copyright cases when the intended audience possesses "specialized expertise" which the general public lacks).

111. See ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES, *supra* note 5, at III-5 (expanding on the importance of preserving business relationships).

112. See *id.*

113. See *id.* at III-2 (noting that ADR resolutions are more flexible than "all or nothing" court decisions or unpredictable jury verdicts).

114. See *id.* at III-4 (emphasizing the flexibility of ADR procedures).

115. See *id.* at III-3 (explaining how ADR's creative solutions may decrease competition between parties).

trademark expert involved in resolving the dispute.¹¹⁶ For example, one or both parties may wish to submit issues such as the use, reliability, and interpretation of consumer surveys to a neutral arbiter experienced with the use of surveys in trademark disputes.¹¹⁷

ADR provides a useful tool for trademark attorneys at many stages within the typical life of a mark. First, in evaluating a new mark, a party may want to use ADR methods to consider issues such as the likelihood of confusion with a similar mark of a prior user.¹¹⁸ This may result in early settlement of potential issues, which could ward off future, more expensive litigation, or it may help educate the new party on whether it may safely trademark the new mark.¹¹⁹ Second, during the application and registration process, the trademark examiner may identify a conflict between two parties.¹²⁰ Instead of waiting for a space on the crowded opposition docket, the parties could craft their own solution, significantly expediting a disposition.¹²¹ Third, disputes may occur while the parties are commercially exploiting similar marks.¹²² Early settlement of the dispute would allow parties promptly to make modifications in their mark or the territories in which they use it. For example, the settlement could occur without the threat of future court-mandated changes or orders to cease use of the mark.¹²³ Finally, disputes may occur in the course of ongoing trademark policing activities and result in a cause of action for trademark infringement.¹²⁴ At this juncture, the parties could use ADR either before or after commencing court proceedings.¹²⁵

Although trademark and trade dress disputes do not present complicated scientific or technical issues to a court of law, they do require an understanding of equally complicated legal rules, consumer perception and surveys, and market data.¹²⁶ Thus,

116. *See id.* at IV-8 (stating that ADR efforts may be fruitless without a representative knowledgeable in the trademark field).

117. Evidence of consumer perception often includes submission of a consumer survey, or use of a consumer perception expert to lay the foundation for the survey or to testify regarding anticipated consumer perception. In rebuttal, the opponent will often offer the testimony of a different consumer perception expert to counteract the testimony of the other side's expert or attack the reliability of the survey.

118. *See id.* at IV-2 to IV-3.

119. *See id.* at IV-3.

120. *See id.* (discussing the situation where trademark examiner may preempt conflicts).

121. *See id.* (advertising the possibility of more rapid and cost-effective dispute resolution through ADR).

122. *See id.* at IV-5 (introducing comparative advertising as a potential source of trademark disputes).

123. *See id.*

124. *See id.* at IV-6 to IV-7 (listing policing activities which often surface in such disputes).

125. *See id.* at IV-7.

126. *See id.* at III-3 (arguing that while judges generally have little trademark experience,

disputing parties may prefer to resort instead to ADR for handling their conflict. ADR presents clear advantages that warrant consideration before most such disputes are pursued in court.¹²⁷

D. ADR in Commercial Trade Secret and Unfair Competition Disputes

Misappropriation of a trade secret involves the acquisition of trade-secret information through a breach of an obligation of confidentiality or through illegal or otherwise improper means.¹²⁸ The accused party must have actual or constructive notice that the information qualifies as a trade secret.¹²⁹ Trade secret protection covers business information that provides a competitive advantage and that is kept secret and protected to a degree reasonable under the circumstances.¹³⁰ Often, a former employee currently working for a competitor may be involved in such a dispute between the old and new employers.¹³¹ Claims of unfair competition may include unlawful, unfair, or fraudulent business activity and unfair, deceptive, false, or misleading advertising.¹³² Such claims are often intertwined with related trade secret, breach of contract, or trademark issues.¹³³

By the very nature of the issues involved, usually at least one party in a trade secret dispute is very concerned about maintaining the secrecy of the trade secret or other confidential or proprietary information.¹³⁴ Unfair competition disputes may also present such

many neutral third parties are well versed in trademark and legal issues and can help draft settlements).

