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KNOW THYSELF AS YOU KNOW THY ENEMY: SETTING GOALS AND KEEPING FOCUS WHEN MEDIATING IP DISPUTES

*Michael H. King, P.C. & Peter N. Witty**

I. INTRODUCTION

A. The Lure of Mediation

“Mediation is a problem-solving negotiation process in which an outside, impartial, neutral party works with disputants to assist them in reaching a satisfactory negotiated agreement.”¹ Commentators have opined that the success of mediation as a dispute resolution tool arises because of client participation in the process and the resultant control achieved over the outcome of a dispute.² Put another way, the power of successful mediation lies in providing the parties with an opportunity to create a solution to their dispute. The flexibility of mediation, embodied by the lack of the formal discovery and evidentiary rules attendant to the court process, provides yet another reason for many outside counsel and their clients to choose mediation as a litigation alternative.³

One author has commented that mediation will only be successful when the process takes into account the interests and needs of the various parties.⁴ This requires counsel and the client to take a different, less combative, approach than that usually seen in litigation when

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1. GARY GOODPASTER, A GUIDE TO NEGOTIATION AND MEDIATION 203 (1997).

2. See Chris Guthrie & James Levin, *A “Party Satisfaction” Perspective on a Comprehensive Mediation Statute*, 13 OHIO ST. J. ON DISP. RESOL. 885, 980 (1998).

3. PAUL M. LISNEK, A LAWYER’S GUIDE TO EFFECTIVE NEGOTIATION AND MEDIATION § 7.15 (1992).

4. *Id.* at § 9.1.

deciding to engage in mediation.⁵ Commentators have suggested that mediation can best prosper in an environment where the parties believe that “[a] dispute is a problem to be solved together, not a combat to be won.”⁶ If parties to a mediation adopt this attitude, some sources estimate that mediation can succeed in as many as 90% of cases.⁷

For years, the possibility of quicker and cheaper resolution of complex business disputes has enticed in-house patent counsel and management to strongly consider mediation as a way of resolving intellectual property disputes. This is especially true for patent infringement matters which uniquely involve complex technology and high-cost litigation.⁸ The ability to tailor creative business solutions when resolving patent disputes, instead of enduring the “hero or zero” reality of expensive and long litigation, combined with the prospect of business people resolving business disputes without resorting to litigation (and lawyers) and the corporate goodwill associated therewith, has also provided motivation for using mediation to resolve patent disputes.⁹

Since its recent enactment, the Uniform Mediation Act¹⁰ (the “Act”) has strengthened the pull of mediation as a dispute resolution tool with its promise of better and more uniform mediation practice.¹¹ Specifically, the Act’s inclusion of a mediation privilege not only serves to strengthen the use of mediation for various causes of action under state laws, but it also provides a blueprint for strengthening mediation agreements in intellectual property disputes most often fought out in the federal court arena. Both counsel and clients should expect to utilize at

5. Tom Arnold, *Four Sharply Different Illustrative ADR Success Stories* 3, in IP CONFLICT RESOLUTION: LITIGATE MEDIATE OR CAPITULATE (University of Akron 2002).

6. *Id.*

7. Tom Arnold, *A Vocabulary of Alternative Dispute Resolution Procedures* 18, in IP CONFLICT RESOLUTION: LITIGATE MEDIATE OR CAPITULATE (University of Akron 2002). Arnold predicts this success rate provided that a mediation is: voluntary, done after key discovery, done before a trained and experienced mediator, and when individual clients or business CEOs are present at the mediation. *Id.*

8. One Fortune 500 general counsel recently stated in a corporate counsel roundtable discussion that “our judicial system may be the best in the world, but the reality is that judges and juries sometimes get it horribly wrong.” *Considering Alternatives to Litigation: When Third Parties Can Help and When They Can’t*, CORPORATE LEGAL TIMES, January, 29, 2002, at 74 [hereinafter *Alternatives to Litigation*]. Most companies can’t afford that kind of risk, so it’s in their best interest to try to resolve issues ahead of time. *Id.*

9. UNIF. MEDIATION ACT, at v (2002). In the Prefatory Note to the Act, the Commission stated that “when settlement is reached earlier, personal and societal resources dedicated to resolving disputes can be invested in more productive ways.” *Id.*

10. *Id.*

11. *Id.* at vi-vii.

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least a portion of the Act in formulating mediation agreements in future patent disputes.

B. Mediation - Good in the Proper Situation But Not a Cure for All Ills

While recent mediation experiences in the intellectual property field have reinforced the strengths listed above, they have also demonstrated that mediation is not a panacea for all the problems faced by a business in resolving intellectual property disputes. Both in-house legal counsel and management continue to repeat the mediation mantra of “save on legal fees” and “won’t mediation give me a better idea of the other side’s case.” While these are truisms in various situations, business people should instead view mediation as “litigation lite” and treat it as a process which does not require a full planning process (which should be somewhat similar to that employed in a typical litigation) or the devotion of resources (both financial and in-house business personnel) used in a standard litigation.

