

International Law Association's Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines"): Jurisdiction

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Abstract: The chapter "Jurisdiction" of the International Law Association's Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines") provides where international intellectual property claims can be brought to court. It defines the basic forum at the defendant's domicile and alternative fora for contractual, infringement and other

kinds of claims. It also provides grounds that should be taken as insufficient for the granting of jurisdiction. The chapter states to what extent validity and registration claims should be subject to exclusive jurisdiction. Finally, it comprises Guidelines for the coordination of claims pending before different courts.

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Recommended citation: Joost Blom, Rochelle C. Dreyfuss, Paulius Jurcys et al., Kyoto Guidelines: Jurisdiction, 12 (2021) JIPITEC 13 para 1

A. Basic Forum

3. Defendant's Forum

Unless otherwise provided for in these Guidelines, the defendant should be subject to the jurisdiction of the courts of the State in which he or she is habitually resident. The courts' jurisdiction shall be territorially unlimited.

See as reference provisions

§ 201 ALI Principles

Arts 2:101, 2:207 and 2:601 CLIP Principles

Arts 101, 102 and 106 Transparency Proposal

Arts 201, 202 Joint Korean-Japanese Principles

Short comments

- Guideline 3 lays down the internationally accepted principle that a person may be sued in the courts of the State in which the person is habitually resident (*actor sequitur forum rei*). The principle ensures a balance of interests between the plaintiff who initiates the lawsuit and the defendant who can defend him or herself before the courts of his or her

State of residence. The jurisdiction of those courts shall be without territorial limits. Claims based on registered and unregistered intellectual property rights from different protection States may be concentrated at the defendant's forum, subject to Guideline 11 on exclusive jurisdiction for validity disputes.

- However, the applicable law will not necessarily be the law of the forum State but has to be determined in accordance with Guidelines 19-31.
- The Guideline does not define the habitual residence of a person. Here, the model provisions of the predecessor projects may provide further guidance, especially in case of companies or other legal persons where different connecting factors (statutory seat, place of administration or principal place of business) may represent alternative places of residence. However defined, general jurisdiction requires that one of the habitual residences is in the forum State. It is not sufficient for a court to have general jurisdiction if the defendant is only doing business in the forum State.

Extended comments**Hypothetical 1**

A sues B for worldwide infringement of copyright in a blockbuster movie based on the alleged making available of the movie in a peer-to-peer file-sharing network. A claims for injunctive relief and for damages. If A brings suit in the courts of the State of B's habitual residence, the courts may order injunctive relief and damages on a worldwide basis.

Hypothetical 2

A sues B for infringement of patents registered for the States X, Y and Z. A seeks an award of damages. B's central administration is in State W. A may sue B before the court of State W for damages based on the alleged infringement of the patents registered in X, Y and Z. If B raises the invalidity of the patents as a defense, Guideline 11 on exclusive jurisdiction for validity disputes has to be considered.

Habitual residence of natural persons

- 4 Guideline 3 follows the predecessor projects and refers to the (habitual) residence of the defendant and not to the domicile.¹ A mere temporary presence in a given State will typically not suffice if the person does not establish significant connections in that State. Whether this is the case must be determined by the courts on a case-by-case analysis. The habitual residence of a natural person acting in the course of a business activity may be located, for actions related to that activity, at the persons principal place of business.² This approach does not preclude the private residence as a possible forum but adds another forum at the principal place of business.

Habitual residence of companies and other entities

- 5 For companies or other entities, different connecting factors may be used to determine the habitual residence. The predecessor projects used lists of possible alternative fora, referring to the statutory seat or registered office, its central administration or its principal place of business. Article 63 Brussels Ia Regulation follows the same approach. The different criteria are listed as alternatives. It is, therefore, sufficient that one of the mentioned places is located in the forum State. The principal place of business must not be confused with the doing business-rule that is applied in some common law jurisdictions.³ It is not sufficient that the defendant

does business in a given jurisdiction, even if it is the most important market for the defendant, e.g. if the defendant produces spare parts for cars which are exported by the car manufacturer. Instead, the Guideline requires that the company conducts its main business activities in the forum State.

Unlimited jurisdiction

- 6 The court's jurisdiction is unlimited with regard to the substance and the territorial scope of the claim. The unlimited territorial scope of the court's jurisdiction is stressed explicitly in Guideline 3 because it is still controversial in intellectual property cases. According to the Guideline, the plaintiff may bring suit based on the alleged infringement of registered and unregistered intellectual property rights protected in the forum State or in other States. The Guideline does not allow courts to decline jurisdiction merely on the ground that foreign intellectual property rights are concerned. Deciding cases based on foreign intellectual property law may require that the court enters into an analysis of foreign substantive law and decides on the merits with regard to foreign intellectual property law. However, this is no compelling reason to decline jurisdiction since courts are experienced applying foreign law. As a consequence, the territorial scope of the subject matter is primarily determined by the plaintiff's drafting of the claim. This approach is followed by all predecessor projects and most courts.⁴ However, there is also US case law to the contrary.⁵
- 7 Courts following the approach suggested in the Guideline shall allow the plaintiff to bring suit based on an alleged worldwide infringement, especially in cases of copyright and well-known trademarks. For those rights, it is not unlikely that a clear infringement action may potentially lead to claims in all or at least in many Member States of the Berne or Paris Convention or the WTO. These Conventions guarantee the protection of

International Shoe Co. v. Washington, 326 US 310 at 318 (1945); for Canada see Supreme Court of Canada, *Club Resorts Ltd. v. Van Breda*, 2012 SCC 17, [2012] 1 S.C.R. 572, at paragraphs 90, 96, 120 and 123.

4 See e.g. for Germany District Court of Düsseldorf, 31 May 2001, Case 4 O 128/00, GRUR Int. 2001, 983 – *Schwungrad*; for the Netherlands IEPT 19891124, HR, *Focus Veilig v. Lincoln Electric* [1989]; for the UK *Lucasfilm Ltd. & Ors v. Ainsworth & Anor* UKSC 39 [2011].

5 United States Court of Appeal *Voda v. Cordis Corporation*, 476 F.3d 887 (Fed. Cir. 2007).

1 § 201 (2) ALI Principles; Article 2:601(1) CLIP Principles.

2 Article 2:601(1) CLIP Principles.

3 For the US see Supreme Court of the United States,

copyrights⁶ and well-known trademarks⁷ without any formalities. Therefore, right holders may assume that an infringement has occurred in a high number of jurisdictions.

- 8 In case of registered intellectual property rights, plaintiffs may choose more carefully the jurisdictions they seek protection for. As a consequence, patent cases are typically limited to certain, strategically chosen battle ground States. Still, bringing suit in cross-border infringements cases requires the court to allow claims for different protecting States.
- 9 Such a concentration of claims at the defendant's forum is subject to Guideline 11 on exclusive jurisdiction for validity claims and related disputes. According to Guideline 11, the court's jurisdiction at the defendant's forum is not affected if the defendant raises the invalidity of a registered intellectual property right as a mere defense. The situation changes if invalidity arises in the context of a principal claim or counterclaim. For the details see the comments on Guideline 11.

Axel Metzger

B. Alternative Fora

4. Contracts

In disputes concerning intellectual property license or transfer contracts, a person may be sued in the courts of the State for which the license is granted or the right is transferred; the court's jurisdiction shall be territorially limited to the State in which the court is situated.

See as reference provisions

§ 205 ALI Principles

Art 2:201 CLIP Principles

Art 204 Joint Korean-Japanese Principles

Short comments

- 10 Guideline 4 lays down an alternative ground of jurisdiction for matters relating to contracts. The plaintiff may choose to bring claims arising out of intellectual property license or transfer contracts before the courts of the State for which the license is granted or the right is transferred. The courts of this State may be closer to the facts of the case and to the evidence. The courts determined by Guideline 4 are competent to decide all disputes arising out of the contract, e.g. on the obligation to grant a license or transfer an intellectual property right, on

the obligation to pay license fees or remuneration, or damages out of a breach of contract. However, it should be borne in mind that contractual claims are often subject to an exclusive choice of court agreement in accordance with Guideline 9.

- 11 The court's jurisdiction under Guideline 4 is territorially limited to the State in which the court is situated. The argument of proximity to the facts and to the evidence of the case applies only to claims based on intellectual property protected in and licensed or transferred for that State. In multi-state cases, the plaintiff may either bring the claim before the defendant's forum or initiate parallel proceedings in multiple States based on Guideline 4.

Extended comments

Hypothetical 1

Writer A from State X is in dispute with her publisher B from State Y over the accounting statement of the sales figures of her last novel in the X. A seeks additional information and supplementary license fees from B. A may bring suit before the courts of X since the rights in dispute have been granted for State X.

Hypothetical 2

If A seeks information and license fees with regard to B's use of her novel in States X and in Y, A may still bring suit before the courts of X but only limited to the information and the license fees regarding B's use of the novel in X. If A wants to concentrate both the X and the Y part of the case in one suit, she must sue in the defendant's forum in State Y.

Courts of the State for which the license is granted or the right is transferred

- 12 Guideline 4 follows the predecessor projects and provides a special jurisdiction for claims relating to a contract. All older projects provide such special jurisdiction rules. Guideline 4 reflects the common core of the older projects and suggests a simplified wording.

Irrelevance of the place of performance of the obligation in question

- 13 Different from older instruments on jurisdiction,⁸ Guideline 4 avoids using the place of performance of specific obligations as a connecting factor.⁹ Although

⁶ Article 5(2) Berne Convention.

⁷ Article 6bis Paris Convention.

⁸ See Article 5 N° 1 Brussels Convention on jurisdiction and the enforcement of judgments in civil and commercial matters.

⁹ See also Supreme Court of the United States, *Burger King*

it may be assumed that the place of performance of a given obligation is the place closest to the evidence of a case concerning that obligation, experience shows that the determination of the place of performance raises difficult preliminary questions.¹⁰ Such difficulties are avoided by Guideline 4. Determining the place of performance of a given obligation requires, first, to determine the applicable law to the contract and, second, to identify the place of performance under the applicable substantive law. Moreover, the place of performance may deviate for different obligations arising from one and the same contract, e.g. the obligation to grant a license and the obligation to pay license fees may have different places of performance. Therefore, more recent instruments like the Brussels Ia Regulation,¹¹ the Lugano Convention¹² and the Hague Draft Convention of 2001¹³ tend to define, at least for the most important contracts, one connecting factor for all obligations arising from the contract. Guideline 4 is based on the assumption that courts of the State for which the license is granted or the right is transferred are most proximate to the facts and the evidence for all disputes arising from a license or transfer contract, irrespective whether the obligation to license or transfer, the obligation to pay or a damage claim is in dispute.

Contracts other than license or transfer

- 14 Guideline 4 provides an alternative ground of jurisdiction for intellectual property license and transfer contracts. This rule is not only applicable to contracts that are entitled “license contract” or “transfer contract” but also to contracts that have as their main object a license or transfer of an intellectual property right even though labeled differently, e.g. publishing contracts, agreements on film or broadcasting rights, “sales” of patents or trademark portfolios. Those contracts should be characterized as contracts in the sense of Guideline 4. By contrast, the provision should not apply to contracts including a license grant as an ancillary duty of one of the contracting parties. Distribution or franchise agreements are typical examples of such contracts. The Guidelines are not applicable to those contracts. Courts should examine jurisdiction in those cases under the applicable national principles.

Corp. v. Rudzewicz, 471 U.S. 462, 478 (1985).

- 10 On the following see CJEU, Case 12/76, ECLI:EU:C:1976:133 – *Tessili/Dunlop*; CJEU, Case C-533/07, ECLI:EU:C:2009:257 – *Falco Privatstiftung/Weller-Lindhorst*.
- 11 Article 7(1)(b) Brussels Ia Regulation.
- 12 Article 5(1)(b) Lugano Convention.
- 13 Article 6 Hague Draft Convention.

Territorially limited jurisdiction

- 15 The court’s jurisdiction under Guideline 4 is limited to the territory of the State in which the court is situated. This limitation is in accordance with the limitations of the other grounds of special jurisdiction in Guidelines 5 and 6. Several reasons advocate for such limitation. A court which competence is solely based on Guideline 4, can only rely on its specific proximity to the facts and evidence within the forum State. Moreover, the limitation of competence strikes a balance between the interests of the plaintiff, who can choose between the defendant’s forum with unlimited jurisdiction and the contract forum with limited jurisdiction, and the interests of the defendant who is exposed to the plaintiff’s choice and has to plead the case outside his residence State if the plaintiff chooses the contract forum. As a consequence, e.g., a licensee who wishes to bring suit for the entire lump sum remuneration arising out of worldwide license agreement can only do so in the defendant’s forum. The territorial limitation of special grounds of jurisdiction is settled case law of the Court of Justice of the European Union for infringement cases.¹⁴

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5. Infringements

In a case of an alleged infringement a person may be sued:

- a) **In the courts of the States where the alleged infringer has acted to initiate or further the alleged infringement; the courts’ jurisdiction to award remedies arising from those acts shall be territorially unlimited; or**
- b) **In the courts of the States where the infringement may have caused direct substantial harm unless it could not be anticipated that the infringement would cause that harm there; the courts’ jurisdiction shall be territorially limited to the State in which the court is situated.**

See as reference provisions

§ 204 ALI Principles
 Arts 2:202, 2:203 CLIP Principles
 Art 105 Transparency Proposal
 Art 203 Joint Korean Japanese Principles

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- 14 CJEU, C-170/12, ECLI:EU:C:2013:635 – *Pinckney/KDG Mediatech*; CJEU, C-441/13, ECLI:EU:C:2015:28 – *Hejduk/Energie Agentur*.

Short comments

- 16 Guideline 5 provides, as alternative fora for infringement actions, courts in a State where the infringer acted to initiate or further the alleged infringement and courts in a State where the infringement caused substantial and foreseeable injuries. In the former case, the court's authority extends to the provision of remedies covering all the injuries caused by the defendant's in-state acts; in the latter situation, the court's power is limited to remedies regarding in-state harm.
- 17 Subsection (a) recognizes that in an interconnected technological environment, acts in one State can have serious consequences in other locations. While the plaintiff could bring suit in every jurisdiction where injuries occurred, repetitive litigation is costly to the parties; wastes judicial resources; and can result in inconsistent, irreconcilable outcomes and either under-compensation (and suboptimal deterrence) or multiple liability (and over-deterrence). For this reason, the Guideline recognizes plenary authority to award global relief at the place where the harm emanates, thereby ensuring that adequate remedies, including both monetary damages and an injunction to prevent further infringement, are obtainable efficiently. The terms "initiate" and "further" are to be interpreted to encompass substantial activities, such as operating a website and controlling the materials that appear on it, or operating a printing, broadcast, manufacturing, or distribution facility. In such cases, the forum State will be sufficiently related to the subject matter of the litigation, predictable, and affiliated with the defendant to fulfill the domestic policies that underlie national limitations on jurisdictional authority. Importantly, in such cases, the court entertaining the case will not necessarily apply its own State's law to determine the full scope of liability. On applicable law, see Guidelines 19-30. For the scope of injunctive relief, see Guideline 14.
- 18 Subsection (b) creates a basis for jurisdiction in States where substantial damage is caused, but only when it can be anticipated that an injury would arise in the State. At its core, this Guideline recognizes the traditional authority of a State to adjudicate claims arising from tortious acts and to remedy in-state damage, irrespective of where the defendant resides.

