



# A Wisconsin Attorney's Guide to ADR for Intellectual Property

J William Frank III  
McCRACKEN & FRANK LLP  
*t.* +1 312.263.4700  
*f.* +1 312.263.3990

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# Overview

- Brief Description of ADR
- ADR in Wisconsin
- ADR in Federal Court
- Why should I use ADR?
- ADR Clauses
- Mediation Tips
- Arbitration Tips
- Questions

# *What is ADR?*

- Any type of process that parties use to resolve a dispute outside of litigation.
- Main Types
  - Negotiation
  - Mediation
  - Early Neutral Evaluation
  - Arbitration

# Mediation

- A non-binding process using a neutral that assists the parties reach a mutually agreeable resolution of a dispute
  - Mediator manages the process but does not make a decision
  - Requires some level of good faith by both parties
  - Can be quick and low cost
  - Can maintain a needed relationship

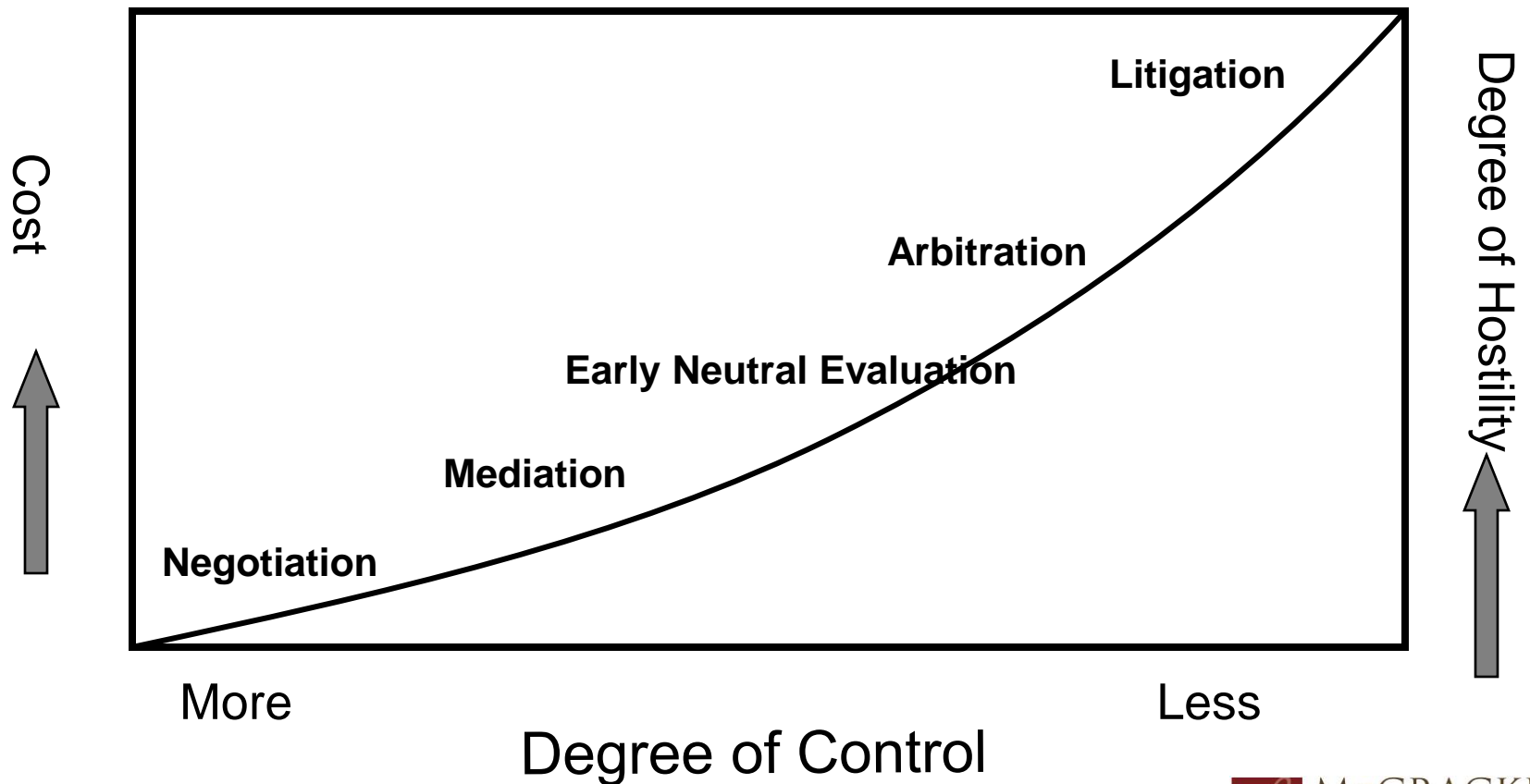
# Early Neutral Evaluation

- A non-binding advisory opinion provided by a neutral expert
  - Result is not binding on the parties without agreement
  - Can lock one party into the determination by the neutral
  - Can provide impetus to resolve a deadlock
  - Relatively low cost

# Arbitration

- A binding process where the parties submit a dispute to a neutral for decision.
  - Without control can be almost as costly as litigation
  - More informal and uses a decision maker that has some level of experience in the field
  - Award is enforceable by a court
  - Difficult to overturn except for a limited number of reasons

# Types of ADR



# ADR in Wisconsin

- Arbitration
  - Wisconsin Arbitration Act
  - Issues and case law
- Mediation
  - Covered by general ADR law
  - Highly favored by courts in many counties



# ADR in Wisconsin

- Arbitration
  - WAA is similar to FAA
  - Courts are “relatively” friendly towards arbitration
  - “Manifest disregard of law” is available to vacate an arbitration award
