1-1-1991

Prospects for ADR in Patent Disputes: An Empirical Assessment of Attorneys' Attitudes

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PROSPECTS FOR ADR IN PATENT DISPUTES: AN EMPIRICAL ASSESSMENT OF ATTORNEYS' ATTITUDES*

BY THOMAS G. FIELD, JR. AND MICHAEL ROSE**

Introduction

For the most part, parties with a legal dispute have either settled their differences or, when that wasn't possible, litigated them. However, alternative dispute resolution (ADR) is increasingly urged as a supplement or substitute in a wide range of areas.[1] ADR usually involves at least one third party who is employed by neither the judicial system nor one of the parties to the dispute. The third party may be a mediator, who helps the parties reach settlement, or an arbitrator, who renders a decision. While arbitration has been widely used for many years, until very recently, mediation (or conciliation) was more likely to be confined to

* We are grateful to Professor Karl Jorda, Director of the Germeshausen Center, for underwriting the cost of reproducing and mailing the 1991 survey and to Carol Ruh for doing so.

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[1] For a comprehensive discussion of ADR, with citations to a great deal of empirical literature, *see* Pearson, *An Evaluation of Alternatives to Court Adjudication*, 7 JUSTICE SYS. J.5 (1982).

More recently, ADR has even expanded into the public sector. For background and brief discussion of a pair of particularly interesting statutes, *see* ADMINISTRATIVE CONFERENCE OF THE UNITED STATES, 1991 ANNUAL REPORT, at 25, discussing efforts to implement the Administrative Dispute Resolution Act (P.L. 101-552) and the Negotiated Rulemaking Act of 1990 (P.L. 101-648).

labor controversies.[2] Ironically, just as many patent attorneys began to appreciate arbitration's potential for being quicker and less expensive than litigation,[3] a couple of cases created doubts about whether it could be used to resolve issues that are usually central to patent disputes.[4]

Notwithstanding these doubts, in 1981 a group of patent attorneys were surveyed to determine, e.g., the extent to which they had been using ADR in intellectual property disputes and were inclined to continue.[5] Until last year, that survey provided the best data available. However, at the prompting of the Advisory Committee on Patent Law Reform, another survey, using essentially the same questions, was conducted in 1991.

Here, we analyze both surveys, focusing primarily on the acceptability of arbitration and mediation for resolving patent disputes.[6] We find that some things have changed a great deal over the past decade, e.g., reported experience with mediation has increased dramatically. We also find, e.g., that, notwithstanding Congressional action to eliminate many bases for doubt about the legitimacy of patent arbitration in 1982,[7] reported use of arbitration is essentially unchanged.

In addition to trying to evaluate changes over time, we compare the relative perceived value of ADR and litigation, on the one hand, and

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[2] *But see, e.g.,* Newman, *Pacific Industrial Property Association: Non-Binding Conciliation Between Japanese and American Companies,* 18(4) IDEA 91, 96 (1977)—this particular issue of IDEA contains several relevant papers from a 1976 conference on the arbitration of patent and other technological disputes.

[3] A seminal treatment of the topic is provided in Goldsmith, *Patent, Trademark and Copyright Arbitration Guide,* 53 J.P.O.S. 224 (1971). For more recent, and broader, discussion of ways to reduce the cost and complexity of patent litigation, *see, e.g., Franklin Pierce Law Center: Second Patent System Major Problems Conference,* 30 IDEA 107 (1989) and ADVISORY COMMISSION ON PATENT LAW REFORM, DRAFT FINAL REPORT 25 (Version 1.1, April 24, 1992).

[4] *See, e.g.,* Curley, *Arbitration of Patent-Antitrust Disputes: Business Expediency vs. Public Interest,* in 18(4) IDEA 107 (1977).

[5] *PTC Research Report: Alternatives to Court Litigation in Intellectual Property Disputes. . .,*22 IDEA 271 (1982). *See also,* Brenner, *Licensing Executives Society Inquiry into Arbitration: A Discussion,*18(4) IDEA 101 — questions 3-A, 4, and 5 of the PTC survey are the same as questions 1-3 of the (1974-75) LES survey reproduced and tabulated there.

[6] For an excellent discussion of the use of these and other options between traditional mediation and arbitration, *see* T. ARNOLD, PATENT ALTERNATIVE DISPUTE RESOLUTION HANDBOOK (1991).

