

## Editorial

Special Issue on Private International Law and Intellectual Property

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by Paulius Jurčys

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a Comparison for the International Law Association  
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by Axel Metzger

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Thomas Dreier  
Axel Metzger  
Gerald Spindler  
Lucie Guibault  
Miquel Peguera



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# JIPITEC - Special Issue on Private International Law and Intellectual Property

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## JIPITEC - Special Issue on Private International Law and Intellectual Property

This special issue of JIPITEC presents a collection of papers given at the inaugural meeting of the International Law Association's (ILA) Committee on Intellectual Property (IP) and Private International Law held at the University of Lisbon on March 15-17, 2012. The ILA approved to establish a new committee on IP and Private International Law (hereinafter "the Committee") in 2010 to continue the ongoing discussion on the challenges for traditional models of adjudicating international disputes with regard to intellectual property.<sup>1</sup> These new challenges are raised by today's global business models of right holders and intermediaries, as well as by information technology at the disposal of users that allows worldwide dissemination of protected subject matter but that can endanger, as such, the protection of intellectual property. The Committee continues research efforts that have been started in the 2000s. The first comprehensive research outcome of this international debate has been the 'Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes' of 2007 published by the American Law Institute in 2007.<sup>2</sup> In 2011, the Max-Planck Institutes in Hamburg and Munich together with a group of distinguished European scholars concluded a research project and published the CLIP-Principles on Conflict of Laws in Intellectual Property.<sup>3</sup> In Asia, a group of scholars in Japan and Korea (the Waseda GCOE Project) published their own Principles on this topic in 2010,<sup>4</sup> while another project team in Japan (the Transparency Project) has published a legislative proposal in August 2010.<sup>5</sup> Due to the mature status of the international debate, the

Committee decided to start its deliberations by taking stock of the common features of the already existing works. This challenging task was taken over by *Paulius Jurčys*, *Rita Matulionytė* and *Benedetta Ubettazzi*, whose reports are collected in this issue. However, the Committee has also identified new subjects that have not been sufficiently dealt with in the older projects and areas where new proposals should be developed. The papers by *Pedro de Miguel Asensio* and *Axel Metzger* explore two potential issues for further discussion in the Committee. The editors would like to thank *Rita Matulionytė* who assisted the editing of this issue.

### The editors

- 1 See <http://www.ila-hq.org/en/committees/index.cfm/cid/1037> and <http://www.law.kyushu-u.ac.jp/programs/english/ila2012>.
- 2 American Law Institute's 'Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes' of 2007 (ALI Principles).
- 3 European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP), Principles on Conflict of Laws in Intellectual Property of 2011, <http://www.cl-ip.eu/en/pub/home.cfm>. The CLIP-Principles will be published with comments and notes in early 2013 at Oxford University Press.
- 4 Members of the Private International Law Association of Korea and Japan, Principles of Private International Law on Intellectual Property Rights, The (Waseda) Quarterly Review of Corporation and Law and Society 2011, 112, 141.
- 5 Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property, October 2009, in Jürgen Basedow/Toshiyuki Kono/Axel Metzger (eds.), Intellectual Property in the Global Arena - Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US (2010), 394-402.

# International Jurisdiction in Intellectual Property Disputes

## CLIP, ALI Principles and other Legislative Proposals in a Comparative Perspective

by **Paulius Jurčys**, LL.M., LL.D., Kyushu University, Faculty of Law

**Abstract:** The recent controversy between two tech giants, Apple and Samsung, illustrates the practical limitations of multi-state IP litigation: the territorial nature of IP rights virtually means that most of the complex IP disputes have to be adjudicated before the courts of every state for which protection is sought. In order to streamline the adjudication of multi-state disputes, a number of legislative proposals have been prepared (including the ALI Principles, CLIP Principles, Japanese Transparency Proposal, Waseda Proposal and the Korean KOPIA Principles). These proposals contain detailed provisions concerning matters of international jurisdiction, choice of law and recognition and enforcement in IP cases. Moreover, these legislative proposals in one way or another were drafted with

a vision to facilitate cooperation between the courts and thus make the adjudication more efficient. However, the actual practices of national courts remain different; moreover, the approaches adopted in the legislative proposals also vary. This paper provides for a comparative study of the abovementioned legislative proposals insofar as matters concerning the competence of courts to adjudicate cross-border IP disputes is concerned. In particular, this paper touches upon the following matters: personal/in personam jurisdiction, jurisdiction to grant provisional or protective measures, jurisdiction in IP-related contract disputes, choice of court agreements, multiple defendants and coordination of parallel proceedings.

**Keywords:** Jurisdiction, ALI Principles, CLIP Principles, intellectual property, private international law, Hague judgments convention, Transparency Principles, Roche, GAT v Luk, Spider in the web, in personam jurisdiction, forum non conveniens, Lucasfilm

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## A. Introductory Remarks

- 1 Competition in creative and technology industries goes beyond mere innovation. In order to gain, protect or enlarge their market shares, firms employ various strategies (e.g. technology protection measures or patent thickets). One of the elements of this competition in the innovative industries is litigation: IP right holders sue alleged infringers seeking injunctions and compensation for damages and, on their behalf, alleged infringers may seek declarations for non-liability. In an era when business models have transformed to the global arena, the territorial nature of IP rights creates significant hurdles for the efficient exercise of such rights. The recent controversy between two tech giants, Apple and Samsung, clearly illustrates the problem: a number of separate suits were brought before courts of different states (US, Australia, Japan, Korea and several European countries).
- 2 This paper deals with the latter aspect of the transnational enforcement of IP rights: namely, enforcement of IP rights before the national courts. A number of problems related to the enforcement of multi-territorial IP rights arise before the courts: Which court should hear the case? What is the scope of a court's competence in adjudicating such multi-territorial IP dispute? If a court's jurisdiction can be asserted, which law should be applied to the dispute? A number of legislative proposals were drafted in various continents with an intention to address these problems related to the transnational enforcement of IP rights. The first set of principles was prepared by the American Law Institute (the so-called ALI Principles);<sup>1</sup> these were subsequently followed by the European CLIP Principles,<sup>2</sup> the Japanese Transparency<sup>3</sup> and the Waseda Proposals as well as the Korean KO-PILA Principles. All of these aim to propose certain solutions for streamlining the adjudication of multi-territorial IP disputes by establishing rules on international jurisdiction, choice of law and the recognition and enforcement of foreign judgments in IP cases.
- 3 This paper was prepared for the International Law Association ('ILA') Committee on 'Intellectual Property and Private International Law' meeting, which took place in Lisbon on 16-17 March 2012. The Committee was created in November 2010 and aims to analyse the current state of the legal framework concerning the protection of IP rights in the international sphere. The work of the Committee is based on the recent comparative studies as well as the above-mentioned legislative proposals concerning the confluence of intellectual property and private international law. One of the objectives of the Committee is to conduct a comprehensive study of the existing regulatory proposals and prepare a set of guidelines which could serve as a source of reference for various international as well as national regulatory bodies (e.g. Hague Conference on Private International law, regional or national lawmakers). The goal of the members of the Committee is to find a common approach towards the exercise of international jurisdiction over disputes with a foreign element; accordingly, this paper is one of the studies intended to set the groundwork for future deliberations.
- 4 This paper focuses only on matters related to general aspects of international jurisdiction in IP cases. There are many questions related to the exercise of court jurisdiction: jurisdiction over *in personam*; jurisdiction over the merits; the relationship between *in personam* and jurisdiction over the merits (subject-matter jurisdiction); the court's authority to hear disputes in situations where the defendant is not resident in the forum state; coordination of parallel proceedings; and jurisdiction to order (cross-border) provisional and protective measures. (This paper does not deal with two issues: namely, jurisdiction in IP infringement cases and subject-matter/exclusive jurisdiction which are analysed in the article prepared by B. Ubertaini in this volume.) In court proceedings, jurisdictional issues have to be determined first; if international jurisdiction is asserted, only then do the issues related to the applicable law come into play. In any case, it should be emphasised that both issues – international jurisdiction and the choice of applicable law – are closely intertwined; or, to put it differently, the applicable law largely depends on which state's court hears the case and on which jurisdictional ground the jurisdiction is exercised.
- 5 It should also be emphasised that current court practice and existing legislative frameworks still remain far behind the solutions proposed in the legislative proposals dealing with cross-border IP matters (the ALI Principles, CLIP Principles, Transparency Principles, or Waseda Principles). At the same time, it is also true that the legislative proposals were drafted with a view to influence legal processes, in particular jurisdictions.
- 6 The solution to various problems related to international jurisdiction depends to a large degree on the following two considerations: first, the general grounds of jurisdiction (*in personam* jurisdiction) as well as doctrines which allow the courts to exercise their discretion in ascertaining jurisdiction (namely, *forum non conveniens* doctrine and its modifications and the 'special circumstances' test); and, secondly, the relationship between general grounds of jurisdiction and other bases of jurisdiction.
- 7 The need to create a legal framework unifying issues related to international jurisdiction has long been recognized. It is argued that many problems which persisted during the negotiations to draft a global Judgments Convention at the Hague Confer-

ence have been clarified, at least to some extent. Hence, the Hague Conference for Private International Law is prepared to reopen the drafting process of the Convention.<sup>4</sup> It has been argued elsewhere that work done at the Hague Conference provides a solid basis for discussing issues related to international IP jurisdiction matters.<sup>5</sup>

## B. General Grounds of Jurisdiction: In Personam Jurisdiction, Defendant's Domicile and Exclusionary Mechanisms

*2001 Hague Draft of the Judgments Convention;*<sup>6</sup> *Articles 2:101 and 2:2601 CLIP Principles; Section 201 ALI; Articles 103 and 107 Transparency Principles; Articles 201, 202, 211 and 212 Waseda Principles; Articles 2, 8, 9 KOPIA*

- 8 The issue of ascertaining jurisdiction over the dispute is one of the most complex ones. In countries with developed economic systems, the court practice has evolved over decades, if not centuries. Hence, existing jurisdiction rules and practices have to be viewed in the light of domestic cultural, historical, legal and economic contexts. In this regard, some important comparative studies have already been conducted by distinguished scholars.<sup>7</sup> The discussion in the following section will be more comparative as regards the legislative proposals, and rather more descriptive in depicting the existing legal systems in different states.

### I. Differences

#### 1. General Grounds of Jurisdiction: Domicile or Habitual Residence?

##### a) Natural Persons

- 9 As a starting point, a comparison of the four legislative proposals reveals that the basic connecting factor for determining jurisdiction *in personam* differs. The 2001 Hague Draft, ALI, CLIP and Waseda Principles adopt the 'residence' as a general ground of jurisdiction over the defendant. In addition to the 'habitual residence' (Art. 9), the Korean Principles also require a court to establish a 'substantial connection' between the forum state and the party or the case (Art. 8). However, the Transparency Principles refer to the 'domicile' of the defendant.
- 10 It should be noted that there is another slight difference in the terminology. Namely, some legislative proposals refer to the 'habitual residence' of the defendant (Art. 2:201 CLIP and Art. 201 Waseda), while

the ALI Principles simply refer to the 'residence' of the defendant (Art. 201(1)). Whether the terminological differences could actually lead to different practical outcomes is discussed below.<sup>8</sup> In this regard it should be noted that the 2001 Hague Draft as well as the Korean Principles contain a special rule that requires establishing the existence of 'substantial connection between the parties or the dispute' and the forum state (Art. 18(1) of the 2001 Hague Draft and Art. 8(1) KOPIA).

##### b) Legal Persons

- 11 The ALI and the CLIP Principles establish essentially the same definitions of 'habitual residence' of legal persons. The residence of a natural person is considered to be the state in which the person is habitually found or maintains significant professional or personal connections. Besides, the notion of 'residence' of a legal person is further clarified by positing that it is in any state in which (a) it has a statutory seat; (b) it is incorporated or formed; (c) its central administration is located; or (d) it maintains its principal place of business (S 201(3) of the ALI Principles and Arts. 2:601(2) and 2:601(3) of the CLIP Principles). In addition, the CLIP Principles specify that the 'habitual residence of a natural person acting in the course of a business activity shall, for actions related to that activity, also be the principal place of business'. From the literal wording of the provision, it appears that the Waseda and Korean Principles establish a broader definition of 'residence' of a legal person.<sup>9</sup>
  - 12 As mentioned above, the Transparency Principles establish 'domicile' as a connecting factor and state that in cases 'where the defendant is a corporation, association, or foundation, the courts of Japan shall also have international jurisdiction when the defendant's principal office is in Japan' (Art. 103(2)).
- #### 2. Branches, Agencies or Business Offices
- 13 There are also differences with regard to jurisdiction over branches, agencies or business offices. Clear jurisdiction rules dealing with this issue are provided in the CLIP Principles (Art. 2:207), the Transparency Principles (Art. 106) and the Waseda Principles (Art. 202). A 'hidden' jurisdiction rule could also be found in the ALI Principles.<sup>10</sup> Even though the terminology of the provisions differs slightly, the legislative proposals essentially adopt a restrictive approach and allow a court to assume territorially limited jurisdiction over branch, agency or other form of business offices, provided, however, that the jurisdiction could be asserted only over claims related to the activities of the branch in the forum state.



### 3. Court Discretion and Insufficient Grounds for Jurisdiction

- 14 There are two main areas of difference with regard to the court discretion to decline jurisdiction over the dispute. First, some legislative proposals contain special rules enumerating connecting factors which, if taken alone, are considered to be insufficient for a court to assert jurisdiction over the dispute. Secondly, some legislative instruments contain other kinds of discretionary provisions which generally empower the courts to decline jurisdiction. These are two possible approaches of ensuring that courts hear cases that are closely related with the forum state.

#### a) Insufficient Grounds of Jurisdiction

- 15 Among the legislative proposals, the ALI, Waseda and Korean Principles contain special provisions enumerating grounds that are considered not sufficient for a court to assert jurisdiction (S. 207 ALI, Art. 212 Waseda, and Art. 8(2) KOPIA). Essentially, the insufficient bases of jurisdiction are the same among these three principles.
- 16 On the other hand, such a list of insufficient grounds of jurisdiction is not explicitly provided in the CLIP Principles and the Transparency Principles. However, the mere formal absence of such insufficient grounds does not necessarily mean that the drafters of the CLIP Principles or the Transparency Principles intended to allow the courts to exercise exorbitant jurisdiction. Insofar as the CLIP Principles are concerned, the drafting objectives as well as their background could better explain the approach adopted. Namely, the CLIP Principles aim to substitute and provide for improvements to the existing Brussels/Lugano framework where some explanations with regard to the exorbitant grounds of jurisdiction could be found in the jurisprudence of the CJEU. As for the Transparency Principles, some other provisions – namely ‘exception based on public-interest policy (Art. 109)’ – empower the courts to exercise some degree of discretion in asserting jurisdiction.<sup>11</sup>

#### b) Discretion to Decline Jurisdiction

- 17 The 2001 Hague Draft contains a special provision which could be seen as an additional rule empowering the court to decline jurisdiction in certain cases. Article 22 of the 2001 Hague Draft is entitled ‘Exceptional circumstances for declining jurisdiction’ and bears a resemblance to the *forum non conveniens* doctrine as it has been developed by courts of common law countries. More particularly, this rule stipulates that in exceptional circumstances the court may, upon application by a party, suspend its proceedings if it is clearly inappropriate for that court to exercise juris-

diction and if a court of another state has jurisdiction and is clearly more appropriate to resolve the dispute. The court shall take into account the following factors: (a) any inconvenience to the parties in view of their habitual residence; (b) the nature and location of the evidence, documents and witnesses, as well as the procedures for obtaining such evidence; (c) applicable limitation or prescription periods; and (d) the possibility of obtaining recognition and enforcement of any decision on the merits (Art. 22(2)). If the court decides to suspend its proceedings, it shall decline to exercise jurisdiction if the court of the other state exercises jurisdiction, or proceed with the case if the court of the other state decides not to exercise jurisdiction.

