

MEDIATING INTERNATIONAL INTELLECTUAL PROPERTY DISPUTES

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The marriage of international intellectual property protection with international trade law agreements, such as TRIPS and NAFTA, now provides a national and international enforcement procedures for such property rights. Thus the economic incentive for international licensing and joint ventures is matched by a legal framework to protect such property rights. These developments have given new impetus to drafting such international agreements and to the mechanisms for resolving international intellectual property disputes. Mediation is an attractive alternative to adjudicatory dispute resolution (litigation or arbitration) which should be considered in the drafting and management of the agreement and of any dispute that may arise between the parties.

The advantages of mediation become more evident by comparing it to litigation and arbitration. Litigating in the defendant's forum may secure an enforceable judgments in the jurisdiction where the defendant assets and infringing products are found. But at least one of the parties to the judicial system and laws of the other. Litigation is expensive and time consuming. Pretrial proceedings, discovery and remedies differ. International enforcement of judicial judgments is limited because there are few treaties or conventions on the subject. Enforcement is often limited by public policy exceptions. Many countries do not enforce judgments regarding patent validity.

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Where the stakes are high arbitration may become just as costly and time consuming as litigation. But arbitration is generally less expensive and time consuming than litigation. It offers a neutral and confidential forum to the parties. The parties may choose arbitrators who are experts on the technical issues in the case. The World Intellectual Property Organization (WIPO) offers arbitration services through the WIPO Arbitration Center. Unlike foreign judgments, international arbitration awards are enforceable through the New York Convention to which over eighty nations subscribe. But many countries will not enforce patent arbitration awards, on public policy grounds. Other countries invoke reservations to the Convention such as reciprocity requirements or limit the convention to «commercial» differences. Patent *validity*, in an infringement action, is not arbitrable in many New York Convention countries. Technology transfer disputes may also be restricted.

This article addresses the nature of international commercial mediation. It also explores cultural differences that may arise in such a dispute resolution process. Finally it addresses the potential significance of the Principles of Unidroit in an international commercial conciliation.

The term mediation is frequently used as a synonym for conciliation. This article uses the term mediation because it is the term adopted by the World Intellectual Property Organization (WIPO) in their mediation rules of 1994. Both terms have their origin in international public law. Some writers distinguish a mediator's assistance from that of a conciliator by noting that «a mediator generally makes his proposals informally and on the basis of information supplied by the parties, rather than his own investigation, ...» In public international law, conciliation, «implies a group of individuals will hear the viewpoints of both sides, inquire into the facts underlying the dispute, and, possibly after discussion with the parties, issue a formal but not binding proposal for consideration by the parties as a solution for the dispute.»

Mediation is unlike arbitration in that it is the parties, not a third party neutral, who retain control over the terms of a dispute resolution.

It is a voluntary and confidential process. Mediation is less costly and less time consuming than arbitration. By focusing on communication problems, which may be caused or compounded by cultural differences in the international context, an experienced mediator can maximize the parties' abilities to resolve their own disputes in a manner that makes business sense. Mediation is particularly useful if the parties have a long term or profitable relationship which they wish to protect. The process lends itself to creating a climate for better communication and for a reasonable and practical solution that is forward looking. Whereas arbitration, by assessing blame for past failures, and focusing on «proof» looks backwards. The limited range of adjudication remedies preclude creative win win solutions. If the parties in an intellectual property dispute would like to see a result that goes beyond the ordinary judicial remedies of injunction or monetary relief, mediation provides the flexibility. Such creative solutions may include cross-licensing, joint ventures, phase-out periods, or even more creative tailor-made solutions.

International commercial mediation is more useful in disputes involving: ongoing relations, a willingness to compromise, poor communication as a major source of the problem, where privacy is a major consideration or if there are multiple parties. It is not likely to be successful where there is no will to settle, distrust, a need for independent fact finding, widely differing views as to the merits, a substantial power imbalance between the parties or the parties lack sufficient information to evaluate the dispute.

