

INTERNATIONAL IP INFRINGEMENTS AND ALTERNATIVE DISPUTE RESOLUTION

1 Introduction

The purpose of this paper is to discuss if so called alternative dispute resolution (ADR) could be a viable alternative to traditional litigation in intellectual property infringement cases, especially in cases of 'multiple litigation' where disputes over the same protected subject matter and the same infringing material is resolved in parallel court proceedings in several countries.

2 Reliance on national authorities opens the door for problems

The TRIPS Agreement, which was adopted in 1994, constituted a paradigm shift in the enforcement of intellectual property rights. Before TRIPS enforcement was on the whole left to the national legislatures and courts. The Paris and Bern Conventions did little to force national courts to adopt stricter enforcement measures. TRIPS set a minimum standard of enforcement, which all member states are obliged to comply with. TRIPS does, however, still rely on national legislatures and judiciatures to give effect to the provisions. There is thus no supranational system of enforcement.

The reliance on national authorities poses a risk to the effective enforcement of intellectual property rights. First, there is the obvious danger of different interpretations in different countries, which means that what is regarded as infringement in one country is not infringement in another country. This is due partly to the vague wording of the TRIPS Agreement, and partly to differing legal cultures. It has been said that the fact that exactly the same word gets printed or uttered again and again does not mean that exactly the same meaning spreads from minds to minds. The notion of legal culture is not easily confined within the borders of a strict definition, but one significant aspect of legal culture is the use and importance of sources of law. In some countries statutes are more important than case law. In other countries it is be the opposite.

Not only does the legal cultures on different continents differ, but there is also (significant) differences between countries, for instance, in Europe, which lead to different interpretations of the provisions in the TRIPS Agreement. The vaguer the provision, the greater room for differing interpretations due to different legal cultures.

Second, there might also be political resistance against the implementation of TRIPS

(and enforcement of intellectual property rights) that shows the problems in relying on national authorities in the enforcement of TRIPS provisions.

Some non-industrialised countries have been known to passively resist 'American imperialism', which they feel come in the form of the TRIPS Agreement. Apart from overt political resistance, it might be impossible for some non-industrialised countries to put into force the provisions of the TRIPS simply because their judicial apparatus is not at a level that can or knows how to cope efficiently with intellectual property right disputes.

3 Problems with litigation

Not only differing interpretations and resistance pose problems to the international enforcement of intellectual property rights. There are also some general problems with litigation. Litigation is generally viewed as too slow. In intellectual property infringement cases litigation may continue even after the term of protection and/or the life cycle of the product. This slowness considerably weakens the right of the rights holder to effective enforcement.

In many countries preliminary injunctions have taken the role of a substitute for ordinary proceedings. A preliminary injunction is a measure ordered by the court before the infringement proceedings have been decided or even instituted. The court is faced with a kind of a dilemma when deciding the motion for a preliminary injunction: the court is under an obligation to decide swiftly, but on the basis of evidence (and legal argumentation) that is not as complete as in the ordinary proceedings. Swiftly combined with non-complete evidence increases the risk of an incorrect decision: The decision is on the one hand wrong if the court enjoins the defendant although it subsequently is shown that there is no infringement, and on the other if the court does not enjoin the defendant although it later is shown that there was infringement. Due to this dilemma and the risk of incorrect decisions preliminary injunctions can never fully take the place of ordinary proceedings.

Litigation in intellectual property infringement cases, especially patent litigation, is notoriously expensive. For example, in the USA patent litigation frequently costs more than \$1.000.000. The costs are naturally much higher if the patentee is forced to institute parallel proceedings in many countries. The high costs pose a special problem to patentees that are small and medium-sized companies (SMEs). They often lack the sufficient resources that larger companies have. One problem which is characteristic for litigation in foreign countries is language problems. Interpretation and translation of documents increase the

costs of litigation.

The proceedings in intellectual property litigation are as a rule public, which is problematic if one of the parties wants to protect his trade secrets. In arbitration, for instance, the proceedings are held behind closed doors, which is why the risk of trade secrets becoming public is smaller than in litigation.

In litigation the parties have to rely on the judges that are assigned to them according to the national procedural rules. In many countries this means that a judge does not necessarily have a specialised knowledge of the legal issues that are the object of litigation. Intellectual property law in general, and especially patent law, is a highly specialised and technical field of law. The risk of an incorrect decision in a patent infringement case is naturally much higher if the judge is not familiar with patent law.

