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SUNRISE SEMINAR I
Alternative Dispute Resolution

Moderator:

Richard Price

JAMS International, London

Speakers:

Richard Price

JAMS International, London

Encouraging the Increased Use of the Mediation of IP Disputes in the UK

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Dispute Resolution: By the Courts or ADR — A Contrast in Style and Effect

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Panelists:

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European Intellectual Property Office, Alicante

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MR. PRICE: Good morning, everybody, and welcome to this Sunrise Seminar. Well done for getting here. It's unreasonably early. Thank you very much for coming.

Our discussions this morning will range over a variety of ADR¹ topics, both arbitration and mediation.

First of all, I would like to introduce to you my fellow panelists. Simon Holzer who works as a patent and life sciences lawyer in Switzerland and also sits as a part-time judge in the Federal Patents Court. Garrett Brown for a long time was a judge in New Jersey District Court and ended up Presiding Judge, and now works as an arbitrator and mediator with JAMS. Gordon Humphreys is a senior member of the Board of Appeals at the European Intellectual Property Office (EUIPO) in Alicante. Max Haedicke is a former patent judge in Düsseldorf, which is the hotspot for patent litigation in Germany, and now is a professor of IP law at Heidelberg Freiburg University. Last but not least, James Bollinger, an IP lawyer with Troutman Sanders, works in IP litigation here in New York. I have had a professional lifetime of patent and trademark litigation in London and I now work mainly as an arbitrator and mediator also with JAMS.²

We talk about arbitration and mediation in the same breath. They indeed share the characteristic that they are both means for resolving disputes, but separate from, and complementary often to, court litigation.

This is an historic session. As I understand it, it's either the first time there has been a session on ADR at the Fordham Conference, or at least it is a long time since it was touched upon.

Forgive me for those of you who know all about ADR, but there may be some of you in the audience for whom this is a relatively new subject, so I would like to recap for everyone exactly what ADR is.

Arbitration is a way to decide patent, trademark, or copyright disputes not by judges but by experienced neutrals appointed by the parties. The advantages over litigation include obviously, confidentiality; awards may be made cross-border; and it provides a final resolution, meaning that there aren't any appeals, and this contributes to speed overall.

Mediation is totally different. It is often complementary to litigation and arbitration. An independent third party is brought in by the parties (or by a court in some jurisdictions) to facilitate a commercial resolution of a dispute. Again, it is confidential; and it can help resolve misunderstandings, which are often at the root of a dispute in litigation, in a congenial atmosphere. The mediator facilitates or brokers a business resolution.

With that intro, I would like to start this discussion, if I may, with a short report on the situation with regard to ADR and particularly mediation in IP disputes in England.

The fact is, compared with America, both of them are relatively underused in England, and there are a number of reasons for this in my view.

Fundamental is that, even now, no lawyer qualified in England is taught about ADR, whether in law exams or in the otherwise-well-respected Oxford University post-qualification IP diploma course, and exposure to ADR during a lawyer's practicing lifetime is largely a matter of luck or chance.

The consequence is, unlike other common-law jurisdictions, it's not on our radar. We are taught to be litigators, to litigate each case to the best of our abilities, and to settle it if we have to. Of course, this outlook may change over time, and it is often influenced by clients, who are of course our customers.

But ADR is not in our original programming, and this may also contribute to a feeling that lawyers ought to be able to settle a case without outside help. Not to do so, it

¹ Alternative Dispute Resolution.

² JAMS Mediation, Arbitration and ADR Services.

is thought by some people, reflects adversely on the practitioners' abilities. This view badly misunderstands the role of a mediator as a facilitator in resolving misunderstandings.

In a mediation the parties and the mediator concentrate on the business issues rather than the legal issues. Mediation benefits from being a resolution under the control of the parties, not of a judge. And it is frequently cross-border.

This belief about ADR, mediation in particular, being a last resort runs contrary to our court rules in England. We are supposed to run proceedings according to what we call the Chancery Guide. I have to say that these rules in relation to ADR are more honored in the breach by everyone concerned.

Now, I think there is a handout of copies of the basic rules relating to ADR as they appear in the English High Court Chancery Guide.³ I should say that there are some annotations, and they're mine, because this is my working copy; we didn't have a clean one; so please forgive that.

The settlement of disputes, we are told in our Chancery Guide, is done "for practitioners to make sure that they discuss with their clients and with the other side at all appropriate times whether the proceedings would benefit from a mediation."

Likewise, judges do not stand aloof from this, or should not. If you look at 18.2, it says: "Where appropriate, the court will, as part of the overriding objective, encourage the parties to use ADR or otherwise help them to settle the case or resolve particular issues."⁴ Well, that largely doesn't happen at the moment.

We started an initiative last summer with the patent judges, who also do most of the other IP work. Having consulted with practitioners in England, I'm glad to say that the judges are now saying that they will pay much more attention to what we are all supposed to do. So, watch this space and let's see how it works out.

Max, I understand there's a bit of ADR in Germany. Can you tell us how popular it is, how often is it used, and is it of any use?

MR. HAEDICKE: I first have to praise the German court system, which is rather cost-efficient, and in which the judges as I can say, because I am no longer a judge are well-trained, experienced, and they deliver high-quality decisions in a rather short time period. So generally, people are content with German court proceedings and they do not necessarily feel the need to use either mediation or arbitration. However, there is a tendency that the use of mediation and arbitration will develop and be used more.

A major disadvantage of court proceedings is that they are not confidential. For example, in FRAND⁵ cases, currently there are heated discussions about whether it is possible, necessary, or advisable to disclose license agreements in order to identify a FRAND license fee. Another disadvantage of purely national court proceedings is that in transborder cases, the courts of a single jurisdiction may not be able to provide effective, efficient solutions. So there is a certain tendency to engage in mediation and in arbitration.

