Joint Patent Practice
Continuing Legal Education, Inc.

Presents the

Twenty-Ninth Annual
Joint Patent Practice Seminar

"29 Years of Excellence"

April 16, 2013
New York Marriott Marquis • New York, NY

This program is co-sponsored by the
Connecticut, New Jersey, New York and Philadelphia
Intellectual Property Law Associations
A. BACKGROUND

Many patent infringement cases involve complex issues and high stakes. Some are "bet the farm" cases. The asserted patent may be the plaintiff's only asset. If the defendant is found to infringe the plaintiff's patent, an injunction may issue that could shut down a product line or an entire business. Patent infringement damages can be significant and, if the infringer is found to be willful, the court may enhance the award and add attorney's fees. The defendant typically defends against these risks vigorously, raising a myriad of difficult issues including non-infringement, invalidity, and inequitable conduct. Often the plaintiff asserts a number of patents, each having multiple claims. Thus, one patent infringement suit might be considered ten or more sub-suits. How are the parties to resolve such cases? One tool is to try mediation.

Mediation is a process in which a neutral person (the mediator) helps parties to a dispute reach their own settlement; mediation is basically a settlement tool. In contrast to a judge in litigation or an arbitrator in binding arbitration, the mediator neither seeks nor has any power to render a binding decision. Rather, the mediator works the process—sometimes facilitative, sometimes evaluative, often both—and applies his or her talents to highlight the issues, make each party see the weaknesses of its own case, and promote meaningful discussion of the issues in light of realistic perceptions.

Mediation has a long history in the diplomatic arena and, more recently, interest in commercial mediation has grown significantly. Interest in the mediation of patent disputes has lagged behind, however, the growth in general commercial mediation. The cost, delay, inflexibility, and uncertainty of litigation--factors which foster resort to mediation--are even more exacerbated in patent cases than in other types of cases. Therefore, why the delayed interest in mediating patent cases? In part, the answer is that the mediation of patent cases differs in certain respects, seven of which are outlined below, from the mediation of other types of cases:

- Selecting Patent Cases Suitable For Mediation Is Trickier
- The Timing Of The Patent Mediation Is More Important
- Patent Mediator Selection Is More Critical
- Two Mediators May Help in Patent Cases
- Limit The Number Of Patent Party Representatives
- Anticipate An Extended Duration of Patent Mediation
- Note The Public Interest in Patent Subject Matter
B. SEVEN KEYS TO SUCCESS

1. Selecting Cases Suitable For Mediation Is Trickier. Not every case is suitable for mediation. This principle is especially true for patent cases. Patent cases often involve head-to-head competitors who have been competing for years, know each other well, and sometimes have a mutual dislike. If the parties do not share an honest, good faith interest in settling their dispute (rather than using the mediation to “fish” for information or merely complying with a court order), the mediation will fail. Of course, the need to resolve repetitive disputes might drive the parties toward—rather than away from—mediation.

Although, as in most commercial disputes, one of the primary issues to address is quantifying the damage claim, the parties to a patent case often have widely divergent views about the value of a case. Unfortunately, a rational assessment of damages (lost profits, reasonable royalty, enhanced damages) is often an entire sub-case within the case (many patent cases that are litigated are bifurcated into liability and damages phases). The typically wide monetary gap between the parties’ initial positions in a patent mediation may be difficult to bridge absent reliable economic data found credible by both parties. (Contrast the estimated legal costs for patent litigation, often a helpful card for a mediator to play, which can be derived from the American Intellectual Property Law Association economic survey completed every other year.)

2. The Timing Of The Mediation Is More Important. All mediations risk impasse; patent mediations have special drivers toward impasse. Both parties may honestly believe that the court in a parallel litigation proceeding gave them a favorable patent claim construction following a Markman hearing. Highly compensated and respected experts may have strenuously advised the respective parties that they “should win.” As litigation proceeds, the parties will have spent large amounts of money and become sufficiently entrenched that settlement may be difficult. These drivers push an early mediation session, before such external factors can discourage settlement. On the other hand, in general, the more the parties know about each other and their respective cases, the more likely is a mediation to be successful.

