Section VI: Model Procedure for Mediation of Trademark and Unfair Competition Disputes

[It is important to read Section V prior to using this section.]

A. The Model Procedure

1. Proposing Mediation

Any party to a trademark dispute may initiate a mediation process by contacting the other party or parties, orally or in writing, and suggesting the use of a neutral mediator to mediate efforts to arrive at a resolution. (See Appendices 1 and 2.) If the parties have made a contractual commitment to mediate disputes between them, or if they have subscribed to the CPR Corporate Policy Statement on Alternatives to Litigation (see Appendix 3), that commitment or policy will be invoked.

2. Selecting the Mediator

Once the parties have agreed in principle to a mediation process, they will request CPR to propose candidates from the CPR/INTA Trademark and Unfair Competition Panel in accordance with its procedures. The mediator must be selected by agreement of all parties.

Any candidate for the role of mediator shall promptly disclose to the parties and to CPR any circumstances known to him or her which would cause reasonable doubt regarding the candidate's impartiality. Each party shall promptly disclose to the other party or parties any circumstances of which it is aware that would cause reasonable doubt

regarding the impartiality of the candidate. These disclosure obligations shall be continuing until the mediation is concluded. If any such circumstances have been disclosed, before or after the individual's appointment as mediator, the individual shall not serve, unless all parties agree.

The mediator's compensation rate will be determined before appointment. Such compensation, and any other costs of the process, will be shared equally by the parties, unless they otherwise agree. Before appointment the mediator will assure the parties of his or her availability to conduct the proceeding expeditiously. (See Appendix 27 for a model Parties-Neutral Agreement.)

3. Ground Rules of Proceeding

Once a mediator has been selected and has agreed to serve, the representatives of the parties will jointly meet with the mediator to discuss the following ground rules and any different or additional ground rules the mediator or a party wishes to propose as to the manner in which the process is to be conducted.

3.1. The process is voluntary and non-binding.

3.2. Each party may withdraw at any time after attending the first session and prior to execution of a written settlement agreement.

3.3. The mediator shall be neutral and impartial.

3.4. The mediator controls the procedural aspects of the mediation. The parties will cooperate fully with the mediator.

(a) The mediator is free to meet and communicate separately with each party.

(b) The mediator will decide when to hold joint meetings with the parties and when to hold separate meetings. The mediator will fix the time and place of each session and the agenda, in consultation with the parties. There shall be no stenographic record of any meeting. Formal rules of evidence will not apply.

(c) The mediator may request that there be no direct communication between the parties or between their attorneys without the concurrence of the mediator.

3.5. Each party may be represented by more than one person, e.g., a business executive and an attorney. Participation of a business executive is to be particularly encouraged. The mediator may limit the number of persons representing each party. At least one representative of each party will be authorized to negotiate a settlement of the dispute.

3.6. The process will be conducted expeditiously. Each representative will make every effort to be available for meetings.

3.7. The mediator will not transmit information received from any party to another party or any third party unless authorized to do so by the party transmitting the information.

3.8. The parties will refrain from pursuing administrative and/or judicial remedies during the mediation process, insofar as they can do so without prejudicing their legal rights.

3.9. Unless all parties and the mediator otherwise agree in writing,

(a) the mediator will be disqualified as a witness, consultant or expert in any pending or future investigation, action or proceeding relating to the subject matter of the mediation (including any investigation, action or proceeding which involves persons not party to this mediation); and

(b) The mediator and any documents and information in the mediator's possession will not be subpoenaed in any such investigation, action or proceeding, and all parties will oppose any effort to have the mediator and documents subpoenaed.

3.10. If the dispute goes into arbitration, the mediator shall not serve as an arbitrator, unless the parties and the mediator otherwise agree in writing.

3.11. The mediator may obtain assistance and independent expert advice with the agreement of and at the expense of the parties.

3.12. Neither CPR, INTA nor the mediator shall be liable for any act or omission in connection with the mediation other than as a result of fraud, provided, however, that there shall be no vicarious liability for such fraud between or among CPR, INTA or the mediator.

3.13. The mediator may withdraw at any time by written notice to the parties (i) for overriding personal reasons, (ii) if the mediator

believes that a party is not acting in good faith, or (iii) if the mediator concludes that further mediation efforts would not be useful.

3.14. At the inception of the mediation process, each party and representative will agree in writing to all provisions of this Model Procedure, as modified by agreement of the parties. (A model Submission Agreement is provided in Appendix 24.)

