

## **Advisory Committee on Enforcement**

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### **MEDIATION OF IP INFRINGEMENT DISPUTES: A PHILIPPINE EXPERIENCE**

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#### **ABSTRACT**

Globalization and the increasing interface of economies have brought challenges on the effective enforcement of intellectual property rights (IPRs). As international trade and business increase, the effects and application of IP beyond national borders become more relevant. Given the intricacies and sensitivities in handling IP cases and the various modalities by which IPRs are protected and enforced in various jurisdictions, it is perceived that mediation would be one effective venue to address IP disputes. This is especially true for IP related cases that involve genuine business considerations. Rights holders basically want speed, confidentiality, efficiency, and a certain degree of predictability in enforcing their IPRs. However, for mediation to have a high degree of acceptance and success, the mechanism must be properly structured; mediators must be properly selected and trained; and the people and the platform for mediation services must be credible and capable.

#### **I. INTRODUCTION**

1. Globalization challenges the foundation of intellectual property rights (IPRs) enforcement. As IPRs are private rights and territorial in nature, there is always a disturbing issue as to

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\* The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

whether or not IPRs can be effectively enforced in the era of globalization. The fast-paced international trade, increasing interface of economies, and the noted consequences of ineffective enforcement will drive countries to redefine the enforcement of IPRs.

2. In fact, IP is no longer territorial in terms of application and importance. It is part and parcel of international trade and global economy. Thus, as international trade and business increase, the effects and application of IP beyond national borders also become more relevant. As a developing country, the Philippines need to attract more investments and businesses to generate more economic activities. To achieve such goal, one of the important considerations is to establish a strong and balanced IP regime that is conducive to business and industry.
3. One of the challenges to enforcement of IPRs in the Philippines is the speedy disposition of cases. Thus, to address this concern a number of reforms were introduced and implemented such as the designation of Special Commercial Courts (SCC) to handle IP related cases; the promulgation of Special Rules and Procedures on IP Cases (A.M. No. 10-3-10-SC, October 18, 2011); and continuous capacity building for judges, prosecutors and clerks of court.
4. On the part of the Intellectual Property Office of the Philippines (IPOP), particularly its Bureau of Legal Affairs (BLA) and the Office of the Director General (ODG), one of the strategic goals set by the Office is to provide speedy, quality, and effective legal remedies and be the forum of choice for IP dispute settlement. Thus, a number of reforms were introduced, one of them being the mandatory referral of IP cases for mediation.
5. Noting the intricacies and sensitivities in handling IP related cases, not to mention the various modalities by which IPRs are protected and enforced in various jurisdictions, it is perceived that an alternative dispute resolution mechanism such as mediation would be one effective venue to address IP conflicts. Rights holders want, as much as possible, speed, confidentiality, efficiency, and a certain degree of predictability in enforcing their IPRs.
6. In infringement cases, there are basically two kinds of violations: those that are outright counterfeits or copies of the IPRs of another, and those that are close or colorable imitations of IPRs.
7. For outright counterfeiting, a conventional and hardcore enforcement strategy is appropriate. This includes the issuance and implementation of search warrants, application of injunctive relief, prosecution, and damages.
8. For the second kind of violation, it appears that an alternative platform for dispute settlement is workable and feasible taking into account the legal issues involved, the complexities of the case, the uncertainty of the outcome, the cost of litigation and business risks. Thus, one who understands the flow and the process of litigation would surely consider another venue for the resolution of IP concerns.
9. In IPR enforcement, therefore, it is proper to deconstruct first the nature of the cause of action, identify the relief desired, and evaluate the appropriate remedy given the peculiar circumstances of each case.
10. In this paper, the Philippine experience will show that a trustworthy, credible, and functioning mediation mechanism may be an effective approach in addressing IP disputes especially if there are business considerations involved in a case.

## II. LAYING THE GROUNDWORK

11. In 2003, IPOPHL conducted a Mediation Program where volunteer personnel from IPOPHL were trained by the Conflict Resolution (CoRe) Group Foundation, Inc. After receiving mediation training and participation in simulation in mediating IP cases, the volunteer mediators mediated cases pending before the BLA. To support the said program, the IPOPHL issued, on December 22, 2004, the “Rules on Mediation of BLA Cases” where mediation was considered voluntary and to be conducted during the pre-trial stage.

