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INTELLECTUAL PROPERTY MEDIATIONS: SPECIAL TECHNIQUES FOR A SPECIAL FIELD[d1]

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Statistics indicate that mediation itself is a powerful process; approximately 60% of all cases that go into mediation do settle, i.e., without regard to the skill of the mediator. I know of no studies or statistics breaking out intellectual property mediations, but my personal guess is that the success rate is probably a bit lower. I have found, however, that my own personal success rate has improved since I have tried different techniques, not typical of many attorney mediator styles.

This paper is not about "the" way to do IP mediations; it is about flexibility and making educated choices. Many attorneys (and even mediators) are not fully aware of the wide range of styles and techniques possible. I believe that the success rate of intellectual property mediations could be increased far beyond the 60% average if both counsel and mediators in the field expand their repertoire.

*24 I. Threshold Questions

1) Do you, or more properly, does your client, really want to settle the case preferentially to going to trial? If you are in the mediation "doing your time" only because you were pressured into it by the judge, answer this question "no."

2) Would you or your client like to see a result that goes beyond the limits on what a court can give you? A court can give, or

refuse, an injunction, and can give, or deny, monetary relief, the amount of which may vary. What this second question means is, would you like to explore solutions that would allow for additional features such as cross-licensing, joint ventures, phase-out periods, or even more creative tailor-made solutions? In general, IP cases are more susceptible to win-win solutions than are general civil tort cases.

Any answer that begins with "yes, but" counts as a "yes" on this question. Typical "buts" are: We already know the other side will not go for that sort of thing--in fact they are totally unreasonable; our client does not wish to "get in bed" with the other side--there is too much bad blood between them; we have tried to negotiate along these lines before, and it didn't work. I have seen and heard of too many cases where people had such opinions going into a mediation and were in fact able to come to a mutually acceptable agreement, only to be discouraged by the "buts." A mediator who can speak confidentially with both sides and steer each side without necessarily revealing the confidences of the other and, most especially, who is more objective and more neutral even than counsel, can often accomplish things or help the parties accomplish things that everyone initially thought were impossible.

3) Is the case complicated? IP cases frequently are. It is likely to take hours for a mediator to get a handle on the facts, and each side's respective view of those facts. Are the issues necessary to the parties' decision more numerous and/or complex than "who will pay how much to whom?" Typically, IP cases tend to be fact-intensive, involving many issues, each of which is complex.

4) Is an acceptable settlement agreement likely to be more complicated than a simple document stating how much will be paid by one party to another? For example, many settlements in IP cases involve licenses, complex agreements in which many different issues must be considered.

5) Are one or both of the parties sizable corporations?

II. Conventional Attorney Mediator Techniques

If, in a given case, you answered "yes" to one or more of the above questions, there are a number of common attorney mediator techniques or philosophies that, in my opinion, should, at best, be used as fall-back techniques. In my experience, these techniques and philosophies are not only unsuccessful, they can even be counter-productive.

***25 A. Continuous Session**

What this usually amounts to, in practice, is trying to complete a mediation, including a signed agreement (at least an agreement in principle) in one day. Often, the one day extends far into the evening or night. Some of the philosophies behind the use of this technique seem to be: if the parties are allowed to break the momentum, go away, and think about the situation, they will not settle; if you can keep people holed up long enough, they will eventually become miserable enough to agree to something as a means of escape; if they are there "under duress," i.e., only because the judge pushed it, given the opportunity, they will escape and never return.

Recall that at least one of the premises, based on the questions above, for considering the effectiveness of these typical techniques is that your client is not simply there under duress, but really would like to settle. Such a client is unlikely to lose his desire to settle simply because he is allowed to go home at a reasonable time, when his circuits have become overloaded with the complexity of the case itself and the various ideas for settlement and people are beginning to talk (and think) in circles.

Even if your client is mediating reluctantly, do you really want him to sign off on an agreement, even if it is just an agreement in principle that, if he had a little time for calm reflection, he would not sign? If the agreement involves some type of ongoing relationship, e.g., a license, how likely is it that things will go smoothly in the performance of that agreement if, after reflection, the parties regret having entered into it? Moreover, if they do, and are later unhappy, who are they likely to blame? Possibly their attorney, who "let" it happen to them. The best (win-win) settlement agreements in IP cases are usually just too complex to complete in one day.

