

Editorial

by Toshiyuki Kono, Axel Metzger, Pedro de Miguel Asensio

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

General Provisions

by Alexander Peukert and Benedetta Ubertazzi

Jurisdiction

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Applicable Law

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Recognition and Enforcement

by Pedro de Miguel Asensio and Marketa Trimble

Annex:

Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines")

by ILA Committee on Intellectual Property and Private International Law

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Editorial

by **Toshiyuki Kono, Axel Metzger and Pedro de Miguel Asensio**

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- 1 It is with great pleasure that we can present with this Special Issue of JIPITEC the “Kyoto Guidelines on Intellectual Property and Private International Law” of the International Law Association (ILA) with extended comments. The Kyoto Guidelines are the outcome of an international cooperation of a group of 35 scholars from 20 jurisdictions lasting for ten years under the auspices of ILA. The Kyoto Guidelines have been approved by the plenary of the ILA 79th Biennial Conference, held (online) in Kyoto on December 13, 2020. The Kyoto Guidelines provide soft-law principles on the private international law aspects of intellectual property, which may guide the interpretation and reform of national legislation and international instruments, and may be useful as source of inspiration for courts, arbitrators and further research in the field.
- 2 The ILA Committee on “Intellectual Property and Private International Law” was created in November 2010. Its aim was to examine the legal framework concerning civil and commercial matters involving intellectual property rights that are connected to more than one State and to address the issues that had emerged after the adoption of several legislative proposals in this field in different regions of the world. The work of the Committee was built upon the earlier projects conducted by the Hague Conference of Private International Law as well as several academic initiatives intended to develop common standards on jurisdiction, choice of law and recognition and enforcement of judgments in intellectual property matters.
- 3 In the initial stages of the activities of the Committee it was agreed that its overall objective should be to draft a set of model provisions to promote a more efficient resolution of cross-border intellectual property disputes and provide a blueprint for national and international legislative initiatives in the field. Therefore, the focus of its activities has been the drafting of a set of guidelines with a view to provide a valuable instrument of progress concerning private international law aspects raised by intellectual property. Furthermore, the Committee conducted a number of comparative studies and monitored the developments in different jurisdictions around the world. The Committee also worked in collaboration with several international organizations, particularly the World Intellectual Property Organization and the Hague Conference on Private International Law.
- 4 Acting in accordance with its mandate, the members of the Committee gathered on more than ten occasions. In addition, committee members and officers organized a number of seminars, workshops and meetings. The Committee’s activities conducted within this decade can be grouped into five main stages. First, preparing comparative studies of the pre-existing projects and starting discussions in subcommittees about the content of the ILA Guidelines (2010-2012). Second, drafting of the first proposals to be included in the Guidelines, mainly on non-controversial issues related to jurisdiction, choice of law, and, recognition and enforcement of judgments (2013-2014). Third, finalizing the draft guidelines on non-controversial issues as well as laying down directions for continuing the discussions on controversial issues (2015-2016). Fourth, finalizing the text of the guidelines concerning the remaining points, including some novel issues identified at a later stage, such as those concerning collective rights management (2017-2018). Fifth, drafting of two sets of explanatory comments to the Guidelines in order to make explicit the underlying considerations behind the different provisions and to facilitate their uniform interpretation (2019-2020).
- 5 The final text of the Guidelines consists of 35 provisions, which are divided in four sections: General Provisions (Guidelines 1-2), Jurisdiction (3-18), Applicable Law (19-31) and Recognition and Enforcement of Judgments (Guidelines 32-35). As suggested by the term “Guidelines”, this instrument contains a set of provisions intended to guide the

application or reform of private international laws in this field. The Guidelines restate certain well-established foundational principles such as the *lex loci protectionis* rule and aspire to provide concrete solutions for pressing contemporary problems, in areas such as multi-state infringements and cross-border collective copyright management. In order to make explicit the influence of the previous projects in the field and to facilitate the comparison with them, the short comments are preceded by the reference to the similar provisions adopted previously in the ALI Principles¹, CLIP Principles², Transparency Proposal³ and Joint Korean-Japanese Principles⁴. As an additional instrument to facilitate the uniform interpretation of the Guidelines, the Committee has prepared a set of extended comments to all the provisions.

- 6 The Guidelines are published here together with extended comments written by members of the ILA Committee which explain the background and application of the Guidelines. We as the Chair and Co-Rapporteurs of the ILA Committee would like to thank all members who contributed to the successful completion of the project, specifically to those who have written the extended comments published here in JIPITEC. We would also like to thank ILA Director of Studies and Headquarter staff members for their enduring support as well the editors of JIPITEC for accepting our work as a special issue of the journal.

Toshiyuki Kono
Axel Metzger
Pedro de Miguel Asensio

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- 1 American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes*, ALI Publishers, 2008.
- 2 European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property (Text and Commentary)*, OUP, 2013.
- 3 Japanese Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property, see the English text in J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual Property in the Global Arena - Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US*, Mohr Siebeck, 2010, pp. 394-402.
- 4 Joint Proposal by Members of the Private International Law Association of Korea and Japan, see *The Quarterly Review of Corporation Law and Society*, 2011, pp. 112-163.

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

by Alexander Peukert and Benedetta Ubertazzi

Abstract: The chapter "General Provisions" of the International Law Association's Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines") focuses on their scope of application. It provides the conditions under which the Guidelines are intended to be applied. The Guidelines cover only cross border disputes and transactions between private parties involving intellectual property rights. Hence, they only refer to situa-

tions connected to more than one State. The definition of "intellectual property rights" is of particular relevance to determine the scope. Given the similarities to certain claims based on unfair competition the possibility to apply the Guidelines *mutatis mutandis* to such claims is also contemplated.

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A. General Provisions

1. Scope of the Guidelines

(1) These Guidelines apply to civil and commercial matters involving intellectual property rights that are connected to more than one State.

(2) These Guidelines may be applied *mutatis mutandis* to claims based on unfair competition, if the matter arises from the same set of facts as relating allegations involving intellectual property rights, and on the protection of undisclosed information.

See as reference provisions

§ 102 ALI Principles

Art 1:101 CLIP Principles

Art 001 Transparency Proposal

Art 101 Joint Korean-Japanese Principles

Short comments

- 1 These are Guidelines on "Intellectual Property in Private International Law". Guideline 1(1) specifies this general explication of the Guideline's subject matter by setting out that the Guidelines apply to civil and commercial matters involving intellectual property rights that are connected to more than one State. The Guidelines have been drafted specifically for such matters. Therefore, every application of the Guidelines requires an assessment whether the requirements set out in Guideline 1(1) are met. Guideline 1(2) adds two further constellations in which the Guidelines may be applied *mutatis mutandis*.
- 2 According to Guideline 1(1), the Guidelines are applicable under three cumulative conditions. The cause of action has to be (1) a civil and commercial (and not a public law) matter, (2) it has to "involve" intellectual property rights as defined in Guideline 2(1), and (3) it has to be connected to more than one State, i.e. it has to entail an international element. If

one of these three requirements is lacking, questions of international jurisdiction, applicable law and recognition and enforcement are either not at stake (no international element) or ought to be decided on different grounds, namely the (private) international law rules governing the respective non-intellectual property right matter.

- 3 Only in two cases may the Guidelines be relied upon beyond their direct scope of application. According to Guideline 1(2), this concerns firstly claims based on unfair competition, if the matter arises from the same set of facts as relating allegations involving intellectual property rights, and secondly, claims based on the protection of undisclosed information. On the one hand, these causes of action differ doctrinally from claims based on intellectual property rights so that a separate qualification is called for. On the other hand, the two claims referred to in Guideline 1(2) share the purpose of intellectual property rights in that they aim at protecting a particular asset to the exclusive benefit of one party. In light of these similarities in structure and purpose, Guideline 1(2) provides the option to apply the Guidelines “*mutatis mutandis*”.

Extended comments

Hypothetical 1

A and B are both habitually resident in State X. A alleges that B infringes copyrights held by A in States X and Y. If A only seeks protection in State X, the Guidelines do not apply for lack of a connection of the matter to more than State X. If A, instead, sues B for copyright infringement in both States X and Y, the matter has an international element so that the Guidelines are applicable. In no case do the Guidelines cover, however, criminal procedures and penalties against B and administrative border measures of customs authorities preventing the release into the free circulation of copyright infringing goods into States X or Y.

Hypothetical 2

D imitates a product of C and sells its imitations in several States. C sues D, asking for an injunction and damages. He or she bases his/her claim on design rights and the allegation that the unauthorized product imitation is contrary to honest practices in industrial or commercial matters. The Guidelines apply directly to the design rights cause of action, and they may be applied *mutatis mutandis* to the unfair competition claim. The Guidelines are inapplicable, however, if C furthermore and unrelated to the imitation claims that D misleads consumers through false product specifications.

Hypothetical 3

E holds several patents and trade secrets concerning a machine. He or she enters into a license contract with F, which covers the relevant patents and trade secrets for several States. The Guidelines are applicable to this contract according to Guideline 1(1) (patent license) and Guideline 1(2) (trade secrets license). Consequently, the parties may choose the law governing this contract (Guideline 21). Absent a choice, the law applicable to the contract is to be determined according to Guideline 22(1)(b).

Guidelines

- 4 These Guidelines present the results of the ILA Committee on Intellectual Property and Private International Law.¹ Just like the “Principles” or “Proposals” published by European, American, and Asian predecessor projects in the field,² the Guidelines do not constitute a formally binding instrument such as a Convention that States are obliged to directly apply or incorporate into their domestic law. Instead, the term “Guidelines” suggests that the document contains an advisory, non-binding set of provisions, which can guide the application or reform of private international laws. The instrument may be considered as a code of current best practice with certain innovative provisions where appropriate.³
- 5 Guidelines can be both general as well as concrete. These Guidelines accomplish both. On the one hand, they restate well-established foundational principles such as the *lex loci protectionis* rule for all matters concerning the intellectual property right as such (Guideline 19). On the other hand, the Guidelines provide concrete solutions for pressing contemporary problems, for example regarding the law applicable to ubiquitous and multi-state infringements (Guideline 26) and to cross-border collective copyright management (Guideline 27).

1 Cf. ILA Committee Rules & Guidelines nos. 3.2, 6.1, adopted by the Executive Council on 25 April 2015, <http://www.ila-hq.org/index.php/committee-rules-and-guidelines>.

2 ALI Principles; CLIP Principles; Article 101(1) Joint Korean-Japanese Principles.

3 Similar Hague Principles on Choice of Law in International Commercial Contracts, Introduction, paragraph I.5.

Civil and commercial matters

- 6 The Guidelines only apply to “civil and commercial matters”.⁴ The reason for using the word “commercial” as well as “civil” is that in some legal systems, “civil” and “commercial” are regarded as separate categories. Since Guideline 1(1) covers both categories, it does not matter whether a legal system considers intellectual property as part of the “civil” or the “commercial” branch or even both branches of the law.⁵
- 7 Whereas intellectual property rights have significant repercussions on the public interest and also for that reason are generally considered territorial in nature, they are still “private rights” enforced or challenged in “civil” or “commercial” disputes before civil courts or arbitral tribunals.⁶ Because of this private nature of the matter, the Guidelines deviate from strict territoriality where appropriate. For example, the defendant’s forum has, in principle, territorially unlimited jurisdiction (Guideline 3), validity claims may under certain conditions and restrictions be decided by courts outside of the State of registration (Guideline 11), and certain multi-state infringements may be adjudicated by applying only the law or laws of the State(s) having an especially close connection with the global infringement (Guideline 26).
- 8 All these deviations from territoriality only seem appropriate, however, in cases of international civil and commercial disputes involving intellectual property rights. This requirement of Guideline 1(1) is intended to exclude matters of public law such as revenue, customs or administrative matters⁷ and criminal law from the scope of application of the Guidelines. A public law matter is characterized by the fact that one of the parties exercises governmental or sovereign powers that are not enjoyed by ordinary private persons. It is therefore necessary to examine the legal basis of the action. If the action is based on laws establishing intellectual property rights as defined in Guideline 2(1) or other private laws such as contract law, the Guidelines may be relied upon. If, instead, a public authority seeks to

punish a person for conduct proscribed by criminal law,⁸ implements administrative border measures⁹ or other public law sources to enforce intellectual property laws, the Guidelines are inapplicable. Nor do they apply to judgments on judicial actions brought either to enforce or appeal such public law orders.¹⁰

“Involving intellectual property rights”

- 9 The second requirement for the applicability of the Guidelines is that the civil and commercial matter has to involve intellectual property rights. The term “intellectual property right” is defined in Guideline 2(1) as meaning copyright and related rights, patent, utility model, plant breeder’s right, industrial design, layout-design (topography) of integrated circuits, trademark, geographical indication and similar rights. It follows *e contrario* from Guideline 1(2) that claims based on unfair competition and on the protection of undisclosed information are not covered by the term “intellectual property right” and thus the Guidelines. At a maximum, the Guidelines may be applied *mutatis mutandis* to such causes of action.
- 10 The international case at stake has to “involve” intellectual property rights.¹¹ According to the general meaning of “to involve”, the matter has to include intellectual property rights as a necessary or integral part or result.¹² The Guidelines on jurisdiction, applicable law and recognition and enforcement provide guidance on which disputes satisfy this requirement. Regarding the substantive law basis of a claim, the Guidelines distinguish between matters concerning an intellectual property right “as such” (Guidelines 8, 19-20), intellectual property right infringements (Guidelines 5-6, 25-27), and contractual matters (Guidelines 4, 21-24). An international case accordingly “involves” an intellectual property right if its adjudication requires a determination of the title to, ownership of, existence, validity, registration, duration, transferability, and scope (including the remuneration for the legal use of copyrighted

4 Similar § 102(1) ALI Principles (civil dispute, civil action); Article 1:101(2) CLIP Principles (“civil matters”); Article 001(1) s. 1 Transparency Proposal (“civil disputes”); Article 101(2) Joint Korean-Japanese Principles (“civil disputes”).

5 Cf. Explanatory Report on the 2005 Hague Choice of Court Agreements Convention (Hartley/Dogauchi Report), paragraph 49.

6 TRIPS Preamble; Guideline 31.

7 Article 1(1) Hague Draft Convention on the recognition and enforcement of foreign judgments in civil or commercial matters.

8 Cf. Article 61 TRIPS.

9 Cf. Articles 51-60 TRIPS.

10 Draft Convention on the recognition and enforcement of foreign judgments in civil or commercial matters, Revised Draft Explanatory Report, December 2018, paragraphs 28-31.

11 Likewise § 102(1) ALI Principles; Article 1:101 CLIP Principles; Article 101(2) Joint Korean-Japanese Principles; Article 001(1) s. 1 Transparency Proposal.

12 Involve, Oxford English Dictionary.

works or the subject-matter of related rights) of an intellectual property right; and/or one party seeks protection against an intellectual property right infringement. Contracts involve intellectual property rights and thus fall under the Guidelines if they “deal with” one or several intellectual property rights (cf. Guideline 22(1)) or where the efforts of an employee give rise to an intellectual property right (Guideline 23(1)). Whether these thresholds are met has to be decided in each individual case, considering all circumstances.

- 11 From a procedural point of view, the Guidelines cover proceedings concerning matters of title to and ownership of a right (Guideline 8), the grant, registration, validity, abandonment, or revocation of a registered intellectual property right (Guideline 11(1)), and actions seeking substantive relief on the basis of intellectual property license or transfer contracts (Guideline 4) or for an intellectual property right infringement (Guideline 5). The Guidelines furthermore apply to other proceedings, in particular declaratory actions, including declarations of non-infringement (Guideline 12), and provisional and protective measures (Guideline 13) if they entail a determination of the substantive issues mentioned before. Counterclaims, finally, are subject to the Guidelines if the original claim involves intellectual property rights and thus falls under the Guidelines, and the counterclaim arises out of the same set of facts on which the original claim is based (Guideline 15).

“Connected to more than one State”

- 12 For the Guidelines to be applicable, the civil or commercial matter involving intellectual property rights furthermore has to be “connected to more than one State”.¹³ The purpose of this requirement is to exclude purely domestic situations from the scope of application of the Guidelines. If an intellectual property case lacks any international element, questions of private international law and thus a need to apply the Guidelines do not arise from the outset.¹⁴ The ascertainment of internationality requires a careful case-by-case analysis. As a first step, one has to distinguish between internationality for the purposes of jurisdiction and applicable law and the determination of internationality for the purposes of recognition and enforcement.

13 Cf. § 102(1) ALI Principles.

14 Cf. Article 1(1) Hague Convention on Choice of Court Agreements; § 102(1), (6) ALI Principles; Article 1:101(1) CLIP Principles; Article 101(2) Joint Korean-Japanese Principles; Article 001(1) s. 1 Transparency Proposal.

- 13 Regarding jurisdiction and applicable law, the connection of an intellectual property right matter to more than one State can follow either from the divergent residence of the parties or any other element relevant to the dispute.¹⁵ If not all of the parties are habitually resident in the same State, an international element is present, even if, for example, an intellectual property license contract deals with an intellectual property right granted for one State only (Guideline 22(1)(a)). Conversely, the fact that all parties to a dispute are resident in one State does not exclude the applicability of the Guidelines because the necessary connection to another State can be derived from other relevant elements of the case, for example the grant of a license for more than one State (Guideline 22(1)(b)) or an alleged infringement by one of the parties in another State. The criteria listed in Guideline 16, for example the nationality of one party, are also sufficient to establish internationality of the case but insufficient for exercising jurisdiction. The sole fact that the parties have chosen a foreign court to govern their otherwise purely domestic relations should, however, not suffice to establish internationality.¹⁶
- 14 Regarding recognition and enforcement, a case is international where recognition or enforcement of a foreign judgment is sought.¹⁷ As a result, an originally purely domestic case can become international and thus subject to the Guidelines if it is to be recognized or enforced in another State.¹⁸

Application to claims based on unfair competition

- 15 The Guidelines apply to international matters involving intellectual property rights as defined in Guideline 2(1). According to Guideline 1(2), the Guidelines may furthermore be applied *mutatis mutandis* to claims based on unfair competition,

15 Cf. Article 1(2) Hague Convention on Choice of Court Agreements; Hague Principles on Choice of Law in International Commercial Contracts, Introduction, paragraphs 1.14 *et seq.*

16 Cf. Article 1(2) Hague Convention on Choice of Court Agreements; Explanatory Report on the 2005 Hague Choice of Court Agreements Convention (Hartley/Dogauchi Report), paragraphs 41-43; Hague Principles on Choice of Law in International Commercial Contracts, Introduction, paragraph 1.21.

17 Cf. Article 1(3) Hague Convention on Choice of Court Agreements.

18 Explanatory Report on the 2005 Hague Choice of Court Agreements Convention (Hartley/Dogauchi Report), paragraphs 44-45.

if the matter arises from the same set of facts as relating allegations involving intellectual property rights.

- 16 Claims based on unfair competition law can concern a broad range of diverse situations. Article 10^{bis} of the Paris Convention requires effective protection against acts “contrary to honest practices in industrial or commercial matters” but effectively leaves it to the contracting parties to define this threshold of unfairness. Many situations dealt with under the heading of “unfair competition” are completely unrelated to intellectual property. This is the case, for example, with regard to most misleading and aggressive commercial acts vis-à-vis consumers or the violation of statutory provisions that also intend to regulate market behavior. Cases like these are beyond the scope of application of the Guidelines.
- 17 Unfair competition laws and functionally equivalent torts can, however, also provide a basis for protection where intellectual property law fails to do so. Plaintiffs often claim that the defendant infringed certain intellectual property rights, and that he or she in any event practiced unfair competition/passing off.¹⁹ One scenario concerns allegations of unfair (“slavish”) product imitation, which complement allegations of infringements of e.g. design rights or copyrights. The other scenario pertains to misleading commercial practices that create a risk of confusion with the trademark, trade name or other protected sign of a competitor. These are situations where “the matter arises from the same set of facts as relating allegations involving intellectual property rights” (Guideline 1(2)).
- 18 But even in such constellations of closely related intellectual property and unfair competition claims, the doctrinal and teleological differences between the two areas of law have to be taken into account. In particular, the Guidelines concerning ownership and transferability suppose a predefined right that is owned by someone and that is, at least in principle, fungible. Unfair competition law, instead, defines the general boundaries of lawful market behavior, and sanctions these limits with private tort claims and/or public law remedies.²⁰ Therefore, questions of ownership and transferability of rights can only become relevant with regard to intellectual property rights. In light of these differences, private international laws and instruments distinguish between both areas.²¹

19 For an example see German Supreme Court, 13 October 2004, Case I ZR 163/02, GRUR 2005, 431 – *Hotel Maritime*.

20 Comment C06 Article 1:101 CLIP Principles (Torremans).

21 Cf. § 301(2) ALI Principles; Article 303 Transparency

- 19 Guideline 1(2) caters for these similarities and differences between intellectual property and unfair competition law by stating that the Guidelines “may be applied *mutatis mutandis*”. Guideline 1(2) thus provides a basis to subject, where and in so far as appropriate, unfair competition claims to the same private international law rules as related intellectual property claims. Guidelines that lend themselves to application to intellectual property-related unfair competition claims include the universal competence of the defendant’s forum (Guideline 3), the double-headed infringement jurisdiction under Guideline 5, Guidelines 25-26 on the law applicable to infringements,²² and the Guidelines on recognition and enforcement with the exception of Guideline 35(4) concerning the validity of registered rights. In contrast, the Guidelines dealing with the title to, ownership of, existence, validity, registration, duration, transferability, and scope of an intellectual property right (Guidelines 8, 11, 19, 20), and with collective copyright management (Guideline 27) are too much based on an intellectual property right “as such” as to be informative for deciding international unfair competition cases.

Application to the protection of undisclosed information

- 20 The second category of cases to which the Guidelines may be applied *mutatis mutandis* according to Guideline 1(2) concerns claims based on the protection of undisclosed information. As with unfair competition claims, this optional extension of the core scope of application of the Guidelines reflects the closely related yet still different legal nature and purpose of the protection of undisclosed information compared to the protection of intellectual property.
- 21 On the one hand, both types of protection reflect a balance between the private interest in certain kinds of information, and the public interest. The mix of private and public interests at stake in trade secrets is much the same as it is in conventional intellectual property.

Proposal; Article 304(3) Joint Korean-Japanese Principles; Articles 110, 136 Swiss IPRG; Articles 17, 20 Japanese PIL Act; Article 44 (torts) and Articles 48-59 Chinese Law on the Laws Applicable to Foreign-Related Civil Relations, 28 October 2010, transl. Lu; Article 6 and 8 Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), [2007] OJ L199/40.

22 The law for which intellectual property right protection is sought (*lex loci protectionis*) regularly coincides with the law of the State on whose territory competitive interests on a given market collide (*lex loci damni*).

And indeed, the TRIPS Agreements regulates the protection of undisclosed information as one form of “intellectual property”.²³

- 22 On the other hand, the protection of undisclosed information takes various forms in national laws, ranging from the application of general civil remedies to specific provisions and forms of sui generis protection that are akin to but not quite a fungible property right.²⁴ Equally heterogeneous are the types of information as regards which protection against unauthorized acquisition, use and disclosure is claimed. Whereas trade secrets protection is akin to intellectual property protection, the protection of government and personal secrets differs fundamentally from intellectual property rights.
- 23 In light of these similarities and differences, Guideline 1(2) provides that the Guidelines “may be applied *mutatis mutandis*”.²⁵ As with regard to certain, intellectual property-related unfair competition claims, users thus have the option to apply the Guidelines to the protection of undisclosed information where and in so far as appropriate, considering all circumstances of the case. International trade secrecy cases may thus be adjudicated on the – if necessary modified – basis of Guideline 3 on the universal competence of the defendant’s forum, the double-headed infringement jurisdiction under Guideline 5, Guideline 8 on the law applicable to determine who the “trade secret holder” is,²⁶ Guidelines 21-24 on the law governing contracts that deal with trade secrets, Guidelines 25-26 on the law applicable to infringements, and the Guidelines on recognition and enforcement with the exception of Guideline 35(4) concerning the validity of registered rights.

23 Articles 1(2), 39 TRIPS. Consequently, § 102(1) ALI Principles stipulates that these “Principles apply to transnational civil disputes that involve copyrights, neighboring rights, patents, trade secrets, trademarks, related intellectual property rights, and agreements related to any of these rights”.