[7] 35 U.S.C. § 294 (1984). For a brief discussion, *see, e.g.,* Field, *Patent Arbitration: Past, Present and Future,* 24 IDEA 235 (1984).

of mediation and arbitration, on the other. We also compare the views of those with and without ADR experience, finding that attorneys who have used mediation and arbitration in the past are much more inclined, than those who have not, to do so in the future. Such results offer empirical support for the proposition that, before the potential of ADR can be more fully exploited, hands-on-training will be necessary.

Similarity of Survey Populations

Insofar as most, if not all, of the persons surveyed in 1981 and 1991 are different, comparison of responses assumes similarities in the respective groups. Although the exact target of the 1981 survey is unclear, the 150 patent attorneys who received it were employed by corporations. The 1991 survey was sent to a facially comparable group: 313 members of the Association of Corporate Patent Counsel.[8] The surveys generated 51 (34%) and 74 (24%) responses, respectively.

Questions from those surveys are reproduced in an appendix to this paper—along with tabulated responses. While we found that the number of patents received annually, as provided in response to Question 1 (hereinafter, e.g., Q1), appeared to influence responses to Q13 (and may have influenced others), the two groups of attorneys are closely matched in that regard.[9] Although the mix of technologies in which patents were obtained[10] was not as similar, we see no reason to expect this to influence comparisons between 1981 and 1991 responses.[11]

After the latter survey was conducted, responses were tabulated and distributed with two follow-up questions relevant to this inquiry.[12] We

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[8] However, patent attorneys who wish to join this association must have at least three others reporting to him or her.

[9] *Id.* In view of this, it is surprising that *any* 1991 respondent reported fewer than 20 patents annually. Yet, both surveys indicated that 5 firms received fewer than 20 patents and 53% of respondents received 21-100 patents. For 1981 and 1991, respectively, the number of firms receiving over 100 patents was 33% and 38%. That this is relevant with regard to attitudes toward ADR is discussed *infra* at note 26.

[10] The biggest difference between the two groups was a decrease in those active in the electrical arts (65%, in 1981, compared to 46% in 1991) and an increase in those active in the biological arts (20% in 1981, compared to 32% in 1991).

[11] In contrast, those surveyed by LES in 1974-75 (Brenner, *supra* note 5) are very different—including attorneys from law firms, attorneys from abroad and nonlawyers. For that reason, we do not compare identical items from that survey.

Also contrast the items considered in the analysis cited *infra* note 12; optimal patent term, for example, should be very much influenced by the technology.

[12] The responses to two unrelated questions are discussed in Field, *Comment: Perceptions of chief patent counsel at large corporations of the effects of patent term, products liability and government regulation on firm R&D,* 32 IDEA 277 (1992).

received 41 replies, and follow-up questions appear at the end of the appendix. While the group responding to the follow-up questionnaire appears to be similar to the initial respondents,[13] answers to one question were surprisingly different as between attorneys who did and did not respond to the initial survey.[14] This alone would caution against placing great weight on any differences between the 1981 and 1991 surveys —or, for that matter, concluding that those who responded to the surveys are typical of those who did not.

General Attitudes toward ADR

In view of concerns about the legitimacy of arbitrating patent validity and infringement prior to the effective date of § 294 (1983), attorneys may have been loathe to arbitrate disputes involving anything other than damages or royalties. This could account for the fact that few 1981 respondents indicated that one or more *prior* patent, know-how or licensing disputes might have been better handled by arbitration[15] or that they were involved in a *current* dispute regarded as appropriate for arbitration.[16]

In contrast, because mediation fundamentally involves only facilitated settlement between the parties, its legitimacy should have raised fewer concerns. This may account for the fact that a third of 1981 respondents indicated a preference for mediation.[17] That the fraction was not higher might be largely explained by the relative novelty of mediation at that time.[18]

Because the raw data is available for 1991, more analysis is possible. Consider, for example, the groupings of responses to question 5 and 8 shown in Table 1.

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[13] The 22 people who responded to both '91 questionnaires reported: Number of patents 0-10 (1), 11-20 (1), 21-100 (10), more than 100 (10); Field: Electr. (12), mech. (16), chem. (13), bio. (8); arbitration experience (6); and mediation experience (4). This seems quite similar to the profile of the original group.

[14] *See infra* at note 27.

[15] Question 4, Appendix *infra* (11 of 51) — hereinafter, e.g., "Q4."

[16] Q5 (15 of 51). The larger number of affirmative responses to question 5 is difficult to understand, given that *prior* disputes should outnumber *current* ones.

[17] Q8

[18] *See, e.g.,* Newman, *supra* note 2.

