

## Resolving IP Disputes – costs in court litigation, WIPO mediation and arbitration

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Intellectual Property (IP) rights have become an increasingly important consideration in international research co-operations and business transactions. The significant value of patents, trademarks, copyright and other IP rights, together with an increased complexity of cross-border transactions, requires parties in R&D and technology-based business to carefully choose a strategy on how to protect and enforce their IP rights.

IP rights are protected on a territorial basis and can exist in parallel in different jurisdictions. The territorial nature of IP rights has important consequences from a procedural perspective for the resolution of the increasing number of multi-jurisdictional IP disputes<sup>1</sup>. Under national court systems there is no possibility to resolve multi-jurisdictional IP disputes on an international basis, which results from the territorial nature of such rights. Therefore national courts usually decide upon disputes about IP rights protected in their jurisdiction. This brings with it a multiplication of court procedures and related costs.

### Court Litigation

Costs of court litigation usually include fees and expenses of the lawyers engaged to represent the parties, court fees, expert witnesses' fees, applicable travel and accommodation of lawyers, witnesses and others concerned. In court litigation in a foreign jurisdiction, additional costs for foreign lawyers are likely to occur, which may be rather substantial. Further, costs for translators and interpreters, expenses of telephone, fax, email and other need to be added.

Costs which are more difficult to quantify, but which may have a major impact on continuing research or

business activities, relate to time spent on the case by business executives, directors, in-house legal departments and other employees of the parties. This may lead to disruption of their ordinary business and potentially diminished productivity. In addition to such indirect costs, parties may suffer from reputational losses and non-availability of funds blocked in order to cover the potential worst case outcome of a dispute.

While these costs increase with the duration of the entire dispute resolution process, they vary greatly depending on the characteristics of different legal systems and litigation practices. Some litigation practices may involve procedures which are very costly. For example, costs of discovery, a method used in court litigation in the United States of America and other common law jurisdictions by which parties gather evidence from each other or from third parties, may be large and unpredictable and constitute in many cases the most expensive part of the litigation.

The table<sup>2</sup> on the following page provides an indication of average duration and costs of patent litigation in some jurisdictions.

### Alternative Dispute Resolution (ADR) mechanisms

Instead of choosing court litigation, parties can agree to use mediation or arbitration to resolve their future or existing disputes. Mediation and arbitration are alternative dispute resolution (ADR) mechanisms which allow parties to resolve their disputes out of court in a private forum, with the assistance of a qualified neutral intermediary of their choice<sup>3</sup>.

ADR procedures are flexible and allow parties to tailor the dispute resolution process in order to limit costs. The costs for ADR may be divided in two broad categories, the costs of the mediation or arbitration and the costs of the parties. Costs for a

mediation and arbitration usually include the fees of the mediator or arbitrator(s), properly incurred travel and other expenses of the mediator or arbitrator(s), costs of meeting facilities, translators and interpreters and reporters who may be used to prepare hearing transcripts, and, in administered proceedings, the fees of the dispute resolution provider. The parties' costs include the fees and expenses of the lawyers engaged to represent the parties, costs for preparing and presenting the case, witnesses, expert advice or other assistance required. In cases administered under the WIPO Mediation Rules, the costs of the mediation, for example, include the WIPO Center's not-for-profit administration fee, which amounts to up to 0.10 percent of the value in dispute, up to a maximum of USD 10,000, where the amount is USD 10 million or more<sup>4</sup>. The mediator's or arbitrator's hourly or daily rates are determined following consultations by the WIPO Center with the parties and the mediator or arbitrator, which ensure that the fees charged are appropriate in the light of the circumstances of the dispute<sup>5</sup>.

In practice, even in complex cases, costs of a mediation can amount to only around 10% of total litigation or arbitration costs<sup>6</sup> and will thus greatly reduce the scope of costs for all involved parties.

### A WIPO Mediation in the area of R&D

A public research centre and a technology company based in Europe signed a research and development agreement related to software. The agreement included a WIPO mediation clause. After several years, a dispute related to the research centre's performance arose and the company discontinued payments provided for under the agreement. When the research centre requested the mediation procedure, the WIPO Center, after consultation with the parties, proposed as mediator a lawyer with experience in technology contracts. After six months of intense negotiations facilitated by the mediator, the parties concluded a settlement agreement. The total cost of this case amounted to EUR 6,100.

