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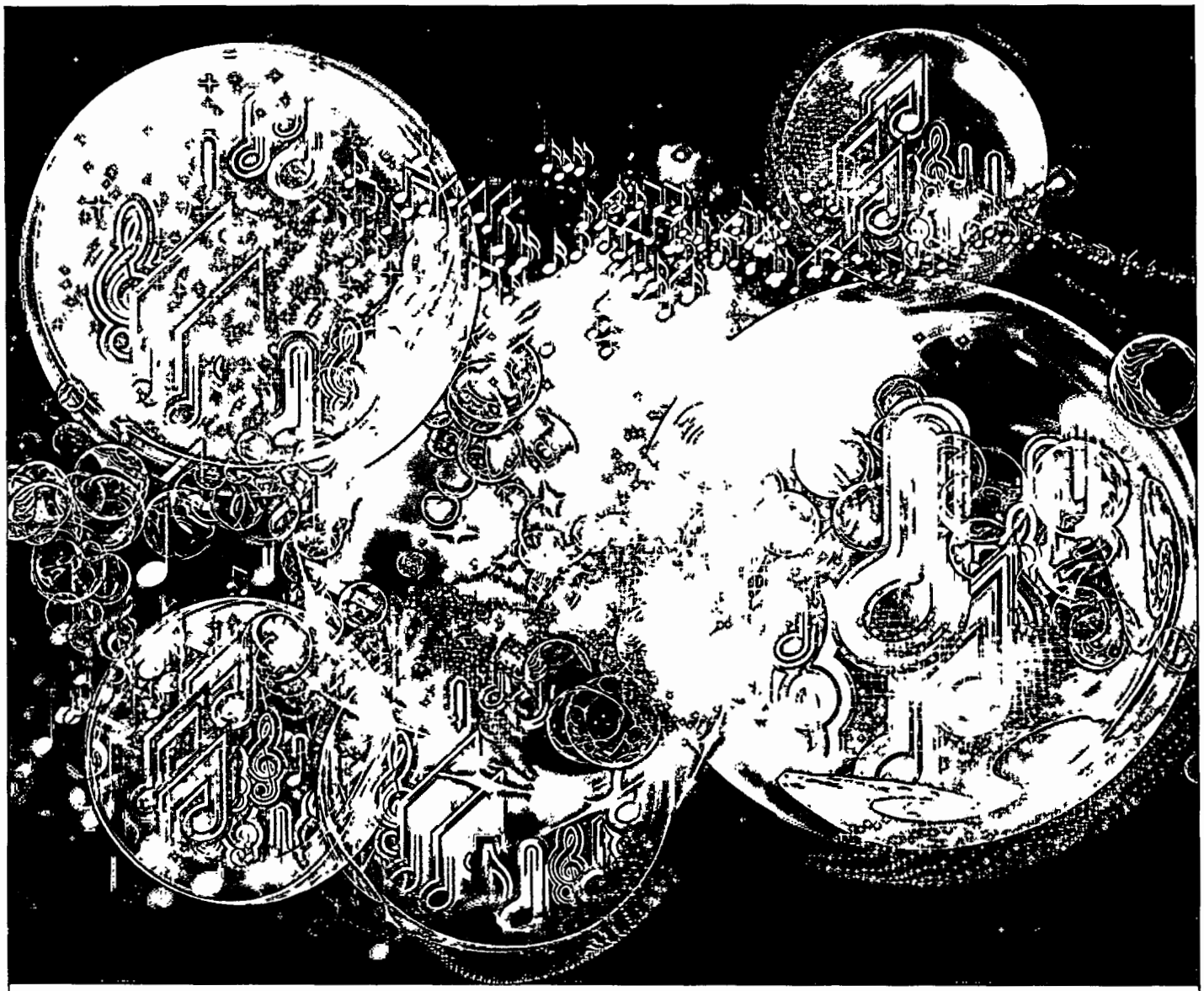

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RESOLUTION ALLEY

Using Alternative Dispute Resolution to Address Entertainment Disputes

By Theodore K. Cheng

Resolution Alley is a column about the use of alternative dispute resolution in the entertainment, arts, sports, and other related industries.