Table 1
Comparing 1991 Individual Responses to Questions 5 and 8

	Q5 "Yes"	*Q5 "No"*
Q8 "Yes"	14	20
Q8 "No"	11	14

Attorneys answering "yes" to both questions (14) are clearly willing to use ADR. Moreover, this is true of anyone answering "yes" to only one of the questions. A positive answer to Q5 clearly indicates a favorable attitude toward ADR even though mediation may not be preferred. Moreover, it is doubtful that anyone answering "yes" to Q8 would be unwilling to use mediation—regardless of whether they have a present dispute, much less one suitable for arbitration. Thus, 45 of the 59 attorneys giving a "yes" or "no" answer for both questions (76%) indicated that they were willing at least to consider arbitration or mediation for resolving disputes.

Even those answering "no" to both questions (14) did not necessarily indicate hostility to ADR. Persons so answering may have meant only that they did not generally prefer mediation and that they were not involved in any dispute needing resolution. Thus, the fraction of respondents willing to use ADR could be higher. Even ignoring this possibility, we nevertheless see evidence of considerably more support for ADR that the fraction of affirmative responses to either question would suggest.

Factors of Importance in Dispute Resolution Generally

Question 12 asked what attorneys would want from a third party attempting to resolve the dispute. Both surveys indicate that fact findings and a statement of what should be done by each party are of more interest than a discussion of legal issues.[19] However, such things should have little bearing on willingness to use ADR. Each is possible regardless of whether mediation or arbitration is used—depending only on party agreement. Traditionally, arbitrators have generated awards without opinions and mediators have often been little more than a conduit for proposed settlement offers, but the line is increasingly blurred when

[19] *See also* Q13f. For further discussion of such factors, *see* Arnold, *supra* note 6, Ch. 5.

mediators may be asked to render fairly ornate (non-binding) opinions and "arbitration" awards may be ignored in de novo "review."[20]

Indeed, the exact form of third party contributions seems far less important than the capacity of either party to reject or appeal a proposed resolution of a dispute—particularly if such views are unavailable later in the process.[21] If finality is a very important consideration, traditional arbitration is the way to go; that process will yield awards that are subject only to very limited review in enforcement actions.[22] Conversely, if right of appeal is important, traditional arbitration would be unacceptable.

However, when respondents were asked, in Q13, to rank the importance of factors that might influence a choice of dispute resolution methods, neither finality nor right of appeal figured prominently. Moreover, privacy, a factor often emphasized in distinguishing traditional arbitration and mediation from litigation, received only one first place vote in 1981 and two in 1991.

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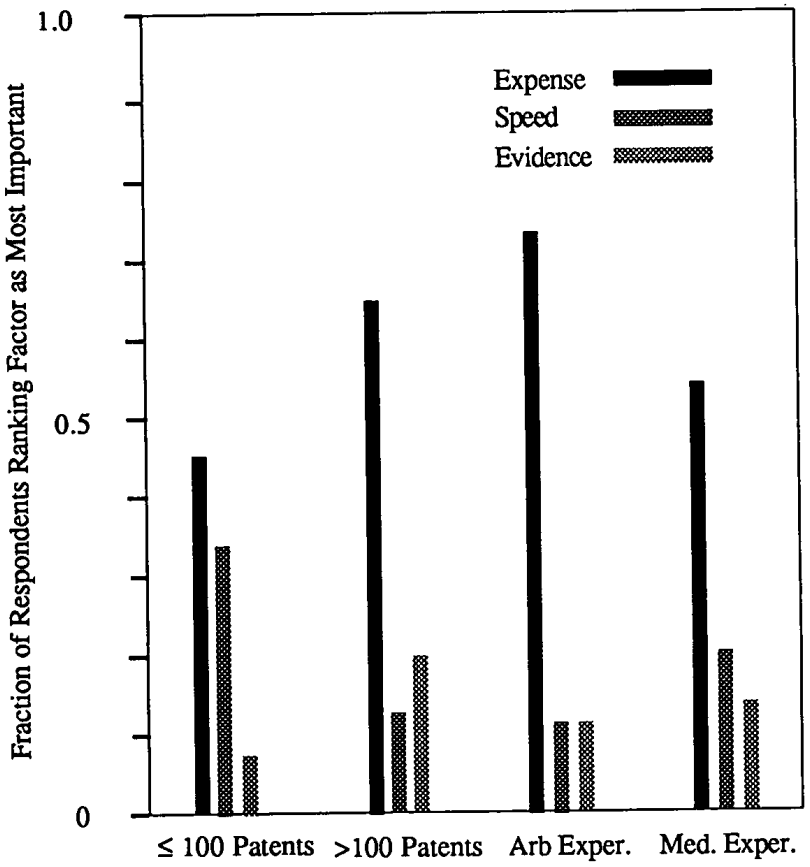
[20] *See, e.g.,* Simoni, Wise & Finigan, *Litigant and Attorney Attitudes Toward Court-Annexed Arbitration: An Empirical Study,* 28 SANTA CLARA L.REV. 543 (1988) — the scheme they evaluate permits a de novo trial of any matter previously resolved by arbitration. *See also,* Myer, *Technology 2001,* ABA J., Dec. 1991, at 66 — describing use of a computer to perform a mediatory function that might otherwise be performed by a human!