Arbitration is maybe more prevalent in other jurisdictions. In Germany arbitration plays a role, especially in license agreements, but not so much in patent infringement cases. It is not yet clear what role arbitration will play in FRAND cases. The importance may rise due to the above-mentioned confidentiality issues.

There is a growing tendency to engage in mediation. One patent mediation hotspot is Munich, where the court offers mediation as part of the so-called Munich patent proceedings. The parties can go a so-called "conciliation judge," a judge experienced in patent

³ See HM CT. & TRIB. SERV., CHANCERY GUIDE (2020), <https://www.judiciary.uk/wp-content/uploads/2016/02/chancery-guide-feb-2016.pdf>.

⁴ *Id.* at 18.2.

⁵ Fair, Reasonable and Non-Discriminatory.

matters but who is not part of the deciding patent chamber. He keeps the information which he gained in the mediation proceedings confidential. There have been some mediation cases in recent years, and people tend to be very content with the proceedings and the results.

There is a legal framework for mediation in the German Code of Civil Procedure. The law allows so-called “mediation close to the court.” However, some people feel that this “mediation close to the court” may be helpful at times but, in other cases, it would be better if a mediation was further distanced from the court. “Mediation close to the court” takes place on the premises of the court and active judges act as mediators. Sometimes it is hard for the parties to understand the change of the role of the judge, who normally is the deciding person, the authoritative person, but in mediation he should merely act as a facilitator for the parties to develop a solution autonomously by themselves.

A second kind of mediation that has developed is completely independent from the court. Parties may choose their mediator. According to the German Law of Civil Procedure, the court can even encourage the parties to engage in out-of-court mediation.

As a personal note, mediation courses at universities are very much in demand. For example, my university offers mediation classes. They are double or three times over-booked. I hope and I think it would be a good development if this interest in mediation would continue in the future, not only in the field of family, property and estate law, but also in commercial law, especially in IP law. In appropriate cases, mediation helps to resolve conflicts in a much better way than a judgment can do. Mediation does not yield a winner and a loser; instead, mediation offers the foundation for future cooperation of the parties.

Thank you very much.

MR. PRICE: Max, Judge Zigann, the presiding judge in patent cases in Munich, told me recently that he relies on 50 percent of their cases going to mediation; otherwise, they would be sunk without a trace under litigation and the judges just couldn't cope with it.

Mediation seems to be more commonly resorted to. What triggers the judges ordering or suggesting that it should go to an outside mediator rather than the judges themselves having a go at it?

MR. HAEDICKE: Mediation is not public and there are no statistics about patent-related mediation procedures in recent years. However, it is fair to say that when a judge realizes that a conflict between the parties raises issues like those mentioned above confidentiality, transborder, and especially deficiencies in the personal relationship between the parties, combined with the need of further cooperation a judge will frequently propose mediation.

In patent cases, one may think that the parties are very professional, act rationally, and try to reach good and efficient results. This, however, is not always the case. For example, the interest in winning a lawsuit and in defending one's viewpoint to superiors may play a role in choosing to engage in a costly and lengthy, but potentially unnecessary, lawsuit.

Especially, but not only, if there is a need for cooperation in the future or when personal feelings are involved, mediation can make sense. The same holds true in cases of co-inventorship. After a divorce, when people have kids together, they need to make arrangements for the kids. Similarly, if people have made an invention together, they need to arrange for the future exploitation of the invention. Future cooperation is of the essence.

Whenever there is a need to cooperate in the future, mediation makes a lot of sense, and the judges are very well aware of that.

MR. PRICE: Thank you very much. That's the view from Germany.

Garrett, how do you account for the fact that there is so much more arbitration and mediation work on this side of the pond? How does it end up at your door?

MR. BROWN: I think it developed over a period of time. From my perspective, I go back thirty-plus years. When I first came on the court in 1986, I didn't notice that much arbitration. There was an occasional motion to compel arbitration or efforts to try to attack an arbitration award, which generally failed.

As far as mediation outside areas that we didn't deal with in federal court, such as domestic relations, there wasn't that much of it. It developed over the years as people became more comfortable with it and as litigation grew. I almost feel like I'm on holiday now because I am handling about thirty or forty cases. When I was on the bench, I would be handling about 300 or 400 at a minimum.

Of course, as you know well, our federal system is a court of limited jurisdiction, but those limits are quite wide. Those judges handle everything from antitrust to admiralty, zoology, and zoning — that's just on the civil side. They have criminal jurisdiction as well. So, I think that the judges will encourage settlement and they will encourage mediation.

As far as arbitration, that is a voluntary decision that parties make. Since I retired and went with JAMS doing arbitration and mediation, I have come to appreciate how many cases never come to court.

Because arbitration is confidential and, absent some motion to compel, you are not going to see it, it is used to resolve disputes in various aspects of IP that would otherwise have been before the court.

So, it has developed over the years. There are some courts that adopt a policy of requiring mediation.

MR. PRICE: Require it?

MR. BROWN: Yes, require it.

MR. PRICE: Where do they do that?

MR. BROWN: Either in local rules, judge-made rules, or certainly in an initial conference. Just in this past week I have seen several cases where the district judge or the magistrate judge has told the parties, "I am going to send you to mediation; who do you want to choose as your mediator?" which to me is an important consideration.

I am not saying that mediation is a panacea for everything or that it is always the right time for mediation. Sometimes a case will be right for mediation; sometimes it won't be. Sometimes it will be a motion for some discovery that they are so at odds on that they really can't handicap it until afterward.

But I think that the ability to facilitate an approach, if the parties are going to bring proposals back and forth to evaluate their positions, can be quite helpful to the parties and to the attorneys.

I would say that the use of ADR has definitely grown. Even since I came with JAMS, we have pretty much doubled our space in New York. And we have had similar growth in Philadelphia and Boston, two of the offices that I am familiar with.

