

Designing Mandatory Mediation for IP Disputes: An impediment to the right of access to court?

Hatanaka, Asako
Ritsumeikan University

<https://doi.org/10.15017/7162081>

出版情報：法政研究. 90 (3), pp.227-259, 2023-12-25. Hosei Gakkai (Institute for Law and Politics) Kyushu University

バージョン：

権利関係：



Designing Mandatory Mediation for IP Disputes

- An impediment to the right of access to court?

Asako Hatanaka, *Docteur en droit*/LL.M. (Strasbourg), LL.M. (London)

Abstract

Introduction

Chapter 1 Variations of Mandatory Mediation

[A] Explicit Compulsion

[a] Contractual Compulsion

[b] Precondition to Litigation

[i] Procedural Compulsion as a General Rule

[ii] Hybrid Compulsion

[iii] IP-Specified Compulsion

[B] Implied Compulsion

Chapter 2 Principle of Legitimacy and Proportionality of Mandatory Mechanism

[A] Legal Context

[a] Mediation Directive

[b] Consumer ADR Directive

[c] ODR Regulation

[B] Normative Threshold

[a] ECtHR Case Law

[i] Absence of Constraint

[ii] Between Judicial Economy and Adverse Effect of Friendly Settlement

[b] CJEU Case Law

[i] Four Objective Criteria of Proportionality

[ii] Proportionality and Mandatory Consumer Mediation

[c] Impact on IP Mediation

Chapter 3 Fitting Mandatory Mediation in IP Room

[A] *De Jure* Feasibility

[a] Preclusion of Mandatory Arbitration

[b] Forms of Mandatory Procedures

[B] *De Facto* Feasibility

Conclusion

Abstract

The UK is on the verge of implementing mandatory mediation in the civil procedure rules. The EU is also shifting its IP policy to give an increased role to mediation for IP disputes, as can be seen in the new dispute resolution framework for online copyright infringement in the Single Digital Market Directive and the Digital Service Act, and the proposed Regulations on Standard Essential Patents and on Geographical Indications. At first sight, mandatory mediation appears to interfere with the fundamental right to access to court. This paper outlines the legal context and the normative margin of admissibility of procedural compulsion, as outlined by the ECtHR and the CJEU in the light of the principles of legitimacy and proportionality. Subsequently, it provides an analysis of the implications of mandatory mediation for IP disputes and addresses a toolbox for the legitimate and proportional compulsion.

Introduction

Three decades after the Woolf Report was issued in 1996, which challenged the English civil justice system under the slogan ‘court as the last resort’, the UK is on the verge of implementing mandatory mediation in the procedural rules.⁽¹⁾

Mandatory may sound contradictory to the flexible and voluntary nature of mediation.⁽²⁾ According to de Palo and Trevor, ‘an appropriate balance’ should be

*Email: hatanaka[at]fc.ritsumeai.ac.jp. The websites indicated in the footnotes are last checked on 15.10.2023.

(1) UK White Book 2023, Vol. 2, para. 14-1, last updated on 15. 05. 2023 (Sweet & Maxwell, 2022); Woolf Report (Lord Woolf, *Access to Justice -Final Report*, July 1996); Civil Justice Council Report (Civil Justice Council, *Compulsory ADR*, June 2021). The UK government proposes that disputes at the County Court of values under 10,000 GBP will become subject to mandatory mediation with limited exceptions. It will be free of charge, but subject to sanctions in case of non-compliance, and is planned to be extended to disputes of higher values (Ministry of Justice, *Increasing the use of mediation in the civil justice system: Government Response to Consultation* (July 2023), pp. 9-15).

(2) Kallipetis and Ruttle note that ‘[o]ur preferred view is that compulsion should be avoided if possible. The greater the degree of judicial control over the mediation process the greater the risk, in our view, of the over-formalizing and consequential constriction of a process that

struck between the voluntary process of mediation and the necessity of public incentives for the parties to actually mediate.⁽³⁾ If so, the coercion in mandatory mediation is justifiable to the extent that 'being told to attempt mediation' is different from 'forced to settle the dispute during mediation'.⁽⁴⁾

What implications does mandatory mediation have for the world of intellectual property (IP)? Is mandatory mediation just an alien or uninvited guest for the enforcement of intellectual property rights (IPRs), incompatible with the nature of exclusive rights? The answer is negative, or to be more accurate, has become more negative than it used to be. It is true that IP mediation has long been challenged its negative capability.⁽⁵⁾ Scholarly literature on the question was scarce on a global level at the beginning of the 2010's and the caseload of IP-specialised dispute resolution providers (DRPs) has been low, despite the transposition of the Mediation Directive 2008 in the EU, coupled with a handful of IP-related mediation provisions implemented in a fragmented manner.⁽⁶⁾ Other than its economic functions for IPRs enforcement, which are time and cost efficiency compared to courts, the social functions of IP mediation such as the indispensability of private ordering in the absence of the up-to-date and clarified substantive rules have been unveiled.⁽⁷⁾ On the policy level, the EU Commission's 2012 public consultation on the efficiency of proceedings and accessibility of

needs to remain flexible and loose' (M. Kallipetis and S. Ruttle, "Better dispute resolution – The development and practice of mediation in the United Kingdom between 1995 and 2005" in J-C. Goldsmith, A. Ingen-Housz and G.H. Pinton (eds.), *ADR in Business: Practice and issues across countries and cultures* (Kluwer Law International, 2006), p. 191, p. 225).

(3) G. de Palo and M.B. Trevor, 'Introduction' in G. de Palo and M.B. Trevor (eds.), *EU mediation law and practice* (OUP, 2012), p. 1, p. 6 para. 1.16.

(4) *Ibid.*, p. 6, fn. 29.

(5) According to John Keats, 'negative capability' means 'when man is capable of being in uncertainties, Mysteries, doubts, without any irritable reaching after fact and reason' (Letter 32 to George and Thomas Keats, 21.12.1817 in M. B. Forman (ed.), *The Letters of John Keats* (4th ed., OUP, 1952) p. 69, p. 71).

(6) A. Wechs Hatanaka, "Optimising mediation for intellectual property law", *IIC* Vol. 49, No. 4 (2018) p. 384, pp. 392-400.

(7) *Ibid.*, pp. 387-389.

measures was the first occasion when alternative dispute resolution (ADR) drew attention within the general framework of the IPRs enforcement.⁽⁸⁾ However, as once anticipated, the recent legislative move in Europe proves that, the rapid technological progress can no longer turn its back on the utility of mediation.⁽⁹⁾

In the field of copyright, an ‘out-of-court settlement’ framework is in the forefront of the Europe’s Digital Services Act. The Digital Single Market Directive 2019 demands online content-sharing providers to provide with an effective and expeditious complaint and redress mechanism in Article 17⁽¹⁰⁾. Similarly, the Digital Service Act 2022 regulates the scope of the liability and obligations on online providers for the purpose of the transparent and safe online commerce and stipulates in Article 21 that an out-of-court settlement dispute resolution mechanism shall be built up, along with the new competent authority ‘Digital Services Coordinator’.⁽¹¹⁾ In both cases, an impartial and independent DRP shall become a guard for balancing the legitimate interest of right holders and copyright exceptions and limitations by paying attention, among others, to users’ fundamental rights. The application of ADR in the European copyright legal instruments is not new,⁽¹²⁾ but its progressive manner seen in these two legislative packages is one step further from the past directives.

Similarly in the field of patent, the inclusion of ADR has been enhanced at

(8) C. Geiger, X. Seuba and A. Wechs Hatanaka, “Civil enforcement of IP rights: public consultation on the efficiency of proceedings and accessibility of measures: CEIPT’s comments on the public consultation, with a focus on alternative dispute resolution mechanisms” (Centre for International IP Studies Research Paper No. 2013-01), p. 5, available online at <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2971107>.

(9) A. Wechs Hatanaka, *op.cit.*, p. 408.

(10) Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC.

(11) Regulation (EU) 2022/2065 of the European Parliament and of the Council of 19 October 2022 on a Single Market For Digital Services and amending Directive 2000/31/EC.

(12) Art. 11, Satellite and Cable Directive (Council Directive 93/83/EEC of 27 September 1993); Art. 6(4), Copyright Directive (Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001); Arts. 34 and 35, Collective Management Directive (Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014).

courts to facilitate transparent and consistent licensing negotiations on SEPs (standard-essential patents) for FRAND (fair, reasonable and non-discriminatory) terms and conditions.⁽¹³⁾ Until now, a soft law framework in the form of guidelines and recommendations has promoted ADR.⁽¹⁴⁾ Followed by these predated initiatives, a competence centre on SEPs within the European Union Intellectual Property Office (EUIPO) will be set up, where conciliation on FRAND determination will be mandated mandatory prior to litigation under the EU Commission proposal published in April 2023.⁽¹⁵⁾ SEPs' borderless nature calls for a transnational forum, to which ADR is better suited than territorial courts. Moreover, the adopted text by the EU Parliament on geographical indications (GIs) strengthened the role of the EUIPO to make use of mediation for the first time in the course of the opposition and appeal procedure in relation to these rights.⁽¹⁶⁾

Is IP mediation now riding on the fourth wave, rolling out from the ice age to

(13) See in the US, *Motorola Mobility LLC and Google Inc.* (FTC File No. 121 0120, Docket No. C-4410, July 23, 2013), pp. 5-6 and CJEU, *Huawei Technologies v. ZTE* (Case C-170/13), para. 68.