- 18 Two Japanese legislative proposals also entrench provisions granting the court discretion to decline jurisdiction over the case. Article 211 of the Waseda Principles refers to the so-called ‘special circumstances’ test, which allows the court to dismiss the whole or part of the action if it finds that there are some special circumstances that would impinge upon the fairness between the parties or obstruct due process or prompt trial. The ‘special circumstances’ doctrine was developed by Japanese (and Korean) courts and also found its place in newly adopted rules on international jurisdiction.
- 19 The drafters of the Transparency Principles were also aware of the significance of this doctrine to the actual practice of Japanese courts. However, the members of the transparency working group were slightly more reserved towards the breadth of the special circumstances test. Therefore, Article 119 of the Transparency Principles adopts a much narrower form of the ‘special circumstances’ and refers to ‘public-interest policy’ which would allow the Japanese courts to decline jurisdiction only in those situations where the trial would be ‘manifestly more appropriate’ in foreign states.

### 4. Relationship between Personal Jurisdiction and Jurisdiction over the Merits

- 20 Another significant difference concerns the underlying conceptual structure of the legislative proposals. This difference is about the relationship between personal (*in personam*) jurisdiction over the defendant and jurisdiction over the merits of the case (subject-matter jurisdiction). The ALI Principles were drafted in the light of the principles existing under United States law. Therefore, the idea that a court should have both personal and subject-matter jurisdiction persists in the ALI Principles.<sup>12</sup> Other principles (CLIP, Transparency, Waseda, KOPIA) were drafted in the light of different legal background, namely, the positive laws of the countries that do not formally have the requirement to



establish both jurisdiction over the persons *and* subject-matter jurisdiction.

## II. Rationale

### 1. General Grounds of Jurisdiction: Domicile or Habitual Residence?

- 21 It has been shown above that the legislative proposals adopt different connecting factors for the determination of general jurisdiction. It was also noted that only the Transparency Principles use the defendant's domicile as a connecting factor. This difference could be explained by the specific purpose of the Transparency Principles. Namely, the Transparency Principles were drafted with an intention to influence the legislative process of modernizing rules on civil jurisdiction that had been on-going at the Ministry of Justice of Japan. This could partly justify why the connecting factor of the defendant's domicile was adopted as the main connecting factor in the Transparency Principles. However, a closer look to Article 4(2) of the Code of Civil Procedure shows that Japanese law does not always require the establishment of the 'defendant's domicile': if the domicile of the defendant is not known, the defendant's residence could be used as a ground for establishing jurisdiction (Art. 4(2)).
- 22 Nevertheless, the Waseda Principles do not follow the definitions and terminology used in the Japanese Code of Civil Procedure. One of the reasons for this was that the scope of the Waseda Principles was to cover not only Japan but other states in the South-East Asian region as well. Accordingly, the connecting factor of 'residence' was adopted in the Waseda Principles.
- 23 It should also be noted that the definition of habitual residence for legal persons was first provided in the Hague Draft Convention: Article 3(2) states that habitual residence of 'an entity or person other than a natural person' shall be in the state (a) where it has its statutory seat; (b) under whose law it was incorporated or formed; (c) where it has its central administration; or (d) where it has its principal place of business.<sup>13</sup> This definition was also adopted in the ALI Principles (S 201(3)) and is also essentially the same as the provision of the CLIP Principles (Art. 2:601(2)). By establishing 'habitual residence' as a ground for general jurisdiction, the CLIP Principles depart from the Brussels I Regulation, which refers to the domicile of the defendant. The CLIP notion of 'habitual residence' was drafted in the light of Article 19(1) of the Rome I Regulation and Article 23(2) of the Rome II Regulation.

### 2. Branches, Agencies or Other Business Offices

- 24 One of the elements of personal jurisdiction is related to actions against branches, agencies or other forms of business establishments in the forum state. However, the existence of a branch (of the defendant) in the forum state is considered a supplementary ground of jurisdiction. This is especially clear in civil law states, where jurisdiction over branches or agencies is often defined as an 'alternative' ground of jurisdiction. This is the main reason why the courts that assert jurisdiction usually are hearing claims only related to the activities of that particular branch or agency.
- 25 It was mentioned above that despite slight terminological differences, all legislative proposals contain special jurisdiction rules for actions concerning the activities over branches and agencies. It should be noted that essentially all legislative proposals follow the same approach: if the location of the branch or agency is the sole ground of jurisdiction, then a court's competence to decide extends only to issues concerning the activities which can be directly attributed to that branch or agency (see Art. 9 of the 2001 Hague Draft;<sup>14</sup> Art. 2:207 CLIP; Art. 106 Transparency; Art. 202 Waseda).

### 3. Court Discretion and Insufficient Grounds for Jurisdiction

#### a) Substantial Connection and Insufficient Grounds of Jurisdiction

- 26 The 2001 Hague Draft as well as the KOPILA require the existence of the substantial connection between the parties of the dispute and the forum state (Art. 18(1) of the 2001 Hague Draft and Art. 8(1) KOPILA). In the 2001 Hague Draft this requirement of substantial connection was considered to be one of the legal tools to avoid situations where a court exercises exorbitant jurisdiction. In order to avoid such overly broad adjudicatory authority, the Hague Draft provided for grounds of jurisdiction which are considered to be insufficient for the exercise of international jurisdiction. In other words, insufficient grounds of jurisdiction (such as a plaintiff's nationality or the service of a writ to the defendant in the forum state) were considered not to prove the existence of a substantial connection between the dispute/the parties and the forum state.<sup>15</sup>
- 27 It is also necessary to highlight one peculiar feature concerning the structure of the 2001 Draft of the Hague Convention. The reason why the separate list of insufficient grounds of jurisdiction was included in the Hague Draft is as follows: Article 17 of the 2001

Hague Draft provided that courts can assert jurisdiction over the dispute under the domestic law of the forum state. Therefore, the drafters considered it vital to the maintenance of certain degree of foreseeability to limit the situations where the courts exercise jurisdiction over cases that do not have a substantial relation to the forum state.

## b) Court's Discretion to Decline Jurisdiction

28 One of the main reasons for disagreement among the delegates at the Hague Conference was related to the scope of a court's discretion in deciding whether it should assert jurisdiction over the case. The 2001 Hague Draft not only contained a list of grounds that are not sufficient to exercise international jurisdiction, but also a special rule in Article 22 which could be seen as a codified version of the *forum non conveniens* doctrine.<sup>16</sup> This rule evinces an attempt to strike a balance between jurisdiction methods in civil and common law countries. While civil law countries generally prefer predictability and legal certainty provided by jurisdiction rules, common law countries commend courts with a broader discretion in deciding whether to assert their authority over the dispute or not.

29 A closer comparison reveals a notable development in the legislative proposals for the adjudication of multi-state IP disputes. Namely, the Japanese Transparency and Waseda Proposals were drafted in light of the on-going reform of international civil procedure rules in Japan; therefore, these two legislative proposals still contain some rules granting certain discretion to the courts in deciding on the existence of international jurisdiction. Yet the need to assure greater certainty and efficiency in adjudicating multi-state IP infringement facilitated a move towards replacement of discretionary rules with rules on coordination. This is most obvious in the CLIP and the ALI Principles. These two legislative proposals do away with Article 22 of the 2001 Hague Draft, instead providing for certain rules on court discretion and a set of jurisdictional provisions for coordination of multi-state IP proceedings (Arts. 2:701-2:706 of the CLIP Principles and SS 221-223 ALI).

## c) 'Special Circumstances' Test and Its Limitations

30 The discretion of a court to dismiss the case appears to be much narrower in the Transparency Principles. While the Waseda Principles appear to follow the 'special circumstances test' as established in the practice of Japanese (and Korean<sup>17</sup>) courts, the Transparency Principles refer to the 'exception based on public-interest policy' (Art. 109). The drafters of the Transparency Principles were con-

cerned that an overly broad notion of 'special circumstances' results in great uncertainty. As a result, the parties can hardly anticipate the court's decision whether international jurisdiction would be asserted over a particular case or not. The reduction of uncertainty was considered to better suit the interests of private litigants. Accordingly, the notion of 'public-interest policy' was introduced and should be seen as a narrower version of the 'special circumstances' test. According to the commentary, 'public-interest policy' should be understood as a much narrower concept of 'public policy' or '*ordre public*'. Hence, certain factors that fall under the ambit of the 'special circumstances' test (e.g. financial inequality between the parties) are not always relevant in multi-state IP disputes. 'Public-interest policy' refers to the public interests of the foreign state. Therefore, according to the Transparency Principles, Japanese courts should dismiss the case when it is clear that a decision of a Japanese court could not be enforced in a particular foreign state.<sup>18</sup>

## III. International Context

### 1. In Personam Jurisdiction in the US and Canada

31 The principles of asserting international jurisdiction in the United States were first developed by the courts. In *International Shoe Co v Washington*, the United States Supreme Court decided that *in personam* jurisdiction may be asserted if the defendant had sufficient minimum contacts with the forum and such exercise of jurisdiction did not offend traditional notions of fair play and substantial justice.<sup>19</sup> The 'minimum contacts' requirement is met if the defendant purposefully availed himself of the privilege of conducting activities within the forum state, thus invoking the benefits of protection of its laws. Accordingly, a US court can assert personal jurisdiction over a corporation that delivers its products into a stream of commerce with the expectation that they will be purchased by consumers in the forum state.<sup>20</sup>

32 As in other common law jurisdictions, the *forum non conveniens* doctrine has often been invoked before US courts. In the US law, *forum non conveniens* requires the court to consider two elements: first, the existence of an alternative forum that has jurisdiction to hear the case; and, second, which forum would be most convenient and where the adjudication of the dispute would best serve the ends of justice.<sup>21</sup> In deciding whether it is convenient to decide the case, the court must weigh public and private interests, which include access to proof, availability of witness, and all other practical problems that would make the trial of the case easy, expeditious and inexpensive.<sup>22</sup>

Yet the fact that foreign law would have to be applied is not sufficient to dismiss a case.<sup>23</sup> In the context of copyright infringement, the United States courts tend to hold that if an allegedly infringing act occurred abroad and the dispute arose between foreign nationals, there are strong policy concerns to allow dismissal of an action on the grounds of the *forum non conveniens* doctrine.<sup>24</sup>

- 33 In order to hear a dispute pertaining to foreign IP rights, Canadian and US courts could exercise their adjudicative authority if they have both *in personam* and subject-matter jurisdiction. *In personam* jurisdiction requires the court to determine whether a particular defendant has sufficient contacts with the forum state to justify the court's exercise of its authority over that defendant. Subject-matter jurisdiction means that a court has to determine whether an actionable claim has been stated.<sup>25</sup> As a matter of procedural law, in the United States the plaintiff bears the burden of proving the existence of both personal and subject-matter jurisdiction.<sup>26</sup> The subject-matter jurisdiction requirement would usually mean that Canadian and US courts are not competent to hear disputes concerning the validity and infringement of foreign IP rights.

## 2. Jurisdiction over the Defendant in the EU

- 34 Article 2 of the Brussels I Regulation<sup>27</sup> provides for a general jurisdiction rule according to which persons domiciled in a Member State shall be sued in the courts of that Member State (the so-called *actor sequitur forum rei* principle). This general rule conferring jurisdiction on the Member State court of the defendant's domicile would be applicable even if the plaintiff did not have residence in the EU.<sup>28</sup> The rationale behind this general ground of jurisdiction based on the defendant's domicile is to make it easier for a defendant to defend himself.<sup>29</sup>
- 35 The Brussels I Regulation contains no autonomous rules for the determination of the place of domicile of natural persons. Instead, Article 59 stipulates that the domicile of a natural person has to be determined according to the internal law of the forum. If a party is domiciled in another Member State, the court shall apply the law of that state in order to determine whether a party is domiciled there.<sup>30</sup> It should also be noted that the court's jurisdiction, based on the defendant's domicile, is applied regardless of the nationality of the defendant, and even if the plaintiff is domiciled outside of the EU or EFTA. As far as legal entities are concerned, Article 60(1) of the Brussels I Regulation and the revised Lugano Convention establish an autonomous notion of domicile. In particular, they stipulate that a company or other legal person or association of natural persons is domiciled at the place where

it has its (a) statutory seat; (b) central administration; or (c) principal place of business.<sup>31</sup>

- 36 In addition, Article 5(5) of the Brussels I Regulation<sup>32</sup> establishes a special ground of jurisdiction and provides that in disputes arising out of the operations of a branch, agency or other establishment, a person domiciled in a Member State may be sued in another Member State in which the branch, agency or other establishment is situated. In one of its early judgments, the CJEU decided that efficacy of the administration of justice requires that Article 5(5) be interpreted in an autonomous and restrictive manner.<sup>33</sup> The CJEU further decided that for the purposes of establishing international jurisdiction over the parent body at the place of its branch, agency or establishment, such branch, agency or establishment should be subject to the direction and control of the parent body.<sup>34</sup> In other words, the branch, agency or other establishment must appear to third parties as an easily discernible extension of the parent body.<sup>35</sup> In its early practice the CJEU also provided for a clarification of the notion of 'operations' of the branch, agency or other establishment which should, *inter alia*, mean (1) actions relating to undertakings which have been entered into at the place of business of the branch in the name of the parent body and which are performed in the Member State where the place of business is established, and (2) actions concerning non-contractual obligations arising from the activities in which the branch has entered at the place in which it is established on behalf of the parent body.<sup>36</sup>
- 37 The rule conferring jurisdiction upon the courts of the state of the defendant's domicile can be derogated from only in situations prescribed in the Brussels I Regulation itself (Art. 3). Accordingly, a court of a Member State may exercise its jurisdiction over a foreign defendant, if there is one of the special or exclusive grounds of jurisdiction or if the jurisdiction is based on the parties' choice of court agreement (Arts. 5–31 of the Brussels I Regulation). Such 'cardinal' importance of a defendant's domicile as a general ground of jurisdiction was confirmed by the CJEU, which decided that other jurisdiction rules (Arts. 5–31) are merely exceptions to Article 2 and thus have to be interpreted restrictively.<sup>37</sup> In addition, the general jurisdiction rule of the domicile of the defendant in a Member State cannot be overcome on the basis of national law.<sup>38</sup> The purpose of such a framework of international jurisdiction is based on legal certainty and predictability considerations. Foreseeability of the results also explains why doctrines such as *forum non conveniens* were not endorsed by the European legislator.<sup>39</sup>
- 38 In cross-border IP litigation, the question then arises with regard to the relationship of different grounds of jurisdiction. In particular, it might be questioned whether the territorial nature of IP rights would not prevent the courts from hearing disputes involving



foreign IP rights. According to the prevailing opinion, the principle of a defendant's domicile (*actor sequitur forum rei*) applies equally with regard to actions concerning IP rights. Therefore, the court of the country where the defendant is domiciled can assert jurisdiction over actions involving claims related not only to infringements of domestic IP rights, but also claims concerning foreign IP rights (e.g. when IP-infringing acts have occurred in another Member State or in a non-EU state). This approach appears to be a well-established practice by domestic courts of many EU Member States and is supported among the majority of academics.<sup>40</sup> Hence, in cases where foreign IP rights are infringed by acts committed abroad, the Brussels/Lugano regime allows the suing of the defendant (alleged infringer of IP rights) before the courts of an EU Member State if the defendant has a domicile there. This is also the prevailing approach in cases involving Internet-related infringements of IP rights.<sup>41</sup>

