



Mock Mediation of IP Dispute
LESI 2023 Annual Conference, Montreal, Quebec, Canada

Introduction

This Mock Mediation is based on the following Case Study.

You are encouraged to review these materials before the mediation session begins!

Overview

WIPO Case Administrator, Adam Rattray, WIPO Arbitration and Mediation Center, will provide an overview of the potential benefits of resolving a license dispute outside the courts. He will also introduce the **Participants** who will play the identified **Roles**, then briefly present the facts of the case.

A more complete **Statement of Facts** and the **Term Sheets** that each of the Parties offered to resolve this dispute follows.

Roles and Participants

Roles

Participants

Mediator

James Sobieraj
Crowell & Moring LLP

Massachusetts Institute of Science and Technology
("MIST"), Director of Information Transfer

Dr. Linda Suzu Kawano
Founder, GroupOptima (Chicago)

MIST's External Counsel

Pamela Cox
Marshall, Gerstein & Borun (Chicago)

Mary Werth, Arts Borealis Canada ("ABC"),
Montreal, Quebec, Canada

Peggy Burns
Co-Founder, Drawn&Quarterly, Montreal,
Quebec, Canada

ABC 's External Counsel

Charles Valauskas
Valauskas Corder LLC (Chicago)

WIPO Case Study

Statement of Facts^{*}

This dispute concerns a creative work developed by a university faculty member. The work achieves success in print but becomes the subject of a film option agreement that leads to a cross-border disagreement.

Massachusetts Institute of Science and Technology University (“MIST”) is a private research university located in Newton, Massachusetts, USA. MIST has a robust reputation worldwide. On its many campuses and in its many laboratories and departments, MIST has made many important findings, exciting innovations, and technical breakthroughs. The MIST faculty is also well known for its efforts in teaching not only undergraduate and graduate students but also the next generation of scientists and scholars.

The **Department of Zoology** is one of the many MIST departments to garner international recognition. **Faculty, staff, and students** of the Department conduct research worldwide. Many new species and many previously unknown biological phenomena have been identified by the Department. Society has realized a multitude of benefits because of the MIST Department’s work.

Dr. Jane Dundee is a faculty member, more specifically, a **herpetologist** in the MIST Zoology Department. She studies the many amphibians (including frogs, toads, salamanders, newts and the gymnophiona) and reptiles (including snakes, lizards, amphisbaenids, turtles, terrapins, tortoises, crocodylians and the tuataras) that live not in the wild but instead in **busy cities** around the world. Her expertise has been invaluable to city officials who call out for help to rescue animals in distress in urban areas.

MIST is proud to tell the world of Dundee’s scientific and social-minded efforts. MIST works with Dundee to schedule her appearance on local and national news radio and television broadcasts, in social media, and traditional print. Dundee has helped to educate the public about the science of Zoology, and, in particular, what herpetologists do through an additional, less traditional tool. Dundee has used her artistic skills to illustrate her text to form a comic book. In the first of these **graphic narratives**, Dundee’s described her work with local city officials to rescue an alligator – named by the press “Chance the Snapper” – from a small lake in an busy city park and the animal’s successful relocation to a zoological park. Available through a link at the MIST Zoology Department website, the graphic narrative – entitled “*The Saga of Chance*” – has been discovered and enjoyed by a very enthusiastic public.

Dr. Linda Suzu Kawano is the **Director of Information Transfer** at MIST. **Kawano** is well known for the success she has had in finding commercial partners for MIST’s patented technologies plus a wide variety of copyright-protected properties developed by the MIST academic community.

Kawano was contacted by Dundee about the invitation that Dundee received from a well-known publisher – Brown Press in Montreal, Quebec, Canada (“BP”) – to publish Dundee’s “*The Saga of Chance*” in the form of a traditional book. BP extended the offer after it became clear that Dundee had already established a sizeable online audience. While Dundee owns the *Chance* work – the MIST intellectual property policy confirms that Dr. Dundee owns the copyright to creative works prepared outside the scope of her day-to-day activities – Dundee asked Kawano to conduct all negotiations with BP about the work.

