

The Metropolitan Corporate Counsel

www.metrocorpcounsel.com

Volume 16, No. 8

© 2008 The Metropolitan Corporate Counsel, Inc.

August 2008

Issues & Overview

Patent Mediation On Your Horizon? Most Likely . . . And That's A Good Thing.

If you are involved in a patent case, the chances are that you will be required to participate in mediation before the case is finally concluded. And the odds that you just might settle the case through mediation are good.

Most people familiar with federal court litigation understand the wisdom of settling a case at any time. Nevertheless, most believe that complex patent cases are ill-suited for mediation. Others believe that mediation of a patent case, after a trial court has entered judgment and with an appeal pending, is unlikely to occur, is unlikely to succeed if tried, or both. Reality is otherwise.

A. Meet the U.S. Court of Appeals for the Federal Circuit

The jurisdiction of the twelve regional U.S. courts of appeal is limited by geography. In contrast, the jurisdiction of the U.S. Court of Appeals for the Federal Circuit is defined by subject matter and includes *all* appeals from patent infringement cases tried anywhere in the country. Until 2005, the Federal Circuit was also the only one of the 13 federal courts of appeal not to have an appellate mediation program.

B. The Federal Circuit's Mediation Program

On Oct. 3, 2005, the Federal Circuit established its appellate mediation program pursuant to Federal Rule of Appellate Procedure 33. *See* the court's mediation guidelines at www.ca9c.uscourts.gov. Chief Circuit Mediator James M. Amend and Circuit Mediation Officer Wendy L. Dean administer the program, which is periodically assessed by the court. Specifically, a three-judge committee monitors the program and makes recommendations to Chief Judge Paul R. Michel—who strongly supports the program as a way to give the court docket relief, case management assistance, and enhanced service to litigants. His support appears warranted: helped by its mediation program, the court has been able to issue opinions within three months after oral argument in about 80 percent of its cases.

The purpose of the mediation program is to help the parties achieve settlement. Mediation offers a confidential, risk-free opportunity for the parties to resolve their dispute with the help of the circuit mediation officers or an experienced, volunteer, neutral mediator. Unlike arbitration in which a binding decision may result, mediation achieves settlement only when all parties voluntarily agree on the terms of resolution.

Counsel may request that their case be included in the mediation program. Otherwise, the circuit mediation officers contact counsel and evaluate whether the case is a good candidate for successful mediation. If, in the judgment of the circuit

mediation officers, mediation might be fruitful, then participation is *mandatory*. Mediation ceases at any time the mediator concludes that further efforts would not be fruitful.

The court's mediation program has proven successful. The court has consistently helped the parties to resolve their patent appeals through mediation in over 40 percent of the patent cases selected for the program. In remarks presented at the Annual Bench and Bar Conference of the Federal Circuit Bar Association held June 25-28, 2008 ("the Conference"), Chief Judge Michel noted the following statistics: 65 percent of patent cases are decided by the court, 12 percent are settled by the parties, 9 percent are dismissed by the court, and 8 percent are resolved by the court's mediation program.

C. More Success Lies Ahead

In efforts to enhance the success that the mediation program of the Federal Circuit has already enjoyed in its short existence, Chief Circuit Mediator Amend identified at the Conference eight *impediments* to settlement of patent cases on appeal. The impediments are: (1) the case involves a "troll" (which might be defined as a non-inventive entity with no commercial product that acquires and asserts overbroad patents in an attempt to extort a toll from others) and the defendant company wishes to avoid a "bulls-eye" inviting further litigation; (2) party representatives with settlement authority are not present for the mediation session; (3) the party having lost the judgment appealed is reluctant to mediate (although perhaps counterintuitive, because the winning party might seem more reluctant, the cost of rolling the die on appeal may appear small relative to the cost already sunk into the case); (4) the patent was held invalid (one solution might be to ask the district court to vacate its invalidity holding as part of a settlement award); (5) counsel is representing the appellant on a contingent fee basis; (6) an emotional, entrepreneur patent owner appeals a loss and seeks "justice"; (7) a summary judgment of non-infringement is appealed and the plaintiff seeks millions (the "lottery" case); and (8) a party believes it is entitled to attorney fees or enhanced damages. The court is in the process of refining the selection criteria for, and the techniques used in, its mediation program to take these impediments into account and improve the program.

In summary, the belief that patent cases cannot be mediated with sufficient success rates to justify an appellate mediation program has been dispelled. The consequence is that you should become familiar with the Federal Circuit's mediation program and, in your next patent case, be ready to participate.

Kevin R. Casey
Stradley Ronon Stevens & Young, LLP