Sizable corporations' representatives are not likely to be pressured, by attempted psychological incarceration, deprival of food, and/or arm twisting, into making a decision for their own immediate personal comfort, particularly if large sums and/or injunctive issues regarding valuable technology are involved and/or their principals can afford to go to trial. In other words, many clients are simply too strong, too sophisticated, and/or have too much at stake to fall for this technique. The rules and

the mediators can say what they will about the need for party representatives to come into a mediation with full authority to settle. No large corporation is going to send a representative with a blank check, nor is it going to send its CEO to every mediation in which the corporation may be involved. If the mediation process has convinced the corporate representative that her authorization limit should be modified, she will at least need to be able to "phone home" during normal business hours and, in many instances, will need to return personally to the home office and discuss the situation in detail, in order to obtain the modification. For reasons developed more fully below, the success of the mediation, i.e., settlement, may actually depend on recessing and reconvening. Conversely, if such a corporate representative is pressured to make a yes-or-no decision *now,* the answer will probably be "no."

Another difficulty with one-day mediations in complex cases is that the mediator may well spend at least half a day in caucuses getting a handle on the facts, and the motivations and positions of the parties, and letting them get things off their chests. By the time true mediation, i.e., facilitated negotiation, gets started, say early to mid-afternoon, it is virtually hopeless to expect to settle a case of such complexity before people begin to burn out. This problem is not, in my experience, solved by having the parties submit lengthy documentation to the mediator in advance. ***26** Such documentation inevitably focuses on the merits of the case, which often prove to be relatively unimportant in obtaining settlement. There is no substitute for in-person interviews that allow the mediator to become aware of the parties' (as opposed to the lawyers') views of the facts, their attitudes, their business considerations and concerns, etc.

Finally, the mediator, who concentrates intensely on what the parties and counsel are saying, can often be more helpful if he has "think breaks." Some of my best ideas have come to me while lunching separately from the others or during overnight (or longer) recesses. The same goes for the parties. In addition, these "think breaks" are emotional breaks that help the parties return to more logical and creative ways of thinking.

B. Use of Caucusing, Virtually Exclusively, as "The" Process

This technique is so common that many practicing attorneys equate mediation with shuttle diplomacy. There are often very good reasons for using the caucus process. However, good reasons do not include: (a) that the mediator doesn't know any other way to proceed; or (b) that the mediator takes the path of least resistance for himself, when a plenary session (harder work for the mediator) might be more effective in bringing the parties to a better and a more acceptable agreement and/or eliminating some of the ill feelings that have built up and that could interfere with smooth performance of the agreement.

Where, as is often the case in IP suits, both parties are corporations or other business entities and may even have dealt with each other previously; where their considerations for what will and will not be an acceptable settlement are essentially business considerations; there is often not the same need to keep them separated, as some believe prevail in a more emotionally charged general civil case, e.g., the parents of a child who has been killed in an auto accident negotiating with the other driver.

While most IP mediations require some caucusing, caucusing exclusively is inefficient and inhibits creative brainstorming. Worse, it can tend to keep the parties polarized, or even increase their animosity. This is especially true where the mediator relies heavily on unpleasant, "strongarm" tactics; the parties may transfer their anger and resentment at these tactics at least partially to their opponents. This effect is even further exacerbated where each party remains in a given room, with the mediator shuttling between them; if the parties have to change rooms for caucusing, they at least have some contact with each other in passing back and forth. Finally, caucusing discourages participation by the parties, as opposed to their counsel, the importance of which is discussed more fully below.

C. Bringing Out Respective Weakness in the Parties' Cases as the Primary (or Perhaps Exclusive) Tool of the Mediator

This is another one of those techniques that is so common that many attorneys believe it is "the" way a mediator can precipitate a settlement. In my experience, and in my extensive study of the Harvard negotiation method, this should be used selectively in a manner I shall detail more fully below.

***27** Pitfalls of this technique are particularly (though not exclusively) relevant to threshold questions 3 and 4 above. The best way to appreciate the first of them is so simple, it rarely occurs to us; just reflect on personal experiences in which a cause you strongly believe in was attacked or slammed. What was the effect of that attack on you? Did it make you question your position and become more amenable to settling with your opponent? If you are like most attorneys, and indeed most people, more likely it made you want to stand and fight.