24 See, e.g. Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, [2016] OJ L157/1.

25 Article 1:101(3) CLIP Principles.

26 Cf. Article 2(2) Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, [2016] OJ L157/1.

2. Definitions

1. **“Intellectual property right” means copyright and related rights, patent, utility model, plant breeder’s right, industrial design, layout-design (topography) of integrated circuits, trademark and similar rights.**
2. **“Judgment” means any judgment rendered by a court or tribunal of any State, irrespective of the name given by that State to the proceedings that gave rise to the judgment or the name given to the judgment itself, such as decree, order, decision, or writ of execution. “Judgment” also includes court-approved settlements, provisional and protective measures, and the determination of costs or expenses by an officer of the court.**

See as reference provisions

§ 102(1) ALI Principles

Arts 1:101(2) s. 2, 4:101 CLIP Principles

Art 001(1) s. 2 Transparency Proposal

Art 102(1)-(3) Joint Korean-Japanese Principles

Short comments

- 24 By defining the term “intellectual property right” for the purposes of the Guidelines, Guideline 2(1) helps to delineate their scope of application. There is no universally agreed understanding of the term “intellectual property right”. Article 2(viii) of the WIPO Convention and Article 1(2) of TRIPS provide definitions only “for the purposes” of the respective treaties. The term “intellectual property right” and the open clause “similar rights” in Guideline 2(1) should be interpreted as taking into consideration the overall purpose and content of the Guidelines.
- 25 Taken together, Guidelines 1 and 2 distinguish three categories of international civil and commercial matters to which the Guidelines apply directly, apply *mutatis mutandis* or do not apply at all. The first category concerns intellectual property rights as defined in Guideline 2(1), i.e. the explicitly mentioned rights and “similar rights”. Whereas the Guidelines should be applied in cases “involving” such intellectual property rights without modification (Guideline 1(1)), the Guidelines “may be applied *mutatis mutandis*” to certain claims based on unfair competition and to claims based on the protection of undisclosed information (Guideline 1(2)). All other international civil and commercial matters are beyond the scope of application of the Guidelines.
- 26 The term judgment is defined broadly, to cover any decision on the merits by any authority having jurisdiction in civil matters involving intellectual property, regardless of the name given to the decision

or the proceedings. The definition of judgment is particularly relevant with regard to the application of the provisions of the Guidelines on recognition and enforcement. However, it is also significant with regard to other parts of the Guidelines, such as the provisions on consolidation and *lis pendens*.

Extended comments

Intellectual property rights

27 Like all predecessor principles/proposals concerning intellectual property in private international law,²⁷ the Guidelines define their scope of application by referring to a number of concrete examples of intellectual property rights that are complemented by an open clause, which allows to apply the Guidelines to “similar rights”. This way, Guideline 2(1) aims at combining legal certainty with flexibility in light of the fact that legislatures constantly create new types of intellectual property rights.

Rights expressly mentioned

28 Guideline 2(1) lists eight types of rights, which are to be considered intellectual property rights for the purposes of the Guidelines. If a civil and commercial matter, which is connected to more than one State, involves one or several of these rights, the Guidelines apply directly.

29 The first example of an intellectual property right is copyright, i.e. an economic and/or moral right in any type of literary, artistic or scientific work.²⁸ The second category of rights covered by the Guidelines concerns rights “related” to copyright. This terminology is borrowed from the TRIPS Agreement, which in the title of part II section 1 also speaks of “copyright and related rights”.²⁹ The international *acquis* of “related rights” in the TRIPS Agreement and several WIPO treaties comprises rights of performers, of producers of phonograms (sound recordings), and of broadcasting organizations.³⁰

National and regional intellectual property laws have gone beyond this level by codifying several other “related rights”. EU directives and respective EU Member States’ laws, for example, also protect first fixations of films, critical and scientific publications, non-creative photographs, the investment in a database, and press publications.³¹ By covering these rights, the term “related rights” functions as a small general clause for all new exclusive rights in the cultural sector.

30 In addition to copyright and related rights, Guideline 2(1) mentions six industrial property rights most of which are covered by the TRIPS Agreement, the Paris Convention for the Protection of Industrial Property, and/or the treaties establishing WIPO’s “Global Protection System”.³² First among those rank patents for inventions,³³ second utility models, which enjoy less international recognition and harmonization, but are also regulated by the Paris Convention.³⁴ The plant breeder’s right as currently specified on the international level in the Convention for the Protection of New Varieties of Plants (UPOV) is the third industrial/intellectual property right. The fourth industrial property right listed in Guideline 2(1) concerns industrial designs, which are covered by the Guidelines irrespective of whether the right requires registration or not.³⁵

Duplication of Their Phonograms (1971); Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (1974); WIPO Performances and Phonograms Treaty (WPPT) (1996); Beijing Treaty on Audiovisual Performances (2012).

31 Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights (codified version), [2006] OJ L372/12; Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, [1996] OJ L77/20; Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market, [2019] OJ L130/92, and amending Directives 96/9/EC, [1996] OJ L77/20, and 2001/29/EC, [2001] OJ L167/10, Article 2(4), 15.

32 <https://www.wipo.int/treaties/en/>.

33 Article 2(viii) WIPO Convention; Article 27(1) TRIPS; Article 102(1) Joint Korean-Japanese Principles.

34 Cf. Articles 5A(5), 4E Paris Convention.

35 Article 4 Paris Convention; Articles 25-25 TRIPS; Article 1 Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, [2002] OJ L3/1.

27 § 102(1) ALI Principles; Article 1:101(2) s. 2 CLIP Principles; Article 001(1) s. 2 Transparency; Article 102(1)-(3) Joint Korean-Japanese Principles.

28 Article 2(viii) WIPO Convention; Article 2 Berne Convention; Comment 1:101.C02 CLIP (Torremans).

29 Article 1:101(2) s. 2 CLIP Principles and §102(1) ALI Principles refer synonymously to “neighboring rights”.

30 Articles 1(2), 14 TRIPS; Article 2(viii) WIPO Convention (performances of performing artists, phonograms, and broadcasts); see further International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961); Convention for the Protection of Producers of Phonograms Against Unauthorized

The same holds true for the protection of the layout-design (topography) of integrated circuits, the fifth example for an industrial/intellectual property right.³⁶

- 31 Finally, Guideline 2(1) mentions trademarks, for which there is a broad international consensus that they fall under the rubric of intellectual property rights,³⁷ and are furthermore subject to the same private international law rules governing copyright, patent and other industrial property rights matters.³⁸

“Similar rights”

- 32 The broad concept of “intellectual property right” is not limited to the eight categories of rights listed in Guideline 2(1). Lawmakers have the power to establish other rights that share core characteristics of copyright, copyright-related and industrial property rights. As the history of intellectual property law proves, lawmakers indeed make use of this legislative power. In order to allow the application of the Guidelines to cross-border matters involving such other rights, Guideline 2(1) adds that rights “similar” to those explicitly mentioned also fall into the category of “intellectual property rights”.³⁹ Whether the Guidelines are directly applicable on this basis depends upon a comparison between the right in question and the rights explicitly listed in Guideline 2(1). The requisite similarity concerns two aspects.

- 33 Firstly, the structure of the legal position at stake has to be similar to that of the intellectual property rights specified in Guideline 2(1). Their most important feature is exclusivity.⁴⁰ Exclusivity is

given if a right holder (single or joint ownership) is entitled to authorize or prohibit the use of a certain good or resource vis-à-vis any third party. The exclusive legal position at issue has to have a predefined scope within a specific territory so that it makes sense to speak of a title to or ownership of a right in a particular object (cf. Guidelines 8, 20) and that furthermore the existence and scope of the right can be distinguished from an infringement (cf. Guideline 19, 25). Since this property rights structure is lacking in matters involving claims based on unfair competition and on the protection of undisclosed information, Guideline 1(2) provides that the Guidelines may in these cases only be applied *mutatis mutandis*. Finally, the exclusive right at issue ought to be private in the sense that the right holder is free to decide whether to authorize or prohibit a use that encroaches on the exclusive scope of the right.⁴¹ Whether and under which conditions an intellectual property right is transferable is, however, to be determined according to the law of the State for which protection is sought (Guideline 19). Accordingly, laws prohibiting the commercial use of any sign consisting of or containing the Olympic symbol except with the authorization of the International Olympic Committee establish a “similar right” in the sense of Guideline 2(1).⁴² The same is true for the protection of geographical indications because the TRIPS Agreement and several WIPO treaties oblige members/contracting parties to provide “interested parties” with the legal means to prevent the unauthorized use of protected geographical indications and appellations of origin.⁴³ Another inconclusive factor regarding legal similarity is whether the right in question requires registration.⁴⁴

36 Cf. Washington Treaty on Intellectual Property in Respect of Integrated Circuits (1989).

37 Article 2(viii) WIPO Convention; Articles 15-21 TRIPS.

38 Cf. § 102(1) ALI Principles; Article 1:101(2) s. 2 CLIP Principles; Article 001(1) s. 2 Transparency Proposal; Article 102(1)-(3) Joint Korean-Japanese.

39 Functionally equivalent formulations can be found in all predecessor principles/proposals; cf. Article 1:101(2) s. 2 CLIP Principles and Article 001(1) Transparency Proposal (“similar exclusive rights”); § 102 ALI Principles (“related Intellectual Property rights”); Article 102(1) Joint Korean-Japanese Principles (intangible property “including” invention etc.).

40 Article 1:101(2) s. 2 CLIP Principles and Article 001(1) Transparency Proposal (“similar exclusive rights”); Statement by the European Commission concerning Article 2 of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights, [2005] OJ L94/37 (“in so far as these are protected as

- 34 The second aspect with regard to which the right at issue has to be similar to the rights explicitly mentioned in Guideline 2(1) concerns its subject matter. The examples listed confirm that the

exclusive property rights in the national law concerned”).

41 Cf. TRIPS, Preamble (private rights).

42 Nairobi Treaty on the Protection of the Olympic Symbol adopted at Nairobi on September 26, 1981.

43 Article 10 Paris Convention; Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods; Articles 22-24 TRIPS; Lisbon Agreement on Appellations of Origin and Geographical Indications. But see Article 1:101(3)(a) CLIP Principles (*mutatis mutandis* application of the CLIP Principles to the protection of geographical indications).

44 This is only relevant for the applicability of those Guidelines which specifically address registered intellectual property rights, in particular Guideline 11.

Guidelines are Guidelines on “intellectual” property, not on any type of property right in private international law. In particular, the Guidelines do not apply to ownership in movables and immovables (real property). Consequently, an exclusive right is only a “similar right” under Guideline 2(1) if the subject matter results from an intellectual, creative or otherwise entrepreneurial human activity that can be easily duplicated.⁴⁵ Personal data do not fall into this category and are thus beyond the scope of the Guidelines.⁴⁶

- 35 Examples of rights that may satisfy the double similarity standard comprise rights in trade names,⁴⁷ rights in sports events, in traditional knowledge, genetic resources and traditional cultural expressions, and rights derived from supplementary protection certificates. In cross-border matters involving these intellectual property rights, the Guidelines are applicable.

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Judgment

- 36 The definition of the term “judgment” is mainly intended to clarify the decisions that can eventually be recognized and enforced under the Guidelines, provided that the particular judgment concerned meets the requirements laid down in the section on recognition and enforcement. The broad concept of judgment encompasses decisions of many different types, including monetary and non-monetary judgments and, hence, the features of the particular judgment concerned influence the application of the provisions on recognition and enforcement, particularly with regard to the grounds for non-recognition. The determination of costs or expenses of the proceedings by the court is also covered to the extent that it relates to a decision on the merits. Provisional and protective measures are also covered, but recognition and enforcement of such measures remain subject to specific restrictions, as it is also the case with regard to judgments which have not become final yet. Interlocutory decisions of a procedural nature are in principle not covered by the definition and hence not subject to recognition and enforcement under the Guidelines.

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45 Cf. Article 2(viii) WIPO Convention; Article 102(1) Joint Korean-Japanese Principles.

46 Cf. Comment 1:101.C03 CLIP Principles.

47 Article 2(viii) WIPO Convention; Articles 1(2), 8 Paris Convention.

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

by Joost Blom, Rochelle C. Dreyfuss, Paulius Jurcys, Axel Metzger, Dário Moura Vicente, Sierd J Schaafsma, Benedetta Ubertazzi

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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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

Axel Metzger

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.

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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.

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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.

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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 Ubertaini

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.

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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.

Joost Blom

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 at 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.

Dário Moura Vicente

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

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Abstract: The chapter "Applicable Law" of the International Law Association's Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines") provides principles on the choice of law in international intellectual property matters. The Guidelines confirm the traditional principle of the *lex loci protectionis* for the existence, transferability, scope and infringement of intellectual property rights. The law applicable to the initial ownership of

registered rights is governed by the *lex loci protectionis* whereas the law of the closest connection is applied to determine the ownership of copyright. For contracts, freedom of choice is acknowledged. With regard to ubiquitous or multi-state infringement and collective rights management in the field of copyright, the Guidelines suggest innovative solutions. Finally, the chapter contains a Guideline on the law applicable to the arbitrability of disputes.

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A. General Rules

19. Existence, Scope and Transferability (*lex loci protectionis*)

The law applicable to determine the existence, validity, registration, duration, transferability, and scope of an intellectual property right, and all other matters concerning the right as such, is the law of the State for which protection is sought.

See as reference provisions

§§ 301, 314 ALI Principles

Arts 3:102, 3:301 CLIP Principles

Art 305 Transparency Proposal

Arts 301, 309 Joint Korean-Japanese Principles

Short comments

- 1 The Guideline makes "matters concerning the right as such" subject to the law of the "State for which the protection is sought" (*lex loci protectionis*). This approach is in line with the traditional approach and reflects the idea that intellectual property rights are the outcome of policy choices of States. "State for which the protection is sought" should be distinguished from *lex fori* and is usually understood in terms of rights which require its registration in each jurisdiction such as patent and trademark as the State of registration. For other rights, which do not arise from registration, for instance copyright, the *lex loci protectionis* refers to the law of the State which recognizes the right.

- 2 The Guidelines distinguish proprietary aspects of an intellectual property right from its contractual arrangements. This paragraph applies the law of the State for which protection is sought (*lex loci protectionis*) to the proprietary aspects, which typically include existence, validity, duration and scope. “Existence” of an intellectual property right means that the right is recognized as an exclusive right in a State. “Registration” as a requirement of the existence and the validity of certain types of intellectual property rights includes its procedural aspects. The “scope” concerns to what extent the protection of an intellectual property right reaches, typically, for instance, whether moral right, mere use, exhaustion, or remuneration right is a part of the right, and naturally also covers the limits and exceptions of the protection. “Transferability” of an intellectual property right could be placed in an independent provision, since it concerns a dynamic aspect of right, while others concern static aspects of proprietary right. However, the Guideline clarifies its stance to place both aspects in one provision by stating that “all other matters concerning the right as such”.

Extended comments

Hypothetical 1

A, resident in State X, holds a patent registered in State Y. A believes that B, a company which was incorporated and has its headquarters in State X, infringes A’s patent in State Y. A sues B in State X, the place of defendant’s domicile, for compensation. B argues that A’s patent in State Y is invalid. The court of State X should apply the law of State Y to render a judgment (as for the jurisdiction of the court in State X, see Guideline 11(2)).

Hypothetical 2

A, composer living in State X, signs a contract with B, an opera company in State Y, to create a new production of an opera composed by A. The license contract contains a choice of court clause (State X as agreed forum State), but no choice of law clause. On the first night, A realizes that in this new production, the ending scene of the opera is differently staged from his original idea, while the musical part was not changed. A sues B in State X for compensation and injunction restraining B from performing infringing acts in State Y. The copyright law of State Y should be applied to the question if such a staging would infringe A’s copyright.

Lex loci protectionis

- 3 The Guideline reflects the approach that the intellectual property rights are the outcome of policy choices of States. Traditionally, industrial and cultural policies represent policy decisions, but under the regime of TRIPS, commercial or trade policies could be a part of them as well.
- 4 The language “State for which the protection is sought” is carefully chosen, especially to distinguish it from the “State where the protection sought” in Article 5(2) of the Berne Convention, as there is a scholarly debate if “State where the protection sought” in the Convention would mean the principle of choice of law. Also, the language of the Berne Convention could be interpreted as referring to the *lex fori*. By contrast, “State for which the protection is sought” has also been adopted in Article 8 of the Rome II Regulation.
- 5 How to identify the “State for which the protection is sought”? If the right holder of a patent seeks protection of his/her patent in the territory of State A, the law of State A is *lex loci protectionis*. However, if his/her invention is not registered in State A, there is no legal basis at the level of substantive patent law to protect the claimant. In the Card Reader Case¹, the Japanese Supreme Court chose US patent law as the law applicable to an injunction, but then rejected to apply it, as extra-territorial application of US-patent law would violate public policy (the territoriality principle) in Japan. The Supreme Court did not use the term *lex loci protectionis* in its judgment. If this Guideline would have been applied, Japanese law should have been identified as *lex loci protectionis*, as the right holder wanted to protect his patent in the territory of Japan. But his patent was not registered in Japan, hence he could not get any legal protection. Although this result is the same as the judgment of the Japanese Supreme Court, the way to conclusion is different.
- 6 For other rights, which do not arise from registration, the *lex loci protectionis* refers to the law of the State which recognizes the right concerned. In legal practice the claimant should identify for which States he wants to protect his rights, when he formulates his claims. Therefore, *lex loci protectionis* usually corresponds to the market where the right holder seeks protection.

Definitions

- 7 The Guidelines distinguish proprietary aspects of an intellectual property right from contractual arrangements. The latter is covered by Guidelines 21 and 22, while this Guideline deals with proprietary aspects of an intellectual property right.
- 8 “Existence” of an intellectual property right means that the right is recognized as an exclusive right in a

¹ Japanese Supreme Court, Hanrei Taimuzu, No. 1107, [2002], p. 80.

State. The issue of “validity” is a separate issue from the existence. A right recognized as an exclusive right may be challenged by certain stakeholders. Issues such as who could do so, and under what conditions fall under the issue of the validity. “Registration”, as a requirement of the existence and the validity of certain types of intellectual property rights, includes not only substantial requirements, but also procedural aspects as well as appeal procedures in case of refusal. The “scope” concerns to what extent the protection of an intellectual property right reaches. Accordingly, exceptions and limitations of intellectual property rights are covered by this Guideline. For instance, if and to what extent exhaustion is recognized; if and under what conditions compulsory license² of patents is allowed; if there are general exceptions of copyright protection such as fair use.³

- 9 “Transferability” of an intellectual property right should be separated from contractual arrangements. Since transferability is an attribute of an intellectual property right as proprietary right, while a contract sets up the framework and detailed conditions of the transfer of the intellectual property right. Transferability implies that the link of the right to personality aspect is marginal. The Guideline clarifies its holistic stance toward proprietary aspects of an intellectual property right by stating that “all other matters concerning the right as such”.

Toshiyuki Kono

20. Initial Ownership and Allocation of Rights

(1) (a) Initial ownership in registered intellectual property rights, unregistered trademarks and unregistered designs is governed by the law of the State for which protection is sought.

(b) In the framework of a contractual relationship, in particular an employment contract or a research and development contract, the law applicable to the right to claim a registered intellectual property right is determined in accordance with Guidelines 21 to 23.

(2) (a) Initial ownership in copyright is governed by the law of the State with the closest connection to the creation of the work. This is presumed to be the State in which the person who created the subject-matter was habitually resident at the time of creation. If the protected subject-matter is created by more than one person, they may choose the law of one of the States of their habitual residence as the law governing initial

ownership. This paragraph applies mutatis mutandis to related rights.

(b) If the underlying policy of the law of the State for which protection is sought so requires even in international situations, the allocation of rights which cannot be transferred or waived is governed by the law of that State.

See as reference provisions

§§ 311-313 ALI Principles

Arts 3:201, 3:401-402, 3:503 CLIP Principles

Art 305 Transparency Proposal

Art 308 Joint Korean-Japanese Principles

Short comments

- 10 For industrial property the Guidelines follow the main territoriality based rule. In case of rights for which registration is a constitutive factor, the State for which protection is sought is the State where the right is (to be) registered. The same applies to industrial property rights that do not require registration, such as unregistered design rights.
- 11 Especially in case of employee made inventions or designs, domestic laws often contain rules on who (employee or employer) is entitled to claim ownership of industrial property resulting from labour, that is, who is entitled to file a registration. Similar rules exist for designs and other industrial property created under commission. Such rules in effect address the relative position of parties that are in a contractual relationship (employer and employee, commissioning and commissioned party). The principle of party autonomy is recognized as a basic principle for contractual relations in these Guidelines, and this is reflected in clause 1(b). It provides for accessory allocation to the law that governs a prior contractual relationship, for example an employment contract.
- 12 Clause 2(a) leads to identification of a single applicable law to initial ownership of copyright, but its approach also applies to performer’s rights, phonogram producer’s rights and similar unregistered related rights. All such rights arise as a matter of law, in many States simultaneously. There is therefore no easy way for parties to establish who the owners are. The connecting factor used is the law most closely connected to the creation. To promote predictability as to the applicable law, the presumption of clause 2(a) is that the place of habitual residence of the actual “creator” (performer, producer) has the closest connection. It is in that jurisdiction that creation will typically take place. Many works, performances and other protected subject-matter result from a collaborative effort. If those engaged are habitually resident in different jurisdictions, the principal rule can be difficult to

² Article 31 TRIPS.

³ § 107 Title 17 of the United States Code.

apply. The Guidelines therefore allow co-creators to choose the applicable law, for instance because they prefer legal certainty upfront.

- 13 The single law approach can result in ownership of rights being denied to parties which under domestic law would qualify as initial owner (e.g. a person making a minor creative contribution to a work, or an employee). Especially where rights of authors and performers are not transferable or cannot be waived in the first place, this outcome may be unpalatable for a State. If the policies underlying the domestic intellectual property rules on transferability or waiver are deemed crucial to uphold in international cases, clause 2(b) allows for the territorially limited application of the *lex protectionis* to initial ownership.

Extended comments

Hypothetical 1

Company A concentrates the design of its clothing lines in State Z, and files applications for designs in all States where it markets its products. The design law of State Z provides that in case designs are created by employees, the rights are vested with the actual designer (natural person), unless otherwise agreed. A's chief designer B claims that under the laws of Z she is entitled to all design rights. It follows from Guideline 20(1)(a) that one must look to all the laws of the States where design applications are filed to determine which party has acquired the territorially distinct rights involved. Note however that the right to claim title to an intellectual property right should be distinguished from actual (initial) ownership of the intellectual property right itself. In Hypothetical 1 above, whether chief designer B or any of the other employees involved in the creation of the design in State Z are entitled to claim a right to file for design rights in Z and elsewhere, depends on the law applicable to the employment contract(s) under Guideline 29(1)(b). If the law applicable to the contract is not the law of the State where he/she is habitually resident, the employee may still invoke mandatory provisions of that law to secure a claim to register as owner.

Hypothetical 2

An international videogame publisher established in Y engages freelance game developers to contribute to a videogame. Most developers work and live in State Y, but a number work from and are resident in States X and W. The law of State Y in this case may be most closely connected to the creation, so that law will govern the question whether the developers from Y, X, and W qualify as (co-)authors of the videogame. The developers may also agree to have their respective positions governed by the laws of X or W.

Single law for copyright and related rights

- 14 In case of industrial property, the grant of a registered right is intimately connected to a jurisdiction's specific procedures and intellectual property institutions. What is more, who is the initial owner of the rights can be inferred from the relevant official registers. Copyright and related rights arise by operation of law, simultaneously in a large number of States. Applying the *lex protectionis* to ownership of copyright and related rights, thus produces legal uncertainty as to the chain of title. To date the *lex protectionis* for matters of initial ownership is the more common approach,⁴ but a single law approach exists in various States.⁵ A single applicable law promotes legal certainty. This has the added advantage that it lowers transaction costs for parties seeking to acquire intellectual property rights or licenses. It also positively influences the value of intellectual property rights as assets because legal uncertainty about title may reduce the economic value of intellectual property rights. For these reasons the Guidelines establish a single governing law for initial ownership of copyright and related rights. The default connecting factor is the place with the closest connection to the creation of protected subject-matter.⁶ The reference is to

4 See French Court of Cassation, 10 April 2013, ECLI:FR:CCAS:2013:C100347 – *Fabrice X v. ABC News Intercontinental*; German Supreme Court, Case I ZR 88/95, 2 October 1997, GRUR 1999, 152, 153 *et seq.* – *Spielbankaffaire*; and for Korea Seoul High Court, Case No 2007Na0093, 8 July 2008, reported in Ghyohoo Lee, *Choice of Law, in S. Wolk, & K. Szkalej (Eds.), Employees' Intellectual Property Rights (AIPPI Law Series)*. Alphen aan den Rijn Netherlands: Kluwer Law International. Note however that the Korean Private international law act (Article 24) only provides that infringement of rights is governed by the law of the place of infringement. The High Court has extended the scope of Article 24 to (initial) ownership. However, in a case on allocation of rights by operation of law (i.e. the grant of a license by operation of law to employer for employee created works) the Korean Supreme Court later opted for accessory allocation to the law governing the employment contract: Korean Supreme Court, Case No. 2012 Ds 4763, 15 January 2015.

5 See for example for Portugal Article 48 Civil Code (private international law section); for the US United States Court of Appeals, *Itar-Tass* (153 F.3d 82 (2nd Cir. 1998) and its progeny, including United States Court of Appeals, *Alameda Films v. Authors Rights Restorat*, 331 F.3d 472 (5th Cir. 2003); United States Court of Appeals, *Laparade v. Ivanova*, 387 F.3d 1099 (9th Cir. 2004). Compare also Article 1256 of the Civil Code of the Russian Federation.