12. IPOPHL’s Alternative Dispute Resolution (ADR) program is also a result of a national policy of the executive branch for all departments, agencies and government-owned and controlled corporations to promote and encourage the use of ADR in dispute resolution. The program is consistent with Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004.

13. During its implementation, certain issues and concerns were identified such as perceived conflict of interest and the negative attitude to mediation proceedings, particularly from IP practitioners and lawyers. Since trademark and patent examiners were allowed to be part of the mediators’ pool, the objectivity of the mediation process was raised. Moreover, the parties were reluctant to subject their disputes to mediation due to lack of sufficient information and awareness as to the value and importance of the system. As the concept of ADR has only recently been introduced in regular courts, legal practitioners, understandably, have yet to consider the advantages of ADR. Hence, there is a need to further promote and enhance the system.

## III. STRENGTHENING THE IP MEDIATION MECHANISM

14. In January 2010, IPOPHL established a Mediation Office. A Steering Committee was also created to provide the necessary legal and technical assistance in the crafting of the Rules of Procedure on the Mediation Proceedings (Office Order No 154, S. 2010). The Rules of Procedure underwent public consultation on July 29, 2010, and were eventually approved by the Director General on October 10, 2010. The salient features of the Rules include: mandatory referral of cases from BLA, Documentation Information and Technology Transfer Bureau (DITTB) and ODG to mediation, provided that for *Inter Partes* Cases (IPC) and IP Violation (IPV) Cases, the case shall be referred only after the filing of an answer; providing a settlement period for cases filed before the entry into force of the Rules; making the mediation proceedings confidential; and providing sanctions for failure to appear in the mediation conference such as dismissal of the case or declaring the respondent in default. Another significant point is that in case of failure of mediation, the parties have the option to submit the dispute to arbitration proceedings.

15. On the matter of arbitration, IPOPHL has a partnership with the Philippine Dispute Resolution Center, Inc. (PDRCI), the leading institutionalized arbitration center in the Philippines. Thus, as far as IP resolution conflict mechanism is concerned, IPOPHL has provided not only a quasi-adjudicatory function but also two alternative dispute resolution mechanisms.

16. On December 9, 2011, IPOPHL, with a view to strengthening the administration of the ADR system, issued Office Order No. 208 consolidating all ADR functions of the Office into a single unit to be known as the ADR Services. The ADR Services became an adjunct unit of the BLA and it is under the direct management/supervision of the Director of BLA. The ADR Services’ operations and administrative staff is headed by an Operations Management Officer

and assisted by two technical support staff and three clerical support staff. The unit administers the mediation and arbitration services of IPOPHL and serves as the focal office in the development of ADR as a viable mechanism in IP dispute resolution. The main functions of the ADR Services include the management of the mediation and arbitration services of IPOPHL in accordance with the policies, rules and regulation; the crafting of policies, rules and regulations on ADR; the planning and implementing of capacity-building programs for IPOPHL's accredited neutrals; and the conducting of activities related to the operations and development of ADR in IP cases.

17. IPOPHL has implemented an accreditation process for mediators and conducted training programs on mediation. At present, IPOPHL has 17 accredited mediators in its roster. They come from varied professions which can be divided into two general groups: legal practitioners and intermediary professionals. Ten out of 17 mediators are legal experts, with eight of them involved in IP litigation and prosecution. For the other group most of them are involved in mediation in courts and in the conduct of training for other professionals in the area of mediation and ADR.

18. Under the IPOPHL selection process for mediators, prospective individuals must apply to be considered for inclusion in the pool of mediators and fulfill certain minimum requirements set by IPOPHL. They must have at least seven years of experience in mediating a case or in legal practice involving IP disputes. The selection criteria include education, training, experience and professional background. In addition, candidates must pass a panel interview to move on to the training phase of the process. In a second phase, successful candidates must attend the Integrated Mediators' IP Rights and Skills Training, whose curriculum has been formulated by IPOPHL, with the assistance of WIPO, in order to enhance knowledge and skills in IP and mediation. The 4-day Training Course is composed of lectures on the concept of mediation and ADR, and an in-depth learning on IP. The training also involves a simulation and a final assessment.