[21] *E.g.,* Simoni et al., *supra* note 20 at 547. In note 16, the authors report that in subsequent proceedings the court does not know who won or lost previously. Also, notwithstanding this, they report relatively few "appeals."

[22] *See id.* for the atypical situation. For the typical situation, *see, e.g.,* Aksen, *The Case for the Status Quo,* 18(4) IDEA 81 (1977). *See also,* McGovern, *The "Case" for Expanded Judicial Review of Commercial Arbitration Awards,* 18(4) IDEA 67 (1977).

Figure 1
Fractions of 1991 Respondents
Ranking Expense, Speed and Evidentiary Considerations as Most Important in Dispute Resolution



Expense has been and continues to be generally regarded as the most important factor by far. It received almost twice as many first place votes as the next contender in 1981[23] and, possibly because of the recession, nearly three times as many in 1991.[24] Yet, Figure 1 shows that in the 1991 survey the fraction of attorneys with 100 or fewer patents per year ranking expense first was considerably higher (0.64) than the fraction

[23] 25 vs. 13. However, note that one response, in Q14, states: "Our experience has been that court costs are often less than ADR, . . . and ADR is not always faster."

[24] 37 vs. 13.

reporting over 100 patents (0.44). If we assume that larger firms receive more patents, this suggests, not surprisingly, that concern for expense correlates negatively with size of the firm.

Speed received more first place votes than simplified evidentiary procedures in both surveys.[25] Yet, it bears mentioning that this is true for 1991, as Figure 1 shows, only because firms with over 100 patents were outnumbered by smaller ones (44 to 28).[26]

Another factor, included in neither the 1981 survey nor the initial 1991 survey, was addressed in the 1991 follow-up. Third party expertise received six first place votes from the 21 original respondents answering that question.[27] It is noteworthy, whatever their exact rank, that speed, simplified rules of evidence or third party expertise, is each likely to have a larger impact on expense than any option receiving fewer first place votes.

Factors Influencing Willingness to Use ADR

Question 6 attempted to evaluate respondents' willingness to use ADR as a function of issues in dispute. Unlike the situation with validity and infringement, since there was never any doubt about the appropriateness of arbitrating patent royalty disputes in 1981, one would expect to see differences between these categories. Differences exist, but they are not large. They might have been larger had respondents not been asked about willingness to arbitrate *or mediate* disputes, but, even then, some respondents did favor using ADR for damages over other types of disputes. Table 2 shows that this is particularly true when larger amounts are in controversy.

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[25] 13 vs. 4 in 1981; 13 vs. 8 in 1991.

[26] In this vein, it is worth mentioning that Simoni et al., *supra* note 20, at 569, found that the use of less rigorous rules of evidence was unlikely to have much of an effect.

[27] Q13h. However, that this factor received no first place votes from new respondents is very interesting. This could mean, e.g., that the initial respondents were not representative or that earlier consideration of the question generated a different response.

In any case, anyone who regards expertise as highly beneficial should consider potential disadvantages as discussed in, e.g., Moore, *Resolving Highly Technical Factual Disputes: Judicial Perspectives*, 18(4) IDEA 13, at 17 (1977).

Table 2
Fractions of Respondents Willing to Use ADR as a Function of Issues and Amount in Controversy

	1981			*1991*		
Amount	*Validity*	*Infringement*	*Damages*	*Validity*	*Infringement*	*Royalties*
<$100K	0.69	0.73	0.71	0.61	0.69	0.70
$1-500K	0.49	0.63	0.65	0.46	0.59	0.64
$500K-$1M	0.18	0.27	0.29	0.38	0.49	0.58
Over $1M	0.10	0.14	0.24	0.27	0.35	0.38

Also, following passage of § 294, one might expect to see smaller differences in willingness to use arbitration as between royalty and other patent issues. However, 1991 respondents still showed considerable reluctance to use ADR where validity was in issue. Although it is difficult to see why this would be true for mediation, it is understandable for arbitration. If a patent is found valid, other actual or potential infringers may be less impressed by an arbitrator's than by a judge's determination. Yet conversely, if the patent is found invalid (and even though arbitration awards are said not to affect strangers to the proceedings), it would be difficult for a patentee to justify efforts in continuing to enforce it.[28] Such factors would certainly be expected to influence attorneys' willingness to arbitrate.