On top of these general problems with litigation there is and will always be the problems arising out of multiple litigation. Even if the court systems and TRIPS worked perfectly they do not resolve the question of multiple litigation. In the world of today if a patentee has protected his invention in three countries, Japan, Germany and USA, he must institute (parallel) proceedings in all three countries if he wants full protection. If, for instance, the same infringer has infringed the patents by using the same product in all three countries, it can easily be concluded that it would be more efficient to try all three cases at the same time and in the same place. The situation in place today is expensive and slow and may lead to different outcomes in different countries. The courts in Japan might, for instance, find for the defendant whereas the German courts might rule for the plaintiff.

4 How to solve the problems of IP litigation

4.1 Introduction

The question is how the problems of litigation in national courts in international IP infringement cases could be solved. The obvious answer would be to make litigation faster and cheaper and make specific rules on languages, publicity, and educate the judges. Such measures would naturally be welcome, but litigation has always been perceived as too slow and expensive. IP litigation only accentuates this situation due to the finite term of protection and the nature of intellectual property as a right to prohibit others from continuing infringements. In many fields of law the plaintiff's interest in getting damages is greater than their interest in getting an injunction. In intellectual property law the situation is

as a rule the other way around. Furthermore, the resources and interests of governments are many times focused on questions that are viewed as more pressing than IP litigation.

These measures would not, however, solve the problem of multiple parallel litigation that takes place in many countries. No country can on its own solve the problem of multiple litigation. Only through international cooperation and conventions can the negative effects be diminished.

4.2 World Patent

One way to alleviate the problems would be to create a World Patent System, a patent law for the “whole world” that would regulate not only patent law issues that arise in the phase of issuing the patent, such as novelty and inventive step.¹ The World Patent System would also regulate questions of enforcement, such as scope of protection and sanctions. More importantly, however, the World Patent System would include an independent court system, a World Patent Court, which would decide infringement and invalidity claims.

A World Patent System would be ideal in dealing with patents which have an international perspective. A World Patent System could, if designed appropriately, make litigation faster and cheaper. The judges would obviously be specialised in patent law. Special rules for language, publicity etcetera could be provided for.

The putting into place of a World Patent System, although theoretically ideal, would most likely be politically an impossible task. The discussions in Europe regarding a Community/Union Patent System and EPC combined with a European Patent Litigation Agreement show how difficult it is to reach negotiated solutions in this field. Nothing indicates that it would be any easier to reach an agreement on an international level than it has been on a European level.

4.3 International Copyright Code

Professor J.A.L. Sterling presented in 2001 a proposal for an International Copyright Code (ICC), the objective of which is to give effective international protection to owners of

¹ See Gerald J. Mossinghoff & Vivian S. Kuo, World Patent System Circa 20XX, A.D., 80 Journal of the Patent and Trademark Office Society 1998, 523 et seq.

copyright and related rights in the digital era.² Special consideration is given to copyright disputes with international elements. According to Sterling the implementation of copyright protection faces three major challenges in the borderless society of the digital era in any case which involves "foreign elements". First, there is the question of jurisdiction: where to sue? Second, the question of applicable law has to be decided. Third, the questions on recognition and enforcement of foreign judgements need to be dealt with.

Sterling proposes first of all substantive copyright provisions that would be in force in the whole world, which effectively would resolve the question of applicable law since there would only be one law, the ICC. In addition to the substantive provisions, Sterling also proposes the creation of an International Copyright Tribunal, which would have jurisdiction to rule on infringement and validity issues (Article 20). The Tribunal would not, however, have exclusive jurisdiction. Instead it would be an alternative to national court.³ National courts would still be an option in cases not involving foreign elements.

The Tribunal would have the right to rule, for instance, on injunctions, damages and destruction of infringing material (Articles 22(5)). The creation of the Tribunal would effectively solve the problem of jurisdiction. The enforcement of the decisions of the Tribunal would, however, be left to the national authorities. In Article 22(5)(b) it is provided that for a Tribunal order to be effective, it must be confirmed by the local court of the country in which the order is to be enforced. In such confirmation proceedings also substantive issues may be reopened, which naturally is likely to lessen the efficiency of the system.