(14) WIPO Arbitration and Mediation Centre, *Guidance on WIPO FRAND Alternative Dispute Resolution (ADR)* (2017, updated in 2022); IPDR: Munich IP Dispute Resolution Forum, *FRAND ADR Case Management Guidelines* (2018). EU Commission Communication notes that '[w]hile there can be no obligation for parties to use ADR, the Commission believes that the potential benefits of this tool are currently underexploited' (Setting out the EU approach to Standard Essential Patents, COM(2017) 712 final, p. 11). The Patent Commission under the Japan Patent Office initiated in January 2017 an impact assessment on the relationship between IoT (Internet of Things) and IP disputes, and concluded that ADR might serve to avoid prolongation of licensing agreement negotiations or risks related to FRAND, and to enable an expeditious dispute resolution. See the minutes from the 18th to 20th Patent Commission (Sangyo-kōzō-shingikai Chitekizaisan-bunkakai Tokkyoseido Shōiinkai) in 2017 and an annex to the minutes of the 20th Patent Commission (Daiyojisangyokaikaku wo shiyani ireta aratana ADR seido no kento, in Japanese). See also Japan Patent Office, *Hyōjyunhissutokkyo no raisensukosho ni kansuru tebiki* (Guideline on SEP's license negotiations, June 2017), pp. 16-17 and the revised version (May 2022), pp. 20-21.

(15) Recital 33, 34 and Art. 71, Commission SEPs Regulation Proposal (EU Commission Proposal for Regulation of the European Parliament and of the Council on Standard Essential Patents and amending Regulation (EU) 2017/1001, COM (2023) 232 final).

(16) The Commission proposal only stipulates that the EUIPO 'may offer mediation', whereas the EU Parliament changed the stipulation to 'should encourage parties to make use of alternative dispute resolution, such as mediation'. See Arts. 21 (3) and 30 (5), Proposal for

a new phase?⁽¹⁷⁾ This paper will focus on the development related to mandatory mediation in the UK and the EU. Despite the Brexit, the UK's policy and legal framework on mediation present a useful picture to the EU Member States. Chapter 1 will analyse the framework of compulsion in order to present various forms of mandatory mediation. In Chapter 2, the legitimacy and proportionality principles applied to mandatory ADR by the European Court of Human Rights (ECtHR) and the Court of Justice of the European Union (CJEU) will be analysed, in order to curve out the margin of admissibility of mandatory mediation in Europe.

The controversy on the *raison d'être* of mediation, as well as the desirability of mandatory mediation as preliminary matters are left out from discussion. In view of its denominative, procedural and linguistic diversity and ambiguity, mediation referred to in this paper will be distinguished firstly from other forms of adjudicatory ADR such as arbitration and expert determination and/or opinion, and secondly from settlement as a general act of dispute resolution undertaken without the intervention of a third party.⁽¹⁸⁾ Settlement should be understood distinct from a settlement contract, which is an agreement deriving from settlement. Besides, the term 'ADR' itself is now obsolete and should be given a new mission beyond an alternative role.⁽¹⁹⁾

a Regulation of the European Parliament and of the Council on geographical indication protection for craft and industrial products and amending Regulations (EU) 2017/1001 and (EU) 2019/1753 of the European Parliament and of the Council and Council Decision (EU) 2019/1754, COM (2022) 174 final; Recital 22 and Arts. 22(4) and 33(5), Position of the European Parliament adopted at first reading on 12 September 2023 with a view to the adoption of Regulation (EU) 2023/... of the European Parliament and of the Council on the protection of geographical indications for craft and industrial products and amending Regulations (EU) 2017/1001 and (EU) 2019/1753, P9_TC1-COD(2022)0115.

(17) Historically, 'modern mediation' is rooted in the movement to improve access to justice, which took place in the 1970s in the US, then spread in the 1980s to the UK and in the 1990s to the continental Europe. Alexander names the last phase 'third wave' (N. Alexander, "Global trends in mediation: Riding the third wave", in N. Alexander (ed.), *Global trends in mediation* (2nd ed., Kluwer Law International, 2006) p. 1.)

(18) A. Wechs Hatanaka, *op.cit.*, pp. 389-390.

(19) UK White Book describes that, '[t] he term "ADR" may become anachronistic and be

Chapter 1 Variations of Mandatory Mediation

The European Parliament consistently supports the compulsory scheme in its statements, stressing that it could result in enhancing an effective dispute resolution mechanism. Along the same lines, a positive view on the compulsory mediation is reflected in the study undertaken by the EU Commission. A mandatory mechanism exists in the US in the field of IP, and has already been proposed as one of the options to improve the accessibility to mediation for IP disputes in Europe.⁽²⁰⁾ There are various ways to make mediation mandatory. These methods haven been proposed or tested in the UK in the past, including for IP disputes, although most of them were not implemented. The forms of compulsion can possibly be two: explicit [A] or implicit [B]. Whilst the former can be made either contractually or by law, the latter rests on the case management by judges.⁽²¹⁾

[A] Explicit Compulsion

Mediation can be compelled to the parties either contractually or authoritatively by law and regulations.

replaced by “Dispute Resolution” or “DR”. The Commercial Court Guide (incorporating The Admiralty Court Guide) 2022, Section N, refers to Negotiated Dispute Resolution or “NDR” which was referred to in previous editions of the Guide as ‘ADR’ (UK White Book, *op.cit.*, Section 14, para. 14-1).

- (20) For instance, *see* the European Resolution on the Mediation Directive (European Parliament resolution of 13 September 2011 on the implementation of the directive on mediation in the Member States, its impact on mediation and its take-up by the courts (A7-0275/2011). *See* in particular para. 4, which notes that ‘some Member States have chosen to go beyond the core requirements of the Directive in two areas, namely financial incentives for participation in mediation and mandatory mediation requirements; notes that national initiatives of this type help to make dispute resolution more effective and reduce the courts’ workload’.

- (21) European Parliament, *Cross-border ADR in the European Union* (IP/A/IMCO/ST/2010-15, PE464424, June 2011), p. 82.

- (22) S.J. Elleman, ‘Problems in patent litigation: Mandatory mediation may provide settlements and solutions’, *Ohio State Journal on Dispute Resolution*, Vol. 12 (1996-1997), p. 759; A. Wechs Hatanaka, *op.cit.*, pp. 405-407.

[a] Contractual Compulsion

The domain name dispute resolution is one of the few mechanisms that is successfully operated at the international level both in terms of the quantity and quality. Adopted in 1999, the Uniform Domain Name Dispute Resolution Policy⁽²³⁾ (UDRP) is neither a legally competent jurisdiction, nor arbitration or mediation, but an administrative procedure. Mandatory arbitration as an option was rejected due to the confidentiality and the finality of arbitration awards. It was considered necessary to preserve the option for court litigation for the parties as well as for the consistency of case law.⁽²⁴⁾ Similarly, mediation was deemed inappropriate as the voluntary nature and good faith inherent in the mediation process contradicts with the mala fide registration of domain name holders.⁽²⁵⁾ It is important to note that the effectiveness of the UDRP is empowered by its mandatory nature both at the beginning and at the end of the procedure. The compulsory mechanism is justified by the cybersquatting's illegitimacy and the necessity of an effective mechanism against it on the one hand, and by the limited scope of application for disputes on the other.⁽²⁶⁾ As the UDRP is incorporated in the domain name

(23) Marino qualifies the UDRP as a '*bel*' example of pragmatism (L. Marino, *Droit de la propriété intellectuelle* (PUF, 2013), p. 71).

(24) WIPO Final Report, paras. 138-140 (Final Report of the First WIPO Internet Domain Name Process of 30. 04. 1999). Nevertheless, it was proposed that arbitration should be preserved as an option (*ibid.*, paras. 234-235).

(25) *Ibid.*, paras. 240-244.