19. The accreditation period shall last one year. Accredited mediators who mediate at least twelve cases and successfully settle at least six cases shall be accredited for another year. Those who fail to mediate and settle the required number of cases shall lose their accreditation.

20. On May 7, 2014, IPOPHL and the World Intellectual Property Organization (WIPO) signed a Memorandum of Understanding on the provision of ADR services to parties involved in cases submitted with IPOPHL. The collaboration provides access to the mediation services of the WIPO Arbitration and Mediation Center (WIPO Center). The IPOPHL-WIPO framework established a joint dispute resolution procedure to facilitate the mediation of IP disputes pending before IPOPHL. The WIPO Mediation option offered by IPOPHL may be especially advantageous for international parties or parties seeking to settle related disputes in multiple jurisdictions.

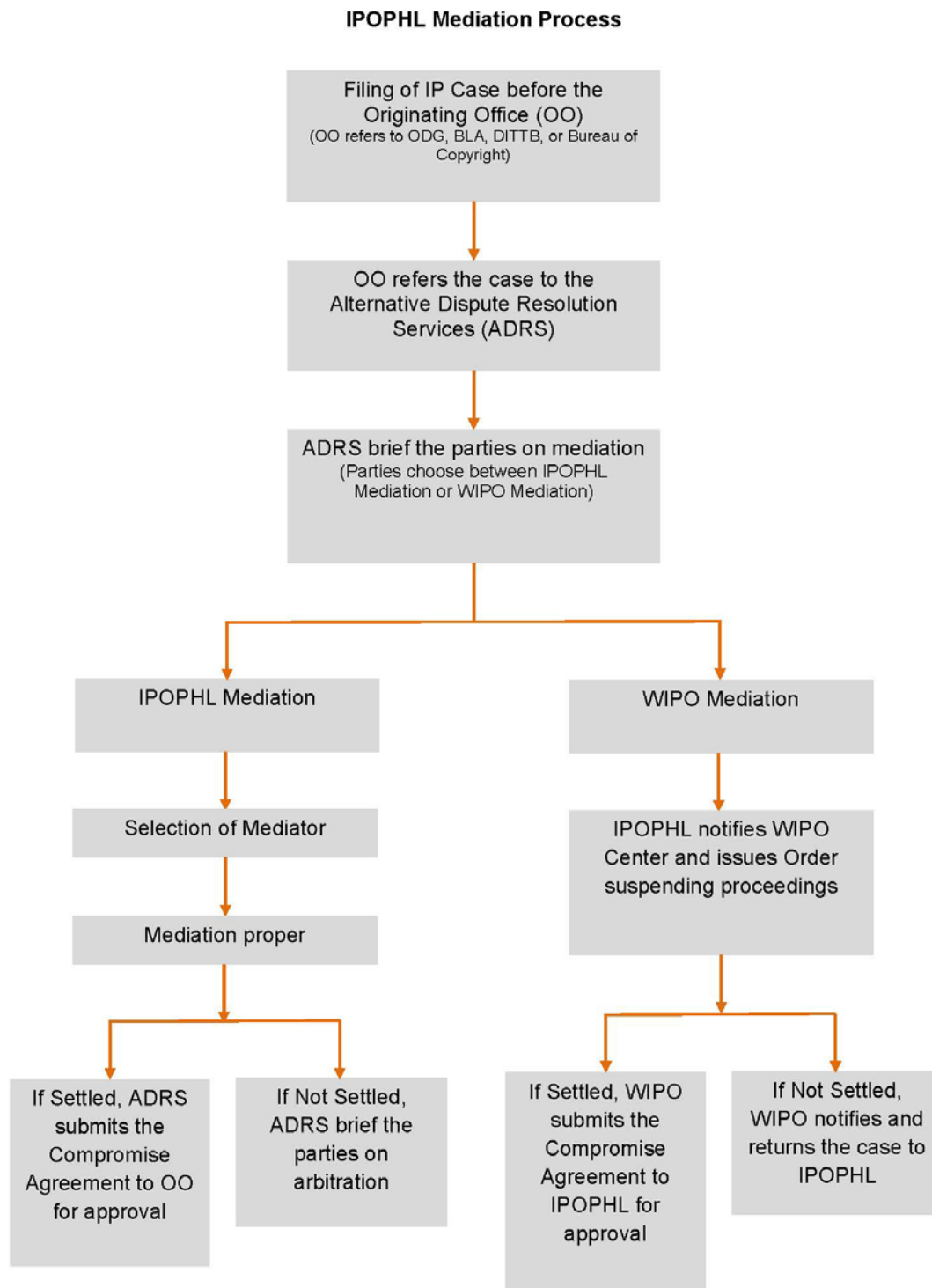
21. On April 16, 2015, IPOPHL and WIPO formally launched the mediation service on the referral of cases to the WIPO Center. The new mediation procedure took effect on May 7, 2015.