4.4 Jurisdiction Convention

4.4.1 Draft Hague Jurisdiction Convention (DHJC)

A less controversial way of dealing with multiple litigation (not, however with the problems of litigation in general) would be to conclude a convention on jurisdiction. The convention would provide for a limited number of courts where IP infringement cases with

² See Sterling, Introduction. Part 1 Objective. http://www.qmipri.org/icc_introduction.html, 1 October 2004.

³ See Sterling, Introduction. Part 5 Juridical and administrative structure. http://www.qmipri.org/icc_introduction.html, 1 October 2004.

an international connection could be brought. This could, for instance, mean that in the example above the patentee could bring suit against the infringer in only one court for all infringements (in Japan, Germany and the USA) instead of having to institute separate proceedings in all three countries. Instead of three separate proceedings, all infringement cases could be consolidated to one suit in one court.

This solution could be politically more viable than the World Patent. There are at least three different proposals for a jurisdiction convention.

The first attempt at a jurisdiction convention was launched by the Hague conference on private international law in the 1990's. The Preliminary Draft Convention on Jurisdiction and Foreign Judgements in Civil and Commercial Matters (the 1999 Draft Hague Judgements Convention or DHJC) was a proposal for a convention on jurisdiction and enforcement in civil and commercial matters. The basic structure of the 1999 DHJC follows roughly the Brussels and Lugano Conventions. Thus the main rule is that a defendant may be sued in the courts of the State where that defendant is habitually resident (Article 3(1)). Other provisions include choice of court clauses (Article 4), jurisdiction in contractual disputes (Article 6), in torts and delicts (Article 10). There are also provisions on provisional and protective measures (Article 13) and multiple defendants (Article 14) and, importantly, on recognition and enforcement of foreign judgements (Articles 23—36).

In Article 14 of the 1999 DHJC it was discussed whether the courts in the country of registration should have exclusive jurisdiction in IP infringement and validity proceedings. No conclusion was, however, reached.

In the Summary of the Outcome of the Discussion in Commission II of the First Part of the Diplomatic Conference 6-20 June 2001 (the 2001 DHJC) a new version of the DHJC was presented. Art. 12 had undergone major changes, but no consensus was reached on the final wording.

Politically the Judgements Project was difficult to follow through, which subsequently led to a more narrow focus of the project. Now the project has been limited to a Preliminary Draft Convention on Exclusive Choice of Court Agreements.⁴ There is thus no ongoing work on a more broad convention as was envisioned in the 1999 and 2001

⁴ See Dogauchi & Hartley, Draft Report on the Preliminary Draft Convention on Exclusive Choice of Court Agreements. Prel. Doc. No 26. August 2004. http://hcch.e-vision.nl/upload/wop/jdgm_pd26e.pdf, 1 October 2004.

DHJCs.

4.4.2 Draft Convention on Jurisdiction and Recognition of Judgements in Intellectual Property Matters (DGD)

An American venture on the same topic was launched by two American law professors, Rochelle Dreyfuss and Jane Ginsburg. In their Draft Convention on Jurisdiction and Recognition of Judgements in Intellectual Property Matters (DGD)⁵ a system different from the DHJC was proposed.

Whereas a more rigid solution is displayed in the 1999 DHJC, according to which the plaintiff may choose a suitable forum from among a narrow range of appropriate choices,⁶ a more flexible solution can be found in the DGD, which identifies a set of courts with adjudicatory authority over the parties.

For cases where parallel litigation is ongoing in several territories, the courts seized with parts of a multinational dispute are encouraged to cooperate with one another and with the parties to choose a forum for centralised dispute resolution.⁷ The view adopted in the DGD is that forum shopping in intellectual property disputes cannot be controlled without the element of consultations between the courts and the parties.⁸

The solution adopted in the DGD has been considered in a game-theoretic study by Moore & Parisi. In their view a system where neither party has the opportunity to make strategic choices about the forum leads to fewer problems than a system where only one of the parties can choose the forum.⁹ In the DGD one party cannot control where the dispute is adjudicated due to the possibility of consultations. Thus opportunistic behaviour by the parties is likely to be minimised.¹⁰

⁵ Dreyfuss & Ginsburg, Draft Convention on Jurisdiction and Recognition of Judgements in Intellectual Property Matters, http://www.kentlaw.edu/depts/ipp/intl-courts/docs/treaty10_10.pdf.