(26) WIPO Final Report notes that:

'[I]t was a striking fact that in all the 17 consultation meetings held throughout the world in the course of the WIPO Process, all participants agreed that 'cybersquatting' was wrong. It is in the interests of all, including the efficiency of economic relations, the avoidance of consumer confusion, the protection of consumers against fraud, the credibility of the domain name system and the protection of IP rights, that the practice of deliberate abusive registrations of domain names be suppressed.' (WIPO Final Report, *op.cit.*, para.168)

The mandatory nature of the UDRP was justified to a great extent by confining the scope to 'egregious examples of deliberate violation of well-established rights' (WIPO Final Report, paras. 159-160). In spite of the awareness that the violation of rights does not only relate to registered trade marks and service marks but also to other identifiers such as trade names, geographical indications and personality rights, it was considered premature

registration agreement, a domain name registrant needs to automatically agree to the submission to the UDRP.⁽²⁷⁾ Therefore, plaintiffs do not bear any burden to seek an agreement with domain name holders in order to initiate their case. Upon the decision delivered by the panel, the registry enforces the decision automatically without any procedural burden for implementation.

[b] Precondition to Litigation

Implementing mandatory mediation as a precondition to litigation became increasingly popular in Europe. The proportionality between the mandatory nature and the effectiveness of dispute resolution is often justified by the scale of disputes such as the low-value claim in consumer disputes or small claims such as neighbourhood disputes. However, when the dispute resolution mechanism is not for less than the parties' entitlement whilst the court is financially accessible for both parties, the compulsory route would become disproportionate. In the past, three forms of mandatory mediation have been examined in the UK. These include procedural compulsion as a general rule, hybrid compulsion by which specific disputes including IP disputes are subject to mandatory mediation and IP-specified compulsion by which mandatory mediation is prescribed in the IP legal framework.

[i] Procedural Compulsion as a General Rule

In 2011, the UK ran a pilot mandatory mediation program for small claims at the Manchester County Court. Disputes of monetary value of up to 5,000 GBP were directed to mediation and 96% of the total cases were mediated via telephone.⁽²⁸⁾ Subsequently an impact assessment on small claims for disputes

to extend the notion of 'abusive registration' beyond trade marks (WIPO Final Report, para.168; Report of the Second WIPO Internet Domain Name Process, 03. 09. 2001).

(27) Para. 4, UDRP.

(28) Lord Chancellor Consultation Paper, paras. 140-143 (Lord Chancellor and Secretary of State for Justice, *Solving disputes in the county courts: creating a simpler, quicker and more proportionate system - a consultation on reforming civil justice in England and Wales* (Consultation Paper CP6/201, March 2011)).

in civil matters proposed two options for compulsory mediation in different manners. The first option was to refer all small claims automatically to mediation and the second option was to make mediation information sessions mandatory for defended claims applied to the fast and multi tracks with a value of up to 100,000 GBP. Neither of the options was adopted for the following reasons. For the first option, it was pointed out that mediation would not be suitable for every case, so that the mandatory procedure should only aim at conveying suitable cases to mediation providers rather than forcing the parties to mediate.⁽²⁹⁾ As regards the second option, it was recommended that the mediation information session should be placed within the civil procedure rules in the pre-action protocol. Pre-action protocols are the list of what the parties are expected to have conducted before commencing proceedings for particular types of civil claims.⁽³⁰⁾

[ii] Hybrid Compulsion⁽³¹⁾

It is noteworthy that Lord Chancellor's Office drafted Code of Practice for pre-action protocol dedicated to IP disputes in 2004, although it remains unpublished.⁽³²⁾ It contains suggestions how letters of claims and responses should be drafted in the light of the overriding objective set out in Civil Procedure Rules (CPR), as well as how to undertake settlement. It was deemed useful in particular in relation to the statutory threats provisions peculiar to English law. Under English Patents Act, one can submit a request for remedies against the groundless threats of infringement.⁽³³⁾ The obligation to settle becomes a burden when the

(29) Ministry of justice, *Alternative dispute resolution proposals for civil cases* (IA No. MoJ 066, 02.02.2012), paras. 1.7-1.12.

(30) *Ibid.*, paras. 1.9-1.10.

(31) *Ibid.*, para. 1.12.

(32) Code of Practice for pre-action conduct in IP disputes, available online at <<https://www.reedsmith.com/en/perspectives/2007/04/code-of-practice-for-preaction-conduct-in-intellect>>. The subject-matters proposed for the pre-action conduct include breach of confidence (appendix A), copyright, moral right, database right, and unregistered design right (appendix B), passing off (appendix C), patent and registered design (appendix D), registered trade marks (appendix E) and unjustified threats (appendix F).

(33) Sec. 70, Patents Act 1977. Identical provisions can be found in sec. 21 of the Trade Marks

opposing party claims unjustified threats of infringement because an open negotiation becomes difficult.⁽³⁴⁾ Although the proposed Code of Practice was not integrated in the pre-action protocol, *inter alia* due to the variety of rights and their homogenous nature in IP, the Jackson Review recommends to implement or to refer to the pre-action in the Patents County Court Guide.⁽³⁵⁾

[iii] IP-Specified Compulsion

A mandatory dispute resolution mechanism for IP disputes was already proposed several times. For the science and technology policy, based on the empirical experience that court litigation is ineffective and excessive in cost, the ETAN Final Report proposed compulsory arbitration to the EU Commission in 1999.⁽³⁶⁾ It is interesting to read that the proposal referred to finance arbitration from the patent renewal fees for the benefit of SMEs. The ETAN Final Report analyses that compulsory arbitration helps to reduce the adversarial attitude of large-scale firms, which have financial assets and make use of litigation as a threat in an anti-competitive manner. Kingston is one of the advocates of mandatory arbitration for patent disputes.⁽³⁷⁾ He considers that it is beneficial for SMEs, if combined with legal aid. He proposes two-tiered dispute resolution mechanisms to make use of the 'expert arbitration' or 'technical arbitration' for resolving the technical aspect of patent disputes by mandatory arbitration, and to preserve the right of appeal at court for solving the legal aspect at the same time.

Act 1994, sec. 26 of the Registered Designs Act 1949 and sec. 253 of Copyright Designs and Patents Act for unregistered designs. There are no such provisions for copyright, passing off or breach of confidence. See J. Lambert, "IP litigation after Woolf revisited", *EIPR*, Vol. 25, No. 9 (2003), p. 406, p. 413.

(34) Jackson Review (Lord Justice Jackson, *Review of civil litigation costs: Final report*, December 2009), p. 256.

(35) *Ibid.*, para. 5.3 and fn. 16, p. 256.

(36) ETAN Expert Working Group, *Strategic dimensions of IP rights in the context of science and technology policy* (prepared for the European Commission, June 1999), pp. 26-27.

(37) W. Kingston, "The case for compulsory arbitration: empirical evidence", *EIPR*, Vol. 22, No. 4 (2000), p. 154; *Ibid.*, "Making patents useful to small firms", *IPQ*, No. 4 (2004), p. 373.

Later in 2013, the IP Advisory Committee (IPAC) in the UK proposed compulsory mediation for patent disputes, although this was not adopted on the ground that mediation should be a voluntary process and that the confidentiality in mediation should be respected. It was recommended that mediation be mandated in Patents County Court on a trial basis and that mediators report on the attitude of the parties in unsuccessful mediation cases in order to give judges the discretion to take the result of mediation into account for the cost considerations.⁽³⁸⁾ Contrarily, the Gowers Review of Intellectual Property rejected to impose mandatory mediation as an additional incentive to promote ADR for IP disputes.⁽³⁹⁾

[B] Implied Compulsion

In the UK, a judge can offer the parties to settle in the course of proceedings, as the court has a duty to manage cases actively by encouraging the parties to use ADR where appropriate.⁽⁴⁰⁾ The extent of an implied compulsion has been the subject of controversy for some decades. Lord Justice Dyson clarified in *Halsey* that 'order' to mediate is different from 'encourage' to do so, and stated that 'to oblige truly unwilling parties to refer their disputes to mediation would be to impose an unacceptable obstruction on their right of access to the court'.⁽⁴¹⁾ This is because, when the parties had objected, compelling the parties to mediate would only incur additional costs and possibly delay the court proceedings.⁽⁴²⁾ *Halsey* and

(38) IPAC (IP Advisory Committee), *The enforcement of patent rights* (November 2003), pp. 29-30; *Ibid.*, *Governance response to IPAC proposal* (December, 2003), paras. e) and f). It should be noted that the IPAC was not in favour of the Kingston's proposal to make arbitration mandatory for patent disputes due to its binding effect.

(39) Gowers Review of Intellectual Property (November 2006), paras. 5. 121-122.

(40) Sec. 36. 1(1)(a), CPR. Sec. 14 of CPR further stipulates on the court's case management power that:

(1) The court must further the overriding objective by actively managing cases.
(2) Active case management includes

... (e) encouraging the parties to use an alternative dispute resolution procedure if the court considers that appropriate and facilitating the use of such procedure.

(41) *Halsey v. Milton Keynes General NHS Trust* [2004] EWCA Civ 576, para. 9.