Extended comments**Hypothetical 1**

A, a habitual resident of State X, establishes and operates an internet facility and website in State Z which allow A to distribute protected materials globally.

B, a creator in Z, sues A in State Z, claiming that A is liable for unauthorized use of B's intellectual products worldwide. A is amenable to suit in Z for worldwide damages caused by operating its facilities in Z. It is often desirable to locate internet facilities in specific locations, such as where natural cooling saves resources or near where particular users are located. The location of volitional activity to initiate or further infringements provides a basis for territorially unlimited power to compensate the right holder for the infringements caused by these acts and to enjoin further unauthorized distributions. However, if the defendant could not have known of the location of the server, then the place of the server would clearly not qualify under Guideline 5(a).

Hypothetical 2

A, a habitual resident of State X, operates a website in X, in the language spoken in X. The website makes available materials of interest to people residing all over the world who come from X. Prices are expressed in the currency of State Z and the website hosts advertisements for businesses in a major city of Z, where many natives of X now reside. B, a resident of Z, is the creator of materials offered on A's website. B sues A in State Z for copyright infringement.

A is amenable to suit in Z. Although the website uses the traditional language of X, not Z, the website's use of Z's currency and its display of ads of local interest to the X diaspora residing in Z supports jurisdiction in Z. The website caused direct injury in Z and A could have anticipated that there would be injuries in that location. Damages are limited to those that occurred in Z and injunctive relief is similarly limited to Z.

In contrast, had A offered the same material and taken steps, such as declining advertisements from Z, installing a means for geo-blocking that filters out users in Z, and refusing purchases made with credit cards issued in Z, it would not be amenable to suit in Z on the ground that it could not have anticipated causing harm there.

Initiating and furthering alleged infringements

- 19 Subsection (a) recognizes the authority of courts in the jurisdiction where the defendant has engaged in tortious activity to remedy all the harms caused by that activity. This power is exemplified by Brussels I Regulation (recast), Article 7.2, which provides that "A person domiciled in a Member State may be sued in another Member State . . . in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur." The Court of Justice interpreted the "place where the harmful event occurred" in the predecessor to this provision as covering "both the place where

the damage occurred and the place of the event giving rise to it.”¹⁵ In that case, a libel action based on the publication of a newspaper article, the Court allowed the plaintiff to sue at home, the place of distribution, but allowed her to recover only for the damages suffered in that State.¹⁶ Significantly, however, the decision stated that a court in the place where the publisher was established would have had jurisdiction over “the action for damages for *all* the harm caused by the unlawful act.”¹⁷ The Court of Justice reached a similar conclusion in a case involving defamation on the internet.¹⁸

20 While these EU cases involved reputational injury and defendants that acted at their habitual residences, Guideline 5(a) extends the rule to intellectual property infringement, which, like defamation, involves information that can be readily disseminated. Furthermore, it incorporates the notion that even when it not situated at the defendant’s habitual residence, a court at the place where substantial activity is undertaken has plenary authority to award global relief, including *both* monetary damages and injunctions. In doing so, the Guideline recognizes that new technologies create a risk of harm in remote locations and in multiple jurisdictions. As that problem has become more acute, it is increasingly important to ensure the availability of a forum where a global dispute can be resolved efficiently. Indeed, in another internet-based defamation case, Advocate General Bobek suggested that the “mosaic” approach of permitting jurisdiction wherever harm occurs should be discarded in favor of centralizing adjudication for multijurisdictional injuries.¹⁹ Although the Court of Justice rejected the AG’s proposal,²⁰ it recognized the “ubiquitous nature of content placed online” and the power of the court where the harm arose to rectify it.²¹

21 Other jurisdictions have similarly created

15 CJEU, Case C-68/93, ECLI:EU:C:1995:61 – *Shevill v. Presse Alliance SA*, paragraph 20.

16 *Id.*, paragraph 30.

17 *Id.*, paragraph 25 (emphasis added).

18 CJEU, Joined Cases C-509/09 and C-161/10, ECLI:EU:C:2011:685 – *eDate Advertising GmbH v. X*, paragraphs 41-42.

19 CJEU, C-194/16, ECLI:EU:C:2017:554 – *Bolagsupplysningen v Svensk Handel*, paragraphs 73-98.

20 CJEU, C-194/16, ECLI:EU:C:2017:766 – *Bolagsupplysningen v Svensk Handel*.

21 *Id.*, paragraph 48.

mechanisms to ensure that global relief can be awarded. Thus, in the United States, multiple foreign copyright infringement claims have been consolidated into a single action;²² world-wide damages have been awarded based on the global dissemination of a local unauthorized reproduction of a “root copy” of a copyrighted work;²³ and extraterritorial damages have been awarded for unauthorized export of the components of patented equipment.²⁴ Jurisdiction where the infringer acted to initiate or further the alleged infringement accords with “traditional notions of fair play and substantial justice”²⁵ as articulated by the US Supreme Court²⁶.

22 Global injunctions are not common. However, the same logic applies: effective enforcement requires efficient dispute resolution. In fact, for intellectual property cases, the question whether an injunction will be granted is of crucial importance to both right holders and consumers of information goods.²⁷ Although at present, extraterritorial enforcement of injunctive relief has presented significant difficulties,²⁸

22 United States Court of Appeals, *Boosey & Hawkes Music Publishers Ltd. v. Walt Disney Co.*, 145 F.3d 481 [2nd Cir. 1991].

23 United States Court of Appeals, *Los Angeles News Serv. v. Reuters Television Int’l, Ltd.*, 149 F.3d 987 [9th Cir. 1998], as amended on denial of reh’g and reh’g en banc [1998]; *Update Art, Inc. v. Modiin Publ’g, Ltd.*, 843 F.2d 67 [2nd Cir. 1988].

24 United States Court of Appeals, *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129 [Fed. Cir. 2018]. But see United States Court of Appeals, *Voda v. Cordis Corporation*, 476 F.3d 887 [Fed. Cir. 2007]; Supreme Court of the United States, *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 [2007].

25 Supreme Court of the United States, *Milliken v. Meyer*, 311 U.S. 457 [1940]; Supreme Court of the United States, *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 [1980].

26 See e.g. United States Court of Appeals, *Boosey & Hawkes Music Publishers Ltd. v. Walt Disney Co.*, 145 F.3d 481 [2d Cir. 1998] consolidating 18 foreign copyright infringement claims; United States Court of Appeals, *Update Art, Inc. v. Modiin Publ’g, Ltd.*, 843 F.2d 67 [2d Cir. 1988].

27 See, e.g. Supreme Court of Canada, *Google Inc. v. Equustek Solutions, Inc.*, 2017 SCC 34, [2017] SCR 824.

28 See, e.g., Supreme Court of Canada, *Google LLC v. Equustek Sols. Inc.*, No. 5:17-CV-04207-EJD, 2017 WL 5000834 [N.D. Cal. Nov. 2, 2017]; Supreme Court of Canada, *Pro Swing Inc. v. Elta Golf Inc.*, 2006 SCC 52, [2006] 2 SCR 612. See also Guidelines 14 and 32-25.

the Guidelines take the position that enforcement is necessary to protect the exclusivity that is at the heart of intellectual property rights.

Direct and substantial injuries

- 23 Subsection (b) recognizes the authority of a State to adjudicate claims involving harm that occurs in the State, irrespective of where the acts giving rise to the harm occurred or where the defendant habitually resides. In these cases, the court's power over relief (monetary damages and injunction) is territorially limited.
- 24 Despite AG Bobek's objection, it is critical to preserve the authority of the court situated at the place of the harm. That jurisdiction may be more convenient than the defendant's habitual residence or the place where the harm was initiated, either from the point of view of the plaintiff (for example, when the plaintiff suffers an injury at its home) or from an adjudicatory and evidentiary perspective. It may be the place where the majority of the harm is suffered (for example, when the infringement is only in the local language) and thus the location where injunctive relief is especially necessary. Moreover, a local injunction is generally easier to enforce than an order issued by a foreign court.
- 25 In jurisdictions such as the EU, where the critical issues are predictability and a relationship between the jurisdiction and the subject matter of the litigation, application of this rule is straightforward.²⁹ In places like the United States, where the focus is on the due process interests of the defendant,³⁰ jurisdiction at the place of harm is regarded as acceptable when the defendant purposefully availed itself of the benefits of the jurisdiction where the harm occurred or where the defendant could, on the basis of its interactions with the forum, anticipate being hailed before its courts.³¹ Subsection (b) addresses these concerns by limiting jurisdiction to situations where the infringement caused direct substantial local damages and the damages could be anticipated. Thus, the mere availability of a website for uploading or downloading material is not sufficient to create a basis for jurisdiction under this Guideline.

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²⁹ See, e.g., CJEU, C-441/13, ECLI:EU:C:2015:28 – *Pez Hejduk v. EnergieAgentur.NRW*, paragraphs 9-20 and 36.

³⁰ Supreme Court of the United States, *J. McIntyre Mach., Ltd. v. Nicastro*, 564 U.S. 873 [2011]; Supreme Court of the United States, *Int'l Shoe Co. v. Washington*, 326 U.S. 310 [1945].

³¹ See, e.g., United States Court of Appeals, *Plixer Int'l, Inc. v. Scrutinizer GmbH*, 905 F.3d 1 [1st Cir. 2018].

6. Statutory Remuneration for the Use of Works or Subject-Matter of Related Rights

In cases concerning disputes on a statutory remuneration for the lawful use of copyrighted works or the subject-matter of related rights, a person may be sued in the courts of the State where the right to remuneration accrues; the court's jurisdiction shall be territorially limited to the State in which the court is situated.

Short comments

- 26 Guideline 6 deals with disputes over remuneration for the legal use of works or other protected subject-matter, e.g. performances, phonograms or broadcasts. Copyright law may provide that the use of a work or other subject-matter is legal but burdened with a statutory obligation to pay a remuneration to the right holder. Typical examples are levies for private copying. Such claims for remuneration are neither contractual nor arising out of infringement. Therefore, Guidelines 4 (contracts) and 5 (infringements) do not provide suitable grounds for jurisdiction. To avoid a situation, in which the right holder or a collecting society representing the right holder can only bring suit to the defendant's forum, Guideline 6 provides an alternative ground for such remuneration claims. Such claims may be filed in the courts of the State where the act takes place that gives rise to the obligation to pay. Claims of right holders against collecting societies regarding the distribution of collected revenues are of a different, often contractual nature. They are not covered by Guideline 6.
- 27 The court's jurisdiction under Guideline 6 is territorially limited to the State in which the court is situated. This limitation follows the model of other special grounds of jurisdiction, especially contract jurisdiction in Guideline 4 and infringement jurisdiction in Guideline 5.

Extended comments

Hypothetical 1

Collecting society A from State X wants to bring suit against mobile phone manufacturer B from State Y for remuneration on the basis of the private copies made by B's customers in X. According to A, B should pay the levies in accordance with the X's Intellectual Property Code and pass the costs on to its customers. A has the choice to bring suit at the defendant's forum in State Y or to the X's courts based on Guideline 6.

Hypothetical 2

Performing artist A from State X wants to bring suit against the web radio station B from State Y for remuneration for the repeated broadcasting of his performances in X and Y. A may either bring suit in the Y as the defendant's forum or in the X under Guideline 6 but only the Y's courts will be competent to decide both on the remuneration for the use of the performance in X and Y.

Claims for remuneration for legal use

- 28 Many jurisdictions provide for claims of remuneration arising out of the lawful use of works or other protected subject matter. Typical examples are levies to be paid for the lawful private copying of a work³², for educational use³³ or for the broadcasting of performances which are fixed on a phonogram.³⁴ In such cases, users of protected subject matters must not seek the authorization of the right holder to act within the limits of copyright law. They do not infringe copyright or related rights. However, the use of the work triggers a statutory remuneration claim to be paid to the right holder. As such, these remuneration claims establish a middle ground between a full exclusive right and a full exemption from copyright. Many of the statutory levies of this kind are managed by collecting societies. Therefore, claims covered by Guideline 6 will often be filed by collecting societies as plaintiffs. However, it should be noted that jurisdictions, like the US, may treat non-paying users as infringers with the result that Guideline 5 instead of Guideline 6 has to be applied.

Other alternative grounds of jurisdiction not suitable

- 29 Claims for remuneration for legal use are not covered by the other alternative grounds for jurisdiction, especially contract or infringement jurisdiction. Claims for remuneration covered by Guideline 6 are statutory claims. They are independent from any contractual agreement between the right holder or

32 See Article 5(2)(a) and (b) Directive 2001/29/EC of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, [2001] OJ L167/10, and national implementations like e.g. §§ 53, 54 German Copyright Act, Articles L122-5, L 311-1 French Intellectual Property Code.

33 See Article 5(2)(a) and (b) Directive 2001/29/EC of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, [2001] OJ L167/10, and national implementations like e.g. §§ 53, 54 German Copyright Act, Articles L122-5, L 311-1 French Intellectual Property Code.

34 See Article 25 (4) South Korean Copyright Act; Article 33bis (2), 34(2) Japanese Copyright Act.

collecting society on the one side and the debtor or the claim on the other side. Thus, they are not of a contractual nature. Also, it is not fully convincing to characterize remuneration claims as infringement or tort or delict claims since the underlying use of the work or subject-matter is lawful.³⁵ Guideline 6 avoids these difficulties of characterization and puts forward a novel and innovative proposal to create a specific alternative ground of jurisdiction for remuneration claims. Claimants may choose to bring suit at the defendant's forum under Guideline 3 or at the alternative forum under Guideline 6.

Connecting factor: Where the act takes place

- 30 Guideline 6 refers as the connecting factor to the State where the act takes place that gives rise to the obligation to pay. Remuneration claims covered by Article 6 are triggered by a use of a protected work or other subject matter, e.g. the making of a private copy, the trading of copy devices, or the broadcasting of a sound recording. These acts may be localized in one or several jurisdictions according to the same principles as for the localization of infringing acts.³⁶ Guideline 6 grants jurisdiction to the courts of the State in which these acts take place. This may be one or several States.