<sup>1</sup> Trevor Cook, Alejandro I. Garcia, *International Intellectual Property Arbitration*, Kluwer Law International, 2010, page 9.

<sup>2</sup> This chart is based on figures provided in *Patent Litigation - Jurisdictional Comparisons*, Thierry Calame, Massimo Sterpi (ed.), *The European Lawyer Ltd*, London 2006; \* Report of the Economic Survey, Prepared Under the Direction of Law Practice Management Committee, AIPLA, Arlington 2011.

<sup>3</sup> Further information on mediation and (expedited) arbitration is available in a general introductory article on "Efficient Resolution of Disputes in Research & Development Collaborations and Related Commercial Agreements" published in the European IPR Helpdesk Bulletin N°4, January-March 2012, which is available in our library. Additional sources: <http://www.wipo.int/export/sites/www/amc/en/docs/iprhelpdeskschallnau.pdf>; <http://www.wipo.int/amc/en/>.

<sup>4</sup> In the area of R&D and technology transfer, the WIPO Center offers a 50% reduction on its fees under the WIPO Rules to institutions employing AUTM (Association of University Technology Managers) members, to users of the DESCA model consortium agreement and to partner institutions in the framework of the WIPO University Initiative Program.

<sup>5</sup> Further information is available at: <http://www.wipo.int/amc/en/center/specific-sectors/rd/>.

<sup>6</sup> The Schedules of Fees and Costs for WIPO Mediation and WIPO (Expedited) Arbitration are available at <http://www.wipo.int/amc/en/mediation/fees/index.html> and <http://www.wipo.int/amc/en/arbitration/fees/index.html>.

<sup>6</sup> Trevor Cook, Alejandro I. Garcia, *International Intellectual Property Arbitration*, Kluwer Law International, 2010, page 363.

Characteristic of Legal System	Average Length	Average Costs
<b>France</b> <ul style="list-style-type: none"> <li>• Civil Law</li> <li>• Unified Litigation</li> <li>• No specialized courts</li> </ul>	First Instance: 12-24months Appeal: 18-24 months	€ 80,000-150,000 (1st Inst.)
<b>Germany</b> <ul style="list-style-type: none"> <li>• Civil Law</li> <li>• Bifurcated Litigation</li> <li>• Specialized courts</li> </ul>	First Instance: 12 months Appeal: 15-18 months	€ 50,000 (1st Inst.) € 70,000 (App.)
<b>Italy</b> <ul style="list-style-type: none"> <li>• Civil Law</li> <li>• Unified Litigation</li> <li>• Specialized courts</li> </ul>	First Instance: Few months – 24 months Appeal: 18-24 months	€ 50,000-150,000 (1st Inst.) € 30,000-70,000 (App.)
<b>Spain</b> <ul style="list-style-type: none"> <li>• Civil Law</li> <li>• Unified Litigation</li> <li>• Commercial courts</li> </ul>	First Instance: 12 months Appeal: 12-24 months	€ 100,000 (1st Inst.) € 50,000 (App.)
<b>UK</b> <ul style="list-style-type: none"> <li>• Common Law</li> <li>• Unified Litigation</li> <li>• Specialized courts</li> <li>• Mediation promoted</li> </ul>	First Instance: 12 months Court of Appeal: 12 months Supreme Court: 24 months	€ 550,000-1,500,000 (1st Inst.) € 150,000-1,500,000 (App.) € 150,000-1,500,000 (Supreme Court)
<b>China</b> <ul style="list-style-type: none"> <li>• Civil Law</li> <li>• Bifurcated Litigation</li> <li>• Specialized courts</li> </ul>	First Instance: 6 months Appeal: 3 months	USD 150,000 (1st Inst.) USD 50,000 (App.)
<b>Japan</b> <ul style="list-style-type: none"> <li>• Civil Law</li> <li>• Bifurcated Litigation</li> <li>• Specialized courts</li> </ul>	First Instance: 14 months Appeal: 9 months	USD 300,000 (1st Inst.) USD 100,000 (App.)
<b>USA</b> <ul style="list-style-type: none"> <li>• Common Law</li> <li>• Unified Litigation</li> <li>• Specialized court of appeals (CAFC)</li> <li>• Jury trial available</li> <li>• Mediation promoted</li> </ul>	First Instance: up to 24 months Appeal: 12+ months	USD 650,000-5,000,000* (1st Inst.) USD 150,000-250,000 (App.)