It is a growing concept, one that I think is extremely useful. Now, that's not to say the courts will not be handling these cases — they will be — but I think, to the extent that the parties can be assisted, it provides a valuable service.

MR. PRICE: You were talking about judge-ordered or judge-encouraged mediation. Do you know if there is any difference in the success rates in cases where the parties decide voluntarily that it would be a good idea to try to resolve their differences by mediation as compared with when a judge thinks it would be a good idea and imposes it?

MR. BROWN: Only anecdotal. But I will say that there are some states where the state court systems require all cases to be mediated. Sometimes it is done by members of the bar, sometimes by professional mediators. That can be of less value.

I have heard a lot of people say that they just weren't ready for it, where the judge says, "You've got to go and mediate in good faith," but they really are not in a position to do so.

My practice is, I will talk to the parties in advance and, if it looks like it is not a good time, there is no sense in wasting people's time. Then I will say: "Let's talk after the motions are decided. Let's talk after claim construction is established, or at least you have taken your positions on claim construction, and you are about to go before the court."

Ninety-five to 99 percent of all cases are going to be resolved short of trial. The only question is when and on what terms.

MR. PRICE: So only about 4 or 5 percent get to trial?

MR. BROWN: Yes, or fewer. Different courts have different statistics, but it is very small. If it wasn't, the courts would be overwhelmed.

I think that one judge is going to be able to try a dozen, two dozen cases a year maximum if they are working extremely hard. You can't do a jury case in less than a week or two. So, there is a limit in the process to what can be handled.

MR. PRICE: You touched upon arbitration and you mentioned that the parties voluntarily decided to have arbitration in their contract if there was a dispute. But is that so? The contract may have been drafted by someone quite remote from the parties who end up in the arbitration in practice.

MR. BROWN: Definitely arbitration is a creature of contract. Without an agreement to arbitrate you don't have an arbitration. But, as you say, it could have been drafted a substantial period earlier.

MR. PRICE: And it's a rather boring exercise that some perhaps more junior person gets allocated and they think, "Oh, we better stick in an arbitration clause. Let's pull up what we did last time."

MR. BROWN: And some are more precise than others. Of course, the parties have the ability to modify it as they see fit. It may be that it provides that the situs of the arbitration will be Kansas City, but it turns out that all the people and facilities are located in New York and they want to do it in Manhattan. They are fully free to do that.

Or if it doesn't provide who is to administer it or they want to change their mind, they can do that also. Or if it provides that the arbitrator shall be a person with certain qualifications and they find it should be something else, they could also change that.

MR. PRICE: It's true, isn't it, that the parties can also decide on the procedure themselves before it actually kicks off?

MR. BROWN: Definitely.

MR. PRICE: How often is that done, and how useful is it to have that flexible means as opposed to being stuck with a rather rigid court system?

MR. BROWN: Quite frequently.

MR. PRICE: It doesn't end up with nonsense?

MR. BROWN: No. In other words, they can say, "We want this dispute decided within a matter of months" and they'll put in the clause "it is to be resolved within sixty or ninety days from selection of the arbitrator." It will provide there will be very limited or no discovery. It will provide there will be no dispositive motions or at the discretion of the arbitrator. There frequently will be a limitation timewise.

Reasons for arbitration include control — "We want to know who the decision-maker is going to be, we want to know what the timeframe is going to be, and we want to know the procedure."

You can even build in a provision for appeal. JAMS has optional appeal provisions. It is not that widely used. There may be people who are uncomfortable with your arbitrator — they can choose one arbitrator, or they can choose three. There are different factors.

Three avoids the possibility of one arbitrator taking a strange position. It also means three times the number of people and scheduling and complexity.

MR. PRICE: When there are three arbitrators, each party nominates an arbitrator and then the third one is usually the chairman, and the parties reach a consensus about who the chairman should be, or the two arbitrators do.

MR. BROWN: Usually the two arbitrators do. The usual procedure — they can do what they want, of course — as I've seen it is each side will pick generally a neutral arbitrator. They can if they want to have non-neutral arbitrators, but that is increasingly rare. So they will each choose a person, and then generally the two arbitrators will confer and choose a third person who will be the chair, frequently with input from the parties — in other words, “We are considering A, B, C, and D; do you have any preference?”

MR. PRICE: Or objection.

MR. BROWN: Or objection, exactly.

MR. PRICE: He or she may have history.

MR. BROWN: Yes. My preference is to do that and have the parties give input on the person who is going to be the chair. The chair will preside; the chair will deal with preliminary motions; the chair will probably take a laboring oar in writing the deal for the board.

MR. PRICE: Discovery American-style in litigation is very time-consuming and costly. How often do the parties in an arbitration dispense with discovery, at least with depositions?

MR. BROWN: Increasingly we are seeing depositions in arbitrations. I think that is the result of lawyers who are used to practicing in the courts importing what they are comfortable with. Because arbitration is a creature of contract and agreement, both sides say, “We feel we really need *X* number of depositions.” You can talk to them and say, “Do you really want to do that?” If both sides are sure that they really need this, it will usually be permitted. And sometimes one side will say, “We feel we need depositions” and the other side will say, “We don't feel so,” and then that is the arbitrator's decision.

MR. PRICE: So, you may have to rule depending on whether you think it's going to be useful.

MR. BROWN: Yes. Also, the rules that are adopted can address this in a default position. The JAMS Rules⁶ provide for very limited discovery unless the parties want to extend it. They also provide that the arbitrator has discretion as to whether to allow dispositive motions — motions to dismiss, motions for summary disposition — before a full hearing. The concept is to try to make it prompt and efficient, not unduly expensive or protracted. But some of these cases by their very nature are lengthy and complicated.

MR. PRICE: Thank you very much.