⁶ Cf. Dreyfuss & Ginsburg, 3, where a distinction is made between the Brussels Convention and the 1999 DHJC.

⁷ Id., 4.

⁸ Id., 3.

⁹ Moore & Parisi, Rethinking Forum Shopping in Cyberspace, 77 Chicago-Kent L.Rev. 1325 (2002), 1.

¹⁰ Id.

An important aspect of the DGD is consolidation of IP disputes. In the commentary to the DGD, it is submitted that consolidation is especially important for intellectual property.¹¹ Several reasons for consolidation are put forward.¹² First, rights in intangible works can easily be utilised around the globe, which can lead to infringements in multiple jurisdictions.¹³ Second, consolidation might temper the impulse to expand the reach of domestic laws to cover foreign infringements.¹⁴ Third, consolidation provides a way to avoid inconsistent judgements.¹⁵ Fourth, consolidation would further the goals of the TRIPS Agreement in that it would be possible to institute proceedings in courts that act quickly.¹⁶ Fifth, consolidation preserves litigation resources and reduces opportunities for harassment.¹⁷ Sixth, consolidation might add to the willingness to settle.¹⁸

Some negative consequences of consolidation are also presented in the commentary to the DGD. Greater enforcement of intellectual property rights could be viewed as a negative consequence. Accordingly, it would be more desirable to tolerate infringements, particularly for remote jurisdictions.¹⁹ Moreover, some negative consequences in connection with class action in the United States have been aired against consolidation provisions.²⁰ Inaccurate results might follow if a single court is forced to apply the law of many states.²¹ Consolidation might provide the plaintiffs with undue power, which can lead to settlements of meritless claims.²² On the other hand, it has been argued that consolidation might also increase the plaintiff's interest in settling knowing it only has one chance to win.²³

¹¹ Dreyfuss & Ginsburg, 36.

¹² For a discussion regarding the DGD see also Moore & Parisi.

¹³ Dreyfuss & Ginsburg, 36.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Dreyfuss & Ginsburg, 37.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.*

4.4.3 MPI Proposal

An Alternative Draft for Provisions on Proceedings Involving IP Rights (the ‘MPI Proposal’) was presented by a working group at the Max Planck Institute for Intellectual Property, Competition, and Tax Law in Munich, Germany. The working group, which was chaired by Dr. Annette Kur from the Max Planck, consisted of researchers from different European countries.²⁴

The MPI proposal represents a contribution to the debate on international jurisdiction in intellectual property disputes. It takes into account not only the Hague proposal but also the DGD and, to some limited extent, the Sterling proposal.²⁵

The MPI proposal first addresses the question of which intellectual property rights should be included in a convention on international jurisdiction. Whereas the DGD is focused on copyright and neighbouring rights, the MPI Proposal would take a holistic approach: no intellectual property right should be excluded.²⁶ Thus equal importance is attributed to all areas of intellectual property law, and, as far as possible, the proposal seeks to avoid discriminating between different categories of intellectual property law. The MPI Proposal does, however, try to take into account particularities of different IP rights wherever it is necessary and feasible to do so.

As the MPI Proposal can be said to be some kind of European counterpart to the DGD, it discusses not only the merits of the DHJC but also of the DGD. It is stated that the approach of the DGD appears “novel and unfamiliar” in its flexible approach to identify a set of courts having adjudicatory competence over the parties combined with a consultation process.²⁷ Instead of following the DGD approach, the MPI Proposal accepts the more restrictive approach of the DHJC.²⁸

The MPI Proposal consists first and foremost of a single article on jurisdiction in intellectual property matters. This article 12a shows already in its numbering its close

²⁴ The members of the MPI working group on international jurisdiction consisted of Josef Drexl (Director at the MPI, Germany), Fritz Blumer (Switzerland), Jordan Gimbel (Sweden, USA), Ulf Maunsbach (Sweden), Wolf Meier-Ewert (Germany), Marcus Norrgård (Finland), Alexander Peukert (Germany), Dieter Stauder (Germany, France), Dorothee Thum (Germany) and Carolina Saf (Sweden).

²⁵ MPI Proposal, Ch. I.1.

²⁶ MPI Proposal, I.2.1.

²⁷ MPI Proposal, I.2.2.

