Mediating the IP Dispute
Part VI: Memorializing the outcome
David Allgeyer
dallgeyer@lindquist.com

In the first five articles of this series, we explored the initial phases of the Intellectual Property mediation session through the time when the parties appear to have reached a settlement. In this final article, we will explore the importance of documenting the settlement as fully as you can right at the mediation In fact, this is especially important in an intellectual property case.

Let us assume that you have mediated a case involving a claim of patent infringement and misappropriation of trade secrets, with a counterclaim of infringement of another patent. The parties have reached a settlement in principal that will involve a payment for alleged past infringement of the patent and misappropriation of trade secrets, followed by a license of all IP for use in manufacturing the defendant's product. In addition, the defendant will provide a license to the plaintiff for certain patents, again pertinent to the products the plaintiff is actually manufacturing, and the license payments will offset the payments under the plaintiff's license to the defendant. Thus, everybody believes they know what they want and even know the amount of past damages to be paid, the licensing rate for both licenses, and the products that are at issue.

In some instances, the agreement will be set out in handwritten memorandum similar to a term sheet that both parties will sign. They will contemplate a more robust settlement agreement being prepared, but just don't want to do it all now. Is that a good idea?

I suggest it is not. There are any number of details that arise in an IP dispute that must be considered. A few examples include: If the license is limited, what is it limited to? Everyone may agree it is only to cover the defendant's present product, but how exactly will you describe it and what about future improvements? The license will be expressed as a percentage of some sales number, but how exactly will you define that value? Net sales? Gross sales? What about returns and rentals? How often will license fees be paid? What rights does the other party have to audit sales on which license fees are paid?

Similar issues arise regarding alleged trade secrets. What is licensed? What is not? How are those to be defined?

Other issues often arise about the exact scope of the release and the *res judicata* or collateral estoppel effect of the settlement. And of course the parties eventually become very interested in exactly when and how payment will be made.

In some states, mediation statutes require that certain disclosures be made. *See, e.g.* Minn. Stat. § 572.35 (A mediated settlement agreement is not binding absent agreement it is binding, disclosures of mediator's role and similar matters). Be sure to include them in the final agreement. Most mediators know to do this, but be active in making sure the agreement meets any such requirements.

Because the issues that can arise in IP cases are complex, you may be tempted to leave the "details" for later negotiation and finalization. Again, I suggest that is often not a good idea. All too often, it seems that the parties make assumptions about what the "standard terms" for any IP settlement agreement or license are. These assumptions, with

which the other side inevitably does not agree, can change the tenor of the agreement and eventually lead to a battle in court over whether there was a settlement at all.

The best way to deal with settlements at mediation, I have found, is to do the following: (1) think through most of the issues that are likely to arise in a settlement and have a plan for dealing with them; (2) map out some sample language from other settlement agreements as to, for example, the royalty rate and base, timing of payments, product definition, etc. and bring it with you to the mediation, and (3) do the same for the scope of release, confidentiality and other aspects of the settlement important to your client. Armed with those resources and a laptop computer, you can, with the help of the mediator, produce something close to a final agreement.

Of course, in many instances, counsel will want an opportunity to do a fuller version of the agreement. To accommodate that, we have often put in mediated settlement agreements that the parties contemplate a more complete agreement. But we also provide that if they are unable to agree on the more complete agreement within two weeks, the mediated settlement agreement will become the final, binding agreement. Another alternative is to appoint the mediator as arbitrator to resolve any disputes as to the exact provisions of the settlement. This may be in order for particularly complex matters where it is simply impossible to fully "wordsmith" the settlement in the time available at the mediation.

Some mediators will not become involved in the details of the settlement agreement itself as a matter of policy, feeling this is something the parties should work out on their own. Others think it is part of their role to help the parties with all aspects of a final agreement as necessary to ensure there is a final, binding conclusion to the dispute. It is worth learning

this about any potential mediator before deciding who to choose as mediator so you can plan appropriately.

One final thought. Actually spending some time to map out the details of a possible settlement agreement will be helpful to you and your client in preparing for the mediation. It helps put in place a settlement mindset and will help address issues that are important to you that should be dealt with at the mediation session. That is, after all, the best opportunity you will have to come to a reasonable business arrangement so that everyone can put litigation behind them and get back to business.