Gordon, Alicante and trademarks and designs are a million miles from what goes on here in the States. What is your experience with ADR and, I imagine, mediation in particular? How often is it used and is it useful?

MR. HUMPHREYS: Of course, we have a sea view of the Mediterranean out of our windows, which is a huge advantage.

We established an ADR service last year at the level of the Boards of Appeal, and prior to that, starting in 2012, we have had a mediation service offered at the level of appeals. The idea was as a pilot to see what the uptake would be of offering an alternative to the three-member panel decisions that we take in the Boards of Appeal.

⁶ See *JAMS Rules, Procedures, and Forms*, JAMS, <https://www.jamsadr.com/rules-download/> (last visited June 18, 2020).

The challenge for us has been — and I think this ties in a lot with what Max was saying earlier — that our procedures are really quite fast and inexpensive. We deal with everything in writing, so we rarely have oral proceedings before us. We do not have depositions. We do not have cross-examination.

MR. PRICE: This is the proceedings themselves, not the mediation?

MR. HUMPHREYS: I am talking now about the Board of Appeal proceedings, just to say that, because they are so quick and inexpensive and 90 percent of the cases are not appealed further, that obviously means that it is a very attractive possibility for the parties.

Now, what has been the uptake of mediation? The uptake has not been as good as we had wished. But, on the other hand, I certainly think it is useful for the cases that are likely to go to further appeal, especially because the jurisdictional system for trademarks and designs in the European Union is quite complicated. We have multiple levels of appeal. You have already two levels at the EUIPO.⁷ Beyond that you have the General Court and the Court of Justice of the European Union.

MR. PRICE: They are not in Alicante.

MR. HUMPHREYS: No, they're not, they are in Luxembourg. But that's just one branch. That's just for register matters.

For infringement you have another four layers, or even more, at the national level. And you have national marks and national designs. There is a myriad of litigation possibilities.

The great thing about having mediation or ADR in Alicante is that we allow the parties to bring all those parallel litigations together and try to reach a settlement on everything.

And it doesn't just have to be only for trademarks in the European Union. We have had cases where the parties had a U.S. trademark that was also being argued over in parallel disputes in Europe, and they can bring that to the mediation table and find a global solution.

Obviously, in the European Union alone we've got twenty-eight different Member States, and that means that it is quite a complex legal landscape with interactions between all the various possibilities that I've just mentioned.

One of the other advantages is that mediation/ADR is, we believe, very useful for small and medium-sized enterprises (SMEs). It is not just for the big companies. Sometimes the small companies do not have the resources to litigate further. Although it is cheap to appeal in Alicante, relatively speaking, once you start appealing to the General Court and the Court of Justice it becomes expensive. Sometimes SMEs don't even have the resources to hire a lawyer who is specialized in intellectual property.

We are looking at the possibility of offering coaching to these parties about the alternatives, such as mediation, in lieu of the classic appeal proceedings before us.

We are also looking at the possibility of having an expert determination so that they can have a preliminary opinion on an issue in order to give them a sort of risk assessment of what is likely to happen if they go further with the traditional litigation route.

One of the big problems with the uptake, I think, is the hourly fee, if I can put it that way, of lawyers. Often, as I've said, a normal Board of Appeal proceeding in Alicante is relatively inexpensive. But if you have a mediation conference, then you have potentially ten or twelve hours of billable time of the parties' lawyers, plus their travel expenses.

MR. PRICE: Are they always in the room altogether; you don't do it by video-conferencing?

⁷ European Intellectual Property Office.

MR. HUMPHREYS: We are starting to do some things by videoconference. But even if we do it by a videoconference, you've still got the lawyers sitting there and the hourly fees ticking away. This then starts to make the cost equivalent to a day in court rather than a panel decision that is dealt with in writing. This is something we have to look at, and we are even considering whether there is some possibility for pro bono contributions to legal costs in these cases that would come from EUIPO's budget.

MR. PRICE: You mentioned that there has been a slow take-up of the opportunity to mediate. Has this got anything to do with the fact that it is an embryonic system and the mediators may not be that experienced?

MR. HUMPHREYS: We are all accredited with the Centre for Effective Dispute Resolution (CEDR) and with the Chartered Institute of Arbitrators. Some of us have more experience than others, that's true.

However, we offer a lot of different languages. Not all the mediations at the EUIPO are in English — in fact, far from it. Many are in German — the Germans are quite litigious — and there are a lot of conflicts at the EUIPO; of the cases that come before us, almost 30 percent are in German. There are also many in Spanish. We are able to deal with all those languages, and we even have people who can deal with two different languages in the mediation.

So, I think we've had to consider that it's not just about the big people, it's also the small people, so that's where we are starting to focus our efforts.

MR. PRICE: In court-based mediation the parties can choose their mediator. Is there any scope for that at the EUIPO or are you stuck with whoever is allocated?

MR. HUMPHREYS: We actually offer the parties the possibility of choosing their own mediator. We don't impose a mediator on them.

However, because the mediation is covered by the cost of the appeal fee, we do not charge anything additional for our services except when it takes place in Brussels. We have an office in Brussels. There we just ask for an administrative fee of just over €700.

The answer to your question is the designation of the mediator is voluntary.

I should add that if the parties tell us they wish to instruct or appoint a private mediator from elsewhere, we are more than happy for them to do so.

MR. PRICE: Does that happen?

MR. HUMPHREYS: It rarely happens, unfortunately. One of the problems I have heard from European lawyers is they say, "Well, we know how to negotiate. We don't need you to help us. We know our business."

MR. PRICE: Do you think that's the correct view?

MR. HUMPHREYS: Well, of course I'm not going to say it's the correct view. I understand that the perception is in some quarters that it is almost a loss of face to have to put the problems in the hands of a third party because the client may think, *Well, I'm paying you to be my lawyer. Why can't you resolve this case? And why can't you negotiate; why do you need these people to help you?* I sympathize that that view may be an impediment.