It has always been the case that the onus of enforcing intellectual property rights falls principally on the shoulders of the holders of such rights. Thus, when a case of unauthorized use is discovered (or is looming), the intellectual property owner usually must act quickly to stop the offending conduct, regain control over the property, and secure adequate compensatory relief. This is nowhere better illustrated than in the entertainment field. Consider these all-too-common scenarios:

- An author is working with a motion picture studio for the film dramatization of her novel under an option agreement that contains a non-disclosure agreement. While the film was in development, a rival studio established by former executives of this same studio suddenly releases a film that appears to be based upon the same novel.
- A photographer signs a license for the limited use of certain of his photos in connection with a Broadway musical. Due to the popularity of the show, several of his photos become iconic, and the show's producers have decided to begin selling show-related merchandise incorporating the photos, which is arguably outside the scope of the license granted by the photographer.
- Due to internal squabbling, the members of a rock band with a string of popular recordings splinters into two different groups, each purporting to be the legitimate continuation of the original band. A dispute erupts over who owns and controls the rights to the name and other intellectual property of the original band.
- A beverage company claims that a competitor is making several false and misleading statements in print and a national television advertising campaign that have both just launched. Retail beverage sales for the company have plummeted as a result.

In each of the above examples, it will usually be second nature to a litigator to immediately think about commencing a lawsuit and perhaps seeking a preliminary injunction or some other form of provisional relief. Yet the litigation forum has certain limitations that make seeking emergency relief impracticable, including the lack of real flexibility in designing a dispute resolution mechanism tailored to the dispute in question; the additional expense (in time and legal fees) of appearing before a decision maker with possibly little to no expertise in the subject matter of the dispute; the inability to maintain true confidentiality because of the public nature of the proceedings; and, perhaps most poignantly, the frustrations of having no control over the timing of the process and when relief can be afforded.

One way to minimize or eliminate the drawbacks of a court proceeding is to consider using alternative dispute resolution (ADR) mechanisms to address the dispute. For example, to avoid the unwanted publicity associated with filing a lawsuit—particularly one involving prominent entertainment figures or entities—the parties could agree to participate in a pre-suit mediation. Mediation is a confidential dispute resolution mechanism in which the parties engage a neutral, disinterested third-party who facilitates discussion amongst the parties to assist them in arriving at a mutually consensual resolution. It is well suited to entertainment disputes where the parties often contemplate an ongoing relationship of some kind once the dispute has been resolved. Selecting the appropriate mediator—one who is well versed in mediation process skills, with perhaps some knowledge of, or prior experience with, either intellectual property and entertainment law and/or the particular entertainment industry—is oftentimes necessary to maximize the likelihood that a resolution can be achieved.

As mediation is a non-adjudicative process, there is no judge or other decision maker who will determine the merits of the dispute. Rather, the mediator's role is to try and improve communications between the parties, explore possible alternatives, and address the underlying interests and needs of the parties in hopes of moving them toward a negotiated settlement or other resolution of their own making. Although a mediator may be asked to recommend possible solutions, a mediator is not authorized to impose a resolution, but, rather, provides an impartial perspective on the dispute to help the parties satisfy their best interests while uncovering areas of mutual gain. In that respect, mediation can be particularly helpful in those situations where the parties either are not effectively negotiating a resolution on their own or have arrived at an impasse in their dialogue. Mediation is also prospective, not retrospective, in nature. While a litigation looks to past events to find fault and impose appropriate relief, a mediation focuses on the future to determine how

the parties can best resolve the pending dispute and move on. In that respect, a mediation tends to be more cooperative, rather than adversarial, in nature.[1]

If the availability of preliminary remedies is a consideration in how to address the most immediate concern of either stopping the offending conduct or maintaining the status quo, arbitration might be a viable option in some cases. Arbitration is another confidential dispute resolution mechanism in which the parties engage a neutral, disinterested third-party. Unlike the mediator, however, the arbitrator is tasked with determining the merits of the dispute, in a final and binding manner, according to rules and procedures that are agreed-upon by the parties. Arbitration can also resolve a broad array of disputes and is well suited to addressing entertainment disputes where the parties anticipate requiring that the decision maker have specific subject matter and/or industry expertise.[2] Here again, then, the selection of the appropriate neutral, even more so than in a mediation—one who can appreciate both the legal issues and the technical industry concepts involved—is critical to achieving a just result.[3] Moreover, if properly managed by the neutral, the parties, and their counsel, arbitration can result in a dispute resolution process that is fair, expeditious, and cost-effective.[4]

The ability to secure a preliminary injunction or other interim relief in an arbitration setting is a valuable attribute for selecting that method of dispute resolution. Under the Federal Arbitration Act (FAA),[5] which governs most entertainment-related disputes, courts have routinely held that arbitrators possess the power to issue non-monetary remedies, and, in particular, to issue preliminary remedies before a hearing on the merits.[6] The power to grant interim relief has also been expressly granted by statute in 18 states and the District of Columbia, all of which have adopted the 2000 Revised Uniform Arbitration Act (RUAA).[7] In New York, which has not adopted the RUAA, courts have nonetheless held that arbitrators have the authority under New York law to issue preliminary relief.[8]