Kawano’s discussions with BP on behalf of Dundee were convivial and resulted in a License Agreement between Dundee and BP. Pursuant to the License Agreement, BP obtained first publication rights for the urban zoology graphic factual narrative of Dundee and subsequent works of Dundee in print.

All other rights regarding Dundee’s *Chance* work and subsequent works – including the **right to option** any one or more of the narratives for television, film, or theatrical productions – were retained by Dundee.

^{*} This story, and all names, characters, and incidents portrayed in it, are fictitious. No identification with actual persons (living or deceased), places, buildings, and products is intended or should be inferred. Any resemblance to real persons, living or dead, or other real-life entities or products to services is purely coincidental. The advice and strategies provided may not be suitable for every situation. This content is provided with the understanding that the participants, the employer or business of each, and the LESI are not responsible for any and all results obtained from the use of same.

Dr. Dundee's book - the graphic urban zoology factual narrative – “*The Saga of Chance*” – published by BP was a big hit. Multiple printings of the work were produced and sold by BP. Critics were very positive about the work.

Not surprisingly, the success of Dundee's work got the attention of the **film industry**. **Mary Werth of Arts Borealis Canada (“ABC”)**, an independent film producer located in Montreal, Quebec, Canada, notified BP that ABC wished to option the Dundee work. BP notified Kawano of the opportunity.

After Dr. Kawano informed Dundee of the ABC offer, Dundee decided to share the opportunity with MIST with the stipulation that Kawano handle the discussions with ABC. MIST agreed and Dr. Kawano entered into discussions with ABC. An option contract between MIST and ABC was quickly executed in early 2022 with many terms and conditions, some of which are summarized as follows.

The MIST ABC Option (2022) Selected Provisions

Optioned Work: *The Saga of Chance* created by Dr. Jane Dundee (“Creative”) (the “Work”).

Option Fee/Option Period: \$250,000 for first 18 month option period, additional \$250,000 for additional 18 month option period (total “Option Period”), all Option payments applicable to **Purchase Price**.

Option Grant: Exclusive and irrevocable right to the Work during the Option Period **to modify, add to, delete, or translate Work - with waiver of moral rights (*droit moral*) - to develop one or more screenplays, teleplays, or other written versions in draft or complete form (each a “Script”) and to conduct tests of each Script before focus groups and in additional contexts for market analysis purposes.**

Purchase Price: \$1,000,000, with \$500,000 due as an upfront payment no later than expiration of Option Period and the remaining \$500,000 due no later than initiation of filming.

Additional Contingent Compensation:

- TV Series: \$5000 per episode.
- Film: 3% of Proceeds.
-

Territory: The Universe.

Purchaser's Rights: Upon payment of Purchase Price, Purchaser permitted to exercise the following rights:

- Unlimited right to develop further and use each Script for the production of one or more motion pictures, video streaming content, theatrical exhibitions, television, and home video (each a “Product”) and to distribute, display, perform, or communicate the Product throughout the Territory;
- **Right to film at locations on MIST campus and Creative's office and laboratories at mutually convenient times;**
- **Right to use Creative's *persona* (including name, photo, bio) in connection with the sale and promotion of each Product;**
- Right to advertise and promote Products throughout the Territory;
- All merchandising rights for a Product; and

- Right to transfer some or all rights including to an independent motion picture production or distribution company, television network, or other financially responsible party.

Creative's Rights:

- **Right to participate in creative meetings that are organized by ABC to consider and modify Optioned Work and review and propose changes to each Script (but no final approval);**
- All print publication rights to original and new versions of Property; and
- Radio and Podcast rights.

Credits: On each Product, the following Credits must appear:

“Based on the graphic novel *The Saga of Chance* by Dr. Jane Dundee.”; and

“Film on location, in part, at The Massachusetts Institute of Science & Technology, the assistance and cooperation of which in this production is appreciated.”

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 Montreal, Quebec, Canada**. 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 Rules. The place of arbitration shall be Montreal, Quebec, Canada. The language to be used in the arbitral proceedings shall be English.
3. This Agreement shall be governed by **the laws of the State of Illinois**, without regard to any choice-of-law provisions. Any dispute, controversy or claim referred to mediation or arbitration shall be decided in accordance with Illinois law, applicable federal law including the copyright laws of the applicable country issuing a registration in dispute."