4. Confidentiality

4.1. The entire process is confidential. Unless agreed among all the parties or required to do so by law, the parties and the mediator shall not disclose to any person who is not associated with participants in the process any information regarding the process (including pre-process exchanges and agreements), contents (including written and oral information), settlement terms or outcome of the process.

4.2. The entire process is a compromise negotiation subject to Federal Rule of Evidence 408 and all state counterparts of that rule. All offers, promises, conduct and statements, whether oral or written, made in the course of the proceeding by any of the parties, their agents, employees, experts and attorneys, and by the mediator are confidential. Such offers, promises, conduct and statements are privileged under any applicable mediation privilege and are inadmissible and not discoverable for any purpose, including impeachment, in litigation between the parties. However, evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its presentation or use during the mediation.

4.3. The exchange of any tangible material shall be without prejudice to any claim that such material is privileged or protected as work-product within the meaning of Federal Rule of Civil Procedure 26 and all state and local counterparts.

5. Presentation to the Mediator

Upon entering into mediation each party will submit to the mediator a statement summarizing the background and present status of the dispute and such other material and information as it deems necessary to familiarize the mediator with the dispute. Submissions may be made in writing and orally. The parties may agree to submit

jointly certain records and other materials. The mediator will probably choose to set a limitation on the length of the submission.

The mediator may request any party to provide clarification and additional information. The mediator may raise legal questions and arguments and may request any party's attorney to brief legal issues.

The mediator may request each party, separately or at a joint meeting, to present its case informally to the mediator.

The parties are encouraged to exchange written statements and other materials they submit to the mediator. Such an exchange is likely to further each party's understanding of the other party's viewpoint. Except as the parties otherwise agree, the mediator shall keep confidential any submitted written materials or information. The parties and their representatives are not entitled to receive or review any such materials or information submitted to the mediator by another party or representative, without the concurrence of the latter. At the conclusion of the mediation process, upon request of a party the mediator will return to that party all written materials and information which that party had provided to the mediator.

6. *Exchange of Information*

If any party has a substantial need for documents or other material in the possession of another party, the parties shall attempt to agree on the exchange of requested documents or other material. Should they fail to agree, either party may request a joint meeting with the mediator who shall assist the parties in reaching agreement.

At the conclusion of the mediation process, upon the request of a party which provided documents or other material to one or more other parties, the recipients shall return the same to the originating party without retaining copies thereof.

7. *Negotiation of Terms*

The mediator may promote settlement in any manner the mediator believes is appropriate. Once the mediator is familiar with the case, the mediator will hold discussions with the parties' representatives. The mediator will decide when to hold joint meetings and when to confer separately with each party.

The parties are expected to initiate proposals for settlement unless, by prior agreement, they expect the mediator to be the first to propose the terms of settlement. Each party or the mediator shall provide a rationale for any settlement terms proposed.

If the parties fail to develop mutually acceptable settlement terms, before terminating the procedure the mediator may submit to the parties a final settlement proposal which the mediator considers fair and equitable to all parties. The parties will carefully consider the mediator's proposal and, at the request of the mediator, will discuss the proposal with the mediator. If a party does not accept the final proposal, it shall advise the mediator of the specific reasons why the proposal is unacceptable.

If the mediator concludes that mediation techniques have been exhausted and the parties have not reached agreement, the mediator, with the consent of all parties, will promptly give them an evaluation (which if the parties so choose will be in writing) of the likely outcome of the case if it were tried to final judgment. Thereupon, the mediator may hold another mediation conference, in the hope that the mediator's evaluation or proposal will lead to a resolution.

Efforts to reach a settlement will continue until (a) a written settlement is reached, or (b) the mediator concludes and informs the parties that further efforts would not be useful, or (c) one of the parties or the mediator withdraws from the process.

8. Settlement

If a settlement is reached, the mediator, or a representative of a party, will draft a written settlement document incorporating all settlement terms, which may include mutual general releases from all liability which may relate to the subject matter of the dispute. This draft will be circulated among the parties, amended as necessary, and formally executed.

If litigation is pending, the settlement may provide that the parties will arrange for dismissal of the case promptly upon execution of the settlement agreement. The parties also may request the court to enter the settlement agreement as a consent judgment.

B. Commentary on the Mediation Process

1. Managing the Parties' Attitude

The human dimension of conflict is most significant. Once a dispute has erupted, anger, combativeness, a need to win or "get even" easily become barriers to a solution in the best interests of both parties. Typically, both believe they are in the right. Even the objectivity of an experienced lawyer can become impaired when acting as an advocate.

