Section V:
Choosing an ADR Process

INTA and CPR recommend that, in most instances, parties to a dispute attempt to negotiate settlement of the dispute prior to pursuing other forms of alternative dispute resolution. Negotiation is most often voluntary but frequently courts will require parties to discuss the issues between them. The success of any negotiation clearly depends on the desire of the parties to participate in settlement discussions and to reach an appropriate resolution.

Negotiation is a very informal and unstructured process which can result in a quick, cost-saving settlement. On the other hand, its lack of structure often leads to failure, partly because there is no third party neutral in the negotiation process.

A. Consensual vs. Adjudicatory Processes

If unstructured negotiations are not held or fail to achieve a disposition, the CPR/INTA ADR Program offers three alternative dispute resolution techniques: mediation, the minitrial and arbitration. At one end of the ADR landscape (see Appendix 5) are the consensual processes in which the parties are the decision-makers: negotiation, mediation (which is a facilitated form of negotiation) and the minitrial, which is, for the most part, a more elaborate variation of mediation. At the other end, arbitration is the classic adjudicatory process involving a third-party decision-maker who renders a decision based upon adversary presentations.

The following chart highlights the key distinctions between adjudicatory and consensual (or collaborative) approaches to dispute resolution:

Adjudicatory Processes	Consensual Processes
3rd Party decision-maker	Parties are decision-makers
Formal	Informal
Dominated by attorneys	Key role for clients
No ex parte meetings with neutral	Possibility of ex parte meetings with neutral
Objective focus on facts and rights	Subjective focus on needs and interests
Looks to past	Looks to future
Application of external norms and standards	Exploration of parties' norms and standards, as well as external norms and standards
Results in winner and loser	May result in accommodative resolution

INTA and CPR advocate consensual ADR as the preferred approach to settling trademark and unfair competition disputes. Specifically, the Program suggests mediation as the first choice among methods of dispute resolution when unassisted negotiations have been, or appear likely to be, unsuccessful. Minitrial is a possibility in some circumstances. Since all Program neutrals are experts in the field of trademarks and unfair competition, most mediations, if the parties consent, will take on some aspects of a minitrial in that an expert evaluation can be obtained. Moreover, if the parties and their counsel choose to structure their mediation to include some discovery, pre-meeting submissions and more extensive presentations in front of key business representatives of the parties, the result is tantamount to a minitrial.

The CPR/INTA Program neutrals are available to act as arbitrators in either non-binding or binding arbitration. Arbitration, however, is primarily viewed by the Program as a fallback when mediation has failed or when particular issues within a dispute can be isolated for specific binding third party resolution without waiting for congested court calendars to open up. If the parties have a contractual

obligation to use arbitration and one of them chooses to enforce this, the Program is likewise available.

When structuring the contractual pre-dispute clause or the post-dispute Submission Agreement governing their use of ADR (see Section IX), the parties can provide for the use of a series of ADR procedures in a certain sequence. Usually, this would begin with unassisted negotiation and be followed by mediation or perhaps a minitrial, or both. The parties can agree that if these consensual processes fail to achieve a complete resolution, the outstanding issues will be submitted for arbitration.

B. Mediation

1. Description of the Mediation Technique

First, and foremost, it must be emphasized that mediation is not truly an alternative to litigation, but is rather a settlement device. Mediation is a flexible, non-binding dispute resolution process in which an impartial neutral third party, the mediator, facilitates negotiations among the parties to help them reach a settlement. A hallmark of mediation is its capacity to expand traditional settlement discussion and broaden resolution options, often by going beyond the narrow legal issues in controversy.

Mediation is private, voluntary, non-binding and confidential. The procedure is highly flexible and informal. Typically, mediation is concluded expeditiously and at moderate cost. It can cover an extremely large and complex range of issues or be narrowly focused on one particular issue. The number of parties is not limited. The process is far less adversarial than litigation or arbitration, and therefore less disruptive of business relationships. Since a party may withdraw at any time and other options are not foreclosed if mediation fails, entering into a mediation process is essentially without risk.

In fact, failure of mediation is the exception. Time and again, parties to a variety of business disputes, with the assistance of a skillful mediator, have bridged wide gaps in their positions, and have often developed creative, mutually advantageous business solutions. The principal pre-condition is that the parties share a genuine desire to promptly and equitably resolve the dispute.

In mediation, the neutral holds a series of joint sessions and separate caucuses with the parties in an effort to assist them in reaching an agreement. Unlike the neutral adjudicator in ADR such as binding arbitration, the mediator is not empowered to impose a settlement.