  - In most instances arbitrator rules on arbitrability

# ADR in Wisconsin

- Mediation
  - Covered generally by 802.12 and 904.085
  - Can be ordered by the court
  - Exclusion from evidence – “Mediation Privilege”

# ADR in Federal Court

- Local Rules
  - Eastern Dist
    - Civil Rules L.R. 16.4-16.7
      - 16.5 Requirement to conduct an ADR evaluation conference
      - 16.6 Confidentiality
  - Western Dist
    - Rule 3
      - Parties are to “consider” ADR within 30 days of defendants appearance
      - General prohibition of disclosure of ADR communications

# ADR in Federal Court

- Arbitration
  - FAA
  - 35 USC 294
  - Arbitrability – Who decides
    - Default is court will decide what is arbitrable unless agreement is clear that arbitrator is to decide
    - Can depend on Rules specified – AAA rules specify arbitrator decides

# ADR in Federal Court

- Arbitration
  - Confirmation of Awards
    - Awards only vacated under specific reasons set out in FAA §10 and/or Wis. Stat 788.10
    - 7<sup>th</sup> Cir has narrowly interpreted “manifest disregard” under FAA

# ADR in Federal Court

- Mediation
  - Based on local rules parties should be prepared to either mediate or explain why mediation is not appropriate
  - Appeals to CAFC
    - Cases suggested for mediation
      - Only if both parties agree to mediate
      - Court is not informed either that mediation was refused or was unsuccessful

# Why ADR in IP Cases?

- Expense
  - ADR gives parties more control of the process
  - ADR can help control costs
    - Limit discovery
    - Focus issues
    - Settle early
- Discovery
  - ADR can minimize discovery pain for client

# Why ADR in IP Cases?

- Trade Secret/Confidentiality Issues
  - ADR is confidential
  - More control of who gets access to critical secrets
- Relationships
  - Your client likely has a limited number of competitors
  - Will see the same people again in the future