An atmosphere of trust, which is necessary for a successful mediation, can only be engendered if the parties feel secure enough to be candid. Lawyers can play a critical role in assuring that the process is not being used as «free discovery» or to otherwise intimidate or exploit the lawyer's client. It is of critical importance that the parties commit themselves to an alternative dispute resolution (ADR) process, which may include both mediation and arbitration, through a dispute resolution clause drafted and agreed to before the dispute arises.

The dispute resolution clause should set forth three stages for dispute resolution:

1. An agreement to first attempt to negotiate the dispute. In the case of large corporations, the negotiation may be in hierarchical stages beginning at the managerial or department chief level before reaching the CEOs.
2. If negotiations fail, the ADR clause should provide for mediation. Parties usually (and wisely) limit the mediation period to no longer than 60 days unless otherwise agreed.
3. Once the above-described time limits expire either party may commence arbitration.

If the parties reach an agreement through the mediation process, the agreement should be reduced to writing. The parties may then make the written agreement legally binding by having it incorporated into a judicial decree or arbitral award. Such agreements usually are complied with because the parties have voluntarily agreed. In contrast, the losing party in an arbitration may resist enforcement.

Between the two world wars eighty percent of the disputes administered by the International Chamber of Commerce (ICC) were resolved through conciliation. The International Center for Settlement of Investment Disputes (ICSID), adopted conciliation rules in 1967. The original ICC rules and the current ICSID and UNCITRAL rules reflect the «conciliation» model of public international law in providing for independent investigation and formal recommendation. In the 1980s and 1990s several important centers of private international dispute resolution adopted less formal and more flexible rules for international commercial mediation. These include the United Nations Commission on International Trade (UNCITRAL) (1981), the American Arbitration Association (AAA) (1987), the International Chamber of Commerce (ICC) (1988) and the World Intellectual Property Organization (WIPO) (1994).

The mediators, contemplated by these rules, are like negotiation facilitators in that the parties maintain control of the terms of any resolution of their dispute while the mediator directs the process.

International mediation rules allow the parties to be represented or assisted by another person. The proceedings terminate when:

1. The parties sign a binding agreement; or
2. The conciliator determines that the attempt to mediate cannot succeed; or
3. At any time, a party notifies the conciliator or the other party of an intention to no longer pursue mediation.

Asian cultures have used mediation for centuries. Mediation is expanding in Northern Europe and the United States, and is now obligatory in Argentina. Mediators, like parties, bring certain «cultural assumptions» to the mediation process. For example in «high-context cultures», people tend to leave a lot of meaning in their communication implicit. By contrast, people in low context tend to explicitly spell out their interests, positions, and emotions, sometimes intentionally avoiding subtle messages. Because of differing cultural assumptions, parties may choose mediators by different criteria. In high context cultures, such as Asia, parties may choose a mediator on the basis of an prior and expected future relationship or hierarchical between the parties and the mediator. In a low context culture, such as the United States or Northern Europe, parties might select an independent professional mediator for their facilitating skills and not on the basis of the mediator's personal or authoritative relationship with the parties.

Under the Confucian model, «when individual disputes arose, compromise or the “predisposition to yield” was morally superior to the ‘predisposition to insist.» Reflecting these values, Japanese dispute resolution procedures are characterized by conciliation, less litigation, and very few lawyers.

Dispute resolution in Japan encourages and protects «social rights,» which include duties one individual owes to another. The emphasis has been on the duty to maintain harmonious relationships. Mediators and conciliators in Japan range from common friends, to businessmen, with a commercial relationship with both parties, to government officials.

While the Japanese have established arbitration institutions, including the Japanese Commercial Arbitration Association (JCAA) and have adopted modern arbitration rules Japanese arbitration follows Japanese cultural aversion to an adversary process. The arbitrator is to strive for a «fair» result.