#### **IV. PROCEDURE**

22. All IP cases such as IPC and IPV cases with verified answer filed with the BLA, appealed cases filed with the ODG, disputes relating to the terms of the license involving author's rights to public performance and other communication of his work filed with the Bureau of Copyright, and cases concerning royalty payments and terms of license on author's rights filed with DITTB are

to be referred to mediation. The DITTB, BLA, Bureau of Copyright and Other Related Rights, and the ODG are known as the Originating Offices (OO).

23. The mediation procedure of IPOPHL aims to give parties an effective venue to settle their dispute. Parties can either choose IPOPHL Mediation or opt to refer their case to WIPO Mediation.



24. Once referred to mediation, the parties are required to appear for a briefing on a date and time ordered by the Originating Office. Sanctions are provided for non-appearance of the

parties. The failure of the complainant to attend the briefing and any other scheduled meetings is a ground for the dismissal of the case. On the other hand, if the respondent fails to attend such meeting, he may be declared in default, and the complainant will be allowed to present evidence *ex parte*. The Operation Management Head or his duly authorized representative shall brief the parties on mediation as an alternative interest-based conflict resolution process and shall assist the parties in the selection and appointment of their mediator. IPOPHL strictly observes party autonomy in the selection of the mediators, which means that only the parties can decide on their choice of mediator. The mediation proceeding starts with the appearance of the parties for briefing and ends when the parties terminate the proceedings due to non-settlement of the negotiation or by the execution of a compromise agreement.

25. There is a strict observance of confidentiality of the proceedings therein. This is important considering that IP cases such as patent litigation may involve confidential information that has commercial value. Section 9 of the Rules of Procedures for IPO Mediation Proceedings provides that all mediation conferences shall be conducted in private, and the proceeding, including all incidents, shall be kept confidential. Any admission and statement made during the mediation shall be inadmissible in a legal proceeding.

26. The mediation procedure takes a maximum of 90 days from its commencement to its termination.

27. The WIPO Mediation option for disputes pending before the IPOPHL covers all cases primarily involving one or more parties domiciled outside the Philippines. During the briefing on mediation, the parties shall be informed of their option to submit the dispute to WIPO Mediation. The parties may appoint any mediator from the WIPO panel of mediators or may opt for another procedure based on the procedure of the WIPO. The sanctions for failure of the parties to attend the briefing and meetings are similar with the IPOPHL Mediation. In terms of mediation cost, the WIPO Center, in consultation with IPOPHL, has set up a schedule of fees that is appropriate and cost effective considering the circumstances of the disputes. The fees are much lower than the usual WIPO mediation charges.

28. If the parties settle their case, the settlement agreement shall be submitted to the Originating Office for approval.

29. In case of failure of the mediation, the parties shall be briefed on arbitration, particularly its advantages and procedures, as another option for settling their dispute. In case the parties choose not to submit their case to arbitration, the ADR Services shall inform the Originating Office of the termination of the ADR proceedings and return the case to said office for further proceedings.

30. How the settlement agreement may be enforced, depends on the nature of the case. In mediation of IPC, the decision based on the compromise agreement shall be enforced through appropriate action of the Bureau of Trademarks (BOT) and the Bureau of Patents (BOP). For IPV cases, in the event the parties will not voluntarily comply with the agreement, the aggrieved party can apply for the execution of the decision before the regular courts for damages and other specific act. The same shall apply for the enforcement of arbitral award.