While this technique can, and often does, work, it tends to work by causing parties to gradually, incrementally, give ground on their (typically numerical) positions, resulting in a compromise. Such a compromise is usually better than going through with trial, and the parties usually realize that. Nevertheless, both go away dissatisfied and with a bad taste in their mouths. While settlement *sometimes* means both parties go away less than pleased, it is not, as some would have you believe, of the essence of mediation.

This leads us to the ramifications vis-à-vis Threshold Question 2 above. If the fault-finding technique is used too soon and/or too crudely, it may squelch the sort of win-win solution that is possible, particularly in commercial or business litigation.

III. Alternate Techniques

A. Mediation by Agreement

To enhance the chances that your mediator can and will use the other techniques detailed below, I strongly recommend that you urge your clients to enter into mediation by agreement, rather than waiting for a court order (or heavy suggestion). It is highly unlikely that a judge will pressure you into having a second mediation if you have already done this. Meanwhile, mediation by agreement can achieve several very important goals.

It is the first opportunity to begin the client empowerment, and involvement of the client in the process, which is so important to the most successful and satisfactory mediations. A client will enter the mediation with a much different attitude--a more positive, confident, creative and settlement-minded attitude--if it has been his decision to mediate. This begins the process of giving the client an additional psychological stake in helping to make the mediation process work.

With mediation by agreement, it is also easier to "shop" mediators and choose those who are familiar with and who are willing to use the techniques detailed below, if you and your client have decided that those are the approaches you would prefer. Such a mediator sees the parties and/or their counsel rather than the court as the source of his employment; and while one would certainly not want a manipulatable yes-man for a mediator, this knowledge on his part will tend to make him more receptive to the idea of working with the parties to develop a process with which they are comfortable.

A caveat: Some attorney mediators are so into the more conventional techniques listed above that if you ask them if they can use the techniques detailed below, they may give a positive answer without fully realizing just what it is that you desire, or without experience in using these techniques. It is therefore advisable to interview the prospective mediators in some detail and to ask for references.

*28 B. Intake Conferences

I have experienced considerable improvement, particularly in patent or other complex cases, by having a separate intake conference with each party, respectively, prior to the day we begin mediation proper. During these intake conferences, we accomplish many of the same things that otherwise must be done in lengthy first caucuses in a conventional mediation. Thus, when the mediation actually begins, we are ready to really being negotiating very early in the day.

During the intake conference with one party, the other party is not tapping his toe and watching his attorney's clock run. The mediator is not rushing the party in intake, because of awareness of what might be happening psychologically with an opposing party who has to wait, wonder, and watch the clock run.

With an intake conference the mediator can accomplish several significant things:
1) She is briefed on the (usually complex) facts and the parties' interests.

2) Either during an intake conference, or in follow-up phone calls, the mediator can give each party some suggestions for what to do during the mediation and some things to think about, at a time when the party in fact has time to think about these things.

3) The mediator has time to brainstorm the unhurried and carefully gleaned input from both sides and is therefore more likely to enter the mediation proper with many ideas in mind concerning the particular manner in which the mediation should be conducted, and often even with substantive ideas for possible settlement terms.

The intake conference also allows each party and its counsel to meet the mediator and begin to develop some rapport and comfort in a less stressful environment than one in which the opponent is also present on the premises.

In the intake conference, one of my main goals is to discover what needs, concerns, past history, etc., are driving the numerical or other positions of the party. By this means, it is often possible to discover that the position the party takes is really only one means to the true goal he (whether consciously or unconsciously) wishes to achieve. Since there is usually more than one means to such an end, this tends to open up alternative possibilities, such that if one of them doesn't fly, another might. Failing to find a more basic goal than the almighty dollar, one can still, at least, discover other ancillary goals that are important to the party and that, if satisfied by a proposed settlement, can help tip the scale in favor of agreement.

Another goal of the intake conference is to begin to explore, in a non-threatening manner, the party's "walk-away alternatives" to a negotiated settlement. Typically, these are either going forward with litigation or completely cratering and giving in to the other side. It is at this point that the mediator may first begin to use questions and comments that refer to the downside of litigation and the merits of the particular case. A positive way of doing this, which is less likely to evoke the "stand and fight" reaction of a harsh challenge to the party's "weaknesses," is to explore with the party how well, and how surely, litigation will likely satisfy any goals that have been identified in the first part of the interview. Then, the mediator may advise the party to use this as the criterion for whether or not a given proposed settlement is acceptable: if it satisfies his goals better than litigation, then it should be a good deal, one to accept.