127. See *id.* at III-1 to III-5 (listing nine advantages of ADR over traditional litigation in trademark disputes).

128. See, e.g., *Integrated Cash Management. Serv. v. Digital Transactions*, 920 F.2d 171, 173 (2d Cir. 1990).

129. See *Phillips v. Frey*, 20 F.3d 623, 632 (5th Cir. 1994) (stating the relevant inquiry in a trade secret dispute is whether the receiving party knew or should have known that the information was a trade secret).

130. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484 (1974) (noting that by definition, trade secrets are not in the public domain).

131. See, e.g., *TECHNOLOGY DISPUTES*, *supra* note 2, at III-30 (reporting a trade secret dispute between a major corporation and a former employer who started his own business).

132. See *ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES*, *supra* note 5, at I-2. For example, one party could allege that the other has made false or misleading claims about one of its businesses or products or made unauthorized use of an individual's name or likeness for commercial purposes. See *id.*

133. See *Qualitex Co. v. Jacobson Prods., Co.*, 514 U.S. 159, 174 (1995) (holding that color of dry cleaning press pads could be a registered trademark in a trademark and unfair competition dispute); *Rock & Roll Hall of Fame & Museum, Inc. v. Gentile Prods.*, 134 F.3d 749, 758-59 (6th Cir. 1998) (vacating a preliminary injunction for trademark holder in a trademark infringement dilution and unfair competition case involving the depiction of the Museum on a poster).

134. See, e.g., *TECHNOLOGY DISPUTES*, *supra* note 2, at III-30 (describing an employer/ex-employee trade secret case that was well suited to arbitration because the corporation did not want to give any further technological information to the ex-employee).

concerns, depending on the exact nature of the claim.¹³⁵ To the extent that confidentiality and the secrecy of the procedure is important, ADR may be a particularly appropriate alternative to litigation.¹³⁶

Trade secret and unfair competition issues also tend to involve parties that prefer a rapid resolution of their dispute, which often involves time-critical issues. For example, a trade secret, once disclosed without a requirement of confidentiality, loses trade secret protection; an advertisement, by its nature, usually has a limited life span. In either situation, the parties often prefer resolution as soon as possible.¹³⁷ Again, ADR presents alternatives that can address this concern, as ADR methods generally proceed faster than litigation.

Trade secret or unfair competition opponents will, however, likely be at odds regarding the issues of discovery and procedure. While a party who feels that his trade secret has been stolen may prefer the full discovery available during regular courtroom litigation, the opponent may feel more comfortable with limited discovery. Similarly, trade secret or unfair competition plaintiffs may need a certain amount of discovery before they reasonably are able to formulate their case and arguments completely and most advantageously.¹³⁸ Parties may, however, seek ADR after the formal discovery phase of a traditional litigation, or may agree upon a mutually-acceptable level of discovery during ADR proceedings.¹³⁹

On the other hand, if a former employee is involved as a defendant, ADR may provide alternatives that help minimize the appearance of a big company attacking a small individual.¹⁴⁰ Although the individual may prefer a jury trial in order to capitalize on the "David vs. Goliath" image, the enormous cost involved with traditional litigation will likely convince the individual defendant to do otherwise.¹⁴¹ Regardless, both sides may appreciate the potential

135. See ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES, *supra* note 5, at III-4 to -5 (describing how ADR can help smooth feelings between parties because a private forum allows parties to air grievances and avoid public disclosure of confidential or proprietary business information).

136. See GREINIG, *supra* note 67 (listing the general advantages of ADR over traditional court litigation).

137. See ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES, *supra* note 5, at III-2 to III-5 (suggesting prompt resolutions to avoid years of litigation and to further the ongoing business relationship between parties).