- 39 The same principle where a court of a Member State has jurisdiction pursuant to Article 2 of the Brussels I Regulation is also applicable with regard to actions concerning unitary Community IP rights. For instance, Article 97 of the Community Trade Mark Regulation provides that all infringement actions and actions for declaration of non-infringement (if such actions are permitted under national law) shall be brought in the courts of the Member State in which the defendant is domiciled or, if the defendant is not domiciled in any of the Member States, in which the defendant has an establishment.<sup>42</sup> Only if the defendant is neither domiciled nor has an establishment in any of the Member States shall such proceedings be brought in the courts of the Member State in which the plaintiff is domiciled or has an establishment. In addition, Article 98(1) stipulates that such a competent court shall have jurisdiction in respect of acts of infringement committed or threatened within the territory of any of the Member States. The same principle also applies with regard to Community design rights<sup>43</sup> and Community plant variety rights.<sup>44</sup>
- 40 The jurisdiction of the court in IP-related cases based upon Article 2 of the Brussels I Regulation covers all manner of IP disputes, except those related to the registration or validity of foreign IP rights. Under the existing interpretation of the Brussels I Regulation, issues such as registration or validity fall under the exclusive jurisdiction of courts of the granting state and have to be adjudicated even if issues relating to the registration or validity of IP rights arise as a preliminary question. Some national reporters noted that the prevailing approach is that courts of the defendant's domicile can also order cross-border injunctions in IP infringement cases.<sup>45</sup>
- 41 One other related question concerns the scope of jurisdiction of the court on the basis of the defendant's domicile. The landmark judgment that sheds some

light on this issue is the *Shevill* case of the CJEU.<sup>46</sup> In *Shevill* the dispute related to the protection of personality rights, which were allegedly infringed by the distribution of a journal in several Member States. Some authors indicate that the prevailing approach is to apply the *Shevill* jurisprudence also to multi-state IP infringements.<sup>47</sup> Accordingly, the court which asserts jurisdiction on the ground that the defendant is resident in the forum country (Art. 2 of the Regulation) is competent to decide upon the entire damage that arose from an infringement of parallel IP rights in the forum state and other states, given that the harmful event causing damage occurred in the forum country. However, it should be noted that in such a case, the court would have to apply the laws of different foreign countries for which the protection is sought. If the jurisdiction of the court is based upon the operations of the branch (Art. 5(5) of the Regulation), and the damage or the harmful event occurred in another country, the court would have jurisdiction only with regard to the damage sustained in the forum country.<sup>48</sup>

- 42 On the other hand, it should be noted that the domestic case law on this issue is scarce or does not exist at all, and that the territorial nature of IP rights might probably be interpreted as limiting the court's jurisdiction to decide only claims related to the damage sustained in the forum country.<sup>49</sup> However, for example, Swedish courts would determine the overall damage if the infringing acts were committed in Sweden.<sup>50</sup> The same principles are also established with regard to Community IP rights: namely, the court which has jurisdiction based upon the defendant's domicile is competent to hear claims related to acts of infringement committed or threatened within the territory of any of the Member States (Art. 98 of the Community Trade Mark Regulation, Art. 83 of the Community Designs Regulation and Art. 101(2) of the Community Plant Variety Rights Regulation).
- 43 The Brussels/Lugano regime does not extend to situations where neither of the litigants is resident in any EU Member State. In such cases, the domestic courts of the EU and the EEA states would assert international jurisdiction following the rules of the forum state (Art. 4(1) of the Regulation). The domicile of the defendant is acknowledged as the general ground of international jurisdiction in domestic statutes of many EU Member States.<sup>51</sup> Some EU Member States (the Netherlands<sup>52</sup> and Spain) have aligned their domestic jurisdiction provisions to the Brussels/Lugano regime. For instance, in Spain, Organic Law 6/1985 was adopted on the basis of the Brussels Convention of 1968; hence, Spanish courts would assert jurisdiction over parties who are domiciled in third states, following the same principles applied in internal EU situations.<sup>53</sup> It should also be noted that some national reports of EU Member States highlighted the fact that although national courts would apply the provisions of their domestic statutes in order to assert international jurisdiction, the application of domestic law has

been largely influenced by EU law and the jurisprudence of the CJEU.<sup>54</sup>

- 44 Yet not all EU countries follow principles similar to those laid down in the Brussels/Lugano instruments. The courts of the United Kingdom would assert jurisdiction if the claim could be validly served to the defendant. Insofar as jurisdiction over the 'overseas companies' with a branch in the UK is concerned, UK courts would have to follow specific provisions of the Companies Act of 2006 and the Overseas Companies Regulations of 2009.<sup>55</sup> In France, Articles 14 and 15 of the Civil Code establish nationality of the plaintiff or defendant as a ground for asserting international jurisdiction. These grounds could be invoked only, firstly, if there are no alternative grounds of international jurisdiction and, secondly, upon the request of the plaintiff.<sup>56</sup>
- 45 Insofar as a court's competence to decide over damage claims arising from multi-state IP infringement is concerned, the legal situation would be less clear in cases involving defendants domiciled in third countries. UK courts, for instance, would have unlimited jurisdiction to determine the damage sustained in foreign countries provided that the defendant can be served without leave and that the *forum non conveniens* doctrine does not apply.<sup>57</sup>
- 46 One of the main features of the Commission's Proposal to reform the Brussels I Regulation is the extension of the scope of application to cases where the defendant is not domiciled in a Member State (so-called 'subsidiary jurisdiction'). The Commission requested the preparation of a study concerning the possibility of applying special jurisdiction rules of the Regulation in cases involving defendants who are domiciled outside of the EU<sup>58</sup> based on the consideration of further legislative options. If the proposal to extend the personal scope of the application of the Brussels I Regulation with regard to defendants resident in non-EU states was adopted, this would mean that the same principles which had been developed for intra-Community situations would be applicable also in cases brought against defendants domiciled in third states. This would harmonise matters which had so far been left to Member States' domestic legislation, and thus would contribute to more legal certainty.

#### a) Jurisdiction over Defendant in Japanese Law

- 47 The 1890 Japanese Code of Civil Procedure does not provide for any specific provisions determining international jurisdiction. Therefore, the main principles concerning the exercise of international jurisdiction were developed court practice. It was not until May 2011 that Japan's Parliament amended the CCP and introduced specific rules on international jurisdic-

tion. These newly adopted rules were to a large extent based on the longstanding Japanese court practice.

- 48 One of the landmark judgments of the Supreme Court was handed down in 1981, in the so-called *Malaysia Airlines* case.<sup>59</sup> This case established the main principles of determining whether and under what circumstances Japanese courts can assert jurisdiction in disputes with a foreign element. In *Malaysia Airlines*, an action was brought by the relatives of Japanese passengers killed in a plane crash on a Malaysian domestic flight. The plaintiffs' action for compensation of damages, brought before a Japanese court, was challenged mainly on jurisdictional grounds. The plaintiffs argued that Japanese courts have international jurisdiction based on the place of performance of contractual obligations. In addition, it was submitted that the defendant had his place of business in Tokyo. On his behalf, the defendant challenged the international jurisdiction of Japanese courts.
- 49 The Supreme Court found that Japanese courts should have international jurisdiction over an action. Namely, the Supreme Court noted that in the absence of clear provisions on international jurisdiction that would assist in rendering the decision, rules on domestic jurisdiction envisaged in the Code of Civil Procedure should be interpreted in light of the principle of *jōri* (reasonableness, justice) and applied appropriately to determine international jurisdiction in cross-border disputes. The Court remarked that the defendant was engaged in economic activities in Japan, had appointed a representative in Tokyo and had a place of business there.
- 50 Since the *Malaysia Airlines* case, lower courts in Japan have made minor modifications to the doctrine. The so-called 'special circumstances test' was developed to allow Japanese courts some discretion in applying general rules in the event that certain specific facts would justify deviation. In their decisions, the lower courts followed the concept that in cases where it is possible to establish the existence of one of the grounds of the venue, according to the provisions of the CCP, the principle of *jōri* also mandated acknowledgement of the court seised having international jurisdiction. However, such a general principle was subject to certain limitations: the exercise of international jurisdiction would not be possible if it were to conflict with the principle of fairness between the parties or prevent prompt and speedy adjudication of the dispute. The special circumstances test meant that the court should consider various issues related to the conduct of the proceedings before asserting international jurisdiction. Such issues may be related to the collection of evidence, the hearing of witnesses, issuance of interim orders and so on. The change of approach was welcomed by the bar and academics, who applauded the fact that the determination of the existence of international ju-

isdiction would mean a more case-specific investigation of matters pertaining to the assertion of international jurisdiction.

- 51 The special circumstances test was later approved by the Supreme Court in the so-called *Family* case.<sup>60</sup> In this case the plaintiff was a Japanese legal entity engaged in the business of importing cars and car parts into Japan. The plaintiff concluded a contract with the defendant (a Japanese national domiciled in Germany), according to which the defendant was entrusted to purchase cars from various European countries, ship them to Japan and undertake other market research activities. For this purpose, a special account was opened to which the plaintiff transferred more than 90 million Yen. Over time, the plaintiff became concerned that the entrusted money was not being managed properly. Hence, the defendant was requested to continue the payments for cars purchased by means of letters of credits. In addition, the defendant was requested to return the money from the fund. Later, the plaintiff filed a suit before the Chiba District Court for the repayment of money, arguing that this court was competent to hear the dispute because the place of performance of obligation was the plaintiff's headquarters. The defendant pleaded that since the requested amount had been transferred, the obligation in question was performed, and therefore the Japanese court had no jurisdiction over the dispute.
  - 52 In its decision on the existence of international jurisdiction, the Supreme Court proceeded from the statement that even in cases where the defendant is not resident in Japan, Japanese courts may nonetheless have international jurisdiction over disputes if there is a connection between the dispute and Japan. Besides, the Supreme Court added that '*international jurisdiction may be denied if there are some special circumstances where the conduct of court proceedings in Japan is against the idea of fairness between the parties, [or prevents] prompt and speedy adjudication of the dispute*'. In the case at hand, the Supreme Court found that the contract was concluded in Germany and the defendant was entrusted to engage in various commercial activities in Germany; there was no explicit agreement between the parties regarding either the place of performance of obligation or the governing law. The Court decided that the place of performance of the contract was in Japan, and the governing law of the contract should be Japanese law; therefore, international jurisdiction of the Japanese courts could be asserted. However, the Supreme Court took into account that the defendant could not be aware that the claim for the performance of contractual obligations could be brought before Japanese courts. Moreover, the court referred to the fact that the defendant had been living in Germany for the last 20 years prior to the dispute; and since the plaintiff was a legal corporation, the filing of an action should not be an excessively burdensome task.
- Based on these considerations, the Supreme Court came to the conclusion that a decision to exercise international jurisdiction over the dispute would be against the principle of fairness, and would prevent prompt and speedy adjudication of the dispute; therefore, they decided to decline international jurisdiction over the dispute.
- 53 The new Japanese rules on international jurisdiction are to a large extent built upon the domestic jurisdiction rules established in the CCP and the practice of Japanese courts. The members of the working group in charge of the preparation of international jurisdiction rules agreed that the principle according to which the action shall be brought before the courts of the defendant's domicile (*actor sequitur forum rei*) properly balances the interests of the parties, and therefore should be followed. Accordingly, with regard to actions against natural persons, Article 3-2 of the CCP (2011) establishes that Japanese courts have international jurisdiction if the person against whom the action is brought has a domicile in Japan. In a case when the defendant has no domicile or the domicile is unknown, Japanese courts have international jurisdiction if the person against whom the action is brought has a residence in Japan. The notion of 'domicile' should be interpreted in light of Article 22 of the Japanese Civil Code as meaning long-standing contacts with Japan, whereas 'residence' implies temporary relationships with Japan.<sup>61</sup>
  - 54 Article 4(4) of the CCP provides for domestic grounds of territorial jurisdiction for actions against legal persons. More precisely, Article 4(4) establishes that actions against legal entities shall be brought before courts where the legal entity has its principal office or principal place of business. Further, Article 4(4) establishes that in the case where the place of the office or business is not known, the action can also be brought before a court of the place where the representative or person in charge of the business has a domicile. Accordingly, Article 3-2(iii) of CCP (2011) establishes that Japanese courts shall have jurisdiction with regard to actions against a legal entity or any other association or foundation when the legal entity or any other association or foundation has its principal office or place of business in Japan; or, if the place of business is not known or does not exist, the representative or other persons in charge of the business have their domicile in Japan. Further, Article 3-3 provides, inter alia, that actions against persons who have their office or place of business can be brought before Japanese courts but only with regard to commercial activities in Japan.
  - 55 In addition, Article 3-9 of the CCP (2011) codified the special circumstances test developed by the Japanese courts. Hence, according to this provision Japanese courts would have the discretion to decline international jurisdiction over either part of or the whole action, if it appears that there are some special cir-



cumstances affecting the fairness between the parties or prompt and speedy adjudication of the dispute. These general jurisdiction rules also apply with regard to cross-border IP disputes.

## IV. Discussion

### 1. General Grounds of Jurisdiction and Court's Discretion: The Method Adopted

56 The comparative analysis shows that at least in the legislative proposals, as well as in the international arena, there is a trend towards the adoption of 'habitual residence' as a general ground of jurisdiction. In the literature and previous legislative proposals, four main reasons in support of the adoption of 'habitual residence' as a connecting factor and not the domicile have been proposed. Firstly, the Explanatory Report to the 2001 Draft of the Hague Judgments Convention noted that habitual residence as a connecting factor is 'more reliable in a factual sense'.<sup>62</sup> Secondly, 'habitual residence' has been used in drafting other international conventions related to jurisdiction of courts. Thirdly, it has been argued that compared to domicile, habitual residence is less complex and easier to apply. Fourthly, habitual residence grants more legal certainty. In the light of these considerations, it could be argued that there are strong reasons in favour of adopting 'habitual residence' as a general ground of jurisdiction.

57 There is another set of questions that has to be solved: namely, how to deal with the definition and interpretation of the general connecting factor adopted. The first possibility is to provide a definition of the habitual residence of the defendant in the text of the proposed instrument (guidelines). The definition should address three following issues:

- habitual residence of natural persons;
- habitual residence of legal persons; and
- habitual residence of a branch, agency or other establishment.

