What To Do Before, During And After IP Mediation

How intellectual property lawsuits get resolved can be critically important to the parties to those lawsuits. The right to sell an allegedly infringing product or service; the price for that product or service; sometimes the very existence of the company: All can be at stake in an intellectual property case. But our judicial system generally leaves the outcome of these highly technical, complex disputes to randomly selected strangers — jurors, who may or may not have the appropriate technical and financial background correctly to understand, let alone correctly resolve, the issues in an intellectual property case.

Mediation provides the parties with the power to transfer the control of the outcome of their dispute from strangers back to where, in many cases, it most appropriately resides: with the parties themselves. Despite the power that this tool provides, too many litigators — and, perhaps more important, too many parties — approach mediation as if it is a burden to be shouldered rather than an opportunity to be embraced. Having served as mediators in a variety of intellectual property and related cases, we present lessons distilled from our collective experience.

Preparing for the Mediation

Start preparing early, with business (not litigation) goals in mind.

One of the real advantages of mediation is that the parties can craft solutions to their dispute in ways that cannot be achieved in litigation. This could include licenses, cross-licenses, joint venture arrangements, co-promotion arrangements or other business deals. Since it is hard to come up with these "creative" solutions on the spot, lawyers and their clients need to think well in advance about potential "out of the box" solutions.

To be effective in mediation concerning business disputes, lawyers need to press their clients (the business folks) to think creatively about what really matters to them — and what really matters to the other side. Thinking in advance about the other side's goals will help you and the mediator get past the other side's "positions" and hopefully reach common ground. The Ninth Circuit has a useful list of potential goals that can be achieved in a mediation: "Certainty, closure, economic security, avoidance of legal precedent, avoidance of future litigation, fairness, respect, understanding, or institutional change." Before the mediation session, each side should carefully consider whether some or all of these goals are important in the particular matter.

This approach can work. For example, the outcome of a mediation that one of us conducted was that one company bought the other!

Distill your case to a strong theme.

Just as intellectual property trials are won and lost based on the effectiveness of the trial theme, it is helpful for your nonconfidential mediation brief to have a theme. The mediation brief is often the first time that you have had the chance to communicate directly with the principals on the other side, rather than through its lawyers. Use that opportunity to reset the other side's expectations. If your mediation brief can explain, compellingly and succinctly, why you are going to win if the lawsuit is not settled, you will have taken a good first step in converting a

litigation opponent into a mediation partner. A strong mediation brief also arms the mediator with leverage to obtain concessions.

Be realistic about your weak points.

As you would in a trial, in your nonconfidential mediation brief, bring out the weak points on your side and put them in the best light, rather than having your opponent undercut your positions with bad facts or law you ignore. You will gain credibility with a mediator — and, more important, with your opponent — if you concede what needs to be conceded.

Less is much more.

Mediations typically resolve because (1) the parties collectively recognize that two or three substantive points are likely case-dispositive and (2) the parties are creative and flexible in creating outcomes. Focus on those two subjects. Mediations do not resolve based on the other side's failure to produce all relevant documents, efforts to delay the case, or other procedural issues. Omit such trivia from your mediation brief. Whining about the other side does not help the mediator in framing any useful issue, evaluating the merits, or identifying an area for compromise.

At the Mediation

Open with a joint session.

Some lawyers suggest that an opening "joint session" will be a waste of time or an opportunity for posturing. Thus, they recommend that the mediator move immediately to "shuttle diplomacy." In our experience, it is a mistake to omit a joint session, because it yields several benefits.

First, this may be the only opportunity during the mediation where the clients can meet and talk to each other directly. This can be valuable, although clients need to be prepared for potential emotional outbursts or accusations from the other side. Second, you and your client get an opportunity to see the other side's counsel in action. This may provide valuable insight. Third, if the other side makes a "opening statement," it gives the lawyer and the client an opportunity to assess the strengths and weaknesses of the other side's case. (Technically, this is not an "opening statement"; those are presented to a trier of fact. It may be more helpful to think of this as an "opening presentation," which may also help you center your presentation on business, rather than litigation, outcomes.)