6 For comparison: Both the Joint Korean-Japanese Principles and the ALI Principles contain special rules aimed at identifying a single applicable law for copyright and related

domestic (intellectual property) law, excluding rules of private international law (see also Guideline 30, no renvoi).

Place of creation

- 15 The place of creation refers to the place where the intellectual and organizational effort is made to produce the intangible subject-matter. Often this will coincide with the place where a work is first published or its fixation or physical embodiment is produced. Note however that the place where physical copies are made (e.g. a print run of books, production of clothing after a protected design) is not necessarily the place of creation of the (intangible) subject-matter.

Application to related rights

- 16 To keep the wording of the Guideline simple, Article 2(a) uses terminology suited to copyrighted subject-matter. The last sentence stresses that the same single-law rule governs so-called related or neighboring rights. The closest connection is to the place of first performance for performer's rights, and to the place of production (and investment) for rights in phonograms, broadcasts and (first fixations of) films. Here too, the presumption is that the habitual residence of the (legal) person(s) engaged in the production or performance normally best represents the closest connection.
- 17 Equivalent factors can be applied for (so far) less universally recognized related rights, e.g. in traditional cultural expressions, databases, sports events, or press publications. As is the case with the term "creation" for copyright works, "production" should not be read as being equal to the place where physical copies are made.

Temporal aspects

- 18 In many cases, authors and performers will have stable habitual residences in one jurisdiction. But when they do relocate to another State, the Guidelines clarify that the relevant habitual residence is the one at the time of creation (as opposed to for example residence at the time when a dispute arises over initial ownership). A change of residence may occur during production.

rights. These rules are drafted as cascading rules, with the habitual residence of the creator(s) and the law chosen by co-creators as important connecting factors. ALI Principles has more rules more broadly for non-registered rights such as neighboring rights of performers and (in a separate rule) unregistered trademarks. The CLIP Principles also depart from a multiple-governing law approach. The CLIP Principles have important modifications to accommodate work for hire and employment situations.

In keeping with the principle of the closest connection, what matters is the residence with the overall stronger relationship.

Escape clause 21(2)b

- 19 Transferability of intellectual property is governed by Guideline 19, the *lex loci protectionis*. In some jurisdictions copyright is not transferable as a matter of principle. In other States certain rights cannot be waived. Examples are the author's moral right to resist mutilation of her work (*cf.* Article 6^{bis} Berne Convention) and remuneration rights for certain acts of exploitation. Such rules are usually intimately connected to the protection of persons that the domestic law regards as "natural" first owners. Application of a foreign law as the law of the habitual residence of the creator, might result in the designation of a different party as author than domestic law would. So indirectly the domestic law on transferability is bypassed. If domestic rules on initial ownership of untransferable or unwaivable rights are of an *overriding* mandatory nature, they may be still be applied for local rights. Note that this provision does not cover issues that may be characterized more readily as contract law than property law. In some States for example, a right of the author to terminate an exploitation contract, or a right to seek additional compensation in case of unexpected commercial success will be characterized as contractual.
- 20 The fact that rules on transferability or waivability are mandatory under local law is not in and of itself enough to trigger clause b), this is what the wording "even in international situations" expresses. Black letter law may not explicitly address the question of whether rules on initial ownership of rights that cannot be transferred or waived claim application in international cases, hence the reference to underlying policy.

Mireille van Eechoud

B. Contracts

21. Freedom of Choice

1. **Parties may choose the law governing their contractual relationship.**
2. **Such a choice of law shall not, however, have the result of depriving the creator or performer of the protection afforded to him/her by the provisions that cannot be derogated from by agreement under the law that, in the absence of choice, would have**

been applicable pursuant to Guideline 22.

See as reference provisions

§ 315 (1) ALI Principles

Art 3:501 CLIP Principles

Art 306(2) Transparency Proposal

Short comments

- 21 Guideline 21 applies to contracts concerning intellectual property rights the generally accepted principle that the parties to a contract may choose the law that governs the substance of their agreement (*lex contractus*). Also known as “party autonomy”, the parties’ freedom to choose the law governing their contractual relationships embodies the considerable trust that contemporary private international law places in contracting parties involved in international situations. As a principle, they are considered to have the highest capacity and legitimacy to solve conflict of laws regarding their contracts. For instance, the Guideline’s absence of geographic specification or limitation means that the parties may choose any law; that law need not be the *lex loci protectionis*.
- 22 Without prejudice to the application of general mandatory rules or the *ordre public* exception, (Guidelines 28 and 29), the freedom of choice set out in paragraph 1 of Guideline 21 nonetheless encounters the particular limitation formulated in paragraph 2. To the extent that the law that would have applied in the absence of the parties’ choice (the *lex contractus* identified in Guideline 22) includes mandatory rules which afford greater protection to the author or performer than provided by the law chosen by the parties, these more protective provisions shall govern. Paragraph 2 thus requires comparing two sets of rules: the rules imposed by the law the parties chose, and the rules of the objectively applicable law (pursuant to Guideline 22), in order to guarantee to the author or performer the benefit of the rules that best protect their interests. This comparative technique is directly inspired by the Rome I Regulation, which employs it in the context of contracts between professionals and consumers, and in the context of employment contracts (as for when the latter concern intellectual property, see Guideline 23). In the same fashion, Guideline 21 treats the author and the performer as the “weaker parties” who should receive special protection.

Extended comments

Hypothetical 1

A grants B the patents he holds for States X, Y and Z. The contract provides that contract issues will be subject to the law of State W.

Hypothetical 2

A is a novelist who resides in State X. He signed a publishing contract with a publisher also established in State X for distribution of the novel in several X-speaking States. The contract states that it is governed by the law of State W (a non-X-speaking State). To the extent that the contract presents a closer nexus with State X (on the basis of Guideline 22), the choice of the law of State W cannot deprive the author of the benefit of the more protective rules in force in State X.

Choice of law agreement

- 23 Guideline 21 articulates choice of law in light of the other Guidelines. For instance Guideline 30 excludes *renvoi*, which means that the substantive rules of the law chosen by the parties apply, rather than that State’s choice of law rules.
- 24 Guideline 21 does not take a position on whether the parties may choose as the applicable “law” an ensemble of non-state-based private ordering norms.⁷ It is clear, however, that whether the source of law derives from public norms or private ordering, Guideline 21(2) requires the application of the mandatory author-protective rules of the State whose law Guideline 22 designates.

Scope of the chosen law

- 25 The law chosen by the parties governs only the contractual aspects of their relationship. For example, it is competent to determine whether the parties validly consented to enter into the contract, as well as the content of the contract, to specify which contractual obligations were undertaken. As such, general rules of interpretation are governed by the *lex contractus*. Furthermore, the law chosen by the parties shall fix the remedies in the event of failure to execute the contract.
- 26 By contrast, the law the parties designate cannot render an intellectual property right transferable if, under the law for which the rights are granted (the *lex loci protectionis*), the right is inalienable. Nonetheless, the law that governs the contract can provide that contractual clauses exclude certain rights (which under the *lex loci protectionis* could have been transferred) from the scope of the transfer.⁸
- 27 For other issues, it may be difficult to determine

⁷ See for instance the UNIDROIT Principles of International Contracts, 2016.

⁸ *Creazioni Artistiche Musicali, S. R. L. v. Carlin Am., Inc.*, 2016 U.S. Dist. LEXIS 180431 (S.D.N.Y. Dec. 30 2016), *aff’d.*, 747 Fed. Appx. 3 (2nd Cir. August 23 2018).

whether they are subject to the law chosen by the parties (the *lex contractus*) or instead the *lex loci protectionis* or even the *lex fori*. For example, if a licensee exceeds the scope of the license and engages in unauthorized acts of exploitation of a work, should those exploitations be considered copyright infringements governed by the *lex loci protectionis*, or a breach of contract, governed by the *lex contractus*?⁹ In fact, both the *lex contractus* and the *lex loci protectionis* should apply, sequentially: the *lex contractus* to determine whether the licensee has breached the contract by exceeding its scope, and if so, then the *lex loci protectionis* to determine the extent of the infringement.

- 28 When State law ties ownership of an exclusive right under copyright to standing to sue for infringement, as is the case in the US, one may also inquire on what grounds such a rule should apply. It is submitted that such a rule must be part of the *lex loci protectionis* (and not of the *lex fori*).¹⁰ Nonetheless, in the case of a licensee, it becomes necessary to apply the *lex contractus* in order to verify whether or not exclusive rights were granted to him or her.

Mandatory protective provisions

- 29 Some States protect the interests of creators and performers through rules which impose particular provisions or which give creators and performers rights against the other contracting parties. For example, rules which require in a mandatory fashion that ambiguities be interpreted restrictively in favor of authors and performers¹¹, or which impose proportional or just and equitable remuneration for each mode of exploitation, or which require an upward revision of the remuneration if the work encounters unexpected success (so-called “best seller clauses”)¹², or which prohibit the grant of rights

9 Compare Article 307(3) Joint Korean-Japanese Principles with Article 3:606(2) CLIP Principles.

10 See Article 15 Rome II Regulation, [2007] OJ L199/40.

11 It should be presumed that a rule of interpretation specifically and expressly enacted in favor of creators or performers is mandatory according to the legal system it belongs to. However this presumption can be reversed: see German Supreme Court, I ZR 35/11, 24 September 2014, GRUR 2015, 264 - *Hi Hotel II*, holding that rules of interpretation set out by German law for grants of copyright (§ 31(5) German Copyright Act) are not internationally mandatory because they are not mandatory on the internal level.

12 See the “best-seller” provision in Portugal (Article 49 Portuguese Copyright Act) and Germany (§§ 32, 32a and 32b German Copyright Act). See also Article 20 Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital

in modes of exploitation unknown at the time of the contract’s conclusion. State laws may also allow the author or performer to terminate the contract if the grantee does not exploit the work, or after a certain interval even if the work has been exploited (*reversion right*).

- 30 The legal status of these measures may not always rise to that of overriding mandatory rules (within the meaning of Guideline 29), and even if they are as a matter of domestic law, Guideline 29(2) does not require the judge in the forum State to apply foreign mandatory rules. In order to protect the interests of authors and performers at the international level, Guideline 21(2) reduces the complications of characterization and guarantees the respect due to mandatory rules so long as they emanate from the State whose law would have applied if the parties had not chosen the law to apply to their contract.
- 31 Nonetheless, there may be occasions to compare these domestic mandatory rules and those of the law chosen by the parties in order to determine which are more author- or performer-protective. The comparison, moreover, may not be obvious.
- 32 Where the law that would have applied in the absence of the parties’ choice proves more protective, it will govern the parties’ relationship to the extent set out by the State that enacted the mandatory rule. Specifically, if that State determined to limit the ambit of its mandatory rule to the territory of that State (as is the case with the US Copyright Act’s non waivable termination right), Guideline 21(2) would not permit the rule to apply more broadly.

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22. Absence of Choice

1. **In the absence of choice of law by the parties pursuant Guideline 21, a contract other than an employment contract shall be governed,**
- a) **if the contract deals with intellectual property granted for one State only, by the law of this State, unless it is clear from all the circumstances of the case that the contract is manifestly more closely connected with another State. Then the law of that other State shall apply;**
- b) **if the contract deals with intellectual property granted for more than one State, by the law of the State with which**

Single Market, [2019] OJ L130/92, and amending Directives 96/9/EC, [1996] OJ L 77/20, and Article 20 Directive 2001/29/EC, [2001] L167/10 (more generally, on the mandatory provisions laid down by the Directive, see Recital 81).

the contract is most closely connected; in determining this State, the court shall take into consideration among other possible factors:

- **the common habitual residence of the parties;**
- **the habitual residence of the party effecting the performance characteristic of the contract;**
- **the habitual residence of one of the parties when this habitual residence is located in one of the States covered by the contract.**

- 2. For the purpose of this provision, the habitual residence of a party shall be determined at the time of conclusion of the contract.**

See as reference provisions

§ 315 (2) ALI Principles

Art 3:502 CLIP Principles

Art 306(2) Transparency Proposals

Art 307 Joint Korean-Japanese Principles

Short comments

- 33** Guideline 22 addresses the case in which the contracting parties have not chosen the law applicable to their contract (apart from employment contracts, which are the subject of Guideline 23). Guideline 22 envisages two kinds of contracts, depending on their geographic scope.
- 34** With respect to the first kind of contract, it concerns only one State; its limited scope facilitates the analysis of conflict of laws. Subsection a) of paragraph 1 designates the law of the State for which the rights which form the object of the contract are granted, whatever the nationality or residence of the parties may be. The law applicable to the contract therefore coincides with the *lex loci protectionis*, thus avoiding the prospect of differences between the two laws. Guideline 22(1)(a), however, allows for the possibility that the contract might present more significant contacts with another State.
- 35** With respect to the second kind of contract, the intellectual property rights at issue cover multiple territories. Subsection b) of paragraph 1 subjects the contract to the law of the State with which it has the most significant relationship; it also sets out several connecting factors that assist in characterizing that relationship: the habitual residence of the parties in the same State; the habitual residence of the party who must furnish the characteristic performance; the habitual residence of either one of the parties if it is located in one of the States covered by the contract.

These connecting factors need not all apply in every case, and they do not preclude taking other factors into account.

- 36** In order to ensure the predictability of the law that will apply to the contract, paragraph 2 of Guideline 22 fixes habitual residence as of the date of the conclusion of the contract.

Extended comments

Hypothetical 1

A grants B the right to exploit his work (or his trademark, or his patent or design) in State X. The parties did not include a choice of law clause. It will be governed by State X law, but if the parties both habitually reside in State Y, and if payments under the contract are to be made in State Y currency to A's account in a bank established in State Y, State Y law will apply as the law of the State with which the transaction is most closely connected.

Hypothetical 2

A grants B the right to exploit his work (or his trademark, or his patent or design) in States X, Y and Z. The parties did not include a choice of law clause. To determine the governing law, it will be necessary to take into account the parties' habitual residence, the residence of the party who furnishes the characteristic performance (in this case, A, the grantor), but also the currency, and revenue flows (for example, from exploitations in multiple States to a bank account in a single State) or the link the contract, such as a franchising agreement, may have with another contract whose governing law has been established.

Closer and closest connections

- 37** When the contract's geographic scope is limited to a single State, Guideline 22(1)(a) presumes that it presents the closest connection to that State. It is nonetheless possible to present contrary proof that is, to demonstrate that the contract is more closely connected to another State.
- 38** When the contract covers multiple States, or indeed, the whole world, the connection to any one State may be weaker. In that situation Guideline 22(1)(b) provides no presumption. It therefore becomes necessary to determine the State with which the contract is most closely connected. To that end, Guideline 22 enumerates several relevant connecting factors, starting from habitual residence. The enumeration is illustrative, not limitative. Other connecting factors may be taken into account, so long as they are based on elements known to both parties and are established by the time of the

conclusion of the contract. For example, a relevant point might be the choice of a particular currency, or of the State in which the payments are to be made, or of the relationship of the contract to another contract entered into by the same parties (for example, a license agreement that implements a broader cooperation agreement among the parties). Other elements, such as the language of the contract or the presence of a choice of forum clause, may be taken into account when they reinforce certain of the abovementioned connecting factors.

All of these elements may also be employed to rebut the presumption of Guideline 22(1)(a).

Performance characteristic of the contract

- 39 The reference to the contract's characteristic performance is borrowed from the Rome I Regulation.¹³ It requires identifying the most important performance of the contract, that which expresses the function or the economic dynamic of the agreement. When a party simply pays a fixed sum to another party, the second party is usually considered the one who renders the characteristic performance. For example, in a contract assigning several patents for a fixed sum, the grantor is the party who furnishes the characteristic performance, which is the transfer of the industrial property rights. Similarly, if a work is commissioned to an author, he will be the one rendering the characteristic performance of the contract. But the economy of intellectual property contracts may be more complex. For instance, when the remuneration of the holder of the right granted depends on the results of the other contracting party's activity, that activity represents a particular economic value and may constitute the characteristic performance of the contract. Thus, when a patent holder grants the right to exploit his patents in several States and must, by virtue of the contract, receive a remuneration proportional to the licensee's revenues, the grantee's exploitation may appear to supply the characteristic performance. For the same reasons when a publisher has undertaken the obligation to exploit and promote the intellectual property right in the interest of the author, he is to be seen as the characteristic performer.¹⁴

¹³ Article 4(2) Rome I Regulation, [2008] OJ L 177/6. Compare with Article 3:502(2) CLIP Principles. See also Article 1211(1) of the Civil Code of the Russian Federation.

¹⁴ German Supreme Court, I ZR 218/53, 22 November 1955, GRUR 1956, 135 – "*Sorell and Son*" about a book publishing contract; German Supreme Court, I ZR 182/98, 29 March 2001, GRUR 2001, 1134 – "*Lepo Sumera*", about a music publishing contract. See also Hungarian Supreme Court, 6 October 1995, Pf.IV. 22284/1994/3 [1998] GRUR Int 1998, 74 (German translation); Paris Court of Appeal, 2 June 1999, [1/2000] RIDA 302.

- 40 To enable the identification of a single law, the residence of the party furnishing the characteristic performance supplies the relevant connecting factor, rather than the State(s) in which the characteristic performance is rendered.
- 41 As it is not always possible to identify the characteristic performance (that is, to determine whether one party's performance is more important than the other), Guideline 22(1)(b) does not designate the habitual residence of the party furnishing the characteristic performance as the presumptively applicable law (when it is possible to identify that performance), but rather as one of several connecting factors to be taken into account.

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23. Employment Contracts

1. **An employer and its employee whose efforts give rise to an intellectual property right may choose the law governing their contractual relationship in accordance with Guideline 21. Such a choice of law shall not, however, have the result of depriving the employee of the protection afforded to him by the provisions that cannot be derogated from by agreement under the law that, in the absence of choice, would be applicable pursuant to paragraphs 2 and 3.**
2. **In the absence of choice of law by the parties, the contractual relationship between employer and employee shall be governed by the law of the State in which or, failing that, from which the employee habitually carries out his work in performance of the contract.**
3. **The State where the work is habitually carried out shall not be deemed to have changed if the employee is temporarily employed in another State. Where it is clear from all the circumstances of the case that the contract is more closely connected with a State other than that indicated in paragraph 2, the law of that other State shall apply.**

See as reference provisions

§§ 311 (2), 312 (2), 313 (1)(c) and (2) ALI Principles
Art 3:503 CLIP Principles
Art 25(2), 308(4) Joint Korean-Japanese Principles

Short comments

- 42 Guideline 23(1) recognizes party autonomy in terms of choice of law in an individual employment contract. In this context, Guideline 23 does not provide a definition of employment contract. It leaves to the competent court to determine whether

a contract is characterized as an employment contract as a preliminary question. In other words, characterization as to whether a contract constitutes an employment contract is up to the forum State. The law chosen by the parties shall not have the consequence of depriving the employee of the protection afforded to him or her by the mandatory employment regulations of the State in which or from which the employee habitually carries out his or her work in performance of the contract (*lex loci laboris*). Neither shall the law chosen by the parties have the consequence of depriving the employee of the protection afforded to him or her by the mandatory employment regulations of a different State in exceptional circumstances when the contract is more closely connected with the different State from the one in which or from which the employee habitually carries out his work in performance of the contract.

- 43 Guidelines 23(2) and (3) are the fall-back provisions in the absence of choice of law made by the parties. Guideline 23(2) prescribes that, in the absence of a choice of law made by the parties, the individual employment contract shall be governed by the law of the State in which the employee habitually carries out his work in performance of the contract. In this regard, the State where the work is habitually carried out shall not be deemed to have changed if the employee is temporarily employed in another State. Otherwise, the applicable law could be changed by sending an employee to work in another State. In cases in which no habitual place of work can be identified, the law of the State from which the employee habitually carries out his or her work in performance of the contract.
- 44 Guideline 23(2) sentence 2 will apply to the cases where the employee is expected to resume working in the State of origin after carrying out his work abroad for a limited period of time.
- 45 Due to the high threshold (“more closely” connection standard), Guideline 23(3) will apply to exceptional cases only. This provision makes it possible to deviate from the law of the State in which or from which the employee habitually carries out his/her work.
- 46 Guideline 23 does not provide which country’s law applies to cases where the law of the State in which or, failing that, from which the employee habitually carries out their work in performance of the contract cannot be determined. However, it is based on the assumption that the closest connection test should be applied to those situations. If it is impossible to determine a State in which or from which the employee habitually carries out his or her work,

the law of the State of the place of business through which the employee was engaged will be taken into account.

Extended comments

Hypothetical 1

A, a producer of diagnostic medical instruments and a habitual resident of State X, brought an action before a court of State Y against A’s former employee B, a habitual resident of State Y, for patent infringement, alleging that B applied for and obtained a patent for the same diagnostic medical instruments in State Y. B argued that the invention was made before his/her employment contract with A whereas A claimed it was made in the course of his/her employment. The employment contract designated the law of State X as its governing law. The law of State X, which was the law chosen by A and B, will determine whether A can claim any rights arising of the contract under Guideline 23(1).

However, B worked in State Y, as an employee and he has a mandatory right to non-exclusive remuneration for invention under the law of State Y. Under Guideline 23(1) second sentence, application of the law of State X shall not have the result of depriving B of the mandatory right to non-exclusive remuneration afforded to him/her by the law of State Y.

Hypothetical 2

An employee A, a habitual resident of State X, has been employed in State Y by a pharmaceutical product company B of State Z. A has worked for B for the last 5 years in State Y. The employment agreement did not contain how much remuneration A would be paid for his invention made in the course of employment with B. In terms of the remuneration issue, the law of state Y shall apply under Guideline 23(2) sentence 1.

If A worked for the last 2 months in State X and returned to State Y, the law governing the remuneration issue is the law of state Y pursuant to Guideline 23(2) sentence 2.

Party autonomy principle

- 47 Guideline 23 does not define the employment contract. In this context, it will leave doors open for a court of the forum State to determine whether a contract is characterized as an employment contract as a preliminary question. In other words, characterization as to whether a contract constitutes an employment contract is up to the forum State.

- 48 Guideline 23(1) is modeled after Article 3:503 (1) of CLIP Principles. These provisions are very much influenced by Article 8 of the EU Rome I Regulation.
- 49 Guideline 23(1) recognizes party autonomy in terms of choice of law in an individual employment contract, for the interpretation of the contract¹⁵ and for determining its effect,¹⁶ while prohibiting such a choice of law from having the result of depriving the employee of the protection afforded him/her by provisions that cannot be derogated from by agreement¹⁷ under the law applicable pursuant to the following fall-back provisions.

Fall-back provisions in the absence of choice of law

- 50 Guidelines 23(2) and (3) provide the fall-back provisions in the absence of choice of law made by the parties.¹⁸ Guideline 23(2) sentence 1 prescribes that, in the absence of a choice of law made by the parties, the individual employment contract shall be governed by the law of the State in which or, failing that, from which the employee habitually carries out their work in performance of the contract. Guideline 23(2) sentence 1 is identical to Article 8(2) sentence 1

of the Rome I Regulation and Article 3:503 (2) of CLIP Principles. Apart from party autonomy principle, Guideline 23(2) sentence 1 provides for functional allocation, i.e., the law applied to the employment contract is the law of the State where the employee habitually works.

- 51 In this regard, the State where the work is habitually carried out shall not be deemed to have changed if they are temporarily employed in another State.¹⁹ Otherwise, the applicable law may be changed by sending an employee to work in another State. In cases in which no habitual place of work can be identified, the law of the State from which the employee habitually carries out his work in performance of the contract.
- 52 Guideline 23(2) sentence 2 will be applied to the cases where the employee is expected to resume working in the State of origin after carrying out his works abroad. In this context, the conclusion of a new employment contract with the original employer or an employer belonging to the same group of companies as the original employer should not bar the employee from being considered as carrying out his tasks in another State temporarily. The decisive factor in terms of Guideline 23(2) sentence 2 is the intention of the parties (*animus retrahendi*).

Exception Clause

- 53 Due to the high threshold (“more close” connection standard), Guideline 23(3) will apply to exceptional cases only.
- 54 According to Guideline 23(3), where it is clear from all the circumstances of the case that the contract is more closely connected with a State other than the law of the State in which or, failing that, from which the employee habitually carries out his or her work in performance of the contract, the law of that other State shall apply.²⁰
- 55 For example, this exception clause is applicable to the right to claim a patent right in case of several co-inventors who are habitually employed in different States. In order to avoid applying several different laws to the right, the initial owner of the right should be identified in accordance with the closest connection test under Guideline 23(3). The governing law will ordinarily be the law of the State where the center of gravity of the inventive activity is situated or, as the least preferable option, to the State of the habitual residence of the employer. In another example, when it comes to assignment or license of international property rights, the employment

15 CJEU, C-64/12, ECLI:EU:C:2013:551 – *Anton Schlecker v Melitta Josefa Boedeker*; § 45 (holding that Article 6(2) of Rome I Regulation, [2008] OJ L 177/6, “must be interpreted as meaning that, even where an employee carries out the work in performance of the contract habitually, for a lengthy period and without interruption in the same State, the national court may, under the concluding part of that provision, disregard the law of the State where the work is habitually carried out, if it appears from the circumstances as a whole that the contract is more closely connected with another State”); CJEU, C-29/10, ECLI:EU:C:2011:151 – *Heiko Koelzsch v État du Grand Duchy of Luxembourg*; § 51 (Article 6 (2)(a) of Rome I Regulation, [2008] OJ L 177/6, must be construed “as meaning that, in a situation in which an employee carries out his activities in more than one Contracting State, the State in which the employee habitually carries out his work in performance of the contract, within the meaning of that provision, is that in which or from which, in the light of all the factors which characterize that activity, the employee performs the greater part of his obligations towards his employer.”).

