Practices and Operation of alternative dispute resolution systems in intellectual property (IP) areas

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I. Fraunhofer-Gesellschaft: Facts & Figures

II. Fraunhofer-Gesellschaft: Alternative Dispute Resolution
   1. R&D and License Agreements
   2. Working Group Mediation
   3. Case

III. Outlook
I. Fraunhofer-Gesellschaft: Facts & Figures

Fraunhofer-Gesellschaft the largest organization for applied research in Europe

- At present, the Fraunhofer-Gesellschaft maintains 66 institutes and independent research units.
- The majority of more than 22,000 staff are qualified scientists and engineers.
- €1.9 billion annual research budget totalling. Of this sum, €1.6 billion is generated through contract research.

Inventions and Patents

In 2012

- 696 new inventions
- 499 new patent applications

By 2012

- 6103 patent families
- 3167 License Agreements
II. Fraunhofer-Gesellschaft: Alternative Dispute Resolution

1. R&D and License Agreements

During the last 5 years Fraunhofer-Gesellschaft recognised that more and more foreign R&D contractors and Licensees try to negotiate the following aspects very intensively:

- Applicable law
- Place of venue/dispute resolution

What are the reasons for the R&D Contractors and Licensees to negotiate these aspects?

The parties try to negotiate an applicable law the party is familiar with.

Applicable law:

Which „neutral law“ should be chosen?

Fraunhofer-Gesellschaft made the experience that in most of the cases the parties of the agreements had chosen the law of

- Switzerland or of
- Austria or of
- United Kingdom.

In 2012 Fraunhofer-Gesellschaft mandated 3 law firms in Switzerland, Austria and United Kingdom to examine some Fraunhofer Model Contracts (R&D, Licensing) under Swiss law, Austrian law and English law.

As a result of these examinations Fraunhofer-Gesellschaft developed Check Lists for the relevant departments.
Example:

In 2012 Fraunhofer-Gesellschaft proposed German law as the applicable law. A Californian company proposed Californian law. Both parties agreed on New York law. Fraunhofer-Gesellschaft mandated a law firm in New York to examine the license agreement under New York law (costs of ca. US $11,000/rate per hour US $895). Fraunhofer-Gesellschaft received 3 Mio. US $ only for the acceptance of New York law.

Which place of venue?/ Which kind of Alternative Dispute Resolution?

Since 2008 Fraunhofer-Gesellschaft offers to its Licensees a three-tiered ADR proceeding:

1. In case of a dispute the parties negotiate first. Term of negotiation: e.g. 30-90 calendar days
2. If negotiations are not successful: Mediation. Term of Mediation: e.g. 30-90 calendar days
3. If Mediation is not successful: Expedited Arbitration with one arbitrator
Exception (from 2012):
Up to a value in dispute of EUR 100,000 only first tier (negotiations) followed by national trial.
Reason: European Payment procedure is cheaper!
Acceptance rate:
95% of R&D contractors/ Licensees accept the 3-tiered ADR proceeding!

2. Working Group Mediation
Fraunhofer-Gesellschaft established the "Working Group Mediation" in 2011 to spread the ideas of ADR within Fraunhofer-Gesellschaft and – at least – to save money and time.

As a member of the Round Table Mediation and Conflict Management of the German Industry ("Round Table" www.RTMKM.de) Fraunhofer-Gesellschaft has the possibility to use the experience of the other members of the Round Table.

- 7 trained and experienced in-house mediators
- In-house mediators coordinate and accompany the process (e.g. preparation of documents & negotiations & time tables).
- Only in case of disputes with third parties (mainly Research & Development Agreements, License Agreements) the in-house mediators give advice to find and choose the appropriate "instrument" (e.g. mediation, arbitration, minitrial, expert opinion etc.) and the "neutral" (e.g. the mediator, the arbitrator, the expert etc.).
Internal disputes are accompanied by personnel department.

In-house mediators guarantee confidentiality, professionalism, provide a network and do not limit other spheres of responsibility within Fraunhofer-Gesellschaft (e.g. of legal department, patent department, license department etc.).

In-house mediation will always be implemented in coordination with the other spheres of responsibility.

In case of disputes with third parties the in-house mediators coordinate the mediation with the legal department.

The Working Group Mediation can be reached under mediation@fraunhofer.de or personally. Response will be given within one working day.

Urgent and/or important documents have to be sent in parallel by postal service and by fax in compliance with time-limits and to file interim injunctions.

3. Case

Year: 2011
No. of parties: 2
Registered office of parties: Germany
Matter in dispute: Patent- and Know-how-License Agreement, R&D Agreement, general cooperation
Term of dispute until mediation: 6 years
ADR organization: eucon, Munich, Germany
No. of mediators: 2
Costs: ca. 13,000 EUR (ca. 6,500/party)
Result of mediation: Settlement: 1 R&D Framework Agreement, 2 License Agreements

Reasons for the settlement:
- Parties spoke with each other without their lawyers
- Former negotiators of the parties were exchanged
- Parties now chose experienced own/external negotiators (partly: experienced)

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### III. Outlook

Experience of Fraunhofer-Gesellschaft: not very easy and necessary to follow a long term approach to establish a successful Conflict Management System to save time and money

**It’s worth the effort!**