Mediation is results-oriented. Each party is given an opportunity to state its legal position and its view of the rights and wrongs of past conduct. The primary focus, however, is on looking forward, on solving problems, on developing a mutually acceptable solution.

2. *Interest vs. Evaluative Mediation*

There are two fundamentally different approaches to mediation: "interest mediation" and "evaluative mediation". Interest mediation is likely to be applicable when a business relationship already exists between the parties, as in a franchisor-franchisee situation. The mediator first explores the respective underlying interests with the parties. Having identified these interests, the mediator and the parties explore opportunities for a creative "win-win" solution, such as a mutually-advantageous new business arrangement. The mediator ordinarily will not offer opinions on the merits of the case or the positions of the parties.

In evaluative mediation the focus is on the parties' legal rights and obligations, the strengths and weaknesses of their positions, the likely outcome if the case were tried in court, and what represents a fair settlement. Structuring a settlement other than lump sum payment by one party to the other is frequent. This approach is likely to be used if the case does not present opportunities for interest mediation, e.g., when the parties are direct competitors.

3. *The Mediator's Role*

The mediator's role and the mediation process can take various forms depending upon the nature of the dispute and the approach of the mediator. The mediator works to improve communication between the parties; helps the parties clarify their understanding of their mutual underlying interests and concerns; probes the strengths and weaknesses of each party's legal positions; explores the consequences of not settling; and helps generate options for mutually agreeable resolutions of the dispute.

Skilled mediators will identify and address barriers to settlement such as different perceptions, communication problems, internal and external pressures and delay considerations. An effective mediator must be absolutely impartial and fair, capable of gaining the trust and confidence of the parties, a quick study, an excellent communicator and a creative problem solver. The mediator can help the participants understand the problems and face facts, function as a communication channel and develop solutions. Finally, the mediator may persuade the parties to accept a particular settlement.

On a practical level, the mediator facilitates the administration of the process by scheduling, arranging, and chairing the meetings, and setting the agenda.

The mediator does not negotiate for the parties, but may instruct the parties on how to negotiate more effectively. The mediator serves as a catalyst for negotiations by suggesting, interpreting, advising, proposing alternatives, and testing each party's perceptions. Through probing and questioning, the mediator must, while maintaining each party's confidence, induce each party to think through and justify its acts, demands and positions, and look at the case from the other side's point of view.

4. *Stages of Mediation*

A typical mediation progresses through the following stages:

- **Preparing for Mediation.** To educate the mediator about the dispute, the parties submit key documents and short written statements shortly before the first mediation session. These materials are returned to the parties at the conclusion of the process.
- **Initial Joint Session.** A typical mediation consists of joint and separate sessions between the mediator and the parties. At the initial session, the mediator usually explains the mediation process, hears short presentations from each side, and asks open-ended questions to clarify positions and interests.
- **Initial Separate Sessions (or Caucuses).** The mediator often then meets privately with each party to confidentially

explore each party's underlying interests and concerns, both legal and non-legal, and determine their priorities.

- **Subsequent Separate and Joint Sessions.** The parties are helped to develop options and alternative proposals that will result in a mutually acceptable resolution. At this stage, the mediator may work with the parties to generate ideas, realistically evaluate alternatives and consider the consequences of not settling.
- **Completing the Process.** When the parties reach agreement, the mediator or other designated person will record the terms. If complete settlement is not possible, the mediator will seek partial agreement and/or help the parties consider other dispute resolution options.

The length of a mediation varies with the complexity of the dispute. Mediation of a typical trademark or unfair competition dispute may take 10-15 hours and involve two or three sessions.

5. *Why Mediation Works*

Why does mediation work? There is, of course, no one explanation and each case has its unique aspects, but the following factors are common:

- **The presence of an expert mediator.** By using an experienced litigator in trademark and unfair competition matters as the neutral, the parties can eliminate the time needed to educate a neutral and can focus on the specific issues at hand. The neutral is able immediately to recognize and identify points of commonality and opportunity and is well versed in the myriad ways of settling cases of this nature. Moreover, the expert mediator carries a presumption of respect in the field which lessens the likelihood of extraneous legal arguments and tangents.
- **The predomination of fact issues.** Trademark and unfair competition cases frequently involve decisive fact issues or mixed questions of fact and law and thus tend to be well suited to mediation. Limited discovery, targeted to specific issues or facts in contention, such as a priority date, can be effective in mediation.

- **Commitment.** Just as the imminence of a trial often induces litigants to stop posturing and to seriously consider settlement, the decision to commit to a mediation by both parties is likely to motivate them to resolve the dispute rather than to postpone unpleasant decisions. A third party neutral can reinforce this motivation and explain the potential adverse consequences of an adjudicatory resolution.