Costs increase with the time spent in resolving a dispute. Therefore, parties in WIPO cases, together with the mediator, have exercised their control over the timelines in WIPO mediations in order to keep costs limited. On average, WIPO mediation cases took between one and five months. Another important aspect which influences costs is whether parties are able to reach a settlement or whether

they need to take additional steps to resolve their dispute. So far, in 68% of WIPO mediations, the parties settled their dispute.

Comparing court litigation and arbitration, in general, from start to completion an arbitration can be less costly than a fully litigated and appealed case in court. The reason is that by far the largest

cost of both arbitration and court litigation are the parties' costs, in particular the lawyers' fees<sup>7</sup>. In arbitration, the amount of time spent by the lawyers should be substantially less than the amount of time that would be spent if the matter was resolved through court litigation<sup>8</sup>. Reasons for this are that the parties can determine timelines in an arbitration<sup>9</sup> and can choose fast track arbitration

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<sup>7</sup> ICC Commission on Arbitration, Report on Techniques for Controlling Time and Costs in Arbitration Report.

<sup>8</sup> Thomas D. Halket, Arbitration of International Intellectual Property Disputes, Juris Publishing Inc., 2012, p. 12.

<sup>9</sup> In a WIPO Arbitration in the area of consumer goods, the parties agreed on and stayed within a detailed procedural and hearing schedule. The final award was rendered within five months of the commencement of the arbitration.

procedures, such as the WIPO Expedited Arbitration Rules, which ensure that arbitral proceedings are conducted expeditiously with one exchange of pleadings, shorter time limits, a sole arbitrator, shorter hearings and fixed arbitrator's fees<sup>10</sup>. Additionally, international arbitral awards are final and not normally subject to appeal which should limit the time spent to finally resolve a dispute.

The selection of experienced arbitrators who make available sufficient time to conduct the arbitration<sup>11</sup>, the establishment of appropriate time frames for the submission of documents, decisions on hearing(s) and hearing schedules<sup>12</sup> add further to controlling the costs and time of arbitration. In WIPO cases this led to an average duration of seven months for WIPO Expedited

Arbitration cases terminated by a final arbitral award. A slightly longer period of time applies to arbitration under the WIPO Arbitration Rules with one arbitrator. In the WIPO Center's experience, arbitrations with three arbitrators are longer, given the particular procedural steps relating, inter alia, to the appointment procedure.

**Contact and further information**

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*Further information on WIPO ADR Services in Research and Development/Technology Transfer: [www.wipo.int/amc/en/center/specific-sectors/rd/](http://www.wipo.int/amc/en/center/specific-sectors/rd/)*



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<sup>10</sup> For example, WIPO arbitration cases include 26% WIPO Arbitrations and 21% WIPO Expedited Arbitrations. WIPO (Expedited) Arbitration Rules are available at <http://www.wipo.int/amc/en/arbitration/expedited-rules/index.html> and <http://www.wipo.int/amc/en/arbitration/rules/index.html>.

<sup>11</sup> Usually the parties' dispute resolution clause should contain the number of arbitrators. In WIPO arbitrations the parties usually select one or three arbitrators (Article 14 WIPO Arbitration Rules). In WIPO Expedited Arbitration the arbitral tribunal is composed of a sole arbitrator ((Article 14 WIPO Expedited Arbitration Rules).

<sup>12</sup> A list of matters for possible consideration in organizing arbitral proceedings is included in the UNCITRAL Notes on Organizing Arbitral Proceedings which is available at: <http://www.uncitral.org/pdf/english/texts/arbitration/arb-notes/arb-notes-e.pdf>.