C. Purpose of Paper

Therefore, while we briefly discuss the expected improvements to the mediation process following the enactment of the Uniform Mediation Act, we want to put aside the reality that mediation can work in some situations and instead focus on identifying and overcoming various impediments to a successful mediation. Specifically, we want to address two points: (1) the importance of defining realistic objectives for the process, and (2) the importance of staying focused on obtaining those objectives.

II. THE UNIFORM MEDIATION ACT AND THE MEDIATION PRIVILEGE

On August 16, 2001, the National Conference of Commissioners on Uniform State Laws (“NCCUSL”) enacted the Uniform Mediation Act.¹² In keeping with its practice, the NCCUSL did not place a purpose clause into the Act. However, in the prefatory note to the Act, the drafters specifically stated their intentions that the Act promote uniformity in mediation procedures as well as increase the candor of parties engaged in mediation by ensuring the confidentiality of the mediation process.¹³

The Act sets out various provisions similar to pre-existing state statutes, but it also explicitly promotes the autonomy of parties in a

12. *Id.*

13. *Id.* at ii.

mediation by leaving to them those matters that can be set by agreement and by allowing some provisions of the Act to be varied by party agreement.¹⁴ For example, section 3(c) of the Act allows parties to agree in advance that they will not consider all or part of the mediation procedures as privileged.¹⁵ The most important part of the Act, however, remains the enactment of a clear, strong mediation privilege. Specifically, the mediation privilege provides that communications made as a part of a mediation process are not subject to discovery or admissible in evidence at a later proceeding unless waived by the applicable party, precluded because of prejudice to another party to a mediation, or unless they involve a crime or criminal activity.¹⁶ This privilege appears to encompass any discovery taken as part of the mediation process (i.e., briefs written or depositions taken in furtherance of the mediation). However, the Act gives the parties the ability to waive the mediation privilege in the event that a mediation fails to resolve a dispute and they wish to use discovery taken during the mediation process in order to avoid the time and added expense of duplicating that same discovery during a follow-on litigation.¹⁷

As stated in its executive summary, the NCCUSL believes that such a strong privilege will strengthen existing state laws and court rules with respect to mediation.¹⁸ The NCCUSL also believes that public policy strongly supports the mediation privilege because it assures mediation participants that reasonable expectations regarding the confidentiality of the mediation process are met.¹⁹ The drafters realized that mediation can succeed only through a “frank exchange” of information by the parties, and that such exchange will be achieved only if the participants know that what is said in the mediation will not come back to haunt them in a later court proceeding or other adjudicatory process.²⁰

At first blush, the Act and its mediation privilege seem to have no direct effect on the resolution of patent disputes because the mediation privilege does not extend to federal courts. However, the purpose of the

14. *Id.*

15. *Id.* § 3(c).

16. *Id.* §§ 4-5. Evidence or information that is otherwise admissible or subject to discovery does not become inadmissible or protected from discovery in a follow-on litigation solely by reason of its disclosure or use in a mediation. *Id.* § 4. Similarly, “there is no ‘fruit of the poisonous tree’ doctrine in the mediation privilege.” *Id.* § 4 ¶ 5. Therefore, a party who learns about a witness during a mediation is not precluded by the privilege from issuing a subpoena to that witness. *Id.*

17. *Id.* § 5.

18. *Id.* at ii.

19. *Id.* at i.

20. *Id.* at iii.

privilege in a mediation agreement, to protect from public disclosure the information disclosed at a mediation, remains effective. Including the Act's mediation privilege in a mediation agreement should help improve the free flow of information during mediation which should, in turn, lead to the quicker resolution of various disputes. Further, incorporating the Act's mediation privilege into a mediation agreement may be better than incorporating the standard Federal Rule of Evidence 408 clause because Rule 408 does not provide absolute coverage in follow-on proceedings.²¹

In sum, the Act, and specifically the mediation privilege, should help counsel more readily recommend mediation as a source of dispute resolution. Further, counsel should be able to recommend that clients incorporate parts of the Act into their mediation agreements because incorporating them will help promote deeper and more frank discussion during early attempts to resolve a conflict.

