

# AIPLA

## American Intellectual Property Law Association

### Alternative Dispute Resolution Committee Bulletin No. 2: ADR Considerations

#### INTRODUCTION

This is the second of three bulletins intended to provide general reference information regarding Alternative Dispute Resolution Considerations. The first bulletin was directed to ADR Options, and the third will address ADR Rules, Organizations, and Resources.

*AIPLA's ADR Policy Statement provides that:*

Each practicing member of this Association is encouraged to be knowledgeable about alternative dispute resolution processes, and where appropriate, is encouraged to advise the member's clients of the availability, values and characteristics of these alternatives to litigation so that clients can make an informed choice concerning the use of litigation or alternative dispute processes, or both, for resolution of disputes, whether present or prospective.

#### INITIATION, TIMING AND FACTORS FAVORING ADR PROCEDURES

##### INITIATION OF ADR BY CONTRACT

ADR procedures are often initiated as the result of contract clauses having titles such as "Arbitration" or, more broadly, "Dispute Resolution." Such clauses are, in general, familiar to lawyers and business people, although the terms, as well as the length and complexity of such clauses, may vary widely from contract to contract. What these clauses have in common, if properly drafted, is the pre-emption of court jurisdiction for disputes relating to the breach, termination or interpretation of the contract. If the contract relates to the licensing of intellectual property, issues such as the infringement and validity of patents, trademarks and copyrights may also be decided or resolved according to such contract provisions. Contract clauses may provide for meetings of executives, mediation, arbitration or other forms of dispute resolution or a combination of these procedures.

##### INITIATION OF ADR BY AD HOC AGREEMENT

ADR procedures can also be initiated by the parties without having a prior contract containing an ADR clause. Sometimes this occurs during the pre-trial phase of a lawsuit. Many federal and state courts include in their rules, provisions for the parties to consider ADR procedures during the pre-trial phase. If the parties agree to such procedures, the court will refer the matter for resolution under the ADR procedure selected by the parties. Types of ADR procedures that are available include all of the procedures described in Bulletin No. 1, including mediation, arbitration, settlement conferences and in some jurisdictions, summary jury trials or summary bench trials. When you have a case before a specific court, counsel should review, and clients should be advised concerning, the rules of that court pertaining to ADR procedures.

The parties should also consider agreeing to ADR procedures prior to the institution of a lawsuit, even where there is no prior contract, or where the prior contract does not contain an arbitration or dispute resolution clause. The parties may agree to resolve a potential litigation matter by making an agreement to proceed under one of the ADR procedures outlined above and, except in the case of binding arbitration, can preserve their right to trial if they are dissatisfied with the results of the ADR procedure.

##### TIMING OF ADR PROCEDURES

Any time is a good time for institution of ADR procedures. However, when operating under the rules of a particular court in the pre-trial phase, there may be certain time periods to be considered.

Typically, the rules of the court require that ADR be considered at the first case management conference. The parties will be asked to indicate whether or not they would consider proceeding under any one of the ADR procedures offered under the rules of the court. A problem sometimes arises, because one party does not know enough about the other party's position to

make this decision so early in the proceeding, and some amount of formal discovery may be desired. In such cases, it may be possible to proceed through some portion of the formal discovery (exchange of documents, depositions of key witnesses) before referring the matter for ADR. Also, the parties should confer with the court to determine the latest possible time for referring the matter to an ADR procedure.

### FACTORS FAVORING ADR PROCEDURES

The following are some factors that have been advanced as favoring ADR procedures.

- The primary relief sought is monetary relief, relating to personal injury, property interests or breach of contract.
- The amount of provable damages is less than \$150,000.
- The issues do not turn on the credibility of certain witnesses.
- The case does not present novel issues of law.
- The case turns on technical or specialized facts for which technical expertise in the fact finder would be helpful.
- The parties desire a continuing business relationship.
- The parties have a special interest in the confidentiality of the proceedings.
- The parties desire to resolve the matter within a year's time or less.

### FACTORS FAVORING COURT PROCEDURES

Not every case can be resolved to the satisfaction of the parties by Alternative Dispute Resolution procedures. The following are some of the factors which have been pointed out as reasons for resolving disputes through traditional court procedures.

- A party seeks to establish a legal precedent.
- A pre-trial motion for summary judgment or preliminary injunction will probably succeed in deciding the case.
- A party prefers that a judge preside over all of the proceedings, or desires a jury as the fact finder.
- A party will not be satisfied with the result without a written decision containing the rationale used to reach that result.
- The amount of money at issue is over \$1 million.
- It is not necessary that the case be finally resolved within one year or less.

Many other factors and sub-factors have been mentioned, but the above factors are some of the major factors that have been pointed out as favoring resolution either by ADR procedures or court procedures. Where the amount of money at issue falls in the range from \$150,000-\$1 million, either ADR or court procedures may be appropriate to resolve the dispute, depending upon efficiency of the specific ADR procedure or court procedure that is used. If the dispute requires resolution in less than one (1) year, this is normally a factor favoring ADR procedures. It is possible that under today's fast-track discovery schedule, a trial could be held in some courts within one year of instituting a lawsuit. It has also been the case that complex intellectual property cases culminating in ADR procedures have extended much longer than one year. These, however, are not the norm for intellectual property cases.

If your case contains the factors listed above in favor of ADR procedures, you should give further consideration to available ADR procedures.

### Related Bulletins:

- ADR Options
- ADR Rules, Organizations and Resources

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