138. See *id.* at III-4 (maintaining that expensive and extensive discovery is less when parties agree to ADR because the issues to discover are narrowed early in the process).

139. See *id.*

140. See TECHNOLOGY DISPUTES, *supra* note 2, at III-29 (noting how adversarial perceptions in a trade secrets case made parties more amenable to settlement).

141. See *id.* at III-30 (describing the non-binding arbitration of a trade secret dispute arising out of a former employee's establishment of a competing business where the major company

opportunity to reach a final disposition more quickly, allowing each side to continue with their business or employment.

Trade secret and unfair competition cases often involve technical subject-matter issues that may be difficult for a lay judge or jury to understand fully.¹⁴² For example, an unfair competition claim could be based on a competitor's comparative advertisement that is allegedly false and misleading. A key issue could be whether, in fact, the competitor's product is reasonably better, faster, more complete, safer, longer-lasting, or in any other manner, significantly superior to the plaintiff's product.¹⁴³ Just as with the patent cases discussed above, parties to these cases may prefer to select a neutral arbiter with the background and training best able to understand the underlying subject matter, facts, and claims.¹⁴⁴ Use of such an expert relieves the parties of the need to educate the fact finder, and helps to streamline the dispute resolution process by affording the parties greater control over expenditures of time, effort, and money.¹⁴⁵

E. ADR in Commercial Intellectual Property Licensing Disputes

Companies increasingly try to capitalize and maximize the value of their intellectual property by entering into licensing agreements.¹⁴⁶ Often, such licenses include a provision for resort to ADR for resolution of any disputes that may develop regarding the intellectual property and the licensing relationship.¹⁴⁷ Usually, these cases are more appropriately considered and treated as pure contract law cases, where the issues involve interpretation of the contract (such as the licensing agreement) rather than the underlying technology.¹⁴⁸

involved wanted an objective view of the case and the former employee's new business knew it could not afford a major suit).

142. See Elleman, *supra* note 3, at 765-66 (citing the problem of uneducated verdicts in patent litigation because lay juries and judges misunderstand, or cannot understand, the complicated technical and scientific questions involved).

143. See, e.g., *SmithKline Beecham Consumer Healthcare v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 906 F. Supp. 178, 182-188 (S.D.N.Y. 1995) (describing false advertising case involving advertising claims that included assertions that the product was longer-lasting and was recommended by more doctors as safer, and faster).

144. See *supra* Part II.B (discussing the advantages of a neutral, expert arbiter in patent ADR).

145. See TECHNOLOGY DISPUTES, *supra* note 2, at III-15 (discussing a client's likely frustration at having to spend time and money educating judges about the technical specifics of the industry).

146. See, e.g., Scott Mediatz, *The Boss of Hogs*, CCM: AM. LAW. CORP. COUN. MAG., June 1996, Intellectual Property Supplement, at 29-35 (stating that Harley Davidson's license program helped the company turn the corner financially).

147. See Killefer, *supra* note 2, at 60A (discussing that licensing agreements commonly include arbitration provisions).

148. See *Dayhoff Inc. v. H.J. Heinz Co.*, 86 F.3d 1287, 1296-97 (3d Cir. 1996) (reaffirming that arbitration clauses in licensing agreements can only be enforced by the signatories to the contract); *Flexible Mfg. Sys. Party Ltd. v. Super Prods. Corp.*, 86 F.3d 96, 100 (7th Cir. 1996)

Such licenses, however, may also give rise to issues implicating the underlying subject matter.¹⁴⁹ For example, one issue could be whether and to what extent a license covers the source code and/or object code of a particular computer program and, therefore, subjects the software product to royalties, if, in fact, the product is permitted at all. Because the licensing agreement typically focuses in part on adequately describing the scope and substance of what is being licensed, such issues also may benefit from an arbitrator's understanding of the technical subject matter, as discussed above with regard to the underlying and complex matters often involved in patent disputes.¹⁵⁰