(42) *Ibid.*, para. 10.

the arguments made by the subsequent cases became legacy in the light of the Civil Justice Council Report 2021, but it is worth analysing its trace on the main point of controversy whether a court has power to impose a cost sanction against a successful party in litigation on the ground that she/he refused to undertake ADR. This would be an exception, as it is a general rule in the UK that the unsuccessful party is ordered to pay the costs of the successful party.⁽⁴³⁾ It is for this reason that the ‘unreasonable refusal to ADR’ may have an impact at court.⁽⁴⁴⁾ *Halsey* established a non-exhaustive guideline when a court would consider a refusal to ADR unreasonable. It includes (a) the nature of the dispute, (b) the merits of the case, (c) the extent to which other settlement methods have been attempted, (d) whether the costs of ADR would be disproportionately high, (e) whether any delay in setting up and attending ADR would have been prejudicial and (f) whether the ADR attempt had a reasonable prospect of success.⁽⁴⁵⁾

According to Lord Justice Dyson, most cases are not by their nature unsuitable for ADR.⁽⁴⁶⁾ Nevertheless, he considers that some cases are unsuitable for ADR. These include when the parties wish the court to determine issues of law, in particular when the point of disputes may be essential to the future trading relations of the parties or generally affects the market, when the similar kind of a dispute arises recurrently and needs to be settled by precedence, or when other relief then just a settlement is essential to protect the position of a party.⁽⁴⁷⁾ The onus of proving whether ADR would have reasonably reached an agreement is on the unsuccessful party.⁽⁴⁸⁾ Other courts encouraged ADR in the same vein.⁽⁴⁹⁾ In one case, it was even held that legal professionals are obliged to consider ADR.⁽⁵⁰⁾

(43) *Ibid.*, para. 2.

(44) R. 44.2(2) (a), CPR.

(45) *Halseys*, *op.cit.*, paras. 16-23.

(46) *Ibid.*, para.17. ADR was encouraged even in a dispute involving an allegation of forgery. See *Couwembergh v. Valkova* [2005] 1 FLR 381, para. 52.

(47) *Ibid.*

(48) *Ibid.*, para. 28.

(49) See for instance *Lewis v. Barnett* [2004] EWCA Civ 807, para. 25-26.

(50) *Burchell v. Bullard* [2005] EWCA Civ. 358, para. 43 states that:

After a decade, the *Halsey* guidelines are extended by the *PGF II* decision.⁽⁵¹⁾ A complete silence by the defendant against the offer to mediate by the plaintiff, despite a reminder of offer, would be considered as a ‘unreasonable refusal’. Lord Justice Briggs gave two grounds for his ruling. Firstly, an investigation of alleged reasons poses difficulties for a court to prove.⁽⁵²⁾ Secondly, it is ‘destructive’ in the light of the objective of ADR as a range of reasonable objections can be in favour of a defendant.⁽⁵³⁾ The basis for his consideration is that cases where ADR are ‘so obviously inappropriate’ are rare.⁽⁵⁴⁾ Though the extension of the *Halsey* decision may appear ‘modest’, pursuant to the Lord Justice Briggs’ word, the *PGF II* decision is critically viewed by practitioners for lack of clarity and consistency that the *Halsey* guidelines are subject to an infinite extension or might even look as compulsory mediation.⁽⁵⁵⁾

The cost sanction approach as seen above is not without critics. Toulmin considers that ‘[i]f a court orders the parties to attempt to reach an agreement, it is difficult to see how a refusal by a party to undertake the mediation process in good faith (a voluntary act) can be regarded as compliance with an order for compulsory mediation.’⁽⁵⁶⁾ In the similar vein, Shipman questions whether the court has coercive power to punish an act of non-compliance to compulsory mediation on the ground of contempt of court or charge a penalty due to the discontinuance

‘[T]he court has given its stamp of approval to mediation and it is now the legal profession which must become fully aware of and acknowledge its value. The profession can no longer with impunity shrug aside reasonable requests to mediate. The parties cannot ignore a proper request to mediate simply because it was made before the claim was issued. With court fees escalating it may be folly to do so.’

(51) *PGF II SA v. OMFS Company 1 Ltd.* [2013] EWCA Civ 1288.

(52) *Ibid.*, para. 35.

(53) *Ibid.*, para. 37.

(54) *Ibid.*, para. 34.

(55) A.K.C. Koo, “Unreasonable refusal to mediate: The need for a principled approach”, *CJQ*, Vol. 33, No. 3 (2014), p.261, p. 264; G. Meggitt, “PGF II v OMFS Co and compulsory mediation”, *CJQ*, Vol. 33, No. 3 (2014), p. 335, p. 343.

(56) J. Toulmin, “Cross-border mediation and civil proceedings in national courts” in Europäische Rechtsakademie, *Practical Issues of Cross-Border Mediation* (Trier, 14 to 15 May, 2009), *ERA Forum*, Vol. 10 (2009), p. 554, pp. 559-560.

⁽⁵⁷⁾
of court proceedings.

Chapter 2 Principle of Legitimacy and Proportionality of Mandatory Mechanism

Whether explicit or implicit, how should the various mandatory frameworks be legally justified? The EU Member States retain their discretion whether or not to implement any compulsory mediation measures for civil and commercial disputes and consumer disputes under the Mediation Directive and the Consumer ADR Directive respectively [A]. Implementation of mandatory mediation needs to comply with the normative thresholds externalised by the courts in Strasbourg and in Brussels [B].

[A] Legal Context

The EU adopted the Mediation Directive in 2008 with the purpose of providing various means to guarantee access to justice.⁽⁵⁸⁾ Another important objective of the Mediation Directive is to place mediation more than as an alternative to court and to put it on an equal footing with the judicial proceedings.⁽⁵⁹⁾ In addition to that, the EU undertook to promote the use of ADR particularly for consumer disputes in 2013 under the Consumer ADR Directive and the ODR Regulation.⁽⁶⁰⁾

[a] Mediation Directive

As the EU opted for a market-based solution in order to encourage the development of mediation, it does not regulate the procedural rules in a

(57) S. Shipman, "Compulsory mediation: the elephant in the room", *CJQ*, Vol. 30, No. 2 (2011), p. 163, pp. 166-167.

(58) Recital 2, 3, 6 and 27, Mediation Directive.

(59) Art. 1 of the Mediation Directive aims at 'a balanced relationship between mediation and judicial proceedings'. See also European Commission, *Proposal for a Directive of the European Parliament and of the Council on certain aspects of mediation in civil and commercial matters*, COM (2004) 718 final, p. 3 ('Mediation Directive Draft Proposal').

(60) Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR), OJ L 165, 18. 6. 2013, pp. 63-79; Regulation (EU) No 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Regulation on consumer ODR), OJ L 165, 18. 6. 2013, pp. 1-12.

detailed manner.⁽⁶¹⁾ Hence, the mandatory provisions for national implementation are limited only to the essence of mediation such as the enforcement of a mediated agreement, confidentiality and the limitation and prescription periods. The Member States are free to set a higher threshold such as a mandatory mechanism or make mediation subject to sanctions or financial incentives, provided that the rules as such do not impede the right to access to judicial system.⁽⁶²⁾

The interface between the Mediation Directive and IP is threefold. Firstly, the scope of mediation needs a detailed analysis. The definition of mediation is intentionally left vague in Article 3(a) as ‘a structured process, however named or referred to, whereby two or more parties to a dispute attempt by themselves, on a voluntary basis, to reach an agreement on the settlement of their dispute with the assistance of a mediator’. A sensitive delineation between mediation and settlement needs to be drawn in France, where the former is not only a procedural act, but also a contractual act of *res judicata*.⁽⁶³⁾ Dispute resolution methods of adjudicatory nature are excluded when ‘a formal recommendation’ is issued, such as arbitration, judicial conciliation and mediation by a judge in charge of the concerned judicial proceedings.⁽⁶⁴⁾ Expert determination is also expressly excluded.⁽⁶⁵⁾ To the contrary, judicial mediation is not necessarily

(61) Recital 17, Mediation Directive.

(62) Recital 14 and Art. 5(2), Mediation Directive. The mandatory mediation option was proposed from the outset (Annex to the Mediation Directive Draft Proposal, *op.cit.*, p. 5).

(63) Whilst Art. 2044 of the French Civil Code prescribes that a settlement (*transaction*) is a contract with reciprocal concessions (*concessions réciproques*), Art. 2052 confers *res judicata* to a settlement contract. Doctrinal views are divided between the moist and dualist theory on the settlement/mediation dichotomy. See A. Wechs Hatanaka, *op.cit.*, pp. 389-390.

(64) Recital 11, Mediation Directive.