16 The Korean Supreme Court, Case No. 2012 Da 4763, 15 January 2015, which held that the grant of a free non-exclusive license to an employer by operation of law would be governed by the law applicable to the employment relationship. Its lower court decision was the judgment rendered by Seoul High Court, Case No. 2011 Na 20210, 8 December 2011.

17 Supreme Court of Oklahoma, *Howard v Nitro-Lift Technologies, L.L.C.*, 2011 OK 98, 273 P. 3d 20, 331 I.E.R. Cas. (BNA) 902 [2011], petition for cert. filed, 80 U.S.L.W. 3647 [U.S. May 14, 2012].

18 Cf. Article 8 Rome I Regulation, [2008] OJ L 177/6.

19 Article 8(2) 2 of Rome I Regulation, [2008] OJ L 177/6.

20 Article 8(4) of Rome I Regulation, [2008] OJ L 177/6.

contract is presumed to be most closely connected to the State in which the assignor or the licensor resided at the time of the execution of the contract.²¹

- 56 Guideline 23(3) is reserved for exceptional cases, so that courts can apply it only in special circumstances. Some factors to be taken into account as relevant circumstances of the case include the nationality and location of the parties, the language and currency used in the contract, and the existence of previous employment contracts between the parties.²² Guideline 23(3) does not allow the seeking of the most favorable solutions for the employee from the perspective of substantive law.
- 57 Guideline 23 does not provide what law is applied to cases where the law of the State in which or, failing that, from the employee habitually carries out their work in performance of the contract cannot be determined.²³ However, it is based on the assumption that the closest connection test should be applied to those situations. If it is impossible to determine a State in which or from which the employee habitually carries out his or her work, the law of the State of the place of business through which the employee was engaged will be taken into account.

Public Policy or Mandatory Rules

- 58 Guidelines 23(1) enforces the mandatory employment regulations of the State in which or from which the employee habitually carries out his/her work in performance of the contract (*lex loci laboris*), or of another State where has more connected with the State in which or from which the employee habitually carries out his/her work in performance of the contract. Some good illustrative examples are mandatory provisions applied to employees for employee inventions and mandatory remuneration for employee inventions. The phrase “provisions which cannot be derogated from by agreement” should be differentiated from the term “overriding mandatory provisions” in Guideline 29 and should

²¹ § 315(2)(2) ALI Principles.

²² A place of residence in the other State turned out to be insufficient to repeal the law of the State in which the employee habitually carries out his work in the English case of *Shekar v Satyam Computer Services* (2005 ICR 737).

²³ Article 8(3) Rome I Regulation, [2008] OJ L 177/6, providing that, where the law of the State in which or, failing that, from which the employee habitually carries out their work in performance of the contract cannot be determined, the contract shall be governed by the law of the State where the place of business through which the employee was engaged is situated.

be interpreted more broadly.²⁴

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24. Formal Validity

1. **Any contract dealing with intellectual property rights shall be formally valid to the extent that it satisfies the formal requirements:**
 - a) **of the law of the State which governs the contract pursuant Guidelines 21-23, or**
 - b) **of the law of the State in which either of the parties has its habitual residence at the time of the conclusion of the contract, or**
 - c) **of the law of any other State with which the contract is connected.**
2. **This provision shall not deprive creators, performers and employees of the protection resulting from Guideline 21 paragraph 2 and Guideline 23, paragraph 1.**

See as reference provisions:

§ 315 ALI Principles

Art 3:504 CLIP Principles

Art 306(4) Transparency Proposals

Short comments

- 59 In order to avoid invalidating contracts for defects of form, Guideline 24(1) provides several alternative connecting factors. These are, on the one hand, in (a), the law that governs the substance of the contract, as determined under the prior Guidelines; on the other hand, under (b) and (c), more circumstantial elements: the State in which each party habitually resides; or any other State with which the contract presents a connection.
- 60 Guideline 24(2) nonetheless constrains this very open-ended approach to formal validity. Certain formal requirements, such as the detailed specification of the remuneration, or the specification of modes of exploitation of works of authorship have a particularly strong connection to the substantive law governing the agreement, and are intended to protect the author or performer. These requirements must be respected if they are mandated by the State whose law Guideline 21(2) and Guideline 23(1) designate.

²⁴ Recital 37 of the Rome I Regulation, [2008] OJ L 177/6. See Guideline 29.

Extended comments**Hypothetical 1**

By virtue of the law that applies to the contract entered into between A and B, which is also the law of State X where A habitually resides, the agreement should have been notarized, which it was not. Nonetheless, B habitually resides in State Y whose law merely requires that the contract be in writing and signed by both parties, which is the case for A and B's agreement. Had there been no writing, it might nonetheless be possible to validate the contract if one of the other laws set out in Guideline 24(1) would validate a purely oral agreement.

Hypothetical 2

The contract concluded between author and publisher A and B concerns a single State X, whose law would apply by virtue of Guideline 22(1)(a). However, they have chosen the law of State Y to govern their contractual relationship, as Guideline 21 permits. The law of State Y does not require that a grant of rights in future technologies be explicit. By contrast, under the law of State X, such a grant must be specifically stated. A may claim the benefit of this protective formal rule.

Alternative connecting factors

- 61 Consistently with a widespread approach,²⁵ Guideline 24(1) enumerates different connecting factors in order to increase the chances that one of the designated laws will validate the form of the contract. One connecting factor on which the Guidelines do not rely is the State in which the parties were present at the time of the contract's conclusion. If this location has any significant bearing on the transaction, it will come within the general criterion of "any other State with which the contract is connected". Setting out the place of the parties' presence as an autonomous point of attachment, however, risks subjecting the validity of the form of the contract to the law of a State with which the transaction has no meaningful connection. For example, party A could be in the Dubai airport on a stopover from New York to Singapore when, using Skype, A concludes a contract dealing with a Brazilian trademark with B, a French citizen, who is on a skiing holiday in Switzerland when she participates in the Skype call.
- 62 Guideline 24(1)(c) therefore refers to the law of any other State with which the contract has a connection. Such a State could be the one for which rights are granted, or of another contract between the parties to which the current contract is related. If the parties

have specifically chosen a particular place in which to conclude and sign the contract, that place may have a relevant connection to the agreement.

Formal requirements intended to protect authors and performers

- 63 Following up on the protection guaranteed by Guideline 21(2) and Guideline 23(1), Guideline 24(2) guarantees the application of the more protective formal rules of the State whose law would apply to the contract in the absence of a choice of law clause. In such cases, it is unnecessary to assess whether these requirements constitute overriding mandatory rules within the meaning of Guideline 29; it suffices that they be more protective of the interests of authors and performers, whether or not they are employees, than the rules of formal validity Guideline 24(1)'s multiple connecting factors would otherwise designate. Moreover, thanks to Guideline 24(2), the international regime of more protective laws aligns with the regime of more protective laws governing the substance of the contract. The distinction between form and substance thus disappears, obviating the need to litigate whether a particular rule goes to a contract's form or its substance.

Marie-Elodie Ancel, Jane C Ginsburg

C. Infringements**25. Basic Rule on Infringement**

1. **The law applicable to the infringement of an intellectual property right is the law of each State for which protection is sought.**
2. **The law applicable to the remedies for the infringement may be chosen by the parties.**

See as reference provisions

§§ 301-302 ALI Principles

Arts 3:601, 3:602, 3:605, 3:606 CLIP Principles

Arts 301, 303, 304 Transparency Proposal

Arts 304-305 Joint Korean-Japanese Principles

Short comments

- 64 Guideline 25 lays down an internationally accepted rule of *lex loci protectionis* that requires subjecting intellectual property infringements to the law of the State for which protection is sought. It is the same rule that applies to proprietary aspects of intellectual property disputes (Guideline 19). *Lex loci protectionis* reflects the territorial nature of intellectual property rights, and implies that different States' laws may define intellectual property right infringements

²⁵ See also Article 11 Rome I Regulation, [2008] OJ L177/6.

in different ways, which may lead to different outcomes in a cross-border intellectual property infringement case. This rule should be distinguished from the *lex fori* rule which subjects intellectual property infringement to the law of the State where the infringement is litigated.

- 65 Guideline 25 also sets an exception to the territoriality principle. It allows parties to choose law applicable to the remedies for the infringement. This rule is meant to provide more discretion for the parties to the dispute and increase efficiency of the proceedings. This party autonomy rule is limited as it applies to the remedies for the infringement only, and does not apply to other infringement-related or proprietary issues.

Extended comments

Hypothetical 1

Patent holder A situated in State X has patent rights over an invention in States Y and Z. Company B established in state Y infringes A's rights by producing an infringing product in State Y and selling it in States Y and Z. A may choose to sue B in State Y, B's domicile, and claim an infringement both in States Y and Z (see international jurisdiction rule under Guideline 3). In such a case, State Y's court will have to apply Y's and Z's laws to determine whether there is an infringement and what remedies are available in each State separately.

Hypothetical 2

Company A situated in State X has copyright on a film. Company A has a contract with a distribution company B situated in State Y that assigned company B film distribution rights for the territory of State Y. The contract States that all disputes arising out of or related to the contract, including disputes related to any possible future right infringements, are governed by the law of State X. B starts making and distributing copies of A's film in State Z. A sues B in State Y (B's domicile) for copyright infringement occurring in State Z. Although the infringement will have to be adjudicated under Z's law as the law of the State for which protection is sought, remedies may be determined under State's X law as the law chosen by the parties.

Territoriality and a "Mosaic Approach"

- 66 *Lex loci protectionis* rule provided for in Guideline 25(1) mirrors the territoriality principle which underlies intellectual property rights and that could be implied from international intellectual property treaties.²⁶ It leads to a so called "Mosaic Approach"

whereby a right holder enjoys multiple national intellectual property rights that exist in different States independently. Even in case of unregistered rights, such as copyright, the territoriality principle suggests that there is no single universal copyright in a work; rather, copyright in each State exists separately and, therefore, cross-border infringement of copyright should be adjudicated in each protecting State independently. The underlying rationale of this rule is that each State has sovereignty to determine the scope of intellectual property rights and the consequences of their infringement. A similar applicable law rule for intellectual property infringements could be found in many national and regional laws (e.g., the EU Rome II Regulation²⁷) and all predecessor projects.

Scope of lex loci protectionis

- 67 It could be implied from Guideline 25(1) that *lex loci protectionis* applies to all infringement-related issues, such as existence of the infringement, extent of liability, limitations on liability, remedies and others. While the Guideline does not list all issues that are covered by the "infringement", such lists are available under some national and regional laws.²⁸ As indicated earlier, the *lex loci protectionis* rule also applies when determining the existence, scope and transferability of the right (see Guideline 19). In contrast, initial ownership of the right and ubiquitous infringements are determined under separate sets of rules (see Guidelines 20 and 26 respectively).

Party autonomy as an exception to territoriality

- 68 Party autonomy that is implemented in Guideline 25(2) is an exception to the territoriality principle and the *lex loci protectionis* rule. Namely, parties are allowed to choose a single law that applies to remedies in a single-state or multi-state intellectual property infringement. The rationale of this rule is that parties to the intellectual property infringement dispute, like in any other tort case without broader public interest, should be given certain discretion how to deal with the legal dispute. Hence, they should be able to choose law that will govern at least the remedies in the case. Reducing the number of laws that have to be applied to determine remedies in different States allows a more efficient adjudication of multi-state intellectual property disputes. Traditionally, due to a strict territorial approach to intellectual property rights, choice of law by parties has not been possible in disputes over intellectual

literary and artistic works (1886).

27 Article 8(1) Rome II Regulation, [2007] OJ L199/40.

28 See e.g. Article 15 Rome II Regulation, [2007] OJ L199/40.

26 See e.g. Article 5(2) Berne Convention for the protection of

property rights.²⁹ However, some national laws allow parties to choose the law in intellectual property law disputes,³⁰ and all predecessor projects suggested introducing party autonomy in intellectual property disputes, although to a slightly different extent.³¹

Exercise and limits of party autonomy

- 69 Parties are free to choose the law applicable to the remedies at any point in time. Since the Guideline does not restrict the time when the choice could be made, it could be made before or after the dispute arises (e.g. in a pre-existing contract).
- 70 According to Guideline 25(2), party autonomy in intellectual property disputes is limited to the kinds of redress for injury. Parties are able to choose applicable law to remedies only. This includes injunctions, damages and other sanctions, such as seizure and destruction of infringing goods, although procedural aspects shall be subject to the *lex fori*. For all other matters, such as existence of the right, its scope and transferability, initial ownership as well as all other issues related to the infringement (e.g. third party liability, limitation of liability and others), parties cannot choose the applicable law. With relation to these issues, respective applicable law rules prescribed under these Guidelines will have to apply. All predecessor projects also adopt restrictions with regard to party autonomy in intellectual property disputes.³²

29 E.g. EU Rome II Regulation, [2007] OJ L199/40, does not allow such choice either, see Article 8(3) Rome II Regulation.

30 E.g. Article 110(2) Swiss Federal Code on Private International Law and Article 50 China's Law on the Laws Applicable to Civil Relationships Involving a Foreign Element Foreign-related Civil Relations. Concerning the application of this provision, see Xiang Weiren v Peng Lichong ("Drunken Lotus"), [2015] Jing Zhi Min Zhong Zi 1814, applying Chinese law to infringements occurring in Germany and Russia on the basis that the parties agreed on the application of the law of the forum. Full text of the case can be found here (in Chinese): http://pkulaw.cn/case_es/payz_a25051f3312b07f3119ba99f8e37a1268f07b2edd50f2343bdfb.html?match=Exact

31 See § 302 ALI Principles; Article 3:606 CLIP Principles; Article 304 Transparency Proposals; Article 302 Joint Korean-Japanese Principles.

32 See § 302 ALI Principles; Article 3:606 CLIP Principles; Article 304 Transparency Proposal; Article 302 Joint Korean-Japanese Principles.

Choice of parties can be overridden

- 71 Despite a limited party autonomy allowed under this rule, parties' choice of law may still lead to results that are not compatible with forum's public policy or mandatory rules (e.g. punitive damages available in some jurisdictions might be seen as incompatible with public policy in some jurisdictions). In such a case, courts may rely on public policy and mandatory rules set in the Guidelines (Guidelines 28 and 29) and deny the application of law chosen by the parties.

Rita Matulionyte

26. Law Applicable to Ubiquitous or Multi-state Infringements

1. **When the infringement in multiple States is pleaded in connection with the use of ubiquitous or multinational media, the court may apply to the infringement as a whole the law or laws of the State(s) having an especially close connection with the global infringement. Relevant factors to determine the applicable law (or laws) in these situations include:**
 - the place where the harm caused by the infringement is substantial in relation to the infringement in its entirety;
 - the parties' habitual residences or principal places of business;
 - the place where substantial activities in furthering the infringement have been carried out.
2. **In situations where paragraph (1) is applied, any party may prove that, with respect to particular States covered by the action, the solution provided by any of those States' laws differs from that obtained under the law(s) chosen to apply to the case as a whole. The court must take into account such differences when fashioning the remedy.**
3. **Paragraphs (1) and (2) above may apply mutatis mutandis in cases of secondary or indirect infringements of intellectual property rights.**

See as reference provisions

§§ 301-302, 321 ALI Principles
Arts 3:603, 3:604 CLIP Principles
Art 302 Transparency Proposal
Art 306 Joint Korean-Japanese Principles

Short comments

- 72 Guideline 26 sets a new applicable law rule for infringements occurring via ubiquitous or multinational media, such as the Internet. It suggests that such ubiquitous or multinational infringements could be adjudicated under a single law with an especially close connection to the dispute. It departs from the territoriality principle and abandons the requirement that a multi-state infringement shall be subject to the law of each protecting State separately.
- 73 The purpose of this rule is to facilitate the enforcement of global intellectual property infringements and ensure that remedies for the entire global infringement could be granted under a single applicable law. At the same time, the Guideline contains an exception that allows parties to invoke another law that provides a different outcome to the dispute. This establishes a balance between territoriality and universality approaches in ubiquitous infringement cases. The rule can also be applied to indirect or secondary infringements.

Extended comments

Hypothetical 1

A, who resides in State X, owns rights into a song. The song was uploaded without authorization on B's website and became accessible for free in essentially all States around the world. B resides and B's business is registered in State Y. B's website is in English and its users primarily come from English-speaking States, such as State X, where A's songs are best known. A sues B in State Y, B's domicile, and requests the court to adjudicate the entire multi-state dispute under the law of State X. X's law arguably has an especially close connection with a dispute since significant harm occurred in State X when users originating in State X downloaded the song, and at least one party resides in State X.

State's X law allows additional (punitive) damages. As State's Y law does not allow additional damages, B can claim that State's Y law, if applied, would lead to a different result. The court may take this into account and reduce damages in proportion to a number of users who accessed the song from State Y.

Ubiquitous infringements and a single-law approach

- 74 Guideline 26(1) subjects ubiquitous intellectual property infringements to a single applicable law and thereby establishes an exception to the territoriality principle. The rule proposed in this Guideline is novel and has not been adopted in any national, regional or international laws yet. However, all predecessor projects contained a single-law approach that allows

adjudicating multi-state infringements by applying a single applicable law, instead of multiple laws of several States.

- 75 The purpose of the rule is to facilitate the adjudication of multi-state infringements which otherwise would be subject to multiple national laws. In particular, it applies in cases where infringements occur when using ubiquitous or multinational media, such as the Internet. In such an environment, intellectual property rights can be simultaneously infringed in a number of jurisdictions and enforcing these rights by applying a traditional territorial approach is impracticable, if possible at all. Such infringements are most frequent with relation to copyright which is automatically protected in all Berne Union Member States³³ and is easily infringed in all of these States. This rule might be particularly relevant in *prima facie* copyright infringement cases (e.g. straightforward copyright "piracy" cases) but might be little useful in less straightforward cases (e.g. involving the interpretation and application of copyright exceptions). Single-law approach could also be applied with relation to multi-state trademark infringements online, e.g. when a trademark is registered in multiple States, or with relation to trade marks that are protected under national laws without registration.

A single law with an "especially close connection"

- 76 The law that applies to adjudicate the entire multi-state dispute is the law that has "an especially close connection" with the infringement. An especially close connection rule has been chosen as a flexible rule that helps to avoid "forum shopping" and "race to the bottom" problems that other more specific rules would cause (such as *lex fori* or *lex loci delicti*). The Guideline provides a non-exhaustive list of factors that should be taken into account when determining which law has a sufficiently close connection, such as a place of substantial harm, parties' habitual residence or a place of business, and place of substantial activities. The court will have to take all relevant circumstances into account in order to determine which State has an especially close connection to the dispute. If the dispute appears to have an equally close connection to several States, several laws might apply to different parts of a multi-state infringement.

Limits of a single-law approach

- 77 Guideline 26(1) is meant to apply in situations where respective intellectual property laws are similar in all States covered by the claim and therefore it is very likely that the infringement would be

³³ Signatories of the Berne Convention for the protection of literary and artistic works (1886).

established under each law separately. When this is not the case, Guideline 26(2) sets an exception to the rule. It allows any party to argue that the State other than the one with an especially close connection has different laws on the matter (e.g. has broader or narrower copyright exceptions, different liability rules or remedies available). The court is required to take into account such differences in fashioning the remedy (e.g. by excluding a particular State from an injunction or reducing damages accordingly).

- 78 In addition, Guideline 26 “allows” but does not “require” the courts to apply the ubiquitous infringement rule. This means that the general rule of *lex loci protectionis* (Guideline 25(1)) may also be applied for the adjudication of ubiquitous infringements. If the court finds that a single-law approach proposed by the ubiquitous infringement rule is not suitable for a particular infringement occurring over ubiquitous media, the court may resort to a traditional *lex loci protectionis* rule and adjudicate the dispute under the law of each protecting State separately.

Secondary infringements may be subject to a single-law approach

- 79 Guideline 26 may also be applied in case of secondary or indirect infringements. However, applying a single-law approach to such infringements might be more difficult since liability for secondary or indirect infringements is not internationally or regionally harmonized. It is more likely to be applied in straight-forward (*prima facie*) intellectual property infringement cases. Notably, the ubiquitous infringement rule was extended to secondary or indirect infringements only in some of the predecessor projects,³⁴ while the remaining predecessor projects did not address this complicated matter at all.

Rita Matulionyte

27. Collective Rights Management in the Field of Copyright and Related Rights

1. The law of the State where a collective rights management organization has its actual seat of administration shall govern
 - a) the requirements for the specific corporate structure of collective rights management organizations;
 - b) the rights, conditions and principles concerning the relationship of the right holder, as well as of another collective rights management organization representing

right holders, vis-à-vis a collective rights management organization, such as

- (i) the right and conditions for becoming a member of this organization;
 - (ii) the right and conditions for entrusting rights to this organization;
 - (iii) the rights and conditions for withdrawing the management of rights from this organization;
 - (iv) the requirements regarding the calculation and distribution of the organization’s revenue to the right holders and other collective rights management organizations representing right holders; and
 - (v) the rights and conditions on access to alternative dispute resolution to be offered by the collective rights management organization; and
- c) in absence of a choice of law by the parties, the contract under which the right holder entrusts rights to this organization.
2. The law of the State for which protection is sought shall govern
 - a) the presumption that a collective rights management organization is empowered to seek protection for certain works or subject-matter of related rights;
 - b) mandatory collective rights management;
 - c) the power of an individual collective rights management organization to grant licenses or collect statutory remuneration without prior consent of the right holder;
 - d) the issue of whether and under which conditions a collective rights management organization has to license rights to users; and
 - e) the requirements regarding the calculation of the royalty rates and statutory remuneration.
 3. The law of the forum shall govern legal standing of a collective right management organization before a court.
 4. This guideline applies without prejudice to the applicable competition law rules.

³⁴ See Article 3:604 CLIP Principles.

Short comments

- 80** As all private international law rules, Guideline 27 on collective rights management only relates to private law issues. It does not identify the administrative law that State authorities apply when controlling collective rights management organizations (in the following: CMOs). Whether national provisions are of a private or administrative law nature should be decided in the light of the potentially applicable national law. Rules that have both a private and administrative law character fall within the scope of the Guidelines.
- 81** Guideline 27 is an innovation in private international law. Neither national law nor international law specifically provide conflict rules relating to collective rights management. When legislatures adopt sector-specific rules on collective rights management, they typically remain silent on issues of private international law.
- 82** Contrary to the past, private international law is quickly gaining relevance with regard to collective rights management. Especially in the field of online use of music, multi-territorial licensing has emerged as a new tool used by CMOs. Equally, right holders may decide to mandate their rights to a foreign CMO. In the European Union, harmonization of the law on collective rights management is particularly motivated by the objective to enhance cross-border competition among national CMOs for right holders.
- 83** The major question to be answered is whether and to which extent a deviation from the *lex loci protectionis* rule should be advocated. Guideline 27(1) proposes such deviation in favor of the application of the law of the State of the actual seat of administration of a CMO for all issues regarding the relationship between such CMO and right holders. Conversely, Guideline 27(2) maintains the *lex loci protectionis* rule for issues concerning the relationship between a CMO and users.
- 84** Regarding the relationship with right holders, application of the law of the State of the CMO's actual seat of administration has considerable advantages. Right holders will often prefer to mandate their rights under multiple national laws to a single CMO. In such instances, Guidelines 27(1) avoids the need for parallel application of multiple laws. This enables the CMO to define its relationship with all right holders uniformly against the backdrop of its national law. Application of the national law at the CMO's actual seat of administration also favors application of the same national law in a private and administrative law context. Conversely, there is no legitimate interest that would advocate the application of the *lex loci protectionis* or the law of the State of the habitual residence of the right holder.
- Since right holders can freely decide whether they prefer to mandate the management of their rights to the local CMO or a foreign CMO, cross-border competition among CMOs should sufficiently take care of their economic interests.
- 85** Regarding the relationship with users, application of the *lex loci protectionis* rule according to Guideline 27(2) is mandated by the application of this same law according to Guideline 25(1) in the case of infringement. Hence, the *lex loci protectionis* applies both to legal and to illegal use of rights. Application of the *lex loci protectionis* also guarantees a level-playing field of all, national and foreign, CMOs with regard to the use of rights in a given State. In contrast, deviation in favor of the law of the State of the CMO's actual seat of administration would open the door for forum shopping, since CMOs could choose to establish their seat in a State with lower levels of protection for users.
- 86** Yet some States limit the possibility of foreign CMOs to claim rights for their right holders before national courts. Guideline 27(3) characterizes this issue as a procedural one, stating that the law of the forum should decide on this matter. This rule prevents individual States from introducing such limitations on legal standing with effect before foreign courts.
- 87** Guideline 27 needs to be delimited from other choice-of-law rules. Guideline 27(4) explicitly states that Guideline 27 applies without prejudice to the applicable competition law rules. Still, the *lex protectionis* rule pursuant to Guideline 27(2) will typically be the same as the law applicable under the effects doctrine in the field of competition law.
- 88** Apart from Guideline 27(1)(c), Guideline 27 does not aim to identify the contract law applicable to the contractual relationship between a CMO, on the one hand, and right holders or users, on the other hand. Accordingly, the parties are in principle free to choose the law that governs their contractual relationships. Yet, where a choice of law is absent, Guideline 27(1)(c) departs from Guideline 22, stipulating that the law of the State of the CMO's actual seat of administration should apply in such case. This rule recognizes the legitimate interest of a CMO to apply its national law uniformly to all, national and foreign, rights it manages and all, national and foreign, right holders it represents.
- 89** The freedom to choose the applicable law also governs the relationship with users pursuant to Guidelines 21 and 22. Most importantly Guideline 22(1)(b) departs from the application of the *lex loci protectionis* in case of contracts regarding intellectual property for more than one State, such as in the case of multi-territorial licenses. The second indent of this provision, referring to the habitual residence of the

party effectuating the characteristic performance, will typically lead to the application of the law of the State of the actual seat of the CMO that grants the license.

