

## FACTSHEET

# ALTERNATIVE DISPUTE RESOLUTION



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### 1. What is ADR?

Intellectual Property (IP) conflicts among SMEs have a great impact on their finances, and their survival and success depend on how effectively they are solved. For example: in the event of patent infringement, the owner cannot enforce rights (i.e. prevent the patent's use by the infringer) until the end of the judicial process. Additionally, if the patent is claimed to be null and void as a defensive strategy, the IPR cannot be enforced against third parties before the judgment is rendered.

Traditionally, there was only one way to settle contractual and non-contractual disputes: litigation (civil or criminal legal actions).

However, unreasonably lengthy proceedings, lack of skilled professionals, high costs (judicial, prosecutor and lawyers' fees, stamp duty, etc.) and lack of confidence in the institutions have favoured the development of the so-called Alternative Dispute Resolution mechanisms (ADR).

In the field of IP, ADR allows the parties to settle contractual (i.e. patent or software licenses, trade mark coexistence agreements, pharmaceutical products distribution agreements, R&D partnerships) and non-contractual (i.e. patent infringement) disputes between individuals without the need for a trial. Mediation and arbitration are ADR mechanisms.

In this regard, Brazil, as a promoter of ADR, has introduced national policies to this effect and continues to play an important role in the Dispute Settlement Body of the World Trade Organization (WTO) (Source: <https://www.uria.com/documentos/publicaciones/4077/documento/art02.pdf?id=5039>).

#### TIPS and WATCH OUTS

Not all kinds of disputes can or should be solved through ADR. For instance, in cases involving where counterfeit products it is advisable to start civil or criminal actions instead of trying mediation, in which a joint commitment to reach an agreement is needed.

## 2. Mediation

### A. Remedies and procedural aspects

Mediation is a method in which both parties select a mediator by mutual consent, to serve as a neutral third party and help find a solution. Unlike arbitration, the decision of the mediator is not imposed on the parties, so they can decide whether or not to abide by it. The mediator acts as a guide, helping the parties to reach an agreement that will then be put in writing and has to be respected by the parties.

### B. Main features

1. Freedom of the parties
2. Flexibility of the proceeding
3. Compatible with other dispute resolution mechanisms
4. Confidential
5. Neutral
6. Maintenance of good trade relations
7. Consensual outcome
8. Faster
9. Cheaper

Freedom of the parties is a central element. In fact, this mechanism is not binding until the agreement is signed. Hence, parties are not forced to accept anything that they do not like and they can withdraw from the procedure at any time.

Furthermore, it is compatible with subsequent arbitration: if said agreement is breached or if you simply prefer to do so, you can refer the dispute to arbitration or go to court.

Moreover, all the information and proceedings have to be kept confidential. Mediation is very flexible, since the terms of the proceedings are set by the parties, which can choose the language, the mediator, the applicable forum and basic rules, etc. This means they have greater control over the proceedings, which guarantees neutrality, saves costs and speeds up the final decision.

### TIPS and WATCH OUTS

Unlike judicial proceedings, in mediation the subject is not limited and parties can take the occasion to discuss related or wider issues, i.e. they could deal with distribution strategy problems too, even though the main conflict focused on the non-payment of royalties.

As a consequence, and in contrast to litigation, it fosters trust, as setting the proceedings according to the parties' preferences makes the result much more predictable. Also, it helps maintain good trade relations, since confidentiality and rapidity minimise risks and the final solution is achieved on a consensual basis.

### C. Common proceeding stages

1. Parties contact each other with a formal request for mediation
2. Selection of mediator
3. Preliminary contacts between the parties and the mediator (exchange of documents)
4. First and further meetings: selection of basic rules of procedure; explanation of the conflict; identification of interests; proposed solution
5. Signature of the agreement and conclusion

### D. Costs

They are composed of the meeting venue expenses and the mediator's fee, which is agreed on a mutual basis. It could consist of a daily or an hourly remuneration. Alternatively, the mediation centre could charge an additional fee (i.e. World Intellectual Property Office (WIPO) Center for Mediation and Arbitration charges € 224 when the amount of the dispute is under € 224,432. Over said amount, WIPO will charge a fee of 0.10% of the value of the mediation.). Other fees, such as legal representatives and other variable costs should be added. One of the most remarkable advantages of mediation is that costs are shared equally, while in litigation the losing side usually has to cover all costs.