58 Some further explanations, examples and guidelines of interpretation could be provided in the commentary. The approach to provide black-letter definitions of habitual residence or provide for some guidelines in the commentary deserves more support than the second approach, namely, to leave the definition of the habitual residence up to the law of the forum country.

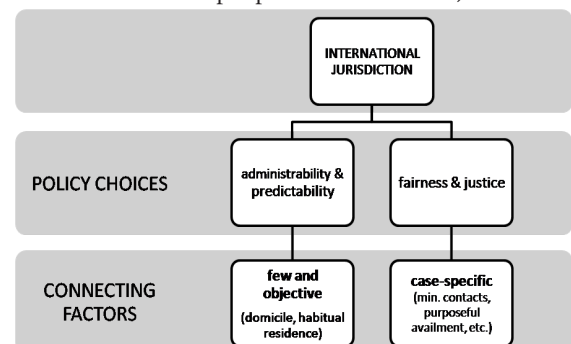
59 The second possible approach is not to provide any definitions or explanations in the commentary. This would threaten the uniform application of the future

instrument, especially if the courts are left to interpret provisions based on their national laws.

60 Most of the private international law instruments contain a rule of general jurisdiction according to which a defendant can be sued in the state in which that person is habitually resident.<sup>63</sup> Habitual residence of the defendant provides for a solid basis of jurisdiction in multi-state IP cases as well. Namely, the defendant's habitual residence perfectly balances the interests of the IP right holders and the defendant who has the opportunity to defend himself in his home courts. This approach is also adopted in the CLIP Principles (2:101), which departed from the domicile rule as it is established in Article 2 of the Brussels I Regulation. The members of the CLIP working group saw no need to deviate from this well-established principle: the other alternative 'pro-right holder approach' was considered unfair because it would practically give too much weight to the plaintiff's decision where to institute the proceedings.

### 2. Close Connection and Discretion of a Court

61 Contemporary jurisdictional theory has been focusing on the tension between two main approaches: predictability and ease of administration versus litigation justice.<sup>64</sup> These policy choices have significant implications to the design of jurisdiction rules and connecting factors that are used. The first approach – favouring easy administration and predictability of litigation outcomes – would require use of few, or, if possible, one objective connecting factor. Such a connecting factor would be general and not dependent on particular circumstances of the case. The second approach – favouring fairness and litigation justice – would mandate the adoption of a flexible and case-specific connecting factor (e.g. 'minimum contacts' or 'purposeful availment')



62 In the ideal world, jurisdiction rules should offer easy administration, predictability as to the outcomes and procedural fairness. Yet in practice, policy goals are in tension. Rules that use a single connecting factor, such as service of process or a defendant's domicile/habitual residence, offer great predictability but could raise serious fairness-related concerns. On

the other hand, a 'minimum contacts' rule would be case-specific but offer little legal certainty.

- 63 It should be recalled that one of the reasons for the failure of the Hague Judgments Convention was disagreements about the general principles of international jurisdiction. Clear-cut jurisdiction rules in civil law tradition countries stood in contrast to the flexible *forum non conveniens*-oriented approach of common law jurisdictions. Besides some developments with regard to jurisdiction in Internet-related cases, recent comparative studies show that the practice of national courts remains based on the same principles.
- 64 A closer analysis of the legislative proposals unravels two significant features. Firstly, there is a clear tendency to move away from the defendant's domicile towards the habitual residence of the defendant. Secondly, there have been many attempts to develop principles that limit the adjudicatory jurisdiction of courts only to cases which are significantly related to the forum state. This has been done by providing a list of connecting factors which, if applied alone, would not prove the existence of close connection between the dispute or the parties and the forum state. Another example of an attempt to limit the overly broad court discretion in deciding upon its jurisdiction to hear the case is provided in the Transparency Principles. Namely, transparency principles depart from the 'special circumstances' test as it has been known in the practice of Japanese courts and offer a more restricted 'public-interest policy' test.
- 65 The question of how to balance predictability with court discretion remains one of the main tasks in the area of international jurisdiction.

### 3. The Scope of the Court's Jurisdiction

- 66 Situations in which the court asserts international jurisdiction over the defendant(s) have significant implications to the scope of the court's jurisdiction. More precisely, when a court has jurisdiction over the dispute on the basis of the defendant's residence/domicile in the forum state, the court will have cross-border jurisdiction. This principle, according to which *in personam* jurisdiction confers upon the court cross-border powers over the dispute, is acknowledged in all IP-related legislative proposals. For example, Article 9 of the KOPILA provides *inter alia* that a court of the state where the defendant has a habitual residence 'shall have jurisdiction over any and all cases related to intellectual assets'.
- 67 Habitual residence of the defendant in the forum state usually would mean that the court will also have jurisdiction to decide with regard to the assets or IP rights which are protected in foreign states.

Namely, a court of the state where the defendant has habitual residence will have jurisdiction to order cross-border provisional and protective measures; decide claims related to foreign IP rights; or consolidate proceedings against multiple, including foreign, parties.

- 68 It follows that the court's jurisdiction based on the defendant's habitual residence has wider implications on the overall structure of international jurisdiction of courts to hear cross-border IP disputes. Therefore, it might be worthwhile to consider whether rules concerning general grounds of jurisdiction over the defendant should also clarify the scope of the court's jurisdiction. There are two possible ways to address this issue: first, a special black-letter rule could be added to the proposed text; secondly, regardless, of whether the proposed text contains a black-letter rule indicating the court's jurisdiction, this point should be clearly explained in the commentary (if any) or a preamble. A comparative study of the recent legislative proposals shows that this part has been explained only in the context of other (special) jurisdiction provisions and has not been analysed in the context of the general grounds of jurisdiction.

## C. Jurisdiction over Contractual Disputes

*Art. 6 of the 2001 Hague Draft; Section 205 ALI Principles; Art. 2:201 CLIP Principles; Art. 103 Transparency Principles; Art. 204 Waseda Principles; Art. 12 KOPILA*

### I. Differences

#### 1. Terminology and Scope of Jurisdiction Provisions

- 69 All legislative proposals except the 2001 Hague Draft contain IP-specific jurisdiction rules for disputes over contracts. In practice, the exploitation of IP rights could be structured in a great variety of contractual arrangements. Therefore, comparing the *terminology* used in the legislative proposals may be helpful to determine the *material scope of jurisdiction provisions*.
- 70 Firstly, the terminology used in the headings of the abovementioned provisions differs. For instance, the 2001 Hague Draft and the Waseda Principles refer to 'contracts' while the CLIP Principles refer to 'matters relating to a contract'. The other two proposals contain more specific headings: the Transparency Principles refer to 'actions concerning license agreements' whereas the ALI Principles refer to 'agreements pertaining to IP rights'.

71 Secondly, a slight difference in terminology is also used in the text of each jurisdiction rule. For example, the 2001 Hague Draft is to cover ‘contracts’. The ALI and the Waseda Principles are almost identical and refer to agreements/contracts transferring or licensing IP rights. Similarly, the Transparency Principles refer to ‘license agreements for IP rights’. The CLIP Principles refer to ‘contracts having as their main object the transfer or license of an IP right’.

72 This difference in the terminology adopted leads to a further question concerning the *material scope of the jurisdiction rules*: What kinds of contracts are covered by the jurisdiction provisions? A merely formal reading of the jurisdiction rules implies that the scope of these rules also differs. At first glance, it may appear that Article 6 of the 2001 Draft of the Hague Judgments Convention applies to any contracts.<sup>65</sup> On the other hand, the remaining four proposals employ more specific language; their common goal to deal with cross-border IP disputes might imply that they should be applicable to IP-related contracts.

73 In light of the fact that in practice IP rights can become a part of a great variety of contractual arrangements, the terminology adopted in the CLIP Principles brings about another question: Does a transfer or assignment of an IP right have to be the main object of the contract? Other legislative proposals do not contain any specific requirement that a contract must have as its main object the transfer or assignment of IP rights.

## 2. Connecting Factor: Place of Performance, Place of Protection, Place of Exploitation, or...?

74 A closer comparative analysis of the legislative proposals highlights a clash between two approaches. The first approach provides for a more general connecting factor of the ‘**place of performance of obligation**’. This approach is followed in Article 6 of the 2001 Hague Draft. Some reflections of this approach could be also noted in para. 1 of Article 2:201 of the CLIP Principles. The second approach supports the determination of international jurisdiction on the ground of a more specific ‘**activity-based**’ connecting factor. Such IP-specific connecting factors are established in the ALI Principles (section 205), Transparency Principles (Art. 102), Waseda Principles (Art. 204) and the Korean Proposal (Art. 12). A similar trend to provide for a more IP-oriented connecting factor is also apparent in the CLIP Principles (para. 2 of Art. 2:201). It should be nevertheless noted that the terminology of these legislative instruments varies. While the ALI and Waseda Principles refer to the place of ‘exploitation’ or ‘enforcement’ of IP rights, the CLIP Principles point to the ‘[s]tate for which the license is granted’. Accord-

ing to the Transparency Principles, Japanese courts have jurisdiction over contracts concerning IP rights ‘granted under Japanese law’.

## 3. Territorial Reach of Court’s Jurisdiction and Possible Grounds for Consolidation

75 One further difference between the proposals concerns the territorial reach of a court’s jurisdiction. On the one hand, the ALI, CLIP and Waseda Principles make it clear that when jurisdiction over the IP-related contract disputes provisions is the sole ground of jurisdiction, the court is competent to decide only claims concerning IP rights transferred for the forum state.<sup>66</sup> The two other legislative instruments (namely, the 2001 Hague Draft and the Transparency Principles and KOPILA) do not clearly deal with this question. Nevertheless, the comments to the Transparency Principles explicate that in situations where a contract covers IP rights in several states, actions brought under Article 104 before a Japanese court should be limited to the obligations concerning IP rights protected under the Japanese law.<sup>67</sup> So only the 2001 Hague Draft now clearly posits whether the sole connecting factor of the ‘place of performance of contractual obligation’ would limit a court’s jurisdiction to claims concerning obligations which have to be performed in the forum state.

76 On the other hand, all legislative proposals allow consolidation of disputes concerning contracts for transfer of IP rights for several states before a court of the defendant’s domicile. The Transparency Principles also provide for a possibility to consolidate actions which are objectively related (Art. 110(1)) or to bring an action before the courts of a defendant’s domicile (Art. 101).

## 4. Infringement Claims Arising out of a Contractual Relationship

77 In practice, it may happen that the contract-related claims as well as claims for infringement of IP rights are brought to the same court. The question is then whether a court has jurisdiction to hear infringement-related claims as well as contractual claims. The legislative instruments do not clearly deal with this issue. Only the CLIP Principles establish a specific provision which affirms a court’s jurisdiction to hear ‘infringement claims arising out of a contractual relationship’ (Art. 2:201(3)). The ALI Principles, for example, in the commentary to Section 205 indicate that the question whether a court can hear infringement claims should be determined according to the provisions dealing with jurisdiction over IP infringement actions.

## II. Rationale

### 1. Terminology and the Scope of Jurisdiction Provisions

78 Different regulatory objectives could better explain some of the discrepancies between the terminology used in these legislative instruments. The Hague Draft was to become an international treaty with a general application. Accordingly, Article 6 was drafted in rather general language in order to cover various types of contracts. Yet the question of the applicability to IP matters also persisted when the 2001 Draft was prepared. It should be noted that in the 1999 Hague Draft, two alternative jurisdiction rules were entrenched. Alternative A provided for a general ‘activity-based jurisdiction’ rule, which should have encompassed various kinds of contracts.<sup>68</sup> More precisely, it stipulated that a plaintiff may bring an action in contracts in the courts of the state in which the defendant has conducted or directed frequent or significant activity. This rule would be applicable only if the claim is based on a contract directly related to that activity.<sup>69</sup>

79 Alternative B followed the ‘characteristic performance’ approach. It stipulated that a plaintiff may bring an action in contracts in the courts of a state in which: (a) in matters related to the supply of goods, goods were supplied; (b) in matters related to the provision of services, services were provided; or (c) in matters related both to the supply of goods and the provision of services, performance of the principal obligation took place in whole or in part. The characterisation of which of these rules to follow should be made under the national law.<sup>70</sup> This jurisdiction rule should have been applied also if only part of the goods or services were supplied in the forum state, which means that a plaintiff may have several available forums to file a suit. The 1999 Hague Draft did not provide for any definition of goods, services or place of performance of an obligation. Hence, the court will also have to apply forum law if it is necessary to determine the place of the supply of goods or the provision of services. According to the Explanatory Report, a jurisdiction rule concerning contracts for the supply of goods should also have included subcontracting, letting, leases and other contracts concerning the supply of goods. In addition, however, the supply of goods provision did not cover contracts concerning the sale of company shares or IP rights.<sup>71</sup>

80 Since the latter approach (Alternative B) was adopted in the 2001 Draft of the Hague Convention, it follows that jurisdiction over contracts concerning IP rights should be determined according to lit (c), i.e. the court would have to determine where the principal obligation was wholly or partly performed.

### 2. Connecting Factor: Place of Performance, Place of Protection, Place of Exploitation, or ... ?

81 It was noted above that all the legislative proposals adopt an IP-specific ‘activity-oriented’ connecting factor. This could be explained by the regulatory objectives of these legislative proposals: namely, to provide for a set of special rules for adjudication of multi-state IP disputes. Only the 2001 Hague Draft of the Judgments Convention was intended to apply to a wide range of civil and commercial cases. Accordingly, the connecting factor used in Article 6 of the 2001 Hague Draft employs a connecting factor of the ‘place of performance of obligation’.

82 Similarly, the CLIP Principles were drafted in light of the rules established in the Brussels I Regulation. The material scope of the Brussels I Regulation covers ‘civil and commercial’ disputes. Based on this ‘path dependency’<sup>72</sup> approach, the CLIP Principles replicate the connecting factor of the place ‘where the obligation in question is to be performed’. The CLIP Principles go a step further and adopt a special rule for jurisdiction over disputes concerning contracts having as their main object the transfer or license of IP rights. This rule clarifies that, unless otherwise agreed between the parties, the state where the obligation in question is to be performed is considered the state for which the license is granted or the right is transferred (Art. 2:201(2) CLIP). This rule is an autonomous definition and has to be interpreted independently from the laws of the Member States.

83 According to some of the commentaries of the legislative proposals, a connecting factor pointing to the ‘place of exploitation’ or the ‘place of enforcement’ of IP rights is ‘more appropriate’ for jurisdiction rules pertaining to IP-related contracts. It is argued that the place of performance of a contract in many cases will coincide with the place where the IP right ‘is to be enforced’. Furthermore, the ‘place where IP right is exploited’ is a connecting factor which is closely related to the factual circumstances of the case.<sup>73</sup> ‘Activity-oriented’ connecting factors helps to confer jurisdiction upon courts of the state which are best situated to access the evidence relevant to the dispute.<sup>74</sup>

### 3. Territorial Reach of Court’s Jurisdiction

84 It was noted in the previous section that all legislative proposals except the 2001 Hague Draft take a restrictive approach with regard to a court’s jurisdiction to hear claims related to the exploitation of foreign IP rights. Namely, in situations where the exploitation of IP rights in the forum state is the only ground for a court to assert jurisdiction over the dis-



pute, the court should have authority only to decide claims related to IP rights exploited in the forum state. One of the possible reasons behind such a limitation of jurisdiction is that the courts of the state where IP rights are exploited are best situated to access the evidence relevant to the dispute. This approach also helps to avoid situations where the courts assert exorbitant jurisdiction over disputes involving exploitation of IP rights in multiple states.