Accordingly, when entering into an intellectual property licensing agreement, both parties must carefully consider the identity and potential complexity of issues that could arise when deciding whether or not to include an ADR clause in the contract.¹⁵¹ If the parties decide to include an ADR clause, it may be advantageous to consider issues such as the type of ADR available or the scope of discovery permitted at the time the contract is entered into, rather than belatedly when a dispute arises.¹⁵² One advantage of agreeing on the use and format of ADR at this early stage is that attorneys and business executives can establish fair rules of conduct, which will hopefully prove advantageous if a dispute does arise.¹⁵³ Parties must take extra care, however, when determining the procedure used to resolve future conflicts at a time when the nature and exact subject matter of a possible dispute is not yet known.

Thus, if the drafters of the ADR clause appropriately consider possible ADR situations, and craft their agreement accordingly, the

(sanctioning a corporation for a frivolous appeal of an arbitration award pursuant to a licensing agreement); *Coors Brewing Co. v. Molson Breweries*, 51 F.3d 1511, 1515 (10th Cir. 1995) (denying a motion to stay a pending suit where the claims were not covered by the licensing agreement and thus not subject to an arbitration clause).

149. See *Rhone-Poulanc Specialties Chimiques v. SCM Corp.*, 769 F.2d 1569, 1572 (Fed. Cir. 1985) (finding the dispute about the underlying subjects of scope and infringement by the patent as operating within the focus of the licensing agreement and thus subject to arbitration).

150. See *Elleman*, *supra* note 3, at 771-72 (describing how the utilization of an arbitrator familiar with patent law eliminates the need to educate a jury, may decrease use of expert testimony, may expedite the case, and may greatly reduce the likelihood of uneducated decisions).

151. A variety of factors should be considered when drafting an arbitration clause. These include, for example, the number of arbitrators, their identity and/or characteristics, discovery provisions and limits, evidence rules, availability of injunctive relief or punitive damages, and review provisions. See *Arnold*, *supra* note 47, at 227-37.

152. See *TECHNOLOGY DISPUTES*, *supra* note 2, at III-2 (acknowledging that an ADR clause may be most effective when used in the earliest stages of dispute).

153. See *Killefer*, *supra* note 2, at 60A-61A (explaining the benefits of encouraging disputing parties to determine their own form of ADR, which creates an environment of self-determination).

parties to an intellectual property licensing agreement may be able to set the stage for economical, efficient, and reasonable resolution of any conflict that may arise later.¹⁵⁴ Additionally, agreeing in advance to ADR can relieve the parties from later concern that the other side will perceive the suggestion of ADR as sign of a weak case.¹⁵⁵

III. COURTS FAVORABLY VIEW ADR METHODS

The courts' favorable opinion of ADR methods should further compel attorneys and their clients to use ADR methods and to include ADR provisions in their contractual agreements.¹⁵⁶ If parties decide to enter arbitration, the Federal Arbitration Act requires district courts to stay the suit in court if the issues in court are the same as the issues in arbitration.¹⁵⁷ Courts respect arbitration agreements within reasonable limits and see them as a way to avoid possibly unnecessary and costly litigation.¹⁵⁸

After arbitration has occurred, courts give great deference to arbitrators' awards and only rarely reverse them.¹⁵⁹ Parties, however, are not without any recourse, as courts will reverse arbitration awards in situations when the arbitrators act in manifest disregard of the

154. See TECHNOLOGY DISPUTES, *supra* note 2, at IV-1 to IV-14 (explaining that consideration should be given to negotiation, non-binding resolution and binding resolution when drafting ADR clauses in a business agreement).

155. See Paradise, *supra* note 20, at 266 (suggesting the adoption of arbitration as a general corporate policy to avoid the perception of having a weak case).

