

Mediation Conference 2014

“Mediate First for a Win-Win Solution”

**-Advantages of using mediation to resolve
intellectual property disputes**

Day 1 – Thursday, 20th March 2014
Hong Kong Convention and Exhibition Centre,
Meeting Room N101

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General

- ❑ Knowledge based to intellectual property based economy
- ❑ Different forms of IP: trademarks, patents, copyrights, designs, trade secrets, plant variety rights, trade secrets/confidential information
- ❑ Similar rights: domain names, company names, geographical indications.
- ❑ Confidentiality is important
- ❑ More intellectual property rights - more awareness -more such disputes
- ❑ Mediation: Highly specialized form of negotiation 3P neutral
- ❑ Different settings require different skills.

Types of IP disputes not suitable for mediation

- ❑ deliberate bad faith counterfeiting;
- ❑ parties need a precedent for future guidance;
- ❑ party wants to be vindicated and make known it's rights publicly

Types of IP disputes be suitable for mediation

1. Patent, knowhow and trademark licences;
2. Franchises;
3. Computer contracts;
4. Multi-media contracts;
5. Distribution contracts;
6. Joint ventures;
7. Research and development contracts;
8. Technology-sensitive employment contracts;
9. Merger and acquisition where intellectual property assets assume importance;
10. Sport marketing agreement;
11. Publishing, music and film contract.

Sample Cases - Case 1

- ❑ Manufacture and supply of juke box radio CD player.
- ❑ Exporter/buyer: owns copyright in the juke box design and the trademark on the product.
- ❑ Manufacturer: make the tooling with design drawings provided by the buyer and made some modifications to design
- ❑ Disputes arisen on time for delivery and quality of the goods. Buyer refused to pay as per progress payment.
- ❑ Must ship goods before Christmas buying season starts.
- ❑ Buyer concern: non-delivery/delivery of defective goods
- ❑ Seller concern: non-acceptance/non-payment.

Case 1

IP issues:

- ❑ Can manufacturer sell goods manufactured with Buyer's copyright design and with the buyer's trademark to others
- ❑ can manufacturer claim copyright in the modifications for perfecting the product.

Real interest of the parties:-

Exporter /buyer :get the goods in time and good condition

Manufacturer /seller: get paid

Case 1

- Mediation attended by the bosses and the two managers.
- Communication gap on the specification of goods and time for delivery resolved
- Adjustments on (a) the design of the product, (b) purchase price, (c) timing for payment and (d) agreement in principle for future orders
- Addendum to the existing purchase order.
- All achieved within 1 week.
- Tension diffused and complicated litigation avoided.

Sample cases - Case 2

- ❑ Theater owner rented out venue for presentation of a dramatic – musical work (the “Play”).
- ❑ American company has exclusive rights.
- ❑ Hong Kong company obtained rights from American company under a presentation agreement to put on the play in Hong Kong
- ❑ Presentation agreement was terminated shortly before the play started.
- ❑ Theatre was threatened with proceedings under Section 33 of the Copyright Ordinance if they permit use of premises for infringing performance
- ❑ Thousands of tickets were sold already

Case 2

- ❑ Hire contract provided that Theater may terminate and forfeit deposit if Hirer failed to obtain all relevant licences for performance.
- ❑ Both HK and US companies claim they had rights
- ❑ Cancelling the Play would necessitate refund to public
- ❑ Only 1 week left the parties to resolve the differences.

Case 2

- ❑ Mediation took place but atmosphere was bad
- ❑ HK / US companies could not resolve dispute but agreed on interim measures with both releasing the Theater:-
 - a) Theater cancel the existing Hire Agreement with H K co and sign new Hire Agreement with US co;
 - b) refund of deposit by Theater to HK Co. although deposit could be forfeited;
 - c) proceeds of ticket sales be paid into joint bank account;
 - d) all third party expenses be paid out of the joint bank account. Balance to be paid to the appropriate party after their rights are determined by court or arbitral proceedings unless agreed.

Case 2

- ❑ At least the damages were contained and the Play could go on.
- ❑ Parties' disputes narrowed. Theater was off the hook.
- ❑ Not useful to determine who was right or wrong. The interest of the 3 parties prevailed.

Sample cases – Case 3

Apple and Samsung Smart Phone battle

Motto: Make tomorrow better than today.

Tomorrow must be better.

- Apple initiated lawsuits claiming that Samsung Galaxy infringed IP rights in their I-Phone and I-Pad.
- Samsung sued back
- Litigations span over 10 countries and 50 filings
- CEO of Apple and Samsung met face to face for mediation
- failed to settle

Comments:

- Conflict is too fundamental and the process has gone too far.
- Wish to settle may not be there or strong enough yet

IP issues may come in different forms or circumstances

General reasons for mediation of IP disputes:-

1. IP rights have limited life (patents, copyrights and registered designs);
2. Delay means unable to benefit during its effective life;
3. Unpredictable tribunal decisions;
4. Ongoing relationship more important than who is right or wrong;
5. Many IP rights in one product (e.g. a computer game, mobile phone) may be owned by different parties and being sold in different countries giving rise to multiplicity of proceedings;
6. Even competitors may need to use the other's technology. Cross licensing necessary and the strict enforcement of rights not commercially practical;
7. Often the validity of an IP rights may be challenged. Often no clear cut definitive answer by the courts at different level in different jurisdictions.
8. Confidentially desirable to preserve reputation.

Hong Kong – IP Gateway – IP ADR Hub

Working Group to promote the development of Hong Kong as an intellectual property trading hub – Sub group on Arbitration/Mediation

Existing advantages:-

- a) Bilingual capability;
- b) Common law style legal system (familiar to the international IP community);
- c) Part of China yet separate jurisdiction;
- d) Historical trading place, cosmopolitan;
- e) Pool of specialist;
- f) Geographically convenient with good infrastructure
- g) Things happen quickly

Welcome your thoughts

Thank You!