Experience indicates that the timing of the patent mediation can have a crucial impact on whether settlement will occur. Patent cases are neither likely to settle too early in the march through litigation nor too late as a litigated decision approaches. Perhaps a graph of successful mediation against litigation time would show a Gaussian distribution or bell curve. Mediation can be successful before a cease and desist letter has been sent if the parties are well aware of their competitors and their patent portfolios; before filing a complaint if the parties have completed pre-litigation investigations and evaluated their case; after the defendant answers if a statement of the parties’ respective positions is key; after the completion of discovery so that that parties can evaluate the strengths and weaknesses of the case; after dispositive motions if narrowing the issues will trigger settlement; after the trial is complete (but before the judge or jury decides) if the parties want to avoid an adverse judgment; or even after the trial court’s decision (all federal courts of appeal have alternate dispute resolution programs
and the U.S. Court of Appeals for the Federal Circuit is reversing the patent claim constructions of the district courts about half the time, placing a litigant's successful outcome in serious jeopardy on appeal). It is usually best in a patent case to have completed some discovery--typically a first round of interrogatories, document exchange, and admissions as well as a few key depositions--before conducting mediation.

3. **Mediator Selection Is More Critical.** Patent cases present a number of challenges for the mediator that are not normally associated with other types of cases. Therefore, when selecting a mediator, even an experienced mediator of commercial disputes without a patent background may not be the best choice. A patent mediator must be pro-active in helping the parties find a solution to their dispute. That quality requires experience in the patent field and a creative ability. Typically, the mediator must "create" value (one person's trash is another person's treasure) enhancing the parties' relationship going forward. Perhaps the defendant has (even better if peripheral) patents of interest to the plaintiff in a cross-license; or the plaintiff would find valuable the defendant's public concession that the asserted patent is infringed and not invalid; or the defendant would be willing to buy product or components from the plaintiff; or the defendant might easily develop a new, non-infringing product designed around the asserted patent. Might a deal be structured to include foreign markets? Of course, the criticality of the selection of a mediator in a patent case will be enhanced when the mediation will be evaluative (the mediator offers opinions) rather than facilitative.

4. **Two Mediators May Help.** In most commercial cases, a single mediator is preferred. Advantages of a single mediator include reduced costs and avoidance of communication problems. In complex patent cases, however, it may be difficult for a single mediator to control and facilitate the process, listen to and learn from the parties, and think and propose creatively--all concurrently. Therefore, two mediators may be preferred in complex patent cases. Should the parties seriously explore this possibility, they might also consider the benefits of having one mediator experienced in patents and one non-patent mediator who might offer other advantages (such as an in-depth understanding of the relevant business).

5. **Limit The Number Of Party Representatives.** All types of cases require the parties to send representatives with decision-making authority to the mediation. Most patent mediations tend to draw more party representatives than other types of cases. Typically, and for a variety of reasons, the adage "too many chefs spoil the broth" applies. The mediator may face the unenviable but necessary task of eliminating some of the people who propose to attend. The in-house corporate counsel who strongly advocated that a complaint be filed or strenuously demanded posing a strong defense may thwart a mediator’s efforts, because counsel may be forced politically to defend the earlier advice. Junior associate attorneys from an outside firm usually provide factual and legal details--often a distraction to a broadly based, mediated solution to a dispute. In addition, many patent cases involve large companies represented by “star” counsel; all
participants may feel obligated to put on a show. The mediator’s task of maintaining control of the mediation in such cases can be daunting.

6. **Anticipate An Extended Duration of Mediation.** The number of complex issues present in a patent case, relative to other types of cases, raises an immediate and rather obvious difference: patent cases typically take longer to mediate. The increased duration has many consequences. The mediator must get and keep the parties’ attention, watch for fatigue and its erosive effects on the process, and keep track of progress. A successful patent mediation will generally address one or two issues at a time, attempt to reach a tentative settlement on them, and take them off the board; the process may proceed piecemeal. The mediator will need to continually refocus on a more limited number of issues to move the settlement along. The mediator and the parties should consider reserving and committing to a second day of mediation to follow their first day (an initial session on Friday to be followed by a Saturday session, if necessary, may help focus the parties and eliminate posturing on Friday).

7. **Note The Public Interest.** It is often difficult, but sometimes critical, to consider within the parties’ private mediation the public interest inherent in patent rights. The mediation is typically conducted without direct input from interested third parties. Often an entire industry may know about a particular dispute, however, and be watching and waiting for a resolution with great anticipation. Mediations may fail unless the defendant “respects” the plaintiff’s rights by admitting validity and infringement (so that others are more likely to do so). Stated alternatively, the need for precedent in patent cases may be more acute than in other cases, placing an additional strain on the mediation process. Consider, too, other ramifications of the public interest: Will a release of the plaintiff’s claim against the defendant include the defendant’s customers?