#### When is mediation recommended?

This option is suitable for most situations, especially when the parties belong to different countries. Out of the possible situations for which mediation is useful, we highlight the following:

- Infringement of IP rights
- Licensing related problems
- Trade mark opposition (on relative grounds)
- Patent or copyright authorship and ownership
- Domain name disputes

### TIPS and WATCH OUTS

Most of the conflicts arise between people who are in close contact (co-workers, partners, IP agent and owner, etc.). In those cases, it is easier for the mediator to step in. However, mediation would not constitute a good alternative in situations involving:

- Different opinions on issues that are to be decided by a third party (i.e. distinctive character of the trade mark)
- Absolute grounds for refusal in a trade mark application proceeding
- Rejection decisions of national IP offices in general (i.e. refusal of patent application due to lack of novelty)

Obviously, if the other party is an offender or if it is clear that there is no intention on their part to comply with the agreement and they are only using mediation to buy time, it may be advisable to go to court.

### TIPS and WATCH OUTS

The determining factor for mediation's success is the mediator. They may play a decisive role in several aspects (i.e. draft of the basic rules and timing of the proceedings or draft of the final version of the agreement). Thus, it is vital to choose a good one. Many law firms offer mediation services in addition to national IP offices and chambers of commerce.

If you want more information regarding mediators or have any question regarding IP in Latin America, do not hesitate to contact our [Helpline](#). It is free, fast and confidential.



### E. Mediation example

An Italian SME (licensor) licensed the IP rights (copyright) over a TV show to an Argentinean producer (licensee). The agreement included a mandatory mediation clause. The licensee went bankrupt and failed to pay royalties. As they agreed, the parties went then to WIPO's Arbitration and Mediation Center, which studied the case and appointed an IP expert to handle it. Finally, and according to the mediator's advice, the parties signed a new agreement whereby the Argentinean company had a period of 2 years of free royalty and the European SME would get higher royalties in return in case of recovery, as well as a provision for monetary damages, which was added as a penalty. The producer recovered and the licensor was paid without the need for a trial. Potential related costs were avoided, as well.

#### TIPS and WATCH OUTS

The audiovisual sector has some peculiarities that make ADR a very cost-effective tool. In this regard, WIPO has developed the Mediation and Expedited Arbitration Rules for Film and Media in order to provide an even more efficient solution for the sector to solve disputes related to joint-ventures, contracts (i.e. production and coproduction, license, music synchronisation, merchandising), agreements (i.e. funding, co-ownership) and TV shows as well as other media formats.

These rules establish an expeditious arbitration procedure with lower fees, compatible with the WIPO Arbitration Rules.  
Source: WIPO.

## 3. Arbitration

### A. What is arbitration

Arbitration is an ADR mechanism through which parties can freely choose one or more individuals (arbitrator/s) to solve a dispute. They voluntarily decide to abide by the outcome of the decision adopted by the arbitrator/s (arbitral award), rather than directly going to trial.

### B. Main features

1. Freedom of the parties
2. Flexibility of the proceedings
3. Incompatible with other dispute resolution mechanisms
4. Confidential
5. Neutral
6. Maintenance of good trade relations
7. Outcome imposed by a third party
8. Faster
9. Cheaper
10. Enforceability
11. Very limited grounds to challenge decisions

Like mediation, it is more flexible than litigation, since the parties are allowed to design the proceedings and tailor them to their own needs (i.e. they can choose the language, the arbitrators, the forum, the applicable regulation, etc.), which facilitates predictability and neutrality.

