

Mediation of Intellectual Property Disputes



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Background

Intellectual Property (IP) disputes and litigation in general place a burden on businesses both in terms of cost and time. The Patents County Court was set up in 1993 to cater for the needs of small to medium firms in litigating patents, trademarks and designs. Lord Woolf's 1986 report 'Access to Justice' identified the need for fair, speedy and proportionate resolution of disputes. These principles are reflected in the Civil Procedure Rules introduced in April 1999 and references to ADR (Alternative Dispute Resolution - the collective term for the ways that parties can settle civil disputes without court action) have been strengthened over the years. Following the latest update, available electronically at http://www.dca.gov.uk/civil/procrules_fin/index.htm#updates, the Practice Direction –Protocols now includes:

“4.7 The parties should consider whether some form of alternative dispute resolution procedure would be more suitable than litigation, and if so, endeavour to agree which form to adopt. Both the Claimant and Defendant may be required by the Court to provide evidence that alternative means of resolving their dispute were considered. The Courts take the view that litigation should be a last resort, and that claims should not be issued prematurely when a settlement is still actively being explored. Parties are warned that if the protocol is not followed (including this paragraph) the Court must have regard to such conduct when determining costs.”

The Department for Constitutional Affairs (DCA) has various initiatives (see <http://www.dca.gov.uk/civil/adr/index.htm>) to help people resolve their disputes at the earliest possible stage so that they do not have to incur the costs and stress that may be involved in entering the court system. The UK Intellectual Property Office held a seminar on the 10 June 2005 with key interests and mediation providers taking part, and the main conclusion was that the UK Intellectual Property Office should take action to promote the use of mediation in intellectual property disputes.

The UK Intellectual Property Office has already put in place strategies to resolve disputes at an early stage. Section 13 of the Patents Act brings into effect sections 74A and 74B which will allow anyone to ask the Comptroller for a non-binding opinion on an issue of patent validity or infringement.

For Trade Marks a new streamlined opposition procedure includes a longer cooling off period, to allow parties to negotiate a settlement. A mediation service will further enhance these procedures as mediation is a viable low cost alternative to litigation which is confidential, unbiased and voluntary. It encourages swift settlement of disputes and puts the parties involved in control, is less stressful and formal than a court.

There is a wealth of information available on ADR and mediation. For example the Community Legal Service publish a leaflet “Alternatives to Court”, available electronically at <http://www.clsdirect.org.uk/documents/leaflet23e.pdf>

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What is Mediation?

Mediation is one form of ADR. It enables opposing parties to discuss the problems causing the dispute with the help of an independent person or mediator without resorting to a court hearing. The mediator's job is not to reach a decision on the dispute but to facilitate exploration of the case and possible solutions.

There are many benefits to mediation:

- For cases which span several jurisdictions, the court of one state cannot settle the dispute on a worldwide basis. In litigation a losing party will not always give up because they lose in the first instance but will go to appeal, mediation provides a way to settle the dispute on a worldwide basis in a single procedure.
- Provides a swifter solution to settlement of their disputes.
- Makes a substantial contribution to the more efficient use of judicial resources.
- The results of a decision following on from a mediation agreement can be beneficial to the parties involved, with the so called "win win" results of licensing or supply contracts which the courts cannot award.

If both sides agree to mediation, the mediator will meet with each side, separately and together, to discuss the issues involved. When the main issues are identified it is then hoped that the dispute can be settled. There are no fixed results in mediation and both sides must agree on what the solution is to be. It is worth remembering that the mediator is a facilitator and does not make a decision; that is down to the opposing parties. The discussions are "without prejudice" that is they are not binding and parties can continue with proceeding if mediation fails.



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When is Mediation a suitable option?

There are very few cases that are not appropriate for mediation, or other non-litigious dispute resolution processes.

However, when contemplating ADR or mediation, there are a number of factors to consider.

Positive Factors:

- is the cost of litigation going to be disproportionate to the disputed amount?
- are the complexities of law, fact and relations likely to result in lengthy proceedings with a high possibility of appeals?
- are the issues highly complex or do they involve numerous parties?
- are the parties involved in multiple actions?
- are the parties deadlocked in existing settlement negotiations?
- are the parties likely to have a continuing relationship after the dispute?
- are the issues sensitive or would they require the disclosure of sensitive information?
- do the parties desire resolution without publicity?

Where these factors are present it is likely that mediation will be advantageous.

