



## **WIPO Case Study**

### **WIPO Mock Mediation Related to a Patent License Agreement**

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Below are the proposed participants, and the case study.

<b>Facilitator</b>	Claudia Grosman / Nathalia Mazzonetto / Rodrigo Azevedo
<b>WIPO Case Administrator</b>	Chiara Accornero
<b>WIPO Mediator</b>	Martin Hauser
<b>Vento Technology CEO</b>	Fernanda Leão
<b>Vento Technology In-house Counsel</b>	Marcelo Inglez
<b>Renewable BR Start-up CEO</b>	Gonçalo da Cunha Ferreira
<b>Renewable BR Start-up In-house Counsel</b>	Gabriel Leonardos

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## Statement of the Case

Vento Technology is a company based in the US that holds a portfolio of US and Brazilian patents related to wind farm equipment.

Renewable BR Start-up is a research-based company domiciled in Brazil that develops, manufactures, and sells wind turbines and the components for the same to customers around the globe.

In 2016, Vento Technology and Renewable BR Start-up entered into a patent license agreement (the "Agreement") in which Vento Technology licensed the Brazilian and US patents to Renewable BR Start-up against an upfront payment and monthly payment of royalties based on net sales of product.

The Agreement granted Renewable BR Start-up the right to use the patented technology for research and development purposes in Brazil and an exclusive license to manufacture and sell products only in Brazil, excluded any right to manufacture and sell in the US.

In its annual diligence reports to Vento Technology, Renewable BR Start-up has described use of the technology for research and development purposes but has not reported any sales of products falling under the patent rights.

In early 2020, external counsel to Vento Technology discovered that Renewable BR Start-up was selling parts for wind turbines worldwide, including in the US, which Renewable BR Start-up in its marketing material claimed to have developed. According to Vento Technology's counsel, these parts are covered by Vento Technology's US patents.

Renewable BR Start-up contends that these parts are not covered by Vento Technology's patents but rather covered by patents recently issued to Renewable BR Start-up in the US, Brazil, and other jurisdictions, and that in any case the business activities of Renewable BR Start-up are outside of the US and Brazil should be of no concern to Vento Technology.

As a result, a dispute on alleged patent infringement and breach of contract arose between the parties. Both the Director of Licensing of Vento Technology and the CEO of Renewable BR Start-up were very upset about this situation.

Renewable BR Start-up counsel reminded the Director of Licensing of Vento Technology of the dispute resolution mechanism provided for in the Agreement:

### "Dispute Resolution Clause

**1. Any dispute, controversy or claim arising under, out of or relating to this Agreement** and any subsequent amendments of this Agreement, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, **shall be submitted to mediation in accordance with the WIPO Mediation Rules**. The place of mediation shall be **São Paulo, Brazil**. The language to be used in the mediation shall be English.

**2. If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within 90 days of the commencement of the mediation, it shall, upon the filing of a Request for Arbitration by either Party, be referred to and finally determined by arbitration in accordance with the WIPO Expedited Arbitration Rules**. Alternatively, if, before the expiration of the said period of 90 days, either party fails to participate or to continue to participate in the mediation, the dispute, controversy or claim shall, upon the filing of a Request for Arbitration by the other party, be referred to and finally determined by arbitration in accordance with the **WIPO Expedited Arbitration**

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**Rules.** The place of arbitration shall be **São Paulo, Brazil**. The language to be used in the arbitral proceedings shall be English.

3. The dispute, controversy or claim shall be decided in accordance with the laws of Brazil.”

### **Submission to Mediation and Appointment of Mediator**

Vento Technology submitted the dispute to mediation under the WIPO Rules in March 2021. The Request specified the qualifications required of the mediator:

- a licensed patent practitioner;
- having an understanding of patent law and familiar with licensing transactions;
- having experience in mediating patent disputes; and
- being fluent in English and Portuguese.

The WIPO Center suggested to the parties a list of candidates from the WIPO list of neutrals with such expertise. From the list, the parties chose a mediator.

### **Mediation**

WIPO Case Administrator: Explains the appointment of the mediator by the WIPO Center.

Mediator:

Explains that he held a preliminary telephone conference with both parties' counsel to discuss the following matters:

- sign an attendance sheet and ask participants to turn on their cameras;
- the participants in the mediation session, the date for the mediation session;
- the decision-making authority of such participants;
- the role of the mediator; and
- documents to be exchanged before the session.

Following this telephone conference, the parties engaged in discussions about the date, venue and duration of the mediation session. The mediator held several teleconference caucus sessions with each party and the parties agreed on a one-day meeting to be held in São Paulo one month after the submission of the request for mediation.