Another factor related to whether a dispute will be arbitrated is whether the controversy involves terms of a license—and whether the parties are from different countries. Patent licenses are apt to contain an arbitration clause.[29] If the parties are from different countries, licenses are even more likely to contain an arbitration clause.[30] This does not necessarily mean that such a clause will cover all controverted issues arising in the context of the license, but royalty disputes would surely be included. Where parties do not have a future disputes agreement, several things may interfere with their entering into an ad hoc agreement. For one thing, a party with more resources may be unwilling to forgo any advantage this would afford.[31] For another, as one

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[28] *See, e.g.,* Field, *supra* note 7, at 245.

[29] 1991 follow-up survey, Q1(a)—only 1 of 41 respondents indicated that an arbitration clause is *never* used in licenses.

[30] 1991 follow-up survey, Q1(b)—35 of 41 respondents indicated increased likelihood of an arbitration clause in a transnational license.

[31] *See, e.g.,* Sperber, *Overlooked Negotiating Tools,* 20 LES NOUVELLES 81 (1985).

attorney noted in response to the 1991 survey:[32] "[I]n situations where we have good enough cross dialog [for ADR], we are usually able to settle. . . ."

As seen above in Table 2, patent attorneys' willingness to use ADR—or at least arbitration—has been and continues to be a function of the amount in controversy as well as the issue in dispute. However, the effect of the amount in controversy is starkly demonstrated by the correlation coefficients presented in Table 3. From those, we see that respondents' attitudes are influenced both strongly and *negatively*. This reflects considerable anxiety about ADR. While there were few comments in response to Q14, some nevertheless provide insight into concerns not otherwise addressed in the surveys.

For example, while only one 1991 respondent mentioned it, arbitrators are commonly said to be more likely than judges to "split the baby." Anyone who believes and fears this, and is unaware of ways to avoid the possibility,[33] is unlikely to agree to arbitrate. Further, expedited process may be a mixed blessing; e.g., another 1991 respondent stated:[34] "I have been concerned with admissibility of evidence in an arbitration proceeding."

Table 3
Correlation between Amount in Controversy and Willingness to Arbitrate Certain Issues

	1981	*1991*
Validity	-0.991	-0.975
Infringement	-0.994	-0.988
Royalties/Damages	-0.980	-0.924

Changes in Attitudes over Time

Responses to several questions suggest a substantial increase, since 1981, in acceptance of ADR for resolving patent, know-how or licensing disputes. Indeed, Table 2 shows, particularly above $500,000, increased willingness to arbitrate all kinds of issues. The small and sometimes counterintuitive relationships below that amount are partly explained by the fact that many 1981 respondents were willing to arbitrate all issues when the stakes were low and may be influenced by reduced value of the dollar. Also, several 1991 respondents did not explicitly indicate

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[32] Q14

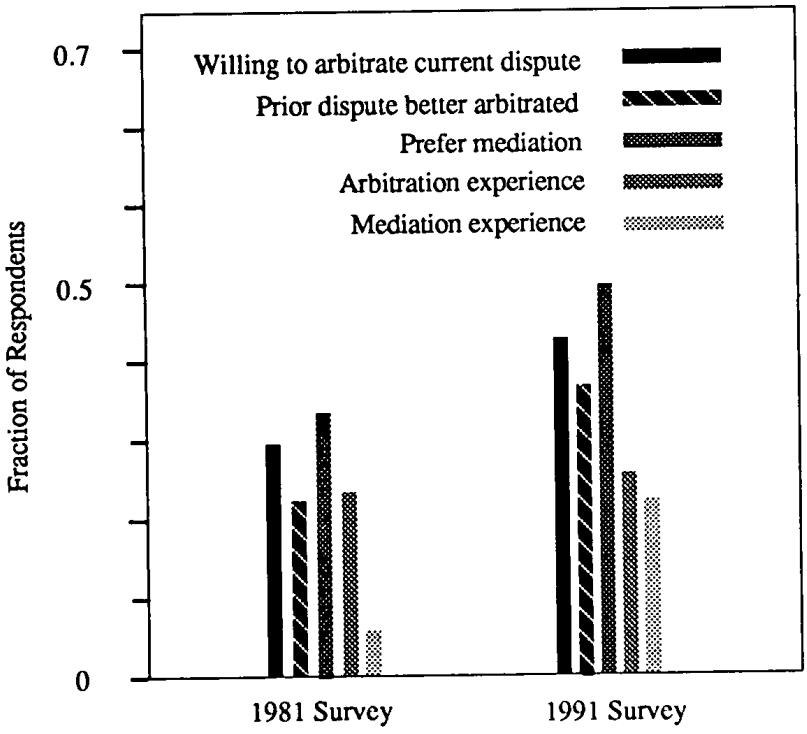
[33] One way to avoid even the risk that this may happen is to give the arbitrator only the power to chose between the parties' final offers as in "baseball" arbitration. *See, e.g.*, Arnold, *supra* note 6, at 7-5.