Promptly upon executing the Option Agreement with MIST, ABC assembled a creative staff to consider whether and how to develop the optioned property. To assist it in this task, the ABC staff empaneled multiple focus groups from various territories and across many demographics. The ABC staff wished to know what story elements resonated with the widest possible audience. Was a documentary style portrayal that revealed specific details of what zoologists, such as Dundee, do the film that audiences wished to see? Or was a more sensational, fantastical, less factual-based story of more interest? From the ABC creative sessions she attended, the answer became clear to Dundee.

The ABC script writers – guided by the feedback from multiple focus groups – dismissed the notion of telling the factual narrative that was optioned and replaced it with a superhero-based fantasy. The story concerned a mild-mannered scientist – “Dr. Penny Parker” – who, in the normal course of events in her laboratory, has an accidental encounter with a mutant frog. The encounter gives Parker the ability to communicate with animals such that they understand and follow Parker’s instructions, much in the way animals defer to the alpha level member of an animal troop. Parker can now enlist the help of animals in

accomplishing important tasks including the one Parker that is very important to her – identifying and bringing to justice the criminals who took the lives of Parker’s parents. So she can work with her animal crew and avoid retribution, Parker chooses to take on the identity of a costumed character, *Alphar*.

Dundee considers the *Alphar* story as a simple recasting of one of the best-known literary characters in the world, **Tarzan**, as a zoologist, with Tarzan’s animal whisperer abilities from other works of Edgar Rice Burroughs (now in the public domain) and Hugh Lofting’s work **Doctor Doolittle** (also in the public domain) added in, along with elements from the origin stories of **Batman** and **Spiderman** and the university veneer of the **Indiana Jones** films.

ABC exercised its right to purchase all rights to the optioned work upon receiving the focus group metrics. ABC promptly paid MIST the \$500,000 upfront. Contemporaneously with the payment, ABC informed MIST that it will be on campus to scout locations for filming including at the campus clinic (where the scenes of the medical staff’s treatment of Penny Parker’s frog-induced wound would be shot), Dundee’s office and laboratories (where the many transformations of Penny Parker to *Alphar* will be shot), and the Office of the MIST President (who, ABC hopes will agree to a cameo role in the film). ABC notified MIST that, with the initiation of the filming, ABC will pay the second \$500,000 of the Purchase Price. ABC also initiated discussions with the Overlord Movie Groupe (“OMG”) to obtain OMG’s added financial support plus access to its foreign marketing staff.

Upon receipt of the purchase notice and upfront payment, Kawano contacted Dundee. Dundee informed Kawano how ABC changed the optioned work. Kawano agreed that using MIST and its very recognizable campus and facilities and the *persona* of Dundee to lend some credibility to a fantastical story that bears little resemblance to Dundee’s optioned story was not acceptable.

At the instruction of Kawano, MIST’s counsel, **Ms. Pam Cox**, sent a notice to ABC’s counsel, Chuck Valauskas. Among many assertions, Cox contended that ABC was **not exercising** the rights granted to ABC under the option agreement **in good faith**. A good faith exercise of these rights would **not have** transformed the original work of Dundee into ABC’s *Alphar* story - which was no more than a derivative mash-up of public domain elements and hackneyed scenarios from a variety of well-known story lines. The association of Dundee and MIST with such an unimaginative, fictional work would cause great damage to MIST, its reputation and goodwill, plus harm the good name of Dundee and ultimately her ability to bring research dollars to MIST and maintain her laboratory and student base.

ABC’s counsel Valauskas responded that ABC was incredulous at the charges made by MIST and for Dundee. Valauskas posited that ABC was acting well within the four corners of the Option Agreement and that MIST’s and Dundee’s concerns – that they would suffer any damage by the new work – were wholly illusory. Valauskas offered that the voluminous focus group data collected by ABC clearly showed many demographics were not as interested in a documentary about the science of zoology but instead would love a film with the *Alphar* story line. Valauskas declared the film – now titled “ALPHAR: Its Reckonin’ Time” – would give MIST and Dundee widespread global recognition. Valauskas cautioned that if MIST and Dundee chose to engage in a long, drawn-out dispute, all Parties would miss a golden opportunity. Valauskas warned that ABC may not be able to obtain financing from OMG needed to make the envisioned film unless the dispute is promptly resolved.

