# ADR IN THE
# INTELLECTUAL PROPERTY
# AND INFORMATION TECHNOLOGY FIELDS

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STEVEN A. CERTILMAN, P.C. • 350 BEDFORD STREET • STAMFORD, CT 06901 • (203) 977-7800 • JURIS NO. 307705

LEGAL, ARBITRATION AND MEDIATION SERVICES

# STEVEN A. CERTILMAN

## BIOGRAPHY

Steven Certilman serves clients in Connecticut and New York, from entrepreneurs and start-ups to mature businesses and professionals. He has built his practice across a range of business law areas including commercial litigation, contracts, business transactions and capital raises, commercial and residential real estate, with a particular emphasis on information technology law, intellectual property law and licensing.

Mr. Certilman has been lead counsel in more than 100 IT outsourcing transactions and represented companies in IP, IT and licensing matters since 1986. He also a Chartered Arbitrator and Fellow of the Chartered Institute of Arbitrators, an 11,000 member organization of arbitrators, mediators and adjudicators which he serves as a member of the Board of Trustees. www.arbitrators.org Mr. Certilman also serves as chairman of the Technology Law Section of the Connecticut Bar Association (2002 to date).

With 24 years of legal and ADR experience, Mr. Certilman balances his practice with service as a Superior Court Magistrate and an Attorney Trial Referee for the Superior Court of the State of Connecticut. He is a mediator privately and as a member of the panel of the United States District Court, Southern District of New York. Mr. Certilman has served on more than 100 arbitration cases since 1988 and serves on the panels of the American Arbitration Association (Technology and Commercial Panels), the Institute for Conflict Prevention and Resolution (CPR) (Technology Panel), the National Arbitration Forum and National Arbitration and Mediation (Technology Panel), among others.

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# Program Outline

## 1. General Considerations

Three of the traditional benefits of arbitration - confidentiality, ability to have your case heard by experts in the field and speed of resolution – make arbitration a highly desirable form of ADR in the IP and IT fields.

Although many corporate legal departments have adopted a policy against the use of arbitration because of the absence of right of appeal, in technology and IP cases that reluctance often gives way to the necessity of confidential dispute resolution. In fact, where the subject matter of the dispute is highly confidential trade secrets or intellectual property, arbitration is often a condition to the business relationship and use of open courts to resolve disputes may be seen as a deal breaker.

Another fact favoring arbitration in international disputes is the treaty status of the United States relating to enforcement of judgments and arbitral awards. One hundred thirty seven U.N. member states have adopted and implemented the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention), which was adopted in the United States in 1958. The convention is the principal law under which foreign arbitral awards are enforced worldwide. In contrast, the United States has not adopted the _____ Convention, the international convention governing the recognition and enforcement of foreign judgments.

The judicial systems of many countries are hostile to judgments of foreign courts and enforcement is quite difficult. China, India and Japan are significant examples. Consequently, an international dispute resolved by arbitration has less risk of enforceability in the United States, China, India and Japan than a foreign judgment. As a substantial amount of outsourcing goes to India, this is a principal reason why international IT contracts typically provide for arbitration as part of the dispute resolution process.

## 2. Dispute Resolution Processes Generally in IT

In IT transactions, dispute resolution processes are typically elaborately mapped-out in a manner which begins with a governance-type dispute process (escalation within the executive levels of the parties). If an impasse is reached, the dispute clause may provide for mediation followed if necessary by arbitration. It is crucial that this mapping process be detailed, clear and well thought-out.

While arbitration is gradually becoming more like litigation in terms of scope of discovery and therefore cost, it is still fair to say that cases resolved by arbitration are less costly and faster than their litigation counterparts.

## 3. Major ADR Providers in the IP and IT fields generally

Arbitration is increasing in popularity and the marketplace of service providers is also growing. It is important to know about who the main arbitral bodies - they are, of course, not providing a fungible service. They provide varying levels of service and administrative support throughout the ADR process. The major ADR providers all have rosters of neutrals but some provide minimal assistance with the arbitration process. A full service provider and an experienced neutral or panel will bring immeasurable benefits to the process. Often this assistance will facilitate settlement.