²⁸ MPI Proposal, I.2.2.

connection to the 1999 DHJC, where IP matters are dealt with in article 12. The MPI Proposal does not, therefore, contain provisions of its own on questions such as recognition and enforcement of foreign judgements. In these respects it relies on the provisions of the 1999/2002 DHJC.

In short, Article 12a provides that issues of validity shall be tried by the courts in the country of registration. In infringement cases the flexibility is greater. First, the parties have a right to conclude a choice of court agreement. Second, the infringement may be tried in the country of registration. Third, and lastly, the courts of the country where the defendant is habitually resident have international jurisdiction.²⁹ The courts of habitual residence have jurisdiction with respect to all infringement claims raised against that defendant, whereas the courts in the country of registration (as a rule) only have jurisdiction with respect to infringements occurring in that territory.³⁰

In subsequent work of the working group the MPI Proposal has been supplemented, for instance, with provisions on jurisdiction with regard to provisional measures and cases of multiple defendants.³¹ Also as to these articles, the structure of the DHJC has been followed. Thus, the proposal for a provision on preliminary injunctions is article 13 and the provision on multiple defendants is article 14.

Article 13 on provisional measures takes as its starting point that the courts having jurisdiction either on the basis of habitual residence or in a multiple defendants case have global jurisdiction: such courts have the jurisdiction to order measures having effect outside the country of the court. The jurisdiction of all other courts is limited to the territory of the state of the court.

In short, article 14 on multiple defendants provides for a spider-in-the-web-solution. Multiple litigation may be consolidated in the courts of the country of the main infringer if there is a close connection between the main infringer and the other defendants and if there is a substantial connection between each defendant and the courts of the country in question. Such a court has jurisdiction to make orders with effect outside to state of the court.

The MPI Proposal emphasises the need for consolidation of litigation both in cases where one infringer has infringed in several countries and also if there are multiple

²⁹ MPI Proposal, II.

³⁰ There is one exception to this rule in article 12a(5).

³¹ See, for instance, Annette Kur, *Jurisdiction and Choice of Law in Intellectual Property Matters* –

infringers.

4.4.4 Problems with jurisdiction conventions

A convention on jurisdiction would only partly remedy the inconvenience of multiple litigation. Although consolidation could be achieved in some, or even many, cases, enforcement would nevertheless rely on national enforcement systems, i.e. national sanctions, interim measures and procedures. This leaves room for all kinds of passive resistance on the part of national authorities, or at least differing interpretations due to different legal cultures. Among the parties, not least the defendant, there would still be considerable playground for prejudices and mistrust against foreign judges.

There are also considerable political obstacles before a convention on international jurisdiction in intellectual property matters can be concluded. The DHJC has been narrowed down into a choice of court convention, and the MPI proposals is as of now only academic projects without the necessary political momentum needed.

4.5 *Alternative Dispute Resolution*

4.5.1 Introduction

So far the possible solutions to the multiple litigation dilemma have been adjudicatory, that is the approaches have been based on solutions where *courts* resolve the dispute between the parties in a traditional adversarial (adjudicatory) manner. This means essentially that the court decides the case after the parties have presented their claims, grounds and evidence. The decision of the court is final and binding, often it is however subject to appeal.

Alternative dispute resolution (ADR) could be a viable alternative to litigation. Here the pros and cons of ADR will be discussed.

4.5.2 Types of ADR

There are several types of alternative dispute resolution. All dispute resolution methods that do not rely on the traditional court system can be described as 'alternative'.

Arbitration is probably the best known form of alternative dispute resolution. Arbitration is binding and final, just like litigation. In many cases it is cheaper and faster than litigation. But due to its binding and final nature, arbitration will not be dealt with in this paper. One form of ADR is negotiation, which takes place in nearly all disputes probably without the parties or counsel ever reflecting on that negotiation is an 'alternative' dispute resolution method. Other types of ADR include early neutral evaluation (ENE) which is a preliminary assessment of facts, evidence or legal merits. ENE is designed to help parties avoid further unnecessary stages in litigation and/or serve as a basis for further negotiations. Also expert determination is a form of ADR. Expert determination is a process in which an independent third party, acting as an expert rather than judge or arbitrator, is appointed to decide the dispute or evaluate certain aspects of the dispute.

