Alicante, 01 April 2022

Note for the attention of the Members
of the ADR Stakeholders Advisory Board (ADR-SAB)

Subject: Criteria for the Suitability of Cases for Mediation

1 Introduction

The ADR-SAB Work Plan 2022 included the development, with the support of a specific Working Group, of a list of criteria to which the potential users before all EUIPO instances may refer to as a screening tool to consider whether their case is suitable for mediation.

The members of the Working Group are:

- Martina Kotykova, CZ IP Office
- Silvana Marcotulli, European Digital SME Alliance
- Petter Rindforth, FICPI
- Nazareth Romero, ICAM
- Nina Korjus, Chairperson of the 4th Board, EUIPO

2 Background

The members of the Working Group met twice and feedback was received and incorporated by the EUIPO ADR Service.

The following steps are foreseen:

- Dissemination among members of the ADR-SAB
- Presentation at the next ADR-SAB plenary meeting

3 Conclusion

ADR-SAB members are kindly invited to take note of the document on Criteria for Suitability of Cases for Mediation attached in the Annex.

Annex Criteria for the Suitability of Cases for Mediation

SAB Working Group on Criteria for the Suitability of Cases for Mediation

Version 1 – 28/03/2022

Project/Service	ADR-SAB / Alternative Dispute Resolution Service	
Status	DRAFT	
Approved by owner		
Authors	ADR Service	
Contributors	Working Group on Criteria for suitability of cases for mediation	

Revision History

Version	Date	Author	Description
0.1	11/03/2022	ADRS	First draft
1.0	28/03/2022	ADRS	Comments of the Working group integrated

Contents

1. Objective

The objective of this WG is to draft a list of criteria to which the potential users before all EUIPO instances may refer to as a screening tool **to consider whether their case is suitable for mediation**. To this end, two complementary checklists relevant to cases in the IP field have been drafted:

1/ one listing **Criteria for identifying cases more suitable for mediation;** and
2/ one listing **Criteria for identifying cases where mediation may not be feasible.**

It is important to mention that the notion of the "**user**" does not strictly refer to users with a legal or IP background (such as IP specialists, lawyers, etc), but to users with all different types of backgrounds, such as company owners or individual entrepreneurs, who may or not have legal or IP knowledge.

These criteria were developed primarily for cases involving EUTM and RCD[1]. However, these criteria can also be applicable to other IP rights such as copyright, patents as well as national rights.

2. Criteria for identifying cases more suitable for mediation

The first checklist contains criteria that relate to (a) the nature of the dispute and the (b) legal framework in the context of which the dispute has emerged.

2.1 Nature of the dispute

1. **Stage of the proceedings**: Starting negotiations at the **earliest possible stage** of a conflict usually favours a conflict being resolved through mediation. This is also because at this early point (for example at opposition level or even before a dispute has started) there are no or few legal/litigation costs already incurred by the parties to the dispute.

   However, even where proceedings have reached an advanced stage (for example already before the EUIPO BoA) and costs have already incurred, mediation can be the solution:

   - In case the cost of the litigation takes a toll on the parties and parties may want to avoid further costs; and/or
   - In case, as proceedings progress, more evidence becomes available to the parties, which have a complete picture of the matured dispute and issues underlying it and, based on that, prefer to opt for a mediated solution.

[1] An EU trade mark and a registered Community design is valid in all countries of the European Union.

2. **Complexity of the dispute**: Mediation may be the best solution when there is a high probability that the case **will be complicated to rule upon** (e.g. complex or technical factual issues or cross border dispute). The high level of complication makes mediation more suitable because a global solution can be found, rather than having to deal with each issue separately. For example, in a cross-border situation where there can be contradictory judgements in different jurisdictions.

3. **Complexity of the enforcement of a judgment in case of litigation**: Mediation can be also more suitable in case of **complexity at the level of enforcement**. There might be difficulty for implementing what is set out in the judgement or there may be insufficient assets or resources for proper enforcement. There might also be financial instability (especially during the COVID period), or enforcement of any judgment on breach of contract may need to be made in an unfamiliar jurisdiction, which may even be outside the EU. Mediation will help **voluntary enforcement** of the common agreement.

4. **Global solution to dispute**: Mediation is also very useful when a dispute before a particular court is only **one of a number of conflicts between the parties**. There might be other existing or emerging conflicts between the parties which cannot be resolved in the court hearing a particular case because they are simply not the subject-matter of those proceedings. Mediation is not restricted to a particular dispute and may cover all issues between the same parties, offering a global solution.

5. **Co-existence of IP rights**: Mediation is also more suitable where there is the opportunity to have **co-existing rights**, a situation in which two different undertakings use a similar or identical trade mark without interfering with each other's businesses. For example, two companies that have similar trade marks but coexist via a delimitation of their fields of use, that is regarding the goods or services they use. And therefore, there may be more margin and scope for finding some sort of peaceful coexistence, taking into account the territories that those undertakings are interested in and the goods and services in question.

6. **Safeguarding business relationships**: If parties are interested in a **continuing business relationship** (for example a buyer-seller or agent-principal relationship) and in keeping everything confidential regarding the dispute, mediation is highly suitable. Some examples of this may include IP rights matters such as licencing, franchising, or disputes related to the content or amount of the royalties, etc.