On the other hand, I think it is maybe a more mature approach to say that a neutral facilitator can be of great added value. It's not just about settling; it can be about actually "increasing the pie." There could be license agreements that result from the mediation and there could be all sorts of other things that actually work to the advantage of both parties and in fact can create business opportunities.

MR. PRICE: Okay, good. Thank you very much.

Simon, a view from Switzerland?

MR. HOLZER: I'm glad to provide an overview of the situation in Switzerland.

MR. PRICE: You get a lot of business in Switzerland. How do you manage to wangle it?

MR. HOLZER: There is a lot of arbitration in Switzerland, that's true. It is also, as Garrett mentioned, based on contracts normally, distribution contracts, supply agreements, license agreements.

There is arbitration in other IP cases. I can mention, for example, in copyright cases, if the stakeholders cannot agree on the tariffs for the use of music or motion picture, there is often some kind of an arbitration proceeding.

In addition, we have, for example, very-well-established arbitration proceedings in domain name disputes. The seat of the WIPO⁸ Arbitration and Mediation Center is in Geneva.

However, when it comes to mediation/arbitration of IP disputes (i.e., infringement disputes), I think the situation is probably not very different from other jurisdictions. There is not much use of proper mediation. However, there are extensive court-engaged settlement efforts, I would say, and I can briefly explain what this looks like, particularly in front of the Swiss Federal Patent Court.

We do not have the impressive settlement rates as in the United States. That is probably because of the different litigation systems. We have a front-loaded system, as is usual in continental Europe. However, compared to other jurisdictions like Germany — and you mentioned that Judge Zigann would like to have 50 percent of the cases settled in front of the Munich Patent Court — I briefly checked the annual reports of the Swiss Federal Patent Court. Last year we settled in ordinary proceedings on the merits roughly 68 percent of the cases. The year before, in 2017, roughly 67 percent of the cases were settled. So roughly two-thirds of the cases are settled. We even had years when more than 80 percent of the cases were settled at the Federal Patent Court.

What is the reason for that? I think in Switzerland, unlike in other jurisdictions, it is not seen as a sign of weakness if you aim for a compromise. That is also a question of culture.

MR. PRICE: Not a question of the high litigation cost in Switzerland?

MR. HOLZER: I don't think so. It is probably not the cheapest jurisdiction or the most affordable jurisdiction, but we do not have high costs.

MR. PRICE: By Swiss standards.

MR. HOLZER: Yes, exactly. We do not have expensive discovery proceedings, taking of evidence proceedings, so the costs are reasonable in Swiss litigation. So, I don't think that is the reason.

First, I think it is a question of culture. Switzerland is based on compromises. In our political system we don't have a majority in our government, we involve all political parties in the government, so any political proposal has to aim for a compromise. It is probably part of the Swiss DNA, I would say, that you always try to go for the compromise.

There is a provision in the Swiss Code of Civil Procedure that there is mandatory mediation prior to commencing civil litigation.⁹ However, this does not apply to IP disputes; IP disputes are explicitly excluded from this mediation.

MR. PRICE: Why is that?

MR. HOLZER: It's hard to say. There is another provision saying that each canton must have one court responsible for IP disputes, probably because the legislators thought IP disputes are too complicated for the rest of the courts. They might be too complicated for mediation/arbitration as well.

⁸ World Intellectual Property Organization.

⁹ Code de procédure civile [CPC], Federal Code of Civil Procedure [CCP], January 1, 2011, RO 2010 1739, art. 213 (Switz.).

So, we do not have prelitigation mediation in IP cases, but we have an extensive court-engaged settlement system, as I will briefly explain.

What happens, particularly in patent cases, is the patentee normally files a complaint with the Federal Patent Court dealing with the infringement. Then the alleged infringer files a response dealing with nullity arguments normally claiming that the patent is invalid and not infringed. The Swiss Federal Patent Court then asks the patentee to file a response that is limited to only the nullity argument. So, both parties have commented once on the infringement and validity aspects at this stage.

Then the Swiss Federal Patent Court summons the parties to a mandatory settlement hearing. It is mandatory and the parties must appear and must be represented not only by their lawyers and patent attorneys but also by representatives of the parties, in the sense that the general counsel, the head of IP, or even the CEO, must be present.

At the settlement hearing, there is normally a delegation of two judges, the presiding judge and the judge rapporteur who normally has a technical background. They explain to the parties — and this might be shocking for litigators coming from other jurisdictions — how they see the case at that stage, after the first exchange of briefs, which are normally very well-prepared and very detailed. The judges explain to the parties how they see the case after the first exchange of briefs. They then ask the parties whether they would like to enter into settlement discussions in light of what they have heard from the court.

The parties do not have to enter into settlement discussions, but at that stage most parties enter into settlement discussions, after having heard from the technical judge how he sees the case, because they know whether they might be able to convince the judge to change his or her mind, whether they can bring in new facts or arguments. Many cases settle at that stage.

I think this system can work if the following requirements are met:

- If the preliminary opinion of the technical judge is very well-prepared; otherwise, you better not prepare an opinion if it is not really very well-prepared.
- Another requirement is that the parties can trust that the judges nevertheless remain open to accept new arguments, new facts, if the case continues to litigation, if there is no settlement.
- A third requirement is the confidential nature of the settlement hearing. The parties and the judges are not allowed to refer to the preliminary opinion later in proceedings. Therefore, the judges who will join later in proceedings do not know what was discussed at the settlement hearing.

If those requirements are met, I think it is helpful to have a settlement conference as organized by the Swiss Federal Patent Court.

As I mentioned, it is certainly not a proper mediation because we normally do not have third-party mediators. The same judges are involved who will later make the decision if there is no settlement, which might seem strange for some parties coming from other jurisdictions. Also, having the judge provide a preliminary opinion at a very early stage might seem strange for parties coming from other jurisdictions.

