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INTERNATIONAL DISPUTE RESOLUTION CONFERENCE 2019

New Era of Global Collaboration

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Mediation for IP Disputes

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IP DISPUTES:

Copyright infringements,

Patents, Trademarks,

Domain name disputes,

neighboring rights, etc.

IP disputes can be complex, sophisticated, and expert-heavy. A compounding problem is that such disputes can be painfully slow – and delay can be kryptonite to innovation and market leadership.

The life cycle of technical innovations is becoming shorter and shorter.

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WAYS OF RESOLVING IP DISPUTES

- Litigation
- Mediation (court mediation, administrative mediation, people's mediation, etc.)
- Arbitration

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PROCEDURES INVOLVED IN IP TRIAL

- Jurisdiction issue: how to select the jurisdiction
- Evidence: Perpetuation of evidence; obtain evidence through investigation; verification; expert witness
- Evidence exchange system
- Temporary injunction
- Engage professional lawyer

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Hong Kong is a leading center for dispute resolution in the Asia-Pacific region and has a tradition protecting IP.

One of the main reasons why some parties in the IP area still believe that mediation is disadvantageous to their business is because they do not believe in a win-win-result.

Why we should promote the use of mediation to solve IP disputes?

There are many reasons.

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BENEFITS AND ADVANTAGES

Why Mediation for IP Disputes?

Party autonomy

Neutrality

Time and cost

Creative solutions

Mediator's expertise

Preservation of business relations

Confidentiality

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Research shows that mediation can greatly increase the chances of achieving a settlement, and of such settlements being lasting and effective.

In particular, mediation can be the best way to repair relationships. A lot of hard-nosed lawyers scoff at the importance of relationships in commercial disputes. They are wrong to do so. In a speech on mediation in 2015, Lord Neuberger, then President of the UK Supreme Court, cited a 2007 UK survey, “which reported that 47% of respondents involved in commercial litigation admitted that a personal dislike of the other side had been responsible for driving them into costly and lengthy litigation”. (From an address by Lord Neuberger to the Civil Mediation Conference, 12 May 2015);

It provides the opportunity for catharsis. For many parties, mediation will be the only chance they get to have their say, short of trial; and Mediation gives parties to IP disputes a particularly good opportunity to look at matters in a practical, problem-solving way.

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Mediation gives parties the chance to settle IP disputes. Settling IP disputes enables parties to avoid the costs, delays, marginal returns, and uncertainties of litigation. Settlement can also unlock a far broader range of resolution options.

Mediation is an attractive option for parties that place a premium on the preservation or enhancement of their relationship, seek to maintain control over the dispute settlement process, value confidentiality, or want to reach a speedy settlement without damage to their reputations.

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Parties to contracts or relationships involving the exploitation of intellectual property often share these goals when a dispute arises. Common examples of such contracts include patent, know-how, and trademark licenses, franchises, computer contracts, multimedia contracts, distribution contracts, joint ventures, research and development contracts, technology-sensitive employment contracts, mergers and acquisitions where intellectual property assets assume importance, sports marketing agreements, and publishing, music and film contracts.

Example: A win-win solution case using ADR instead of litigation—the IBM-Fujitsu case, resolved by arbitration, and in which ultimately "both companies claimed they had been exonerated".

The possibility of a mutually beneficial outcome

Whereas traditional forms of ADR tend to provide a winner-takes-all approach, mediation can foster understanding between parties, enabling them to reach common ground which allows new opportunities to flourish.

The following is a non-exhaustive list of what a settlement agreement can achieve in an IP dispute that a determinative process cannot order:

Cross-licenses;

Agreements as to territories for sale;

Trade-offs between competing IP rights;

Negotiated royalty rates;

Agreements not to sue, and agreements not to oppose;

Agreements to changes in the IP rights to be claimed: eg, classes for a trade mark, narrowing of claims for a patent;

Agreed redesigns, rewordings, reworkings; and

Apologies.

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The territorial nature of patents and the non-harmonized nature of trade secret protection also do not facilitate the efficient resolution of International IP disputes in court. It would be better to solve this kind of problem through ADR, in particular mediation and arbitration.

