

Handling disputes in international licensing

Well-drafted license agreements enable to identify the applicable law that will govern questions involving the interpretation of provisions in the license agreement as well as how and where disputes will be handled between the licensor and licensee, if they arise.

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The governing law provision in a license agreement will specify which law will govern questions of contract interpretation, ie, the law of a particular country and, if applicable, a state within that country. In domestic licensing situations this may not be critical if both parties happen to reside in the same state and country, but in international licensing transactions it is quite important since contract

law may vary greatly from country to country. In the case of international licensing, ie, where the parties are from different countries, both provisions are particularly important.

It should be appreciated that most licensors will frequently require that the law of their own country (and state) govern, and the reason is simple. Most licensors have multiple licensees who are frequently located in different countries and locations. Such licensors will want their agreements interpreted in a uniform

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manner by a court or arbitrator irrespective of where the individual licensee is located. If the licensor permitted the law of each licensee to govern the agreement, it is conceivable that they may find themselves in a situation where two different courts might reach two different conclusions with respect to the meaning of a particular provision which could create a headache for the licensor. By demanding that the law of their home jurisdiction apply, they can insure that there will be some degree of uniformity in how the

provisions of the agreement are interpreted and applied.

RESOLVING DISPUTES

How and where disputes will be resolved is also an important consideration. The choice is typically between litigation and arbitration which is frequently referred to as a form of Alternate Dispute Resolution (ADR). It is also important to identify where such an ADR proceeding is to be held, eg, by arbitration in New York City, etc.

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In international licensing, the forum for resolving potential disputes between the parties becomes particularly important because of the cost associated with international litigation. Requiring a party to travel 7,000 miles to litigate a dispute in a foreign court can be a daunting experience. Moreover, the litigation process has never been known for a swift resolution of disputes and, in many instances, its associated costs cannot be justified.

Commercial arbitration, at least in theory, offers a speedier and less expensive vehicle for resolving disputes involving international parties. Instead of litigating the dispute in a court before a judge or jury, the parties submit the matter to an arbitration service that will oversee the process. Such services are offered, for example, by the international branch of the American Arbitration Association (the "AAA"), the International Chamber of Commerce (the "ICC"), and the International Centre for Dispute Resolution (the "ICDR"). In addition, a number of private ADR services

are available, including, for example, JAMS.

These ADR services will designate an arbitrator (or panel of arbitrators) to hear, consider and decide the matter. Unlike the court system, it is quite common for the arbitrator to be a lawyer who has expertise involving the subject matter of the dispute which is unlike the court system where the judge or jury will rarely, if ever, possess any experience in the subject matter of the dispute. This can be particularly helpful in moving the proceedings along since less time is needed to educate the arbitrator.

Arbitration proceedings are typically less formal than a court proceeding and are typically held in the attorneys' conference rooms or the offices of the ADR service. Witnesses are called and the proceeding is typically recorded. The rules of evidence in an arbitration proceeding are usually relaxed and the parties typically have greater flexibility in scheduling the hearings and controlling the calendar. The arbitrator or arbitration panel will normally render a written decision which the parties may agree can be binding.

Unlike litigation or arbitration, in mediation, the mediator does not render a decision but, instead, simply works with both parties in attempting to find a solution to the dispute. The ADR services identified above also provide mediation services, typically a trained attorney or business executive with expertise in the subject area.

The mediator will normally listen to both sides together and then meet individually with each party to discuss their specific problems and objectives and discuss different settlement possibilities. Since the mediator will typically have a good understanding of not only the issues but the subject



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matter of the dispute, they will frequently suggest possible solutions. It is quite common for the mediator to shuttle back and forth between each side and exchange settlement possibilities with the ultimate objective of closing the gaps between the parties and reaching a settlement.

Mediation is an excellent vehicle for dispute resolutions since it gives each side an opportunity to have their position considered by an objective, unbiased individual whose goal is to help them reach a settlement that works for both parties. Many say that the best settlement is the one where neither side is totally satisfied.

If the parties elect to engage in ADR, it is imperative that they specifically provide for that in the license agreement. The services identified above will provide model language that can be incorporated into the license agreement. While the parties can always mutually agree to employ a form of ADR, unless it is specifically provided for in the license agreement, one party cannot elect ADR over litigation without the consent of the other party.

FINAL ADVICE

Above all, it should be appreciated that the vast majority of disputes are ultimately settled by the parties sitting down and reaching a compromise. Smart business executives have come to learn that it is far better to have such a meeting at as early a stage as possible rather than waiting until the legal fees start to mount, which can make settlement that much more difficult.

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