
Practices and Operation of alternative dispute resolution systems in intellectual property (IP) areas

Dr. Michael Groß, Fraunhofer-Gesellschaft, München

© Fraunhofer



- I. Fraunhofer-Gesellschaft: Facts & Figures

- II. Fraunhofer-Gesellschaft: Alternative Dispute Resolution
 - 1. R&D and License Agreements
 - 2. Working Group Mediation
 - 3. Case

- III. Outlook

© Fraunhofer

2



I. Fraunhofer-Gesellschaft: Facts & Figures

Fraunhofer-Gesellschaft the largest organization for applied research in Europe

- At present, the Fraunhofer-Gesellschaft maintains 66 institutes and independent research units.
- The majority of more than 22,000 staff are qualified scientists and engineers.
- €1.9 billion annual research budget totalling. Of this sum, €1.6 billion is generated through contract research.

Inventions and Patents

in 2012

- 696 new inventions
- 499 new patent applications

by 2012

- 6103 patent families
- 3167 License Agreements

II. Fraunhofer-Gesellschaft: Alternative Dispute Resolution

1. R&D and License Agreements

During the last 5 years Fraunhofer-Gesellschaft recognised that more and more foreign R&D contractors and Licensees try to negotiate the following aspects very intensively:

- Applicable law
- Place of venue/ dispute resolution

What are the reasons for the R&D Contractors and Licensees to negotiate these aspects?

The parties try to negotiate an applicable law the party is familiar with.

Applicable law:

Which „neutral law“ should be chosen?

Fraunhofer-Gesellschaft made the experience that in most of the cases the parties of the agreements had chosen the law of

- Switzerland or of
- Austria or of
- United Kingdom.

In 2012 Fraunhofer-Gesellschaft mandated 3 law firms in Switzerland, Austria and United Kingdom to examine some Fraunhofer Model Contracts (R&D, Licensing) under Swiss law, Austrian law and English law.

As a result of these examinations Fraunhofer-Gesellschaft developed Check Lists for the relevant departments.

Example:

In 2012 Fraunhofer-Gesellschaft proposed German law as the applicable law. A Californian company proposed Californian law. Both parties agreed on New York law. Fraunhofer-Gesellschaft mandated a law firm in New York to examine the license agreement under New York law (costs of ca. US \$ 11,000/rate per hour US \$ 895). Fraunhofer-Gesellschaft received 3 Mio. US \$ only for the acceptance of New York law.

Which place of venue?/ Which kind of Alternative Dispute Resolution?

Since 2008 Fraunhofer-Gesellschaft offers to its Licensees a three-tiered ADR proceeding:

1. In case of a dispute the parties negotiate first. Term of negotiation:
e.g. 30-90 calendar days
2. If negotiations are not successful: Mediation. Term of Mediation: e.g.
30-90 calendar days
3. If Mediation is not successful: Expedited Arbitration with one arbitrator

Exception (from 2012):

Up to a value in dispute of EUR 100,000 only first tier (negotiations) followed by national trial.

Reason: European Payment procedure is cheaper!

Acceptance rate:

95% of R&D contractors/ Licensees accept the 3-tiered ADR proceeding!

2. Working Group Mediation

Fraunhofer-Gesellschaft established the "Working Group Mediation" in 2011 to spread the ideas of ADR within Fraunhofer-Gesellschaft and – at least – to save money and time.

As a member of the Round Table Mediation and Conflict Management of the German Industry ("Round Table" www.RTMKM.de) Fraunhofer-Gesellschaft has the possibility to use the experience of the other members of the Round Table.

- 7 trained and experienced in-house mediators
- In-house mediators coordinate and accompany the process (e.g. preparation of documents & negotiations & time tables).
- Only in case of disputes with third parties (mainly Research & Development Agreements, License Agreements) the in-house mediators give advice to find and choose the appropriate "instrument" (e.g. mediation, arbitration, minitrial, expert opinion etc.) and the "neutral" (e.g. the mediator, the arbitrator, the expert etc.).

- Internal disputes are accompanied by personnel department.
- In-house mediators guarantee confidentiality, professionalism, provide a network and do not limit other spheres of responsibility within Fraunhofer-Gesellschaft (e.g. of legal department, patent department, license department etc.).
- In-house mediation will always be implemented in coordination with the other spheres of responsibility.
- In case of disputes with third parties the in-house mediators coordinate the mediation with the legal department.
- The Working Group Mediation can be reached under mediation@fraunhofer.de or personally. Response will be given within one working day.
- Urgent and/or important documents have to be sent in parallel by postal service and by fax in compliance with time-limits and to file interim injunctions.

3. Case

Year:	2011
No. of parties:	2
Registered office of parties:	Germany
Matter in dispute:	Patent- and Know-how-License Agreement, R&D Agreement, general cooperation
Term of dispute until mediation:	6 years
ADR organization:	eucon, Munich, Germany
No. of mediators:	2
Costs:	ca. 13,000 EUR (ca. 6,500/party)


Result of mediation:

Settlement:
1 R&D Framework Agreement, 2 License Agreements

external mediators)

Reasons for the settlement:

- Parties spoke with each other without their lawyers
- Former negotiators of the parties were exchanged
- Parties now chose experienced own/ negotiators (partly: experienced)

© Fraunhofer 13 

III. Outlook

Experience of Fraunhofer-Gesellschaft: not very easy and necessary to follow a long term approach to establish a successful Conflict Management System to save time and money

It's worth the effort!

© Fraunhofer 14 