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## Benefits of ADR Greater than Ever for IP Contracts

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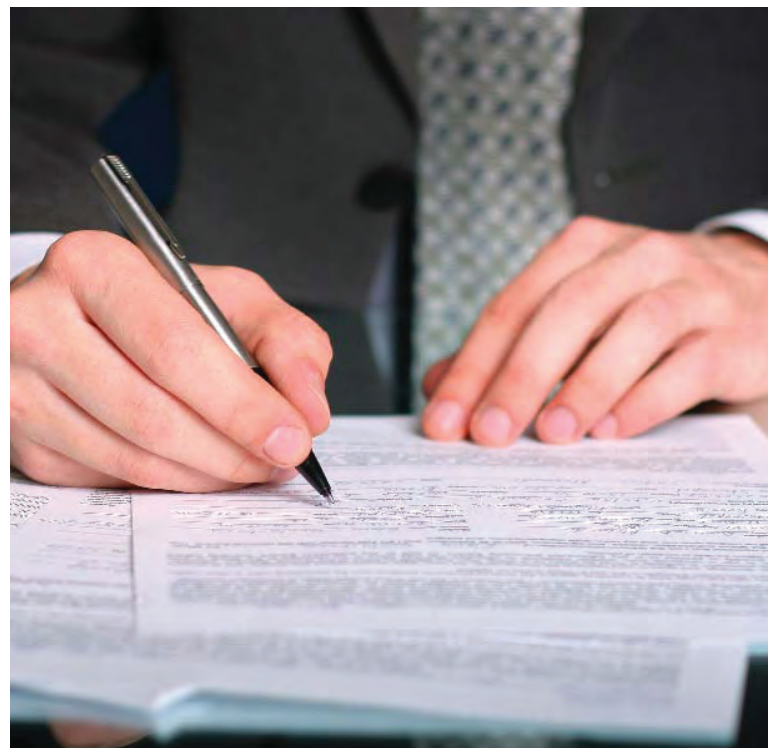
Alternative dispute resolution (ADR) methods can be highly effective in managing disputes involving intellectual property contracts (e.g. licence agreements), particularly during difficult economic times. However, to achieve optimum value, the clauses that set out how to conduct ADR must be carefully drafted.

The following examples show how ADR can offer a number of advantages over litigation for managing disputes between the parties to an IP contract.

IP contracts are frequently international in scope which can lead to multiple disputes in different jurisdictions as well as disagreements over which laws and courts apply. Of even greater concern are the serious problems the successful party faces when attempting to enforce the court's decision across jurisdictions. Arbitration is usually superior to litigation in overcoming such problems. For example, the Convention on the Recognition and Enforcement of International Awards (often called the "New York Convention") usually makes it easier to enforce an arbitration decision internationally than to enforce court rulings.

Mediation also offers unique advantages when resolving other IP disputes. When compared to disputes involving land or chattels, those involving IP are particularly amenable to creative win/win

solutions. A particular piece of real or personal property can be owned and used only by a very small number of people. Hence, a dispute over real and personal property must be a zero-sum game wherein one person's benefit is at the expense of another. In contrast, IP can be divided up and used many different ways, often without depriving anyone of significant benefits. Such creative solutions tend to get overlooked in the narrow litigation process. In contrast, the purpose of mediation is to explore the real-world interests of the parties and to create mutually satisfactory business solutions.



IP and technology disputes usually involves highly specialized issues of fact and law. As most judges do not understand such issues, the parties must make the effort to educate them. The process is inherently expensive and uncertain, however, with ADR, the parties can select mediators and arbitrators who have relevant expertise and experience.

The current economic meltdown calls for a more satisfactory means of resolving disputes. Many businesses are struggling to survive and the last thing they need right now is a nasty piece of litigation. A properly constructed ADR process can greatly help the disputants:

- Save money;
- Arrive at a quick and final resolution;
- Reduce the personal burden of individuals;
- Arrive at a more businesslike solution; and
- Preserve the relationship between the parties.

Unfortunately, when the ADR provisions of the contract are not drafted well, the process can fall short of these objectives. Here are a few suggestions on drafting ADR clauses with a view to assisting the disputants through difficult economic times:

1. Do not simply copy a standard “boilerplate” ADR clause. Significant thought and effort is recommended.
2. Think twice before appointing any organization to administer the procedures. Such appointments can be expensive and, in some cases, will not be in the best interests of the parties. In some cases, administration by an ADR organization will be advantageous. One should decide what is most appropriate in advance and draft the ADR clause in a manner that implements that decision. Whether the procedure is administered by an ADR organization should be a conscious choice, not accidental. By selecting the rules of a particular organization, you may automatically be agreeing to administration by that organization. However, even if administration by an ADR

organization is not needed, it is usually advisable to name an ADR organization as the “appointing authority” to select appropriate mediators or arbitrators if the parties cannot agree.

3. If speed and economy are important, seriously consider using a single arbitrator rather than a panel of three.
4. Familiarize yourself with the arbitration and mediation rules of a few organizations and select the one most suited to your needs. If you want to avoid rules that automatically require administration by the organization, consider the UNCITRAL Arbitration Rules or the mediation and arbitration rules of the CPR International Institute for Conflict Prevention & Resolution.
5. Consider adopting streamlined procedures (such as the Expedited Arbitration Rules of the World Intellectual Property Organization) or draft the ADR clause in a way that selects standard rules but modifies them in a manner that streamlines the process (e.g. by cutting back on discovery or shortening time limits).
6. Use a staged process that requires an effort at mediation before moving to arbitration.
7. When extreme speed is needed, consider using “med-arb” wherein the same neutral serves as arbitrator if the mediation fails.
8. Stipulate that the neutrals must have appropriate legal and/or technical expertise in addition to expertise and experience in litigation and ADR.
9. Consider using final-offer arbitration (also called “baseball”), in which the arbitrator’s only decision is to select between final positions put forward by each party.