Types of IP disputes that the Office considers may be suitable for settlement by mediation include:

- disputes about the licensing of IP rights;
- disputes concerning the infringement of IP rights;
- trade mark opposition and invalidation proceedings on relative grounds;
- disputes over patent entitlement, e.g. whether co-inventor was employee or consultant;
- disputes over patent/trade mark ownership, e.g. whether employee developed invention in their own or Company time; or
- disputes over patent inventorship, e.g. the significant contribution made by a third party.



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Negative Factors:

- is a summary judgement available quickly and efficiently?
- do the parties require emergency injunctive or other protective relief?
- does a legal, commercial or other precedent need to be set?
- is a settlement of no interest to the parties?
- is publicity sought by the parties?

Where these factors are present mediation will probably not be appropriate.

The UK Intellectual Property Office considers that the following are examples of when mediation may not be a viable alternative to litigation:

- trade mark disputes concerning the distinctiveness of the mark;
- trade mark opposition and invalidation proceedings on absolute grounds;
- ex parte disputes;
- disputes involving the validity of patents; or
- disputes over requests for extensions of time.

(The above section is based on advice available from www.cedr.com.)



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Mediation and Proceedings at the UK Intellectual Property Office

The UK Intellectual Property Office will be actively encouraging parties to consider mediation as a way of resolving their dispute. To this end, Hearing Officers will specifically consider whether mediation would be a better option whenever it receives requests to initiate litigation proceedings at the Office.

Where it is decided that mediation would be an appropriate course the Office will invite parties to consider mediation as an alternative to litigation. If necessary Office proceedings would be stayed for two weeks to allow the parties time to explore the mediation route and hopefully decide upon a mediator.

The parties may select any mediator of their choice, whether it be one of the Office's accredited mediators, or any other external provider.

The parties are, of course, free to decline to mediate, but they should be aware that where a party unreasonably refuses ADR/mediation, it is at the discretion of the Hearing Officer whether to take account of this when considering an award for costs.

Where the parties agree to mediate they should inform the Office of this and provide a timetable for the mediation process. The Office will then stay the proceedings further until the mediation has been completed.

Upon completion of the mediation the parties should inform the Office promptly of the outcome. Where mediation has been successful the Office will ask for the outstanding proceedings to be withdrawn, otherwise the proceedings will continue in the normal fashion where mediation has failed to produce an agreement.



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UK Intellectual Property Office Mediation Service

In support of the move to encourage parties to mediate the UK Intellectual Property Office has a team of accredited mediators with extensive experience of dealing with IP disputes. As noted above there is no obligation to use the Office's mediators, and a list of other mediation providers is provided on our website.

If a UK Intellectual Property Office mediator is chosen all of the arrangements for the mediation will be dealt with by our Search and Advisory Service. This includes the issuing of written notices and the handling of fees. The office will issue a Mediation Agreement, which the parties will be required to sign to confirm that they agree:

- To use mediation to try and resolve their dispute;
- To use a mediator provided by the UK Intellectual Property Office;
- To the mediator suggested by the UK Intellectual Property Office;
- To the location and costs associated with the mediation.

The charges for the provision of a UK Intellectual Property Office mediator and accommodation at our London office, Harmsworth House, are £750 (plus VAT) for a half day and £1000 (plus VAT) for a full day. For mediation held at our Newport Office, the charges are £500 (plus VAT) and £750 (plus VAT) respectively. These are total costs including mediators travel and expenses, and will be borne equally by the parties unless agreed otherwise.

Additionally, in our role supporting mediation and alternatives to litigation, we can provide suitable accommodation for parties when they select a mediator other than the UK Intellectual Property Office's in house ones. This can be at either our London or Newport offices; the cost for accommodation at either location is £100 (plus VAT) per half day.



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How to use our Mediation Service

For more information or to request one of our mediation services then please contact us at:

Mediation
Search and Advisory Service
Room GY62,
Concept House
Cardiff Road
NEWPORT
NP10 8QQ

Telephone: +44(0)1633 811010

Fax: +44(0)1633 811020

E-mail: sas@ipo.gov.uk

When requesting a mediator please make sure you give us:

- full postal address and daytime phone number of the parties involved in the dispute; and
- details of the nature of the dispute.

You can pay by authorising us to take money out of your deposit account with us (if you have one), by cheque payable to 'UK Intellectual Property Office', by bank transfer or by some debit or credit cards.

A schedule of the fees and expenses will be detailed on an invoice which must be settled within 28 days (unless other arrangements have been agreed with the UK Intellectual Property Office).

Requests for further services will not be accepted until outstanding invoices are paid.





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