Finally, if both sides make an opening presentation in a joint session, it makes it easier for the mediator to follow up in an evaluative mode, once the parties break up into separate rooms. The mediator will then have an opportunity in the private session to point out a particular argument made by the other side in the joint session and begin a conversation about it. This may be more effective than the mediator raising questions independently about one side's position, based merely on a reading of the mediation statements, since it may suggest that the mediator favors the other side.

Talk principally to the opposing party, not to its lawyers.

Who are the decision-makers in an intellectual property dispute? The clients — not the lawyers. Too often, lawyers at a mediation talk to each other. But you ought to be talking directly to the opposing party. The mediation may be the first chance that you have had in the litigation to talk directly with the decision-makers on the other side. It's a golden opportunity. Take it — and use the time wisely.

Be patient.

It takes patience for a mediation to yield a resolution. Give the mediation the time it needs. Mediations have a typical rhythm. At the beginning of the day, each side comes in relatively confident that its own positions are strong and that the other side's are weak. Generally there is some bluster in the beginning. Often the principals need to vent. Sometimes these events can take most of the morning, and then the serious work begins. Give the mediation the time it needs to solve your business problem in a way that you control.

Don't be afraid to make the first offer.

Some attorneys believe it is a "sign of weakness" to put the first offer or demand on the table. Often the opposite is true. Often the party making the first offer finds advantage, because it controls the initial discussion about a potential resolution.

That said, before making a proposal, seriously think about how the other side will respond. If a plaintiff makes an outrageous demand or defendant makes a ridiculously low offer, the entire mediation can get derailed. A demand or offer should be credible and be backed up with some justification or explanation of why it makes sense.

The participants on each side should also consider in advance the pattern of demands or offers they will make. Experienced mediators will look to the concession patterns in the first two or three rounds of negotiation to assess whether it will be feasible to reach agreement. When making a new demand or offer, effective advocates will give a reason for your side's movement up or down.

Use the mediator to set your client's expectations.

There are circumstances where a client may have unrealistic expectations regarding the outcome of the case or the mediation. In these circumstances, a mediator may play a useful role in resetting a client's expectations. If you believe that that may happen, it is advisable to notify the mediator, typically in a private phone call before the mediation. The mediator then may be able to help you move your client off of unrealistic positions.

If the mediation achieves resolution, sign at least a term sheet.

Most mediated agreements occur at the end of the day, when the lawyers and their clients are

tired, and the other work from the day you have spent mediating has piled up. The urge to "write it up later" can be strong. Resist it. Having achieved your business goals in a manner that you have controlled, take that last step to document it. It may be tiring and it may try your patience. It will be worth the investment, because if you fail to document the agreement that you've reached, you may later find that agreement you thought you had reached has vanished.

If the mediation does not achieve resolution, resolve smaller issues.

Sometimes a mediation that does not achieve resolution of the full dispute can resolve subsidiary disputes. For example, that: resolving a key motion may help settlement; discovery previously resisted ought to proceed; or certain depositions need to occur to bring more clarity to the boundaries of the dispute. If the mediation has not achieved a full resolution, it can often achieve these smaller goals — which can later lead to a full resolution.

After the Mediation

Follow up.

As just noted, sometimes a mediation sets up action items that, once completed, may yield more clarity for the parties. A ruling on a key motion, or a key deposition, are classic examples. Once those have occurred, follow up with the other side to see if a negotiated resolution now makes sense in light of the greater clarity that the post-mediation event has brought.

Keep the communication lines open.

The mediation is often the first substantial investment of time that the business-side decision-makers at corporations have made in a lawsuit. It is often the first time that they've had to talk with their counterparts on the other side. Do what you can to keep those lines of communication appropriately open. Resolution of the hardest cases often happens only when these key decision-makers focus on the lawsuit. You are doing your client a great service if you help keep these communication lines open.

Mediation can be a powerful tool for helping your client control the outcome of its dispute. The above lessons have been distilled from years of collective experience. We hope they serve you well.

--By Samuel R. Miller and Vernon M. Winters