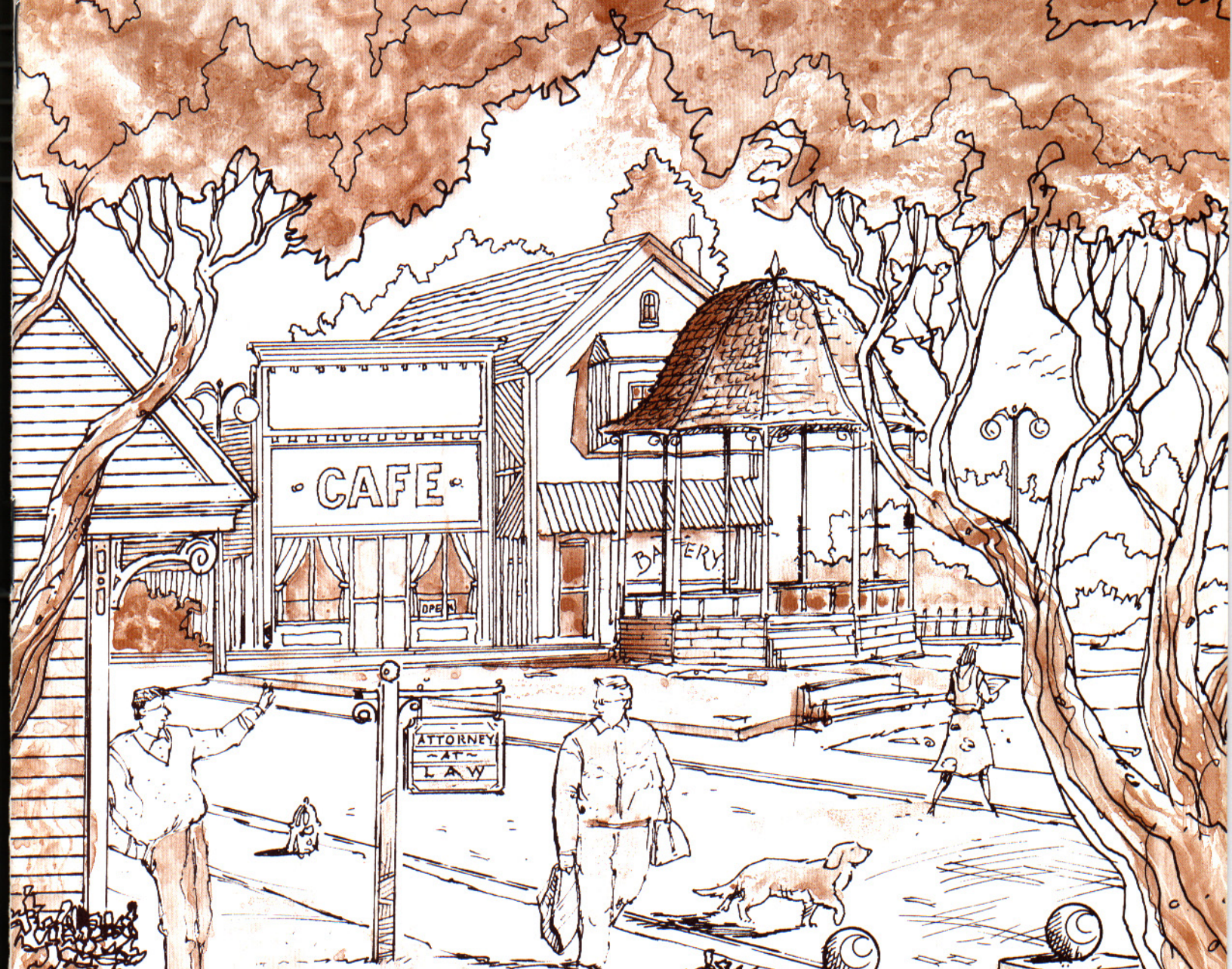


BARRISLER



Career Option:

**Life as a
small town
lawyer**

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ADR Hits Home Run in Patent Cases

BY KEVIN R. CASEY

L. A. Dodger is upset. And when that “giant” enters a law office in a bad temper, young patent attorneys jump—especially when called into a conference by the senior partner just in time to “brave” the explosion: “. . . \$15,000 and three years to get this patent and my patent attorneys tell me I can either sue—which ‘phills’ their coffers with half a million dollars and interrupts my business for three years-or walk away. There has to be a better way to stop those ‘pirates’ from stealing my invention,” Dodger grouses. “My former attorneys had none. Do you?”