(65) The European Commission has excluded at the outset the ‘processes where the third party issues a recommendation, be it binding or not, on the resolution of the dispute’ (Mediation Directive Draft Proposal, *op.cit.*, p. 4). Thus, Mediation Draft Proposal excluded expert determination as another example of adjudicatory scheme (Recital 8, Mediation Directive Draft Proposal). A caveat should be made that the term ‘expert determination’ is not defined, thus it is unclear as to what it refers to.

excluded provided that judges do not exercise their adjudicatory power, as provided by Recital 12 and the second paragraph of Article 3⁽⁶⁶⁾. Ambiguity still remains whether extrajudicial conciliation would be excluded from the scope of mediation, considering that conciliation developed in the national laws differently from mediation. Therefore, a coherent usage of the term mediation is preferable to specify its scope.⁽⁶⁷⁾ Secondly, the application of the Mediation Directive is limited to cross-border disputes despite controversy, though it may be applied to domestic disputes.⁽⁶⁸⁾ Thirdly, the application of the Mediation Directive to IP disputes may be confined by virtue of Recital 10, which stipulates that it does not apply to the rights and obligations that the parties are not free to decide themselves under the relevant applicable law.⁽⁶⁹⁾

[b] Consumer ADR Directive

The Consumer ADR Directive emphasises its principle that ADR meets the consumers demand to manifest their redress proportionately with low-cost

(66) The reason behind is clear as stated by European Parliament as follows :

‘(...) It is necessary to remove the quasi-judicial or extrajudicial procedures, the aim of which is to deliver an opinion or a recommendation that has the force of law (e.g. judicial conciliation, arbitration, etc.)’ (Amendment 33)

The amendments by European Parliament shall refer to *Draft Report (Amendments 1-30)*, PE. 374. 428 of 21. 09. 2006 and *Draft report (Amendments 30-67)*, PE. 380. 658 of 25. 10. 2006.

(67) H. Eidenmüller and M. Prause, “Die europäische Mediationsrichtlinie - Perspektiven für eine gesetzliche Regelung der Mediation in Deutschland”, *NJW* 2008, p. 2739.

(68) See Arts. 17(1) and 26(2) (a), Commission SEPs Regulation Proposal, *op.cit.*, which mixes up the two terms and stipulates that ‘a conciliator mediates’.

(69) Recital 8, Mediation Directive. The European Commission’s initial proposal did not particularly confine its scope to cross-border disputes, but the European Parliament proposed so for clarity (Amendment 32). Belgium made a statement that both cross-border and domestic disputes should be covered, without which the fundamental purpose of the Mediation Directive to encourage the extrajudicial settlement would be undermined (Common position, 5705/08 ADD 1 of 11.02.2008, p. 2). Following these controversial arguments, the European Commission accepted to confine the scope to cross-border disputes, provided that its definition is prescribed as broad as possible (*Communication from the Commission to the European Parliament pursuant to the second subparagraph of Article 251(2) of the EC Treaty concerning the common position of the Council on the adoption of a Directive of the European Parliament and of the Council on certain aspects of mediation in civil and commercial matters*, COM (2008) 131 final, pp. 2-3).

against traders, who have better bargaining power.⁽⁷⁰⁾ In the same vein as the Mediation Directive, Article 1 stipulates that it is without prejudice to national legislation making the consumer ADR procedures mandatory, provided that it does not prevent the parties from exercising their rights of access to the judicial system. In order to clarify the interface between the Consumer ADR Directive and mandatory mediation, a focus will be made on the followings. Firstly, the scope of the Consumer ADR Directive as prescribed in Article 2(1) is limited to the procedures for the domestic and cross-border out-of-court resolution concerning contractual obligations stemming from sales contracts or service contracts. Article 2(2)(g) set out another important limitation that disputes covered by are solely the procedures initiated by consumers. Secondly, the subject-matters are limited to disputes between a trader established in the EU and a consumer resident in the EU of all economic sectors, except those generally provided by the government such as health service and education as stipulated in Article 2(2)(h) and (i). Among others, consumer complaint-handling systems operated by the trader, direct negotiation between the consumer and the trader, and judicial settlement by a judge are excluded by virtue of Article 2(2)(b), (e) and (f). Lastly, the Consumer ADR Directive rules on the quality and the standards of DRPs and ADR procedures, the availability of information on ADR for consumers as well as the role of authorities. Ad hoc ADR is not subject to these rules, as opposed to institutional DRPs.

[c] ODR Regulation

As a legal instrument to boost consumer ADR, the ODR Regulation needs to be read in conjunction with the Consumer ADR Directive. Its scope is limited in Article 2 to disputes arising out of e-commerce. An important difference between two instruments may be found in Article 2(2) that the ODR Regulation also applies to an out-of-court procedure initiated by traders against consumers, provided that

(70) P. Cortés, "European Union's initiatives on ADR and ODR", *Computer and Telecommunications Law Review* Vol. 21, No. 8 (2015), p. 257, pp. 257-258.

the legislation of the Member State where the consumer is habitually resident allows for such disputes to be resolved through the intervention of an ADR entity.

[B] Normative Threshold

As mentioned above, mandatory mediation is justified to the extent it does not prevent the parties from exercising their right of access to the judicial system. As will be explained below, the ECtHR recalls the general principle in *Deweere*⁽⁷¹⁾ that '[t]he right to a court ... is a constituent element of the right to a fair trial'. Right to a fair trial is a fundamental human right under Article 6(1) of the ECHR (European Convention on Human Rights) and Article 47 of the Charter of Fundamental Rights of the European Union (Charter)⁽⁷²⁾. Fundamental rights play more and more important role for IP in general.⁽⁷³⁾ Whilst the intersection between IPRs and a fair trial has been studied elsewhere, no focus on its effect on IP mediation has been made thus far. An *ex-ante* waiver of the right of access to court in a contract is deemed void when it is stipulated in such a way that the court's jurisdiction is abandoned.⁽⁷⁴⁾ Hence, whether to understand the role of fundamental rights as safeguards for the right of access to court, or as a tool to⁽⁷⁵⁾

(71) ECtHR, *Julius Deweer v. Belgique*, no. 6903/75, 27. 02. 1980, para. 49.

(72) Art. 6(1), European Convention on Human Rights (Rome, 4.XI.1950) provides that :
In the determination of his civil rights and obligations (...) everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law.

Art. 47, Charter of Fundamental Rights of the European Union (OJ C 364 of 18.12.2000, p. 1) provides that : Right to an effective remedy and to a fair trial: Everyone whose rights and freedoms guaranteed by the law of the Union are violated has the right to an effective remedy before a tribunal in compliance with the conditions laid down in this Article. Everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal previously established by law. Everyone shall have the possibility of being advised, defended and represented. (...)

(73) C. Geiger, "Introduction", in C. Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* (Edward Elgar, 2015), p. 1.

(74) C. Geiger and E. Izumenko, "Intellectual property before the European Court of Human Rights" in C. Geiger, C.A. Nard and X. Seuba (eds.), *Intellectual Property and the Judiciary* (Edward Elgar, 2018), p. 9, pp. 70-88.

(75) A. Zuckerman, *Zuckerman on Civil procedure: Principles of practice* (3th ed., Sweet & Maxwell, 2013), para. 3. 39.

delineate the margin of admissibility for mandatory mediation depends on how to conceive mandatory mediation, whether as a waiver of a fair trial or as a positive means to enhance mediation.⁽⁷⁶⁾ Two courts have affirmed that imposing a mandatory settlement and mediation prior to the action to court alone does not violate the right of access to court. Whilst the parties can by their will waive their right of access to court, in which case a few other minimum safeguards may apply, this paper focuses on the cases where compulsion is made by law.

[a] ECtHR Case Law

Two benchmark cases serve to interpret the margin of admissibility of mandatory mediation in the light of the right of access to court.

[i] Absence of Constraint

The ECtHR held in the *Deweer* decision that the pre-judicial arrangements by way of arbitration do not in principle violate the right to a fair trial, provided that it is made ‘in the absence of any constraint’. The ECtHR recalls the general principle that ‘[i]n the Contracting States’ domestic legal systems a waiver of this kind is frequently encountered both in civil matters, notably in the shape of arbitration clauses in contracts, and in criminal matters in the shape, *inter alia*, of fines paid by way of composition. The waiver, which has undeniable advantages for the individual concerned as well as for the administration of justice, does not in principle offend against the Convention.⁽⁷⁷⁾ It is settled case law that, the right of access to court is not absolute, because it ‘must not restrict or reduce the access left to the individual in such a way or to such an extent that the very essence

(76) On the former position, see S. Shipman, “Waiver: Canute against the tide?”, *CJQ*, Vol. 23, No. 4, 2013, p. 470.