- 90 Guideline 27 does not include any rule on the applicable law to representation agreements between CMOs. In this regard, the applicable contract law also arises from Guidelines 21 and 22. Yet Guideline 27(1) also applies to the extent that a CMO has mandated the management of rights it represents to another CMO, especially with regard to the territory of another State. Hence, Guideline 27(1) should not be read to apply exclusively to cases where right holders directly claim rights against a CMO but also where they do so through representation by their CMO against another CMO.
- 91 Guideline 27(1)(a) identifies the applicable law for requirements for the specific corporate structure of CMOs. Yet this rule does not define the applicable corporate law to CMOs. However, in individual cases, it may restrict the autonomy, otherwise available to the founders and members of a CMO under the applicable corporate law, to choose a particular corporate form or to design the internal rules or structure of a CMO.

Extended comments

Hypothetical 1

A is a limited society established in State X and manages the related rights of broadcasting organizations. A decides to open an office in State Y for the sole purpose of directly granting licenses for the cable retransmissions of its programs to the local cable operators. A is also directly mandated to manage the rights of the programs of the private TV broadcasting corporation B from State Z under the copyright law of X and Y. Regarding the relationship between B and A, Guideline 27(1) leads to the application of the law of X with regard to the rights under the law of Y. As regards the connecting factor of the “actual seat of administration”, it is only relevant where the CMO administers the relationship with the right holders; the mere fact that A decided to locate the licensing of rights to an office in State Y as regards to cable operators in Y does not suffice to make the law of Y applicable to the relationship between M and A.

Hypothetical 2

Composer A is habitually resident in the South American State X. Her music is especially popular in the EU. She therefore seeks to mandate the CMO B, which has its headquarters in the EU Member State Y, with the licensing of her rights for the whole of the EU. Under the national law of Y, a CMO is under

an obligation to manage the rights of right holders. Pursuant to Guideline 27(1)(b)(ii), B is obliged to accept the management of A’s rights for all Member States of the EU.

Hypothetical 3

The law of State X provides for an unwaivable remuneration right of authors and performers regarding the rental of a phonogram or a film where the exclusive right has been licensed to a phonogram or a film producer. The remuneration right can only be claimed by a CMO. In addition, the law of X recognizes the principal director of a cinematographic or audiovisual work at least as a co-author of such work. A is a film director who was hired by the film producer B from State Y for producing a film which is also exploited in State X through the rental of DVDs. Under the contract with B, A has transferred or licensed all worldwide copyrights to the extent possible to B. Pursuant to Guideline 19, the non-transferability of the remuneration right under the law of X as the applicable *lex loci protectionis* is recognized from a private international law perspective. Because of the lack of transferability, initial ownership of the remuneration right is also governed by the law of X pursuant to Guideline 20(2) (b). Therefore, A has to be considered the holder of the unwaivable remuneration right under the law of X. In addition, pursuant to the law of X, applicable as the *lex loci protectionis* pursuant to Guideline 27(2) (b), A has to use the system of mandatory collective rights management in X to generate income from the remuneration right.

Scope of application and connecting factors

- 92 Guideline 27 only applies to ‘collective rights management organizations’ (CMOs) without providing a definition of such organizations. To distinguish CMOs from other entities that acquire rights from original right holders, the distinguishing criterion is the fiduciary relationship between the CMO and its right holders. Within these entities, national jurisdictions may further differentiate. For instance, EU law distinguishes between “collective management organizations”, on the one hand, and “independent management organizations”, on the other. The former are owned or controlled by the right holders or organized on a non-for-profit basis.³⁵ Such differentiation is needed on the EU level, since different rules of EU law will only apply to the former group of entities or to both. For the purpose of applying Guideline 27, the concept of a “collective rights management organization” should be understood broadly to cover all cases where national laws provide for special rules applicable to entities that manage copyrights or related rights on behalf of

³⁵ Article 3(a) CMO Directive (2014/26/EU), [2014] OJ L84/21.

more than one right holder. Accordingly, Guideline 27 should in principle also apply to “independent management organizations” in the sense of EU law.

- 93 As expressed by its title, Guideline 27 only applies to CMOs that manage copyrights and related rights. There are also entities that manage other intellectual property rights, especially patents, on behalf of several right holders. However, extension of Guideline 27 to so-called “patent aggregators” or “patent assertion entities (PAEs)” is not needed, since national laws do not typically provide for special sector-specific private rights regarding the relationship of such entities with right holders or potential users. To the extent that national law controls so-called patent “hold-up”, as the claiming of an injunction against an implementer especially of standard essential patents with the objective to charge excessive royalty rates, the underlying patent, contract or competition law rules typically apply to all patent holders and not specifically to PAEs acting on behalf of other right holders. Yet courts will not be prevented from applying Guideline 27 *mutatis mutandis* where national laws provide or will provide for rules that specifically apply to entities managing other rights than copyrights and related rights.
- 94 For the purpose of applying Guideline 27(1), the Guidelines do not define the “actual seat of administration of a CMO”. This provides the necessary flexibility to ensure that the same national law applies in both private and administrative law enforcement. In the EU context, the connecting factor should in principle be understood in the sense of the “State of the establishment” of a CMO. According to Article 36(1) EU CMO Directive³⁶, EU Member States are under an obligation to ensure that their competent authorities control compliance of CMOs established in their territory with the national law adopted under the Directive.³⁷ Since the CMO Directive, not containing a definition of “establishment” either, aims to guarantee the freedom of providing services of CMOs within the internal market, it seems appropriate in principle to define “establishment” according to the rules of the EU Services Directive, namely, as “the actual pursuit of an economic activity ... by the provider for an indefinite period and through a stable infrastructure from where the business of providing services is actually carried out”.³⁸

36 EU CMO Directive 2014/26/EU, [2014] OJ L84/21.

37 According to Article 2(4) CMO Directive 2014/26/EU, [2014] OJ L84/21, Article 36 also applies to “independent management organizations” in the sense of Article 3(b) of the Directive.

38 Article 4(5) Directive 2006/123/EC of the European

- 95 However, this definition is still in need of being adjusted to the purposes of Guideline 27(1). Since Guideline 27(1) only applies to the relationship of CMOs with right holders, the relevant economic activity in the sense of the abovementioned definition from the Services Directive should be limited to the administration of relationships with right holders. Hence, in the case where a CMO only opens an office in another State for the purpose of granting licenses to users in that State, while the relationships with right holders are administered from the headquarters, the CMO should not be considered to have an actual seat of administration in that State of the licensing branch for the purpose of applying Guideline 27(1) (see Hypothetical 1, above). Conversely, where a CMO decides to locate the administration of the relationship with right holders or a group of right holders to a branch in another State, the law of that State will apply. Hence the “actual seat of administration” does not have to be the principle seat of the CMO’s overall economic operation.

Requirements for the specific corporate structure of CMOs

- 96 The corporate structure of CMOs has an impact on the ability of right holders to become members or shareholders of the CMO and, hence, to control the operation of the CMO. To protect the economic interests of right holders, some national laws therefore prescribe a particular corporate form³⁹ for the operation of collective rights management or create obligations for the design of the corporate structure of CMOs. Some national laws may also require CMOs to be run as non-for-profit entities.⁴⁰
- 97 Guideline 27(1)(a) only relates to rules that specifically regulate the corporate structure of CMOs. It does not replace the generally applicable choice-of-law rule for corporate law matters. The two conflict rules can in fact lead to different national laws where the choice-of-law rule of the deciding court on corporate law matters designates the law of the State of the incorporation as the

Parliament and of the Council of 12 December 2006 on services in the internal market, [2006] L376/36.

39 For instance, Turkish law requires CMOs to be incorporated as “professional unions in accordance with the regulations and type statutes prepared by the Ministry of Culture and approved by the Board of Ministers”; Section 42 Law No. 5846 of 5 December 1951 on Intellectual and Artistic Works, as amended by Law No. 4110 of 7 June 1995.

40 For an overview of such systems see Copyright, Competition and Development, Report by the Max-Planck-Institute for Intellectual Property and Competition Law on behalf of WIPO (author Josef Drexl, December 2013), 232.

applicable law and the incorporation took place in another State than the State of the CMO's actual seat of administration. Hence, in such instances, the corporate law of the State of incorporation still applies in principle; but the law of the State of the CMO's actual seat of administration can limit the freedom of the founders to choose among different legal forms under the applicable corporate law and, especially, to design the concrete corporate structure of the CMO. Still, problems can arise where the applicable law under Guideline 27(1)(a) requires a particular corporate structure that is only available under the law of the State of the CMO's actual seat of administration. Such rule may indeed result in a requirement for a CMO to re-incorporate itself under the law of its actual seat of administration.

Rights, conditions and principles concerning the relationship of the right holder with a CMO

- 98 Guideline 27(1)(b) provides for a choice-of-law rule that makes the law of the State of the actual seat of the CMO applicable to all rights, conditions and principles concerning the relationship of the right holder with the CMO. To the extent that these rules include rights that define the contractual relationship of right holders with the CMO in the sense of mandatory contract law or rules that can be taken into account in the framework of rules against unfair contract terms, Guideline 27(1)(b) has to be considered a deviation from the freedom-of-choice rule of Guideline 21.
- 99 Regarding the rights and conditions for becoming a member of a CMO, Guideline 27(1)(b)(i) is situated at the borderline with Guideline 27(1)(a), since such rights and conditions, read in a broader sense, also affect the corporate structure of the CMO in the sense of the latter Guideline. Since both Guidelines lead to the application of the same law of the State of the CMO's actual seat of administration, a clear delimitation of the two rules is not needed. The scope of application of Guideline 27(1)(b)(i) is characterized by the fact that these rules specifically relate to access of rights holders to membership.⁴¹ Yet this provision does not require that the concrete rule provides for a "right" of the right holder to become a member. It suffices that membership requirements can be addressed in a private law dispute. Equally, the person relying on such rules before a private law court does not have to be the right holder him/herself. It suffices that the law allows reliance on such rules, for instance, by a private person challenging the legality of the statutes of the CMO. Guidelines 27(1)(b)(ii) and (iii) address two sides of the same coin by referring to the

rights and conditions of entrusting rights to a CMO, on the one hand⁴², and for withdrawing such rights, on the other hand.⁴³

- 100 *Inter alia*, Guideline 27(1)(b)(ii) applies to the statutory duty of a CMO to accept the collective management of a given right holder (see Hypothetical 2, above) and, more generally, to the principles that apply for accepting the management of rights of a given right holder. The latter may include thresholds of revenue generated from the management of rights, general principles such as non-discrimination and the important issue of whether CMOs can claim exclusive authorization from the right holders.⁴⁴ Some national laws may also limit the application of certain rules, including the limitation of the statutory duty of a CMO to accept the collective management to nationals.⁴⁵ Regarding their characterization, such rules can neither be regarded mandatory contract rules governed by Guidelines 21 and 22, nor does the *lex loci protectionis* govern such rules according to Guideline 25 on infringement. In addition, such rules cannot be considered rules on transferability

42 As an example, see Article 5(2), 1st sentence, EU CMO Directive (2014/26/EU), [2014] OJ L84/21, providing, among others, for a "right" of right holders "to authorize a collective management organization of their choice to manage the rights, categories of rights or types of works and other subject-matter of their choice, for the territories of their choice, irrespective of the Member State of nationality, residence or establishment of either the collective management organization or the right holder". See also Article 5(2), 2nd sentence, EU CMO Directive (2014/26/EU), [2014] OJ L84/21, providing that a CMO can only refuse the management of rights under 'objectively justified reasons'.

43 As an example, see Article 5(4) EU CMO Directive (2014/26/EU), [2014] OJ L84/21, providing for a "right" of right holders "to terminate the authorization to manage rights, categories of rights or types of works and other subject-matter granted to them to a collective management organization or to withdraw from a collective management organization and of the rights, categories of rights or types of works and other subject-matter of their choice, as determined pursuant to paragraph 2, for the territory of their choice, upon serving reasonable notice not exceeding six months".

44 Whether CMOs can claim exclusivity is also a matter of competition law.

45 In this regard, Article 5(2) EU Directive (2014/26/EU), [2014] OJ L84/21, referring to the "Member State of nationality, residence or establishment" can easily create the impression that the provision allows for discrimination against non-EU nationals. However, such a discrimination would have to be considered a violation of the national treatment obligation of international copyright law.

41 An example of such rights and conditions can be found in Article 6(2) European CMO Directive (2014/26/EU), [2014] OJ L84/21.

in the sense of Guideline 19. Thus, Guideline 27(1)(b) is indeed filling a gap left by the other Guidelines.

- 101** Guideline 27(1)(b)(iii) governs the rights and rules on the contractual freedom of right holders to withdraw rights or, more broadly, to terminate the contractual relationship with a given CMO. It is to be noted that competition law has produced considerable practice on these issues.⁴⁶ Such practice, however, can only directly be considered within the scope of the applicable competition law, as clarified by Guideline 27(4).
- 102** Guideline 27(1)(b)(iv) completes the contract-law related aspects by making the law of the State of the actual seat of administration also applicable to the requirements regarding the calculation and the distribution of the revenue.⁴⁷ *Inter alia*, such rules can stipulate by when the income must be distributed to right holders,⁴⁸ how the CMOs have to deal with income that cannot be distributed to the individual right holders⁴⁹, whether right holders are protected against loss of their right to be remunerated after termination of their contract with a CMO or withdrawal of their rights,⁵⁰ whether CMOs are allowed to make certain deductions from the income such as for social or cultural purposes⁵¹, or whether and under which conditions part of the income can be transferred to persons that are not

holding any rights.⁵² Regarding this latter issue, a problem of delimitation appears in relation to Guideline 19 regarding transferability. Whether a CMO, based on a decision of its governing bodies, can stipulate that part of the income will generally be paid to the representatives of a certain group of persons, such as the publishers in particular, without evidence that they are actual right holders, will be governed by the law of the State of the CMO's principal seat of administration according to Guideline 27(1)(b)(iv). Yet the preliminary question of whether the specific rights, such as the right to fair compensation, can actually be transferred⁵³ has to be decided according to the law of the State for which protection is sought according to Guideline 19 (see Hypothetical 3, above).

- 103** Finally, Guideline 27(1)(b)(v) relates to rules that require CMO to offer mechanisms of alternative dispute resolution to right holders.⁵⁴ Where such mechanisms are in place, the respective dispute settlement bodies can make use of Guideline 27(1)(b)(v) especially to the extent that the national law provides for more detailed rules on the scope of the disputes covered and the applicable procedural rules.
- 104** Guideline 27(1)(b) only provides for a non-exhaustive list of issues regarding the relationship of CMOs with their right holders to which the law of the State of the CMO's actual seat of administration applies. Still, it appears as rather unlikely that issues regarding the relationship with right holders will be at stake in private law proceedings that are not listed in Guideline 27(1)(b).

The relationship between CMOs and users

- 105** Guideline 27(2) contains an exhaustive list of issues regarding the activity of CMOs with regard to the

⁴⁶ Already in 1974, the CJEU established the need to protect right holders against the market power of a CMO by ensuring “a balance between the requirements of maximum freedom for authors, composers, and publishers to dispose of their works and that of effective management of their rights”. See CJEU, 127/73, ECLI:EU:C:1974:25 - *BRT v SABAM*, paragraph 8. This led to a test according to which a CMO can only impose those restrictions on the freedom to right holders, including the right to withdraw one's rights, that are “absolutely necessary” for the enjoyment of a position required for the CMO to carry out its activity. *Ibid.*, paragraphs 11 and 12 (criticizing in particular the assignment of rights over an extended period after the member's withdrawal from a CMO).

⁴⁷ As an example, see Article 11-13 EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

⁴⁸ See Article 13(1)(2) EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

⁴⁹ See Article 13(2) through (6) EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

⁵⁰ Such protection is to be granted pursuant to Article 5(5) EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

⁵¹ See Article 12 EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

⁵² See, in particular, the CJEU copyright decisions in CJEU, C-277/10, ECLI:EU:C:2012:65 - *Luksan*; CJEU, C-572/13, ECLI:EU:C:2015:750 - *Hewlett-Packard v Reprobel*. See also the German Federal Supreme Court, I ZR 198/13 = BGHZ 210, 77, 21 April 2016- *Verlegerbeteiligung* (no participation of publishers in the income generated from statutory remuneration rights, including the private copyright levy).

⁵³ This was answered in the negative by the CJEU for the right to fair compensation under EU copyright law by the CJEU. See CJEU, C-277/10, ECLI:EU:C:2012:65 - *Luksan*, paragraphs 93 and 100 (holding that the right holder cannot waive the right to fair remuneration in the framework of the private copying exemption).

⁵⁴ See, in particular, Article 34(1) EU CMO Directive (2014/26/EU), [2014] OJ L84/21, which also applies to conflicts between users and the CMO as well as among CMOs.

use of works and rights to which the law of the State for which protection is sought (*lex loci protectionis*) applies.

106 This choice of law is particularly convincing in the context of Guideline 27(2)(a) relating to the presumption that a CMO is empowered to seek protection for certain works or subject-matter of related rights. A CMO will in particular need to rely on such a presumption when it aims to enforce rights of a multitude of right holders against alleged infringers in cases of mass uses of rights. According to Guideline 27(2)(a) and Guideline 25, the same law applies to infringement and the question of whether a CMO can be presumed to be mandated with the enforcement of rights. The choice-of-law rule in Guideline 27(2)(a) is not questioned by the departure from the *lex loci protectionis* for initial ownership in copyright cases pursuant to Guideline 20(2)(a) regarding initial ownership, since CMOs are not initial owners. For the question of whether they are effectively mandated to claim rights, it is more relevant whether the rights are transferable. According to Guideline 19, transferability is also governed by the *lex loci protectionis*.

107 National laws can promote access to the use of works and the subject-matter of related rights by exceptions and limitations to exclusive rights. Still, they may take account of the interest of right holders to fair compensation by providing for statutory remuneration rights. To manage the collection of such remuneration from the users and distribution of the income to the right holders, legislatures often make use of mandatory collective rights management. Equally, legislatures sometimes also provide for such management for the grant of licenses for the use of exclusive rights.⁵⁵ In both cases mandatory collective rights management strikes a balance between the interests of users in freely using certain works or subject-matter of protection or in getting licenses from a central licensing unit, on the one hand, with the interest of right holders in fair compensation, on the other hand. Application of the *lex loci protectionis* to mandatory collective rights management according to Guideline 27(2)(b) guarantees uniformity of access and remuneration in a given territory irrespective of the nationality or residence of right holders or the seat of the CMO. The same territoriality approach is also justified where the legislature chooses mandatory collective rights management as a means to protect the interest of original right holders against the superior bargaining

power of a representative of the copyright industry to which the rights may otherwise be transferred or licensed without adequate remuneration. This is, for instance, the objective of the introduction of the unwaivable remuneration right of authors and performers regarding the rental of a phonogram or a film, where the exclusive right has been licensed to a phonogram or a film producer, for which EU law provides for mandatory collective rights management (see Hypothetical 3, above).

108 The same policy arguments explain why Guideline 27(2)(c) also makes the *lex loci protectionis* applicable to rules that empower CMOs to grant licenses or collect statutory remuneration without prior consent of the right holder (so-called “extended collective licensing or management”).⁵⁶ Such extended collective licensing systems can be particularly helpful to enable the digitization of orphan⁵⁷ and out-of-commerce works.⁵⁸

109 Application of the *lex loci protectionis* is particularly appropriate where rules on collective rights management specifically protect the interest of rights of the users against the bargaining power of CMOs. Such rules can be grouped into two categories that are addressed by Guideline 27(2)(d) and (e) respectively.

110 The first group of rules, addressed in Guideline 27(2)(d), relate to the conditions under which users can claim the licensing of rights. Such rules can for instance state general principles of licensing, including good-faith negotiation as well as principles

⁵⁵ For EU law, this is the case for the cable retransmission right according to Article 9(1) Council Directive of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, [1993] OJ L248/15.

⁵⁶ Such systems are particularly known from the copyright laws in the Nordic States. See also Article 9(2) EU Satellite and Cable Directive, [1993] OJ L248/15, according to which a CMO that manages cable retransmission rights for the same category will be deemed to be mandated to manage also the rights of right holders who have not given a prior mandate for such management to this CMO.

⁵⁷ National jurisdictions in the EU, especially the Nordic States, have introduced extended collective licensing schemes for promoting the digitization of orphan works. The EU Orphan Works Directive does not mandate the introduction of such systems, but safeguards existing national extended collective licensing schemes. See Recital 24 and Article 1(5) Directive 2012/28/EU of the European Parliament and of the Council of 25 October 2012 on certain permitted uses of orphan works, [2012] OJ L299/5.

⁵⁸ On the level of EU law, Article 8(1) Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market, [2019] OJ L130/92, and amending Directives 96/9/EC, [1996] OJ L77/20, and 2001/29/EC, [2001] L167/10, now provides for the grant of extended collective licenses for out-of-commerce works to cultural heritage institutions.

of objectivity and non-discrimination.⁵⁹ Some States provide for an express duty to license.⁶⁰ This Guideline also relates to requirements concerning the terms of licensing contracts.

111 Rules regarding the requirements on the calculation of the royalty rates and statutory remuneration, as addressed by Guideline 27(2)(e), are most important in practice. Disputes typically arise on the appropriateness of the royalty rates of CMOs. Guideline 27(2)(e) only relates to the substantive standards of control of the royalty rates such as the EU rule on appropriateness and reasonableness in relation to the economic value of the use of the rights in trade⁶¹, but not to procedural issues. Procedures, however, matter enormously from a private law perspective against the backdrop of a large diversity of specialized dispute settlement bodies that can be found in different jurisdictions. This explains why, to guarantee a functioning system of private law control, it is important that the rules on jurisdiction enable the dispute settlement bodies of the *loci protectionis* to decide on such matters. To achieve this, Guideline 6 provides for optional jurisdiction of the courts of the States where the use takes place.⁶² This allows the user or the CMO initiating proceedings on the reasonableness of royalty rates to seize the most appropriate dispute settlement body, which will then apply its own substantive law as a benchmark for the appropriateness of the royalty rates pursuant to Guideline 27(2)(e).

112 Moreover, it has to be noted that, within the EU, application of the *lex loci protectionis* of Guideline 27(2)(d) and (e) can lead to the application of different national laws in private law disputes, on the one hand, and administrative proceedings, on the other. Under Guideline 27(2)(d) and (e), the claimant will rely on the law of the Member State for which the license is sought or for which the CMO seeks statutory remuneration, while the law of the Member State where the CMO is established applies according to Article 36(1) EU CMO Directive to the extent that national authorities enforce the national rules adopted for the implementation of Article 16 EU CMO Directive on the licensing rates and the setting of tariffs by CMOs in relation to users. The reason for the latter is that the Directive generally seeks to liberalize free provision of collective rights management services in the EU internal market. It therefore fully concentrates administrative control in the hands of the authority of the Member State where the CMO is established and, moreover, provides that such control will only be exercised based on the national rules of that State. Yet such internal market considerations cannot justify a deviation of the application of the *lex loci protectionis* for rules that are designed to be applied globally. Yet Guideline 27(2)(d) and (e) also provides for the appropriate choice-of-law rules between EU Member States. These rules guarantee that, where a dispute relates to the licensing of rights or the collection of statutory remuneration rights under the law of an EU Member State, the law of this State will also govern the substantive law principles concerning the control of the CMO in this context. In addition, since the Directive is not intended to change private international law rules⁶³, Guideline 27(2)(d) and (e) is not in conflict with Article 36(1) EU CMO Directive.

The law applicable to multi-territorial licensing

113 Guideline 27 is not providing for any specific choice-of-law rules concerning multi-territorial licensing especially of online rights by CMOs despite the fact that EU Member States have by now implemented substantive rules on such multi-territorial licensing of online rights for works in music based on Title III of the EU CMO Directive.⁶⁴ The Guidelines are drafted on the assumption that the general rules of Guideline 27 and Guidelines 21 and 22 suffice to provide for adequate choice-of-law rules for issues concerning multi-territorial licensing.