#### 4. Infringement Claims Arising out of a Contractual Relationship

85 Most of the commentaries do not clearly address whether a court hearing contractual claims can also hear claims related to infringements. Besides the CLIP Principles (Art. 2:201(3)),<sup>75</sup> other legislative proposals remain silent on this issue. One of the possible ways of dealing with this matter is to examine whether the court could also hear infringement claims pursuant to the rules concerning jurisdiction over infringements. This appears to be the solution adopted in the ALI Principles.

### III. International Context

#### 1. Jurisdiction over Contract-Related Disputes in the EU

##### a) Interpretation of Article 5(1)

86 Special jurisdiction rules concerning actions related to the performance of contractual obligations are established in Article 5(1)(a) of the Brussels I Regulation.<sup>76</sup> This provision stipulates that a person who is domiciled in a Member State can be sued in matters related to contracts in the courts of the state where the obligation in question has to be performed. Besides, some more specific rules are established in Article 5(1)(b). The first rule stipulates that in the case of the sale of goods, the place of performance is the Member State where, under the contract, the goods were delivered or should have been delivered. The second rule deals with service contracts and states that the place of the provision of services is in the Member State where the services were provided or have been provided. If the contract at hand is neither a sales contract nor a contract for the provision of services, the Brussels I Regulation again indicates that the general rule – according to which the jurisdiction should be asserted according to the performance of the characteristic obligation – shall be applied (Art. 5(1)(c)).

87 Jurisdiction of the courts of the place where the obligation in question has to be performed is based upon

the assumption that such a place is most closely connected to the forum.<sup>77</sup> In addition, the place of performance of obligation was intended to provide for a clear and precise connecting factor.<sup>78</sup> However, in cases where complex contracts are involved, the clarifications introduced in the Brussels I Regulation provided little assistance for the determination of the characteristic obligation as well as the place of performance of obligation. Hence, national courts in numerous instances referred to the CJEU with requests to render preliminary rulings concerning the interpretation of Art. 5(1).

88 In the *Tacconi* case, the CJEU clarified the material scope of Article 5(1). In this case, the question was whether an action, whereby the plaintiff seeks to establish a pre-contractual liability of the defendant, falls within the ambit of Article 5(1) or Article 5(3) of the Brussels Convention. The plaintiff sought compensation for damages allegedly caused by the defendant in breach of the duty to act honestly and in good faith during the contractual negotiations. The CJEU decided that for Article 5(1) to apply, it is essential to identify the obligation and the place where the obligation had to be performed. Further, the CJEU noted that Article 5(1) does not cover situations where there is a lack of obligation freely assumed by one party to another.<sup>79</sup> As a result, an action concerning the pre-contractual liability of the defendant was considered to fall under the ambit of Article 5(3), which applies to matters relating to tort, delict or quasi-delict, and not Article 5(1), which establishes jurisdiction based on the place of performance.<sup>80</sup>

89 For the purposes of international jurisdiction, the CJEU refused to interpret Article 5(1) of the Regulation as referring to a particular obligation of a contract.<sup>81</sup> Instead, the CJEU noted that the term ‘obligation’, as used in Article 5(1), implies only the obligation which forms the basis of court proceedings and which corresponds to the contractual right upon which the plaintiff’s action is grounded.<sup>82</sup> Hence, in cases where the plaintiff seeks dissolution of a contract and compensation for damages, Article 5(1) would only be applicable if the court could identify the obligation which the plaintiff is reliant upon.<sup>83</sup>

90 By adopting a narrow approach to determining the obligation which forms the basis for a claim, the CJEU intended to limit situations where courts of several states have jurisdiction over the same action.<sup>84</sup> Furthermore, it means that a court does not have international jurisdiction to hear the whole action based on the ground of several obligations of equal rank and arising from the same contract if, according to the choice-of-law rules of the forum, one of those obligations is to be performed in the forum state and the others in additional Member States.<sup>85</sup>

91 In the case of *Tessili*, the CJEU decided that the place of performance of the obligation in question shall be determined by the court seised according to the law which governs the obligation in question. In particular, the governing law should be determined by the choice-of-law rules of the forum state.<sup>86</sup> The reference to the governing law also encompasses situations where, according to the law of the forum, the governing law has to be determined according to 'uniform laws' applicable in the forum state.<sup>87</sup> The CJEU had also decided that for the purposes of Article 5(1), the contracting parties are allowed to specify the place of performance of an obligation.<sup>88</sup> Yet this place of performance must have a real connection with the substance of the contract.<sup>89</sup>

92 In applying Article 5(1), the CJEU has emphasised principles of legal certainty and predictability, so that a normally well-informed defendant should be able to reasonably foresee where that defendant may be sued.<sup>90</sup> Hence, the place of performance of obligations in the case of contracts which are neither sales nor services contracts shall be determined according to the law governing the obligation which is consistent with the conflicts provisions of the court seised.<sup>91</sup> If a contractual obligation is to be performed in a number of places, for the purposes of Article 5(1), a single place of performance for the obligation in question must be identified. The CJEU held that in such a case, the place where the obligation giving rise to the action is to be performed will normally be the most appropriate for deciding the case.<sup>92</sup>

93 In practice, there may be situations where it is not possible to determine which court has the closest connection to the place of performance. It may be questioned, for example, where the place of performance is in the case of sales contracts involving a carriage of goods clause. The CJEU had previously decided that the national court should initially consider the provisions of a contract and, if the place of performance is not evident, the place where the goods are physically transferred or should have been transferred must be considered as the place of performance in terms of Article 5(1)(b).<sup>93</sup> Further, as for a non-competition clause without any geographical limitations, the CJEU found that in cases where it is not possible to identify a link to one particular forum, the general rule of a defendant's domicile should be applied.<sup>94</sup>

94 In the case of *Color Drack*, there were several places of delivery of goods within one Member State. The question that arose in that case was whether a plaintiff can bring an action against a defendant in the courts of the place of delivery of its choice with regard to all deliveries in that state. The CJEU found that the place of performance in that case had to be the place 'with the closest linking factor between the contract and the court having jurisdiction', the closest linking factor being determined on the ba-

sis of economic criteria.<sup>95</sup> Notably, this approach applies with regard to both kinds of contracts: namely, contracts for the sale of goods and contracts for the provision of services.<sup>96</sup> Yet if such a close link cannot be identified, the plaintiff can choose in which court to bring an action. According to the CJEU, allowing the plaintiff to decide the court would not undermine the interests of the defendant, who would in any case be sued in one of the courts of the state where goods were delivered.<sup>97</sup>

95 Besides, there may be controversies concerning several obligations of equal rank, and each of those obligations shall have to be performed in different Member States. The CJEU held that in such circumstances the court of every state where a particular obligation has to be performed will have jurisdiction to hear actions which are based on that particular obligation. Therefore, the court of one state does not have jurisdiction to hear claims concerning obligations which were performed in another state, even if such obligation arises from the same contract.<sup>98</sup> The CJEU was aware of the inefficiencies related to such a restrictive interpretation of Article 5(1); however, it noted that the plaintiff always has the right to bring an action before the courts of a defendant's domicile pursuant to Article 2 of the Regulation.<sup>99</sup>

96 There may often be complex situations where the contract indicates that obligations are to be provided in several states. It may also be that the contract does not expressly indicate where the obligation has to be performed. In such circumstances, national courts shall take factual aspects and evidence of the dispute into consideration to determine the place of performance of the obligation.<sup>100</sup> In the case of contracts for the provision of services in several states, a national court would have to identify (i) the place where the main provision of services is to be carried out, and (ii) the place with the closest linking factor between the contract in question and the court having jurisdiction.<sup>101</sup> The CJEU has provided an illustration of how these principles should be applied in the two following kinds of service contract. First, if the place of the provision of services is not clearly stipulated in a commercial agency contract, the place of performance should be the state where the agent is domiciled.<sup>102</sup> Second, as regards contracts for the transportation of passengers, the place of performance of services is at the place of either departure or arrival of the aircraft.<sup>103</sup>

## b) Relationship Between Different Sub-paragraphs of Article 5(1)

97 A number of issues arose with regard to the relationship between different sub-paragraphs of Article 5(1). According to lit (c), Article 5(1)(a) applies when contractual action does not fall under lit (b). In



order to apply the special rule established in lit (b), the court would have to classify the contract as either a contract for the sale of goods or a contract for the provision of services. If the contract cannot be classified as either of these two types, the general rule established in lit (a) must be applied.<sup>104</sup> In other words, sub-paragraph (a) is applicable with regard to all other contracts which cannot be classified as contracts for the sale of goods or provision of services. Further, a systematic interpretation of Article 5(1) implies that for sub-paragraph (b) to apply, two requirements must be fulfilled: first, the place of delivery of goods or provision of services must be in a Member State; and, second, the place of delivery of goods or provision of services must be established in the contract. If a court finds that a contract is a sales or services contract, lit (b) shall be applied even if the place of performance of obligation is in several Member States.

- 98 The notion of a contract for the sale of goods was explained in the case of *Car Trim*. The CJEU noted that Article 5(1)(b) does not provide for any definition of sales of contract services. Therefore, it is necessary to identify the obligation which characterises the contract in question. In *Car Trim*, it was decided that contracts for the sale of goods are also contracts where the purchaser specifies special requirements concerning the provision, fabrication and delivery of goods, and the seller is responsible for the quality of the goods and their compliance with the contract.<sup>105</sup>
- 99 The CJEU also delivered several judgments concerning the jurisdiction over actions related to the provision of services. Since the Regulation does not establish any definition of the 'provision of services', the CJEU explained that the concept of the provision of services implies that the party who is providing services should at least fulfil a particular activity in return for remuneration.<sup>106</sup> In the case of *Wood Floor*, the CJEU confirmed that for the purposes of Article 5(1) of the Regulation, commercial agency contracts should be considered as contracts for the provision of services.<sup>107</sup> However, in its landmark judgment in *Falco*, the CJEU decided in the case of a contract for the exploitation of IP rights that the owner of an IP right does not perform any services.<sup>108</sup> As a result, the contract was not considered a contract for the provision of services within the context of Article 5(1).<sup>109</sup>

## 2. Jurisdiction in Contract-Related Disputes in Japan

- 100 If an action concerns the performance of contractual obligations, Japanese law provides that the courts of the place where the obligation has to be performed shall have jurisdiction. This is entrenched in Article 5(1) of the Japanese CCP. Similar to other juris-

diction rules, Article 5(1) was originally perceived to allocate the domestic jurisdiction of Japanese courts. Yet the Japanese courts applied this provision to cases with a foreign element as well.<sup>110</sup> Jurisdiction based on the place of performance of contractual obligations was initially established in the practice of the lower courts in cases concerning the recognition and enforcement of foreign judgments.<sup>111</sup> Gradually the place of performance became generally acknowledged as a ground for international jurisdiction and was applied together with the so-called special circumstances test.<sup>112</sup>

- 101 The rationale of conferring jurisdiction to the courts of the place where the obligation has to be performed is that these are the proper courts, not only to decide issues of performance of the obligation, but also to gather evidence or interrogate witnesses. In addition, it is said that a jurisdiction based on the place of performance also serves the interests of the defendant, increases the foreseeability in commercial transactions and is in line with the principles of fair trial.<sup>113</sup>
- 102 As in other states, a number of controversial issues exist with regard to the performance of the obligation as a ground for international jurisdiction. First, the prevailing opinion is that the place of performance of the obligation should be determined by the law of the state which governs the contract.<sup>114</sup> In many cases, Japanese courts would refer to Article 484 of the Japanese Civil Code that applies the law of the creditor's/plaintiff's domicile and accordingly confers jurisdiction upon the courts of the state where the creditor is domiciled.<sup>115</sup> Secondly, there is no prevailing opinion concerning the scope of the court's jurisdiction. Some have argued that Article 5(1) applies only to actions concerning the performance of contractual obligations and does not cover tortious and other kinds of claims. Hence, claims concerning tortious acts have been brought according to infringement jurisdiction rules.<sup>116</sup> The other argument is that a court of the place of performance is competent to hear contractual and other kinds of claims which may arise from unjust enrichment, torts, etc.<sup>117</sup>
- 103 The CCP (2011) is based on the existing practice of Japanese courts. It provides that Japanese courts shall have international jurisdiction over actions concerning contractual obligations, unjust enrichment or *negotiorum gestio* if the place of performance of the contractual obligation is in Japan or, if according to the law, it is designated in a contract that the place of performance of the obligation is in Japan (Art. 3-3(i)).

## IV. Discussion

### 1. Choice of Terminology

**104** One of the first issues for the session members is to decide upon the terminology. The terminology used in the jurisdiction rule will determine the scope of the jurisdiction rule, specifically, what kinds of contracts will fall under the ambit of the rule. Therefore, the terminology depends on the scope as well as the regulatory objectives of the future ILA guidelines. It could also be advised to clearly indicate the scope of the provision, cautiously choosing the heading of the provision. Given the variety of contracts for the exploitation of IP rights, it is suggested to structure the jurisdiction provision in a manner which would generally deal with different kinds of contracts, *including* contracts related to the exploitation of IPRs (as in the CLIP Principles). If this approach is chosen, then it might be more useful to have a more general heading for this provision.

### 2. Connecting Factor: The Method (to Be) Adopted

**105** It appears that the place of performance of obligation in most countries is considered a ground for a court's jurisdiction in disputes over contractual obligations. Further, a comparative analysis of the legislative proposals showed the IP-specific jurisdiction rules entrench 'activity-based' connecting factors such as the place where IP rights are exploited, or the place for which IP rights are granted. This development should be reflected also in the future ILA instrument (guidelines) together with possible illustrations of how the adopted connecting factor could be applied for asserting jurisdiction over disputes concerning particular IP-related contracts.

### 3. Limitation of Court's Authority in Situations When the Place of Performance is the Sole Ground of Jurisdiction

**106** There seems to be growing consent with regard to territorial limitations of a court's authority in situations where the place of performance of obligation is the sole ground for the exercise of international jurisdiction. To put it differently, in cases where the place of performance of a contractual obligation is the sole ground of jurisdiction, the trend is to limit the court's authority to decide the dispute concerning the obligations related to the forum state. There are several compelling reasons to adopt this approach in the new legislative instrument. Namely, limitation of a court's jurisdiction would (a) limit

possibilities of forum shopping and other situations where the plaintiff might abuse the process; (b) assure that the courts which have direct access to the evidence will hear the case; (c) guarantee that the plaintiff would be able to enjoy efficient legal redress proceedings; and (d) limit situations where courts exercise exorbitant jurisdiction.