A critical event in the mediation process is the first step--getting agreement to try a mediated approach. At that point the parties' attitude usually begins to shift toward problem solving and cooperation. A skillful mediator will reinforce this change in attitude and will defuse hostility. In the mediation process psychology works for settlement. The party representatives and the mediator are challenged to be creative, to brainstorm, to "invent" new solutions. The dynamics of mediation lead toward settlement. Settlement equals success.

There is no one right way to conduct a mediation. The following outline represents an approach which appears logical and has proven effective in numerous cases.

2. How the Process Works

(a) Phase I. Initial Meeting with Mediator

The initial meeting of the parties with the mediator serves several purposes:

- The meeting gives the parties an opportunity to meet and size up the mediator. If one or more parties do not gain a favorable impression, a substitution may be proposed.
- The mediator will discuss the entire mediation process, including the ground rules, with the parties. They may agree on modifications. A meeting schedule also may be discussed.
- The parties will discuss with the mediator the role(s) they expect the mediator to play.
- The parties will familiarize the mediator with the dispute.

- The mediator can confirm that the parties have a genuine interest in resolving their dispute through the mediation process.
- The parties' representatives will begin to talk to each other in a manner appropriate to their joint goal of reaching an accommodation.
- There will be discussion of who will represent the parties at future sessions, and the extent of their authority. If the stakes are large, it may not be possible for the negotiators to have complete authority to sign a settlement agreement, but each should have authority to negotiate a settlement, and the authority of the negotiators should be comparable. The exchange of certain documents also may be discussed, as well as a form of mini-discovery if necessary.
- If litigation is pending between the parties regarding the subject matter of the mediation, the parties and the mediator will discuss the suspension or curtailment of discovery and other pre-trial activities. They also will discuss whether the court should be informed of the mediation, and whether court approval of suspension of pre-trial activities is required.

(b) Phase II. Familiarizing the Mediator with the Case

Next, the mediator must be familiarized with the dispute, and the parties must be given an opportunity to state their case. The mediator will ask the parties to submit on an agreed time schedule such written materials as they consider necessary or advisable. A statement summarizing the background and status of the dispute is likely to be the principal document. If litigation is pending, court documents such as pleadings and briefs may be submitted. If an exchange of certain documents between the parties has been agreed upon, that exchange also should occur during this phase of the proceeding.

Following submission of these materials, a second joint session is likely to be scheduled, at which the parties' representatives will state their views orally in an informal manner and will rebut the conflicting views of other parties. Each party should present its position in what it considers the most effective manner. Rules of evidence will not apply and the presentations will not be transcribed. The mediator will

prescribe the sequence of presentations, may impose time limits and is likely to ask clarifying questions.

Following the joint session, the mediator is likely to caucus with each party. The parties tend to be more candid in such a private meeting. The mediator may well elicit in confidence information not disclosed at the joint session. The mediator may explore certain aspects of the party's presentation and may request additional materials or the briefing of certain legal issues. The mediator must understand the case fully from each side's perspective; the mediator should then assure that each side better understands how the case looks from the other side's viewpoint. The mediator should avoid expressing views on legal issues. Some believe that if the mediator does not spend comparable time caucusing with each party, an appearance of partiality may be created.

The mediator, to be effective, must keep fully informed of all developments and must be able to control dialogue between the parties. The mediator may conclude at a given stage that it is preferable to keep the parties apart. The mediator may request that the parties and their attorneys not communicate with each other directly without the mediator's concurrence.

(c) Phase III. Determining the Facts

Even when there are no issues of credibility, the "facts" relevant to a dispute can be elusive. The submissions to the mediator or statements made in meetings may well indicate that the parties see the facts differently, or draw different conclusions from them. At times, it will be useful for the mediator to address any such differences and seek to bring about agreement on the facts and the issues of the dispute. At other times, focusing on the facts may be counterproductive if it will encourage the parties to focus on past disputes, rather than on reaching an arrangement that will enable them to better deal with each other in the future. No generalizations are possible. This is a case-by-case decision for the mediator.

(d) Phase IV. Negotiation of Settlement Terms

Negotiation is most productive when the parties focus on their underlying interests and concerns, avoiding fixed positions which often obscure what a party really wants. The mediator can help the parties

adopt a problem-solving perspective, crystallize their own interests and understand each other's interests; defuse adversarial stances and develop a cooperative, problem solving approach. The mediator can narrow the range of issues, pinpoint the most serious concerns of each party, and generate new ideas for settlement. The legal rights of the parties and how their dispute is likely to be decided in court are considerations which need not be ignored.