⁵⁹ See especially Article 16 EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

⁶⁰ Such a duty to license has traditionally been part of the German rights management law. This duty is maintained under the law implementing the EU CMO Directive. See Section 34 German Act on Collective Rights Management Organizations of 24 May 2016. Other jurisdictions may recognize a duty to license as a matter of competition law. This is the case also in the US under paragraph VI of the ASCAP Consent Decree: Second Amended Final Judgment entered in *United States v. ASCAP* (S.D. N.Y. 2001).

⁶¹ See Article 16(2)(2) EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

⁶² Guideline 5 takes inspiration from the CJEU judgment in *Austro-Mechana*, which characterized the action of a CMO for payment of the private copying levy as a delictual or quasi-delictual conflict covered by Article 5(3) Brussels I Regulation No. 44/2001, [2001] OJ L12/1 (now Article 7(2) Brussels Ia Regulation No. 1215/2012, [2012] OJ L351/1). See CJEU, C-572/14, ECLI:EU:C:2016:286 - *Austro-Mechana v Amazon EU*. Against the backdrop of this judgment, Guideline 6 can be understood as a clarification of Guideline 5.

⁶³ Recital 56 EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

⁶⁴ Articles 23-32 EU CMO Directive (2014/26/EU), [2014] OJ L84/21.

114 In particular, Guideline 27(1) constitutes the adequate private international law framework for cases in which one CMO, thereby acting on behalf of its right holders, seeks to mandate another CMO with the multi-territorial licensing of its repertoire. In this context, Article 30 EU CMO Directive is most important. Article 30(1) obliges Member States to ensure that CMOs that grant multi-territorial licenses are “required to agree” to a request by another CMO to enter into a representation agreement for the multi-territorial licensing of the repertoire of the requesting CMO. The most appropriate implementation of this provision consists in a private law duty to contract.⁶⁵ Hence, pursuant to Guideline 27(1)(b)(ii), the applicable law to the right of a CMO to request another CMO to enter into an agreement of multi-territorial licensing is the law of the State of the actual seat of administration of the requested CMO.

115 More complex issues concerning multi-territorial licensing seem to arise in the context of Guideline 27(2)(d) and (e). These rules will lead to parallel application of several national laws as far as the relationships between the CMO and users are concerned. The same phenomenon will appear with regard to jurisdiction, since Guideline 6 would especially allow users to initiate parallel proceedings in different fora. Yet these consequences are not *per se* inappropriate, even where a CMO grants a uniform royalty rate for the entirety of the territory of the States covered. In such instances, users could question the appropriateness of the royalty rates before any of the competent Courts pursuant to Guideline 6 and any of the respective laws applicable under Guideline 27(2)(d) and (e).

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D. Other Provisions

28. Public Policy

The application of the law determined under these Guidelines may be refused only to the extent that its effects would be manifestly contrary to the public policy of the forum.

See as reference provisions

§ 322 ALI Principles

Art 3:902 CLIP Principles

Art 313 Joint Korean-Japanese Principles

⁶⁵ See, for instance, Section 69(1) German Act on Collective Rights Management Organizations of 24 May 2016.

Short comments

116 The concept of public policy is well established in almost all jurisdictions. Ever since the 1956 Hague Convention on the law applicable to maintenance obligations towards children, similar – if not quasi-identical – wording has been employed in numerous international choice of law instruments when drafting the public policy exception. The rationale underlying this exception and the effects of its application are equivalent to the implications of overriding mandatory provisions of the forum. In both cases, the law determined under the choice of law rules provided by the Guidelines can be disregarded. Nevertheless, both mechanisms remain different. Whereas overriding mandatory provisions preempt the choice of law rules, the public policy exception functions as a final safeguard that allows a court to refuse the application of a provision of the law of any State specified by the choice of law rules provided for by the Guidelines. The law designated should only be disregarded in cases of clear incompatibility with the public policy of the forum. In line with the usual drafting of this safeguard in international instruments, under the Guidelines, the exclusion is applied only if the incompatibility is “manifest”.

117 Guideline 28 requires to identify, on the one hand, the forum’s public policy and, on the other hand, the manifest incompatibility between the designated law and the public policy applied. Each step must be followed. The identification of the public policy can be difficult because it is not a pure intellectual property question but a broader question of the social, cultural and economic policies of the forum State. It is subject to gradual change as long as the values of the society also change in the course of time. The mere incompatibility is not enough to exclude, according to the guidelines, the designated rule. Then, the manifest incompatibility needs a specific autonomous appreciation.

Extended comments

Hypothetical

An infringement is committed in X. The infringer is from Y. The plaintiff decides to bring an infringement claim before the courts of State Y. Under Guideline 25, the law of X is applicable, protection being sought for X. Under X’s law, punitive damages can be ordered. If punitive damages are considered as being manifestly contrary to Y’s public policy, the provisions of X providing for punitive damages are not applied on that specific question. Y’s law is applicable only in order to determine that punitive damages are not allowed.

For the rest, X's law remains applicable, since its effects would not be manifestly contrary to the public policy of Y's law.⁶⁶

118 Since the choice of law rules are abstract and may potentially lead to the application of the law of any State in the world, it is possible that provisions of the law designated are in contradiction with basic values and fundamental principles of the forum State. The public policy exception allows a court to refuse the application of provisions of the designated foreign law. The public policy exception concerns basic values and fundamental principles of the law of the forum State, such as those regarding the protection of intellectual property rights and their balancing with freedom of expression and other fundamental rights. The concept is the same as the one used as a limit to the recognition and enforcement of foreign judgments in Guideline 34 (1). It should be observed that the way in which a balance is achieved between the protection of intellectual property and the safeguard of the fundamental rights that may be involved in these situations varies among States. Such a balance is subject to political, economic and social change. This, in turn, may affect the way in which the judge applies those factors to the specific facts of the case.⁶⁷

119 Once public policy is identified, the application of the foreign law to the case can be refused only if it is manifestly contrary to the public policy of the forum. First, the exception is limited to the public policy of the forum State. Second, this safeguard requires more than a mere incompatibility with the public policy of the forum. This second precondition requires the court to find special grounds for upholding an objection to the application of foreign law. The term "manifestly" is intended to make it clear that this device is an exception that is subject to restrictive interpretation. In practice, however, the provision does not provide any additional guidance as to its

⁶⁶ See French Court of Cassation, n° 09-13303, (2010) considering that punitive damages as such are not contrary to French Public Order, except if they are disproportionate. See also, Paris Court of Appeal, Feb. 1st 1989, RIDA oct. 1989, paragraph 301. See also: Card Reader Case, Japanese Supreme Court Decision (Heisei 14.9.26) Minshu vol. 56 no. 7, paragraph 1551 ff, in that case the Japanese Supreme Court considered that the application of the U.S. Patent Act is contrary to "public order" as described in Article 33 of Horei.

⁶⁷ The draft of the Guideline is in line with the text of the public policy exception in international conventions on choice of law, such as the conventions adopted by the Hague Conference of Private International law. Such a wording has also become common to many national and regional codifications of choice of law rule, as illustrated in the EU by Article 26 of the Rome II Regulation.

application. In consequence, the interpretation of the criterion of manifest incompatibility remains subject to case-by-case analysis. Only serious breaches of essential values and fundamental principles of the law of the forum would justify intervention by way of this exceptional clause.

120 Once the incompatibility has been identified, the effect of the public policy's exception is dual. The relevant provisions of the law designated are not applied. This is the negative effect of the exception leading to the exclusion of the law designated. Secondly, a decision is to be adopted as to the substance of the matter. The Guidelines do not solve this issue and hence the private international law of the forum should be determinative. In many States the law of the forum shall be applied to decide on the substance of the matter instead of the law designated. In other States more flexible approaches are possible, including replacing the otherwise applicable law with the law of other closely connected that is not contrary to the public policy of the forum. This is the positive effect of the exception. Nevertheless, such a substitution is limited to the part of the applicable law being manifestly contrary to the public policy of the forum. For the rest, the originally designated law remains applicable.

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29. Overriding Mandatory Provisions

1. **Nothing in these Guidelines shall restrict the application of the overriding mandatory provisions of the law of the forum.**
2. **When applying under these Guidelines the law of a State to a contract, the court may give effect to the law of another State where the obligations arising out of the contract have to be or have been performed.**

See as reference provisions

§ 323 ALI Principles

Art 3:901 CLIP Principles

Art 312 Joint Korean-Japanese Principles

Short comments

121 Overriding mandatory provisions limit choice of law rules, by preempting the law determined under these Guidelines. Overriding mandatory provisions are directly applicable to situations falling within their scope, irrespective of the law designated by the otherwise applicable choice of law rule. The effect of overriding mandatory provisions of the forum is equivalent to the public policy exception. Indeed, both mechanisms exclude the application of provisions of the foreign law determined by the choice of law rule. Nevertheless, overriding

mandatory provisions are directly applicable. They preempt the choice of law rule, which is not applied.

- 122 The effect of overriding mandatory provisions varies depending on their origin. When they belong to the law of the forum, judges are under a duty to apply them to all situations falling within their scope. They prevail over the otherwise applicable law. Additionally, in situations concerning contracts, the possibility to give effect to overriding mandatory provisions of third States is also envisaged with limitations. In certain situations, Courts may give effect to such rules after having taken into account the connection between the dispute and the overriding mandatory provisions and all other relevant factors, such as the nature and purpose of those provisions. The latter possibility is only envisaged with regard to contracts. Only overriding mandatory provisions belonging to the law of the State, where the obligations arising out of the contract have to be or have been performed, may preempt the *lex contractus*.

Extended comments

- 123 The concept of overriding mandatory provisions is much more restrictive than the broader concept of “mandatory rules”, which is relevant with regard to domestic situations. Overriding mandatory rules constitute an exception and hence are subject to restrictive interpretation. In this context, they have to be distinguished from local mandatory provisions. Only a small part of local mandatory provisions may be characterized as overriding mandatory provisions, preempting the choice of law rules. As an example of such a restrictive understanding of the concept, it can be mentioned that under EU law, overriding mandatory rules are defined as being “provisions the respect for which is regarded as crucial by a country for safeguarding its public interests, such as its political, social or economic organization, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable” (Rome I Regulation Article 9 1).
- 124 For instance, under French law, certain moral rights have been considered as being an overriding mandatory rule.⁶⁸ As a consequence, it prevails over the otherwise applicable law. In that specific case, US law was applicable in accordance with the relevant French choice of law rule. Nevertheless, the French Court applied provisions of French law that were regarded as overriding mandatory rules and on that basis such provisions prevailed over US law designated by the French choice of law rule.
- 125 Identification of overriding mandatory provisions is usually a complex and challenging question, to the extent that legislation does not expressly made clear that it applies to cross-border situations irrespective of the law otherwise applicable. Indeed, the legislature rarely indicates the overriding mandatory nature of the provisions. One remarkable exception is Section 32 b of the German Act on Copyright and Related Right, which states that equitable remuneration is compulsory if German law would be applicable to the contract of use in the absence of a choice of law or to the extent that the agreement covers significant acts of use within the territory to which the Act applies.
- 126 Under Guideline 29(1) overriding mandatory rules of the law of the forum prevail always within their scope of application. Once the identification is made, the spatial scope of these overriding mandatory rules has to be determined. In the French *Huston* case mentioned above, the overriding mandatory rule was applicable for protection sought in France. If the *lex loci protectionis* would have been applicable, overriding mandatory rules would have been useless in that case.
- 127 Under Guideline 29(2) a court may also give effect to overriding mandatory provisions of the law of a third State in situations involving an international contract. The term “give effect” may be found in this context in Article 9(3) of the Rome I Regulation. Also in Guideline 29 the term “to apply” must be distinguished from the concept “to give effect”. As explained in the Lagarde-Guiliano Report⁶⁹, “the words “effect may be given” impose on the court the extremely delicate task of combining the mandatory provisions with the law normally applicable to the contract in the particular situation in question”.
- 128 Only overriding mandatory provisions belonging to the law of another State where the obligations arising out of the contract have to be or have been performed may preempt the *lex contractus*. This limitation is in line with article 9 (3) of Rome I Regulation. According to this provision “effect may be given to the overriding mandatory provisions of the law of the country where the obligations arising out of the contract have to be or have been performed”. However, it is important to note that when interpreting this provision the CJEU has established that it “does not preclude overriding mandatory provisions of a State other than the State of the forum or the State where the obligations arising out of the contract have to be or have been

68 French Court of Cassation, n° 89-1952 89-19725 (1991) - *Huston* case.

69 Report on the Convention of the law applicable to contractual obligations, Eur Lex 319080Y1031(01).

performed from being taken into account as a matter of fact, in so far as this is provided for by a substantive rule of the law that is applicable to the contract pursuant to the Regulation”.⁷⁰

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30. Renvoi

The application of the law of any State determined under these Guidelines means the application of the rules of law in force in that State other than its rules of private international law.

See as reference provisions

§ 324 ALI Principles

Art 3:903 CLIP Principles

Art 310 Joint Korean-Japanese Principles

Short comments

- 129 Guideline 30 solves the question of the nature and scope of the referral by the choice of law rule. In particular, it addresses the issue whether the referral covers only substantial rules or also private international rules. The *renvoi* doctrine is based on the assumption that the application of the law of the State designated by the choice of law rules includes the application of its rules of private international law. Such a mechanism is complex and may lead to unpredictable results. Therefore, Guideline 30 excludes *renvoi* and provides that the application of law designated by the Guidelines means the application of the rules of law in force in that State other than its rules of private international law.

Extended comments

Hypothetical

A work created by an artist from A and published first in A is infringed in State B. Under Guideline 25, B’s law is applicable, protection being sought in B. Nevertheless under B’s private international law, “*copyright in a published work shall be governed by the legislation of the State in which the work is first made lawfully accessible to the public*”. If *renvoi* were applicable, A’s law would have to be applied to that issue. The exclusion of the *renvoi* excludes to apply B’s choice of law rules, the application of B’s law being limited to substantial B rules.

- 130 Guideline 30 and its exclusion of *renvoi* is in line with most modern instruments in the field, such as the Hague conventions on the law applicable to non-contractual obligations and the EU Rome Regulations

on contractual and non-contractual obligation. For instance, the choice of law rules of the Hague Convention of 2 October 1973 on the Law Applicable to Products Liability establish that the applicable law shall be the “internal law” of the designated State (see, e.g., articles 4, 5 and 6). Additionally, pursuant to Article 24 of the Rome II Regulation “The application of the law of any country specified by this Regulation means the application of the rules of law in force in that State other than its rules of private international law”. A similar rule may be found in Article 20 of the Rome I Regulation. *Renvoi* is also excluded under article 8 of the Hague Principles on Choice of Law in International Commercial Contracts. The exclusion of *renvoi* is deemed to foster legal certainty and predictability.

Edouard Treppoz, Nicolas Binctin

31. Arbitrability

When assessing the arbitrability of disputes concerning intellectual property rights, courts and arbitral tribunals shall take into consideration the law of the arbitration, to the extent that the rights in dispute have a close connection with it, and that of the State of protection, particularly insofar as the award has to be recognized and enforced in that State.

Short comments

- 131 Guideline 31 addresses the issue of arbitrability of intellectual property disputes, on which significant differences exist between national legal systems, such differences being a considerable source of uncertainty in international trade. In this respect, the Guideline seeks to provide direction to adjudicators, while at the same time allowing them a certain degree of flexibility. It also bears in mind the need to ensure the enforceability of arbitral awards rendered on matters of intellectual property.
- 132 In view of this, the Guideline provides that judges and arbitrators shall take into consideration the provisions of the two laws that are more relevant to govern the said issue. These laws are, on the one hand, the *lex arbitri*, which in a large number of legal systems is that of the State of the seat of the arbitration, whose courts may set the award aside for lack of arbitrability of the subject matter of the dispute; and, on the other hand, the *lex protectionis*, i.e., the law of the State for the territory of which protection of the disputed right is sought, insofar as compliance with the provisions of that law is required in order to safeguard the enforceability of the award in that State.

⁷⁰ Judgment of the CJEU, C-135/15, EU:C:2016:774 – *Nikiforidis*, paragraph 51.

Extended comments**Hypothetical 1**

A sues B for the alleged breach of a license concerning the use of a patent registered in France before an arbitral tribunal sitting in Belgium. B raises as a defense the invalidity of that patent. Under both the *lex arbitri* and the *lex protectionis* the arbitral tribunal may decide on the validity of the patent, although pursuant to the former of those laws such a decision may only be rendered with *inter partes* effects. The arbitral tribunal is free to rule on the defense, since none of the laws involved rejects its arbitrability and hence, from this point of view, the enforceability of the award is ensured in both States.

Hypothetical 2

A sues B for the alleged infringement of a trademark registered in Germany before an arbitral tribunal sitting in Switzerland. The issue of the validity of the trademark is raised by the defendant in the proceedings. Although Swiss law allows the arbitral tribunal to rule on that issue, under German law the matter is not arbitrable and, accordingly, the enforcement of an arbitral award that ruled on that issue could be refused in Germany on the basis of Article V(2)(a) of the New York Convention.⁷¹ Insofar as the award is intended to be enforced in Germany, the arbitral tribunal should take into consideration German law when ruling on its own jurisdiction.

The contemporary trend towards the liberalization of intellectual property arbitration

133 Parties may choose arbitration as an alternative to court litigation in intellectual property disputes, *inter alia*, for the following reasons: the concentration of proceedings in disputes arising from the cross-border exploitation of intellectual property rights; the avoidance of parallel litigation before national courts and inconsistent decisions ensuing therefrom; the confidentiality and greater expediency of the proceedings; the neutrality and expertise of adjudicators; and the extended cross-border enforceability of arbitral awards allowed by the New York Convention.

134 A trend towards the liberalization of intellectual property arbitration has thus emerged over the past few decades. A recent expression of this was the creation of a Mediation and Arbitration Center seated in Lisbon and Ljubljana by Article 35 of the

Agreement on a Unified Patent Court entered into by a number of Member States of the European Union on 19 February 2013.⁷²

The different national approaches with respect to the arbitrability of intellectual property disputes

135 Intellectual property rights are, to a large extent, monopolies on the use of intangible goods, which affect competition within the territory of the State that grants them. For this reason, jurisdiction over intellectual property disputes is often reserved to the courts of the granting State. In those cases, no arbitration of such disputes is allowed, at least in what concerns registered rights. This is the case, e.g., of South Africa as regards patent matters.⁷³

136 Other States allow arbitration of disputes concerning such rights, but set substantial limitations thereto, e.g., by not permitting arbitral tribunals to rule on their validity, as happens in Germany, where the jurisdiction of the Federal Patent Court is generally held to be exclusive in what concerns validity issues;⁷⁴ or by empowering arbitral tribunals to do so only with *inter partes* effects, as is the case of France,⁷⁵ Portugal,⁷⁶ and the United States⁷⁷.

137 Full arbitrability of such disputes, including the validity of industrial property titles, is nevertheless allowed by a third group of States, which includes, e.g., Belgium.⁷⁸

138 Considerable differences also exist in what concerns the arbitrability of claims concerning non-registered rights: while some States, such as France, deem moral rights as inalienable, and thus disputes concerning such rights are in principle not arbitrable, other States allow certain transactions regarding moral rights, such as consent to the modification of a literary or artistic work. Disputes arising from such transactions are thus arbitrable in those States.⁷⁹

⁷² [2013] OJ C175/1.

⁷³ See article 18(1) of the South African Patent Act.

⁷⁴ See § 65 of the German Patent Act.

⁷⁵ See the ruling of the French Supreme Court of 28 February 2008, *Société Liv Hidravlika D.O.O v. S.A. Diebolt*.

⁷⁶ See Article 3(3) of Law no. 62/2011, of 12 December 2011, as amended by Decree-Law no. 110/2018, of 10 December 2018.

⁷⁷ See Section 294 of the Patent Act.

⁷⁸ See Article 51(1) of the Patent Law.

⁷⁹ See, for instance, the ruling of the Supreme Court of Canada in *Desputeaux v. Éditions Chouette*, 1 SCR 178 [2003].

⁷¹ See New York Convention on the Enforcement and Recognition of Foreign Arbitral Awards (1958).

139 Claims concerning patrimonial rights are generally regarded as arbitrable.⁸⁰ However, since *droit de suite* is a non-waivable patrimonial right, it is not an arbitrable matter in legal systems, such as the French one, in which only disputes concerning *droits disponibles* are arbitrable.⁸¹

The need for uniform conflict rules

140 The situation described above is a source of uncertainty with respect to the enforceability of arbitral awards on intellectual property disputes. There is thus a clear need for uniform conflict of laws rules on the issue of arbitrability of intellectual property disputes, even if only soft law ones.

141 Such is the purpose of the present Guideline. It is addressed both to State courts and arbitral tribunals: the former may have to determine the arbitrability of a dispute on intellectual property rights either in annulment or enforcement proceedings; the latter may have to do so when assessing their own jurisdiction under the *Kompetenz-Kompetenz* rule.

The relevant laws

142 As mentioned above, two laws are most strongly entitled to govern this issue: the *lex arbitri* (i.e., the law governing the arbitration), the application of which ensures the enforceability of the arbitral award in the State of the seat of the tribunal; and the *lex protectionis* (i.e., the law of the State for the territory of which protection of the disputed rights is sought), compliance with which may be necessary in order to safeguard the enforceability of its award.

143 The present Guideline recognizes the need to take into consideration both laws when deciding issues of arbitrability of intellectual property disputes, although some restraint should be adopted in respect of both of them.

144 Regarding the *lex arbitri*, its competence to govern the issue at stake may, in fact, be limited if the intellectual property rights in issue have no relationship with that law, e.g., because it is the law of the arbitral seat and this has been chosen by the parties merely because it provides a neutral forum regarding the interests in dispute.

145 The *lex protectionis* may also not be decisive with respect to the issues at stake if, for example, the arbitral award is not intended for recognition in a State where the disputed right is registered.

80 See, e.g., in France, Article L 331-1 of the French Code of Intellectual Property.

81 See Article 2059 of the French Civil Code.

146 Guideline 31 is thus meant to serve both as an orientation to adjudicators and as a rule of restraint, in cases where the connection with the abovementioned laws is scant, while simultaneously giving courts and arbitrators sufficient discretion to take into consideration the particular circumstances of the case.

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

by **Pedro de Miguel Asensio and Marketa Trimble**

Abstract: This section of the the chapter "Recognition and Enforcement" of the International Law Association's Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines") establishes the conditions under which the effects of judgments rendered in a country may be extended to foreign jurisdictions. It seeks to favor international coordination and legal certainty by facilitating the cross-border recognition and enforcement

of judgments relating to IP disputes. The Guidelines are based on a broad concept of judgment with restrictions concerning judgments not considered final under the law of the State of origin as well as certain provisional measures. The main provision of this section lays down the list of grounds on which a requested court must refuse to recognize and enforce a foreign judgment.

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32. Object of Recognition and Enforcement

1. A foreign judgment may be recognized and enforced in accordance with this part of the Guidelines.
2. If a judgment is still subject to appeal in the State of the rendering court, or if the period for launching ordinary review has not expired in that State, the requested court may stay the recognition and enforcement until the appeal is decided or the period expires, or may make it a condition of the recognition and enforcement that the party seeking it provide security.
3. Provisional and protective measures adopted without prior hearing of the adverse party

and enforceable without prior service of process to that party shall not be recognized or enforced.

See as reference provisions

§§ 401(1), (2), and (4), 402, 411(1), 412(1), 413(1) ALI Principles
 Arts 4:102(1) and (5), 4:301(2), 4:801 CLIP Principles
 Arts 402, 403 Transparency Proposal
 Arts 405, 408 Joint Korean-Japanese Principles

Short comments

- 1 Guideline 32 provides for the recognition and enforcement of foreign judgments as defined in Guideline 2. Guideline 32, together with Guidelines 33-35, applies to both recognition and enforcement irrespective of whether the requested court decides

on them in separate proceedings or in a single proceeding. It applies also to situations in which recognition requires no special procedure. The aim of the Guidelines is to achieve the maximum degree of recognition and enforcement of foreign judgments while providing adequate safeguards to the requested States. Matters of recognition and enforcement not covered by the Guidelines, particularly those regarding procedure, are to be governed by the laws of the requested State. Such domestic rules should not undermine the effectiveness of the Guidelines.

- 2 Guideline 32 provides for two exceptions to the general rule. The exception in paragraph 2 is discretionary and concerns foreign judgments that are or may still be subject to an appeal in the State of origin. Hence, it refers to judgments not considered final under the law of the rendering State. Such judgments might or might not be enforceable in the State of origin. Since non-final judgments may be revised in the State of origin, particular safeguards have to be provided. In cases involving non-final judgments the requested court has three options: (1) follow the general rule and recognize and enforce the judgment; (2) stay the recognition and enforcement proceeding until the appeal is decided in the State of the judgment's origin or until the period for filing of an appeal expires; or (3) recognize and/or enforce the judgment but require security from the party seeking the recognition and/or enforcement.
- 3 Under the mandatory exception in paragraph 3 the requested court must not recognize and/or enforce provisional and protective measures if the rendering court issued the measures without a prior hearing of the respondents and the enforcement is to occur without notice to the respondent. This provision is intended to ensure adequate protection of the right to be heard. Judgments issued without notice to the respondent that are not provisional and protective measures are addressed in Guideline 34. Guideline 34 also lists additional grounds for non-recognition and non-enforcement of foreign judgments.