The type of ADR which is of interest in this paper is mediation, which is a voluntary, non-binding private dispute resolution process in which a neutral person (the mediator) helps the parties try to reach a negotiated settlement. Mediation could be described as a form of assisted settlement conference at which all parties are present and represented by counsel.

4.5.3 Reasons for mediation

Many counsel and parties probably revert to litigation because of tradition; litigation is the method of dispute resolution in IP infringement cases. Parties may, however, have several reasons to try mediation instead of litigation or, at least, before going to court. It has been said that there are six characteristics of IP conflicts that make them suitable for ADR. First, if the conflict involve inventors or artists (not only companies) they attach more weight to things such as fame and recognition than monetary compensation. Second, IP litigation can be very expensive.³² Third, time is of the essence in IP cases. IP can become obsolete very quickly through technological or similar changes in the business environment. Furthermore IPs are as a rule limited in time. Fourth, IP disputes are often complex and require a high level of knowledge in some technical field. Fifth, confidentiality is an important aspect. Lastly, IP disputes often transcend national borders and there may thus be

³² In the USA a study shows that the total median cost of patent litigation through trial is \$1.000.000. The median cost for copyright litigation is \$100.000. The median cost, however, for mediation is \$50.000, which is half of the median cost of copyright litigation and 5 % of the median cost of patent litigation. See Judith A. Szepesi, Maximizing Protection for Computer Software, 12 Santa Clara Computer & High Tech. L.J. 173, at 200.

jurisdictional issues that lessen the interest for traditional litigation.³³ All six characteristics are important, but in this paper especially this last one is interesting.³⁴

4.5.4 Voluntary and mandatory ADR

All forms of ADR require mutual consent from the parties. In contractual disputes, the contract can provide for negotiations, mediation, arbitration etcetera or any combination of these. The requirement of mutual consent does in mediation present even though mediation has begun: a party is at liberty to walk out at any point of mediation.

In infringement cases the requirement of mutual consent decreases the parties' interest for mediation. Since there as a rule is no prior contract between the parties in which the method of dispute resolution is provided for, it is quite unlikely that such a submission agreement would be concluded after the rights holder has made his allegation about infringement. Usually, in that case the infringer and the rights holder have diverging interests: a quick and easy solution to the dispute is in the traditional thinking not in the interest of the alleged infringer. In some cases, however, both parties may have an interest in opting for mediation even in infringement cases.

This kind of voluntary mediation is open for the parties already today. For instance, the WIPO Arbitration and Mediation Centre (arbitr.wipo.int/center) offers ADR services, which parties to a dispute may use. Also, the International Trademark Association INTA and the CPR Institute for Dispute Resolution offer ADR in trademark and unfair competition disputes.³⁵

The problem is how to stimulate the use of ADR in non-contractual disputes, and especially IP infringement cases.

³³ Danny Ciraco, *Forget the Mechanics and Bring in the Gardeners*, *University of Baltimore Intellectual Property Law Journal* 2000, 47 et seq, at 52—53.

³⁴ Danny Ciraco, *Forget the Mechanics and Bring in the Gardeners*, *University of Baltimore Intellectual Property Law Journal* 2000, 47 et seq, at 78—79: “Mediation can help on an international level: disputes arising in the absence of both cultural commonality and precise rules for behaviour may require intermediaries to compensate for those deficiencies. Mediation can be tailored to accommodate different countries' philosophies on IP and to avoid jurisdictional obstacles. [...] The Internet is a prime example of IP rich materials that can fall victim to jurisdictional problems if a dispute arose.”

³⁵ Alternative Dispute Resolution, <http://www.inta.org/adr/>, 7 October 2004. See also the interesting mediation video at <http://www.inta.org/adr/video.html>, 7 October 2004.

First, through education ADR can be brought to the attention of interested parties, companies and counsel. Second, the CPR Institute for Dispute Resolution has developed a fascinating ‘Corporate Policy Statement on Alternatives to Litigation’. According to CPR over 4000 companies (including Coca-Cola, Microsoft and Pfizer) have adopted the ADR pledge, which obliges companies that have taken the pledge to seriously explore negotiation, mediation or other ADR processes in conflicts arising with other signatories before pursuing full-scale litigation. The pledge reads as follows:

In the event of a business dispute between our company and another company which has made or will then make a similar statement, we are prepared to explore with that other party resolution of the dispute through negotiation or ADR techniques before pursuing full-scale litigation. If either party believes that that dispute is not suitable for ADR techniques, or if such techniques do not produce results satisfactory to the disputants, either party may proceed with litigation.