Limited jurisdiction

- 31 Jurisdiction based on Guideline 6 is limited to remuneration claims related to the use of works or other protected subject matter within the forum State. In multi-state scenarios, in which the debtor acts in several States, the jurisdiction of the courts of each of those States is limited to the remuneration owed for the use of the work or subject matter in the given State. Although territorially limited, the jurisdiction of courts based on Guideline 6 is still of high significance for right holders and collecting societies. Collecting societies typically manage intellectual property rights for the State in which they have their seat of administration and provide their services. In disputes involving the remuneration for the use of those intellectual property rights, Guideline 6 enables collecting societies to bring their claim to the courts of the State of their seat.

Axel Metzger

35 But see CJEU, Case C-572/14, ECLI:EU:C:2016:286 – *Austro-Mechana/Amazon* in which the Court applied Article 5(3) Brussels I Regulation (tort jurisdiction) to a remuneration claim.

36 See the comments on Guideline 5.

7. Consolidation

A plaintiff bringing an action against a defendant in a court of the State in which the defendant is habitually resident in accordance with Guideline 3 may proceed in that court against other defendants not habitually resident in that State if –

- a) **The dispute involves the same or substantially related intellectual property rights granted for one or more States, and**
- b) **The claims against the defendant habitually resident in that State and the other defendants are so closely connected that they should be adjudicated together to avoid a serious risk of inconsistent judgments, and**
- a) **As to each defendant not habitually resident in that State, there exists a substantial connection between the intellectual property rights at issue and the dispute involving that defendant.**

See as reference provisions

§ 206 ALI Principles

Art 2:206 CLIP Principles

Art 110 Transparency Proposal

Arts 207-208 Joint Korean-Japanese Principles

Short comments

- 32 Guideline 7 sets forth conditions that have to be met in order to join multiple defendants that have their respective habitual residences in several different States. This Guideline deals with the so-called “subjective” consolidation of claims against several out-of-state defendants before the court of the State where one of the defendants has his or her habitual residence. Such a possibility to consolidate claims against multiple out-of-state defendants is granted if three conditions are met. These three conditions are listed in Guideline 7 and are case-specific. Therefore, the court hearing the plaintiff’s claim against a defendant who has her habitual residence in the forum State should carefully weigh available evidence about the circumstances of the case in deciding whether to join the plaintiff’s claims against out-of-State defendants.
- 33 Pursuant to Guideline 7, three cumulative requirements have to be met in order to join out-of-state defendants. First, the dispute must be related to the same or substantially related intellectual property rights. This means that the activities of the defendants must relate to the same work of authorship, infringement of the same trademark registered in multiple States, or the same patent

issued under the European Patent Convention or the Patent Cooperation Treaty. The court may also determine other possible situations where the intellectual property rights are “substantially related” for the purposes of this Guideline. The second requirement is especially fact-specific: the claims against the in-state defendant and out-of-state defendants must be “closely related” and their adjudication in the same proceedings should help avoid the serious risk of inconsistent judgments. Although Guideline 7 does not explicitly stipulate this, it will be up to the claimant to demonstrate the closeness of the relationship between the claims against multiple defendants and that such serious risk of inconsistent judgments would actually occur if the defendants were sued in different States. Third, it is required that there is a substantial connection between the intellectual property rights at stake and the foreign defendant. For instance, the foreign defendant may be joined if he or she belongs to a group of companies (one of which is habitually resident in the forum State pursuant to Guideline 3) that are engaged in multi-state infringement of the plaintiff’s intellectual property rights in the forum State and abroad.

- 34 Guideline 7 does not address the so-called “objective” consolidation of the plaintiff’s claims. Instead, the possibility of bringing several objectively related claims against the same defendant is addressed by other Guidelines, e.g., Guideline 15 dealing with counterclaims. Furthermore, the timing requirement of when such a motion to join out-of-state defendants could be brought should be determined according to domestic procedural rules of the forum State.

Extended comments

Hypothetical 1

The plaintiff A holds all rights and interests in the nine patents for miniature internal antenna technology. Those miniature antennas are powerful enough to be used for mobile communication devices (cellular phones and portable tablets). A’s nine patents were issued in ten different States with major mobile device markets in the world and cover essential parts of the internal antenna technology.

A brings an action before a court of State X suing defendant B for infringement of its patents. B, who is a company based in State X, had previously ordered three other companies C, D, and E to manufacture two specific models of cellular phones for sale in State X. Plaintiff A moves to join B’s suppliers as joint defendants in this case. A argues that C, D, and E who have their main places of business in States Y and Z, knowingly and willfully infringed its patents

in States Y and Z and requests the court to issue an injunction and order damages for irreparable harm which A continues to sustain while cellular phones are manufactured and sold in State X.

In this case, the court of State X is the defendant's forum pursuant to Guideline 3 because B has its headquarters in State X. In deciding whether to join Defendants C, D, and E, the court should evaluate whether three conditions set forth in Guideline 7 are met. It is clear that (a) the dispute involves the same patents which the Plaintiff A claims have been infringed in States X, Y, and Z; (b) the court in State X may find the existence of close connection between the defendants C, D, and E because they were manufacturing phones based on the purchase order made by B. However, pursuant to Guideline 7, it is up to the forum court in State X to determine whether there is a risk of inconsistent judgments if the case against each defendant was adjudicated before their home courts in States Y and Z where those defendants have their habitual domiciles; and (c) the court in State X may also find that there is a close connection between the intellectual property rights at issue and each of the out-of-court defendants, especially if the court determines that they significantly contributed to the incorporation of the Plaintiff's patented technology into mobile devices that are distributed in the forum State.

- 35 In recent years, there has been an increasing number of disputes which involve cross-border exploitation of intellectual property rights. Moreover, frequently those parallel intellectual property rights are used by related persons (e.g., parent and subsidiary companies or contractually-bound corporations).³⁷ In such situations, one of the main issues is whether the right holder could sue all defendants (including some out-of-court defendants) before one single court. From the plaintiff's point of view, the most efficient approach would be to sue the "main" defendant and move to add foreign defendants as co-defendants. Traditionally, courts in many States used to take a more restrictive approach and assert jurisdiction only over intellectual property rights effective in the forum State provided that the defendant has its habitual residence in the forum State. Such a traditional approach is based on the "strict" understanding of the principle of territoriality pursuant to which leading to fragmentation of intellectual property rights litigation. Furthermore, the development of more sophisticated supply chain models made it challenging for proprietors of intellectual property rights to efficiently

protect their rights in cases involving multi-state infringements.

- 36 A more recent approach is to allow joinder of in-state and foreign defendants, provided that there is some observable connection between those foreign defendants and the forum State.
- 37 This Guideline suggests a rule which would provide for a more efficient adjudication of multi-state intellectual property disputes. By adopting such a possibility to consolidate multiple defendants, the ILA Committee largely follows the approaches embedded in the previous legislative proposals. Section 206(1) of the ALI Principles establishes almost identical wording as Guideline 7, whereas the CLIP Principles places more emphasis on the need to avoid the risk of irreconcilable judgments. Article 101(2) of the Japanese Transparency principles also require that the out-state defendant should be able to foresee the possibility that he/she may be sued as a joint-defendant before a court of a foreign State.
- 38 In drafting this Guideline 7, the ILA Committee aims to provide for sufficient guidance on how multi-state intellectual property disputes should be approached in the future. In a world where most communications take place in digital form and where new technologies are commercialized at a rapid speed, it is desirable to facilitate the adjudication of complex multi-state disputes by allowing the consolidation of multiple related parties. Consolidation of claims against multiple related parties should be seen as a natural evolution of the principle of territoriality of intellectual property rights, especially taking into consideration the fact that the granting of intellectual property rights has been largely harmonized and cooperation among national governmental agencies and national courts continues to evolve.
- 39 From the procedural fairness point of view, Guideline 7 places the initial burden of proof upon the claimant who has to provide sufficient factual evidence and show that there is sufficient connection between the activities of the out-of-court defendants and the forum State. Placing the initial burden of proof upon the claimant is based on the assumption that the joinder would be beneficial for the claimant in prosecuting their intellectual property rights. Once the claimant provides their arguments, the defendants can respond accordingly. It should be noted that in cases where the costs of joining multiple out-of-state parties do not appear to be sufficiently advantageous, Guideline 7 leaves significant discretion to the courts to rely on existing domestic doctrines and principles (e.g., *forum nonconveniens*) in deciding whether to allow joinder or not.

Paulius Jurcys

³⁷ See e.g., CJEU, C-539/03, ECLI:EU:C:2006:458 – *Roche Nederland BV and Others v Frederick Primus and Milton Goldenberg*; United States Court of Appeals, *Voda v Cordis Corp* 476 F 3d 887 [Fed Cir 2007].

8. Title and Ownership

In cases concerned only with title and ownership, the court of the State where the intellectual property right exists or for which application is pending shall have jurisdiction.

See as reference provisions

Art 2:205 CLIP Principles

Short comments

- 40 Guideline 8 establishes a clear-cut rule that disputes related to the title or ownership of an intellectual property right can be adjudicated by the courts in the State in which that intellectual property right exists or where the application to grant an intellectual property right is pending. Pursuant to Guideline 8, a court can assert jurisdiction if the case concerns questions related to title or ownership of intellectual property rights conferred under the laws of the forum State. Guideline 8 is construed as an *alternative* ground of jurisdiction. This means that the court can decide questions of ownership or entitlement to intellectual property rights in accordance with Guideline 8 even if the defendant is not resident in the forum State pursuant to Guideline 3.

Extended comments

Hypothetical

For the past 6 months, the plaintiff (domiciled in State A) and the defendant (domiciled in State B) have been working on a project to develop a gaming app. Once the prototype of the app has been completed, the Plaintiff institutes court proceedings before their home courts in State A arguing that the Plaintiff should be the sole owner of intellectual property rights in the gaming software because they had the initial idea of the game and did the major part of the work.

Pursuant to Guideline 8, courts of State A should assert jurisdiction over the dispute because it concerns the title to intellectual property in the forum State A regardless of the fact that the Defendant is domiciled in State B.

Relationship to other Guidelines

- 41 Guideline 8 entrenches the widely acknowledged principle that states have a direct interest to adjudicate matters concerning entitlement and ownership of intellectual property rights granted pursuant to the laws of the forum State.³⁸

38 See e.g., CJEU, 288/82, ECLI:EU:C:1983:326 – *Ferdinand Duijnste v Lodewijk Goderbauer*; CJEU, C-341/16, ECLI:EU:C:2017:738 – *Hanssen Beleggingen BV v Tanja Prast-Knippling*.

Court's competence to adjudicate such disputes emanates from the State's sovereign power to grant intellectual property rights provided that certain statutory requirements are met. This explains why Guideline 8 is a special rule to the general principle established in Guideline 3 and allows a court hearing a dispute over the entitlement or ownership of an intellectual property right in the forum State even if the defendant is domiciled abroad. In some cases, Guideline 8 could be useful in disputes where neither of the parties is domiciled in the forum State but seek to determine who is entitled to an intellectual property right in the forum State, especially if the forum State is a major economy.

- 42 Furthermore, Guideline 8 aims to clarify that questions related to title and ownership of an intellectual property right should not fall within the "exclusive" jurisdiction of the courts of the State granting intellectual property rights. This is especially significant in disputes related to non-registered intellectual property rights such as copyrights. One possible illustration of such an important consideration is provided in the Hypothetical 1 above: in practice, intellectual property ownership issues often stem from contractual dealings among private individuals (e.g., employee inventions, collaborative work in creating works of joint authorship).
- 43 Accordingly, Guideline 8 does not specify territorial limitations of the court's powers in adjudicating the dispute over title or ownership. Instead, Guideline 8 clearly stipulates that it is sufficient if the dispute itself concerns issues of title or ownership of intellectual property rights as long as the intellectual property right exists or the application for such rights is pending in the forum State. At the same time, it should be noted that Guideline 8 should be understood as an alternative ground of jurisdiction which provides a narrow "fast-track" possibility to resolve disputes *only* related to intellectual property title and ownership in the forum State. Pursuant to Guideline 8, jurisdiction is automatically conferred only insofar as the intellectual property right exists in the forum State. Guideline 8 is a direct manifestation of the principle of territoriality of intellectual property rights.

- 44 Guideline 8 follows the approach adopted in the recent legislative proposals, namely Article 2:205 of the CLIP Principles. The logic behind this approach is the need to achieve a delicate balance between the interests of States and cross-border nature of business models, to provide more legal certainty and reduce the risk of multi-state litigation and the risk of inconsistent judgments.

Paulius Jurcys

C. Other Fora

9. Choice of Court

The parties to a particular relationship may designate in an agreement a court to have jurisdiction over any dispute that has arisen or may arise in connection with that relationship. The chosen court shall have jurisdiction to decide all contractual and non-contractual obligations and all other claims arising from that legal relationship unless the parties express their intent to restrict the court's jurisdiction. Such jurisdiction shall be exclusive unless the parties have agreed otherwise.

See as reference provisions

§ 202 ALI Principles

Art 2:301 CLIP Principles

Art 107 Transparency Proposal

Art 205 Joint Korean-Japanese Principles

Short comments

- 45 Guideline 9 lays down a rule of jurisdiction based on a choice of court agreement made by the parties before the starting of the proceeding. Thus, parties can choose the court having jurisdiction to adjudicate their claim. Unless the parties express their intent to restrict the court's jurisdiction, choice of court agreements may concern disputes arising out of contractual and non-contractual relations. Unless the parties have agreed otherwise the jurisdiction of the chosen court shall be exclusive. The Guideline does not address the issue of capacity and other substantive and formal requirements to make a valid choice of court agreement. Here, the model provisions of predecessor projects may provide assistance. In addition, Guideline 9 shall be read together with Guideline 17.3.a), with the result that a court first seized must nevertheless stay proceedings until the court second seized whose jurisdiction has been claimed under an agreement conferring jurisdiction has declared that it has no jurisdiction. Also, Guideline 9 shall be read together with Guideline 11 on validity issues, with the result that there cannot be any choice of court where the claim falls into exclusive jurisdiction rules.

Extended comments

Hypothetical 1

A and B conclude a license agreement which contains an exclusive choice-of-court agreement "for all claims arising from the legal relationship of A and B". B breaches the terms of the contract. A sues B for breach of contract and trade mark infringement. In this case the chosen court should have the power to decide on all contractual and non-contractual claims

arising from B's transgression. Other courts cannot hear the case because of the exclusive nature of the choice-of-court agreement. L and M, by contrast, conclude a license agreement with an exclusive choice of court clause, stating that the courts of State X will hear disputes relating to obligations concerning royalty payments. These leave the parties with all options under the general principles of jurisdiction to bring cases that do not concern royalty payments before courts outside jurisdiction Q. The type of claim will therefore determine which court has jurisdiction in a dispute between L and M.