# Why ADR in IP Cases?

- Subject matter
  - Cases often involve difficult subjects
  - Cases often involve difficult legal concepts
  - ADR can use an “expert” neutral
- Importance to Client
  - Cases often involve core technologies or businesses
  - Some cases are “bet the ranch” type of cases

# Why ADR in IP Cases?

- ADR can help with cross border disputes
  - Different legal systems
  - Language issues
  - Venue issues
- Ethical duty to discuss ADR
  - Obligation to minimize fees and costs
  - Possible malpractice for not discussing ADR

# ADR Clauses for IP Agreements

- Don't use a “stock” paragraph you used before
- Know the rules
  - AAA
  - CPR
  - WIPO
  - Etc.

# ADR Clauses for IP Agreements

- Be specific
  - Lay out what is subject to the ADR clause
  - Identify the law to govern the ADR if different from normal “Choice of Law”
    - Can have the arbitration done under FAA using New York substantive law
    - Can have the Arbitration done under WAA using New York substantive law
  - Specify the Rules to be used, including the number of arbitrators

# Tips for Advocates - Mediation

- Mediation is not adversarial
  - One goal should be to make sure the other side knows the strength of your position – let the facts work for them self
  - Don't beat down your opponent – get more flies with honey
- Have Clear Goals
  - Know your clients true bottom line
  - Know if there is a likely continuing relationship

# Tips for Advocates - Mediation

- Choose a mediator with a style that matches what you and your opponent need from the mediation.
  - Do you need an expert? – Will he be expected to be evaluative
- Prepare your client
  - Make sure they understand the process
  - Make sure they have the time and authority
  - Make them an active participant

# Tips for Advocates - Mediation

- Think “Interest Based”
  - Act positionally but think about what your client really “needs”
  - Think laterally – sometimes solutions come “from left field”
  - Expect (and offer) “off the wall” solutions
  - Explore “unrelated” issues that may help to settle the current case

# Tips for Advocates - Mediation

- Use the Mediator
  - To deliver bad news
    - To the other side
    - To your own client
  - Be very honest with the mediator
    - Mediators will not reveal any information without specific permission
    - Mediators often can make suggestions to move the process along
  - Talk privately with the mediator without your client



# Tips for Advocates - Arbitration

- No Appeal
  - FAA and WAA have limited grounds to vacate an award
    - Courts in Wisconsin do recognize “manifest disregard” as an added ground
    - Some Federal Courts are interpreting “manifest disregard” as a shorthand for 9 USC 10(4)
  - Concentrate on Winning before Arbitrator
  - View all deadlines as non-extendable

# Tips for Advocates - Arbitration

- Discovery
  - Arbitrator or Rules will likely “require” an agreement between the parties to limit discovery
  - Rules require an “equal,” not “every” opportunity to present evidence
  - Likely a limited number of depositions
  - Document production may be limited to what will be used at the hearing – 2 edged sword “if you don’t produce it, you can’t use it.”

# Tips for Advocates - Arbitration

- Evidence
  - Strict adherence to the “Rules of Evidence” may not be required
  - Arbitrator is more likely than not to admit “evidence” as excluding evidence provides an increased argument for vacatur.

# Tips for Advocates - Arbitration

- Focus on the Hearing
  - Make sure you know the Rules, including any preliminary rulings made by the arbitrator
  - Make sure you get all facts in evidence to support your claims and/or defenses
  - Consider agreeing with the other side to have all direct evidence in writing with a right to cross examine
  - There is a jury of one (or three)
  - Help the arbitrator protect the award

# Questions or Comments?

**J. William Frank III**

Of Counsel

+1 312.263.3804

[jwfrank@mccrackenfrank.com](mailto:jwfrank@mccrackenfrank.com)

## **McCRACKEN & FRANK LLP**

311 South Wacker, Suite 2500

Chicago, IL 60606

*t:* +1 312.263.4700

*f:* +1 312.263.3990

[www.mccrackenfrank.com](http://www.mccrackenfrank.com)

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