[34] Q14. However, it is unclear that such concerns have foundation in fact; *see, e.g.*, Simoni et al., *supra* note 20, at 569.

willingness to use ADR for resolving controversies below a certain amount. Although it is fair to assume that this was their intention, we did not analyze the data on the basis of that assumption.

Beyond this, Figure 2 generally indicates that ADR was more acceptable in 1991 than it was in 1981. The fraction of respondents reporting involvement in *prior* disputes that, in retrospect, should have been arbitrated[35] and the fraction indicating a preference for mediation[36] over arbitration, each rose 50%. In view of this, it is difficult to explain why the fraction indicating that a *current* dispute might be appropriate for *arbitration* rose only 30%[37] or why the fraction reporting *actual arbitration experience* was essentially unchanged.[38] The most striking evidence of increased interest in ADR is presented by a 73% increase in those indicating *actual experience* with patent mediation,[39] but, again, mediation generally received little attention until recently.

Figure 2
Changes in Attorney's Attitudes and Experience Between 1981 and 1991



[35] Q4—from 0.22 to 0.36.

[36] Q8—from 0.33 to 0.49.

[37] Q5—from 0.29 to 0.41

[38] Q3-A—0.23 in 1981; 0.25 in 1991.

[39] Q3-B—0.06 in 1981; 0.22 in 1991.

Differences between Attorneys with and without ADR Experience

The contrast in attitudes between 1991 respondents with and without ADR experience is generally more interesting than the contrast between 1981 and 1991 respondents. While the populations of people with experience are relatively small (13 with only arbitration, 10 with only mediation and 6 with both kinds of experience), the increased willingness to use ADR is noteworthy.

For example, 69% more attorneys with arbitration experience (than those without) reported a current dispute they would consider resolving by arbitration.[40] Similarly, 145% more attorneys with mediation experience indicated a preference for mediation over arbitration for resolving such a dispute.[41]

Further evidence of this tendency is provided in Table 4.[42] Focusing on situations where the amount in controversy begins to have a major influence on willingness to use ADR,[43] we see that attorneys with each kind of experience were generally more willing than those without. Also, it is interesting that the fraction of willing attorneys with mediation experience is somewhat larger than that with arbitration experience. In light of considerable overlap between the groups,[44] respondents without mediation experience may not have fully considered mediation as an option when answering the question.

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[40] Q5—0.35 (19 of 55) *without*, 0.58 (11 of 19) *with* arbitration experience.

[41] Q8—0.33 (19 of 58) *without*, 0.81 (13 of 16) *with* mediation experience.

[42] Data from Q6.

[43] *See also* Table 2 and discussion, *supra*.

[44] *See* the first paragraph of this section.

Table 4
Fractions of 1991 Respondents Willing to Use ADR as a Function of Issues, Amount in Controversy and ADR Experience

	Overall			*Arbitration Experience*			*Mediation Experience*		
Amount	*Val.*	*Infr.*	*Dam.*	*Val.*	*Infr.*	*Dam.*	*Val.*	*Infr.*	*Dam.*
$500K-$1M	0.38	0.49	0.58	0.53	0.58	0.58	0.50	0.63	0.75
Over $1M	0.27	0.35	0.38	0.47	0.47	0.47	0.56	0.69	0.75

Conclusions

Between 1981 and 1991, patent attorneys at large corporations have shown increased willingness to consider ADR. While we have no evidence that this willingness has resulted in increased use of arbitration, we have found an increase in use of mediation.