- **Targeted, focused atmosphere.** Most disputes involve a conflict of emotions, especially when valuable trade identity rights are involved. When adversaries face each other at a conference table in the presence of a neutral, antagonism is likely to subside once the process begins. Direct discussion tends to reduce misunderstandings. Real concerns, not just legal issues, are discussed. The process becomes a challenge to resolve problems and the momentum of mediation leads to accommodation, with settlement representing success.

- **Ground Rules.** The parties and mediators have complete flexibility to tailor the proceeding to their needs, both procedurally and emotionally. The hallmarks of mediation are flexibility and informality.

- **Confidentiality.** The entire process is confidential. Mediation revolves around the ability of each party to disclose in confidence to the mediator certain matters that the party would not disclose to the other party in settlement negotiations. Armed with such information, a skillful mediator is often able to identify hidden interests and settlement alternatives that would not have been considered in conventional negotiations.

- **Overcoming resistance.** The neutral can help identify and overcome barriers to settlement by diplomatically compelling the parties to face reality and by dispelling unreal expectations. The expert neutral can realistically discuss the costs and burdens of prolonged litigation and note the weaknesses of each party's case. Moreover, if requested, the expert neutral can provide an evaluation of the likely or projected outcome.

At the very least, even if the mediation is ultimately unsuccessful, the parties will have an opportunity to crystallize the issues and learn more about the other party's perceptions of the case.

6. Mediation Procedure Guidelines

Section VI presents the Model Procedure for Mediation and explanatory commentary. The commentary explains how the meeting(s) work; the respective roles of the mediator, parties and their counsel; how to prepare and what to expect; and the confidentiality rules and safeguards.

The guidelines represent a useful working tool, but there is no one right way to conduct or structure a mediation. Parties are urged to adapt the model to their own needs and even to improvise with the cooperation of the mediator once the process is underway. Frequently, an effective ADR process is one that combines mediation and certain facets of the minitrial by beefing up a mediation or scaling down a minitrial to suit the parties' needs, time frames and the nature and magnitude of the dispute. For example, limited, fast-track discovery can often be helpful since settlement becomes more likely when the parties begin to understand their case. Such discovery is discussed below in connection with the minitrial.

Section IX describes contractual provisions and agreements to initiate and govern a mediation, with corresponding forms in the Appendix. The Model in Section VI can, and in most cases, should be incorporated by reference in any such agreement. The Model Procedure is suitable for transnational disputes as well as those solely within the U.S.

C. The Minitrial

1. Explanation of the Minitrial

The minitrial is not a trial in the traditional sense. It is a private, confidential, non-binding collaborative procedure. A minitrial is usually a more formal and structured proceeding than mediation and roles for the parties' business executives and counsel are more precisely defined.

As with mediation, the parties to the dispute create their own adaptation of the minitrial process as set forth in the Model Minitrial

Procedure in Section VII. The neutral does not rule on evidence or objections to arguments nor does the neutral provide a decision or evaluation unless specifically requested to do so by the parties. Any such decision or evaluation is non-binding. The primary role of the neutral is to facilitate the procedures, to facilitate any discovery agreed upon by the parties, and especially to facilitate communication and negotiation toward a settlement.

A minitrial usually provides for some limited discovery and information exchange between the parties prior to their meeting. An abbreviated discovery plan can be worked out with the neutral by the parties. The overall objective is to elicit enough information, within a short time period, to define the issues and to enable the parties to learn the significant strengths and weaknesses of their case. For example, there could be a limited number of depositions covering only certain topics with a maximum time limit for each set. Interrogatories should be discouraged if there will be depositions, but if used, they perhaps might be limited in number and in category of information. Similar restrictions could be placed on document production. One possible approach to defining the most pertinent targeted discovery in trademark cases involving confusion issues, for example, would be to limit the inquiry to the factors enunciated in the *DuPont* decision (*In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973) or another similar benchmark case from a relevant jurisdiction.

2. *Presentations at the Minitrial*

The minitrial hearing consists of more elaborate presentations by counsel than in the typical mediation. It is also possible to provide for the testimony of witnesses, especially experts. For example, persuasive survey results on the issue of likelihood of confusion could be introduced. In the event of conflicting survey findings, the neutral could supervise the hiring of an independent expert to provide an unbiased critique or even conduct another survey under the supervision of the neutral.