Currently, all of the major arbitration providers—the London Court of International Arbitration (LCIA), the International Chamber of Commerce (ICC), the American Arbitration Association (AAA), the International Centre for Dispute Resolution (ICDR), and JAMS—have included emergency arbitrator provisions in their default rules (although each expressly allows for the parties to opt-out of these provisions through their arbitration agreements). For example, the AAA's Commercial Arbitration Rules, which parties often designate as governing copyright and trademark disputes, expressly authorize arbitrators to afford interim relief, "including injunctive relief and other measures for the protection or conservation of property and disposition of perishable goods."[9] More specifically, for arbitrations conducted under clauses or agreements entered into on or after October 1, 2013, the rules explicitly create a default procedure for the issuance of emergency measures of protection before the arbitrator on the case is appointed (or the arbitration panel is constituted). Under that procedure, the AAA will appoint a single emergency arbitrator to rule solely on emergency applications within one business day of its receipt of a written notice identifying the nature of the relief sought and the reasons for why the relief is required on an emergency basis.[10] Within two business days of the appointment, the arbitrator will set down a schedule for consideration of the application and is vested with the authority to enter an interim order or award granting the relief.[11]

This procedure was effectively utilized in a contract dispute between Microsoft and Yahoo! over the timing of the transfer of the Yahoo! search capabilities and ad services to Microsoft's Bing search engine, in which the arbitrator entered an injunction within 18 days after holding an evidentiary hearing, with a federal court confirming that decision one week later.[12] Moreover, as alluded to in that case, which involved certain work to be performed in Taiwan and Hong Kong, if the offending conduct has an international dimension, a U.S. arbitration procedure also has the salient feature of affording enforcement overseas. One of the primary advantages of international arbitration over court proceedings to resolve cross-border disputes is the ability to have the award recognized and enforced in most other countries in the world through the operation of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention).[13]

Of course, all of this depends on whether the parties have previously contracted to use ADR mechanisms to resolve disputes or can now prospectively agree, in the face of the pending dispute, to use ADR. Thus, if the parties have a written agreement incorporating an emergency arbitrator process, either explicitly on its own or by reference to one of the provider rules, they will have availed themselves of a means outside of the court system to handle disputes requiring some form of preliminary relief. Moreover, due to the collaboration that is needed for a mediation to be productive, the parties can separately choose to engage in a mediation parallel to an ongoing arbitration proceeding at virtually any time before the final award is issued, and, in certain circumstances, even afterwards. All it takes is for the parties to give their informed consent to utilize the mediation process to resolve the issues that remain outstanding between them.

The use of ADR in entertainment disputes should not be overlooked. It has the potential to address many of the parties' underlying concerns, such as maintaining confidentiality and arriving at an outcome in an expeditious manner, including securing preliminary remedies. Thus, it should always be an option for entertainment practitioners and intellectual property owners when deciding how best to resolve their disputes. Whichever form of ADR is employed, the hope that the dispute will be resolved

quickly and cost-effectively, thereby permitting the parties to respectively move forward, should be incentive enough to at least give ADR serious consideration.