One 1991 respondent observed, that "ADR can be very expensive and as difficult to manage as litigation." To the extent that this is true, inexperienced attorneys are wisely reluctant to use it, at least without advice, and their reluctance should increase as a function of the amount in controversy. This is consistent with findings from both surveys. Few patent attorneys for large corporations appear to have experience enabling them to decide when (or what kind of) ADR is appropriate or to use it properly. Moreover, and notwithstanding passage of 35 U.S.C. § 294, even experienced attorneys representing patentees may be unwilling to risk invalidity in arbitration or to engage in a process that will not dispose of all issues. Yet, fear of the unknown is more likely to account for apparent lack of growth in use of arbitration—in contrast with use of mediation—over the past decade. This is supported by the fact that most experienced attorneys are more willing to use both mediation and arbitration.

Unfortunately, experienced patent attorneys seem to be, thus far, in the minority.[45] In light of increased willingness to at least consider ADR for resolving patent disputes, the time seems ripe for intensive training programs. If the level of interest is adequate to support hands-on training approximating real-world experience, we should see substantial increases in the use of arbitration and mediation over the coming decade. Also, with that increased experience and further study, real problems can be solved and shibboleths finally put to rest.

[45] They may be even more in the minority that their representation among survey respondents would indicate. Although we have no evidence, it seems safe to assume that those with experience would be far more likely to have completed and returned the surveys.

Appendix A

	'81 PTC[46] N = 51	'91 N = 74	arbExp[47] N = 19	medExp[48] N = 16
1. What is the total number of patents issued to your company yearly?				
a. 0-10	0	3	1	0
b. 11-20	5	2	0	0
c. 21-100	27	39	11	8
d. more than 100	17	28	7	7
Abstain	2	2	0	1
2. Please check the field in which the inventions have been made.				
a. Electrical or electronic	33	34	12	6
b. Mechanical	29	42	11	6
c. Chemical	35	55	14	12
d. Biological	10	24	8	3
e. Other (please specify):	12	3	0	0
3a. Have you ever used arbitration to settle patent, know-how or license disputes?				
a. Yes	13	19	**19**	6
b. No	35	55	0	10
Abstain	3	0	0	0
3b. Have you ever used mediation to settle patent, know-how or license disputes?				
a. Yes	3	16	6	**16**
b. No	47	56	11	0
Abstain	1	0	0	0
4. Have you ever been involved in patent, know-how or license litigation which on hindsight you wish you had arbitrated?				
a. Yes	11	27	9	8
b. No	39	44	10	8
Abstain	1	3	0	0
5. Are you now involved in patent, know-how or license litigation which you would consider settling by arbitration?				
a. Yes	15	30	11	10
b. No	35	41	8	6
Abstain	1	2	0	0

[46] *Supra* note 5.

[47] Attorneys who answered "yes" to Q3-A.

[48] Attorneys who answered "yes" to Q3-B.

Appendix A cont'd

	'81 PTC[46] N = 51	'91 N = 74	arbExp[47] N = 19	medExp[48] N = 16

6. If you were involved in a patent dispute, would you agree to arbitrate or mediate:

				Issue								
Amount involved	*Valid*	*Infr.*	*Dam.*[49]	*v*	*i*	*r*	*v*	*i*	*r*	*v*	*i*	*r*
a. Less than $100,000	35	37	36	45	51	52	12	13	13	12	13	13
b. $100,000 to $500,000	25	32	33	34	44	47	12	14	14	9	13	13
c. $500,000 to $1,000,000	9	14	15	28	36	43	10	11	11	8	10	12
d. Over $1,000,000	5	7	12	20	26	28	9	9	9	9	11	12

7. Please rank the choice (1 first, 4 last) as a source of arbitration panel.

a. American Arbitration Association	16[50]	2.1 (60)	2.4 (16)	2.6 (16)
b. Private sources	6	2.3 (57)	2.0 (15)	1.9 (15)
c. Professionals from given field	22	1.6 (63)	1.6 (18)	1.7 (15)
d. Other (please specify):	0	2.8 (7)	3.0 (2)	3.3 (3)

8. As opposed to binding arbitration, would you prefer mediation panels to settle patent, know-how or license disputes?

a. Yes	17	35	10	13
b. No	23	25	5	2
Abstain	11	11	3	1

9. Would you be in favor of an organization which furnished emergency mediators to aid in the resolution of disputes arising in the midst of an important transaction?

a. Yes	15	35	10	11
b. No	26	26	7	4
Abstain	10	12	2	1

10. Patents aside, would you consider using binding arbitration and/or mediation in trademark copyright, trade secret, employer/employee and like disputes?