Hypothetical 2

A, whose seat is in State X, enters into a non-exclusive distribution agreement with B, whose seat is in State Y. Under the agreement, B shall license to A its trademarks registered by B in Y and in X for the territory of X. Following B's refusal to fulfill its contractual obligation, A brings an action in X, being the State for which the license shall be granted. Subsequently, B brings an action against A in Y to obtain payment of outstanding royalties. In support of the jurisdiction of the court of Y, B submits that it was the court designated by a choice-of-court clause which had appeared on all invoices sent by B to A, without the latter having raised any objection in that regard. According to B, the parties had concluded an agreement conferring jurisdiction. A contends that the court of Y has no jurisdiction, since she contests the very existence of an agreement conferring jurisdiction and States that, before the action was brought by B before the court of Y, she had commenced proceedings in X with respect to the same business relationship. Guideline 17 shall then be considered, with the result that the court in X despite being the court first seized shall stay proceedings until the court of Y second seized decides about its jurisdiction.

Hypothetical 3

A and B enter into an agreement on the same terms as in Hypothetical 1. The license agreement confers jurisdiction to a court of State Y to decide all contractual and non-contractual obligations and all other claims arising from the parties' relationship, including eventual validity claims of the trademarks at stake even though principally raised. Following B's refusal to fulfill its contractual obligation, A brings an action in Y, claiming the (in)validity of the relevant trademarks registered in Y, X and Z. B, in line with the express choice of court, enters an appearance before the court of Y without challenging its jurisdiction. Yet, despite the choice of court agreement, Guideline 11 on validity disputes indicates that the court of Y may adjudicate on the invalidity claim related just to the trademark registered in Y. In contrast, the courts at the States of registration – namely Z and X – shall

have jurisdiction to adjudicate on the validity claims related to the other trademarks involved – namely those registered in Z and X.

Exclusive effect of choice-of-court agreements

- 46 Under Guideline 9, where a choice of court clause endows exclusive jurisdiction on a court, that court shall have jurisdiction over all contractual and non-contractual obligations and all other claims arising from the parties' relationship. Where a choice of court clause confers exclusive jurisdiction for a narrower scope of claims, the nominated court will have jurisdiction over only claims that fall within the scope of the clause; any claim outside the scope of the clause would be subject to more general principles. In the case of a non-exclusive choice of court agreement, however, different courts are chosen for different disputes.

Capacity and other substantive and formal validity requirements

- 47 The Guideline does not address capacity and other substantive and formal validity requirements of choice of court agreements. Thus, in line with the recommendatory nature of the Guideline, these requirements are left to the procedural law of the forum State. Yet, the model provisions of predecessor projects may provide further guidance. The CLIP Principles consider validity and formal requirements of a choice of court agreement. The ALI Principles deal with issues of form and capacity. The Transparency Principles deal only with matters of form of the choice of court agreement, to cover for instance choice of court agreements concluded by means of electronic data exchange, such as email. Similarly to the Transparency Proposal, the Joint Korean-Japanese Principles also contain a similar rule regulating formal requirements for electronically concluded choice of court agreements. Moreover, the Joint Korean-Japanese Principles also regulate validity matters of express choice of court. Finally, the 2005 Hague Choice of Court Convention regulates capacity and other substantive and formal validity requirements.
- 48 In particular, Guideline 9's silence regarding strict formal requirements leaves courts free to take a permissive view of the formalities for a choice of court agreement, facilitating their effectiveness. This conclusion was recently held with respect to Article 23 of Regulation No 44/2001 (corresponding to Article 25 of Regulation 1212/2015), which is similar, *mutatis mutandis*, to Guideline 9, by the Court of Justice of the European Union in the judgment *Jaouad El Majdoub v CarsOnTheWeb.Deutschland*.³⁹

³⁹ CJEU, Case C-322/14, ECLI:EU:C:2015:334 - *Jaouad El Majdoub v CarsOnTheWeb.Deutschland GmbH*.

According to Article 23(1)(a), a choice of court agreement must be “in writing or evidenced in writing” to be valid, with Article 23(2) stating that “any communication by electronic means which provides a durable record of the agreement shall be equivalent to ‘writing’”. In *Jaouad*, the Court ruled on whether a “click-wrapping” (a box with the indication “click here to open the conditions of delivery and payment in a new window” which appeared during an online purchase) fulfilled the formal requirements for an agreement conferring jurisdiction set out in Article 23. The court held that accepting the general terms and conditions of a contract for sale by “click-wrapping”, where the click-wrapping contains an agreement conferring jurisdiction, “constitutes a communication by electronic means which provides a durable record of the agreement [...] where [...] it [is] possible to print and save the text of those terms and conditions before the conclusion of the contract.”

Relationship with validity claims

- 49 Guideline 9 shall be interpreted as implying that there cannot be any effect of a choice of court where the dispute is one covered by Guideline 11. Thus, for instance, a plaintiff may sue a defendant before the courts of the State where the defendant is domiciled, claiming the invalidity of the defendant's patents registered in other States than the forum State. Under Guideline 11, the court seized cannot adjudicate the claims even though the defendant accepted the jurisdiction of the seized court in a choice of court clause inserted in a license agreement concluded between the plaintiff and defendant. In fact, the rules of jurisdiction provided for in Guideline 11 are of a mandatory nature, the application of which is specifically binding on both litigants and courts. Yet, the plaintiff may claim the breach of the license agreement (because the defendant didn't pay the royalties) and the defendant may base the lack of payment on the invalidity of the plaintiff's patents. In this case, when the parties agreed on the jurisdiction of the seized court for all claims arising from their legal relationship, that court can adjudicate the invalidity claims raised as a defense. This applies even for patents registered in States other than the forum State.

Relationship with *lis pendens*

- 50 Under Guideline 9 the general rule on the express choice of court, applies even in the presence of parallel proceedings. Thus, the parties are prevented from submitting the dispute to a court other than that stipulated in the agreement. This applies even if the existence or validity of the same (choice of court) agreement is disputed. In fact, Guideline 17 explicitly indicates that where a court is the court first seized it shall stay proceedings in the case that

the court second seized has exclusive jurisdiction under an agreement conferring jurisdiction. The court first seized shall wait for a declaration from the court second seized that the choice of court is eventually void and that therefore the same court has no jurisdiction. Thus, the court second seized whose jurisdiction has been claimed under an agreement conferring jurisdiction must adjudicate the case, unless this same court declares that it has no jurisdiction. Guideline 17, in fact, requires a court to declare of its own motion, that it has no jurisdiction where it is seized of a claim which is principally concerned with a matter over which the courts of another contracting State have exclusive jurisdiction. Since Guideline 9 states that the jurisdiction of the chosen court shall be exclusive, this Guideline prevails over *lis pendens*. The same conclusion was recently codified by Article 31 Brussels Ia Regulation,⁴⁰ which overcame the interpretation of Articles 17 and 21 Brussels I Regulation⁴¹ by the Court of Justice of the European Union, in the judgment in *Erich Gasser*.⁴²

Benedetta Ubertazzi

10. Submission and Appearance

A court shall have jurisdiction if the defendant appears and does not contest jurisdiction in the first defense.

See as reference provisions

§ 203 ALI Principles

Art 108 Transparency Proposal

Art 206 Joint Korean-Japanese Principles

Art 202 CLIP Principles

Short comments

- 51 Guideline 10 lays down a rule of jurisdiction based on the entering of an appearance by the defendant with respect to all disputes where the jurisdiction of the court seized does not derive from other provisions of the Guidelines. Thus, in cases where the court has been seized in breach of the provisions of the Guidelines, the entering of an appearance by the defendant may be considered to be a tacit acceptance of the jurisdiction of the court seized and a choice of

that court's jurisdiction. There is no tacit choice of jurisdiction of the court seized where the defendant contests the jurisdiction, thereby expressing his or her intention not to accept that court's jurisdiction, or where the dispute is one with respect to which Guideline 11 provides for rules on exclusive jurisdiction. Yet, neither the general scheme nor the objectives of the Guidelines provide grounds for the view that the parties are prevented from submitting their dispute to a court other than that stipulated in the agreement in accordance with Guideline 9. Thus, in a dispute concerning the non-performance of a contractual obligation, in which the applicant has brought proceedings before the courts of the State in which the defendant has his or her seat, for example, the jurisdiction of those courts may stem from Guideline 10 where the defendant does not dispute their jurisdiction, even though the contract between the two parties contains a clause conferring jurisdiction on the courts of another State.

Extended comments

Hypothetical 1

A sues B for infringement of patents registered in States X, Y and Z. B's central administration is in State W. A sues B before the court in Y for damages based on the alleged infringement of the X, Y and Z patents. B may enter an appearance before the court of Y without challenging its jurisdiction. If she does not contest jurisdiction, the court will be competent to hear the case.

Hypothetical 2

A, whose seat is in State X, enters into a non-exclusive distribution agreement with B, whose seat is in State Y. Under the agreement, B shall assign to A all trademarks registered by B in Y. The contract contains a clause conferring exclusive jurisdiction to a court situated in X. Following B's refusal to fulfil that contractual obligation, A brings an action before the District Court of Y. B enters an appearance before the court of Y without challenging its jurisdiction. Since the jurisdiction of the court of Y to decide this case is not challenged by the defendant, the case may be decided by the same court of Y.

Time and form of contesting jurisdiction

- 52 The Guideline establishes at what stage of the procedural phase the jurisdiction of the court should be contested, namely, in the defendant's first defense. Yet, the Guideline does not clarify according to which formal requirements. Here, the model provisions of the predecessor projects may provide further guidance. The Transparency Principles refer to the requirement to challenge jurisdiction "in a Japanese court of first instance" and the need to

40 Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast), [2012] OJ L351/1.

41 Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, [2001] OJ L12/1.

42 CJEU, C-116/02, ECLI:EU:C:2003:657 - *Erich Gasser GmbH v MISAT Srl*.

make “oral argument or a statement in preliminary proceedings on the merits”. In addition, the ALI Principles indicate that the contesting of jurisdiction shall occur “no later than the first defense on the merits”. In this framework, the Guidelines adopt a broad rule that does not refer only to the case where the defendant appears to proceed on the merits, contesting jurisdiction, but also encompasses the case of special appearances, namely appearances just to contest jurisdiction without proceeding on the merits. The Guidelines address the timing to prevent the defendant from delaying adjudication. Other formal requirements are left to the procedural law of the forum State, in line with the recommendatory nature of the Guidelines.

Relationship with validity claims

- 53 The Guidelines are to be interpreted in the sense that there is no tacit choice of jurisdiction where the dispute is one for which Guideline 11 provides for rules on exclusive jurisdiction. Thus, under Guideline 11, if a plaintiff sues a defendant before the courts of the State where the defendant is domiciled, claiming the invalidity of the defendant’s patents registered in States other than the forum State, the court seized cannot adjudicate the claims even though the defendant does not contest its jurisdiction. The rules of jurisdiction provided for in Guideline 11 are of an exclusive and mandatory nature, the application of which is specifically binding on both litigants and courts. Yet, under the same Guideline, if the plaintiff claims the infringement of the plaintiff’s patents registered in various States other than the forum State, and if the defendant does not contest its jurisdiction, the court can adjudicate the claims, and can do this even though the defendant may raise the invalidity of said patents as a defense.

Relationship with express choice of jurisdiction

- 54 The general rule regarding the tacit choice of jurisdiction of the court seized under Guideline 10, applies even in the presence of a choice of jurisdiction by an agreement on jurisdiction for the purposes of Guideline 9. In fact, neither the general scheme nor the objectives of the Guidelines provide grounds for the view that the parties are prevented from submitting their dispute to a court other than that stipulated in the agreement. In fact, the tacit choice of jurisdiction by virtue of Guideline 10 is based on a deliberate choice made by the parties to the dispute regarding jurisdiction that is subsequent to the choice incorporated in the agreement between them. Thus, Guideline 10 precludes, in a dispute between parties to a contract which contains a clause conferring jurisdiction on the courts of a third State, the court of the State in which the defendant has its seat, which has been seized, from declaring of its own motion that it does not have jurisdiction

to determine the case, when the defendant does not contest the jurisdiction of that court. The same conclusion was recently held with respect to Articles 23(5) and 24 of Regulation No 44/2001 (corresponding to Arts. 25 and 26 of Regulation 1212/2015), similar, *mutatis mutandis*, to Guideline 10, by the Court of Justice of the European Union in the judgment *Taser International Inc.*⁴³. According to the Court, these norms must be interpreted as meaning that in a dispute concerning the non-performance of a contractual obligation, in which the applicant has brought proceedings before the courts of the Member State in which the defendant has its seat, the jurisdiction of those courts may stem from the fact that the defendant does not dispute their jurisdiction. This applies even though the contract between the two parties contains a clause conferring jurisdiction on the courts of a third State.

Benedetta Ubertzzi

11. Validity Claims and Related Disputes

1. **In proceedings which have as their main object the grant, registration, validity, abandonment, or revocation of a registered intellectual property right the court of the State of registration shall have exclusive jurisdiction.**
2. **Any other court having jurisdiction may decide on these matters when they arise in proceedings other than those referred to in paragraph 1. However, the resulting decision shall not have any effect on third parties.**

See as reference provisions

§ 211 ALI Principles

Arts 2:401, 2:402 CLIP Principles

Art 103 Transparency Proposal

Art 209 Joint Korean-Japanese Principles

Short comments

- 55 Guideline 11 lays down a rule of jurisdiction related to registered intellectual property rights for which validity issues are raised principally (paragraph 1) or incidentally (paragraph 2). Validity issues arise principally when the plaintiff invokes before a court the grant, registration, validity, abandonment, or revocation of a registered intellectual property right. Validity issues incidentally arise when, for instance, there is an intellectual property right infringement action, and the defendant seeks to have the intellectual property right on which the claimant relies invalidated, and hence the infringement action brought against him dismissed. In addition, validity

⁴³ CJEU, C-175/15, ECLI:EU:C:2016:176 – *Taser International Inc. v SC Gate 4 Business SRL and Cristian Mircea Anastasiu*.

issues arise incidentally when the plaintiff brings before a court a declaratory action to establish that there has been no intellectual property right infringement, because the defendant has no valid intellectual property right to enforce against him. Also, validity issues arise incidentally where the licensee brings a declaratory action requesting the court to declare that he is not bound to fulfil certain contractual obligations because the licensed intellectual property right is invalid.

- 56 According to Guideline 11, claims concerning validity issues principally raised can be adjudicated only by the courts of the State of registration of the intellectual property right at issue. Then, the judgment of this court on (in)validity has *erga omnes* effects. On the contrary, validity issues incidentally raised can be brought before a court of a State other than the State of registration, for instance, before the court of the State of the defendant's domicile. However, in such a case the judgment on (in)validity has *inter partes* effects only.