This pledge is to be signed by the company CEO and Chief Legal Officer and faxed to CPR. There are also similar pledges for law firms and entire industries.

The pledge, like a regular contract, is designed to provide for ADR before a dispute arises. The problem with pledges, like with all voluntary forms of dispute resolution, is that it requires that the companies make the statement or conclude a contract.

Third, in addition to voluntary ADR there are also mandatory (or compulsory) ADR, which in essence means that parties are obliged to try some ADR technique before the case is tried in court. The court would thus order the parties to engage in ADR proceedings before the trial on the merits. If the parties would refuse, the court could take this into account in the division of legal costs or find contempt of court or the like.

ADR in the form of binding and final arbitration (or the like) is not proposed here. The proposal here includes only mandatory mediation, since it is non-binding and would thus pose a smaller problems to the constitutions of the countries participating. In international, cross-border, multiple IP litigation mandatory ADR could be a viable solution (subject to the constitutions of the signatory states).

ADR can be mandatory in whole or in part. First, mandatory ADR could require the parties to reach a solution in the ADR proceedings, that is, it is mandated that the parties must take part in ADR until an ‘amicable’ settlement is reached. This form of mandatory ADR is not advisable. Negotiations and settlements must be the end result of voluntary

negotiations. Second, the mandatory character can mean that the parties must take part in ADR for a certain number of sessions or for a certain period of time. Here, no result is required. Third, the least invasive form of mandatory ADR would be that the parties must take part only in the first session and let the mediator give his opening presentation. It is possible, even likely, that the third alternative could work.

4.5.5 Some problems with ADR

ADR is not suitable for all kinds of cases. It would most likely be a bad solution in piracy and counterfeit cases. These cases often involve an element of criminal behaviour, which in turn means that they require some measure of 'punishment'.

If one party or both parties are in need of a legal precedent, ADR is not the best of options. Only court judgements are public and always based on the law.

Since ADR is interest-driven and not rights-driven, there is a risk that the stronger party coerces the weaker party into an unbalanced settlement. This risk is also present in traditional litigation in (pre-trial) settlement negotiations. One could perhaps say that the risk of coercion is to some extent higher the more emphasis is put on negotiations and other forms of ADR. Possibly some of the risk could be mitigated through the use of good mediators.

If ADR fails and the parties go to trial, the total costs of dispute resolution would be higher than if only litigation had been conducted. This is a valid point, but since the success rate of ADR may be as high as 80 % there is reason to take the risk of higher costs.

ADR would not solve the multiple litigation problem in all cases. There is no idea in consolidating proceedings to ADR if unrelated infringers infringe the same IP right in different countries. There is no economy of scale in this instance. But the best result would be achieved if the same infringer (or a group of companies) infringe by using the same infringing material in different countries. Then all these infringements can be dealt with at one time.

Finally, the relationship between ADR and injunctive relief would have to be clarified. Would mandatory ADR bar injunctive relief, or would it be possible for the rights holder to apply for a preliminary injunction before or during ADR proceedings?

4.5.6 ADR Convention

Mandatory ADR could be provided for in an international convention even if a

World Patent, International Copyright Code or a jurisdiction convention would prove to be controversial. A convention would simply provide that courts (first instances) in all contracting states would order the parties to take part in ADR (mediation) before trial at least in multiple litigation cases. Even if the other solutions (World patent etcetera) would become reality, a convention on ADR could be worthwhile to pursue as a means of further enhancing the effectiveness of the procedural system.

The convention would not necessarily have to stipulate on what kind of ADR should be used. Instead the question could be left entirely to the parties. If no agreement on the type of ADR has been concluded within a time limit set by the court or by the convention, the parties would have to take part in one mediation session or alternatively the court could decide to initiate some other kind of ADR procedure.

5 Conclusion

Although there are some open questions, I propose that ADR could be a viable way of dealing with international IP infringement disputes. It would not solve all problems since parties do not always reach a compromise solution, but it would decrease the problems of litigation. Since it most likely would be less controversial than a World Patent or a jurisdiction convention, it could have a favourable reception.

Marcus Norrgård