***29** By taking this approach, the mediator can put the party at ease and let him know that she is trying to help him achieve a satisfactory solution, and one that makes sense for him. This in turn helps to develop confidence in the mediator, a valuable asset if things become tense later in the mediation process. The party is led, in this spirit, to think about weak points without fostering hostility toward the other party, who is not even present.

C. Multiple Sessions

As previously mentioned, and even where a headstart has been achieved by utilizing advance intake conferences, a mediator can often sense that by late afternoon or early evening the parties are too mentally fatigued or emotionally worked up to make progress. They need time to process the information and impressions they have received. They need rest, both mental and physical, and it is often during such periods of rest that "brainstorms" will occur to them. The same is true of the mediator. I have seen firsthand a number of situations recessed at an apparent stalemate--*with definite commitments to re-convene at a specified time.* The parties returned with better attitudes and/or progressive settlement proposals. I believe that, after a mental, physical and environmental break, they worked better on their own in the evening than if I had pressured them to keep working continuously with the other side and me. I have never had parties who were at all interested in settling a case and who were allowed to take a break, then fail to return for the scheduled reconvening and/or to complete the settlement on their own.

In situations in which both clients are local, the mediator has the luxury of recessing for several days and having further separate conferences, like the intake conference, with the individual parties as seen fit. These breaks tend to work for resolution, not against it. In any event, I recommend asking parties to complex IP mediations to commit to a minimum of two, and sometimes three, days of mediation. If one or both parties are from out of town, these days may have to be consecutive. However, they do not have to be long days, extending beyond the point of diminishing returns. Often, at the end of two or three days, even if the agreement has not been finalized, things will be far enough along that, by working with the parties by phone, the mediator can assist them in bringing about the final agreement.

Sometimes, in the middle of a mediation, one or both parties will precipitously state that they don't think they need any further mediation, thank you, and need to be getting home. This is not necessarily a discouraging sign. Often, it means that the party has been sufficiently impressed by what has happened thus far in the mediation that he wishes to return to home base to discuss a change in the authorization limits. The mediator will usually have a feel for whether or not this is the case based on what has transpired shortly before such an announcement. Often, a wise mediator will not resist such a request.

D. Plenary Sessions

As mentioned, some caucusing is almost always necessary. However, more use can and should be made of plenary sessions. Not only should there be plenary sessions, but the parties themselves should participate as much as possible. The sense that they are empowered to determine the outcome of their own case further fosters a positive attitude of really wanting to make the mediation work. Clients thus empowered tend to be more creative, and hearing the ideas ***30** of the other side also stimulates their creativity. When the final settlement is one that the parties themselves have engineered, they have a sense of

ownership of that settlement and are therefore motivated to fulfill it.

It is tempting to assume that, if a creative, win-win solution cannot be devised, one should then revert to high pressure arm twisting tactics by the mediator. On the contrary, if a win-win solution does not seem possible, and compromise is going to be necessary on both parts, it is all the more important that the clients be involved in attempting to devise a win-win solution; and seeing for themselves that compromise becomes necessary, they are then less likely to be dissatisfied and mad at the entire legal system, possibly including their own attorneys.

It is worth noting here that the legal profession naturally attracts extroverts--natural, instinctive leaders. It is important for both an attorney mediator and for counsel for the parties to realize that they have an instinctive tendency to wear this relatively controlling hat. Being aware of that, they can then consciously sit back and allow, or even encourage, this important client participation. One need not be afraid that his client will make ill-advised offers if the group simply establishes, as a ground rule, that nothing said in a brainstorming session will be taken as an offer, so as to encourage everyone to be uninhibited in thinking out loud.

Another example of when and why to switch session type: The mediator has been caucusing with both sides and has found that there are essential differences in the parties' versions of the facts of the case, which differences are impossible, or highly inefficient, for the mediator to attempt to reconcile by shuttle diplomacy. Although the parties often resist, it is best to bring them together into plenary session and openly air the different perceptions. The parties may, themselves, begin to see that their positions have been partially based on misunderstandings, miscommunications, or incomplete factual information. Additionally, the mediator, objectively listening to both sides, is in an even better position to realize when a party is attempting to communicate one concept, but is being interpreted differently by the other party, and to help the first party paraphrase his thought in a more comprehensible manner.