(77) *Julius Deweer*, *op.cit.*, para. 49. It was particularly noted that :

(...) in a democratic society too great an importance attaches to the ‘right to a court’ (see paragraph 44 above) for its benefit to be forfeited solely by reason of the fact that an individual is a party to a settlement reached in the course of a procedure ancillary to court proceedings. In an area concerning the public policy (ordre public) of the member States of the Council of Europe, any measure or decision alleged to be in breach of Art. 6 calls for particularly careful review (...).

of the right is impaired'.⁽⁷⁸⁾ In this case, the applicant is said to be threatened by the public prosecutor for an imposition of a shop closure order of the premises as a result of a violation of the Belgium retail price control legislation, and was offered to drop all proceedings in exchange of a settlement by a payment of a unilaterally fixed fine within 48 hours. Although the sum in question, 10,000 Bfrs, was only slightly above the minimum amount of the fine laid in the legislation, and would have been a better solution than being charged of the offence, which possibly deprived the applicant of the income accruing from his trade. The ECtHR concluded that the waiver of a fair trial in such a circumstance was tainted by constraint in breach of Article 6(1) of the ECHR.

The *Deweer* decision rests on the situation where a waiver is made under the authoritative and time pressure, and that it was arbitration at stake. The ECtHR states that an absence of constraint is at all events 'one of the conditions to be satisfied'.⁽⁷⁹⁾ Jacot-Guillarmod suggests other imposable conditions as follows.⁽⁸⁰⁾ Firstly, the dispute has to be arbitrable or involve the rights and obligations that are disposal at the parties. Secondly, the arbitral procedure has to guarantee certain fundamental procedural requirements such as the rules relevant to the appointment of arbitrators, their replacement and challenge, the equality between the parties, the availability of provisional measures ordered by a competent court, the decision-making of arbitral awards, the finality of arbitral awards and the possibility to appeal the given arbitral award.

[ii] Between Judicial Economy and Adverse Effect of Friendly Settlement

The ECtHR reconfirmed in the *Mamčilovič* case that mandatory 'friendly settlement' per se does not violate the right of access to court. In this case,⁽⁸¹⁾

(78) *Ashingdane v. The United Kingdom*, no. 8225/78, 28. 05. 1985, paras. 55-57.

(79) *Julius Deweer, op.cit.*, para. 49.

(80) O. Jacot-Guillarmod, "L'arbitrage face à l'Art. 6.1 de la Convention européenne des droits de l'homme" in F. Matscher and H. Petzold (eds.), *Protecting human rights: The European dimension - Festschrift für Gérard J. Wiarda* (Carl Heymans Verlag KG, 1988), p. 281, pp. 284-285.

(81) ECtHR, *Momčilovič v. Croatia*, n° 11239/11, 26. 03. 2015.

the applicant complained that their right of access to court had been impaired because they had to undertake a settlement procedure twice on the claim based on the same legal and factual grounds. The plaintiffs are Croatian citizens who won their criminal case in 1994. As the case involved a murder by a Croatian soldier, they were required to first attempt at a friendly settlement with the State Attorney's Office for their civil claim for damages by virtue of the Military Service Act. However, the claim was deemed withdrawn by the Zagreb Municipal Court in 2003 due to the fact that the plaintiffs' representative failed to appear at several hearings. They then brought their claim to the Karlovac Municipal Court in 2005, whose dismissal was subsequently upheld by the Supreme Court on the ground that they failed to have the case settled with the competent authority on the basis of the Civil Procedure Act, which requires that a civil suit against the State must first submit to a settlement.

The ECtHR recalled the general principles of legitimacy and proportionality in order to examine the relationship between a settlement as a precondition to court and the right of access to court. The ECtHR accepted as 'legitimate aim of securing judicial economy' in the light of the national legislation's purpose to avoid long and expensive court proceedings in order to reduce the court caseload for an efficient dispute resolution. On the reasonableness of the process requiring settlement twice, the ECtHR applied the proportionality test and found that the second mandatory settlement is not in itself unreasonable and that the period of three months until the State decides whether to reach a friendly settlement before the plaintiffs acquired a possibility to bring their claim before the competent court was not prejudice to the applicant.⁽⁸²⁾ Furthermore, the ECtHR imposed the onerous of proving the prejudice to the applicant by stating that it was not specified in what manner the requirement to institute the settlement procedure adversely affected the right of access to court. It was also pointed out⁽⁸³⁾

(82) *Ibid.*, para. 46.

(83) *Ibid.*, para. 53.

that it was open for the plaintiffs to lodge a request for friendly settlement for the second time, before they brought the claim to the competent court, and that the period of prescription was appropriately suspended.⁽⁸⁴⁾

The legitimacy of the mandatory condition as prescribed in the Croatia Civil Procedure Law remains in doubt. Besides the advantages that a settlement is speedy and cheaper than litigation, the legitimacy of a mandatory mechanism should not be solely examined in view of judiciary to reduce their caseload, but should rather be justified for the benefits of the parties to achieve the most appropriate solution. The ECtHR expresses that it was not called upon to assess on this point.⁽⁸⁵⁾

[b] CJEU Case Law

At least in the light of consumer ADR, the CJEU clarified the manner in which mandatory mediation retains its compatibility with the right of access to court in the two benchmark decisions.

[i] Four Objective Criteria of Proportionality

The Supreme Court of Italy referred to the CJEU *in the Alassini* case.⁽⁸⁶⁾ The plaintiffs contested that the mandatory nature of settlement imposed by Italian law violates the right to a fair trial as prescribed in Article 6(1) of the ECHR and Article 47 of the Charter. Italy transposed the Universal Service Directive 2002, now repealed by the Directive 2018/1972, by the Decree No. 259 of 1 August 2003, based on which the Communications Regulatory Authority requires mandatory attempt to settle consumer disputes between users and telecommunication providers prior to litigation at court (*obbligatorio di conciliazione extragiudiziale*).⁽⁸⁷⁾ The reference for a preliminary ruling concerned⁽⁸⁸⁾

(84) *Ibid.*, paras. 52 and 55.

(85) *Ibid.*, para. 54.

(86) CJEU, *Alassini v Telecom Italia SpA* (joined Cases C-317/08 to C-320/08).

(87) *Ibid.*, paras. 2-17.

(88) Art. 34, Universal Service Directive (Directive 2002/22/EC of the European Parliament and of the Council of 7 March 2002 on universal service and users' rights relating to electronic

whether the admissibility before the courts of actions, which is conditional upon an attempt to settle the dispute out-of-court, is precluded under Article 34 of the Universal Directive and the principle of effective judicial protection.⁽⁸⁹⁾ Settlement here refers to an attempt without ‘the active intervention of a third party who proposes or imposes a solution’, as expressed by the CJEU. It thus falls out of the scope of mediation as defined in the Mediation Directive.⁽⁹⁰⁾

The CJEU recalled that the mandatory mechanism should ‘correspond to objectives of general interest pursued by the measure in question’ on the one hand, and ‘not involve... a disproportionate and intolerable interference which infringes upon the very substance of the rights guaranteed’ on the other.⁽⁹¹⁾ Thereby the CJEU applies two criteria for judging the admissibility of mandatory

communications networks and services, *JO* L 108 of 24. 04. 2002, p. 51); Legislative Decree No. 2059 of 01. 08. 2003, referring to Art. 84, Electronic Communications Code (GURI No. 2014 of 15 September 2003); Art. 3(1), decision 173/07/CONS (GURI No. 120 of 25. 05. 2007, p. 19). Art. 34 of the Universal Service Directive, which is entitled ‘Out-of-court dispute resolution’, provides that :

1. Member States shall ensure that transparent, simple and inexpensive out-of-court procedures are available for dealing with unresolved disputes, involving consumers, relating to issues covered by this Directive. Member States shall adopt measures to ensure that such procedures enable disputes to be settled fairly and promptly and may, where warranted, adopt a system of reimbursement and/or compensation. Member States may extend these obligations to cover disputes involving other end-users.
2. Member States shall ensure that their legislation does not hamper the establishment of complaints offices and the provision of on-line services at the appropriate territorial level to facilitate access to dispute resolution by consumers and end-users.
3. Where such disputes involve parties in different Member States, Member States shall coordinate their efforts with a view to bringing about a resolution of the dispute.
4. This Article is without prejudice to national court procedures.

Art. 3(1) of the decision 173/07/CONS stipulates that:

As an alternative to having the settlement procedure conducted by the Core.com, the parties concerned may undertake the mandatory attempt to settle the dispute, whether by means of electronic communication or otherwise, using the services of the out-of-court bodies for the resolution of consumer disputes referred to in point (o) of Article 1 of this decision. (*Ibid.*, para. 16)

(89) *Alassini, op.cit.*, para. 37.

(90) *Ibid.*, paras. 34-35.