Endnotes

1. There are a number of organizations that provide more information about mediation as a dispute resolution mechanism. *See, e.g.*, New York State Unified Courts System (www.nycourts.gov/ip/adr/What_Is_ADR.shtml); National Academy of Distinguished Neutrals (www.nadn.org/faq-adr.html); Mediate.com (www.mediate.com/about); International Mediation Institute (imimediation.org); American Arbitration Association's Mediation.org (www.mediation.org); JAMS (www.jamsadr.com/adr-mediation).
2. According to a study conducted by the Rand Institute for Civil Justice, the majority of the respondents found that arbitrators are more likely to understand the subject matter of the arbitration than judges because they can be selected by the parties. *See* Rand Institute for Civil Justice, "Business-to-Business Arbitration in the United States: Perceptions of Corporate Counsel," at 1-2, 32 (2011) *available at* www.rand.org/content/dam/rand/pubs/technical_reports/2011/RAND_TR781.pdf.
3. Unlike in a court proceeding, the parties to an arbitration proceeding can choose the arbitrator based upon relevant criteria such as copyright or trademark expertise, prior experience in or with the industry, reputation, temperament, prior arbitrator experience, availability, and a host of other factors. Additionally, the option to choose three arbitrators as opposed to resting the decision on a sole arbitrator, if done with attention to factors such as cognitive diversity, can help reach a better, more just outcome. *See, e.g.*, Laura A. Kaster, *Why and How Corporations Must Act Now to Improve ADR Diversity*, Corporate Disputes, at 37 (Jan.-Mar. 2015) ("We also know that judgment is improved when there are diverse decision-makers with different points of view."); Chris Guthrie, *Misjudging*, 7 NEV. L.J. 420, 451-53 (2007) (concluding that three arbitrators are less likely to be influenced by unconscious biases than a single decision maker).
4. There are a number of organizations that provide more information on arbitration as a dispute resolution mechanism. *See, e.g.*, New York State Unified Courts System (www.nycourts.gov/ip/adr/What_Is_ADR.shtml); National Academy of Distinguished Neutrals (www.nadn.org/faq-adr.html); College of Commercial Arbitrators (thecca.net/faq); American Arbitration Association (www.adr.org/aaa/faces/services/disputeresolutionservices/arbitration); JAMS (www.jamsadr.com/adr-arbitration). There are also an increasing number of resources that now exist to assist arbitrators, parties, and their counsel in maximizing the advantages of the arbitration process, such as the Commercial College of Arbitrators' *Guide to Best Practices in Commercial Arbitration* (3d ed. 2014) and its *Protocols for Cost-Effective and Expeditious Commercial Arbitration* (2010) and the New York State Bar Association's *Guidelines for the Arbitrator's Conduct of the Pre-Hearing Phase of Domestic Commercial Arbitrations and Guidelines for the Arbitrator's Conduct of the Pre-Hearing Phase of International Arbitrations* (2010).
5. 9 U.S.C. §§ 1 *et seq.*
6. *See, e.g.*, CE Int'l Res. Holdings LLC v. S.A. Minerals Ltd. P'ship, No. 12 Civ. 8087 (CM), 2012 U.S. Dist. LEXIS 176158, at *13-15 (S.D.N.Y. Dec. 10, 2012) (confirming and enforcing arbitrator's interim award that provided for pre-judgment security and a so-called *Mareva-style* injunction preventing respondent from transferring any assets, wherever located, up to the amount of $10 million until that security is posted); On Time Staffing, LLC v. Nat'l Union Fire Ins. Co., 784 F. Supp. 2d 450, 455 (S.D.N.Y. 2011) ("Prior to the rendering of its final decision, the Panel, in the absence of language in the arbitration agreement expressly to the contrary, possesses the inherent authority to preserve the integrity of the arbitration process to which the parties have agreed by, if warranted, requiring the posting of pre-hearing security."); *see also* British Ins. Co. of Cayman v. Water St. Ins. Co., 93 F. Supp. 2d 506, 516 (S.D.N.Y. 2000) ("Courts in this Circuit have firmly established the principle that arbitrators operating pursuant to [the FAA] have the authority to order interim relief in order to prevent their final award from becoming meaningless."); *accord* Pac. Reins. Mgmt. Corp. v. Ohio Reins. Corp., 935 F.2d 1019, 1022-23 (9th Cir. 1991) (same).
7. *See* RUAA, § 8(b)(1) ("[T]he arbitrator may issue such orders for provisional remedies, including interim awards, as the arbitrator finds necessary to protect the effectiveness of the arbitration proceeding and to promote the fair and expeditious resolution of the controversy, to the same extent and under the same conditions as if the controversy were the subject of a civil action."), *available at* www.uniformlaws.org/shared/docs/arbitration/arbitration_final_00.pdf; see *also* Uniform Law Commission Legislative Fact Sheet – Arbitration Act (2000), *available at* www.uniformlaws.org/LegislativeFactSheet.aspx?title=Arbitration%20Act%20%282000%29.
8. *See e.g.*, Park City Assocs. v. Total Energy Leasing Corp., 58 A.D.2d 786, 786-87 (1st Dep't 1977) ("Special Term properly refused to exercise its discretion and grant injunctive relief since the parties have selected the arbitration forum for the resolution of their controversies, and in such circumstances equitable relief by the arbitrator may be appropriate.").
9. AAA Commercial Arbitration Rule R-37(a) (Oct. 1, 2013).
10. *See id.*, Rule R-38(b), (c).
11. *See id.*, Rule R-38(d), (e).
12. *See* Yahoo! Inc. v. Microsoft Corp., 983 F. Supp. 2d 310 (S.D.N.Y. 2013); *see also* Kim Landsman, *Microsoft Case Is Great Example of Emergency Arbitration*, Law360 (Dec. 13, 2013), *available at* www.law360.com/articles/495144/microsoft-case-is-great-example-of-emergency-arbitration.
13. There are numerous resources that provide more information on the New York Convention. *See, e.g.*, New York State Bar Association's *Choose New York Law For International Commercial Transactions* (2014) and *Choose New York for International Arbitration* (2011); United Nations Commission on International Trade Law (UNCITRAL) (www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention.html); New York Arbitration Convention (www.newyorkconvention.org).

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