### 4. Infringement Claims and Possibilities of Consolidation

**107** It may be argued that legal certainty considerations calls for the inclusion of a special rule indicating whether a court also has jurisdiction to hear infringement claims arising out of a contractual obligation. A comparison of the legislative proposals unravelled that this view has so far been adopted only in the CLIP Principles (Art. 2:201(3)). Some of the other legislative proposals provide for some clarifications in the comments. Hence, for the sake of procedural certainty, it is recommended to elucidate upon the court's authority to hear infringement claims. This could be done, depending upon the majority opinion of the drafters, either by adding a black-letter-rule, or, at least, by clearly solving this issue in the commentary to the black-letter-rule. In the same vein it would be helpful if the new instrument made other possibilities of consolidation clear: whether and in what circumstances a plaintiff could consolidate multiple contractual (and non-contractual) claims. This will depend upon the overall structure of the new instrument.

## D. Jurisdiction to Order Provisional and Protective Measures

*Art. 13 of the 2001 Hague Draft; Section 214 ALI; Art. 2:501 CLIP; Art. 111 Transparency Principles; Art. 18 KOPILA*

### I. Differences

**108** The question of whether a court has jurisdiction to order a provisional or protective measure is one of the most controversial in multi-state IP disputes. Usually, the courts carefully consider under what grounds they could exercise international jurisdiction and whether it is necessary to order cross-border measures. The possibility of ordering cross-border measures often depends on the factual circumstances of the case and the likelihood that a measure could be recognised and enforced in the third state(s) concerned.

**109** Despite numerous practical controversies related to the exercise of jurisdiction in granting provisional and protective measures, the comparison of the legislative proposals unveils that, at least as the juris-

diction issues are concerned, most legislative proposals adopt substantially similar rules. This could be explained by the fact that most of the controversies which may arise in relation to ordering provisional and protective measures have been solved by adopting more specific rules for other matters (e.g. whether the validity defence can be raised in the proceedings for provisional and protective measures or the coordination of parallel proceedings<sup>118</sup>). Therefore, only two issues could be considered directly related to the question of international jurisdiction to order provision and protective measures. *First*, it is agreed that the court which has jurisdiction over the merits of the case can also order provisional or protective measures. The court which has jurisdiction over the merits can order measures with cross-border effect. *Secondly*, courts of the place where the property to be seised is located have jurisdiction to order measures with regard to that property. However, the legal effects of such provisional or protective measures shall be limited to the forum state.

## 1. Notion of Provisional and Protective Measures

**110** The first difference concerns the terminology used in the legislative proposals. The Transparency and KOPILA refer to 'provisional measures', whereas the ALI and Waseda Principles refer to 'provisional and protective measures'. The 2001 Hague Draft refers to 'provisional or protective measures' while the CLIP deal with 'provisional, including protective, measures'.

**111** Besides this slight difference in terminology, the legislative proposals also take a different approach with regard to the need to provide a definition of the measures. Namely, the definitions of provisional and protective measures are adopted only by the CLIP Principles. Other principles do not contain a special rule clarifying what measures are covered by the legislative proposals. It should be noted that Article 13(4) of the 1999 Hague Draft also provided for a non-exclusive list of provisional and protective measures.

**112** The 1999 Hague Draft contained a more general illustration of provisional and protective measures. Namely, pursuant to Article 13(4), provisional and protective measures mean (a) a measure to maintain the status quo pending the determination of a trial; (b) a measure providing a preliminary means of securing assets out of which an ultimate judgment may be satisfied; or (c) a measure to restrain conduct by a defendant to prevent imminent or future harm. The CLIP Principles establish a more IP-specific definition of provisional and protective measures. In particular, Article 2:501(3) states that provi-

sional, including protective, measures are measures which are intended to preserve a factual or legal situation so as to safeguard rights the recognition of which is otherwise sought from the court having jurisdiction as to the substance of the case. In addition, this provision lists five possible orders that could be relevant for multi-state IP litigation: (a) orders to prevent an (imminent or continuing) infringement of an IP right from occurring; (b) orders to preserve relevant evidence in regard to the alleged infringement; (c) orders to seize goods suspected of infringing an IP right; (d) orders to seize, attach or prevent the dissipation or removal from the jurisdiction of assets to safeguard enforcement of the judgment on the merits; and (e) orders directing a party to provide information about the location of assets which are subject to an order under lit (d).

## 2. Allocation of Adjudicatory Powers between Courts of Several States

**113** As regards international jurisdiction to order provisional and protective measures, all legislative proposals as well as the 2001 Hague Draft follow the same rationale: a court which has jurisdiction to hear the merits of the case has jurisdiction to order provisional or protective measures which could have cross-border effects (Art. 13 of the 2001 Hague Draft, section 214 ALI, Art. 2:501(1) and 2:501(2) CLIP, Art. 111 Transparency Principles, Art. 210 of the Waseda Principles and Art. 18 KOPILA). Besides, courts of the state where the property is located where IP protection is sought also have international jurisdiction to order provisional and protective measures. However, in the latter case the legal effects of the measures are limited to the territory of the forum state. Some minor differences exist between the terminology or connecting factors used; however, the practical effects in most cases should be the same.

## II. Rationale

### 1. Notion of Provisional and Protective Measures

**114** The need to provide for a definition of provisional or protective measures could be explained as following. First, a clear definition of provisional or protective measures helps to clarify the scope of jurisdiction rules. Second, at least under the Brussels/Lugano regime, it became obvious that special treatment is necessary for interim payment orders. Interim payment orders are generally considered to be issued by the court which has jurisdiction over the merits of the case.<sup>119</sup>

**115** Both 2001 Hague Draft as well as the CLIP Principles provide for an exemplary list of provisional or protective measures. Article 13(4) of the 1999 Hague Draft stipulates that provisional and protective measures comprise (a) a measure to maintain the status quo pending the determination of a trial; (b) a measure providing a preliminary means of securing assets out of which an ultimate judgment may be satisfied; or (c) a measure to restrain conduct by a defendant to prevent imminent or future harm. In this regard it should be noted that among the drafters of the Hague Judgments Convention it was generally agreed that a measure ordered by a court should be both provisional and protective.<sup>120</sup> It was up to the law of the forum state to determine what measures are available, in what circumstances and under what conditions an order for such measures can be made.<sup>121</sup> So if an agreement is reached upon the definition of 'provisional and protective measures', then the court seised will have to order provisional or protective measures which are indicated in the treaty text and other kinds of provisional or protective measures which are available under the law of the forum state.

**116** The CLIP Principles establish an IP-specific definition: '[p]rovisional, including protective, measures are measures which are intended to preserve a factual or legal situation so as to safeguard rights the recognition of which is otherwise sought from the court having jurisdiction as to the substance of the case'. By and large, this rule was formulated in light of the practice.<sup>122</sup> Further, the CLIP Principles provide for a clarification of the notion of provisional, including protective, measures. Namely, the CLIP Principles enumerate an exemplary list of measures:

- a orders to prevent an (imminent or continuing) infringement of an IPR from occurring;
- b orders to preserve relevant evidence in regard to the alleged infringement;
- c orders to seize goods suspected of infringing an IPR;
- d orders to seize, attach or prevent the dissipation or removal from the jurisdiction of assets to safeguard enforcement of the judgment on the merits; and
- e orders directing a party to provide information about the location of assets which are subject to an order under lit (d).

**117** Hence, the CLIP Principles solve some of the ambiguities which existed during the Hague Judgments Convention negotiations with regard to whether measures for the preservation of evidence fall under the notion of 'provisional measures'. Besides, this provision is also in line with Article 50(1)(2) of the TRIPS Agreement and is designed to take practical needs into consideration to assure the smooth adjudication of multi-state IP disputes.

## 2. Allocation of Adjudicatory Powers between Courts of Several States

**118** In principle, all legislative proposals adopt the same approach with regard to international jurisdiction to order provisional or protective measures: a court which has jurisdiction over the merits is empowered to order measures which could also have cross-border effects, while courts of other states may order territorially limited provisional or protective measures. There are only some slight differences among the terminology as well as connecting factors employed, and these differences will be shortly discussed hereinafter. At the same time, it should be noted that despite these differences, the practical outcomes of the application of all of the legislative proposals should be essentially the same.

**119** As regards international jurisdiction of a court which does not have jurisdiction over the merits, the legislative principles adopt slightly different terminology and connecting factors. All of the legislative proposals aim to assure that the court which does not have jurisdiction over the merits can only order measures which have legal effects within the territorial borders of the forum state. It should be reminded that during the preparation of the ALI and CLIP Principles, the question arose whether the notion of 'property' comprises 'intellectual property'.<sup>123</sup> In case of non-registered rights, this may turn out to be a quite difficult or even misleading concept.<sup>124</sup> In order to somehow clarify the situation, different approaches have been followed. For instance, the ALI Principles retain the reference to the 'State in which the tangible property is located' (S 214). Similarly, the Transparency and Waseda Principles refer to the place 'object to be provisionally seised' is located or 'state in which the property to be seised' respectively.

**120** The CLIP and the ALI Principles appear to solve this dilemma by two further approaches. Firstly, they adopt a reference to 'protecting country' or the 'country of registration' of IP rights. This could be considered as a more IP-specific rule which contributes to higher legal certainty in terms of determining jurisdiction of IP cases. Secondly, the CLIP Principles provide for an exemplary list of measures which are considered provisional and protective.

## 3. Goods in Transit

**121** Further, the ALI Principles contain a special provision concerning provisional measures over goods in transit (S 214(3)). This provision stipulates that a 'person having custody or control of goods in transit, even if not an infringer by the law of the State in which the goods are temporarily located, may be the subject of an action for an order of temporary detention of the goods while the true owner or owners are



identified and joined to the proceedings'. The aim of this provision is based on the practices concerning enforcement of IP rights and could be viewed as a specific case of territorially limited jurisdiction of a court where the goods in question are located.

#### 4. Need for a Broader Jurisdiction for Dealing with Ubiquitous IP Infringements?

**122** As was mentioned at the beginning of this section, it is generally accepted in all five legislative proposals that only the court which has jurisdiction over the merits can issue cross-border provisional or protective measures. However, the commentaries of the CLIP as well as the Transparency Principles envisage a possibility where courts which do not necessarily have jurisdiction over the merits can also issue cross-border provisional measures. This could potentially be in cases of ubiquitous infringements of IP rights – such as, for example, a website as a source of ubiquitous infringements; a court which has jurisdiction on the ground that the effects of infringement occur in the forum state could order the shut-down of a website.

### III. International Context

#### 1. Jurisdiction to Order Provisional Measures in the EU

**123** Provisional and protective measures play a crucial role in the protection of IP rights. These measures are especially vital in enforcing patent rights, especially in pharmaceutical and biotechnology fields. In this area the interests of different stakeholders (generics manufacturers and patent holders) often collide. In the European context, the absence of a uniform patent enforcement system has especially arduous ramifications for the patent holders. Since the procedures for provisional and protective measures vary from state to state, right holders need to hire an international team of lawyers to coordinate proceedings for provisional and protective measures. Besides questions related to international jurisdiction of courts to order provisional and protective measures, there is a number of other legal issues and practices which must be taken into consideration. The following table highlights some of the features:<sup>125</sup>

COUNTRY	EX PARTE PROVISIONAL INJUNCTIONS	INTER PARTES PROVISIONAL INJUNCTIONS	TIME TO INTER PARTES DECISION	QUID PRO QUO FOR PROVISIONAL INJUNCTIONS
UK	✓	✓	Within 7 days	Cross-undertaking in damages
AUSTRIA	✗	✓	4-12 weeks	Bank guarantee
FRANCE	Very unusual	✓	6-12 weeks	No – damages possible
GERMANY	✓	✓	1-3 months	Banker's bond
ITALY	✗	✓	8-10 months	Damages for abuse of process
SPAIN	✓	✓	3-6 months	Bond
PORTUGAL	✗	✗	Up to a year	None

Table 1: Overview of procedures for provisional injunctions

**125** In addition to general, special and exclusive grounds of jurisdiction, the Brussels I Regulation also deals with the allocation of jurisdiction in granting provisional, including protective, measures. The Brussels I Regulation creates a two-tier jurisdiction regime for provisional and protective measures. On one hand, provisional measures could be granted by the courts of the state which have international jurisdiction over the substance of the case. On the other hand, Article 31 of the Regulation<sup>126</sup> stipulates that provisional measures may be ordered by any other domestic court even if courts of another Member State have jurisdiction over the merits of the case pursuant to Articles 2 and 5–24. It should be noted that the Brussels I is not applicable in cases where the residence of the parties and infringing acts occur in the forum country; in such cases the jurisdiction of a court to grant provisional or protective measures will have to be assumed according to domestic jurisdiction provisions. Domestic law will also determine the availability of provisional and protective measures.

**126** Article 31 of the Brussels I Regulation has sometimes been described as an 'opening clause'<sup>127</sup> because it opens the gates for the application of domestic jurisdictional rules concerning provisional and protective measures. Such an additional layer of jurisdiction rules has been considered a tool which facilitates the effective protection of legal rights.<sup>128</sup> Although in adopting the Brussels I regime the European legislator intended to create a 'highly predictable' set of rules 'founded on the principle that jurisdiction is generally based on the defendant's domicile',<sup>129</sup> it has also been argued that neither goal was achieved.<sup>130</sup> Namely, the exercise of jurisdiction on the basis of Article 31 had threatened the uniformity of the European jurisdiction regime because of existing differences among domestic jurisdiction rules, especially if national procedural rules allow far-reaching provisional and protective

measures. For instance, under Dutch law, courts may order so-called *kort geding* measures which do not impose any time limit to the initiation of the main proceedings, and such measures may eventually become definite if the main proceedings are never initiated.<sup>131</sup>

**127** In order to curtail rather broad grounds of jurisdiction<sup>132</sup> to grant provisional and protective measures as well as to alleviate differences among national legal systems, two additional requirements were introduced by the CJEU in its case law. First, the CJEU had previously decided that provisional measures granted pursuant to Article 31 of the Brussels I Regulation should not only fulfil the requirements provided in relevant domestic legal provisions, but there should also exist ‘a real connecting link between the subject matter of the measures sought and the territorial jurisdiction of the Contracting State of the court before which those measures are sought’.<sup>133</sup> Secondly, the CJEU had provided for an autonomous definition of ‘provisional, including protective, measures’ which are to be understood as referring to measures which, in matters within the scope of the Brussels Convention, are intended to preserve the factual or legal situation so as to safeguard rights of which the recognition is otherwise sought from the court having jurisdiction over the merits of the case.<sup>134</sup> Thus, measures such as the order to hear the witness or those that aim at the acquisition of evidence to enable the applicant to decide whether to bring the case, or to determine whether it would be well founded and to assess the relevance of the evidence which might be adduced in that regard, are not considered to be provisional measures within the Brussels/Lugano system.<sup>135</sup>

**128** According to the CJEU, the main purpose of Article 31 of the Brussels I Regulation is to avoid losses to the parties as a result of the long delays inherent in any international proceedings. Such intentions for a speedy process do not cover proceedings with regard to measures related to the establishment of facts on which the resolution of future proceedings may depend.<sup>136</sup> However, such a stance by the CJEU was not necessarily upheld by legal scholars. For instance, it was questioned whether such CJEU practice was restrictive enough, especially in such areas as cross-border IP litigation where the importance of provisional and protective measures is crucial.<sup>137</sup>

**129** In order to assess the practical implications of Article 31 of the Brussels I Regulation to the functioning jurisdiction framework, a more careful analysis of the application of domestic jurisdiction rules in granting provisional and protective measures is necessary. In this regard it should be noted that domestic courts of member states may issue preliminary and protective measures with cross-border effects, especially in cases where the defendant is domiciled in the forum state.<sup>138</sup> Some reporters noted that national courts would take into consideration whether that particular provisional or protective measure could be enforce-

able in respective foreign states. Cross-border provisional and protective measures are also available in cases concerning infringements of Community IP rights<sup>139</sup> or Benelux trade marks<sup>140</sup> provided that the defendant is domiciled in the forum state. In the Netherlands, it is established practice that courts having jurisdiction pursuant to Article 2 of the Brussels I Regulation would also have cross-border jurisdiction to issue provisional and protective measures.<sup>141</sup>

**130** In cases where the defendant is not resident in the forum state, the legal effects of such measures are limited within the territory of a granting state.<sup>142</sup> The situation is not uniform in cases where courts grant provisional or protective measures according to their domestic jurisdiction rules (Art. 31). The question of the territorial reach of provisional and protective measures often depends on the particular circumstances of the case and domestic court practice. In some EU states, the CJEU practice had, to some extent, influenced the jurisprudence of national courts in interpreting domestic jurisdiction provisions. For instance, Swedish and Belgian courts would refrain from issuing orders granting provisional or protective measures with extraterritorial effects if the requirement of the ‘real connecting link’ between the subject matter of the measure at stake and the territorial jurisdiction of the forum state is not met.<sup>143</sup> It should also be noted that according to the established CJEU practice,<sup>144</sup> Article 31 of Brussels I cannot mandate the courts to order provisional measures which have effects only in foreign countries.