Given the widely disparate views that each Party appeared to have about the Option Agreement, Ms. Cox informed ABC that MIST was exercising its option to have the dispute resolved through the WIPO Mediation provision.

Submission to Mediation and Appointment of Mediator

NIST submitted the dispute to mediation under the WIPO Rules in December 2022. The Request specified that the mediator must be a practitioner who:

- understands copyright law and is familiar with film and television-related transactions and in particular option agreements;
- has experience in mediating disputes involving copyright-protected content, and the trademarks and the right of publicity used with same; and
- is fluent in English.

The WIPO Arbitration and Mediation Center suggested to the parties a list of candidates from the WIPO list of neutrals with such expertise.

From the list, the Parties chose Mr. James Sobieraj as mediator.

Segue to Mediation Hearing, May 2, 2023, Montreal, Quebec, Canada

Term Sheet offered by each Party to Settle the Dispute

Term Sheet Proposal of Massachusetts Institute of Science and Technology

This Term Sheet sets out the terms and conditions under which the Massachusetts Institute of Science and Technology (“MIST”) and Arts Borealis Canada (“ABC”) agree to resolve their dispute under their 2022 Option Agreement (“Option Agreement”) in WIPO Case No. XXXX (the “Dispute”).

1. **Definitive Amendment.** The Parties shall amend the 2022 Option Agreement to prepare an agreement amended in line with the following terms and executed by the Parties (“Amended Option Agreement”) within 90 days from the commencement of the mediation regarding the Dispute (unless the Parties agree to an extension) as following.
2. **Confidentiality.** The Parties will treat this mediation, this Term Sheet, the 2022 Option Agreement, and the Amended Option Agreement as confidential, except that the Parties may issue a joint press release stating that MIST is pleased to announce that a work of MIST faculty member, Dr. Jane Dundee, will be the subject of a full length documentary film produced by Arts Borealis Canada.
3. **Option.** The Option Agreement will be amended to: give Dr. Dundee and MIST final approval of all scripts that are proposed for use for filming of any production; and, allow MIST to determine the terms and conditions under which any filming will take place at MIST.
5. **Payments and Royalties.** The Payment and the Additional Contingent Compensation structure from the Option Agreement shall be retained in the Amended Option Agreement.
6. **Challenges to Product.** MIST agrees not to challenge, or to assist a third party in challenging the Product developed by ABC given that MIST and Dundee have final approval rights.
7. **Grant Back.** ABC grants a non-exclusive license to Dundee to exercise all rights to modifications of the optioned Work including to prepare, print, and distribute versions in analog and digital form.

Term Sheet Proposal of Arts Borealis Canada

This Term Sheet sets out the terms and conditions under which the Arts Borealis Canada (“ABC”) and the Massachusetts Institute of Science and Technology (“MIST”) agree to resolve their dispute under their 2022 Option Agreement (“Option”) in WIPO Case No. XXXX (the “Dispute”).

1. **Definitive Amendment.** The Option shall be amended and executed by the Parties to produce an Amended Option Agreement (“Amended Option”) within 90 days from the commencement of the mediation regarding the Dispute (unless the Parties agree to an extension) as following.
2. **Confidentiality.** The Parties will treat this mediation, this Term Sheet, the 2022 Option Agreement, and the Amended Option as confidential, except if MIST challenges ABC’s compliance with the terms and conditions of the Amended Option.
3. **Amended Option.** The terms and conditions of the 2022 Option Agreement will be amended to: remove the right of Dundee to attend and participate in creative meetings concerning the optioned work or otherwise; and require MIST to make its best efforts to accommodate the filming requests of MIST.
4. **Credit.** ABC, in its sole discretion, has the right to choose whether and how acknowledgements of the contributions of Dr. Jane Dundee and MIST may be included in any Product developed from the Optioned Work.

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