Professionals debate whether the parties should be urged to make initial settlement proposals or whether the mediator, following a caucus with each party, should take the initiative in that regard. Again, there is no single "correct" approach. If one of the parties wishes to put forward to the other(s) a concrete proposal previously discussed with the mediator, the mediator probably would not intervene unless he or she believes that the proposal is ill-conceived or ill-timed. A mediator proposal is likely to be founded on in-depth exploration of the parties' interests and an exchange of views as to their realistic expectations. If the proceeding involves many parties, it becomes a virtual necessity for the mediator to propose settlement terms.

The first settlement proposal is not likely to be the last. Hopefully, it will be "in the ballpark" and provide a basis for negotiation. At this juncture, some experienced mediators will engage in "shuttle diplomacy," i.e., meet with the parties individually to try to bridge a gap or develop a more acceptable solution; other mediators are likely to conduct joint sessions to bring the parties together. On rare occasions, the mediator may consider it advisable to meet with the principals of the parties, separately or together, outside the presence of counsel.

Certain mediators favor a "one-text" approach. They will prepare a first draft of a settlement agreement, seek the parties' comments, and prepare successive drafts until all parties are in agreement.

A trademark dispute may well hinge on the issue of confusion of the public. Such an issue may be resolvable by an independent expert, operating under ground rules on which the parties have agreed. Once such a critical question has been answered by a neutral expert, the controversy may, as a practical matter, resolve itself. In appropriate cases, the parties and the mediator should consider retaining an independent expert.

Once agreement is reached on settlement terms, by whatever technique, a settlement agreement is drafted by the mediator or a party representative, circulated, edited as necessary and executed.

3. Length of Procedure

The length of a mediation depends on factors such as the complexity of the case, the number and availability of the parties, the urgency, and the difficulty of reaching agreement on the facts and on settlement terms. In any event, length will be measured in months, weeks or even days, not in years. During the initial meeting, the mediator should give the parties an estimate of the length of time required for each phase of the proceeding. Moreover, even during the early phases of the procedure the party representatives will develop a sense of the likelihood of success and of the approximate length of time which will be required. Under Rule 3.2 of the CPR/INTA Model Procedure any party may withdraw from the mediation at any time after attending the first session.

It is not uncommon for parties to agree to mediation on the expressed condition that a party will be permitted to commence litigation or arbitration if the mediation is not concluded within a specified period. Presumably, that option will not be exercised if, when the deadline is reached, the prospective plaintiff is optimistic as to the outcome of the mediation.

4. The Mediator

The selection of a highly capable mediator is vital. A mediator is not vested with the legal authority of a judge or arbitrator but must rely on his or her own resources.

To effectively mediate a significant, complex dispute a mediator must possess a rare combination of qualifications. The mediator must:

- be absolutely impartial and fair and so perceived
- inspire trust and motivate people to confide in him or her
- have a personal stature that commands respect
- be able to size up people, understand their motivations, relate easily to them

- set a tone of civility and consideration in dealings with others
- be a good listener
- be capable of understanding thoroughly the law and facts of a dispute, including surrounding circumstances
- quickly analyze complex problems and get to the core
- know when to intervene, and when to stay out of the way
- be creative, imaginative and ingenious in developing proposals that will "fly" and know when to make such proposals
- be a problem solver
- be articulate and persuasive
- be flexible
- possess a thorough understanding of the negotiating process
- be patient, persistent, indefatigable, and "upbeat" in the face of difficulties
- be an energetic leader, a person who can stimulate others and make things happen
- have experience or training as a mediator.

The size and complexity of the case will influence the selection of the mediator.

The mediator's role can run the gamut from that of a facilitator who arranges meetings in a conducive setting, to that of an activist who will early on announce settlement terms and will urge the parties to accept those terms. Mediators can:

- urge the parties to agree to talk
- help parties understand the mediation process
- provide a suitable environment for negotiation
- help parties agree on an agenda
- set an agenda
- maintain order and civility

- help the participants understand the problem(s)
- help the participants to ascertain the facts and to "face the facts"
- help the participants develop their own proposals
- carry messages between parties
- help the participants negotiate
- suggest solutions
- persuade participants to accept a particular settlement.

When entering into mediation the parties should reach an understanding as to the roles they expect the mediator to play and should communicate that understanding to the mediator. Indeed, the parties' expectations on this score are likely to influence the selection of the mediator.

What a mediator will do also will depend on the mediator's personality, experience, judgment, and intuition; on the nature of the dispute; on the kind and number of parties involved; and on their relationship with each other and with the mediator.