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More reasons to consider ADR for IP disputes (Philip J. McConnaughay. ADR for Intellectual Property Disputes, 2002,

<http://euro.ecom.cmu.edu/program/law/08-732/Courts/ADRPMcCon.pdf>)

Certainty as to Forum.

The relative speed of ADR

The Availability of expertise

Confidentiality

Neutrality

Avoiding Local Corruption or an under-developed legal system/avoiding the identification of applicable jurisdiction and law

Flexibility of remedy

Enforceability of awards

Experienced mediator to find a satisfying solution can also maintain a good relationship.

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ALTHOUGH THERE ARE SOME CONCERNS...

Reasons to avoid ADR for IP Disputes, such as

Concern about the need for emergency injunctive relief

The strategic need for precedent or publicity

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PRACTICE

There is an increasing trend that mediation being used for solving IP disputes in the world.

For instance, mediation is now mandatory for monetary-related IP disputes in Turkey since 2019.

“The implementation of mediation in the Turkish justice system has progressed rapidly. Since mediation gives the parties a chance to reach an amicable solution by spending a reasonable amount of effort, time and money, it became an attractive solution for civil disputes. It became mandatory first for labor-related disputes and then for actions relating to commercial receivables, which cover IP-related matters in part. It is expected that, in the future, mediation will become mandatory for other types of IP disputes. Although it is thought that mandatory mediation will decrease the workload of the IP courts, the impact of this change cannot clearly be foreseen, since mediation is a relatively new concept in Turkey, where the litigious culture is still dominant. The impact of this change on Turkish IP law remains to be seen.”

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Another example:

Greece

Mandatory mediation in trademark civil disputes. (By virtue of law 4512/2018, which was published on 17 January 2018, all disputes concerning trademarks, patents and industrial designs initiated before civil courts in Greece are subject to mandatory mediation. Hearing of the cases shall be inadmissible if the mediation process stipulated in the law has not been followed. The provisions shall start to apply as of 17 October

2018.<http://trademarkblog.kluweriplaw.com/2018/05/16/greece-mandatory-mediation-trademark-civil-disputes-2/>)

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Philippines: parties in a dispute over IP cases will be required to undergo mediation, which is a more cost-efficient approach according to the Intellectual Property Office of the Philippines since Oct 2018. According to data, a total of 2,063 IP cases were referred to mediation, but only 55.7 percent or some 1,150 cases underwent mediation between 2011 and August 2018. (<https://business.inquirer.net/258248/ipophl-imposes-mandatory-mediation-ip-disputes>)

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The Arbitration and Mediation Center of the World Intellectual Property Organization (the WIPO Center)

provides a range of Alternative Dispute Resolution (ADR) services designed to resolve international disputes for IP and technology. The WIPO Center delivers these services through high-quality videoconferencing facilities to make this service available digitally and help settle matters across international borders.

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CASE STUDY

Litigation cost too high

A research undertaken by the American Intellectual Property Law Association (AIPLA), reported in 2003.

For patent suits, with less than \$1 million at risk, the median estimated cost of discovery is \$290,000 and the media estimated total litigation cost is \$500,000; for suits with \$1-25 million at risk, the median estimated cost of discovery is \$1 million and the median estimated total litigation cost is \$2 million; for suits with more than \$25 million at risk, the median estimated cost of discovery is \$2.5 million and the median estimated total litigation cost is \$3,995 million. [All figures in US dollars]

Time cost too long

The American Arbitration Association (AAA) recounts analysis undertaken by the IP litigation firm of Harness, Dickey, and Pierce, setting out the following estimated times:

Case evaluation phase: 1-2 months

Pre-trial proceedings (pleadings, discovery, motions): 12-18 months

Trial: 2-3 weeks

Appeal: 8-12 months

Second Trial (occurring approximately 53 percent of the time): 13-21 months

Public court litigation may end up taking longer than the life cycle of the product involved, given that some instances of technology can have a very short "shelf life".