Another point: Because settlement often depends on satisfying various business goals of the parties, and because they best know their goals, what will satisfy them, and their own business, there comes a time when it becomes more efficient for the parties to explore possible settlement terms directly with each other. In listening to the other side's objections to one's own ideas, one can learn a lot about the goals and needs of the other party that must be satisfied in order for him to come to an agreement. And knowing the business, the first party may be even better than the mediator at coming up with an alternate idea that will satisfy the other party's needs, as well as his own. Once again, the mediator himself is often in a better position to assist if he can hear this sort of interchange, rather than always hearing each party unilaterally.

This does not mean that once a mediator chooses to stop caucusing and get into plenary session, that must go on indefinitely. At times, further caucusing will be interspersed with further plenary sessions. The real point is to allow flexibility and utilize a mediator who not only knows how to work in plenary session but is skilled at deciding when to use which type of session.

***31 E. How and When to Use Reality Testing**

The mediator, having learned something of the true goals of both parties, and preferably, the parties having learned something about each other's goals, the first technique that should be utilized in actually trying to settle is, in my opinion, to brainstorm for a win-win solution, which satisfies both parties' goals. As mentioned, picking at the merits of the parties' cases does not precipitate the right frame of mind for win-win negotiation.

Even if attempts at win-win solutions are unsuccessful, the positive atmosphere that will have been created by both parties and the mediator's jointly exploring the possibility for them will put everyone in a better frame of mind for subsequent bargaining in a more conventional, compromise manner.

If a party seems to be rejecting what, to the mediator, seems like a relatively good solution for satisfying his goals, that may be the time for the mediator to do some reality testing of the party's concept of his chances of winning in litigation, and what he will really achieve if he does win. Having laid the background, during intake, for the "walk-away alternative" as the criterion for evaluation of any proposed agreement; having established the mediator's concern that any such agreement meet the party's goals better than litigation; the same theme can be used to do some reality testing in a less off-putting and confrontational manner than the harsh challenge or caseblasting technique too frequently used.

This can often be done through questions, as opposed to comments or opinions by the mediator. Where the mediator does express her impressions, the danger of putting the party off into a "stand and fight" frame of mind can be ameliorated by the right sort of introductory phrases, and by doing this reality testing in private caucus. Introductory phrases such as:
• "Correct me if I'm wrong, but I don't see how you plan to deal with . . . "

• “Trying to put myself in the shoes of a juror, and forgetting my legal background, I can see some appeal in the other side’s . . . ”

• “I understand that you are not pleased with the last proposal made by the other side. Help me understand how that proposal fails to satisfy the goals we identified, earlier. . . . Okay, now just so I’m clear, how does litigation stack up against the proposal as to those goals?”

IV. Analogies

Giving credit where it’s due, many of the above alternate techniques did not arise out of my imagination. Rather, they are techniques commonly used by family mediators, many of whom are non-lawyers. Are you surprised? Think about it for a minute, particularly in the context of the threshold questions asked at the very beginning of this article.
• Divorce cases are, like IP cases, frequently such that the parties would truly rather settle than fight.

• Divorce cases are cases in which the parties may wish, for example, to craft a more creative or unconventional arrangement for joint custody or visitation rights than a court ***32** would typically come up with. Similarly, IP cases are often those in which we may wish to consider options such as cross licenses, etc., rather than the limited remedies the court has to offer.

• Divorce cases are complicated. There is not just the issue of who will pay how much to whom. There are many pieces of property, and it is necessary to decide how to divide this property, what type of estate the party who “keeps the house” will have, and most importantly, what type of custody or visitation rights will be provided for. It is less likely that all of these can be agreed upon in one day. And like the corporate representative who is unlikely to give in regarding a valuable technology simply because he is made uncomfortable, the parent is unlikely to give in on a custody issue just because he or she is made uncomfortable.

Thus, our type of case may have much more in common with family cases than we would have thought. In any event, it is my experience that some of the family mediators’ techniques can work quite well in IP cases.

V. Conclusion

No one, not even I, will use all of the above techniques exclusively in every IP mediation. However, if this article has opened your eyes to new and different options, and to think about which ones you want a given client to experience, it has achieved its purpose.

Footnotes

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