Extended comments

Hypothetical 1

A and B, companies established in State X, are competing in the field of tire production. A makes an offer to a tire manufacturer of State Y with a view at winning a contract to supply tires to them. B alleges that the tires infringe two patents registered in Y of which B is the proprietor. A raises a declaratory action before the court of X to establish that it is not in breach of the patents, maintaining that its products do not infringe the rights under the patents of State Y owned by B and further, that those patents are invalid. A submits that because the defendant is based in X, the court of X has international jurisdiction to adjudicate upon the action relating to the alleged invalidity of the patents registered in Y. B contends that jurisdiction lies with the courts of State Y, since Y is the State in which the patents are registered. Yet, A is invoking invalidity of the patents registered in State Y incidentally and not principally.

According to paragraph 2 of Guideline 11, courts of State X have jurisdiction to adjudicate a declaratory action, such as that raised by A, in order to establish that there has been no infringement because the patents registered in Y of the defendant are invalid and therefore unenforceable. However, the judgment of the court of State X will have *inter partes* effect only.

Hypothetical 2

While employed by company B in State Y, A makes an invention for which he is granted a patent in that State, and in many States in Europe and in

the world. In an application for an interlocutory injunction before the court of State Y, the liquidator in company B, claims that this company is entitled to the patent registered in Y, and requests that A be ordered to transfer to the insolvent company all of the patents which he had obtained in other States. A requests that the same court dismisses this claim, because the courts of State Y do not have jurisdiction because of Guideline 11. Yet, claims on title and ownership do not fall into the scope of Guideline 11. Thus, the courts of State Y, being the forum of the defendant's domicile, and therefore the natural forum, have jurisdiction to decide on the entire claim. The judgment of the courts of State Y may serve as the basis to change the records of foreign patent offices to produce decisions that the company is the owner of the respective patents and that A shall transfer to the company those patents.

Favoring consolidation of litigation

- 57 Guideline 11 establishes an exclusive jurisdiction rule, according to which international jurisdiction, in cases of registration or validity of patents, trademarks, designs and other registered intellectual property rights, lies exclusively with the courts of the Member State of deposit or registration. This exclusive jurisdiction rule requires proceedings related to registration or validity of intellectual property rights to be brought before each and every court at the respective State of registration. However, the Guideline limits the scope of the exclusive jurisdiction of the courts of the State granting the intellectual property rights to disputes that imply changes in the administrative acts of registration (i.e. validity of registered intellectual property right claims). In contrast, the same Guideline allows other courts, such as those at the defendant's domicile or at the place of the illegal action, to adjudicate other multi-state parallel intellectual property right disputes, which therefore could be consolidated before a single competent court. In line with all predecessor projects and in conjunction with Guidelines 7, 17, and 18, Guideline 11 makes it possible to consolidate multinational intellectual property rights claims, limiting the scope of exclusive jurisdiction rules. By overcoming exclusive jurisdiction in cases related to validity issues incidentally raised, those issues can be brought before a court of a State other than that of registration, provided that the judgment on validity would have *inter partes* effect. Guideline 11 is therefore more favorable to consolidation than corresponding exclusive jurisdiction rule of some States, which include in their scope also registered system validity issues incidentally raised.⁴⁴ However,

⁴⁴ See for instance Article 24.4 of the Brussels system. See also CJEU, C-4/03, ECLI:EU:C:2006:457 - *Gesellschaft für Antriebs-technik mbH & Co. KG v Lamellen und Kupplungsbau Beteiligungs KG*.

for provisional measures see the more favorable approach towards consolidation of the European Union Court of Justice judgment in the Solvay case⁴⁵.

Relationship with choice of court agreements

- 58 Guideline 11 shall be coordinated with Guideline 9 which concerns express prorogation of jurisdiction. Prorogation of jurisdiction of the court seized has no effect where the dispute concerns intellectual property rights validity issues principally raised according to Guideline 11 paragraph 1. Thus, if a plaintiff sues a defendant before the chosen court claiming the invalidity of the defendant's patents registered in other States than the forum State, the court seized cannot adjudicate the claims. Even though the defendant accepted the jurisdiction of the seized court in a choice of court clause inserted in an agreement concluded between the plaintiff and defendant. In fact, Guideline 11 is specifically binding on both litigants and courts. Yet, the plaintiff may claim the breach of the license agreement (because the defendant did not pay the royalties) and the defendant may base the lack of payment on the invalidity of the plaintiff's patents. In this case, according to Guideline 11, if the parties agreed on the jurisdiction of the seized court for all claims arising from their legal relationship, that court can adjudicate the invalidity claims raised as a defense, even for patents registered in States other than the forum State.

Relationship with disputes concerning title and ownership

- 59 Guideline 11 does not include claims related to title and ownership, since these do not fall under the categories of "grant, registration, validity, abandonment, or revocation" of a registered intellectual property right. Thus, Guideline 11 does not exclude the application of other jurisdiction rules, such as the defendant's domicile or even choice of court if the parties so agree. In addition, Guideline 8 could also play a role in this respect, in establishing an additional alternative forum. This conclusion corresponds to those of the judgments of the European Union Court of Justice in *Ferdinand M.J.J. Duijnste v Lodewijk Goderbauer*⁴⁶ and *Hanssen Beleggingen*⁴⁷ cases.

Benedetta Ubertazzi

45 CJEU, C-616/10, ECLI:EU:C:2012:445 - *Solvay SA v Honeywell Fluorine Products Europe BV and Others*.

46 CJEU, C-288/82, ECLI:EU:C:1983:326 - *Ferdinand M.J.J. Duijnste v Lodewijk Goderbauer*.

47 CJEU, C-341/16, ECLI:EU:C:2017:738 - *Hanssen Beleggingen BV v Tanja Prast-Knippling*.

12. Declaratory Actions

A court may hear an action for a negative or a positive declaration on the same ground as a corresponding action seeking substantive relief.

See as reference provisions

§ 213 ALI Principles

Art 2:602 CLIP Principles

Art 213(4) Joint Korean-Japanese Principles

Short comments

- 60 Guideline 12 sets forth that a claim for positive or negative declaration can be brought before the same court as a corresponding action for substantive relief. Action for a negative declaration refers to situations where the plaintiff brings an action asking the court to declare that certain activities of the plaintiff do not infringe the intellectual property rights of the defendant. Actions for a positive declaration may comprise situations in which the plaintiff is seeking the court to declare that the defendant has infringed the plaintiff's intellectual property rights and therefore owes the plaintiff statutory damages or that the defendant is contractually bound to perform a specific obligation.
- 61 Pursuant to this Guideline, in deciding whether it should assert jurisdiction over a declaratory action, the court should bear in mind two qualifications. First, actions concerning the grant, registration, validity, abandonment, or revocation of a registered intellectual property right can be brought exclusively to the courts of the State where those rights are registered (Guideline 11). Second, there may be situations where actions for declaratory judgments are utilized as a tool in multi-state litigation disputes with an objective to delay the proceedings where the counterparty is seeking substantive relief (so-called "torpedo" actions). In such cases, the court should follow Guideline 17 which requires the court second seized to stay proceedings until the court first seized decides the case. Furthermore, Guideline 18 provides possibilities to coordinate or consolidate related proceedings pending before courts of different States.

Extended comments

Hypothetical 1

A is a cosmetics company based in State X which owns trade secrets to manufacture an anti-aging facial cream which is the most popular skin care product in State X. A enters into a license agreement with B, a company based in State Y, pursuant to which B is given access to A's know-how and provides technical expertise in manufacturing of the cosmetics. The

contract between A and B also established licensing terms to manufacture and sell the facial cream in State Y. For the last year, B failed to provide quarterly accounts and make agreed licensing fee payments. A files an action before the courts of State Y seeking to obtain a declaratory judgment that B is contractually obliged to provide sales-related information and that the license fee payment term has passed.

Bearing in mind that the Guidelines apply to trade secrets *mutatis mutandis*, Guidelines 3 (defendant's habitual residence), 4 (which deals with contracts), and Guideline 12 make sure that A can file a declaratory action before the courts of State Y. Likewise, if B decides to seek a declaration that it is not contractually obligated to provide sales accounts or pay license fees, it can do so pursuant to Guideline 4.

Hypothetical 2

Assume, A owns patents in States X and Y for chemical composition of anti-aging facial cream. Having received several written requests to submit sales-related accounts and pay license fees, B aims to seek a declaration before the court of State Y and request the court to declare that B's activities do not infringe A's patents in States X and Y.

B can bring such a claim seeking a declaration of non-infringement of A's patents in States X and Y pursuant to Guideline 12. However, if B decides to challenge the validity of A's patents, it can do so only pursuant to Guideline 11, which deals with exclusive jurisdiction over patent validity-related claims.

- 62 Guideline 12 aims to provide for more legal clarity and confirm that the most appropriate forum for declaratory actions is the court of the State where the corresponding action for a substantive relief can be brought. Hence, the plaintiff seeking a positive or a negative declaratory judgment can always institute proceedings before the court of the State where the defendant is habitually resident (Guideline 3), or pursuant to other Guidelines dealing jurisdiction over contractual (Guideline 4), infringement (Guideline 5), or ownership (Guideline 8) matters.
- 63 Hypothetical 2 highlights an important distinction between declaratory actions and actions which have as their main object the grant, registration, validity, abandonment, or revocation of a registered intellectual property. Guideline 11 covers only actions dealing with registered intellectual property rights which the plaintiff may seek to invalidate. Guideline 12, however, is dealing with declaratory actions, which are related to other forms of legal relief that do not result in invalidating registered intellectual property rights. Hence, the function and scope of Guideline 12 are different from invalidity

claims: (a) it applies to both - registered and unregistered - intellectual property rights; and (b) it covers declarations related to aspects other than the grant, registration, validity, abandonment, or revocation of registered intellectual property rights.

- 64 Guideline 12 reflects the general consensus as to the optimal jurisdictional approach in dealing with the cross-border declaratory actions in intellectual property matters. Provisions similar to Guideline 12 are also entrenched in Section 213 of the ALI Principles, and Article 2:602 of the CLIP Principles. Furthermore, in civil law legal tradition, it is widely accepted that courts of the State of the defendant's habitual residence have jurisdiction to hear actions for declaratory judgments.⁴⁸ Similarly, in common law jurisdictions, courts would have jurisdiction to hear declaratory actions if the plaintiff shows the existence of both subject-matter jurisdiction as well as *in personam* jurisdiction.⁴⁹

Paulius Jurcys

13. Provisional and Protective Measures

1. **A court having jurisdiction as to the merits of the case shall have jurisdiction to order provisional and protective measures.**
2. **Other courts shall have jurisdiction to order provisional and protective measures within their territory.**

48 See e.g., CJEU, C-133/11 ECLI:EU:C:2017:738 – *Folien Fischer AG and Fofitec AG v Ritrama SpA*, where the CJEU held that Article 5(3) of the Brussels I Regulation, [2012] OJ L351/1, dealing with tort jurisdiction could also cover claims related to declaratory judgments. More specifically, in *Folien Fischer*, the Swiss patent holder brought an action before the Regional Court in Hamburg based on Article 5(3) seeking the court to declare that the plaintiff (holder of a Swiss patent) was not obliged to desist from its sales practices and that it had no obligation to grant the patent license to another competitor in the market. The CJEU held that the Regional Court had to adjudicate the cases pursuant to Article 5(3) establishing tort jurisdiction.

49 See e.g., United States Court of Appeals, *Subafilms Ltd v MGM-Pathe Communications Co* 24 F3d 1088 (9th Cir 1994); United States Court of Appeals, *Boosey & Hawkes Music Publishers Ltd v Walt Disney Co* 934 F Supp 119 SDNY [2nd Cir 1996]; United States District Court, N. D. Illinois, *Packard Instrument Company Inc v Beckman Instruments Inc* 346 F Supp 408 [1978]; and, for a more recent approach, United States Court of Appeals, *Penguin Group (USA) v American Buddha* WL 1044581 [2nd Cir 2011].

See as reference provisions

§ 214 ALI Principles

Art 2:501 CLIP Principles

Art 111 Transparency Proposal

Art 210 Joint Korean-Japanese Principles

Short comments

- 65 Guideline 13 deals with jurisdiction to order provisional and protective measures. Such measures are measures (1) that are intended to preserve a factual or legal situation in order to safeguard rights the recognition of which are otherwise sought from the court having jurisdiction as to the merits of the case, and (2) concerning matters which fall within the scope of the Guidelines as defined in Guideline 1. They include, for example, an order to seize infringing goods, an order to preserve evidence as to an alleged infringement and an interim injunction to cease an infringement.
- 66 Guideline 13 creates a two-track system regarding jurisdiction to order these measures. The first track provides for accessory jurisdiction: a court having jurisdiction as to the merits of the case, also has jurisdiction to order provisional and protective measures (Guideline 13(1)). The scope of the latter jurisdiction follows the scope of the former: if a court's jurisdiction as to the merits of the case is extraterritorial, its jurisdiction to order provisional and protective measures is correspondingly extraterritorial. The second track provides for local jurisdiction: courts which have no jurisdiction as to the merits of the case, do have jurisdiction to order local provisional and protective measures, i.e. within their territory only (Guideline 13(2)).

Extended comments**Provisional and protective measures**

- 67 Guideline 13 deals with jurisdiction in the context of “provisional and protective measures”. The expression “provisional and protective measures” is also used in Guidelines 2(2), 17(3)(b) and 32(3) which deal with other aspects of such measures.⁵⁰ No deviation is intended from the expression “provisional including protective measures” that can be found in other instruments.⁵¹
- 68 Provisional and protective measures can be defined as measures (1) that are intended to preserve a factual or legal situation in order to safeguard rights the recognition of which is otherwise sought from

50 Guidelines 2(2) (definition of judgments), 17(3)(b) (*lis pendens*) and 32(3) (recognition and enforcement).

51 See e.g. Article 2:501 CLIP Principles; Article 35 Brussels Ia Regulation, [2012] OJ L351/1.

the court having jurisdiction as to the merits of the case, and (2) concerning matters which fall within the scope *ratione materiae* of the Guidelines as defined in Guideline 1.⁵² This definition includes various types of measures, namely (i) measures aimed at securing the enforcement of an expected decision on the merits of the case (conservatory measures such as seizure), (ii) measures aimed at maintaining or regulating temporarily a certain State of affairs, (iii) anticipatory measures equivalent to those which would be available in proceedings on the merits (e.g. an interim injunction), and (iv) measures aimed at preserving or obtaining evidence or other information (e.g. disclosure).⁵³

- 69 Positive interim performance orders, such as an interim payment order, pose a specific problem in this context as such orders may, by their very nature, pre-empt the decision on the merits of the case. Thus the rules on jurisdiction on the merits could be circumvented. Therefore, these measures should not be qualified as provisional and protective measures unless repayment to the defendant and compensation is guaranteed in the event that the plaintiff is unsuccessful regarding the merits of its claim; this means that an adequate bank guarantee by the plaintiff must be required as a condition for the enforcement of the order.⁵⁴
- 70 Guideline 13 applies to measures in a defended action as well as to measures *ex parte*, i.e. without prior hearing of the adverse party and enforceable without prior service of process to that party. The latter type of measures, however, shall not be recognized or enforced in other States pursuant to Guideline 32(3).