The baseball team that Dodger owns has been wildly successful after donning uniforms made of a new material, patented by Dodger, that enables players to throw harder, hit farther, and run faster. Despite attempts to “expos” the material as a fraud, attributing the team’s success instead to a “padre’s” prayer or to

“astro” logical alignments, it appears the material works-so well, in fact, that Metropolitan Outfitters, Inc. (Met), a large clothing manufacturer/distributor, began making and selling uniforms of the same material to its own home team.

The loss of competitive advantages, on the field and in the marketplace, without compensation, made Dodger see “red.” Like any good businessman, Dodger respects the “cardinal” rule of competition: Use an advantage to profit.

“Have you considered ADR?” you ask. He disdainfully responds-as if you were some “cub” attorney-that he knows the courts have held ADR unenforceable when applied to patent disputes. Luckily, your work with the ABA/YLD ADR Executive Committee saves you from a “rockie” start. “Although historically true, because patents have a ‘public interest’ and it was feared that non-judges were not competent to handle the complexities of a patent dispute, statutory changes in the 1980s have changed all that,” you say, sounding as amazin’ as that ‘ole Perfesser, Casey Stengel. “Today, negotiation, mediation, minitrials, summary jury trials, arbitration, private judging-to name a few ADR methods-are used. The key is to match your patent case with the most appropriate form of ADR.”

Dodger says his attorneys have already informed Met of its infringing acts and demanded that it stop. Met refused. Although Dodger thought Met way off base, he understands that Met’s aggressive stance shuts out the possibility of ADR.

Error, Dodger. A brief review tells you that Met has filed a corporate policy statement with the Center for Public Resources, Inc., publicly declaring that Met will explore ADR before litigation. This statement removes an impediment to ADR: the perception that suggesting ADR reflects a weak case.

You’ve won Dodger over and relieved his former attorneys. He wants you to call Met “immediately.”

Coming out of left field, your “not so fast” nails your senior partner. Quickly, before he can pinch hit, you explain. “Whether litigation or ADR is used to resolve this dispute, each party should perform a basic risk analysis to determine for itself the merits of the case.”

Whether feeling like a “marlin” out of water or eyeing an afternoon tee time, your senior partner trades you and *his* new client for a lunch date. Thus dismissed, you and Dodger retire to analyze whether ADR is preferable to litigation in this case and, if so, what type of ADR might best be suggested to Met. Because ADR is essentially voluntary, both parties must agree that it will serve their mutual interests.

You and Dodger know that ADR can be much less expensive and time consuming than a patent infringement lawsuit. “Burdensome pretrial motions would be avoided,” you explain. “Also, some ADR techniques, such as arbitration, can impose limits on discovery and relax

other procedural rules. In response to the growing demand for patent arbitration, the American Arbitration Association (AAA) has developed and published special rules for patent disputes. Perhaps Met would agree to adopt them.” Dodger suggests that these procedural changes might not be the best way to discover every fact. “True,” you respond like a veteran, “but the facts necessary for a fair resolution should be uncovered and each party would be in the same ballpark.”

Time is of great concern to Dodger. “I’ve got to decide soon whether to invest big bucks in a uniforms production facility or eat a patent undermined by Met’s avoidance.” Met, too, faces the time crunch because its potential liability for an alleged patent infringement increases daily. “ADR’s ability to predict when the dispute will be resolved,” you conclude, “offers both you and Met an additional advantage over litigation.”

In addition, you point out that an expert arbiter can enhance the quality of judgment and save the time usually taken to explain complex technology. “For example, someone knowledgeable in various types of clothing material could readily comprehend the underlying technology and quickly determine whether the uniforms made by Met infringe your patent.” A no-nonsense businessman, Dodger likes what he hears. He also appreciates-and believes Met will, too-the privacy afforded by most ADR proceedings. “Unlike court trials,”

you note, “ADR hearings usually do not yield transcripts or written opinions in which trade secrets or other confidential information may be compromised or a loss aired. Most opinions are never published.”

You would not be a good attorney if you failed to spot a curve. “ADR *does* fall short of litigation in at least one aspect,” you caution. “There is value in having a patent reexamined in federal court and sustained as valid. Clearly, the decision of a facilitator will not have the same deterrent effect against infringement as a judicial determination. Once a patent is held valid in court, industry tends to give that patent more respect.”