**131** Another source of controversy is the scope of a court’s jurisdiction to order provisional and protective measures in cases concerning alleged IP infringements occurring over the Internet. The practice of national courts in this area is scarce or non-existent. One Italian court decided a case in which the market impact rule was applied to decide that the blocking of a US website displaying signs allegedly infringing an Italian trade mark could only be possible if the products are offered for sale in Italy. However, Italian courts would not feel bound by any territorial constraints in ordering provisional or protective measures if they have jurisdiction over the merits.<sup>145</sup> The positions in the EU also differ on this point: some argued that international jurisdiction over IP infringements on the Internet would be asserted following general rules on jurisdiction, whereas others noted that courts would be unable to order measures with cross-border effects.<sup>146</sup>

**132** National EU laws also adopt different approaches to whether a court of an EU Member State would require the person who seeks a preliminary measure to provide a security or guarantee. A provision that a party requiring to issue an order for a provisional or protective measure may be requested to provide a guarantee is also established in the TRIPS Agreement. In some states it appears that such a provision of security is not necessarily required, but it may be requested, depend-



ing on the circumstances of the case.<sup>147</sup> Portugal's courts may require an adequate guarantee, pursuant to national civil procedure law. This decision would be made according to the particular circumstances of the case. For instance, an adequate guarantee may be required in case a defendant suffers some damages because of the revocation of the preliminary or protective measure.<sup>148</sup> Spanish law (Art. 737 of LEC 2000) also provides that in some cases, courts may require that the person who seeks a preliminary measure grant a guarantee before the enforcement of the measures.<sup>149</sup> In the case of German courts, they may require a guarantee for the issuance of preliminary measures (S 921 of the German CCP); the claimant for whose benefit the measure is granted may be held strictly liable for damages if the preliminary measure is later revoked (Art. 945 of the German CCP).<sup>150</sup> However, as regards issuance of provisional or protective measures in cases concerning registered IP rights before UK courts, the combined effect of Articles 22(4) and 31 of the Brussels I Regulation is that courts have no jurisdiction to order measures with cross-border effects.<sup>151</sup>

- 133** In EU states, courts are competent to grant provisional measures in cases which are pending before an arbitral tribunal, given that the subject matter of the dispute falls within the material scope of Brussels I. This follows from the CJEU judgment in the *Van Uden* case.<sup>152</sup> The mere fact that proceedings have been instituted before an arbitration tribunal does not affect a court's jurisdiction to order preliminary and protective measures unless the arbitration agreement provides otherwise.<sup>153</sup> Portuguese courts would also be internationally competent to order preliminary and protective measures in cases where the parties submit the dispute to arbitration proceedings; there is also national case law supporting this stance.<sup>154</sup>

## 2. Jurisdiction to Order Provisional Measures in Japan

- 134** Japanese legislation does not contain special international jurisdiction rules concerning orders for provisional measures. However, Article 12 of the Provisional Civil Remedies Act<sup>155</sup> was applied *ex analogia* by Japanese courts in cases where one party was seeking provisional measures in cross-border disputes. The prevailing approach is that in cases where Japanese courts have jurisdiction over the merits of the dispute, or if IP rights that should be preserved or are the subject of the dispute are located in Japan, Japanese courts will assert international jurisdiction. However, in deciding whether to order provisional or protective measures, Japanese courts will take into account whether there are special circumstances in which an exercise of international jurisdiction would not run counter to the impartiality between the parties, fairness or speedy trial which

would prevent Japanese courts from issuing provisional or protective measures.

- 135** The possibility of provisional measures is a rather difficult issue in IP disputes, especially if foreign IP rights are involved. Namely, in the *Card Reader* case,<sup>156</sup> which involved the application for provisional measures ordering the defendant to cease infringing activities, the Japanese Supreme Court refused to issue an injunction which would have prevented the defendant from producing and exporting the infringing materials from Japan to the United States. The Supreme Court carefully analysed the case and decided that the application for an injunction based on a foreign IP statute could not be granted mainly because it would run counter to the principle of territoriality.

- 136** Nonetheless, Japanese courts could issue provisional measures in cases concerning infringement of foreign IP rights given that the requirements of international jurisdiction are met. The mere fact that the rights for which protection is sought are foreign IP rights does not negatively affect the existence of international jurisdiction of Japanese courts. Further, Japanese courts would generally be able to issue provisional measures in cases where they do not have jurisdiction over the merits of the dispute or if the case was submitted by the parties to an arbitration tribunal. Finally, Japanese courts may order the party who is seeking the issuance of provisional measures to grant a guarantee or security in order to make sure that the interests of the defendant are safeguarded.

## IV. Discussion

### 1. Policy Objectives

- 137** In drafting the rules on international jurisdiction to grant provisional and protective measures, the following policy objectives have usually been highlighted: procedural justice and balance of interests of the parties; the need to provide efficient protection of IP rights; consonance with other jurisdiction provisions as well as provisions on parallel proceedings; the need to make sure that provisional and protective measures are recognized in foreign states (in cases where a court orders cross-border provisional and protective measures). Efficient adjudication of multi-state IP disputes has been one of the main reasons for allowing the courts which have jurisdiction over the merits to order cross-border provisional and protective measures.<sup>157</sup>

## 2. Definition of Provisional Measures

**138** One of the questions in drafting a jurisdiction rule is whether it should specify what is actually meant by the notion of provisional and protective measures. It could be argued that regardless of whether a jurisdiction rule contains an (exemplary) list of provisional and protective measures, the court hearing the case will order only such measures as are available under the laws of the forum state. On the other hand, the adoption of an exemplary list of provisional and protective measures could be considered an additional tool to provide for more legal certainty. If such an exemplary list of measures were adopted, Article 13 of the 1999 Hague Draft or Article 2:501 of the CLIP Principles could be used as a solid foundation.

## 3. Allocation of Adjudicatory Powers between Courts of Several States

**139** It has been shown above that there appears to be a common agreement among the legislative proposals that a court which has jurisdiction over the merits of the case should have jurisdiction to order cross-border provisional and protective measures. Further, it appears that the drafters of the legislative proposals generally agree that a court which does not have jurisdiction over the merits can order only those measures which can produce legal effects within the forum state only.

**140** However, besides these two common points, one more particular issue deserves further discussion at the ILA meeting. Namely, it could be questioned whether there are some situations where a court which does not have jurisdiction over the merits can nevertheless order cross-border provisional measures. This would be the case in disputes involving ubiquitous infringements occurring in the digital environment and when the court is actually in an advantageous position to order such cross-border measures.

## E. Choice of Court Agreements, Appearance of the Defendant

*Art. 2:301 CLIP Principles; Art. 107 Transparency Principles; Art. 205 Waseda Proposal; Section 202 ALI Principles; Art. 206 Korean Proposal*

## I. Differences

### 1. Choice of Court Agreements

#### a) Characteristics of Choice of Court Agreements

**141** One of the differences in the rules dealing with choice of court agreements is related to their scope. While the Waseda and Transparency Principles cover only 'particular legal relationship involving an IP right' (Art. 205 Waseda) or actions 'concerning IP rights' (Art. 107 Transparency), the CLIP and ALI Principles maintain IP-neutral language (Art. 2:301 CLIP and S 202 ALI). Besides, the ALI, Waseda and Transparency Principles, in the black-letter rules, do not deal with such peculiarities as to when the choice of court agreement can be made. Yet the CLIP Principles concretely indicate that the choice of court agreement may be concluded with regard to disputes which had arisen in the past or may arise in the future (Art. 2:301(1) CLIP).

**142** The common position is that the formal and substantial validity of choice of court agreements should be governed by the law of the designated state (Art. 2:301(2) CLIP; S 202(2) ALI; Art. 205(4) Waseda). The Transparency Principles do not address the law governing the validity of a choice of court agreement, yet a reference to the 2005 Hague Choice of Court Convention in the commentary may be interpreted to mean that the issues of validity are determined following the same principles as in the Hague Convention.

**143** In addition, all legislative proposals contain special rules dealing with the form of a choice of court agreements. The provisions concerning the form of an agreement vary. The ALI Principles remain silent on this issue. Japanese proposals put an emphasis on a written form requirement and address the question of agreements which were made by communicating through electronic/electromagnetic means (Art. 107(3) Transparency and Art. 205(2) Waseda). The CLIP Principles provide for a rule that contains three alternative forms in which a choice of court agreement should be made: (a) communication by electronic means considered equivalent to a written agreement; (b) form which accords to the established practices between the parties; and (c) form which is accepted in specific area of trade or commerce (Art. 2:301(3) CLIP). The ALI Principles also contain a rule which determines that the capacity of the defendant to enter into the agreement is determined by the law of the state in which the defendant was resident at the time the agreement was concluded (S 202(2)(b)).

## b) Infringement Claims

**144** Further, it appears that the legislative proposals take a slightly different approach with regard to the possibility of parties to conclude a choice of court agreement concerning infringement claims. Although silent in the black-letter rule, the commentary of the Transparency Principles states that parties are free to agree upon the disputes involving contractual and non-contractual issues related to IP.<sup>158</sup> Other legislative proposals take a more vigilant approach by clarifying how possible issues should be resolved. For instance, the CLIP and the Waseda Principles require that a dispute should arise out of a ‘particular legal relationship’ (Art. 2:301(1) CLIP and Art. 205 Waseda).

## c) Exclusivity of an Agreement

**145** Two further points which deserve attention are related to (a) the exclusivity of a choice of court agreement and (b) the relationship to the rules on exclusive jurisdiction. Different approaches have been followed in the legislative proposals. For instance, the question of the exclusivity of a choice of court agreement has not been addressed in the Transparency Principles at all. It could possibly be argued that these issues are solved similarly to the approach adopted in the existing Japanese court practice.<sup>159</sup> The CLIP Principles stipulate that a choice of court agreement is exclusive unless the parties have agreed otherwise (Art. 2:301(1) CLIP, also Art. 206 of the Korean Principles). The Waseda Principles add a rule that choice of court agreements are deemed to be exclusive unless there are some special circumstances (Art. 205(3)). This rule of the Waseda Principles appears to be the polar opposite to the CLIP approach: while the CLIP Principles aspire to give more discretion to the parties, the Waseda Principles leave some scope for the discretion of the court.

## d) Standard Form Agreements and Protection of Weaker Parties

**146** The ALI Principles also establish a special rule for those situations when a choice of court clause is included in a standard form agreement. In such cases, the validity of a choice of court clause should be decided with regard to the reasonableness criterion (S 202(4)). Reasonableness should be determined by taking into consideration factors such as (a) the location and resources of the parties, especially resources and sophistication of the non-drafting party; (b) interests of any states; and (c) the availability of remote adjudication (e.g. online dispute resolution). In addition, the ALI Principles aim to protect the interests of the non-drafting parties by establishing that the choice of court clause should be

readily accessible and available for subsequent reference by the court and the parties. These requirements are especially significant in the context of on-line contracting.

**147** The protection of the weaker parties (consumers and employees) is also addressed in the Waseda Principles. In particular, Article 205(4) states that the ‘validity of the choice-of-court agreement is governed by the law of the designated state, provided that it does not comply with the mandatory rules relating to the protection of consumers or employees under *lex fori*’. In other legislative proposals, this question was most likely not addressed because the drafters were not willing to address issues that are not directly related to multi-state IP disputes.

## 2. Appearance of the Defendant

**148** All of the legislative proposals also contain a special rule determining whether an appearance by a defendant could be considered an endorsement of a court’s jurisdiction. The legislative proposals generally adopt it as a principle that besides choice of court agreements, jurisdiction should also be asserted when the defendant does not object to the proceedings instituted before a deciding court (Art. 5 of the 2001 Hague Draft;<sup>160</sup> S 203 ALI; Art. 2:302 CLIP; Art. 108 Transparency; Art. 208 Waseda). In all of the aforementioned legislative proposals, rules concerning the appearance of the defendant are established after the rules dealing with choice of court agreements.

**149** As regards the structure of rules dealing with jurisdiction by the appearance of the defendant, it should be noted that the CLIP and the Waseda Principles contain an additional clarification concerning the relationship with rules on exclusive jurisdiction. Namely, the CLIP and the Waseda Principles stipulate that exclusive jurisdiction provisions prevail over the rules on appearance of the defendant (Art. 2:302 CLIP and Art. 206 Waseda).

## II. Rationale

### 1. Choice of Court Agreements

**150** At the outset, it should be noted that in all legislative proposals, rules concerning choice of court agreements were drafted in light of the 2005 Hague Choice of Court Convention.<sup>161</sup> However, as was illustrated above, some differences among the legislative proposals exist. In addition to what has been mentioned above, it is worth drawing attention to the following points related to the structure of the legislative proposals.

**151** The legislative proposals were drafted taking into consideration their anticipated territorial scope of application. This means that the CLIP Principles resemble the Brussels/Lugano framework, while the Transparency and Waseda Principles were drafted with a view to the on-going international civil procedure reform in Japan. This could partly explain why certain rules exist in the legislative proposals. Namely, at the time of drafting of the Transparency and Waseda Principles, one of the problems discussed in the Japanese scholarship was the use of electronic communication and whether it could be considered tantamount to a written agreement; therefore, these issues were explicitly addressed in the Japanese proposals (see Art. 107(3) Transparency and Art. 205(2) Waseda). Further, the Waseda Principles transplant the 'special circumstances' test to the area of prorogation as well (Art. 205(3)).