7. **Tailor-made approach**: Mediation is more suitable in cases where **a tailor-made approach** is required for resolution because of the characteristics of the parties involved in the dispute and/or the underlying emotional matrix. For example, in case of family owned businesses involved in a dispute, wishing to find a solution, which is less confrontational, flexible and beneficial for all parties.

8. **Prior settlement agreements**: In case there is already a **prior settlement agreement reached through mediation**, mediation may continue to be appropriate where:

- there are new issues that concern the same parties who have had a positive experience with the previous mediation; or
- parties would like to resolve enforcement issues regarding the existing settlement agreement.

2.2 Favourable legal framework conditions

1. **Multiple pending proceedings**: Mediation is more suitable when there are **other pending proceedings involving the same parties, or related issues between the same parties**. These pending proceedings could be anywhere in the world, and typically could be parallel proceedings on administrative IP register issues, or IP infringement matters. A single mediation process can provide a global solution for all disputes between the same parties.

2. **Third parties**: Mediation is also suitable where it is likely that **third parties** (i.e. parties that are not part of the dispute) **could be required to join the action -** for example, if a sign also infringes the trade mark of a third party who may want to join the action. In this case, mediation can be a more suitable way to avoid complex litigation proceedings.

3. **Contract with mediation clause**: Mediation is also appropriate where the existing contract between the parties already contains a **mediation clause**. This is common in licence agreements and franchise contracts. In that case, parties should try mediation, before taking any legal action.

4. **Streamlining of process**: Finally, mediation is easier in terms of accessibility and organisation when there is a link or institutionalised cooperation between the authority seized of the particular case (in this case the EUIPO) and a Mediation Centre offering these types of services to the parties.

3. Criteria for identifying cases where mediation may not be feasible

The second checklist contains criteria that relate to (a) the nature of the dispute and the (b) representation of the parties.

3.1 Nature of the dispute

1. ***Ex parte* proceedings**: Mediation is excluded for public policy reasons if the case involves ***ex parte* proceedings**, i.e. where only one party is involved, such as registration issues (in the examination of the classification or absolute grounds for refusal of a European Union trade mark application).

2. **Non-compliance with legal framework**: Mediation is excluded in case the issues covered by the dispute between the parties are **not allowed to be mediated by the particular law** applying to that specific dispute.

3. **Obtaining a court decision**: Mediation may not be the suitable way to resolve the dispute in case a party would like to obtain a court decision, for example to **discourage potential infringers or to obtain an invalidity or nullity of an IP right**. Having said that, parties should consider that the context and the facts of each dispute/case are unique and the impact of a court decision as a deterrent to future infringers should not be overestimated.

4. **Abuse of mediation**: Mediation may not be suitable in case there is **abuse of the mediation as a process**, i.e. where a party shows signs of using mediation to serve other purposes than seeking a commonly acceptable solution, for example to extend the procedural deadlines of a dispute or to gain time in order to continue its damaging or infringing actions. It often happens in the field of domain names, in case of frivolous or vexatious complaints.

5. **Need for urgent action**: Mediation may be difficult in case **urgent action is required** (e.g. injunction relief or other interim measures). However, an emergency mediation conference can take place if the parties so wish and provided there is the possibility of such an expedited a mediation from a procedural and organisational point of view.

6. **Counterfeiting, piracy or allegation of fraud**: Mediation may also be difficult in cases of **counterfeiting, piracy** or **allegations of fraud**. However, mediation could be envisaged even in some of these cases if the parties so agree. For example, if the parties had already an existing commercial relation, and in their dispute claim fraud, break of contract, counterfeit, etc., through mediation they could reach a positive new business agreement or similar solution.

3.2 Representation

1. **Legal incapacity of a party**: An impediment to mediation is the case where one of the parties is **legally incapacitated**, which means that the party cannot manage its own financial affairs (for example because of physical/mental illness, death, being a minor or due to a lack of ability to understand one's actions when making a will or other legal document).

2. **Freedom to dispose of intangible assets**: Another impediment is that a party or parties are **not free to dispose of its/their intangible assets**, including their IP rights. This can be due to impending or ongoing winding up, liquidation or other insolvency proceedings regarding their assets. It can also be due to the existence of a charge, lien, or some other incumbrance existing against that IP right.

4. Proposal to SAB Plenary

The preliminary draft of the Criteria will be presented to the 5th SAB plenary meeting that will take place on the 8th April.

Following its endorsement by the SAB plenary, a pilot application of the Criteria will take place. Concretely, the Members of the 4th Board of Appeal of the EUIPO will use the Criteria as a screening tool for assessing the suitability for mediation of the cases they have been assigned.

The lessons learnt and the conclusions drawn from this pilot will be presented and discussed in a meeting of the SAB WG4 that will take place in September-October 2022. A final consolidated version of the Criteria will be prepared by the WG4.

This final version will be presented for endorsement in the 6th SAB meeting that will take place in mid-November.

5. Next Steps

This document will be presented in the 5th SAB meeting for feedback and endorsement.