Two-track system

- 71 Guideline 13 creates a two-track system regarding jurisdiction to order provisional and protective measures, distinguishing between so-called accessory jurisdiction (first track) and local jurisdiction (second track).⁵⁵

52 This definition is inspired by case law of the CJEU on the Brussels Regulation, [2001] OJ L12/1. Cf. CJEU, Case C-261/90, ECLI:EU:C:1992:149 at paragraph 34 – *Reichert v. Dresdner Bank*.

53 Cf. CLIP Principles comments 2:501.C11; Article 50(1) TRIPS.

54 Cf. Article 50(3) and (7) TRIPS.

55 The concept of a two-track system can also be found in Article 13 Hague Draft Convention (2001); § 214 ALI Principles; Article 2:501 CLIP Principles; Article 111 Transparency Proposal.

Accessory jurisdiction

- 72 Guideline 13(1) contains the first track, ruling that a court having jurisdiction as to the merits of the case on the basis of a jurisdiction rule in the Jurisdiction chapter of the Guidelines, shall have jurisdiction to order provisional and protective measures. This jurisdiction to order provisional and protective measures is not subject to further conditions. This means that if a court has jurisdiction as to the merits of the case and that jurisdiction is extraterritorial, this court also has jurisdiction to order correspondingly extraterritorial provisional and protective measures. As the latter jurisdiction is accessory, it cannot extend beyond the jurisdiction as to the merits.

Hypothetical 1

A sues B in a court in State X for infringement of its patent rights in States X and Y. B has its habitual residence in State X. This means that the court has jurisdiction as to the merits to hear the infringement claim in respect of State X and the infringement claim in respect of State Y on the basis of Guideline 3, which jurisdiction is territorially unlimited. By consequence, this court has also jurisdiction to order a provisional or protective measure, for example as an interim injunction, for States X and Y.

- 73 The accessory nature of this jurisdiction also entails that if a court has no jurisdiction as to the merits because another court is exclusively competent,⁵⁶ it will not have jurisdiction to order provisional and protective measures on the basis of Guideline 13(1).⁵⁷
- 74 For accessory jurisdiction it is not required that proceedings on the merits are pending: Guideline 13(1) also applies in the event that no such proceedings have started. This is clarified by the words “a court *having jurisdiction* as to the merits”. It also applies in the event that proceedings on the merits have started before another court.⁵⁸ In such a case, however, there is an increased risk of conflicting provisional or protective measures. To mitigate this problem it seems appropriate in this situation for other courts having jurisdiction as to the merits, to order provisional and protective measures within their respective territories only.

Local jurisdiction

- 75 Guideline 13(2) contains the second track, dealing

⁵⁶ Guideline 9 (choice of forum); Guideline 11 (validity claims and related disputes).

⁵⁷ This is without prejudice to Guideline 13(2).

⁵⁸ Cf. Guideline 17(3)(b).

with the jurisdiction of “other courts”, i.e. courts which have no jurisdiction as to the merits of the case on the basis of a jurisdiction rule in the Jurisdiction chapter of the Guidelines. These other courts have jurisdiction to order provisional and protective measures within their territory. This Guideline creates an autonomous ground of international jurisdiction; it does not refer or delegate to national rules of international jurisdiction, as for example Article 35 of the Brussels Ia Regulation does.^{59 60}

- 76 In addition, this jurisdiction is independent from jurisdiction as to the merits. Guideline 13(2) may for example provide jurisdiction for provisional and protective measures, even if another court has exclusive jurisdiction as to the merits of the case.⁶¹

Hypothetical 2

A, who has its habitual residence in State X, seeks an interim injunction against B, who has his/her habitual residence in State Y, to stop infringement by B of A’s trademark right in State Z. On the basis of a choice of court agreement between A and B, the courts in State X have exclusive jurisdiction as to the merits. This choice of court agreement brings along that the courts in State Z have no jurisdiction as to the merits of the case (Guideline 9), which means that they have no jurisdiction to order the interim injunction on the basis of Guideline 13(1). However, on the basis of Guideline 13(2), they have jurisdiction to order the interim injunction for the territory of State Z. Alternatively, A may also seek interim relief in the courts of State X, as they have jurisdiction to order an interim injunction for the territory of State Z on the basis of Guideline 13(1).

The jurisdiction provided for by the Guideline 13(2) is territorially limited to the territory of the court seized (“local jurisdiction”). Hence, extraterritorial measures are not available under this Guideline.⁶²

⁵⁹ Cf. CJEU, C-391/95, ECLI:EU:C:1998:543 – *Uden Maritime/Deco-Line*; Jenard Report, [1979] OJ C 59/42.

⁶⁰ The internal jurisdiction (which court is competent *within* a State) is of course determined by the national procedural law of that State.

⁶¹ Guideline 9 (choice of forum); Guideline 11 (validity claims and related disputes).

⁶² In this respect Guideline 13(2) differs from Article 2:501(2) CLIP Principles, which allows for extraterritorial measures. Under Guideline 13(2) extraterritorial measures are not possible.

Hypothetical 3

A, who has its habitual residence in State X, wishes to sue B for infringement of its copyright in State Z. B, who has his/her habitual residence in State Y, has a bank account in State X. For an interim injunction to stop the infringement in State Z, A may adjudicate the courts in State Y (on the basis of Guideline 13(1) and Guideline 3) or the courts in State Z (on the basis of Guideline 13(1) and Guideline 5). The courts in State X have no jurisdiction to order such interim infringement injunction: nor on the basis of Guideline 13(1) (because these courts have no jurisdiction as to the merits of the infringement case), neither on the basis of Guideline 13(2) (because it is a measure outside the territory of State X). However, the courts of State X do have jurisdiction to order provisional measures within the territory of this State: they may order the attachment of B's bank account in State X (Guideline 13(2)).

- 77 However, it should be mentioned in this respect that under the Guidelines an interim injunction order, also if based on Guideline 13(2), shall be recognized and enforced in other States (Guidelines 2(2) and 32-35).⁶³ This is especially relevant for the execution, in other States, of penalties forfeited due to violation of the interim injunction.

Sierd J Schaafsma

14. Scope of Injunctions

The scope of an injunction is limited by the extent of the jurisdiction of the court. In addition, the scope shall not be broader than necessary to protect the intellectual property rights enforced.

See as reference provisions

Art 2:604 CLIP Principles

Short comments

- 78 Guideline 14 contains a provision regarding the scope of injunctions in proceedings on the merits and in summary proceedings on provisional and protective measures. The Guideline is about injunctions that are directly aimed at the protection of intellectual property rights. Hence, it does not cover procedural injunctions. In addition, it does not cover injunctions regarding unfair competition or the protection of undisclosed information.
- 79 The basic idea of Guideline 14 is the generally accepted principle that the scope of an injunction is

63 By contrast, under CLIP Principles an interim judgment of a court having no jurisdiction as to the merits, shall not be recognized and enforced in other States (Article 4:301(1) CLIP Principles).

limited by two factors cumulatively: (i) the extent of the international jurisdiction of the court and (ii) the territorial reach of the intellectual property right enforced. The scope of an injunction cannot be broader than the smallest of these two factors. This basic rule applies in any event to prohibitory injunctions, aimed at ceasing an infringement of an intellectual property right (a prohibition against further infringement or threatened infringement). For other injunctions covered by Guideline 14, such as a labelling order (see below in the extended comments), the scope could be somewhat broader in exceptional cases. In such cases the scope of the injunction could be extended beyond the territorial reach of the intellectual property right enforced if this is objectively necessary to protect these rights. However, the scope of the injunction shall, of course, never be broader than the extent of the jurisdiction of the court. Courts should exercise caution when ordering such extraterritorial injunctions.

Extended comments

- 80 Guideline 14 applies to all injunctions that are directly aimed at the protection of intellectual property rights, including prohibitory injunctions (injunctions to stop certain conduct, i.e. injunctions to cease an infringement of an intellectual property right) and mandatory injunctions (such as a rectification order, etc.). It applies in proceedings on the merits as well as in summary proceedings on provisional and protective measures. Guideline 14 does not include procedural injunctions such as the Mareva injunction or anti-suit injunctions. Injunctions with respect to unfair competition or the protection of undisclosed information (which areas of law are covered by the Guidelines, cf. Guideline 1(2)) are also excluded from Guideline 14. Although the first sentence of Guideline 14 does not exclude these injunctions specifically, their exclusion from the Guideline must be derived from the second sentence which refers to "intellectual property rights".
- 81 Guideline 14 is inspired by the *DHL/Chronopost* judgment of 12 April 2011 of the European Court of Justice, where the Court ruled that the territorial scope of a prohibition against further infringement or threatened infringement of a EU trade mark is to be determined both by the territorial jurisdiction of the court issuing that prohibition and by the territorial extent of the EU trade mark proprietor's exclusive right which is adversely affected by the infringement or threatened infringement.⁶⁴ This rule is indeed the generally accepted principle, which says that the scope of an injunction is limited by two factors, that is (i) the extent of the international

64 CJEU, Case C-235/09, ECLI:EU:C:2011:238 at paragraph 33 – *DHL Express France*.

jurisdiction of the court and (ii) the territorial reach of the intellectual property right enforced. The scope of an injunction cannot be broader than the smallest of these two factors. This is a logical rule that applies in principle to all injunctions covered by Guideline 14. In any event, it applies to prohibitory injunctions, aimed at ceasing an infringement of an intellectual property right.

Hypothetical 1

A sues B, who has his habitual residence in State X, in a court in State X for infringement of its patent rights in State Y, seeking injunctive relief. The court in State X has jurisdiction to hear the claim, concerning infringement in State Y, on the basis of Guideline 3 as this jurisdiction is territorially unlimited. Applying the law of State Y (*lex loci protectionis*, Guideline 25) the court may reach the conclusion that B infringes A's patent rights and that the injunction should be granted. The scope of the injunction is limited to State Y as this scope is limited both by the extent of the jurisdiction of the court (territorially unlimited) and by the territorial reach of the intellectual property right enforced (limited to State Y).

- 82 This basic *DHL/Chronopost* rule was also enshrined in the original version of Guideline 14. However, after American concerns that court practice to issue certain extraterritorial remedies would be restricted too much, the Guideline was loosened a bit in order to allow for some extraterritoriality in exceptional cases. Let us take the example of a court in State X dealing with an infringement case regarding an X patent against a defendant in State X, who manufactures infringing products in State Y and imports them into State X. The court orders *inter alia* to change the labelling of the products as far as destined for export to State X. This labelling obligation will have to be performed in the factory of the defendant in State Y. Strict application of the basic rule would not allow for such an extraterritorial measure in this case.⁶⁵ Therefore, in order to allow such an extraterritorial remedy, the wording of Guideline 14 was amended, stating (i) that the scope of an injunction is limited by the extent of the jurisdiction of the court, and (ii) that it shall not be broader than necessary to protect the intellectual property rights enforced. It goes without saying that courts should exercise caution when ordering such extraterritorial injunctions, bearing in mind the territorial nature of intellectual property rights. Extraterritorial injunctions should only be issued in exceptional cases if they are objectively necessary to protect the intellectual property rights enforced.

⁶⁵ As an alternative, another solution would be to prohibit in State X the (import of) products with labels that do not comply. This measure amounts to the same result and has no extraterritorial effect.

In terms of prohibitory injunctions, aimed at ceasing an infringement of intellectual property rights, the basic *DHL/Chronopost* rule applies without exception. Otherwise, intellectual property rights would have an unacceptable extraterritorial overstretch.

Hypothetical 2

A, who has its habitual residence in State X, is the proprietor of a patent for State Y. B, who has his habitual residence in State Y, manufactures infringing products in State Z and exports them from State Z to States X and Y. A wishes to sue B in a court of State Y for patent infringement, invoking his patent in State Y. A asks for an injunction to cease the infringement in States X and Y (a prohibition order) and alternatively for an order to change the labelling of products as far as destined for export to States X and Y. The court in State Y has jurisdiction to hear the claims on the basis of Guideline 3 (B has its habitual residence in State Y) as this jurisdiction is territorially unlimited. A invokes its patent for State Y. Applying the law of State Y (*lex loci protectionis*, Guideline 25) the court may come to the conclusion that B infringes A's patent in State Y. Now, the scope of the injunction to cease the infringement is limited to State Y as this scope is limited both by the extent of the jurisdiction of the court (territorially unlimited) and by the territorial reach of the intellectual property right enforced (limited to State Y). The court cannot grant an injunction to cease, in State X, infringement of a patent of State Y. As to the labelling order: the court may grant an order to change, in State Z, the labelling of the products as far as they are destined for export to State Y, if this injunction is necessary to protect A's patent in State Y (the intellectual property right enforced). However, the court is not allowed to grant an order to change, in State Z, the labelling of the products as far as they are destined for export to State X, as this injunction is not necessary to protect A's patent, which was granted for State Y (the intellectual property right enforced) and not for State X.

- 83 Several jurisdiction rules in the Jurisdiction chapter of the Guidelines provide for jurisdiction as to infringements in other States or even for territorially unlimited jurisdiction, for example Guideline 3 (*forum rei*), Guideline 9 (choice of court) and Guideline 10 (submission and appearance). Where in proceedings (i) the court has jurisdiction on the basis of such a jurisdiction rule, and (ii) the enforcement of intellectual property rights in those other States is in issue (a multistate infringement or an ubiquitous infringement) for which the plaintiff claims an injunction, the scope of the injunction may be extraterritorial, covering all States for which protection of the intellectual property rights

concerned is sought.⁶⁶ Even a global injunction may be granted.

Hypothetical 3

A sues B in the courts of the State of B's habitual residence for copyright infringement on the internet and seeks a worldwide injunction. The court has territorially unlimited jurisdiction to hear this claim (Guideline 3) and may grant a worldwide injunction.

Sierd J Schaafsma

15. Counterclaims

A court which has jurisdiction to determine a claim under these Guidelines shall also have jurisdiction to determine a counterclaim arising out of the same set of facts on which the original claim is based.

See as reference provisions

§ 212 ALI Principles

Art 2:209 CLIP Principles

Art 110 Transparency Proposal

Short comments

- 84** In cross-border intellectual property litigation, it often occurs that parties raise claims and counterclaims which are based on the same sets of facts or transactions. In disputes involving multiple parties having their habitual residences in different States or intellectual property rights protected in different States, questions may arise whether a court has jurisdiction to hear claims related to issues that may not necessarily be related to the original claim.
- 85** Guideline 15 provides that if a court that asserts jurisdiction to hear a case pursuant to these Guidelines, it also has jurisdiction to hear the counterclaims raised by the defendant. The objective of this Guideline is to provide more legal certainty and facilitate adjudication of multi-state intellectual property disputes by consolidating the claims and counterclaims in one court and thus curtail the risk of inconsistent judgments.