III. DEFINING REALISTIC OBJECTIVES FOR RESOLVING YOUR DISPUTE

While the Act incorporates changes which should improve the mediation process, it is still as important as ever for counsel to assist a client as early as possible in defining realistic objectives for resolving a given dispute. Often, disputes begin when in-house counsel informs outside counsel of a dispute and says "I want to settle the suit." This is a noble goal, of course, but mediation is insufficient because it does not give either the business people or outside counsel the guidance necessary to formulate an end-game strategy which will please, or at least be understood by, everyone who has a stake in the process. Unfortunately, therefore, a mediation designed to "settle the suit" often leads to the later dissatisfaction of the business people who expected a different business impact. In another words, defining realistic objectives at the beginning can save anguish at the end. To avoid this scenario, counsel must help a client evaluate whether mediation is the best way to handle a particular dispute.²²

Outside counsel must also ensure that business clients are honest with themselves concerning the objectives they wish to achieve and that mediation fits those objectives.²³ For example, mediation can be an

21. FED R. EVID. 408. The Rule only covers statements or evidence made in a court, and it does not protect against out of court use, i.e., administrative proceedings or legislative hearings. *Id.*

22. See GOODPASTER, *supra* note 1, at 220-21. Gary Goodpaster provides an excellent example of a checklist of factors which can help counsel and clients decide when to use mediation. See generally *id.*

23. The general counsel of a major financial services company recently stated that he "[s]its[s] down with the businessperson even before the idea of mediation comes up and find[s] out

excellent tool for deciding on the amount of a specific royalty attendant to a given license, but mediation may be much less useful in a patent dispute where one party expects to completely bar another party's technology from a pertinent market. In that situation, mediation is much less likely to produce a settlement and can actually help an opponent understand a client's case prior to engaging in litigation. To avoid this pitfall, outside counsel must continually seek to focus the client on its realistic objectives, using a strategic thought process similar to that the client would use if it expected to engage in litigation. Specifically, outside counsel must learn what the client wants and what might be willing to give up in order to settle the dispute. If the client's honest answer to this is "nothing," or is something not reasonably achievable, then mediation not only fails to serve the best interests of the client, but also can harm the client's interests by causing delay or dissipating any litigation advantages it may have.

Counsel must also honestly evaluate for his client the applicability of the mantra: "even if we don't settle, we will get a better idea of the other side's case." Clearly, discovery in an early mediation can accomplish goals useful in either settling the matter or improving a party's litigation posture. For example, one can use a mediator for the singular purpose of streamlining and accomplishing discovery which, if successful, can make the litigation process much cheaper and more cordial in the absence of protracted and often trivial discovery disputes.²⁴ However, this does not always hold true in patent cases. Early mediation is usually done before the conclusion of fact discovery and almost certainly done before the conclusion (or possibly even the start) of expert discovery, which is so very important to any patent case. Early

what they want to achieve out of this [dispute]. You can introduce different ways of achieving [those goals], with mediation being one method." *Alternatives to Litigation*, *supra* note 8, at 72. In a similar vein, Tom Arnold has cited to Fisher and Ury's *Getting to Yes* for the terms BATNA (Best Alternative to Negotiated Agreement) and WATNA (Worst Alternative to Negotiated Agreement) which counsel can use to describe today's dollar value of going through the litigation process, discounted for all the risks of winning or losing and further discounted for the value of dollars paid after three or five years of litigation. Arnold, *supra* note 5, at 8. Counsel should also include for his client an amount which considers the emotional turmoil, the loss of the client's time, and other costs necessary to support the litigation. *Id.*

24. See Arnold, *supra* note 5, at 5 (suggesting that one can use early mediation for the purpose of making a mediator a facilitator of cooperative cost-effective discovery). See also *Alternatives to Litigation*, *supra* note 8, at 70 (quoting a general counsel for a Fortune 500 oil company who recently stated: "[F]or parties to get comfortable enough to even entertain the notion of ending a case, they each have to feel they have their arms around enough of the facts and the big issues in the case. There has to be a medium of discovery so everybody feels as if we are all on the same playing field.").

mediation can subvert the opportunity for litigants to properly evaluate the strengths and weaknesses of the opposing position prior to deciding on what grounds, if any, a client should settle that dispute.

More importantly, choosing early mediation as the plaintiff in a patent dispute may cost a client the chance to drive the litigation. Early mediation may remove the opportunity to file a motion for preliminary injunction, prepare the case, or make use of the advantages of knowing the case at a time when the defendant is scrambling to learn his case. Further, it is always a disadvantage to a plaintiff to let a litigation become stale. A client should not give up these advantages unless a thorough assessment of the case demonstrates that mediation is a better recourse for resolving that dispute. Early mediation can also (accidentally or otherwise) expose a weakness in a client's case which could help a defendant decide to take a different strategic outlook on the case. In that scenario, entering into early mediation provides the defendant with the opportunity to step back, evaluate the situation, and possibly redirect the litigation to its own benefit.

Outside counsel also needs to have the client consider whether it wants a mediator or a federal judge to hear his dispute. Mediators take their role in dispute resolution very seriously, but that role frequently is one of "splitting the baby" or "making a deal" in an effort to give each side something it can take back instead of a resolution more favorably tailored along the facts of a given dispute.

