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SHOULD YOUR CONTRACTS INCLUDE AN ALTERNATE DISPUTE RESOLUTION PROVISION?

Given the unfortunate reality that doing business in California necessarily includes the cost and uncertainty of litigation, it is essential for companies to regularly take steps to minimize the cost of litigation and improve their chance of success. One important component to consider is whether it may be preferable for you to choose an alternative to traditional litigation in court. Understanding the pros and cons of Alternative Dispute Resolution ("ADR") versus traditional litigation is critical to determining if an ADR provision should be incorporated into your company's standard forms (contracts, invoices, etc.).

There are two primary types of ADR: (1) Arbitration, and (2) Mediation. Arbitration involves an agreement to utilize a private arbitrator (typically an attorney or former judge) to decide the dispute using an agreed upon set of rules outside of a public courtroom. The arbitrator acts as the judge and jury and rules on the evidence presented. Contracts typically provide that the arbitrator's decision is binding and enforceable in a court of law.

Mediation is very different. Mediation is an informal settlement process which is "mediated," again typically by an attorney or former judge, who attempts to assist the parties to reach a mutually agreeable resolution. The mediator does not decide any issues, but only serves to facilitate settlement discussions.

How do you best minimize the cost and uncertainty of litigation? The answer depends on the needs of your particular business as well as your tolerance for the respective risks of conventional litigation versus ADR.

If you are concerned that a jury may not be sympathetic to your business, particularly regarding the types of disputes that may be likely to arise, or you are simply unwilling to risk the uncertainty inherent in a "jury of your peers" deciding your legal dispute, you may prefer ADR. A well-drafted ADR provision can reduce the uncertainty of a jury trial, and provide great control over the selection of your arbitrator. It can even specify the particular qualifications of the arbitrator or that the arbitrator be selected from a pre-determined list. The wide variety of options available for the selection of an

arbitrator can effectively provide for endless "challenges" to unsuitable arbitrators. By comparison, should you find yourself in court on the same dispute, your ability to "challenge" (i.e. replace) the assigned judge would be very limited.

ADR provisions can also be tailored to reduce the cost of resolving a dispute by limiting certain types of discovery and by limiting or excluding any right to appeal. They can even be drafted to ensure your dispute is resolved quickly by detailing when the various stages of arbitration must be completed by; for instance, mandating that discovery be completed within 90 days and that a final award be reached within 180 days. The scope of an appeal can also be negotiated and agreed to, thus providing the right to challenge an arbitrator's ruling that is inconsistent with applicable law.

However, arbitration has its disadvantages. Depending on the number of arbitrators, their hourly rates, and the time required (based part on the complexity of the dispute), arbitration can be cost-prohibitive - especially for disputes involving relatively small dollar amounts. Moreover, binding arbitration through the use of retired judges carries with it an increasing concern regarding bias of judicial officers who may be motivated by hopes of repeat business from customers obtaining favorable results.

Traditional litigation also provides more certainty the Court will apply the applicable rules of evidence and procedure and will follow the law. ADR is less formal and not similarly constrained by the typical procedural and evidentiary rules. Moreover, in an arbitration, should the arbitrator's decision be flawed or otherwise unacceptable to you, arbitration generally provides very little or no right to appeal.

Mediation is highly recommended as an alternative to litigation. Most disputes do settle before trial. An early mediation may force the parties to seriously consider a reasonable settlement prior to incurring the expense and risks of litigation or arbitration.

Of course, the best option for you will depend greatly on the particular needs of your business. No one solution or ADR provision fits all. However, an appropriately drafted ADR provision can serve to protect your business in the event a dispute arises. Vogt, Resnick & Sherak, LLP can assist you in determining if and how an ADR provision should be incorporated into your business contracts, invoices and other forms, and agreements to best protect your business.

"BUDDING" TRADEMARK ISSUES

The U.S. Patent and Trademark Office ("USPTO") defines a trademark as "a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods of one party from those of others." Benefits of a registered trademark include, but are not limited to, evidence of ownership of the trademark, constructive notice of the trademark, federal court jurisdiction, and treble damages and attorneys' fees.

A requirement to register a trademark with USPTO is that the use of the goods or services subject to the trademark must be lawfully used in commerce. Additionally, federal law bars registration in the United States of trademarks that consist of or comprise "immoral, deceptive, or scandalous matter." Confusion arises with marijuana products, which are legal in some states, but not legal under federal law. Laws regarding the production, sale and use of marijuana differ greatly from state to state, and is still changing since California first voted to legalize marijuana for medical use in 1996. Currently, 25 states have legalized marijuana for medical use, but only 4 states and Washington D.C. have legalized marijuana for recreational use. The relative morality of marijuana use (both medical and recreational) and the associated scandal is currently in a state of flux and opinions and laws differ greatly from state-to-state.

The natural question for those engaged in the "budding" marijuana industry is, "Can I get federal trademarks for goods or services pertaining to marijuana?" The answer at this time is, "no." Though 3 more states will vote on whether to legalize marijuana for medical use, and 5 states (including California) will vote on whether to legalize marijuana for recreational use this November, the federal government is still steadfast on its stance that marijuana is an illegal drug. Marijuana is classified as a Schedule I illegal drug under the federal Controlled Substances Act ("CSA"), which declares it has "no currently accepted medical use and a high potential for abuse." Schedule I drugs are illegal to trade in interstate commerce and therefore fail to meet the prerequisite for a federal trademark.

While the USPTO will not register trademarks for products containing marijuana, it will consider ancillary goods and services that are legal under the CSA. For example, the sale and marketing of a "tobacco pipe" is perfectly legal and such a product can obtain a registered trademark. Under the CSA, it is illegal to sell or use "any equipment, product, or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling or otherwise introducing into the human body a controlled substance, possession of which is unlawful under the CSA."

Federal trademark protection is not the only way to protect the intellectual property rights for goods and services. The following alternatives, while not as strong as a registered federal trademark, offer trademark protection:

1. Common Law Trademarks. While federal registration makes it much easier to protect trademarks, it is not required to protect and enforce trademark rights. Common law rights can be created by an owner who simply creates and begins using a particular trademark in commerce.

2. State Trademarks. Many states allow for registration of a state trademark for the production and sale of marijuana good or services. Colorado is one example.

Vogt, Resnick & Sherak, LLP practices trademark law and can assist you in determining what trademark protections are available for your goods or services.

INTERNATIONAL ASSOCIATE PROGRAM

Vogt, Resnick & Sherak, LLP has an international associate program in conjunction with Law Europe International, which hosts international attorneys who desire to learn by immersion in the legal system of other countries, including the United States. Vogt, Resnick & Sherak has hosted numerous international attorneys in this effort, including attorneys from France, Belgium, and China, and still maintains relationships with those attorneys today.

This year, Vogt, Resnick & Sherak will be hosting Adi Amitay, an attorney from the law firm Altshuler Welner located in Tel Aviv, Israel. This firm practices international law in addition to many other areas of law. Adi Amitay specializes in commercial litigation, civil law, international law, corporate law, real estate law, and intellectual property law. We look forward to learning from her experiences as an attorney in Israel as well as sharing with her our own experiences and knowledge of the American legal system.

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