By contrast, the AAA emphasizes that the time frame for a typical arbitration is about one third the amount of time for a litigation case, the culmination is reached in substantially less time, and as a result, the overall costs are decidedly lower.

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CHINA'S SITUATION

2016 Opinions of the Supreme People's Court on People's Courts Further Deepening the Reform of Diversified Dispute Resolution Mechanism

(9) Strengthening the connection with commercial mediation organizations and industrial mediation organizations. Chambers of commerce, trade associations, mediation associations, non-enterprise private entities, commercial arbitration institutions, etc. shall be vigorously propelled to establish commercial mediation organizations and industrial mediation organizations, and provide commercial mediation services or industrial mediation services in the fields of investment, finance, securities, futures, insurance, real estate, project contract, technology transfer, environmental protection, e-commerce, **intellectual property**, international trade, etc. Mediation rules and connection procedures shall be improved, and commercial mediation organizations and industrial mediation organizations shall be allowed to make use of their specialized and professional advantages.

State Council's 2018 Opinion Concerning the Establishment of the Belt And Road International Commercial Dispute Resolution Mechanism and Institutions

Uphold the principle of diversified dispute resolution. Fully considering the diversity of parties in the Belt and Road Initiative, the complexity of the types of disputes, and the differences in countries' legislations, judiciaries, and legal culture. Actively developing and improving protective mechanisms, which integrate litigation, arbitration, and mediation proceedings to meet parties' need from both China and abroad. Establishing the Belt and Road international commercial dispute resolution mechanism and institutions to create a stable, fair, transparent, and predictable business environment under the rule of law.

2018 Notice of the General Office of the Supreme People's Court on Determining the First International Commercial Arbitration and Mediation Institutions to Be Included in the " One-stop" Diversified Settlement Mechanism for International Commercial Disputes

China International Economic and Trade Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission, Shenzhen International Arbitration Court, Beijing Arbitration Commission, China Maritime Arbitration Commission, China Council for the Promotion of International Trade Mediation Center, Shanghai Economic and Trade Mediation Center

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First IP disputes focused People's Mediation Committee—— Zhihu IP Dispute

People's Mediation Committee established on July 13 2018

As of June 2018, there were more than 180 million users, more than 100 million answered, and throughout 2017, the platform received 55722 complaints of user infringement, of which 22493 were processed and the processing rate was 40.37%. It shows that the reality of intellectual property infringement is serious, the demand of rights protection is high but the protection of rights is difficult.

This is due to the small cost of intellectual property rights infringement on the Internet, but also because of the different protection of intellectual property rights between the various platforms of the Internet, the standards vary, resulting in the individual user rights to protect the steps complicated and inefficient. In addition, the Platform for complex and difficult infringement complaints, but also lack of professional ability to accurately judge, can not provide users with higher assistance. The People's mediation Committee was established to focus the resources and professional strength of all parties and shorten the time cost and effort of user rights protection.

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In Beijing, 10 People's Mediation Committees on intellectual property disputes has been set up by Beijing Intellectual Property Office. As of October 2018, the People's Mediation Committee of Intellectual Property Disputes had handled 3,020 cases, closed 1705, completed 749 successful mediation, had a success rate of 43.9%, and the mediation took an average of 15 days.

In Shanghai, the people's mediation committees for intellectual property disputes in all districts of Shanghai accepted 2,157 cases of intellectual property disputes in 2018, of which 1,497 cases were successfully mediated, accounting for 69.4%. 382 cases were transferred, accounting for 17.7%. 46 mediation cases were suspended, accounting for 2.1%. The number of people's mediators for intellectual property disputes reached 142.

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Conventional dispute resolution methods, such as judicial or arbitral proceedings, concentrate on a ‘winner takes it all’ system or, at most, on distributing value. In this latter context, it is simply about sharing out the disputed pie. On the other hand, the philosophy that drives mediation is the creation of multiple opportunities through enhanced understanding: making the pie bigger. The goal of resolving a conflict should not be victory or defeat but rather reaching common ground by letting go of the need to be right; a change of mindset which would permit new opportunities to flourish.

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Thank you!