In general, it is also cheaper –although more expensive than mediation– and faster than litigation. It also helps to maintain good trade relations thanks to confidentiality (the outcome and the process itself must be conducted in secrecy regarding any third parties). Nonetheless, the final decision is not reached on a consensual basis, but imposed by the arbitrator. Solomonic judgements are very common.

#### TIPS and WATCH OUTS

Arbitration is normally faster than litigation. For example: a patent infringement dispute in Brazil could take approx. 4 years if you go to court while WIPO's expedited arbitration procedure would take approx. 5 months.

You can resort to arbitration to solve a current problem or you can include an arbitration clause in a contract in view of future potential disputes. In any case, it should be agreed by both parties. Once agreed, it must be observed.

In this regard and in contrast to mediation, parties are obliged to go to the end of the proceedings, regardless of whether they like how the matter is developing or disagree with the final decision.

#### TIPS and WATCH OUTS

Arbitration clauses should be carefully drafted. Model clauses can be helpful; however, they need to be adapted on a case by case basis.

You can find recommended clauses on [WIPO's website](#).

#### C. Common proceeding stages

The proceedings may vary depending on the applicable regulation and the selected arbitrators, but most share the following stages:

- Formal request for arbitration (claim to arbitration)
- Written submissions of a respondent (acceptance or rejection of arbitration)
- Arbitration appointment by court
- Case examination (submission of documents, oral hearings, production of evidence, etc.)
- Arbitration award

Unlike mediation, where basic rules can be customised by the parties, in arbitration, parties are only allowed to choose which arbitration rules they consider suitable to apply to their case (i.e. Spanish arbitration rules, WIPO's arbitration rules, etc.).

### TIPS and WATCH OUTS

As for judicial proceedings, and depending on the specific regulation, the arbitrator can order preliminary injunctions – this is why guarantee deposits have to be paid.

#### D. Costs

Arbitration costs comprise the fees requested by the arbitration centre (administrative fees), arbitrator fees, deposits and costs incurred by any intervening parties (lawyers, experts, etc.).

They can vary depending on the value of the dispute, number of arbitrators selected, duration and complexity of proceedings and costs incurred (i.e. handling evidence).

Expedited proceedings –such as WIPO's– have lower fees. You can check them out by clicking on the following link:  
<https://www.wipo.int/amc/es/arbitration/fees/index.html>

#### E. When is arbitration recommended?

It is recommended for disputes between private parties from different countries on matters of which they can freely dispose (i.e. breach of license, patent infringement, non-authorised use of a data base, fees negotiation with copyright collecting society, etc.). Wherever a public body is competent to deliver a decision, arbitration would not be applicable (i.e. validity of a patent).

In any case, it is particularly attractive for companies that need a tailored legal proceeding in which it is possible to choose:

- An arbitrator with technical expertise: most countries do not have IP specialised courts (i.e. Brazil does, but there are only two: in São Paulo and in Rio de Janeiro).
- A language that is shared and easily understood by both parties
- A known regulation, favourable for both parties.
- The possibility of keeping all detailed information and the dispute itself confidential.

#### F. Arbitration example

One of the many patents owned by a French pharmaceutical company was granted in Brazil through the PCT. The company signed a joint venture agreement for a ten-year period with a Brazilian company and included an arbitration clause that stated that the arbitration court should be formed of 3 members.

Two years later, the European SME broke the agreement, because they found out that their partner did not fulfil the obligations stated in the contract while conducting a test on a product. On the other hand, the Brazilian company claimed for the damages incurred due to the agreement's termination before the arbitration court.

The centre for arbitration recommended that the parties approach a court consisting of biochemistry, pharmacy and contracts experts. They studied the case and concluded that there was insufficient basis for the termination and that the Latin American enterprise did not suffer the claimed damages, since most of the investment was covered by the French company. Consequently, they continued working together.