(91) *Ibid.*, para. 63.

settlement under the principle of legitimate aim and the proportionality of means. On the first criteria, it held that the purpose of the Italian Decree to offer ‘quicker and less expensive settlement of disputes’ is deemed legitimate.⁽⁹²⁾ On the second criteria, it upheld the Advocate General Opinion that ‘no less restrictive alternative to the implementation of a mandatory procedure exists, since the introduction of an out-of-court settlement procedure which is merely optional is not as efficient a means of achieving those objectives’, and that the mandatory nature did not bring any evident disadvantages.⁽⁹³⁾ Thus, a mandatory procedure does not make the exercise of bringing claims to court ‘impossible or excessively difficult’.⁽⁹⁴⁾ Though it was not mentioned in the decision, the Advocate General Opinion found that a mandatory mechanism is not disadvantageous for the plaintiff, because the disadvantage caused to the right of access to court by virtue of the mandatory nature is ‘minor’ compared to any possible advantages that outweigh.⁽⁹⁵⁾ This statement appears to be based on the German experiences referred to in the Advocate General Opinion that ‘even in situations in which one or even both parties refuse to attempt to settle the dispute, the chances are that, during the procedure itself, opportunities for achieving a resolution of the problem that the parties did not recognise at the outset become apparent.’⁽⁹⁶⁾

The significance of *Alassini* is that the CJEU clarified the objective standards of the principle of proportionality under the following four conditions, that the outcome of mandatory procedure is not binding, the procedure does not substantially delay the action to court, the period of prescription is suspended, and the cost of mandatory mechanism is free of charge or insignificant.⁽⁹⁷⁾ In

(92) *Ibid.*, para. 64.

(93) *Ibid.*, para. 65.

(94) *Alassini, op.cit.*, para. 53.

(95) Opinion of the Advocate General Kokott, 19.11.2009 (*European Court Reports* 2010 I-02213), para. 48.

(96) *Ibid.*, para. 47.

(97) *Alassini, op.cit., op.cit.*, paras. 54-57.

addition to that, the CJEU requires two more conditions that the access to the mandatory mechanism should not be limited only to electronic means, and that interim measures should be available in exceptional cases where necessary.⁽⁹⁸⁾ As such, the CJEU confirmed that ‘the only requirement imposed to the Member States’ is that the right to bring an action to court shall be preserved.⁽⁹⁹⁾ According to the CJEU, a mandatory mechanism is only an ‘additional step for access to the courts’.⁽¹⁰⁰⁾

The CJEU decision shall be hailed as a means to boost the use of mediation, in particular on the following three grounds. First and foremost, it clarified that the mandatory settlement is legitimate and does not violate the right to access to court, *albeit* in the limited context of consumer disputes. Furthermore, it acknowledged the mandatory nature of settlement as a justifiable means to achieve the efficiency of dispute resolution. However, it should be reminded that, until the *Menini* decision confirmed it as below, the effect of *Allassini* to mediation and other forms of ADR was uncertain. The ‘settlement’ at stake, *obbligatorio di conciliazione extragiudiziale* in Italian, is differently translated in the decision in English as ‘mandatory out-of-court procedure’, ‘mandatory attempt at settlement’ and ‘mandatory settlement procedure’. It is therefore not certain whether the CJEU meant to include ‘conciliation’, which is embraced in mediation under the Mediation Directive.

[ii] Proportionality and Mandatory Consumer Mediation

The CJEU confirmed the principle of proportionality rendered in the *Allassini*⁽¹⁰¹⁾ and firmly applied to mediation. The case concerned another reference from an Italian court, Verona District Court, on the legitimacy of mandatory mediation in view of Article 3(2) of the Consumer ADR Directive, which set out a bank

(98) *Ibid.*, paras. 58-59.

(99) *Ibid.*, para. 43.

(100) *Ibid.*, para. 62.

(101) CJEU, *Menini v Banco Popolare Societa Cooperativa* (C-75/16), para. 55.

order for payment obtained against the parties as a precondition of litigation.⁽¹⁰²⁾ The CJEU further precludes the imposition of certain procedural restrictions as incompatible with the Consumer ADR Directive that, firstly, requiring consumers in mandatory mediation to be assisted by lawyers, and secondly, requiring a withdrawal of consumers from mandatory mediation on a valid reason.⁽¹⁰³⁾ On the latter, the CJEU states that, if consumers may terminate mediation immediately after meeting with a mediator, it remains in line with the Consumer ADR Directive.⁽¹⁰⁴⁾ The CJEU makes an emphasis that consumers are at the center of protection under the Consumer ADR Directive as prescribed in Article 9(2) (a) that '[t]he parties have the possibility of withdrawing from the procedure at any stage if they are dissatisfied with the performance or the operation of the procedure. They shall be informed of that right before the procedure commences. Where national rules provide for mandatory participation by the trader in ADR procedures, this point shall apply only to the consumer'. Accordingly, the CJEU further delineates the contour of permissible mandatory mediation in the light of the right of access to court.

[c] Impact on IP Mediation

The ECtHR and the CJEU commonly clarified that a mandatory scheme in itself does not violate the right of access to court. The absence of an imposition by constraint manifested in *Deweert* should be understood as a minimum threshold, taking into the Jacot-Guillarmod's proposed additional conditions. On the legitimacy test, the reasoning of the CJEU should be preferred to than that of the ECtHR, as it takes account not only of the efficiency of judicial procedure, but also of the 'general interest' of the purpose of the mandatory mechanism. As was pointed out in the Advocate General Opinion, a mandatory mechanism is 'in the interest of the parties', not only because it is an expedited and less expensive

(102) *Ibid.*, paras. 61-63.

(103) *Ibid.*, paras. 64-69.

(104) *Ibid.*, paras. 70.

dispute resolution as reiterated in the decision, but also because it is ‘more likely to bring about the long-term resolution of the dispute than a judicial decision’.⁽¹⁰⁵⁾

One remaining question is the applicability of the decisions to mediation. *Menini* is the only case in which mandatory mediation was dealt with, though confined to consumer mediation, whilst it was a ‘pre-judicial arrangement by arbitration’ in *Deweer*, a ‘friendly settlement’ in *Mamčilovič*, and an *obbligatorio di conciliazione extragiudiziale* in *Alassini*, which was put in question. The CJEU shows its willingness to apply by analogy the principle of proportionality under four conditions *mutatis mutandis* in a wider context to the exhaustion of administrative remedies prior to litigation before the national administrative authorities.⁽¹⁰⁶⁾ Thus, *prima facie*, there is no reason not to apply the rationales provided by these courts to mediation in general. Mandatory mediation would not generally be less proportional than arbitration or settlement, as the length of procedure is not excessively longer, and the costs of mediation are not substantial. On the former, the ECtHR found three months reasonable, whilst the test applied by the CJEU was 30 days. Mediation shall also meet the legitimacy test, because it is usually considered as a quick and cost-effective means to dispute resolution. The only reason to hold mandatory mediation illegitimate would be when the mediated agreement entails *res judicata*, thereby depriving the parties from access to court, if enforced.⁽¹⁰⁷⁾

The CJEU cases reached the same conclusion, but rest on the different reasoning. Whilst *Alassini* applied the general principle of law under the principle

(105) Opinion of the Advocate General Kokott, *op.cit.*, para. 45. See on the contrary, skepticism on the case founding on the legitimacy of the mandatory mechanism (J. Davies and E. Szyszczak, “ADR: Effective protection of consumer rights?”, *European Law Review* Vol. 35, No. 5 (2010), p. 695, pp. 705-706).

(106) CJEU, *Peter Puškár v. Finance Office of the Slovak Republic* (C-73/16), paras. 69-71. The case concerned a complaint against the Finance Directorate and the Financial Administration Criminal Office, which by the national law of Slovakia was subject to administrative procedure before going to court.

(107) See on the ambiguity of the procedural effect of an enforced mediated agreement in A. Wechs Hatanaka, *op.cit.*, pp. 403-404.

of effective judicial protection, *Menini* interpreted the interaction between mandatory mediation and the right of access to the judicial system within the stipulations in the Mediation Directive and the Consumer ADR Directive.⁽¹⁰⁸⁾

In relation to that, another remark should be made on the limited effect of the CJEU rulings to civil and commercial mediation for the following two grounds. Firstly, both cases are concerned with consumers. As was made clear in *Menini*, it only dealt with the out-of-court procedure initiated by consumers as prescribed in the Consumer ADR Directive, but not by traders.⁽¹⁰⁹⁾ Consumers in IP law appear in the limited context of trade marks and unfair competition, where the substantive law refers to the protection of consumers and the average consumers play an important role for confusion test. At the Union des Fabricants (UDF) in Japan for instance, the scope of application for mediation is limited subjectively. Consumers are excluded because the UDF Mediation Rules only deal with disputes between right holders of trade marks and merchants.⁽¹¹⁰⁾ Secondly, it should be recalled that the CJEU clearly negated to rule on the conformity of the Consumer ADR Directive with the Mediation Directive.⁽¹¹¹⁾ This has two consequences: the ruling concerns only about a national mandatory scheme and not about cross-border scheme, and it concerns only about the out-of-court mediation, which excludes judicial mediation. Therefore, the effect to IP mediation in general and to cross-border mediation as well as to judicial mediation is not readily affirmative. Considering that expert determination is

(108) Art. 5(2), Mediation Directive and Art. 1, Consumer ADR Directive.