While clients often perpetuate the mediator role by their actions in the mediation, such actions are not unreasonable if a client has actively and honestly evaluated the possible outcomes of a mediation to recognize its goals in resolving the dispute. For example, it may make perfect sense for a client to mediate a patent dispute when it involves inordinately complex technology after counsel has determined that they will not be able to simplify the technology for a lay jury.²⁵ In this situation, using a mediator with a background in the pertinent technology will probably be far more beneficial than the option of taking the case before a jury.²⁶ However, a mediator will often attempt to settle a matter despite knowing nothing about the complex technologies involved in a case (and consequently knowing nothing about the relative merits of any party's position). Merely engaging in the mediation may

25. Biotechnology or biochemical patents are examples of this type of complex technology.

26. The general counsel for Apple Computer recently agreed with this premise when she stated that "occasionally the subject-matter expertise of the mediator becomes very important when knowing the law is an issue. Patent cases [are] an example." *Alternatives to Litigation, supra* note 8, at 72.

lead the mediator to believe the parties want to settle the matter, regardless of the relative merits of their positions.

In sum, mediation can undoubtedly serve a client's interests in many situations, but counsel should not allow a client to treat a mediation like a panacea for all ills. Instead, counsel should engage the client early on in the process in an effort to determine the client's realistic goals, expectations, and desires. Then, and only then, should mediation proceed.

IV. STAY FOCUSED ON ACHIEVING YOUR CLIENT'S REALISTIC GOALS

The decision to proceed to mediation remains only a first step in the ongoing interaction between counsel and client to achieve the client's realistic goals. Put another way, counsel must ensure that the client remembers its original goals throughout the process. Of course, a client's goals can change as the case develops or the business climate changes. (Counsel must remain flexible and creative throughout the process to turn any change in the dispute environment to the client's advantage.) It remains vital that counsel work hard to keep a client focused on the same goals that it articulated at the start of the dispute resolution process, until a client consciously chooses to deviate from those goals. Then counsel should alert a client if it has deviated from its original goals and help the client reevaluate its position. Specifically, counsel must work with the client to narrow issues heard in the mediation to only those the client wishes to resolve, thereby avoiding the introduction of extraneous issues into the mediation and, while encouraging the business solutions, also make sure that creative business solutions do not enlarge the number of issues in the mediation so that a client is negatively affected in the event of possible follow-on litigation.

In the context of a patent dispute, mediation typically arises out of a limited dispute between two entities regarding who owns the rights to certain technology or whether a given product infringes another's technology. However, it can be difficult to keep a mediation focused on a single subject. A mediation focusing on a single patent can eventually become litigation involving several similar patents or products. The expansion of issues in a mediation can lead to a later expansion of discovery as well as increased litigation expense, which starts or continues after a failed mediation.

Similarly, as detailed above, one of the primary advantages of mediation is that it provides business people and counsel with the opportunity to broker creative solutions as part of a settlement process

not available from juries or judges, such as granting a royalty free license to an infringing competitor for the purpose of avoiding possible antitrust implications. However, a client's zest for a creative business solution can sometimes disrupt a mediation and plant the seeds of bad feelings between parties to a mediation, damaging business relationships after the mediation has ended.²⁷

First, clients expect that their business acumen will almost certainly allow them to resolve disputes in mediation. This may not be the case, especially in a patent dispute where one party is seeking to eliminate the other party's ability to participate in a given market. In addition, clients may attempt to insert other issues into the mediation in an effort to kill two birds with a single stone. For example, a client may belatedly see a mediation which relates to a single patent as an opportunity to keep a competitor out of an entire market involving more than one patent. This type of effort can backfire if the other party to a mediation views the enlargement of issues as an act of bad faith. In these cases, clients who originally thought their creative abilities could help resolve a single dispute end up disrupting not only that dispute, but also engendering ill will in other markets as well.

V. CONCLUSION

Mediation is a tried and true method of resolving some disputes with obvious application in the intellectual property field, and the Uniform Mediation Act may well provide clients with even better reasons to mediate intellectual property disputes. However, counsel must remember that mediation can backfire on a client when improperly employed. As with other types of alternative dispute resolution methods, mediation works best when clients are honest about their goals in resolving a given dispute, when they treat early strategic and tactical decisions prior to mediation as they would in litigation (although they will obviously treat the actual mediation process differently from a litigation), and when they stay focused on the original goals of a mediation.

To help clients decide whether mediation will best serve their interests, outside counsel must work hard to ignore the oft-heard mantras of "this will help us learn about their case" or "settle it," and instead focus a client on the strengths and weaknesses of using mediation in a given case. By confining mediation to cases well-suited for its use,

27. This defeats one of the principle advantages of mediation — helping parties preserve a pre-existing business relationship.

outside counsel will ensure that the proven strengths of the mediation process serve clients by helping clients achieve their goal of more quickly and efficiently resolving certain disputes.