Extended comments

Hypothetical 1

A obtains a judgment against B from a court in State X for copyright infringement that B committed in X. A then files for the recognition and enforcement of the judgment in a court of State Y – the State of B's habitual residence. Provided that all provisions of this part of the Guidelines are satisfied, Y's court should recognize and enforce the judgment.

Hypothetical 2

A obtains a judgment against B from a court in State X for copyright infringement that B committed in X. A then files for the recognition and enforcement of the judgment in a court of State Y – the State of B's habitual residence. B objects because under X's law, B could still appeal the judgment in X's courts. Y's court requires that A provide security if A wants the court to proceed while X's judgment may still be appealed in X. After A provides security, the court in Y recognizes X's judgment and enforces the judgment against B. As an alternative, Y's court may decide to stay the recognition and enforcement until the appeal is decided or the period for launching ordinary review expires.

Recognition and Enforcement of Judgments

- 4 Guideline 32(1) states the fundamental rule for recognition and enforcement, which is guided by the objective of achieving maximum recognition and enforcement of foreign judgments. The rule applies to both recognition and enforcement, and applies irrespective of whether a court decides on only one or both of them and irrespective of whether a court decides on them in a single proceeding or in two separate proceedings. It applies also to situations in which recognition requires no special procedure, such as situations in which recognition of a foreign judgment may be raised as an incidental question in judicial proceedings.
- 5 Guideline 32(1) does not define the term “judgment”; the definition of “judgment” is in Guideline 2, which defines judgments broadly so as to include a variety of decisions such as judgments, decrees, orders, and court-approved settlements. Guideline 32(1) is not limited to judgments that are considered “final”; Guideline 32(2) addresses issues that may be associated with a lack of finality of foreign judgments. Guideline 33 addresses the extent of the effects that foreign judgments should have in the requested State.
- 6 The following terminology is adopted in Guidelines 32 – 35: The term “foreign” refers to a judgment originating in a State other than the State where recognition and enforcement are sought. The State where the judgment is rendered is called the “State of origin.” The jurisdiction in which recognition and enforcement is sought is called the “requested State”.

1 CLIP Principles comment 4:102.C13 on p. 403. Cf. § 401(2) ALI Principles; Article 402 Transparency Proposal.

Judgments Subject to an Appeal in the State of Origin

- 7 Guideline 32(2) allows for the recognition and/or enforcement of foreign judgments that either are or might be subject to an appeal in the State of origin.² Periods during which and the extent to which judgments may be appealed vary among jurisdictions, as does the definition of when a judgment is considered to be final. Finality of a judgment is governed by the law of the State of origin. Guideline 32(2) adopts a flexible approach by giving the requested court three options; the requested court, based on its own law, will decide which of the three options is best suited to its own procedural system and the circumstances of the particular case: recognition and enforcement, a stay of recognition and enforcement, or recognition and enforcement subject to the requesting party's providing security. Guideline 32(2) does not dictate what factors the requested court must or should consider when deciding on which of the three options to adopt. A consideration that the requested court may take into account is whether the pending or possible appeal in the State of origin might change the foreign judgment.³
- 8 None of the three options exclude the possibility that the decision of the requested court may have to be revised if an appeal in the State of origin reverses or changes the original judgment. Under the first option, when the requested court recognizes and/or enforces an appealable foreign judgment, the requested court should have some procedure available to adjust the resulting circumstances based on the new judgment. Under the second option, when a proceeding is stayed, no conflict with a later appellate judgment should arise. Under the third option, when security is provided, any later adjustments to the original judgment will be supported by the security that the requested court imposes on the party that has requested the recognition and enforcement of the judgment.⁴

Ex Parte Provisional and Protective Measures without Service of Process

- 9 Guideline 32(3) prohibits the recognition and enforcement of *ex parte* provisional and protective measures that are to be enforced without prior notice to the respondent.⁵ This provision is intended to ensure adequate protection of the right to be

heard in cross-border situations. The provision does not interfere with the possibility of a State to provide for *ex parte* measures as a tool for the enforcement of intellectual property rights; the provision only excludes cross-border recognition and enforcement of such measures. Hence, only courts that are closest to the particular circumstances should issue *ex parte* provisional and protective measures in accordance with national procedures. If such measures are issued *ex parte* and are to be enforced without a respondent being served prior to enforcement, the measures must not be recognized and/or enforced by a court in another State.

- 10 The term “service of process” refers to specific forms of service of process that international agreements on service of process require.⁶ For a measure to be recognized and enforced, the enforcement of the measure is to occur with notice to the respondent, and a respondent must be served a reasonable time before enforcement in the requested court in order to give the respondent an opportunity to object to the measure. Service of process must be directly to the respondent; a public announcement on a court's official notice board or on a court's website will not suffice.
- 11 Guideline 32(3) concerns *ex parte* provisional and protective measures that are to be enforced without notice. Other provisional and protective measures are subject to the following Guidelines 32 – 35, as are any other “judgments” that are defined in Guideline 2.⁷ Judgments issued without notice, other than *ex parte* provisional and protective measures, are also subject to Guidelines 32 – 35, and a lack of notice in instances of these judgments is addressed in Guideline 34.

33. Effects of a Foreign Judgment

The effects of a foreign judgment, including its enforceability, in the requested State shall to the extent possible be the same, and under no circumstances greater, than in the State of origin.

See as reference provisions

§ 401(3) ALI Principles
Art 4:102(2) – (4) CLIP Principles
Art 404 Transparency Proposal

² Article 4:102(5) CLIP Principles.

³ 408 Joint Korean-Japanese Principles; ALI note f on § 401.

⁴ Article 403(4) Transparency Proposal.

⁵ Article 4:301(2) CLIP Principles; Article 402(ii) (in general) and Transparency Article 403(1) Transparency Proposal.

⁶ E.g., the Hague Convention on Service of Process.

⁷ See Article 4:101 CLIP Principles; § 401(4) ALI Principles; Article 405 Joint Korean-Japanese Principles. ALI limits court jurisdiction to issue provisional and protective measures only to a court in the territory for which intellectual property rights at issue are registered or “in which tangible property is located.” § 214(2) ALI Principles.

Short comments

- 12 Guideline 33 requires that the requested court, when it recognizes and/or enforces a foreign judgment, ensures that the effects of the recognition and/or enforcement do not exceed the effects that the judgment has in the State of origin, or would have had in the State of origin were the judgment enforced there. The Guideline is phrased generally in order to cover all types of procedural effects, including claim preclusion (*res judicata*), issue preclusion (collateral estoppel), and enforceability. If the judgment is not enforceable under the law of the State of origin, it may not be held enforceable in the requested State.

Extended comments**Hypothetical 1**

A obtains a judgment against B from a court in State X for copyright infringement that B committed in X. A then files for the recognition and enforcement of the judgment in a court of State Y – the State of B’s habitual residence. Before Y’s court decides on the recognition and enforcement of X’s judgment, the judgment is rendered unenforceable in X. Y’s court should deny recognition and enforcement of X’s judgment.

Hypothetical 2

A sues B in a court of State X for infringement of copyright based on B’s making available of infringing works on the internet. X’s court grants A an injunction that is limited to X’s territory. Subsequently, A files in a court of State Y – the State of B’s habitual residence – for recognition and enforcement of the judgment. Y’s court recognizes X’s judgment but enforces it only as to X’s territory by requiring that B use geo-blocking to prevent the enjoined activity only in X and not outside of X or globally.

Effects of the Recognized and Enforced Foreign Judgment

- 13 Under Guideline 33 the effects of the recognized and enforced foreign judgment must not be greater than the judgment’s effects are or should be in the State of origin. The effects of a foreign judgment under Guideline 33 are to be understood broadly in order to cover all types of procedural effects, including claim preclusion (*res judicata*), issue preclusion (collateral estoppel), and enforceability. The scope of the effects may have substantive, territorial, and temporal dimensions.⁸ For example, remedies will

8 Article 4:102(3) CLIP Principles; Joint Korean-Japanese Principles, notes on p. 152 (addressing territorial effects under the provision on partial recognition and enforcement

concern certain activities or assets of the defendant; remedies will be limited to the territory of the State of origin, to the territory of a different State, to the territory of multiple States, or they will be global; remedies will be permanent (e.g., a permanent injunction) or temporary (e.g., an ongoing royalty to be paid until the patent expires).

- 14 The law of the State of origin determines the scope that the foreign judgment is intended to have and thus defines its effects.⁹ The law of the requested State governs the scope of the recognized and enforced judgment, including the extent of the judgment’s preclusive effect in the requested State.¹⁰
- 15 The requested court must assess whether the effects in the requested State will be the same or smaller than the effects in the State of origin. Guideline 33 prohibits the effects from being greater in the requested State than in the State of origin. The Guideline prefers identical effects, and accepts smaller effects in the requested State as an alternative only if identical effects cannot be achieved. Legal and procedural constraints may restrict the remedies available in the requested State.
- 16 Smaller effects should be reserved for exceptional cases, primarily when it is not possible – either physically or legally – to achieve identical effects in the requested State. Guideline 35 allows the requested court to adapt the foreign judgment to achieve effects that are as close to identical to the effects in the State of origin as is possible. For example, if the rendering court, based on the substantive law of the State of origin, awards extraterritorial profits for sales of infringing products in the requested State¹¹ and the same profits are also subject to a domestic judgment in the requested State concerning the parallel intellectual property right in the requested State, the requested court may reduce the remedies awarded by the foreign judgment to prevent a duplication of the award of profits. Similarly, any potential territorial overlap of a foreign-issued

in Article 402).

- 9 ALI Principles Comment d on § 401, p. 169; Article 4:102(3) CLIP Principles.
- 10 § 401(3) ALI Principles; Article 4:703(3) CLIP Principles (“Enforcement takes place in accordance with the law of the requested State and to the extent provided by such law.”) and comments 4:102.C08 and C09 on pp. 400–401.
- 11 E.g., United States Court of Appeals, *L.A. News Service v. Reuters Tel. Intern. Ltd.*, 149 F.3d 987 [9th Cir. 1998]; United States Court of Appeals, *L.A. News Service v. Reuters Tel. Intern. Ltd.*, 340 F.3d 926 [9th Cir. 2003]; United States Court of Appeals, *WesternGeco LLC v. ION Geophysical Corp.*, 138 S.Ct. 2129 [Fed. Cir. 2018].

injunction with another injunction that is a domestic injunction may be remedied by adapting the foreign judgment or by awarding an alternative remedy, such as damages, under Guideline 35(3).¹²

- 17 The extent of the effects of a judgment may be explicit or implicit. For example, with respect to territorial scope of a measure, the rendering court may state in a judgment the States that are covered by the court's injunction; or the rendering court might not specify for which States it issued the injunction, in which case the injunction's scope may be implied from the national laws that the rendering court applied in its proceedings. The requested court should focus on explicit scope of measures but should also consider their implicit extent when necessary.

34. Grounds for Non-Recognition and Non-Enforcement

1. A court shall not recognize and enforce a foreign judgment if:
 - a) such recognition or enforcement would be manifestly incompatible with a fundamental public policy of the requested State;
 - b) the proceedings leading to the judgment were manifestly incompatible with the fundamental principles of procedural fairness of the requested State;
 - c) the judgment was rendered by default where
 - (i) the defendant to the proceeding was not adequately and timely notified of the proceeding, or
 - (ii) the defendant was deprived of an adequate and meaningful opportunity to present its case before the rendering court;
 - d) the judgment is inconsistent with a prior judgment rendered in the requested State that has preclusive effect;
 - e) the judgment is inconsistent with an earlier judgment given in another State between the same parties and having the same cause of action, provided that the earlier judgment fulfils the conditions necessary for its recognition in the requested State;

f) the rendering court exercised jurisdiction in violation of the rules of jurisdiction under these Guidelines.

2. A court may decline to recognize and enforce a foreign judgment if the rendering court designated the applicable law in violation of the rules in Guidelines 20 – 24 protecting creators, performers and employees.
3. In assessing the rendering court's jurisdiction, the requested court is bound by the findings of fact made by the rendering court in the original proceeding.
4. Without prejudice to such review as may be necessary for the application of Guidelines 33 and 34, the requested court shall not review a foreign judgment as to its merits.

See as reference provisions

§§ 401 – 403 ALI Principles

Arts 4:201 – 4:601 CLIP Principles

Art 402 Transparency Proposal

Arts 401, 406, 407 Joint Korean-Japanese Principles

Short comments

- 18 Guideline 34(1) lists the mandatory grounds on which a requested court must refuse to recognize and/or enforce a foreign judgment. The list is exhaustive, and a requested court must not refuse recognition and/or enforcement on a ground that is not listed in Guideline 34. Under the Guidelines no reciprocity is required for recognition and enforcement of foreign judgments. Any one of the grounds listed in Guideline 34(1) will suffice for non-recognition and/or non-enforcement. The first three grounds concern public policy and fundamental due process requirements. The fourth and fifth grounds address conflicts with prior judgments that are inconsistent with the foreign judgment that is subject to the recognition and/or enforcement request. The sixth ground is a jurisdictional filter; it requires that the rendering court follow the rules of jurisdiction in the Guidelines.
- 19 Guideline 34(2) provides a discretionary ground for non-recognition and non-enforcement. It allows the requested court to deny recognition and enforcement if the rendering court did not respect the provisions of Guidelines 20 – 24 on the choice of applicable law protecting creators, performers and employees.
- 20 Guidelines 34(3) and (4) require that the requested court respect the findings of fact made by the rendering court and that the requested court not review the foreign judgment on the merits. The only exceptions to the prohibition against review

¹² § 412(1)(b) ALI Principles.

on the merits are under circumstances in which the requested court needs to assess the intended effects of the foreign judgment for the purposes of Guideline 33, and when the requested court needs to assess the applicability of one of the grounds for non-recognition and/or non-enforcement listed in Guideline 34.

Extended comments

Hypothetical 1

A sues B in a court of State X for copyright infringement that B committed in State Z. X's court renders a judgment against B for infringement that B committed in Z. A files in a court of State Y – the State of B's habitual residence – for recognition and enforcement of the judgment. Y's court should deny the recognition and enforcement because, under these Guidelines, X's court did not have jurisdiction over B in this case.

Hypothetical 2

A obtains a judgment against B from a court in State X for copyright infringement that B committed in X. A then files for the recognition and enforcement of the judgment in a court of State Y – the State of B's habitual residence. However, a court in State Y earlier rendered a judgment declaring that B did not infringe A's copyright in Y and X. Y's court will not recognize and enforce X's judgment because X's judgment is inconsistent with the prior judgment rendered in Y that has preclusive effect.

Public Policy Exception

- 21 Public policy as an exceptional device preventing recognition and enforcement of judgments is widely recognized in national and international regimes.¹³ Only a manifest incompatibility with a principle, value, or right regarded as fundamental should justify the application of the ground in Guideline 34(1)(a). “Public policy” in general is not defined in the Guidelines; the term “public policy” is broad¹⁴ and also amorphous – each State will have a different understanding of its public policies and which of them are fundamental, and the understanding may develop over time.

13 Cf. § 403(1)(e) ALI Principles (referring solely to “the public policy”); Article 4:401(1) CLIP Principles (referring solely to “the public policy”); Article 402(3) Transparency Proposal (mandating the denial of recognition and enforcement when a judgment and its proceedings are “contrary to the public policy in Japan”).

14 Article 401(1)(iii), notes on p. 151, Joint Korean-Japanese Principles.

- 22 The public policy ground in Guideline 34 should be used only in exceptional circumstances.¹⁵ The incompatibility must be manifest and public policy covers only fundamental values, principles and rules of the requested State.¹⁶ Mere differences in substantive laws should not suffice for the public policy exception to apply.¹⁷ Similarly, an error in law that does not constitute a breach of an essential rule of the requested State should not suffice.¹⁸ The already high degree of harmonization of intellectual property rights should have eliminated many differences among national intellectual property laws, but differences persist, and at least some of the differences may arise from differences in fundamental public policies.¹⁹

- 23 The public policy ground is to be assessed according to the effects that the recognition and/or enforcement would have in the requested State. The cause of action's repugnancy to the public policy of the requested State is not to be evaluated by the requested court;²⁰ any repugnancy of the cause of action would play a role only if the repugnancy were translated into effects that the judgment would have if it were recognized and/or enforced in the requested State. Similarly, procedural issues in the rendering court will not be considered by the requested court under Guideline 34(1)(a); Guideline 34(1)(b) is designed to prevent the recognition and/or enforcement of a foreign judgment rendered in proceedings that were incompatible with the fundamental principles of procedural fairness of the requested State.

- 24 Requested courts may use the public policy ground to refuse to recognize and/or enforce certain types of remedies, for example punitive damages, if the requested State considers such damages to be penal in nature and therefore not recognizable and enforceable in the requested State.²¹ However, under Guideline 35 the requested court will assess

15 CLIP Principles comment 4:401.C04 on pp. 432-433.

16 Article 4:404(1) CLIP Principles and comment 4:401.C02 on p. 432.

17 See CJEU, C-38/98, EU:C:2000:225 – *Renault*, paragraphs 30-34. CLIP Principles comment 4:401.C05 on p. 433.

18 In the EU context, see CJEU, C-681/13, EU:C:2015:471 – *Diageo*, paragraph 52.

19 CLIP Principles comment 4:401.C07 on p. 434.

20 See ALI Principles comment c on § 403 on p. 175 (“[T]he enforcement court should consider only the *outcome* of litigation...”).

21 Article 407 Joint Korean-Japanese Principles.

whether at least a portion of the judgment may be recognizable under the Guidelines, or whether the judgment may be adaptable under Guideline 35; if possible, the requested court will recognize and enforce the remainder of the judgment or adapt the judgment.²² In some instances the requested court may hold that the territorial scope of the judgment makes the judgment manifestly incompatible with a fundamental public policy of the requested State;²³ in such cases the requested court will deny recognition and/or enforcement under Guideline 34(1)(a) and consider if it may be possible to adapt the judgment under Guideline 35. In some requested States the protection of consumers or employees as weaker parties may stem from fundamental public policies that will be reflected in requested courts' decisions not to recognize and enforce judgments of rendering courts that do not satisfy a requested State's internationally mandatory rules that are based on these fundamental public policies.²⁴

Procedural Fairness

- 25 Under Guideline 34(1)(b) the requested court will use its own standard of “fundamental principles of procedural fairness” to determine whether the rendering court, in the proceedings that led to the issuance of the foreign judgment, proceeded in a manner that is “manifestly incompatible” with the requested State's principles.²⁵ “Procedural fairness” is to be interpreted broadly; it covers due process requirements, such as timely notice and opportunity to defend.²⁶ The ground also covers instances in which the proceeding of the rendering court does not meet the standard because of serious systemic problems in the judicial system of the State of origin, such as lack of an impartial judiciary,²⁷ or lack of integrity of the rendering court (e.g., fraud, bribery).²⁸

Default Judgments

- 26 Under Guideline 34(1)(c) default judgments are not to be recognized and enforced when either (a) there was no adequate notice to the defendant of the proceeding in the rendering court,²⁹ or (b) the defendant had no adequate and meaningful opportunity to present its case before the rendering court.³⁰ Other default judgments will be recognized and enforced unless there is another ground for their non-recognition and non-enforcement.³¹ *Ex parte* provisional and preliminary measures to be enforced without notice will not be recognized and/or enforced under Guideline 32(3).

Prior Judgments

- 27 Guidelines 34(1)(d) and (e) address situations in which one or more prior judgments exist that are inconsistent with the foreign judgment that is requested to be recognized and enforced. Paragraph (d) concerns the scenario in which the requested court faces two judgments – a foreign judgment and an earlier judgment from the requested State (a “domestic judgment”). If the domestic judgment has preclusive effects, the requested court will give preference to the domestic judgment and decline to recognize and enforce the later foreign judgment.³² The requested court will apply its own law to determine whether the domestic judgment has preclusive effects vis-à-vis the foreign judgment; the Guideline does not set a standard for *res judicata*.³³
- 28 Paragraph (e) concerns the more complex scenario in which the requested court faces two foreign judgments – a judgment for which recognition and/or enforcement is sought, and another foreign judgment that pre-dates the judgment that the requested court is asked to recognize and enforce. The choice of judgment that has priority will have policy implications: Giving priority to the judgment first issued rewards the party that filed a lawsuit first and penalizes the party that attempted to circumvent the first judgment by obtaining a conflicting second judgment. Giving priority to the judgment issued later rewards the party that pursued its rights diligently by filing the second

22 Article 407 Joint Korean-Japanese Principles (calling for the recognition and enforcement of an “amount of compensatory damages” if the “punitive damages or similar monetary relief manifestly exceed ... compensatory damages”).

23 CLIP Principles comments 4:401.C12 and C13 on pp. 436-437.

24 See Article 4:204 CLIP Principles.

25 See Article 4:401(2) CLIP Principles.

26 Article 4:501(1) CLIP Principles.

27 § 403(1)(a) ALI Principles.

28 § 403(1)(b) and (d) ALI Principles.

29 § 403(1)(c) ALI Principles; Article 401(1)(ii) Joint Korean-Japanese Principles; Article 402(ii) Transparency Proposal.

30 § 403(1)(d) ALI Principles.

31 Article 401(1)(ii) Joint Korean-Japanese Principles; Article 402(ii) Transparency Proposal.

32 Article 402(5) Transparency Proposal; Article 4:501(3) CLIP Principles.

33 Cf. Article 406(1) Joint Korean-Japanese Proposal.

lawsuit; it penalizes the party that filed the first lawsuit but then failed to argue *res judicata* in the second proceeding.³⁴ The Committee opted for the first-in-time rule; though the choice is not without controversy, the Committee believes that this is the better rule within the framework of the Guidelines.

- 29 Guideline 34(1)(e) gives preference to the earlier judgment, but only if the earlier judgment could be recognized and enforced in the requested State under the Guidelines.³⁵ Therefore, if the earlier judgment was obtained by fraud, for example, or is in conflict with the jurisdictional rules of the Guidelines, the requested court will give preference to and recognize and enforce the later judgment.
- 30 The earlier foreign judgment need not be formally recognized and enforced in the requested State in order for it to serve as a basis for non-recognition and/or non-enforcement of the later foreign judgment. But if the earlier foreign judgment had previously been formally recognized in the requested State, the earlier foreign judgment is to be treated as a domestic judgment, and any conflict with a later foreign judgment will be assessed under Guideline 34(1)(d).³⁶
- 31 The inconsistency of judgments may be at the level of *res judicata*; for example, a judgment of infringement in the first litigation and a later judgment of invalidity in the second litigation of the same right that was held to be infringed in the judgment from the first suit will be inconsistent.³⁷ While not just any difference between the effects of two judgments will automatically make the judgments inconsistent,³⁸ some differences will make the judgments inconsistent.

Rules of Jurisdiction

- 32 Guideline 34(1)(f) creates a jurisdictional filter by requiring that for recognition and enforcement the

34 Under the “last-in-time” rule, the last judgment will generally prevail. The rule applies, for example, to sister state judgments under the law of the State of New York. See Supreme Court of the State New York, *Byblos Bank Europe, S.A. v. Sekerbank Turk Anonym Syrketi*, 885 N.E.2d 191 [C.App. N.Y. 2008]. However, even under New York law, “the last-in-time rule ... need not be mechanically applied when inconsistent foreign State judgments exist.” *Id.*, 193.

35 Article 4:501(4) CLIP Principles; Article 406(2) Joint Korean-Japanese Principles.

36 CLIP Principles comment 4:501.C18 on pp. 452-453.

37 CLIP Principles comment 4:501.C20 on p. 453.

38 CLIP Principles comment 4:501.C20 on p. 453.

rendering court follow the rules of jurisdiction under the Guidelines.³⁹ Guideline 34(1)(f) thus reinforces the functioning of the system under the Guidelines because it provides an incentive to apply the grounds of jurisdiction so that the resulting judgment will be recognizable and/or enforceable under the Guidelines.

- 33 Only if the rendering court’s exercise of jurisdiction was in violation of the Guidelines will there be grounds for non-recognition and non-enforcement. The requested court will recognize and enforce the foreign judgment even if the rendering court’s exercise of jurisdiction was not supported by a jurisdictional ground under the Guidelines if another ground of jurisdiction under the Guidelines would have been applicable.⁴⁰ Guideline 16 provides a list of insufficient grounds for jurisdiction which are relevant when applying the jurisdictional filter in the context of recognition and enforcement. Moreover, to the extent that the requested court must assess foreign judgments on the merits to determine if there is an alternative ground for jurisdiction, Guideline 34(4) allows the requested court to do so.