The presentations are usually followed by rebuttals and questions by the opposing sides. Experience has shown that the chances of arriving at a negotiated solution after such presentations are very high. The minitrial procedure serves to penetrate impasses often caused by a good faith disagreements on the merits of each party's position. By forcing the parties to articulate and advance their positions, the

strengths and deficiencies of their respective positions are revealed. This tends to encourage the parties to engage in serious settlement negotiations with the aid of the neutral. If the parties are still at an impasse, the neutral can render an opinion as to the outcome had this been a real trial.

Since the minitrial is non-binding and either party can withdraw at any time, the proceeding is basically risk-free. Minitrials, as a collaborative process, tend to succeed for many of the same reasons as mediation does, as previously set forth.

By primarily placing a legal dispute into the hands of business executives, the minitrial can minimize some of the adversarial tendencies of counsel. However, even if there is no immediate settlement, the minitrial can serve a very useful purpose in focusing the parties on critical facts and issues which usually results in a more realistic assessment of settlement demands over time. Section VII contains a model minitrial procedure along with a sample minitrial time schedule.

Section IX covers agreements to initiate and govern a minitrial, with corresponding forms in the Appendix.

D. Arbitration

1. Non-Administered Arbitration

The CPR/INTA ADR Program offers the option of non-administered arbitration when consensual approaches to settlement have failed or when the parties want a definitive resolution. "Non-administered" means that, while CPR is available to assist the parties in the selection of an arbitrator or panel, it does not directly control the proceeding. Once selected, the arbitrator becomes responsible for all administrative matters. The rules for such arbitration set forth in Section VIII provide for a binding arbitration award. Although in certain situations there may be some value to non-binding arbitration, the Program recommends mediation or minitrial when a non-binding resolution is desired.

2. Structured Procedures

Basically, an arbitration resembles a somewhat shortened trial with a very structured procedural framework. Moreover, the role of the

neutral is virtually that of a judge which is quite different than in consensual proceedings.

Arbitrators have great control during the proceeding on procedural, evidentiary and substantive matters and have subpoena power. Unlike collaborative processes, the arbitrator will decide the claim and will fashion a remedy, including awarding damages and costs (which neither party might have contemplated). The decision is binding upon the parties and may be enforced by a court. Appellate review is rarely available, since it is limited to exceptional cases of fraud, abuse of power, demonstrable extreme bias and the like. Once an arbitration is begun, an individual party cannot withdraw, although the parties are free to settle at any time.

Arbitration shares many of the advantages of other ADR processes by potentially enabling parties to quickly, privately, confidentially and efficiently settle a dispute which might otherwise take years on the court calendar. It can be more cost-effective than a full-blown litigation because of truncated discovery and less elaborate proceedings. The expertise of CPR/INTA panel members in trademark matters can be a great advantage, when leaving the decision to a judge or jury. On the other hand, arbitration may not be appropriate for many simple trademark matters which do not require such an elaborate, and thus more costly and time-consuming, proceeding.

3. *Keys to Successful Arbitration*

For relatively complex cases, if adjudication by a neutral third party is required, a well-conducted arbitration proceeding can have significant advantages over litigation. The keys to a successful arbitration include:

- Adoption of well-designed rules of procedure
- Selection of a skilled arbitrator who is able and determined to actively manage the process and has subject matter expertise
- Selection of counsel who work expeditiously
- Cooperation of counsel on procedural matters even while acting as effective advocates on substantive issues
- Establishment of, and compliance with, strict time limits on the various phases of the proceeding

· Limitation of the issues and focus on the core of the dispute.

A party desiring to set legal precedent, however, as with other forms of ADR, should not use arbitration. Similarly, parties who feel that legal precedent is on their side should note that arbitrators are not necessarily bound by legal precedent. Also, since rules of evidence in an arbitration are less formal, unreliable or unsubstantiatable evidence may be submitted and relied upon by the arbitrator.

It should be noted that under the CPR/INTA Rules, the award must state the reasoning on which the award rests unless the parties otherwise agree. (Rule 13.2). This requirement acts to restrain any tendency on the part of the arbitrator to reach a compromise award.

A useful comparison of the distinguishing features of arbitration as compared to litigation is provided in Appendix 6.

The CPR/INTA preference for mediation over arbitration reflects a general reluctance by parties with invaluable trade identity rights to jeopardize those rights in a non-appealable forum. Arbitration tends to be most effective in disputes capable of pecuniary resolution, not often the most significant point in trademark and unfair competition disputes.

Section VIII contains rules for non-administered arbitration with an explanatory commentary. Contractual provisions providing for arbitration of future disputes as well as model Submission Agreements to initiate an arbitration during a dispute are discussed in Section IX, and supporting model forms can be found in the Appendix.