156. Federal law allows arbitration agreements to be enforced in federal courts. See Federal Arbitration Act, 9 U.S.C. §§ 1-14 (1994); see also Guinness-Harp Corp. v. Joseph Schlitz Brewing Co., 613 F.2d 468, 472 (2d Cir. 1980) (enforcing specific performance of an agreement to arbitrate where the court stated federal law applied to a duty to arbitrate). Each state also has a similar statute setting forth enforcement provisions for arbitration agreements. See *supra* note 14.

157. In a copyright suit, for example, the parties agreed in writing to arbitrate their dispute, thus the district court had no option but to stay its proceedings. See McMahan Sec. Co. v. Forum Capital Markets, L.P., 35 F.3d 82, 85-86 (2d Cir. 1994) (stating that a district court must stay the proceeding if convinced the parties agreed in writing to arbitrate the issues). An arbitration of related, but not identical issues, however, does not require a stay of federal proceedings. See Intel Corp. v. Advanced Micro Devices, Inc., 12 F.3d 908, 914 (9th Cir. 1993) (holding that a copyright action, initiated in federal court prior to state court proceedings, was not subject to a stay because the federal suit was initiated before the state suit and, regardless of the timing, copyright claims fell under the original jurisdiction of the federal courts). Some courts believe that litigation of non-arbitrable issues, depending on arbitrable issues, should be stayed pending arbitration. See Summer Rain v. Donning Co., 964 F.2d 1455, 1461-62 (4th Cir. 1992) (deciding that a stay of a suit is within the discretion of the court where non-arbitrable issues depend on arbitrable issues).

158. See Yusuf Ahmed Alghanim & Sons, W.L.L. v. Toys "R" Us, Inc., 126 F.3d 15, 23 (2d Cir. 1997) (deciding that overturning an arbitration award is unlikely because the courts want to further arbitration's goals of efficiency and cost effectiveness); Folkways Music Publishers, Inc. v. Weiss, 989 F.2d 108, 111 (2d Cir. 1993) (noting that arbitration awards are subject to a limited review to ensure arbitration's goals are met).

159. See Willemijn Houdstermaatschappij, B.V. v. Standard Microsystems Corp., 103 F.3d 9, 12-13 (2d Cir. 1997) (discussing the high standard of manifest disregard of the law a moving party must prove to reverse an arbitration award).

law.¹⁶⁰ Parties must recognize that this is an extremely difficult standard to meet, requiring the error to be instantly perceived by other qualified arbitrators.¹⁶¹ Thus, if it was reasonably possible to reach the decision of the arbiter, the court must affirm the arbitrator's award.¹⁶² Courts have taken a strong stance in discouraging appeals because the whole philosophy of arbitration is "settling disputes efficiently and avoiding long and expensive litigation."¹⁶³

When drafting arbitration agreements, parties should consider requiring the arbitrators to provide a written opinion explaining their decision. Without such an explanation a court is obligated to confirm the arbitrator's award so long as there is a possibility that the arbiter's decision has some factual grounding, even if evidence shows the arbitrator's decision is based on an error of fact or law.¹⁶⁴

Courts can still provide other remedies if the parties enter into arbitration. For example, district courts may issue a preliminary injunction under Section 3 of the Federal Arbitration Act¹⁶⁵ even when the parties have agreed that arbitration is the sole remedy for resolving disputes between the parties.¹⁶⁶ Thus, arbitration agreements do not mean that parties cannot seek the protection of a preliminary injunction.¹⁶⁷

Practitioners, however, must remember that a mere dispute about

160. See *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Bobker*, 808 F.2d 930, 933 (2d Cir. 1986) (maintaining that manifest disregard of the law implies the arbitrator understood a clearly governing legal principle but decided not to apply it); see also *Willemijn*, 103 F.3d at 13 (asserting that courts can infer that an arbitration manifestly disregarded the law if it can show that the error made is obvious to the average person qualified as an arbitrator).

161. See *Willemijn*, 103 F.3d at 13 (noting that the average person qualified to serve as an arbitrator must instantly perceive the error); see also *Merrill Lynch*, 808 F.2d at 933 (holding that arbitrator's error must be so obvious that it would be instantly perceived by a person qualified to serve as an arbitrator).