C. **SKEPTICS?**

Most people familiar with federal court litigation understand the wisdom of settling a case at any time. Nevertheless, some believe that complex patent cases are ill-suited for mediation. Others believe that mediation of a patent case, especially 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.

1. **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.

2. **The Federal Circuit’s Mediation Program**

On October 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.cafc.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. The court supports the program as a way to give the court docket relief, case management assistance, and enhanced service to litigants.

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% of the patent cases selected for the program. In 2008, Chief Judge Michel noted the following statistics: 65% of patent cases are decided by the court, 12% are settled by the parties, 9% are dismissed by the court, and 8% are resolved by the court’s mediation program.

3. **More Success Lies Ahead**

In efforts to enhance the success that the mediation program of the Federal Circuit has already enjoyed, Chief Circuit Mediator Amend has identified 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 “bullseye” 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 always 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.

D. WANT MORE?

In 2010, the International Institute for Conflict Prevention and Resolution (CPR), an independent non-profit organization whose mission is to help global business and their lawyers resolve complex commercial disputes more cost effectively and efficiently, formed a Patent Mediation Task Force to analyze methods and solutions for improving the use and efficiency of mediation in patent disputes. The Chair of the Task Force is Manny W. Schecter, IBM Chief Patent Counsel.

The Task Force formed three subcommittees to examine mediation best practices from each of five stakeholder perspectives: in house-counsel/business people; outside counsel; mediators; judges; and provider organizations. Led by one of John Delehanty, Harrie Samaras, and Kevin Casey, each subcommittee focused its evaluation on one of three distinct topics: pre-mediation, mediation process, and unique issues in patent cases. The subcommittees consolidated their findings into a newly promulgated report.


According to Kathleen A. Bryan, President and CEO of CPR, “The CPR Institute has been a pioneer in seeking improvements to private resolution in disputes involving intellectual property and patents. This new protocol has the potential to find solutions to earlier resolution of patent disputes, which are the most costly cases for many companies.” Mr. Schecter of IBM agreed, saying, “The Task Force’s Report is groundbreaking and will help the industry overcome barriers to mediation of patent disputes that will save businesses from wasteful litigation costs.”

E. THE FUTURE

All disputes are resolved one way or another. The only question is whether the dispute will be resolved by a judge, a jury, an arbitrator, or the parties themselves. Statistics indicate that, when invoked, mediation generally enjoys a high rate of success. Despite the unique challenges posed by patent mediation, in contrast with other types of mediation, the growth of interest in patent mediation anticipates a similar success rate. 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.
PATENT MEDIATION

Kevin R. Casey
Stradley Ronon Stevens & Young LLP
April 16, 2013

Here’s The Agenda...
- Background
- Seven Keys to Success
- Skeptics?
- Want More?
- The Future

A. Background
- Characteristics of Patent Infringement Cases
- What is Mediation?
- What Makes Patent Mediation Special?

B. Seven Keys to Success
- Selecting Patent Cases Suitable For Mediation is Trickier
- The Timing Of The Patent Mediation Is More Important
- Patent Mediator Selection Is More Critical
- Two Mediators May Help in Patent Cases
- Limit The Number Of Patent Party Representatives
- Anticipate An Extended Duration of Patent Mediation
- Note The Public Interest in Patent Subject Matter
C. Skeptics?

- Meet the U.S. Court of Appeals for the Federal Circuit
- The Federal Circuit's Mediation Program
- More Success Lies Ahead

D. Want More?

- The International Institute for Conflict Prevention and Resolution (CPR)
- CPR's Patent Mediation Task Force
- Process
- Effective Practices Protocol
- "The Task Force's Report is groundbreaking and will help the industry overcome barriers to mediation of patent disputes that will save businesses from wasteful litigation costs."

E. The Future

- All disputes are resolved one way or another.
- The only question is whether the dispute will be resolved by a judge, a jury, an arbitrator, or the parties themselves.
- Statistics indicate that, when invoked, mediation generally enjoys a high rate of success.
- Despite the unique challenges posed by patent mediation, in contrast with other types of mediation, the growth of interest in patent mediation anticipates a similar success rate.
- 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.

That's all Folks!