(109) *Menini, op.cit.*, para. 40.

(110) Art. 4(1)-(3), UDF Mediation Rules. 'Consumers' presumably refer to end-users in the absence of definition in the UDF Mediation Rules, whilst 'right holders' include the owner of trade marks as defined in Japanese Trade Mark Act (Arts. 2(1) and 3), licensees of the trade marks as defined in Art. 30 of the Japanese Trade Mark Act and a person whose business interests are infringed or are likely to be infringed by unfair competition as defined in Art. 2(1)-(3) of Japanese Unfair Competition Prevention Act (Art. 3(1), Japanese Unfair Competition Prevention Act). Merchants on the other hand are defined as manufacturers, import traders and distributors who have no contractual relationships with the right holder over manufacturing, import or sales of the good (Art. 3(3), UDF Mediation Rules).

(111) *Menini, op.cit.*, paras. 30-36.

excluded from the scope of the Mediation Directive, its applicability of the case law is uncertain.

Chapter 3 Fitting Mandatory Mediation in IP Room

As portrayed above, the concept of mandatory mediation is no more at odds. The EU and the UK experimented several variations of compulsion. Is one way better suited or justifiable than the other? It is no harm if judges actively encourage mediation, but imposing cost sanction on the ground of unreasonable refusal to mediate is hardly proportional under the EU *acquis*. At the same time, an explicit compulsion needs to overcome a few challenges. The question of suitability to mediation is a prime concern. Because IPRs are heterogeneous in nature, uniform application of the mandatory mechanism is not feasible, thus appropriate instances need to be optimised. When disputes related to competition law are subject to public policy, they may fall outside of the suitability for mediation. Regardless of the forms of compulsion, lack of know-how on mediation as well as the quality management over DRPs is common preoccupations.

Experiences show that the extent of regulations plays a significant role for a success of mandatory mediation. It is reported that the mandatory mediation scheme introduced in Italy brought many negative impacts, in particular due to the introduction of an accreditation mechanism of mediators.⁽¹¹²⁾ Because a huge number of entities embarked on mediation business both as DRPs and mediators training organisations, it caused market confusion and a burden to cross-border mediation.⁽¹¹³⁾

Much legislative effort has already been made to promote mediation from the perspective of the civil procedure law, but it did not result in dramatic

(112) A. Colvin, "Mediation in Italy: A progress report", *Arb.* Vol. 78, No. 4 (2012), p. 340, pp. 344-345.

(113) A. Colvin, "Mediation in Italy: Implications in Europe ?", *Arb.*, Vol. 79, No. 2 (2013), p. 231, p. 236. It is reported that over 800 DRPs, 300 mediators training organisations and 40,000 mediators are accredited (*Ibid.*, p. 234; A. Colvin, "Mediation in Italy: A progress report", *op.cit.*, p. 344).

changes. Therefore, the IP legal framework can offer a complementary venue to accommodate an explicit mandatory mediation both at the national and the European level by means of *de jure* [A] and *de facto* [B] implementation.

[A] *De Jure* Feasibility

The extent of compulsion needs to be legitimate and proportional. The legitimacy test should take into account the fundamental objectives of the IP law, which is to reinforce innovations and creations, and should be weighed in lieu of the sole purpose to reduce the caseload at court.

[a] Preclusion of Mandatory Arbitration

Arbitration and mediation are inherently different by nature in so far as the former is in general binding on the parties.⁽¹¹⁴⁾ The case law both at the European and a national level indicates that arbitration cannot be subject to compulsion due to the binding nature of arbitral awards, which deprives the parties of their right of access to court.⁽¹¹⁵⁾ The recent EU legislative movement confirms this direction.⁽¹¹⁶⁾

[b] Forms of Mandatory Procedures

One pillar for designing mandatory IP mediation is the nature of rights concerned, because not every IP rights are apt for mediation from the public policy perspective.⁽¹¹⁷⁾ Moreover, forcing trade mark owners or authors of creative works to mediate with infringers committed to counterfeiting and piracy is

(114) Art. 58(1), UK Arbitration Act 1996.

(115) Elleman gives a preference to mandatory mediation over mandatory arbitration for the same reason (S.J. Elleman, *op.cit.*, p. 775 *et seq.*). A caveat should be made that mandatory arbitration would not be automatically precluded if awards are not final and binding, and provides *de novo* rehearing by the court. Such is the case for mandatory arbitration in Pennsylvania in the US where it was held that compulsion to arbitrate before litigation was constitutional if the right of appeal at court is preserved (D.A. Awad, "On behalf of mandatory arbitration", *Southern California Law Review* Vol. 57, Issue 6 (1984), p. 1039, pp. 1045-1047).

(116) Whilst the Digital Single Market Directive 2019 is silent, the Digital Service Act 2022 clearly demands in Art. 21(2) para. 3 that the out-of-court settlement body has no power to impose a binding settlement to the parties, by way of which arbitration is practically excluded as an option.

(117) A. Wechs Hatanaka, *op.cit.*, pp. 400-403.

obviously unrealistic. Furthermore, as was pointed out in *Halsey*, in disputes where injunctive measures by court are necessary are not apt for mandatory mediation. An objective threshold such as the monetary value of claims is another possibility.

It should be noted that, the protected right to which the mandatory dispute resolution is applied to has to be in principle legitimate.⁽¹¹⁸⁾ In cases of industrial property rights, third parties retain the right to contend the legitimacy of rights under the revocation procedure. Thus, to what extent the compulsory nature of dispute resolution can be enforced on the *prima facie* legitimacy on registered rights is unclear. The condition upon which the explicit mandatory mechanism is justified is to preserve the possibility of actions to court and the revocation procedure when industrial property rights are at stake. Therefore, an appropriate duration of time during which the parties are compelled to settle needs a particularly careful review. It should be reminded that the CJEU ruled that thirty days are not disproportionate in case of online settlement, whereas the ECtHR held that three months are permissible. The Italian court questioned the CJEU whether four months would be deemed legitimate, but no answer was given due to the termination of the case.⁽¹¹⁹⁾

[B] *De Facto* Feasibility

De facto solutions include the regulatory compulsion and the membership compulsion. These are just some feasible examples, but not exhaustive. De Werra proposes an interesting method to transform settlement to a regulatory compulsion in a contract-based mechanism. As a way of an example, he proposes to make patent applications subject to a mandatory dispute resolution.⁽¹²⁰⁾

(118) J. de Werra, "Can alternative dispute resolution mechanisms become the default method for solving international IP disputes?", *California Western International Law Journal* Vol. 43 (2012), p. 39, p. 63.

(119) CJEU, *Ciro Di Donna v. Società imballaggi metallici Salerno srl* (C-492/11), para. 18.

(120) J. de Werra, *op.cit.*, p. 72. He suggests that when the authority or the sector involved retains control over the exercise of rights, compulsory mechanism can be easily

Mandatory mechanism as a membership compulsion such as for a patent pool is another option. This would be a similar practice to the collective management of copyright, in which mediation is a standard dispute resolution.⁽¹²¹⁾ Such practice appears not unusual in consumer disputes.⁽¹²²⁾ The effect of membership compulsion is limited though, as the mandatory effect applies only to its members.

Conclusion

This paper identified that mandatory mediation itself does not violate the right of access to court under the principles of legitimacy and proportionality illustrated by the ECtHR and the CJEU case law. It also outlined several forms of mandatory mediation and their applicability and suitability to IP disputes. Within the explicit compulsion framework, contractual compulsion may be pursued by online DRPs. A legislative shift to explicit mandatory mediation has several potentials, which is certainly more effective than implied compulsion by judges, whose discretion may be restricted by the right of access to court. Is mandatory mediation a dramatic paradigm-shift? Again the answer is negative, because mandatory mediation is without detriment to the public value of litigation and will simply save the IP community from the gap between the rapid progress of technology and the outdated legislation. The options are rich, and the design of compulsion should reflect the ultimate objective to enhance innovation and to enrich culture as underlined in the IP law.

implemented in such areas as biopiracy, publicly funded international joint research and development projects or online copyright and trade mark infringement.

(121) Cf. Mediation at AMAPA (Association de Médiation et d'Arbitrage des Professionnels de l'Audiovisuel) in France specifically deals with disputes related to audiovisual works between producers and authors such as directors, scenarion writers, art collaborators, creators of documentary, fiction or animation or archives, as well as to disputes between authors and authors, and between producers and distributors.

(122) Civic, *Study on the use of Alternative Dispute Resolution in the European Union* (Final report submitted by Civic Consulting of the Consumer Policy Evaluation Consortium (CPEC) Framework Contract Lot 2 – DG SANCO, 16. 10. 2009), p. 35.