However, as I said, if certain requirements are met, it is a very successful tool in my view, and it is a fact that almost two-thirds of the patent cases are settled at a very early stage.

MR. PRICE: Very good.

James, you are an American.

MR. BOLLINGER: Yes.

MR. PRICE: How does ADR fit into the practice and cases that you have had experience with?

MR. BOLLINGER: I will echo what the honorable judge said, which is that almost every IP dispute is resolved by some sort of settlement arrangement.

They are greatly facilitated by mediation. Court-ordered mediation has been very effective in my experience, and it is something that I would routinely advise my clients to accept even if it wasn't ordered. It is becoming more and more commonly ordered because it is such a good vehicle.

I think when Hugh put me on this panel his intention was that I would be a counterpoint. I am going to talk about those disputes that are not mediated successfully and how are those are best resolved in the U.S. system.

The point of the discussion is to contrast the options that a client has when they are confronted with an IP dispute with a counterparty. In the business context, they obviously want to do things as inexpensively as possible and they want to get a good outcome. There are some attributes associated with this:

- The facts are complex. The technology is something that is typically not found in many other disputes that the courts are designed to address.
- The legal framework is something that the court in New Jersey perhaps would be confronted with routinely but maybe not so much in other jurisdictions.
- Clients want to a speedy determination. The problem with courts is they go very slowly, most of them.
- You want to conserve the resources of the parties.
- Finally, you also want to ensure that you get a fair and just outcome. That is a societal objective. Obviously, the client wants to prevail, so you look at every case individually.

You can choose different forums. IP disputes that are infringement in nature (that's a tort) usually go into court. Initially they can be, as indicated, mediated successfully and resolved. There are other venues, obviously.

Arbitration is a very powerful tool. I think it is growing certainly in commercial disputes associated with license agreements. I am not so sure arbitration has really been applied effectively in a large number of cases that involve patent infringement or other torts, trademark infringement and things like that.

I'm going to be proselytizing the notion of jury trials. Jury trials have historically for centuries been a vehicle for resolving complex disputes in a way that society has suggested has been fair. I think, as we will see, jury trials are disappearing in U.S. jurisprudence. I'm not sure why. I'm going to ask the panel whether ADR is the reason that jury trials are going away in the United States or are there other factors that are coming into play.

Let's talk about the options.

One option is you can have a single judge. Most of us know the story of Solomon where a judge had the foresight to resolve a dispute over who was the real mother of a child. Judge Kavanaugh in his confirmation talked about a single judge being one who calls balls and strikes.

When I talk to clients about having a bench trial or a jury trial or a mediation, they have some notions about impartiality. Judges are very good at staying impartial. But, then again, we all bring the products of our lives to any sort of matter that we try to resolve, and those life experiences can shape the way we approach a problem.

Another option is to use panels of judges. On appeals you get three judges, and that counterweights the biases that might exist with a single judge. It would be wonderful if we could take all our IP disputes to a panel of nine.

The Supreme Court is usually pretty busy. They don't take that many cases. For some reason they don't seem to have much trouble with patent cases. They decide these

routinely 9–0, and there are probably some good explanations why that happens. The Supreme Court has had a string of patent cases.

If you cannot get your case in front of the Supreme Court, where can you go?

Arbitration is, as we have heard, a very powerful tool. I think arbitration is very effective in commercial disputes where there is a contract involved — a license agreement, contract manufacturing, maybe even a dispute over ownership interest in technology that resulted from a joint development program. For patent infringement cases, arbitration may not be as effectively used.

Then where do we go? Well, the Constitution says you can have a jury trial if you have a dispute that is over more than \$20, and I think most of these disputes would pass that test. I say that, but I have to be careful, because actually pharmaceutical ANDA¹⁰ disputes are rarely tried to juries because they don't involve a damage claim at all in the United States. But otherwise you are entitled to a jury trial.

Historically, juries have played a big role in our culture and movies. [Slide] This is a scene from *To Kill a Mockingbird*. A group, in theory, provides for the cancellation of biases. Now, this is a terrible example of because what is wrong with this jury? The jurors are all older white guys.

I've got to say — I've done a number of jury trials — fortunately that problem no longer exists. Juries are very diverse, and they bring a lot of insights from their backgrounds to resolving disputes.

Why is there a bias against juries? I think over decades people have come to believe that jurors are lazy and incompetent. The reality is in my experience that neither of those facts is true. In fact, there seems to be almost a collective suffering of jurors. They do not get paid. They sit in there and they actually bond during a week or two-week trial. I can see that they interact effectively and usually stay attentive to the proceedings in a way that facilitates the ultimate outcome.

But jury trials are disappearing. Over the last twenty years they have decreased by about 50 percent. I am curious why people believe that has taken place.

I actually think jurors can be very powerful in resolving complex disputes, even though they may not have the same type of training. I am a big supporter of jury trials.

Patent disputes, notwithstanding the various technologies — recombinant DNA,¹¹ quantum mechanics — can be resolved effectively and fairly by jurors. Juries are acknowledged by most courts as getting it right at the end of the day.

With that I give you my counterpoint as an alternate to an alternative dispute resolution and open the panel to any questions you might have on my presentation.

MR. PRICE: Thank you, James.

We have covered a lot of ground. You heard a lot from us on the panel.

As to fertile areas of litigation, certainly in Europe, there are two at the moment. One is life sciences and the other is telecoms.

Questions or comments from the floor are most welcome.

PARTICIPANT [Richard Vary, Bird & Bird, London]: I want to pick up on something Max said earlier. He identified the problems that German courts have when trying to deal with standard-essential patent disputes and the difficulty of dealing with the comparable licenses, which in an SEP¹² dispute, in any sort of FRAND dispute, are going to be key to everything.