United States

a. AAA (American Arbitration Association)
    i. The most well known provider of ADR case administration services in the U.S.
    ii. The availability of ±8,000 neutrals provides ample opportunity to find a neutral or panel with experience in the subject at hand
    iii. Neutrals adhere to strict ethical standards and must complete a mandatory training program and followup with annual continuing education
    iv. Has a Large and Complex Case Panel for cases over $500,000
    v. Has a Large Case Intellectual Property and Technology Panel
    vi. Has Supplementary Rules for Patent Disputes
b. CPR (International Institute for Conflict Prevention and Resolution)
    i. Another major ADR provider. Focused on establishing the use of ADR in corporate legal departments and law firms. Delivers training to the public
    ii. To help make ADR more cost-effective, CPR's Rules provide for a "self-administered" approach to case administration where administration is generally left to the neutral and CPR steps in where there is an impasse.
    iii. Has a Technology Panel
    iv. Has a Patent and Trade Secret Panel

c. JAMS
    i. Another full service provider with a prominent position in the U.S. market. One reason may be its heavy reliance on retired judges as panel members.
d. NAF (National Arbitration Forum)
    i. Gaining prominence as a major provider in the U.S. with ICANN Domain Dispute provider status and arbitration contracts with many large consumer programs such as credit card issuers.
    ii. Has a Domain Disputes Panel
    iii. Has an IP/eCommerce Panel
e. INTA (International Trademark Association)
    i. Trademarks specialists
f. AIPLA (American Intellectual Property Law Association)
    i. Patent specialists
    ii. Also handles IP generally

International

g. ICDR (Int'l Center for Dispute Resolution – a division of AAA)
h. ICC (International Chamber of Commerce)
i. WIPO (World Intellectual Property Organization)

## 4. Intellectual Property

a. Trademarks
b. Patents
    See 35 U.S.C 294 which expressly approved the validity, irrevocability and enforceability of arbitration clauses in patent cases.
c. Copyright
    See Saturday Evening Post v. Rumbleseat Press, 816 F.2d 1191 (7th Cir. 1987) extending the reach of 35 U.S.C. 294 to copyright infringement cases.

## 5. Information Technology

a. Outsourcing Transactions
b. Licenses

## 6. Domain Name Disputes

Nearly all these disputes are arbitrated. ICANN sets the rules and appoints the arbitral bodies. Those on its current list are:

a. WIPO
b. CPR Institute
c. NAF
d. ADNDRC in Beijing and Hong Kong

## 7. Enforceability

Arbitration awards can generally be enforced within the United States with little difficulty despite pockets of judicial resistance to the arbitration process. The Federal Arbitration Act (9 U.S.C. 1 et seq.) applies to all agreements which "involve" commerce. This has been interpreted by the courts to mean agreements which may have an effect on interstate or international commerce. This broad statutory jurisdiction brings the vast majority of arbitrated disputes under its umbrella and results in a largely curtailed possibility for the defeated party to defeat the award on procedural grounds.

In international arbitration proceedings, enforceability can, in some instances, still be a big challenge, even when the countries of both sides have adopted the New York Convention. The sovereign nature of IP rights leads some countries, particularly those in the Asia/Pacific Region, to impede the enforcement of awards they see as contrary to their public policy. This is particularly true because the public may be a silent party in the end result of such disputes. A significant example of a country where enforcement of arbitral awards can be of great concern is China. As many common international transactions include a licensing or assignment components, this concern has let WIPO (the World Intellectual Property Organization, a body of the U.N.) to establish an arbitration center in Geneva, Switzerland to deal specifically with the resolution of international intellectual property disputes by arbitration. A clear expectation of enforceability of arbitral awards, even those of WIPO, can only be looked forward to in the future as the nations of the Asia/Pacific region seek greater access to western technology and trade markets.

## 8. Practice proposal

In general, in any contract of significance, it will serve the strategic interests of all parties to have an agreement on the dispute resolution methodology within the contract. This is particularly true in IP, IT and technology or business process outsourcing engagements. While an escalation approach with mediation and/or arbitration at the top end of the process is useful, it often fails to meet the time urgency needs of one or both parties.

In many cases, a better approach would be a dispute resolution mechanism which places capable neutrals in the role of a **Dispute Review Board**, similar to that used in the construction industry. This approach can lead to issues being presented and resolved in real time and without material delays in performance or the buildup of ill-will, and it can also eliminate the tactical advantage that delay may give one of the parties. Most importantly, the process may be created in a way which supplements litigation or arbitration,

rather than displacing it.