Extended comments

Hypothetical

A, a company with its headquarters in State X, entered into an exclusive franchise agreement with B, a company established in State Y, pursuant to which B was appointed as the only seller of A's trademarked fashion-wear. Two years later, A sent a letter and notified B about the termination of the

franchise contract. Subsequently, A filed a lawsuit in State Y seeking to recover unpaid royalties. B raised a counterclaim arguing that A's termination of the franchise agreement was wrongful and that A should compensate B for damages that the defendant sustained because of the termination of the agreement. Pursuant to Guideline 15, the court in State Y should assert jurisdiction over B's counterclaim.

Definition of counterclaim

- 86** In Guideline 15, the notion of counterclaim generally refers to a claim which is brought by the defendant against the plaintiff and where the defendant seeks pronouncement of a separate judgment or decree.⁶⁷ Situations where the defendant merely raises set-off as a defense which would extinguish the plaintiff's claim are not deemed to constitute a "counterclaim" in the context of Guideline 15.⁶⁸ Besides, Guideline 15 does not apply to claims that the defendant invokes against a third party.
- 87** From a temporal point of view, a counterclaim should be made in the course of proceedings after the court has been seized pursuant to these Guidelines. Furthermore, Guideline 15 implies that the court can continue the proceedings over the counterclaim even if the plaintiff decides to withdraw the main claim. Otherwise, conditions for raising counterclaims are governed by national procedural laws.

Relationship to Other Guidelines

- 88** Just like other Guidelines, a court's power to assert jurisdiction over counterclaims is subject to the exclusive jurisdiction rule stipulated in Guideline 11. Thus, in cases where the defendant seeks to raise a counterclaim in order to invalidate a foreign registered intellectual property right, such a claim would have to be brought before the courts of the State where those contested intellectual property rights are registered (Guideline 11(1)). The same applies to counterclaims which fall within the scope of previously concluded choice of court agreements: the defendant who is trying to raise such a counterclaim will have to institute proceedings before the court of the State as previously agreed by the parties (Guideline 9).

⁶⁷ CJEU, C-341/93, ECLI:EU:C:1995:239 – *Danvaern Production v Schuhfabriken Otterbeck*.

⁶⁸ Under the Federal Rules of Civil Procedure S 13(a), such claims which arise out of the same transactions or occurrences (e.g., set-off defenses to the plaintiff's main claim) would be treated as "compulsory", i.e., they would have to be brought in the proceedings, otherwise the defendant would lose the right of asserting them later.

⁶⁶ See in this respect also Guideline 26(2) and 35(3).

- 89 Guideline 15 reflects the prevailing international consensus with regard to the adjudication of counterclaims. Similar provisions are set forth in Section 212 of the ALI Principles, Article 2:209 of the CLIP Principles, Article 110 of the Transparency as well as Article 8(3) of the Brussels I Regulation (recast).
- 90 A court’s decision to assert jurisdiction over other objectively related claims between the parties which are not counterclaims should be made according to guidelines dealing with related proceedings (Guideline 18).⁶⁹

Paulius Jurcys

16. Insufficient Grounds for Jurisdiction

Insufficient grounds for exercising jurisdiction include *inter alia*:

- a) the presence of (any) assets, physical or intellectual property, or a claim of the defendant in a State, except when the dispute is directly related to that asset;
- b) the nationality of the plaintiff or the defendant;
- c) the mere residence of the plaintiff in that State;
- d) the mere conduct of commercial or other activities by the defendant in that State, except when the dispute is related to those activities;
- e) the mere presence of the defendant or the service of process upon the defendant in that State; or
- f) the completion in that State of the formalities necessary to execute an agreement.

See as reference provisions

§ 207 ALI Principles

Art 109 Transparency Proposal

Arts 211-212 Joint Korean-Japanese Principles

Short comments

- 91 A list of insufficient grounds of jurisdiction is included in these Guidelines by way of complement to the grounds of jurisdiction that are provided in Guidelines 3 to 15. Guideline 16 adds bases of jurisdiction that will not satisfy the Guidelines. The recognition rule in Guideline 34(1)(f) provides

that a court shall not recognize or enforce a foreign judgment if “the rendering court exercised jurisdiction in violation of the rules of jurisdiction under these Guidelines”. These “rules of jurisdiction” are violated if the original court exercised jurisdiction on a ground not provided for in Guidelines 3 to 15. Guideline 16 reinforces this by giving a non-exhaustive list of grounds that are plainly insufficient and so providing, for the sake of clarity, “negative” instances that supplement the “positive” rules provided in the previous Guidelines. That the list in Guideline 16 is non-exhaustive is indicated by the wording that “insufficient grounds for jurisdiction include *inter alia*” those on the list.

Extended comments

Hypothetical 1

A sues B for infringement of an intellectual property right in the court of State Z. B is not habitually resident in Z (Guideline 3) and the alleged infringement was not connected with Z so as to provide an alternative ground for jurisdiction (Guidelines 4-13). The only basis for jurisdiction is that B was served with process while temporarily present in Z, contrary to Guideline 16(e). B challenges the court’s jurisdiction but is unsuccessful. A obtains a default judgment against B.

The judgment is not enforceable against B in State Y under Guideline 32 because the Z court has “exercised jurisdiction in violation of the rules of jurisdiction under these Guidelines”, as stated in Guideline 34(1)(f), by taking jurisdiction on one of the insufficient grounds listed in Guideline 16. Had B appeared without contesting jurisdiction, however, the court would have had jurisdiction based on B’s appearance (Guideline 10), not solely on the insufficient ground in Guideline 16(e).

Hypothetical 2

A sues B for infringement of an intellectual property right in the court of State Z. B is not habitually resident in Z and the alleged infringement was not connected with Z according to Guideline 5. The only basis for jurisdiction is that B suffered indirect economic loss in Z as a result of the infringement. Jurisdiction is not taken in accordance with the jurisdictional rule in Guideline 5(b) because the damage B suffered is not “direct, substantial damage” suffered in Z. Although the ground on which the Z court exercised jurisdiction is not among those listed as insufficient in Guideline 16, the Z judgment is nevertheless not entitled to recognition or enforcement because the Z court took jurisdiction on a ground not included in these Guidelines and it therefore exercised jurisdiction “in violation of the rules of jurisdiction” in the Guidelines (Guideline

⁶⁹ See also Article 2:209 CLIP Principles.

34(1)(f). The list of insufficient grounds in Guideline 16 is not exhaustive.

The scope of the list of insufficient grounds of jurisdiction

- 92 The purpose of a list of insufficient grounds of jurisdiction in an instrument like the Guidelines can be either of two things. If the list is exhaustive, it defines when jurisdiction does not exist.⁷⁰ If the list is not exhaustive, it illustrates some, but not all, of the situations in which jurisdiction does not exist. Guideline 16, being non-exhaustive, illustrates some of the grounds on which jurisdiction is not validly exercised.
- 93 The issue whether a jurisdictional ground is insufficient is distinct from the question which of two (or more) alternative forums is better placed to hear the dispute. The latter question arises only if both forums have proper grounds under the Guidelines for exercising jurisdiction. See Guidelines 17 (*lis pendens*) and 18 (related proceedings).
- 94 The insufficiency of the grounds listed in Guideline 16 only applies to disputes within the scope of these Guidelines, as defined in Guideline 1. Thus, a State could apply any of these jurisdictional grounds to an intellectual property matter that is not “civil or commercial”, or that does not involve “intellectual property rights which are connected to more than one State”.

The insufficient grounds

(a) The presence of (any) assets, physical or intellectual property, or a claim of the defendant in a State, except when the dispute is directly related to that asset

- 95 The mere fact that the defendant has assets in the territory of the forum is generally regarded as an insufficient basis for a national court to adjudicate on the defendant’s rights. Paragraph (a) of Guideline 16 rules out such jurisdiction irrespective of whether the assets are tangible or intangible, take the form of physical or intellectual property, or consist of a claim. If, however, the dispute is “directly related” to the asset in question, jurisdiction based on the presence of that asset in the forum State is sufficient. Thus,

⁷⁰ As is the case with § 207 Principles. The list of insufficient grounds under the ALI Principles is exhaustive because the list of valid grounds of jurisdiction is not exhaustive. A recognizing court “need not” recognize another State’s judgment if jurisdiction was exercised on a ground not included in the Principles, but it may recognize it: see § 403(2)(a) ALI Principles. It “shall not” recognize the judgment if the rendering court exercised jurisdiction solely on a basis insufficient under § 207 ALI Principles: see § 403(1)(g) ALI Principles.

in an infringement action, the fact that infringing goods or copies, or assets that are allegedly used to make infringing goods or copies, are located in the forum State will be sufficient for the court to exercise jurisdiction in a proceeding that seeks relief with respect to those assets. Jurisdiction on this basis will not, however, extend to claims beyond those that are “directly related” to the assets in question. The fact that there is jurisdiction with respect to a directly “asset-related” claim does not permit a plaintiff to expand the proceeding to include other claims that are not directly “asset-related”. Such further claims must be supported by another ground of jurisdiction.

- 96 The above comments refer to jurisdiction to adjudicate the merits of the dispute. Note that Guideline 13(2) states that courts have jurisdiction “to order provisional and protective measures within their territory” even if they do not have jurisdiction as to the merits. Provisional and protective measures relating to a party’s assets may therefore be ordered by a court in whose territory the assets are located.

(b) Nationality of the plaintiff or the defendant

- 97 The fact that the plaintiff is a national of the forum State is not by itself an acceptable jurisdictional basis for the court to adjudicate a defendant’s rights. Nor is the fact that the defendant is a national of the forum State. A defendant’s nationality, unlike habitual residence, does not provide a generally recognized basis for exercising civil jurisdiction. The defendant’s nationality may be relevant to determining habitual residence, but the defendant’s nationality *per se* is generally regarded as an insufficient ground for exercising judicial jurisdiction.

(c) Mere residence of plaintiff

- 98 Few, if any, States regard the mere residence of the plaintiff in the forum State as a sufficient basis for that State’s courts to exercise jurisdiction when neither the defendant nor the facts of the case are substantially connected with that State. These Guidelines adopt habitual residence as the proper basis for jurisdiction as against a defendant, see Guideline 3.

(d) Mere conduct of commercial or other activities by the defendant, except when the dispute is related to those activities

- 99 A corporation’s doing business in the jurisdiction can be seen as the correlative of a natural person’s presence in the jurisdiction. As with presence (see heading (e)), some jurisdictions regard doing business in the jurisdiction as a ground for exercising jurisdiction in any claim against a corporation, whereas other jurisdictions usually insist on a corporation having its domicile or principal place

of business in the forum State if a court is to take jurisdiction in claims against the corporation that are unrelated to the business done in the forum State.

- 100** Guideline 16(d) adopts the position that – regardless of whether the defendant is a corporation or a natural person – the defendant’s conducting commercial or other activities in the forum State is not a sufficient basis for the court to exercise jurisdiction in claims against the defendant unless the dispute is related to those activities. Even if “doing business” jurisdiction is otherwise valid according to the national legal system, it is specifically excluded as a sufficient basis for disputes falling within these Guidelines. A judgment based on such jurisdiction would therefore not be entitled to recognition.

(e) Mere presence of the defendant or the service of process upon the defendant

- 101** Mere service of process upon the defendant in the forum State, or the mere presence of the defendant in the forum State, has traditionally been accepted as a sufficient jurisdictional ground in some States, such as the United States⁷¹ and Canada.⁷² Other States insist on a more substantial and enduring connection between the defendant and the forum State, such as domicile or habitual residence. These Guidelines adopt habitual residence as the proper basis for jurisdiction as against a defendant; see Guideline 3. In this they follow the pattern in other international instruments.⁷³

(f) Completion of the formalities to execute an agreement

- 102** In some national legal systems, if the plaintiff’s claim is based upon, or arises out of, a contract, jurisdiction can be exercised on the basis that the place where the contract was concluded was within the territory of the forum court. The place of conclusion of an agreement is an abstract and often arbitrarily determined criterion, and for this reason is widely regarded as unsuitable to be a jurisdictional ground and is hence included in Guideline 16(f). Compare Guideline 4, under which a dispute that concerns an intellectual property license or a contract to transfer intellectual property rights can be heard in the State for which the license is granted or the

right is transferred. The place in which the license or the contract was concluded is irrelevant.

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D. Coordination and Cooperation

17. Proceedings Between the Same Parties on the Same Cause of Action

1. Where proceedings between the same parties on the same cause of action are brought in the courts of more than one State, such courts shall consider the coordination of proceedings in the following terms:
 - a) Where the court that is not first seized has authority to suspend its proceedings on grounds of *lis pendens*, it shall do so until such time as the jurisdiction of the court first seized is established, and thereafter it shall terminate its proceedings. A suspension may be lifted if the proceedings in the court first seized does not proceed within a reasonable time or this court concludes that it is not the appropriate forum to hear the dispute.
 - b) Where the court that is not first seized has authority to dismiss on *forum non conveniens* grounds or to transfer to a more convenient forum, it shall consider which court is the most convenient forum, taking into account the private interests of the litigants, the interests of the public, and administrative issues. If the court first seized is more convenient, the court second seized shall dismiss or transfer the case unless the court first seized has dismissed or transferred the case.
2. This Guideline does not apply if:
 - a) the proceeding is within the exclusive jurisdiction of the court subsequently seized;
 - b) the proceeding is for provisional or protective measures; or
 - c) it is shown by the party invoking the jurisdiction of the court subsequently seized that a judgment of the court first seized would not be recognized in the State of the court subsequently seized.

⁷¹ Supreme Court of the United States, *Burnham v Superior Court of California*, 495 US 604 [1990].

⁷² Supreme Court of Canada, *Chevron Corp v Yaiguaje*, 2015 SCC 42, [2015] 3 SCR 69, paragraph 81.

⁷³ See, for example, Article 5(1)(a) of the Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (2019).