¹⁰ Abbreviated New Drug Applications.

¹¹ Deoxyribonucleic Acid.

¹² Standard Essential Patent.

There have been four big arbitrations in the SEP area. Probably the biggest single advantage they have is a common set of rules that enable you to deal with the comparable licenses. We have found arbitration to be very successful. In a single venue you can determine all of the FRAND issues, you can determine the rate for a portfolio, and you can do this in a way that preserves the confidentiality of the license agreements and allows you to bring them in without the other problems that Max alluded to.

MR. PRICE: I should say that there is a case that is running in the United Kingdom at the moment, *Unwired Planet v. Huawei*,¹³ where the judges are, in effect, making a bid to set a global FRAND rate for licenses. Very strong judgments have come from the court of first instance and the Court of Appeal, and just last week the Supreme Court in London said they would take the case.

MR. HAEDICKE: I would like to answer.

MR. PRICE: Yes, please do. Richard has a huge amount of experience with these sorts of cases.

MR. HAEDICKE: I absolutely agree. I just would like to comment on the situation in Germany because this is maybe of interest to you.

In SEP cases, according to the current German law, the court needs to be informed about comparable licenses. Generally, and much more than in the United Kingdom or in the United States, in Germany not only the judges but also both parties may review all of the files without far-reaching restrictions. This is, in principle, required under the German rules of due process.

It is hard to reach a satisfactory confidentiality regime in German patent infringement proceedings. We do not have *in camera* proceedings in patent cases. There may be contractual arrangements under which only lawyers and a few representatives of the clients may review the confidential files. These contractual arrangements do not go very far and lack legal certainty.

MR. HOLZER: I do not know whether confidentiality is still an advantage in arbitration in FRAND arbitration proceedings where the cost of FRAND raised the price attached to the portfolio. Also, in pharmaceutical arbitration, for example, confidentiality is under pressure. In FRAND cases, you also have to disclose the FRAND rate to other implementers later because the FRAND rate must not be discriminatory.

Also, in a pharmaceutical settlement or arbitration ending in a settlement, for example, the competition authorities require that you disclose your settlements. They are monitored by the EU Commission.

I don't think that this often-praised advantage — that is, the confidential nature of arbitration proceedings is still so important in those cases where it really takes place and happens. That is my view.

Another thought on why arbitration in IP, typically in infringement situations, is probably not so successful is that many core IP questions, like validity or infringement, in many jurisdictions are still not matters that could be submitted to arbitration. Arbitration awards in many jurisdictions have only *inter partes* effect, while IP rights per se have an *erga omnes* effect, and it is difficult to combine these. Many jurisdictions still do not allow the choice of law for core IP questions, for validity and infringement.

Therefore, the advantage that arbitration could have — namely, to offer a “one-stop shop” to resolve all those questions — is not possible in practice, with the exception of subject matters that are accessible and can be submitted to arbitration, e.g., the condi-

¹³ *Unwired Planet International Ltd. v Huawei Technologies Co Ltd.* [2018] EWCA Civ 2344 (U.K.).

tions of FRAND agreements or the price tag in FRAND disputes. So, with respect to other aspects, I think there are certain limits to arbitration particularly in IP disputes.

MR. PRICE: Garrett, do you have a view from America?

MR. BROWN: Concerning confidentiality in arbitration?

MR. PRICE: Yes, and whether or not it is useful to run arbitrations in FRAND disputes.

MR. BROWN: I hadn't considered that.

MR. PRICE: Well, what about confidentiality?

MR. BROWN: The problem has been the presumption of open access to court proceedings, which has been defended by the various courts of appeal. The Third Circuit has had some strong opinions on requiring motion practice to try to seal certain records and documents, which is one of the reasons why arbitration is preferred where you have areas of trade secrets or confidentiality.

But I hadn't thought of it in the FRAND context.

MR. HOLZER: In FRAND cases, there is a discussion whether you should oblige the owners of standard-essential patents, the patentees, to accept some kind of an arbitration clause, as we have, for example, in domain name systems.

When you have a patent that has been declared to be a standard-essential patent and you have made a FRAND declaration to a standard-setting organization, then there is a big discussion about whether this declaration should mandatorily be linked to some kind of an acceptance of arbitration proceeding for determining the FRAND rate. At the moment that is not the case.

The ETSI Declaration,¹⁴ for example, is not linked to an arbitration clause, but there are discussions whether in the future, similar to domain names, there should be a mandatory link to an arbitration clause if you make a FRAND declaration.

MR. PRICE: There is a question at the back.

PARTICIPANT [Claudia Tapia, Ericsson]: Ericsson is one of the major contributors in standardization, and indeed we had this discussion in ETSI.¹⁵ It was rejected because basically it would have had mandatory arbitrations and that would have resulted in maybe some members withdrawing. Arbitration can be very positive; we ourselves have been involved in arbitration and we find it very useful when you have a willing licensee. But there are many ways to delay and misuse this tool, so we want to do it on a voluntary basis.

When it comes to confidentiality issues, there is a major contrast, and not only for the patent holder side. We are also licensees, and we see in every single contract we sign that the licensee asks for this confidentiality. These contracts contain collaboration agreements, a lot of information that they do not want their competitors to have.

This is why we have serious concerns about how the German courts are now dealing with this situation. It is a fact that you have four representatives that will access to this who promise not to disclose. How is that going to work in practice? They are not going to be able to delete it from their brains. They have this information of all their competitors, and the people who are going to license again in the future will have this competitive advantage.

I think in some cases, particularly in arbitration, when you have a willing licensee, you have agreed on many terms, when you both agree to go into arbitration, generally the parties are happy in this way forward.

¹⁴ See *Intellectual Property Rights*, ETSI, <https://www.etsi.org/intellectual-property-rights>, (last visited June 18, 2020).