In China mediation and conciliation are the predominant forms of civil and commercial dispute settlement in both domestic and international affairs. As in Japan this preference derives from the Confucian philosophy's exaltation of harmonious relationships. China has extended the use of mediation to its arbitration and litigation proceedings. The China International Economic and Trade Arbitration Commission (CIETAC) permit an arbitral tribunal to mediate a case during arbitration if the parties do not object. Chinese culture, like Japanese, regard written contracts not as a legally binding obligation but as symbolic of a flexible relationship.

In collectivist or high context cultures there is less tendency to rely on face to face negotiation or to put the resolution in writing. This cultural disposition to mediation is suggested by the Panchayat tradition of village dispute resolution in India. The British adjudicatory model determined winners and losers while the Panchayat tradition restored social harmony in the context of family, tribe and caste.

North American cultural assumptions about mediation differ markedly from these social harmony, social network and hierarchial assumptions in Japan, China and India. These cultural assumptions include the following.

1. Mediation is a «*formal*» *process with specialist roles*. This provides a sense of security and purpose for disputants.
2. *Direct communication* between conflicting parties is desirable for an acceptable outcome and is the mode of interaction preferred by the disputants.
3. A task-oriented, linear, «one-thing-at-a-time» approach is the most ideal manner of resolving problems.

4. The primary goal of mediation is «reaching agreement» on the issues. This assumes a criteria of *autonomy and individualism in decision-making*, rather than one of responsibility to a wider social network.
5. The mediator is a *technical specialist*.
6. A written agreement is preferred.

Cultural anthropologist Edward T. Hall's has written that «Culturally based paradigms place obstacles in the path to understanding because culture equips each of us with built in blinders, hidden and unstated assumptions that control our thoughts and block the unraveling of cultural processes.»

International mediators must explore with the parties differing cultural assumptions or other pertinent communication differences of the parties might be involved. Ideally the parties could choose a team of mediators from the diverse cultures involved in the dispute. Comediation has been developed for use in US-China trade. It provides for the appointment of two mediators, one American and one Chinese, to jointly mediate each dispute.

Selecting a mutually acceptable legal framework for resolution of the conflict is also of great importance. The International Institute for the Unification of Private Law has published «An International Restatement of Contract Law» (Principles of UNIDROIT) which has several attractive features for parties to an international commercial mediation. While the Principles may prove less than satisfactory for common law lawyers engaged in litigation or arbitration because of the somewhat unfamiliar European emphasis on good faith, it is precisely those features of the UNIDROIT that may lend themselves to the mediation process.

If the parties reference the UNIDROIT Principles in the dispute resolution clause of their contract the parties thereby consent to the use of the Principles. Also the preamble of the UNIDROIT invites the use of its principles after the dispute has arisen. The parties may

reference the UNIDROIT Principles in their submission agreement. Such reference would have the advantages of *lex mercatoria*, of providing an international norm, but of far more utility because the Principles incorporate *lex mercatoria* in a codified form.

If the parties stipulated that their mediation is subject to the Principles of UNIDROIT, legal liability would attach to the failure to mediate in good faith. While some might object that such a consequence would subvert the voluntary nature of mediation it addresses the frequently expressed concern that mediation is either a waste of time or, worse, simply an avenue for a party (in bad faith) to learn more about the other party's case. The Principles also provide a remedy for breach of the duty to respect confidentiality in the negotiation process, namely, compensation based on the benefit received by the other party. The UNIDROIT Principles provide that a party who enters into a contract creating a gross disparity has a right to avoid it or eliminate its terms.

The use of mediation to resolve an international intellectual property dispute offers the advantages of speed, cost effectiveness, informality and a voluntary and consensual process. If cultural differences may have played a role in the conflict itself or otherwise inhibit dispute resolution the selection of bicultural sensitive mediators or comediators may greatly facilitate the process.

Consensual mediation and the Principles of UNIDROIT share a common philosophy of encouraging good faith in negotiations and dispute resolution. Reference to the Principles of UNIDROIT may offer an attractive compromise for parties to an international contract who insist on a choice of law clause of their own nationality. But, a mediator's suggestion, or the parties' choice, to use the principles as a frame of reference could enhance the prospect of a consensual, good faith and future oriented resolution of their conflict.