### TIPS and WATCH OUTS

Companies involved in domain name disputes and conflicts that arise in the digital world (i.e. trade mark infringement in a website) have a strong ally in the ADR mechanisms. There are some organisations that are aware of this and offer specialised arbitration and mediation services. They can even operate in a fully digital way. Some of the most noteworthy are the Arbitration Center for Internet Disputes, the NIC points of the Mercosur countries and WIPO.

You can find further information about the subject in our Factsheets on Domain Names and How to protect your website.



#### 4. Related links and additional information

Latin America IPR SME Helpdesk:

<http://www.latinamerica-ipr-helpdesk.eu/>

American Arbitration Association:

<http://www.adr.org/>

WIPO's Arbitration and Mediation Center contact points

<http://www.wipo.int/amc/en/contact/>

International Chamber of Commerce:

[http://www.iccwbo.org/index\\_court.asp](http://www.iccwbo.org/index_court.asp)

ICC Corte Internacional de Arbitraje

<https://iccwbo.org/about-us/>

Argentinean Chamber of Commerce's Center for Mediation and Arbitration CEMARC:

[http://www.cac.com.ar/institucional/mediacion\\_y\\_Arbitraje\\_Mediation\\_and\\_Arbitration\\_1668](http://www.cac.com.ar/institucional/mediacion_y_Arbitraje_Mediation_and_Arbitration_1668)

Factsheet on Domain Names:

<http://latinamerica-ipr-helpdesk.eu/content/domain-names>

Factsheet on How to protect your website:

<http://latinamerica-ipr-helpdesk.eu/content/how-protect-your-website>

e-Justice Mediation European Portal: [https://e-justice.europa.eu/content\\_mediation-62-en.do](https://e-justice.europa.eu/content_mediation-62-en.do) Cyber arbitration: <http://cyberarbitration.com/>

UNCITRAL (United Nations' Commission on International Trade Law):

[http://www.uncitral.org/uncitral/en/about\\_us.html](http://www.uncitral.org/uncitral/en/about_us.html)

Sao Paulo Chamber for Mediation and Arbitration (FIESP/CIESP):

<http://www.camaradearbitragemsp.com.br/en/chamber.html>

Santiago's Chamber of Commerce's Center for Mediation and Arbitration (CAM Santiago):

[http://www.camsantiago.cl/english/about\\_us.html](http://www.camsantiago.cl/english/about_us.html)

Paraguayan Chamber of Commerce's Center for Mediation and Arbitration: <https://www.camparaguay.com/>

Caracas' Chamber of Commerce's Arbitration Center: <http://arbitrajeccc.org/organizacion/>

New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards:

[http://www.uncitral.org/uncitral/en/uncitral\\_texts/arbitration/NYConvention.html](http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention.html)

WIPO's recommended Contract Clauses and Submission Agreements:

<http://www.wipo.int/amc/en/clauses/>

Arbitration Center for Internet Dispute: <http://www.adr.eu/>

Practical Law's Arbitration Global Guide: [https://uk.practicallaw.thomsonreuters.com/Browse/Home/International/ArbitrationGlobalGuide?transitionType=Default&contextData=\(sc,Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/Browse/Home/International/ArbitrationGlobalGuide?transitionType=Default&contextData=(sc,Default)&firstPage=true&bhcp=1)



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**IP COST TOOL** Online tool that allows the user to pre evaluate the costs related to IP management in every Latin American country covered by the Helpdesk.

<sup>1</sup>The language offer will depend on the specific service and experts' availability.

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helpline@latinamerica-ipr-helpdesk.eu  
+34 96 590 9684  
Working Hours: Monday - Friday 9:00 -16:30 (CEST)

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Luxembourg: Publications Office of the European Union, 2020

Print ISBN 978-92-9202-794-0 doi:10.2826/25161 EA-01-20-044-EN-C  
PDF ISBN 978-92-9202-795-7 doi:10.2826/15702 EA-01-20-044-EN-N