Dodger rips the curve. “But a finding in ADR that my patent is invalid also has no effect on others, right?” he asks. True, although that result is contrary to the law applicable to judicial decisions. A patentee given a fair opportunity to litigate a patent and who suffers a judgment of invalidity is barred from relitigating the same patent.

With the momentum now rolling in ADR’s favor, Dodger explains that he and his wife play mixed doubles with top Met executive Ms. Shot and her husband. Dodger had hoped that Met would manufacture and distribute some of his clothing ideas in the future and Shot had expressed interest. “Litigation is so adversarial,” Dodger muses, “it would kill our relationship before it took off.”

“Arbitration,” you suggest, “is somewhat less adversarial than liti-

gation, minitrials tend to be neutral, and mediation often avoids the problem by bringing adversaries into agreement.”

And it doesn’t take much prying for Dodger to admit that his empire and Met’s business are of comparable size. Both could lose this particular case and not jeopardize their financial security. An attempt by either party to drive the other out of the market or to use a properly timed trial as economic leverage is unrealistic; neither could view a jury trial as a forum to stress differences in size. “All of these factors,” you say, “support ADR.”

You warn Dodger, however, that if he plans to seek an injunction to stop Met entirely from making and selling the new uniforms, ADR may not be an option.

“I’ve thought of that,” Dodger says. “I could really use the royalty income that a license allowing Met to continue operations would provide.”

Now you must determine which form of ADR to suggest to Met. Parties can contract for different-even hybrid-types of ADR.

Despite his famous diet, Dodger suggests dinner. You tell him, as he orders pasta, “The arbitration of patent disputes is governed almost exclusively by section 294 of the Patent Statute and by the Federal Arbitration Act, made applicable to patent arbitration by section 294(b).” You suggest that the growing number of

patent disputes arbitrated each year under the auspices of the AAA makes arbitration a real possibility and Dodger agrees to consider it.

Dodger is all too familiar with binding baseball arbitration, however, in which teams and players each submit a proposal to settle salary disputes and the arbitrator must select one. "I don't like it," he says flatly.

"Well," you concede, "baseball arbitration presupposes that each party has equal access to the same facts; not the case in most patent disputes, especially before expensive discovery has occurred. Thus, baseball arbitration of patent disputes may have limited use and we won't suggest it to Met.

"I also wouldn't suggest a summary jury trial," you add. "It was originally developed for cases in which the facts are largely undisputed, the applicable law is clear, and the parties differ only in their opinions of how a jury will perceive evidence. In patent cases such as this, you and Met are likely to disagree over several factual and legal issues. In addition, summary jury trials are normally court-ordered. One party may participate unwillingly and may present less than a complete case, preferring not to yield discovery. Thus, although good faith presentations

can occur in forced summary jury situations, they often do not. This is especially true for patent cases."

"Well, so far you've given me one option," says Dodger. "Arbitration. Any other suggestions?"

"Of all the ADR techniques, the minitrial is most closely associated with patent disputes," you note, warming up. "It is particularly well suited for resolving complex disputes, such as patent infringement cases involving mixed questions of law and fact. The goal is that both you and Met-armed with an understanding of the strengths and weaknesses of each side's case-can settle."

The previous curve may have been an illusion; now you offer a change-up caveat. "In certain situations-for example, when a key figure on one party's team wants to litigate-a minitrial would almost certainly fail to produce settlement. A case that involves flatly contradictory evidence is also unsuited for a minitrial. Third, where the risk to either or both parties is great, the chance of minitrial success is low." Dodger refuses to swing. "None of that applies," he says.

A single alternative to arbitration, the minitrial, doesn't satisfy Dodger. "Besides simple negotia-

tion," you suggest, "mediation is perhaps the fastest, most cost-effective means to settle a dispute and resolve perhaps 60 or 70 percent of cases which would not otherwise settle." Dodger likes those statistics. "Mediation is now commonly used to settle large, complex patent disputes," you continue, "and often is part of one of the other ADR procedures.

"You might use binding arbitration to resolve the issue of patent infringement," you suggest. "Then, if the arbitrator finds for you, you and Met might agree to mediate the amount of damages to be awarded. Perhaps the foremost advantage of ADR is its flexibility-the ability of the parties to develop hybrid procedures, such as arbitration followed by mediation, that can be molded on-site to meet the needs and interests of a particular dispute."

Dodger likes your potential. He flashes the thumbs up sign and you vow to call Met in the morning to propose an arbitration-mediation process as an alternative to litigation. ■

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