## **V. AN EFFECTIVE IP MEDIATION: PROMOTES TRADE AND BUSINESS**

31. Indeed, an environment that ensures the protection and enforcement of IPR promotes trade and fair competition in business. Businesses prefer to focus their energy and resources on operations, and create more productive economic activities. Maintaining a prolonged and

uncertain litigation is not at all conducive to the promotion of IP both as a right and a tool for economic development.

32. In one case, for example, both parties were distributors of various kinds of cosmetic products. A, a foreign company, and B, a local company, were engaged in an on-going unfair competition case filed by A in a regular court. A then sued B in IPOPHL for the distribution of confusingly similar cosmetic products and not contented therewith, further filed for the cancellation of B's two industrial design registrations.

33. The IP violation case was referred to the ADR Services for mediation in February 2011, and mediation proceedings commenced the following month. In June 2011, the parties settled, covering all outstanding cases, including the unfair competition case pending before the regular court. A agreed to withdraw all its cases against B in exchange for the dismissal of all counterclaims by the latter. B settled to continue its design registration, however, agreed not to renew the same after its expiry. More importantly, B agreed to withdraw from the market the products which are the subject of the lawsuit.

34. From 2011 up to April 2015, parties to 729 cases out of the total 1,227 cases referred to ADR agreed to participate in the mediation process. The 59.4% acceptance rate is indicative of the parties' faith and trust in the IPOPHL ADR or mediation process. As a corollary, in 309 of the 729 cases, the parties entered into an amicable settlement. The high 42.4% success rate demonstrates the competence and skills of the IPOPHL mediators.

35. The following tables show the acceptance rate and success rate of IPOPHL's Mediation program from 2011 to April 2015:

Table 1 Acceptance Rate

Year	Number of cases referred	Number of cases where the parties agreed to participate in mediation	Acceptance rate
2011	381	279	73.2%
2012	298	166	55.7%
2013	250	125	50.0%
2014	238	135	56.7%
2015 (as of April)	60	24	40.0%
<b>Total</b>	<b>1227</b>	<b>729</b>	<b>59.4%</b>

Table 2 Success Rate

Year	Number of cases settled	Number of cases where parties agreed to participate in mediation	Acceptance rate
2011	90	279	32.2%
2012	83	166	50.0%
2013	55	125	44.0%
2014	69	135	51.1%
2015 (as of April)	12	24	50.0%
<b>Total</b>	<b>309</b>	<b>729</b>	<b>42.4%</b>

## **VI. BEST PRACTICES IN MEDIATION**

36. IPOPHL has identified best practices in mediation that contributed to the optimal outcome of its services.

- Establishment of a dedicated unit tasked to manage the mediation procedure and provide coordinative and advisory function to all parties.
- Consistency of rules and procedures to national and international legal standards. Moreover, IPOPHL's mediation procedure follows that of the court mediation practice, thus, litigants and legal practitioners can easily integrate with the system.
- Ensuring confidentiality of the mediation proceedings gives parties the confidence to communicate their respective interests and positions during mediation.
- Mandatory referral of IP cases for mediation. The procedure gives the parties an opportunity to explore their option for settlement without necessarily limiting their position in the litigation process.
- Imposition of appropriate sanction for non-appearance during the briefing and scheduled mediation meetings. The appearance of the parties during the briefing encourages the litigants to search for a possible settlement of the legal dispute especially where they are properly informed about the procedure and its advantages.
- Ensuring that mediators are well qualified to handle mediation cases both in terms of their competence and credibility through a careful accreditation process.
- Implementation of decorum on mediation to ensure the integrity of the proceedings and that of the system.

## **VII. CONCLUSION**

37. Given the various considerations and complexities of enforcing IPRs in this era of globalization, it can be said that the introduction of the ADR mechanism, particularly mediation, is a potent tool to resolve IP disputes in a cost effective manner. This is especially true for IP related cases that involve either simple or complex legal issues as long as it is coupled with genuine business considerations.

38. Thus, making use of an effective mediation mechanism will likely result in a positive outcome not only with respect to the pending issue or case itself but any and all related issues, and cases that hamper the conduct of business even outside of the territorial jurisdiction of the country in which the mediation takes place.

39. For mediation to generate a high degree of acceptance and success, it is important that the mediation mechanism is well organized and structured; that mediators are properly selected and trained; and that the people and the platform for ADR services are credible and capable.

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