Arbitration				
a. Yes	35	50	14	14
b. No	6	12	2	1
Abstain	10	10	3	1
Mediation				
a. Yes	30	42	11	12
b. No	16	13	2	1
Abstain	5	12	4	1

[49] In the 1991 survey, the word "damages" was changed to "royalties."

[50] This column contains the total of 1st place votes for each option. The other columns contain an average of all votes and, parenthetically, the number of votes cast.

Appendix A cont'd

	'81 PTC[46] N = 51	'91 N = 74		arbExp[47] N = 19		medExp[48] N = 16	
11. With regard to question 10, would you make a distinction on the basis of potential damages of:	*yes*	*yes*	*no*	*yes*	*no*	*yes*	*no*
a. Less than $100,000	14	11	14	3	5	1	5
b. $100,000 to $500,000	15	10	14	5	5	2	5
c. $500,000 to $1,000,000	10	11	13	1	5	1	5
d. Over $1,000,000	10	21	13	4	6	6	6

12. If your company selected either binding arbitration or mediation, what would you want in an ultimate decision (please check as many as apply):				
a. A statement of what should be done by each party	24	56	15	11
b. Fact finding	26	55	14	12
c. Discussion of legal issues	10	39	13	9
13. Please rate, on a scale of 1 (most important) to 7 (least important), the following considerations in dispute resolution:				
a. Speed	13[51]	2.7 (68)	2.9 (17)	2.2 (15)
b. Simplified evidentiary procedures	4	3.0 (70)	2.8 (18)	3.1 (15)
c. Expense	25	1.9 (71)	1.6 (18)	1.8 (15)
d. Finality	2	4.1 (71)	4.7 (18)	4.5 (15)
e. Right of appeal	1	5.2 (68)	5.6 (17)	6.0 (15)
f. Detailed analysis and decision	3	5.0 (68)	5.2 (17)	5.6 (15)
g. Privacy of opinions	1	5.5 (68)	4.9 (17)	4.7 (15)
h. Technical expertise of decision maker	n/a	3.2 (38)	3.0 (5)	2.75 (4)[52]

14. Please add any general comments you may have regarding the use of arbitration, mediation or other forms of ADR to resolve disputes involving patents or other forms of intellectual property.[53]

"Our experience has been that court costs are often less than ADR... and ADR is not always faster..."

"I don't want to be the first to use [a new form] of ADR. I'll wait until the bugs are worked out...."

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[51] This column contains the total of 1st place votes for each option. The other columns contain an average of all votes and, parenthetically, the number of votes cast. However, some discussion of first place votes appears, e.g., *supra* at note 25.

[52] From Q2 of follow-up survey. Complete question appears below.

[53] Summaries of 1991 comments. Comments from the 1981 survey appear in 22 IDEA, at 280.

"We are presently trying to reach an arbitration agreement... in a patent infringement dispute. It is not easy to reach agreement on 'terms' in advance."
"Their value varies tremendously depending on the facts...."
"I strongly support mediation.... Some situations simply do not lend themselves to either...."
"... I have been concerned with the admissibility of evidence in an arbitration proceeding."
"Mediation is simply not used enough, probably because it is not understood. One key [to success in ADR] is to choose litigation counsel who support [it]."
"[I]n situations where we have good enough cross dialog [for ADR], we are usually able to settle...."
"Our judicial system is too rigid and adversarial.... Mediation... is much better...."
"[ADR] frequently tends to 'split the baby....'"
"ADR is [important]. Many judges will not try a patent case, so [ADR] may be the only [choice]."
"[ADR is] very situation specific.... We find that ADR is most successful when the parties earnestly [seek] an abbreviated proceeding.... ADR can be very expensive and as difficult to manage as litigation. In short, we do not blindly use ADR...."

1991 Follow-up questions[54]

1. In patent licenses:
   a. do you include arbitration clauses?
      always (1), usually (23), rarely (16), never (1)
   b. are you more likely to use one in a transnational license?
      yes (35), no (6)
   c. do you negotiate the clause case-by-case?
      always (9), usually (22), rarely (7), never (0)

2. Re question 13 of the previous survey, if "Expertise of the decision maker with regard to the *technology* at issue" had been an 8th consideration, how would you have ranked it on a scale of 1 to 8 (1 most important)?[55]

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[54] For background, *see* discussion in the second section of this paper. N = 41.

[55] *See supra*, Q13h.