See as reference provisions

§§ 221-223 ALI Principles

Arts 2:402, 2:701-2:706 CLIP Principles

Art 201 Transparency Proposal

Art 213 Joint Korean-Japanese Principles

Short comments

- 103** Guideline 17 addresses the issues raised by proceedings between the same parties on the same cause of action. In this respect, it adopts a flexible approach, which seeks to accommodate the existing differences among national procedural traditions. To this end, the following distinction is made in the Guideline.
- 104** For jurisdictions that adopt the doctrine of *lis pendens*, Guideline 17(1)(a) lays down a mitigated form of the principle of the priority of the court first seized, which aims at preventing the problems that may arise at the recognition stage if irreconcilable judgments are rendered in concurrent proceedings. Pursuant to this Guideline, the court second seized in proceedings with the same parties and the same cause of action must suspend the proceedings commenced before it until the court first seized has established its own jurisdiction. If and when this is settled, the court second seized must decline its jurisdiction and terminate the proceedings pending before it. No discretion is thus granted to this court, except if the proceeding in the court first seized does not proceed within a reasonable time, in which case the suspension of the proceedings may be lifted by the court second seized.
- 105** Differently, for jurisdictions in which courts may dismiss or transfer proceedings on grounds of *forum non conveniens*, Guideline 17(1)(b) provides that the court second seized in proceedings with the same parties and the same cause of action shall consider which court is the most convenient forum, taking into account the relevant interests. If the court first seized is deemed more convenient, the court second seized shall dismiss or transfer the case, unless the court first seized has dismissed or transferred it. A higher degree of discretion is thus granted to both courts, in line with the procedural traditions of the said jurisdictions.
- 106** Neither of the abovementioned rules shall however apply if: (i) The court second seized is exclusively competent to adjudicate the dispute, either because it was chosen by the parties pursuant to Guideline 9 or because it falls into one of the categories of proceedings specified in Guideline 11(1); (ii) The second proceedings aim exclusively at the adoption of provisional or protective measures;

or (iii) The judgment of the court first seized would not be eligible for recognition in the State of the court second seized, notably for one of the reasons stated in Guideline 34.

Extended comments***Hypothetical 1***

A sues B for copyright infringement before the courts of State X, arguing that the defendant has unlawfully sold copies of a book in X, over which it allegedly holds exclusive rights. B, in turn, sues A before the courts of the State Y, where A is habitually resident, requesting a declaration by local courts that the book is in the public domain and hence no copyright infringement has occurred. The two proceedings involve the same parties and the same cause of action for the purposes of this Guideline and may result in irreconcilable judgments. Pursuant to Guideline 17(1)(a), the court of Y should therefore defer to the court of X.

Hypothetical 2

A sues B before the courts of State X, claiming that the defendant has infringed its copyright on a computer program by marketing and distributing copies of it in State X. B files a declaratory relief action in State Y, asking the local court to rule that its products do not infringe A's copyright. Both A and B's principal place of business is in Y. The goods at stake are also designed, developed and manufactured there. The courts of X may dismiss the case, pursuant to Guideline 17(1)(b), on grounds that Y offers an adequate alternative forum and that the balance of the public and private interests at stake justify dismissing the action in favor of adjudication by the courts of Y.

The phenomenon and the interests at stake

- 107** Parallel proceedings between the same parties and based upon the same cause of action are increasingly frequent in international litigation. Their regulation raises a number of complex issues, given the conflicting interests at stake.
- 108** In fact, a certain coordination of those proceedings is desirable in order to prevent the problems that may arise at the recognition stage if irreconcilable judgments are rendered by the different courts seized by the parties, as well as a means of promoting procedural economy. This can be achieved, as in Hypothetical 1, by giving supremacy to the court first seized.
- 109** However, a strict application of the priority rule may frustrate the exclusive jurisdiction of another court and foster opportunistic behavior of one of the

parties consisting, *inter alia*, of initiating proceedings before the courts of a State whose judicial system is known for its delay in disposing of cases, thereby de facto preventing the other party from enforcing its rights.

The distinct approaches to the problem

- 110** Given the divergent interests at stake in this problem, it is not surprising that different approaches have emerged in its respect.
- 111** In the European Union, preference is given, as a matter of principle, to the court before which proceedings were first initiated. To this end, the Brussels Ia Regulation provides that where proceedings involving the same cause of action and between the same parties are brought in the courts of different Member States, any court other than the court first seized shall of its own motion stay its proceedings until such time as the jurisdiction of the court first seized is established; where the jurisdiction of the court first seized is established, the former court shall decline jurisdiction in favor of the latter.⁷⁴ Nevertheless, if a choice of court agreement confers exclusive jurisdiction upon one of the seized courts, any other court shall stay the proceedings until the chosen court declares that it has no jurisdiction.⁷⁵ This approach has inspired several predecessor projects, which also provide that where proceedings involving the same cause of action and between the same parties are brought in the courts of different States, any court other than the one first seized shall stay its proceedings.⁷⁶
- 112** A different approach has prevailed in the United States, where the issue is predominantly dealt with under the doctrine of *forum non conveniens*, according to which a court having jurisdiction has the power to dismiss an action pending before it provided there is an adequate alternative forum and the balance of the relevant public and private interests favours favors dismissal.⁷⁷ By virtue of this doctrine, which has also

found acceptance in intellectual property cases,⁷⁸ a much higher degree of discretion is granted to courts seized in parallel proceedings. In line with this approach, the ALI Principles allows the court first seized to assert coordination authority over actions involving the same transaction, occurrence, or series of occurrences and to decide whether the actions will proceed through cooperation, consolidation or a combination of the two.⁷⁹ Consolidation of all or part of the dispute may consist of the court first seized retaining jurisdiction over the consolidated action or instead suspending the proceedings in favor of another court.⁸⁰

The tests for the applicability of the Guideline

- 113** In order that Guideline 17 applies, two tests must be met: (i) The same parties must be in dispute in proceedings brought before the courts of different States; and (ii) The same cause of action must underlie those proceedings.
- 114** The identity of the parties in dispute is not excluded merely because they hold opposite procedural positions in the concurrent proceedings, as in Hypothetical 1 above. Nor does it require that in proceedings with a plurality of parties all of them are present in both proceedings: if some, but not all, the parties are the same, Guideline 17 will apply to the common parties. A more doubtful situation may occur if an exclusive licensee commences proceedings against an alleged infringer of the licensed right and the right owner is, in turn, the defendant in concurrent proceedings brought by the alleged infringer against him in a different State, in which the latter claims that no infringement has occurred. Although the parties are not the same in the two proceedings, a stay or termination of the second proceedings may be justified, under Guideline 18, in order to avoid conflicting judgments.
- 115** The application of the second test is also likely to raise doubts. In general terms, the same cause of action is at stake when the legal purpose of the concurrent proceedings is the same and these are based upon matching facts and legal rules. This does not, however, imply that identical remedies must have been requested by the disputing parties in those proceedings: the cause of action will still be the same for the purposes of Guideline 17 if, as in the Hypotheticals above, in the proceedings before the court first seized the claimant asks for an injunction or the compensation of damages allegedly sustained

⁷⁴ Article 29(1) and (3) Brussels Ia Regulation, [2012] OJ L351/1.

⁷⁵ Article 31(2) Brussels Ia Regulation, [2012] OJ L351/1.

⁷⁶ See Article 2:701 CLIP Principles; equivalent rules are contained in Article 201 Transparency Proposal and Article 213 Joint Korean-Japanese Principles.

⁷⁷ See, in respect of domestic litigation, Supreme Court of the United States, *Gulf Oil v. Gilbert*, 330 US 501 [1947]. The doctrine was extended by the Supreme Court of the United States to international cases in *Piper Aircraft Co. v. Reyno*, 454 US 235 [1981].

⁷⁸ See United States Court of Appeals, *Creative Tech. Ltd. v. Aztech Sys. Ltd.*, 61 F.3d 696 [9th Cir 1995].

⁷⁹ § 221(2) ALI Principles.

⁸⁰ § 222(4) ALI Principles.

due to the breach of its intellectual property rights and in the proceedings before the court second seized the claimant seeks purely declaratory relief, such as a declaration of non-infringement, because their legal purpose is the same, i.e., to establish the enforceability of the intellectual property rights at stake. The concurrent proceedings do not therefore need to be literally identical, or to be characterized in the same way according to the legal systems at stake, in order that the Guideline applies.

116 The decisive criterion in order to assess the identity of the cause of action is rather whether the two proceedings may result in judgments that have mutually exclusive legal effects. This will not be the case if the disputed intellectual property rights in the concurrent proceedings concern the same intellectual creations or distinctive signs, but these have a different territorial scope of protection, as will happen, for example, if independent patents relating to the same invention were granted for different States.⁸¹

117 In order to determine which is the most convenient forum to hear the case under Guideline 17(1)(b), the court second seized is required to conduct a weighing of the private and public interests at stake. The former include the litigating parties' ease of access to the relevant sources of evidence, the availability of means of compulsion of unwilling witnesses, and the costs of the attendance of willing witnesses. The latter comprise the speedy disposal of the case and the proper administration of justice, which the application of a foreign law may render more difficult. Administrative issues, such as those involved in a trial by jury, also come into play. The existence of an alternative forum is a prerequisite of the dismissal of the proceedings by the court second seized, which the Guideline assumes is met in the cases envisaged by it.

The interplay of the two approaches

118 Taking into account the approach followed by the alternative court is instrumental to ensure international decisional harmony and the uniform application of the Guideline, irrespective of the prevailing doctrine in the forum State. Hence, in cases submitted to courts that apply the doctrine of *lis pendens*, the fact that the court first seized has deemed itself a *forum non conveniens* should, as a matter of course, prevent the court second seized from suspending or terminating the proceedings on the basis of Guideline 17(1)(a). Conversely, the fact the court first seized holds itself competent under the doctrine of *lis pendens* should be an additional

factor to be considered by the court second seized when assessing which is the most convenient forum under Guideline 17(1)(b).

Exceptions and exclusions from the Guideline

119 A number of exceptions and exclusions are provided for in the Guideline, as a means of ensuring an adequate balancing of interests and preventing the abuse of forum shopping, as well as the circumvention of the exclusive jurisdiction of certain courts.

120 Accordingly, if the court first seized does not proceed within a reasonable time, the suspension of the proceedings pending before the second court may be lifted. Furthermore, the Guideline does not apply if the proceedings pertain to the exclusive jurisdiction of the court second seized, if those proceedings envisage provisional or protective measures or if it is shown that a judgment of the court first seized would not be recognized in the State of the court second seized.

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18. Related Proceedings

Where related proceedings are pending in the courts of more than one State, any of the courts may take any step permitted by its own procedures that will promote the fair and efficient resolution of the related proceedings considered as a whole. The scope of this guideline includes both consolidating proceedings in one court and coordinating the conduct of proceedings in different courts.

See as reference provisions

§§ 221-223 ALI Principles

Arts 2:206, 2:702-2:706 CLIP Principles

Art 201 Transparency Proposal

Art 213 Joint Korean-Japanese Principles

Short comments

121 Guideline 18 concerns related proceedings, i.e., those that, albeit not necessarily having the same parties and the same cause of action, are so closely connected to each other that their fair and efficient resolution would be enhanced if they were considered as a whole by one (or all) of the seized courts.

122 As in Guideline 17, the purpose of this provision is to avoid inconsistent judgments, although its scope is broader, since it does not require that the tests of the previous Guideline be met and, hence, that the recognition and enforcement of one of those judgments precludes the recognition and enforcement of the other.

⁸¹ See on this Article 4bis(1) Paris Convention.

123 In such cases, Guideline 18 gives the courts before which the related proceedings are pending considerable discretion to adopt the measures deemed appropriate in order to promote the fair and efficient resolution of the related proceedings, including their consolidation or coordination.

Extended comments

Hypothetical 1

A, a producer of reference medicines, sues B, a producer of generic medicines, before a court of State X for the infringement of its patent concerning a given active substance, and subsequently also C and D – B’s subsidiaries in States Y and Z where they have their respective seats – for the infringement, respectively, of B’s Y and Z patents over the same substance. In all proceedings the defendants hold that their generic drugs do not infringe A’s patents, either directly or by equivalence. In order to obviate the risk of contradictory findings in this respect, the staying of the proceedings pending before the courts of Y and Z until the issue is settled by the court of X may be recommended. The efficient resolution of the dispute, in particular the avoidance of the costs involved in multiple related proceedings, may also justify the consolidation of all proceedings before the court first seized, to the extent that this court considers itself competent to adjudicate all related claims.

Hypothetical 2

A brings an action against B before the courts of State X, where B is habitually resident, for the worldwide infringement, via the Internet, of A’s trademark registered in State Y. B raises the invalidity of the trademark as a defense. Under Guideline 11(2), the court of X has jurisdiction to decide on this defense with *inter partes* effect. Nevertheless, it may decide to stay the infringement proceedings until the courts of Y, which were subsequently seized by B for the annulment of the trademark with *erga omnes* effect, have ruled on that issue, on grounds that those courts are better placed to decide on the validity of a trademark registered in Y and governed by its law.

Rules adopted by other legal instruments

124 Guideline 18 draws inspiration from several previous instruments, notably the Brussels Ia Regulation, pursuant to which whenever related actions are pending in the courts of different Member States any court other than the court first seized may stay its proceedings; that court may also decline jurisdiction if the court first seized has jurisdiction over the actions in question and its law permits their

consolidation.⁸² The CLIP Principles take a more restrictive stance in this respect, since the court second seized is only allowed to stay proceedings pending before it, but not to decline jurisdiction in favor of the court first seized;⁸³ the court first seized may also stay the proceedings if a subsequent action was filed in the State of registration of the disputed right, and its object is, *inter alia*, the grant, registration or validity of an intellectual property right protected on the basis of registration.⁸⁴ The ALI Principles do not distinguish concurrent from related proceedings and grant the court first seized, in both cases, a wide discretion to the assert coordination authority over those proceedings.⁸⁵ The Transparency Proposal also makes no distinction between the two types of parallel litigation.⁸⁶

The notion of related proceedings

125 The notion of related proceedings is broader than that of *lis pendens*, which concerns concurrent actions in which judgments may be rendered that will be mutually exclusive at the recognition and enforcement stage.

126 Although Guideline 18 does not define the concept of relatedness of proceedings, it may be inferred from the Guideline’s text that it comprises any situation in which fairness and efficiency would be better served if connected cases are decided jointly or in a coordinated manner, so as to avoid inconsistent decisions.

127 This may be the case, as in Hypothetical 1, where, although territorially independent rights and different parties are in dispute, parallel proceedings raise the same legal issues, such as whether the same generic drug marketed in different States infringes the intellectual property rights of the producer of the corresponding reference drug.

The discretion of the seized courts

128 Guideline 18 gives the seized courts the discretion to adopt the appropriate measures with respect to related proceedings. That discretion is however limited by the overriding objectives of the Guideline, i.e., fairness and efficiency of adjudication in transnational litigation.

82 Article 30 Brussels Ia Regulation, [2012] OJ L351/1.

83 Article 2:702 CLIP Principles.

84 Article 2:703 Brussels Ia Regulation, [2012] OJ L351/1.

85 §§ 221-223 ALI Principles.

86 Article 201 Transparency Proposal.

- 129 Insofar as these goals are demonstrably better served by consolidation or coordination of related proceedings (which includes considering the parties' right to have the dispute decided within a reasonable period of time), the seized courts should act accordingly.
- 130 Consolidation of proceedings implicates that one or more of the seized courts shall decline their jurisdiction in favor of another court which is deemed to be better placed to decide the related disputes. Coordination of proceedings may be carried out, *inter alia*, through a stay of the proceedings in one or more of the subsequently seized courts until the court first seized takes a decision on certain common issues, in order that they may reach consistent findings in respect of those issues, or through the exchange of information between those courts.

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