### **Mediation Session**

Mediator: The mediator starts the mediation session and welcomes the parties.

At the outset, he provides the parties with an introduction to the mediation procedure, in particular related to confidentiality of the mediation, its purpose, the role of the mediator and procedural issues such as the use of caucus sessions.

The mediator emphasizes positively that parties were able to ensure the participation of their CEOs for the whole mediation session.

He invites the parties to introduce themselves, and to complete the list of potential business interests and to discuss critical issues.

Parties:

At the mediation session each party is represented by its CEO who has full decision-making power.

Vento Technology CEO	He does not like mediation and he is very upset with Renewable BR Start-up's CEO. He wants to avoid any repetition of this incident and to continue "business as usual" without additional competitors on the US market. He is under pressure as another competitor could become a threat in the market if Vento Technology CEO's financial resources are caught up in a lengthy litigation. Therefore, he wants a time-efficient resolution of this conflict.
Vento Technology In-house Counsel	This is his first mediation and he is a bit confused about what it is and what to expect. He is prepared for a court-like situation and wants to perform well in front of the CEO.
Renewable BR Start-up CEO	He is annoyed because the alleged patent infringement and a resulting public dispute may put at risk public funding for Renewable BR Start-up's R&D activities which is just under discussion with national authorities. He wants to keep the dispute confidential and is willing to compromise. However, given the company's difficult financial situation, he is hesitant to incur any further financial obligations towards Vento Technology. He assumes that Vento Technology intends to raise the licensing royalties in the Agreement but thinks that the technology is not worth it. Additionally, he does not like Vento Technology's CEO.
Renewable BR Start-up In-house Counsel	He is very experienced in mediation and initially included the dispute resolution clause. He recently participated in a training course for mediators and would like to test the new skills he acquired.

**Caucuses and Negotiations**

At the mediation session the parties discussed with their lawyers proposals related to future royalty payments for the technology licensed to Renewable BR Start-up.

Such proposals were prepared by the parties separately in extensive caucus meetings which the mediator attended upon request of the parties. The caucus sessions allow the parties to deliberate on the other party's proposals, to conduct calculations in light of their business strategies and to discuss with the mediator such considerations.

**Developing a Settlement****Concluding a Settlement Agreement****Additional Information for Role Players**

The following was agreed upon at an early stage:

Taking into account technology innovation carried out by Vento Technology, Vento Technology is now willing to grant to Renewable BR Start-up a non-exclusive license for the US patents for wind turbines which were the subject of the alleged patent infringement. Under this new non-exclusive license

Renewable BR Start-up will have the right to use such patented technologies for research purposes, production, use, sale, distribution, import and export in the US.

Renewable BR Start-up will pay royalties according to the following scheme. The amounts to be paid in are highly disputed.

Royalties:

- Down-payment of USD 100,000 upon signing the licensing agreement
- Four annual installments of USD 100,000 at the beginning of each year, starting January 2011
- Net-sales based royalty of 1% of net sales up to USD 1M annual sales and 2% for any net sales exceeding USD 1M.”

Following a proposal of Vento Technology, amending the initially agreed upon basic framework for payment of royalties, Renewable BR Start-up’s lawyer gets very upset and suggests to terminate the mediation.

At this point the mediator intervenes and summarizes the results of the negotiations achieved so far. He raises awareness of the parties on how close they had already come to a resolution of their dispute. Also, he reminds the parties of the time-consuming and costly alternatives to settlement of the dispute which they could avoid by finding a solution for their conflict within the remaining hours of the mediation. The mediator suggests that at this stage the CEOs should have a caucus session without their counsel.

### **Breakthrough and Developing the Settlement**

The CEOs finally agreed on royalty rates and general terms for future collaboration.

Following this breakthrough, the lawyers were instructed to draft a term sheet reflecting the agreement reached. Several drafts of such term sheet were produced in separate sessions and exchanged between the lawyers of both parties. The term sheet was intended to summarize the results of the mediation and to provide the basis for a final agreement which the parties agreed to be signed within one month following the mediation hearing.

### **Result**

Through the mediation process, Vento Technology and Renewable BR Start-up were able to negotiate the terms of a future licensing agreement in a cost-efficient and timely manner. They enjoyed control of the mediation process allowing them to determine, with the assistance of the mediator, the aspects relevant for the resolution of their conflict. Settlement allowed the parties to use their financial and human resources to continue conduct their activities in a highly competitive and innovative research and business environment.