162. See *Willemijn*, 103 F.3d at 13 (stating that even if there is a barely colorable justification for the result, the court must confirm the arbitration award); see also *Sobel v. Hertz, Warner & Co.*, 469 F.2d 1211, 1216 (2d Cir. 1972) (holding that arbitrator's decision should be affirmed if grounds can be inferred from the facts).

163. *Folkways Music Publishers*, 989 F.2d at 111 (explaining that arbitration awards are subject to high standards to further the goals of arbitration).

164. See *O.R. Sec., Inc. v. Professional Planning Assoc.*, 857 F.2d 742, 747 (11th Cir. 1988) ("[W]hen the arbitrators do not give their reasons, it is nearly impossible for the court to determine whether they acted in disregard of the law.").

165. See Federal Arbitration Act, 9 U.S.C. § 3 (1994) (allowing a party to dispute a request for a stay of court proceedings so long as requesting party is not in default in the arbitration and the issue of the suit is arbitratable under the parties' arbitration agreements).

166. See *Performance Unlimited, Inc. v. Questar Publishers, Inc.*, 52 F.3d 1373, 1375 (6th Cir. 1995) (finding that a district court can issue a preliminary injunction even where the parties agreed to arbitration as the sole remedy).

167. See *Ortho Pharm. Corp. v. Amgen, Inc.*, 882 F.2d 806, 812 (3d Cir. 1989) (holding that the district court's equitable power of injunctive relief is not precluded by 9 U.S.C. § 3 which requires courts to stay arbitrable proceedings); *Teradyne, Inc. v. Mostek Corp.*, 797 F.2d 43, 51 (1st Cir. 1986) (finding that courts may issue preliminary injunctions in arbitration cases).

an arbitration clause in a contract relating to federal intellectual property rights does not necessarily give them a cause of action in the federal courts. Arbitration clauses are often interpreted as state law contract issues, even if they relate to federal subject matter such as patents or trademarks.¹⁶⁸ Each contract must be examined to determine if it should be governed by state or federal law.

CONCLUSION

Alternative dispute resolution offers many distinct advantages. As so eloquently stated by Abraham Lincoln, part of the role of an attorney is to “[p]ersuade your neighbors to compromise whenever you can. Point out to them how the nominal winner is often a real loser—in fees, expenses and waste of time.”¹⁶⁹

Many intellectual property attorneys and their clients do not yet regularly consider ADR as a means for resolving their disputes.¹⁷⁰ ADR processes are relatively new to the intellectual property field and should be used more frequently.¹⁷¹ Although the authors of this Article do not support mandatory ADR, as some others advocate,¹⁷² practitioners should regularly consider and rely on ADR as one of the valuable tools at their disposal for efficiently and ably serving their clients in the best manner possible.

168. See *Gibraltar, P.R., Inc. v. Otoki Group, Inc.*, 104 F.3d 616, 618-19 (4th Cir. 1997). In *Gibraltar*, the Fourth Circuit held that merely because parties had a dispute about an arbitration clause in a trademark contract, it did not mean that the dispute should be settled under the Federal Arbitration Act. See *id.* at 618-19. The court ruled that there was no federal jurisdiction because this was a state law issue which should be decided by a state court. See *id.* at 619.

169. INSTITUTE FOR DISPUTE RESOLUTION, CENTER FOR PUBLIC RESOURCES, INC., ADR IN TRADEMARK & UNFAIR COMPETITION DISPUTES DISCOURAGE LITIGATION BROCHURE 1 (quoting Abraham Lincoln in 1850).

170. See Paradise, *supra* note 20, at 248.

171. Before 1982, federal law did not allow for resolution of intellectual property controversies using ADR. See Yeend & Rincon, *supra* note 98, at 601.

172. See Elleman, *supra* note 3, at 775-78 (advocating mandatory ADR for patent cases before they could be heard in court).