Generally speaking, a mediator is most likely to succeed by "taking charge" early on; by setting the agenda; by guiding the process with a combination of firmness and diplomacy; by playing an active role in the development of solutions; and finally, if need be, by persuading the parties to accept a specific settlement. The greater the number of parties, the stronger the case for this style of mediation.

The mediator's fee and other expenses of a mediation are normally shared equally. However, it is not uncommon for a party proposing mediation to offer to bear the expense of the early phase or phases of the procedure in order to induce the other party or parties to try the process. There also may be reasons not to allocate expenses on a per capita basis.

The mediator may need administrative assistance, legal research, or other forms of assistance. It is desirable for the mediator and the parties to discuss early on the types of assistance likely to be needed and the mediator's resources for obtaining the same.

5. *The Roles of Executives and Lawyers*

Executives are accustomed to turning dispute management over to their attorneys. In an important intercorporate mediation the company's interests are likely to be represented most effectively by a team consisting of a senior executive and senior attorney who are in sync and supplement each other. In-house attorneys frequently participate.

Understanding is best promoted when executives explain their positions directly to their counterparts, rather than communicating indirectly through surrogates. Executives should have the best understanding of their company's interests, of what is truly important. They have business-oriented settlement options not available to adjudicators or attorneys and are the most likely to develop creative, mutually advantageous solutions. It is preferable for a company to be represented by an executive who does not feel a need to defend past actions and who relates well to his opposite number. Each executive should be a decision maker authorized to negotiate a settlement, subject to board of directors approval if need be.

Some attorneys feel uneasy at the prospect of letting the client speak. The executive representing the company in a mediation should be an experienced negotiator. Success in negotiation, as at trial, depends on thorough preparation on the part of each participant, including discussion between executive and attorney. The team should agree on who will be the principal spokesperson in presenting the company's views in the early phases of the mediation. When it comes to discussing terms of settlement, the executive should be "front and center."

Even if an executive assumes an active role, there remain essential functions for the attorney, who may be an in-house or outside lawyer. These include:

- Counseling on the advisability of settlement and mediation.
- Persuading the adversary to agree to the process.
- Educating the executive as to the legal issues.
- Drafting statements for submission to the mediator and otherwise preparing for an effective presentation.

- Serving as a sounding board for the executive and discussing settlement options as the mediation progresses.
- Assuring confidentiality of the proceeding and avoiding compromising the company's litigation position, should the mediation fail.
- Drafting the settlement agreement and assuring its enforceability.
- Dealing with the court if litigation is pending.

The attorney should appreciate that in mediation the primary focus is on finding a solution rather than debating legal issues, that a mediation session is not a trial and that being argumentative usually is unproductive.

6. *Confidentiality*

Parties entering into mediation typically are anxious to protect statements made and documents generated during the process against disclosure to outsiders. Use of the materials and statements in litigation between the parties, should mediation fail, is a particular concern. A combination of legal, contractual and practical approaches can give the parties a high level of protection, although not an absolute guaranty, against disclosure.

- A mediation is a settlement negotiation and as such is entitled to the protection accorded by Rule 408 of the Federal Rules of Evidence and state counterparts. Rule 408 is couched in terms of admissibility in evidence. Courts are split on whether to apply Rule 408 if discovery is used in the proceeding.
- The legislatures of over forty states, wishing to encourage disputants to mediate, rather than litigate, have enacted statutes broadening the protection given by Rule 408 and its counterparts. These statutes differ from each other; and many are limited to particular kinds of mediation. Typically they are designed, *inter alia*, to assure that the mediator will not be compelled to testify as to the mediation process. (Rogers and McEwen, *Mediation Law, Policy, Practice* (1989, Cum. Supp. 1993) contains a detailed treatment of the subject of

confidentiality and summaries of all state laws protecting the mediation process.)

- If the parties adopt the CPR/INTA Model Procedure, Rule 4 will provide contractual assurance of confidentiality as between the parties; Rule 3.4(b) proscribes transcription of meetings; and Rules 4 and 5 require the mediator and each party upon request to return all written materials to the originating party.
- Rule 3.9 prohibits the mediator from serving as a witness, consultant or expert in an action relating to the subject matter of the mediation.
- The mediator should agree in writing to be bound by the above Rules. The mediator and the parties may supplement these Rules. (See Appendix 27.)
- If litigation is pending, the court may be requested to issue a confidentiality order.

Only rarely have mediators been compelled to testify or disclose materials as to a mediation proceeding, and then usually for reasons of overriding public interest, e.g., knowledge of a felony.

For information on how to file a matter with CPR, see https://www.cpradr.org/dispute-resolution-services/file-a-case.