The Discretionary Ground Concerning Choice of Applicable Law

- 34 Guideline 34(2) provides a discretionary ground for non-recognition and non-enforcement. It allows the requested court to decline recognition and enforcement if the rendering court did not respect the rules in Guidelines 20-24 on the choice of applicable law protecting creators, performers and employees. This ground of non-recognition is intended to prevent circumvention of the protective rules on choice of law concerning creators, performers and employees where the circumvention is a result of a choice of forum agreement granting jurisdiction to the courts of a State not applying such protective rules.
- 35 The Guidelines only envisage the review of the choice of law rule applied by the rendering court in 34(2). In exceptional circumstances, in particular, in situations where the court of origin manifestly undermined the territoriality of intellectual property rights and disregarded the *lex loci protectionis* criterion in violation of the provisions on applicable law of the Guidelines, recourse to public policy under Article 34(1)(a) could become relevant.

39 See § 401(1)(a) ALI Principles (compliance with the Principles in general), 402, and 403(1)(f) – (h) and (2); Articles 4:201 and 4:301(1) CLIP Principles; Article 401(1)(i) Joint Korean-Japanese Principles; Article 402(i) Transparency Proposal.

40 See CLIP Principles comment 4:201.C08 on p. 412.

The Rendering Court's Findings of Fact and the Merits of the Foreign Judgment

- 36 The principles of legal certainty and judicial economy underscore Guidelines 34(3) and (4). Findings of facts made by a rendering court and the rendering court's decision on the merits should not become the subject of re-evaluation by the requested court.⁴¹ It is expected that parties will have adequate opportunity to ensure that the rendering court makes correct findings of fact and determines the merits of the case correctly. If the rendering court's procedure does not allow the parties to ensure this level of fairness, the procedure will disqualify the foreign judgment from recognition and enforcement on the basis of Guideline 34(1)(b).
- 37 The requested court will rely on the facts as they were established by the rendering court,⁴² and the requested court will not conduct any new or additional fact finding. Even when the requested court conducts a review of the merits under the limited circumstances listed in Guideline 34(4), the requested court will conduct its review based on the facts as established by the rendering court.⁴³
- 38 If the requested court conducts a review of the merits it will do so from the position of the rendering court, including a consideration of the rendering court's rules of procedure, such as the rendering court's choice-of-law rules, if any. A review of the merits by the requested court is permitted only in the circumstances listed in Guideline 34(4), which are (a) when the requested court needs to assess the effects that the foreign judgment is intended to have for purposes of Guideline 33, and (b) when the requested court needs to determine whether any grounds for non-recognition and/or non-enforcement apply under Guideline 34.⁴⁴ Under Guideline 34(1)(f), the requested court may have to assess the facts of a case to determine whether the rendering court's exercise of jurisdiction was in compliance with the jurisdictional rules of the Guidelines.⁴⁵

41 See Article 4:601 CLIP Principles; Article 401(2) Joint Korean-Japanese Principles, notes on p. 152.

42 See Joint Korean-Japanese Principles, notes on pp. 151-152.

43 See Article 4:203 CLIP Principles.

44 See § 403(3) ALI Principles.

45 See Article 401(2) Joint Korean-Japanese Principles, notes on p. 151.

35. Partial and Limited Recognition and Adaptation

1. **If a foreign judgment contains elements that are severable, one or more of them may be separately recognized and enforced.**
2. **If a foreign judgment awards non-compensatory, including exemplary or punitive, damages that are not available under the law of the requested State, recognition and enforcement may be refused if, and only to the extent that, the judgment awards damages that do not compensate a party for actual loss or harm suffered and exceed the amount of damages that could have been awarded by the courts of the requested State.**
3. **If a judgment contains a measure that is not known in the law of the requested State, that measure shall, to the extent possible, be adapted to a measure known in the law of the requested State that has equivalent effects attached to it and that pursues similar aims and interests.**
4. **If a foreign judgment includes a decision concerning the validity of a registered intellectual property right and the rendering court is not a court of the State of registration, the decision on the validity shall be effective only between the parties to which the foreign judgment pertains.**

See as reference provisions

§ 411(2), 412(1)(b), 413 ALI Principles

Arts 4:102(6), 4:202, 4:402, 4:703(3) CLIP Principles

Art 404 Transparency Proposals

Arts 402 – 404, 407 Joint Korean-Japanese Principles

Short comments

- 39 To achieve the maximum degree of recognition and enforcement, Guideline 35 provides for partial recognition and/or enforcement and for partial or full adaptation of judgments so that if judgments or parts of judgments cannot be recognized and/or enforced, either at least some parts of the judgments, or entire judgments with adaptation, can be recognized and/or enforced. If the grounds for non-recognition and non-enforcement in Guideline 34, or limitations on recognition and/or enforcement in Guidelines 32(2) and (3), apply to parts of a foreign judgment, the remainder of the judgment may be recognized and/or enforced, and Guideline 35 will facilitate a partial recognition and/or enforcement. Guideline 35 also provides for adaptations so that foreign judgments or their parts may be adjusted to be enforceable in the requested State.

Extended comments**Hypothetical 1**

A sues B in a court of State X for copyright infringement in X. X's court issues a judgment and awards A enhanced statutory damages because of B's willfulness. Subsequently, A asks a court in State Y – the State of B's habitual residence – to recognize and enforce X's judgment against B. The law in Y does not provide for statutory damages or for punitive or enhanced damages. Y's court recognizes X's judgment and enforces X's judgment up to the amount that Y's court considers to be compensatory, which in the view of Y's court includes not only damages but also litigation costs.

Hypothetical 2

A sues B for patent infringement in State X. X's court issues a judgment in which the court orders B to pay damages and to apologize publicly. The public apology must follow specific rules in X; it must be oral and it must be televised. Subsequently, A asks a court in State Y – the court of B's habitual residence – to recognize and enforce X's judgment. Y's court (a) recognizes X's judgment, (b) serves and enforces the part of the judgment concerning damages, and (c) adapts the order of public apology to correspond to a type of order known in Y – an order to have the judgment published in a major daily newspaper at B's expense.

Severability

- 40 The Guidelines prefer maximum recognition and enforcement; if part of a foreign judgment cannot be recognized and/or enforced, for example because of the public policy exception formulated in Guideline 34(1)(a), the remainder of the judgment should be, whenever possible, severed and recognized and/or enforced separately under Guideline 35(1).⁴⁶ A denial of recognition and enforcement of part of a judgment should not automatically result in a denial of recognition and/or enforcement of the entire judgment.⁴⁷

Non-Compensatory Damages

- 41 If a rendering court awards non-compensatory damages, and the law of the requested State considers such damages to be penal in nature and therefore unrecognizable and unenforceable in the requested

State, under Guideline 34(1)(a) the requested court will not recognize and enforce the damages. Even if an award of non-compensatory damages is not manifestly incompatible with the public policy of a requested State, and there is therefore no ground to deny recognition and enforcement of the judgment under Guideline 34(1)(a), Guideline 35(2) allows a requested State to deny recognition and enforcement purely because such types of damages are not available in the requested State. However, in both cases a requested court may deny recognition and/or enforcement only as to the amounts that exceed the amounts that could have been awarded by the requested court.⁴⁸

- 42 A requested court will apply its own law to determine what parts of damages awarded by a rendering court are to be considered compensatory. When assessing a compensatory amount, the requested court might, if such determination is consistent with its own law, include amounts such as attorneys' fees and other litigation costs.⁴⁹ The fact that a rendering court designates a certain part of damages as "compensatory," "statutory," "exemplary," or "punitive" should have no effect on the decision of a requested court.⁵⁰ Also, a rendering court's designation of damages as "compensatory" does not require a requested court to find such damages to be non-penal in nature; the requested court may still find such damages to be penal in nature if the damages exceed an amount that the requested court would consider to be compensatory.⁵¹

Unknown Measures

- 43 A rendering court's judgment may include injunctions and other measures ("measures") that are unknown to the legal system of the requested State. A requested court may deny recognition and enforcement of such measures on public policy grounds under Guideline 34(1)(a) if circumstances call for the application of the ground. Guideline 35 provides for an additional scenario in which a measure is not manifestly incompatible with a requested State's fundamental public policy but the measure does not exist in the law of the requested

46 Article 4:102(6) CLIP Principles; Article 402 Joint Korean-Japanese Principles; Article 404(1) Transparency Proposal.

47 Article 4:703(3) CLIP Principles ("Enforcement takes place in accordance with the law of the requested State and to the extent provided by such law").

48 § 411(2) ALI Principles; Article 4:402(1) CLIP Principles. See examples of judgments granted by courts in Germany, Italy, Japan, and Spain that are mentioned in CLIP comment 4:402.C05 on p. 444.

49 § 411(2) ALI Principles and comment e on § 411 on p. 189; CLIP Article 4:402(2).

50 § 411(1) ALI Principles. Cf. ALI Principles note b on § 411 on p. 188.

51 CLIP Principles comments 4:402.C07 and C.08 on p. 445.

State.⁵² Such unknown measures may present insurmountable enforcement difficulties – either immediately (a measure cannot be implemented) or in the future (e.g., a requested court has no means to achieve the effective enforcement of a measure in the future).

- 44 The unavailability of a particular measure that is ordered by a rendering court should not automatically result in the denial of recognition and/or enforcement of an entire judgment.⁵³ Rather, a requested court may under Guideline 35(3) identify a measure that is available under the requested State’s law, has equivalent effects when compared with similar measures in the foreign judgment, and pursues goals similar to the goals of the measure in the foreign judgment; the requested court may then replace the foreign-ordered measure with the requested State’s measure.
- 45 The adaptation under Guideline 35(3) should be based on a requested court’s assessment of the particular circumstances; the adaptation should not be a mechanical exercise in which the requested court ignores the circumstances of the particular case. While replacing one foreign measure with a particular similar measure in the requested State might be suitable in some cases, the same adaptation might not work in other cases. In some cases a requested court may award monetary relief in lieu of enforcing a measure ordered by a rendering court if no measure with equivalent effects is available in the requested State.⁵⁴ The requested court may use this provision to adapt global injunctions to measures available in the requested State.⁵⁵

Decisions on the Validity of Registered Rights

- 46 Guideline 35(4) concerns decisions on the validity of intellectual property rights, but only if three conditions are met: (1) the decision is in a judgment as defined in Guideline 2; (2) the decision concerns a registered intellectual property right, such as a patent, a registered trademark, or a registered design; and (3) the rendering court is not a court of the State where the right was registered or granted. Guideline 35(4) covers such decisions, regardless of whether they invalidate the intellectual property right or confirm its validity.⁵⁶

52 CLIP Principles comment 4:703.C05 on p. 465.

53 Cf. Article 403 Joint Korean-Japanese Principles.

54 ALI Principles comment d on § 412 on pp. 191-192.

55 CLIP Principles comment 4:102.C10 on pp. 401-402.

56 Cf. § 413(2) ALI Principles; Article 404 Joint Korean-Japanese Principles.

- 47 Guideline 35(4) attaches only *inter partes* effects to such decisions, meaning that the decisions are binding only for the parties to the particular dispute.⁵⁷ The judgments do not result in cancellation of the grant or registration or removal of the intellectual property rights from the registries; validity decisions under Guideline 35(4) affect only the relations between or among the parties in the dispute.

- 48 Rights are considered to be “registered” only if a registration or grant is necessary for the right to vest. An optional registration does not convert unregistered intellectual property rights into registered rights; for example, the fact that unregistered well-known marks or copyrights may be registered in some States does not convert the rights into registered rights if registration is not required for the existence of the rights in the State.⁵⁸

- 49 Other decisions on the validity of intellectual property rights made in judgments that are defined in Guideline 2 will be recognized and enforced and will have *erga omnes* effects,⁵⁹ namely: (1) A validity decision concerning an unregistered intellectual property right, such as copyright, regardless of which State’s court rendered the decision; and (2) a validity decision concerning a registered intellectual property right if the decision was rendered by a court in the State where such right was granted or registered. Decisions on validity that are not included in judgments, such as preliminary assessments of patent validity that are not included in judgments, are not subject to recognition and enforcement under the Guidelines.

- 50 Issues associated with circumstances under which an intellectual property right is found to be invalid after the right had been found to be infringed are to be governed by national laws unless they fall within the scope of the Guidelines.⁶⁰

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57 Article 404(2) Transparency Proposals..

58 Under U.S. law, copyright registration is required to file a copyright infringement lawsuit and for other purposes, but it is not a condition of the existence of copyright, which vests automatically upon the fixation of a work in a tangible medium of expression.

59 See § 413(1) ALI Principles; Article 4:202 CLIP Principles.

60 CLIP Principles comments 4:202.C07 – 4:202.C09 on pp. 419-420.

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Annex

Guidelines on Intellectual Property and Private International Law (“Kyoto Guidelines”)

by ILA Committee on Intellectual Property and Private International Law

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RESOLUTION 6/2020

ILA COMMITTEE ON INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW

The 79th Conference of the International Law Association, held in Kyoto, Japan, November 29 – December 13, 2020:

RECOGNIZING that the enforcement of intellectual property rights in the global context of the information society raises new challenges to the traditional models of structuring transactions and adjudicating international disputes;

APPRECIATING the importance and benefits of providing legal certainty with regard to the jurisdiction of courts and the law applicable, as well as fostering cooperation to

enhance the cross-border recognition and enforcement of judgments in civil and commercial matters involving intellectual property claims;

BELIEVING that the adoption of model provisions on the private international law aspects of intellectual property, which may guide the interpretation and reform of national legislation and international instruments, contributes to the building of a more reliable and predictable legal framework;

TAKING INTO ACCOUNT the development of international, regional and national rules, as well as the previous efforts to draft model provisions in this field, especially those undertaken by the American Law Institute, the European Max Planck Group on Conflicts of Laws in Intellectual Property, the Japanese Transparency Project, and members of the Private International Law Association of Korea and Japan;

HAVING CONSIDERED the reports of the Committee on Intellectual Property and Private International Law;

ADOPTS the Kyoto Guidelines on Intellectual Property and Private International Law annexed to this Resolution;

COMMENDS the Guidelines to organizations, States and interested groups that are working on national, regional or international initiatives in the field, with a view to foster international cooperation, achieve greater legal certainty and an adequate balance of all interests involved;

REQUESTS the Secretary-General of the International Law Association to forward a copy of this Resolution and its annex to appropriate international organizations, in particular the Hague Conference of Private International Law and WIPO;

RECOMMENDS to the Executive Council that the Committee on Intellectual Property and Private International Law, having accomplished its mandate, be dissolved.

ANNEX

Guidelines on Intellectual Property and Private International Law (“Kyoto Guidelines”)

General Provisions

1. Scope of the Guidelines

1. These Guidelines apply to civil and commercial matters involving intellectual property rights that are connected to more than one State.
2. These Guidelines may be applied *mutatis mutandis* to claims based on unfair competition, if the matter arises from the same set of facts as relating allegations involving intellectual property rights, and on the protection of undisclosed information.

2. Definitions

1. “Intellectual property right” means copyright and related rights, patent, utility model, plant breeder’s right, industrial design, layout-design (topography) of integrated circuits, trademark and similar rights.

2. “Judgment” means any judgment rendered by a court or tribunal of any State, irrespective of the name given by that State to the proceedings that gave rise to the judgment or the name given to the judgment itself, such as decree, order, decision, or writ of execution. “Judgment” also includes court-approved settlements, provisional and protective measures, and the determination of costs or expenses by an officer of the court.

Jurisdiction

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.

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.

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.

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.

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.

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.

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.

10. Submission and Appearance

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

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.

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.

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.

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.

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.

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.

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.

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.

Applicable Law

General Rules

19. Existence, Scope and Transferability (lex loci protectionis)

The law applicable to determine the existence, validity, registration, duration, transferability, and scope of an intellectual property right, and all other matters concerning the right as such,

is the law of the State for which protection is sought.

20. Initial Ownership and Allocation of Rights

(1) (a) Initial ownership in registered intellectual property rights, unregistered trademarks and unregistered designs is governed by the law of the State for which protection is sought.

(b) In the framework of a contractual relationship, in particular an employment contract or a research and development contract, the law applicable to the right to claim a registered intellectual property right is determined in accordance with Guidelines 21 to 23.

(2) (a) Initial ownership in copyright is governed by the law of the State with the closest connection to the creation of the work. This is presumed to be the State in which the person who created the subject-matter was habitually resident at the time of creation. If the protected subject-matter is created by more than one person, they may choose the law of one of the States of their habitual residence as the law governing initial ownership. This paragraph applies *mutatis mutandis* to related rights.

(b) If the underlying policy of the law of the State for which protection is sought so requires even in international situations, the allocation of rights which cannot be transferred or waived is governed by the law of that State.

Contracts

21. Freedom of Choice

1. Parties may choose the law governing their contractual relationship.
2. Such a choice of law shall not, however, have the result of depriving the creator or performer of the protection afforded to him/her by the provisions that cannot be derogated from by agreement under the law that, in the absence of choice, would have been applicable pursuant to Guideline 22.

22. Absence of Choice

1. In the absence of choice of law by the parties pursuant Guideline 21, a contract other than an employment contract shall be governed,

a) if the contract deals with intellectual property granted for one State only, by the law of this State, unless it is clear from all the circumstances of the case that the contract is manifestly more closely connected with another State. Then the law of that other State shall apply;

b) if the contract deals with intellectual property granted for more than one State, by the law of the State with which the contract is most closely connected; in determining this State, the court shall take into consideration among other possible factors:

- the common habitual residence of the parties;
- the habitual residence of the party effecting the performance characteristic of the contract;
- the habitual residence of one of the parties when this habitual residence is located in one of the States covered by the contract.

2. For the purpose of this provision, the habitual residence of a party shall be determined at the time of conclusion of the contract.

23. Employment Contracts

1. An employer and its employee whose efforts give rise to an intellectual property right may choose the law governing their contractual relationship in accordance with Guideline 21. Such a choice of law shall not, however, have the result of depriving the employee of the protection afforded to him by the provisions that cannot be derogated from by agreement under the law that, in the absence of choice, would be applicable pursuant to paragraphs 2 and 3.
2. In the absence of choice of law by the parties, the contractual relationship between employer and employee shall be governed by the law of the State in which or, failing that, from which the employee habitually carries out his work in performance of the contract.
3. The State where the work is habitually carried out shall not be deemed to have changed if the employee is temporarily employed in another State. Where it is clear from all the circumstances of the case that the contract is more closely connected with a State other than that indicated in paragraph 2, the law of that other State shall apply.

24. Formal Validity

1. Any contract dealing with intellectual property rights shall be formally valid to the extent that it satisfies the formal requirements:
 - a) of the law of the State which governs the contract pursuant Guidelines 21-23, or
 - b) of the law of the State in which either of the parties has its habitual residence at the time of the conclusion of the contract, or
 - c) of the law of any other State with which the contract is connected.
2. This provision shall not deprive creators, performers and employees of the protection resulting from Guideline 21 paragraph 2 and Guideline 23, paragraph 1.

Infringements

25. Basic Rule on Infringement

1. The law applicable to the infringement of an intellectual property right is the law of each State for which protection is sought.
2. The law applicable to the remedies for the infringement may be chosen by the parties.

26. Law Applicable to Ubiquitous or Multi-state Infringements

1. When the infringement in multiple States is pleaded in connection with the use of ubiquitous or multinational media, the court may apply to the infringement as a whole the law or laws of the State(s) having an especially close connection with the global infringement. Relevant factors to determine the applicable law (or laws) in these situations include:
 - the place where the harm caused by the infringement is substantial in relation to the infringement in its entirety;
 - the parties' habitual residences or principal places of business;
 - the place where substantial activities in furthering the infringement have been carried out.

2. In situations where paragraph (1) is applied, any party may prove that, with respect to particular States covered by the action, the solution provided by any of those States' laws differs from that obtained under the law(s) chosen to apply to the case as a whole. The court must take into account such differences when fashioning the remedy.
3. Paragraphs (1) and (2) above may apply *mutatis mutandis* in cases of secondary or indirect infringements of intellectual property rights.

27. Collective Rights Management in the Field of Copyright and Related Rights

1. The law of the State where a collective rights management organization has its actual seat of administration shall govern
 - a) the requirements for the specific corporate structure of collective rights management organizations;
 - b) the rights, conditions and principles concerning the relationship of the right holder, as well as of another collective rights management organization representing right holders, vis-à-vis a collective rights management organization, such as
 - (i) the right and conditions for becoming a member of this organization;
 - (ii) the right and conditions for entrusting rights to this organization;
 - (iii) the rights and conditions for withdrawing the management of rights from this organization;
 - (iv) the requirements regarding the calculation and distribution of the organization's revenue to the right holders and other collective rights management organizations representing right holders; and
 - (v) the rights and conditions on access to alternative dispute resolution to be offered by the collective rights management organization; and

- c) in absence of a choice of law by the parties, the contract under which the right holder entrusts rights to this organization.
2. The law of the State for which protection is sought shall govern
 - a) the presumption that a collective rights management organization is empowered to seek protection for certain works or subject-matter of related rights;
 - b) mandatory collective rights management;
 - c) the power of an individual collective rights management organization to grant licenses or collect statutory remuneration without prior consent of the right holder;
 - d) the issue of whether and under which conditions a collective rights management organization has to license rights to users; and
 - e) the requirements regarding the calculation of the royalty rates and statutory remuneration.
 3. The law of the forum shall govern legal standing of a collective right management organization before a court.
 4. This guideline applies without prejudice to the applicable competition law rules.

Other Provisions

28. Public Policy

The application of the law determined under these Guidelines may be refused only to the extent that its effects would be manifestly contrary to the public policy of the forum.

29. Overriding Mandatory Provisions

1. Nothing in these Guidelines shall restrict the application of the overriding mandatory provisions of the law of the forum.
2. When applying under these Guidelines the law of a State to a contract, the court may give effect to the law of another State where the obligations arising out of the contract have to be or have been performed.

30. Renvoi

The application of the law of any State determined under these Guidelines means the application of the rules of law in force in that State other than its rules of private international law.

31. Arbitrability

When assessing the arbitrability of disputes concerning intellectual property rights, courts and arbitral tribunals shall take into consideration the law of the arbitration, to the extent that the rights in dispute have a close connection with it, and that of the State of protection, particularly insofar as the award has to be recognized and enforced in that State.

Recognition and Enforcement

32. Object of Recognition and Enforcement

1. A foreign judgment may be recognized and enforced in accordance with this part of the Guidelines.
2. If a judgment is still subject to appeal in the State of the rendering court, or if the period for launching ordinary review has not expired in that State, the requested court may stay the recognition and enforcement until the appeal is decided or the period expires, or may make it a condition of the recognition and enforcement that the party seeking it provide security.
3. Provisional and protective measures adopted without prior hearing of the adverse party and enforceable without prior service of process to that party shall not be recognized or enforced.

33. Effects of a Foreign Judgment

The effects of a foreign judgment, including its enforceability, in the requested State shall to the extent possible be the same, and under no circumstances greater, than in the State of origin.

34. Grounds for Non-Recognition and Non-Enforcement

1. A court shall not recognize and enforce a foreign judgment if:
 - a) such recognition or enforcement would be manifestly incompatible with a fundamental public policy of the requested State;
 - b) the proceedings leading to the judgment were manifestly incompatible with the fundamental principles of procedural fairness of the requested State;
 - c) the judgment was rendered by default where
 - (i) the defendant to the proceeding was not adequately and timely notified of the proceeding, or
 - (ii) the defendant was deprived of an adequate and meaningful opportunity to present its case before the rendering court;
 - d) the judgment is inconsistent with a prior judgment rendered in the requested State that has preclusive effect;
 - e) the judgment is inconsistent with an earlier judgment given in another State between the same parties and having the same cause of action, provided that the earlier judgment fulfils the conditions necessary for its recognition in the requested State;
 - f) the rendering court exercised jurisdiction in violation of the rules of jurisdiction under these Guidelines.
2. A court may decline to recognize and enforce a foreign judgment if the rendering court designated the applicable law in violation of the rules in Guidelines 20 – 24 protecting creators, performers and employees.
3. In assessing the rendering court's jurisdiction, the requested court is bound by the findings of fact made by the rendering court in the original proceeding.
4. Without prejudice to such review as may be necessary for the application of Guidelines 33 and 34, the requested court shall not review a foreign judgment as to its merits.

35. Partial and Limited Recognition and Adaptation

1. If a foreign judgment contains elements that are severable, one or more of them may be separately recognized and enforced.
2. If a foreign judgment awards non-compensatory, including exemplary or punitive, damages that are not available under the law of the requested State, recognition and enforcement may be refused if, and only to the extent that, the judgment awards damages that do not compensate a party for actual loss or harm suffered and exceed the amount of damages that could have been awarded by the courts of the requested State.
3. If a judgment contains a measure that is not known in the law of the requested State, that measure shall, to the extent possible, be adapted to a measure known in the law of the requested State that has equivalent effects attached to it and that pursues similar aims and interests.
4. If a foreign judgment includes a decision concerning the validity of a registered intellectual property right and the rendering court is not a court of the State of registration, the decision on the validity shall be effective only between the parties to which the foreign judgment pertains.

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