¹⁵ European Telecommunications Standard Institute.

PARTICIPANT [Thomas Pease, Quinn Emanuel Urquhart & Sullivan, LLP, New York]: I have litigated quite a few SEP cases and I am now scheduled to arbitrate my first one.

From a confidentiality standpoint, I think there is not much of a difference in our client's views as to protections put in place through a protective order in a district court action or the agreement that you get in an arbitration. However, I do find that even when you have a protective order in place, the counterparties to these licenses will often insist on even stricter protections to make sure that the terms of the licenses are treated as "outside counsel's eyes only" and not communicated to the decision makers within the companies. So, I don't know that confidentiality is going to determine whether you arbitrate or litigate.

I can tell you, though, that many of our clients are very nervous about the idea of allowing some neutral decision maker to determine the FRAND rate, whether it is a judge or an arbitrator.

A lot of times these things are negotiated in the real world by licensing executives based on predictions about sales, the markets, business trends, and the like, and it is very difficult to translate that kind of analysis into the analysis that would necessarily go into the determination of the terms and conditions of a cross-license by a neutral decision maker.

Just one last point on that. I know Simon mentioned that in the FRAND context you are under an obligation — or there is at least a suggestion that you might want that to make available the terms of a FRAND license. But in my experience, most of the companies we represent enter into broad cross-licenses that may not even be limited to SEPs. They may, for example, be for all patents needed to make a certain type of product. Typically, they are for, let's say, a five-year term with a lump-sum payment. You could look at that and employ some degree of alchemy to try and back out what the appropriate FRAND rate would be for the portfolio or for a particular patent within the much broader grant of patent rights set forth in the license.

It is a very difficult issue and one that will not necessarily be resolved by increased transparency in FRAND licensing.

I do think it is important to consider these comparative licenses, and I do think confidentiality is required for that. It is an extraordinarily complex analysis that people need to go through.

MR. PRICE: Mr. Vary has the floor again.

PARTICIPANT [Richard Vary]: Simon talked about the confidentiality point as the big issue as to whether FRAND rates should be open and whether there was a broader public policy issue.

The problem actually goes to a much lower level, and that is the lawyers. The problem is I as the lawyer saying, "I would like to put these licenses in as evidence," and then I read the license agreements and realize that would create a breach of contract, which means the client is going to be sued by all of its licensees or licensors or whatever. Without a proper confidentiality regime in place, you simply cannot even introduce the evidence.

Now, you correctly pointed out that in the United States there are mechanisms. But you cannot sue on SEPs only in the United States; you have to have a global campaign. Outside the United States, I think only the United Kingdom has an equivalent protection mechanism, and even that at the moment has been a little eroded in one of our recent cases.

The ability in arbitration to deploy these things without getting yourself sued for breach of confidence is a great advantage.

PARTICIPANT [Ken Adamo, Kirkland & Ellis LLP, Chicago]: I'm going to try to get this back to what we are here for. The FRAND program starts at 10:30 this morning.

I want to talk about Jim's issue, about why jury trials are down. I don't think they are down as a result of successful ADRs. I think they are down for a number of reasons.

The success of ADRs are certainly one of them. The post-grant proceedings at the USPTO¹⁶ is another one. But I would also note you wouldn't know if filings of lawsuits and jury trials are down for ADRs because most of the people in this room do not know about major ADR programs that have been running in this country for years and, because they are all confidential, you don't know that they exist.

I can tell you from firsthand experience — and I am not going to identify who was involved in this — that at a number of very competitive U.S. companies that were beating the bejesus out of each other in courts in the 1980s and 1990s the businesspeople suddenly got tired of paying people like Jim and me to represent them in front of juries and said, "Let's come up with an ADR program."

Eight months of negotiation later, they came up with the most amazing ADR program which stopped the litigation dead for the next fifteen years. They resolved a whole bunch of big-ticket issues. Everybody got a fair hearing at arbitration panels — sometimes Party A won, sometimes Party B won — and the rest of the world never knew the program was there.

One pro thing for juries that I will throw out — and I think James will agree — is that comparables, irrespective of how you get to them, are very jury-friendly. Why? Everybody in the United States who has bought a house or an apartment or dealt with a real estate agent understands the concept of comparables.

So, Jim, next time you are trying to convince somebody who is FRAND or SEP related to go into a jury trial — and, by the way, in some of the major U.S. FRAND/SEP cases juries already have been involved in either setting the rate or selecting the rate — Jim, remind people that is a great advantage of juries.

MR. BOLLINGER: Thank you.

PARTICIPANT [Mr. Adamo]: You're welcome.

MR. PRICE: James, do you want to comment further?

MR. BOLLINGER: Well, obviously the confidentiality of the ADR process has hidden the resolutions of these major disputes. They are probably very industry-specific — it's the electronics and computer technology areas. Less so perhaps in pharmaceuticals, but the big area for litigation in pharmaceuticals doesn't really get in front of juries either, because they are all about injunctions and only a judge can grant an injunction.

MR. PRICE: We have time for just one more very, very quick question and answer.

PARTICIPANT [Patricia Martone, Law Offices of Patricia A. Martone, New York]: I am an attorney and an arbitrator, and I was for many years a trial lawyer. Speaking solely of the United States, where you can arbitrate issues of patent validity, while I am a big believer in the jury trial system, the problem is the extraordinary expense of getting there, and electronic discovery and huge privilege laws. One benefit of arbitration is it can really compress that into something that is a lot more manageable.

MR. PRICE: Thank you very much.

We have covered a lot of ground. As I said, I hope for at least some of you who didn't know much about ADR that now ADR will be on your radar.

I would like to thank our panelists very much indeed for their contributions, and most of all thank the audience for having turned up to hear us and asking their questions. Thank you all very much.

¹⁶ United States Patent and Trademark Office.