**152** One particular issue which deserves attention is the problem of the (in)validity defence. All legislative proposals have taken a certain approach in the context of exclusive jurisdiction rules and the effects of the exercise of exclusive jurisdiction when one of the parties brings a defence related to the registration or validity of IP rights at stake. Similar approaches have been also adopted in the context of choice of court agreements. For instance, according to the ALI Principles, cases for declaration that certain registered IP rights are invalid shall be brought before a court of a registering country. However, if the validity of the registered right arises as a preliminary question, the court's decision would have only *inter partes* effects (Sections 211(2) and 212(4) ALI). Similarly, pursuant to the Transparency Principles, a designated court can hear all disputes referred to by the parties in a choice of court agreement, unless the object of the dispute falls under the exclusive jurisdiction rules. In a case where a court designated in a choice of court agreement has to decide upon the existence, registration, validity or ownership of foreign IP rights as a preliminary matter, such a decision shall have only *inter partes* effects.<sup>162</sup>

## 2. Appearance of the Defendant

**153** An appearance by a defendant before a court could be viewed as an implicit agreement to litigate before a court seised.<sup>163</sup> In other words, a defendant's appearance without contesting a court's jurisdiction is a special form of prorogation of jurisdiction. Hence, a court's jurisdiction exists if a defendant submits himself before a court and does not contest its jurisdiction. Conversely, a defendant's appearance cannot be considered a submission to the proceedings in situations where the defendant challenges a court's authority to adjudicate the dispute.

**154** A defendant's appearance has significant practical ramifications. Firstly, the appearance of the defend-

ant confirms parties' consent as to the place where the dispute with a foreign element should be settled. Secondly, the appearance of the defendant as a jurisdictional ground is also an important element of legal certainty. Namely, in situations where the winning party seeks to enforce a foreign judgment, the argument that the court did not have jurisdiction because the defendant voluntarily submitted himself to the instituted court proceedings could no longer be effectuated. Further, it appears that there is a growing consensus that the appearance of a defendant is the connecting factor affirming a court's jurisdiction over an international dispute. Thirdly, considering the appearance of the defendant as an implicit agreement about the place of litigation increases the efficiency of a dispute settlement. This is so not only because the parties could thus submit themselves to adjudication of complex controversies involving multiple parties or multiple claims, avoid parallel litigation in different states, and reduce procedural costs. Besides, a defendant's appearance is one of the possible tolls for the parties to seek the resolution of a dispute before the relatively 'best' court.

**155** As for the legislative proposals, it has already been noted above that despite slight terminological differences, the legislative proposals are essentially identical. Such terminological differences reflect the specific policy goals of each legislative proposal. For instance, Article 2:302 of the CLIP Principles uses exactly the same language as is employed in Article 24 of the Brussels I Regulation. In the same vein, Article 108 of the Transparency Principles refers to the international jurisdiction of 'Japanese courts'.

## III. International Context

### 1. 2005 Hague Choice of Court Convention

#### a) The Main Principles of the Hague Choice of Court Convention

**156** After prolonged negotiations to adopt a global judgments convention, the Hague Choice of Court Convention was signed on 30 June 2005.<sup>164</sup> Similar to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, the 2005 Hague Convention was a great leap forward in creating a comprehensive legal framework that ensures the effectiveness of exclusive choice of court agreements. The future of the 2005 Hague Choice of Court Convention seems to have more potential since, as of the end of February 2012, the United States and the European Union had signed it and Mexico had ratified it.<sup>165</sup> IP matters have posed significant hurdles in drafting the Hague Judgments Convention and



were partially resolved in the 2005 Hague Choice of Court Convention.

**157** Pursuant to Article 3 of the Convention, ‘exclusive choice of court agreements’ are agreements concluded in writing or by any other alternative means designating one or more courts of a Contracting State to decide disputes which have arisen or may arise in connection with a particular legal relationship. Choice of court agreements which designate courts of one or more Contracting States are deemed to be exclusive unless the parties have expressly agreed otherwise. While formal validity requirements are harmonised in the Convention itself, substantial validity of a choice of court agreement (e.g. fraud, mistake, misrepresentation, duress or lack of capacity) should be decided pursuant to the law of the forum.<sup>166</sup> The Hague Convention also entrenches the ‘separability’ principle: the validity of a choice of court agreement is independent from the validity of other terms of a contract. Hence, the validity of a choice of court clause cannot be challenged merely on the basis that the contract is invalid (Art. 3(d)).

**158** Article 5 of the 2005 Hague Convention entrenches another cornerstone rule that a court designated in a choice of court agreement shall have jurisdiction over the dispute and shall not decline jurisdiction on the sole ground that a court of another Contracting State is competent to decide the dispute. Any other court of another Contracting State is obliged to suspend or dismiss the proceedings to which an exclusive choice of court agreement applies except where the choice of court agreement is null and void, where giving effect to a choice of court agreement would result in a manifest injustice, or where the court designated in the choice of court clause decides not to hear the case if there are other exceptional reasons beyond the control of the parties (Art. 6).

**159** Recognition and enforcement issues are governed by Articles 8–15. The general underlying principle is that a judgment given by a court of a Contracting State designated in a choice of court agreement shall be recognised by courts of other Contracting States. A judgment can be recognised only if it is effective in the country of origin. Moreover, recognising courts cannot review the merits of judgments handed down by a court designated by the parties. In other words, *révision au fond* is not permitted under the Convention (Art. 8). The recognition or enforcement may be refused only if there are certain legal grounds provided in Article 9 of the Convention: namely, if the agreement was null and void, a party lacked capacity to conclude the agreement, the judgment was obtained by fraud or if the recognition or enforcement would be against public policy of the requested state or inconsistent with another judgment.

## b) Choice of Court Agreements and Intellectual Property

**160** The agreement on the final text of the 2005 Hague Choice of Court Convention witnesses a significant step forward to legal certainty and foreseeability in the area of international commercial transactions. IP-related concerns which arose at an early stage of the drafting of the Hague Judgments Convention were to a large extent resolved in the final text of the Convention adopted in 2005. The approach towards IP matters can be best understood from the material scope (application *ratione materiae*) of the Convention. The final text of the Hague Choice of Court Convention excludes a number of matters from its scope.<sup>167</sup> The Convention does not apply *inter alia* to choice of court agreements pertaining to the validity and infringement of IP rights other than copyrights and related rights (Art. 2(2)(n)), except where infringement proceedings are brought for a breach of contract between the parties relating to such rights, or could have been brought for breach of the contract (Art. 2(2)(o)).

**161** Hence, two issues should be clarified. First, the Convention makes a distinction between copyrights, related rights and other (registered) IP rights (e.g. patents or trade marks). Such a distinction is drawn mainly on the ground that the existence of copyrights and related rights does not depend on the registration. Conversely, such IP rights as patents, designs or trade marks are usually created by the act of registration at competent national authorities. Public acts of registration are usually considered closely related with the sovereignty of a granting state and the granting of rights depends on the fulfilment of certain requirements posited in the national laws. Similarly to the granting of rights, the declaration of invalidity as well as corrections in the registries require the involvement of national authorities and are made according to local procedural rules. The Hague Choice of Courts Convention exempts choice of court agreements pertaining to registration and validity of (registered) IP rights mainly because in many national legal systems such disputes fall under exclusive jurisdiction of the granting country. Nevertheless, the Convention would still apply to choice of court agreements concerning disputes where validity of a registered IP right is challenged as a defence (e.g. in disputes for payment of royalties where the licensee raises a claim that the licensed IP right is invalid<sup>168</sup>). In such cases, the court can decide upon the validity of the IP right as a preliminary matter, but such decisions would not be subject to recognition under the Convention.

**162** Secondly, the Convention does not apply to choice of court agreements which designate a competent court to hear IP infringement disputes unless such a dispute arises from a pre-existing relationship. An

example of a pre-existing legal relationship could be a licensing contract and the infringement proceedings related to it. According to the Official Commentary, IP 'infringement actions are covered, even if brought in tort, provided they could have been brought in contract'.<sup>169</sup> It should be noted that copyright-related disputes are fully covered by the Convention (including infringement disputes and disputes where the court should decide upon the validity [Art. 2(2)(o)]).

## 2. Choice of Court Agreements in European Countries

### a) Choice of Court Agreements

- 163** In the EU, it is generally agreed that parties are free to make a choice of court agreement with regard to any legal relationship (Art. 23 of the Brussels I Regulation/Revised Lugano Convention). Choice of court agreements are deemed to be exclusive unless the parties agree otherwise. The Brussels I Regulation does not require any specific connection between the dispute and the forum state. A choice of court agreement is enforceable if at least one of the parties is resident in a Member State. Besides, in cases where neither of the parties is resident in a Member State, courts of other Member States shall have no jurisdiction unless the court chosen has declined its jurisdiction (Art. 23(3)). In cases where none of the parties is resident in a Member State, the effectiveness of a choice of court clause is determined under the law of the court seised.<sup>170</sup>
- 164** The Brussels I Regulation allows the parties to conclude a choice of court agreement before or after the dispute arose. However, in order to be enforceable, a choice of forum clause has to meet the written form requirement. This means that a choice of court agreement must be concluded in writing or evidenced in writing or be in a form which accords with practices that the parties have established between themselves. If a choice of court agreement is concluded by electronic means, it is considered equivalent to an agreement made in writing as long as there is a durable record of the agreement. Agreements conferring jurisdiction in international trade or commerce should be concluded in a form which accords with a usage of which the parties are or ought to have been aware and in which such trade commerce is widely known to and regularly observed. Besides that, Member States cannot establish any other formal requirements (e.g. language, etc.).<sup>171</sup>
- 165** Parties' freedom to enter into a choice of court agreement is limited by the mandatory nature of exclusive jurisdiction rules from which the parties cannot derogate. Accordingly, choice of court agreements concerning matters that fall under exclusive jurisdiction provisions of Article 22 of the Brussels I Regulation (including proceedings dealing with the registration or validity of registered IP rights) cannot be enforceable. Additional limitations are established with regard to jurisdiction over consumer (Art. 17) and individual employment contracts (Art. 21). Namely, in cases related to consumer or individual employment contracts, prorogation of jurisdiction is possible only if the choice of court agreement was concluded after the dispute has arisen or if the choice of court agreement allows the consumer/employer to bring proceedings in courts other than those indicated in the respective sections of the Brussels I Regulation which deal with jurisdiction over these types of contracts. Similar limitations are also established with regard to insurance contracts (Art. 13). Such limitations of party autonomy are imposed with the objective of assuring the protection of the weaker party (consumer or the employee).<sup>172</sup>
- 166** In its practice, the CJEU has reiterated that the Brussels I Regulation does not permit courts, other than those designated by the parties, to control the grounds of jurisdiction of a court chosen by the agreement.<sup>173</sup> This approach has also been followed by the domestic courts of Member States.<sup>174</sup> Nevertheless, courts can declare null and void choice of court agreements which are considered unfair.<sup>175</sup> Similarly, the court can also decline jurisdiction of its own motion if it becomes clear that a choice of court clause is an unfair standard term.
- 167** Enforceability of a choice of court agreement in IP disputes might sometimes raise problems because of the territorial nature of IP rights as well as the mandatory nature of exclusive jurisdiction rules from which the parties cannot escape by concluding a choice of court agreement. Overall, EU national courts would give effect to choice of court agreements regardless of whether a particular dispute is related to domestic or foreign IP rights. In other words, the designated court of a Member State cannot decline jurisdiction merely on the basis that the dispute involves foreign IP rights. In this regard it should be noted that the CJEU<sup>176</sup> held that no other issues than those established in Article 23 shall be taken into consideration when deciding whether the choice of court agreement is enforceable. In the case of IP disputes, this means that considerations such as the territorial nature of IP rights (namely, the fact that IP rights which are the object of the dispute are foreign IP rights, or the allegation that infringement activities occurred in another state) shall not be taken into consideration by the court in deciding whether it should accept jurisdiction or not.<sup>177</sup> Similarly, there is no dispute that a designated court can decide upon the infringements of IP rights which occur in any country other than the forum country as long as the parties agree (explicitly or implicitly).



itly) on the unlimited territorial jurisdiction of the court chosen.<sup>178</sup>

**168** Choice of court agreements prevail over general and special grounds of jurisdiction. Yet parties cannot contract out from exclusive jurisdiction provisions (i.e. Art. 22(4)) or alter material and functional jurisdiction of national courts.<sup>179</sup> However, as far as patents and other registered IP rights are concerned, such exclusive jurisdiction rules are applicable only with regard to registration and validity. Thus, a choice of court agreement with regard to infringement claims will be enforceable as long as the defendant does not challenge the validity or registration of the patent.<sup>180</sup> Once a registration/validity defence is raised, infringement proceedings turn into proceedings over registration/validity, which accordingly leads to the application of exclusive jurisdiction rules established in Article 22(4) of the Regulation. This is the effect of the CJEU judgment in the case of *GAT v LuK*.<sup>181</sup>

**169** The Brussels I Regulation does not provide a clear-cut answer as to whether parties are allowed to conclude choice of court agreements in anything other than contractual disputes. Article 23(1) of the Regulation only establishes that choice of court agreements can be made with regard to 'any disputes which have arisen or may arise in connection with a particular legal relationship'. Hence, it is unclear whether parties can make a choice of court agreement in tort or unjust enrichment cases. This is also true in IP-related litigation (e.g. infringement of licensing contracts).

**170** The notion of a 'particular legal relationship' should be given an autonomous meaning. According to the jurisprudence of the CJEU, the question of what claims are covered by a choice of court agreement mainly depends on the intention of the parties. As the CJEU put it, choice of court agreements confer jurisdiction only with regard to obligations which are freely accepted by the parties.<sup>182</sup> This approach is followed by some domestic courts of EU Member States.<sup>183</sup> Yet it is uncertain whether the parties' choice of court agreement which is part of an IP licensing contract can also be adhered to by a party seeking legal redress for infringement of licensed IP rights.

**171** The controversy over the interpretation of Article 23 could be best observed by taking into account the jurisprudence of the domestic courts of the Member States and academic opinion. It appears that at least some domestic courts would refuse to give effect to choice of forum clauses with regard to claims related to the infringement of IP rights in situations where parties were not previously bound by a contractual relationship.<sup>184</sup> Nonetheless, the courts of some Member States adopted a broader interpretation of Article 23 than the one established by the

CJEU. For instance, Portuguese courts have recently handed down decisions that upheld that the jurisdiction of a designated court by the parties includes all issues, contractual or not, that arise out of the main contract.<sup>185</sup> Academic opinions are also in favour of giving effect to contractual choice of court agreements with regard to claims related to infringement of licensed IP rights.<sup>186</sup> It is likely that an Italian court would enforce the choice of court agreement in 'pure' infringement cases. This is so because the choice of court agreements can only be deprived of efficiency with regard to insurance, consumer and individual employment contracts or if they are contrary to exclusive jurisdiction rules of the Regulation (Articles 13, 17, 21 or 22). Similarly, in France, the question regarding the material scope of a choice of court agreement, which is part of a contract for the exploitation of copyrights, is usually interpreted in favour of the author.<sup>187</sup> Yet a closer look at the case law of French courts also illustrates the tendency to interpret choice of court clauses broadly and enforce them regardless of whether a dispute is of a contractual or tortious nature.<sup>188</sup>

## b) Appearance of the Defendant

**172** Article 24 of the Brussels I Regulation provides that a court of a Member State before whom a defendant enters an appearance shall have jurisdiction (except situations which fall under the material scope of exclusive jurisdiction rules provided in Art. 22). This 'implied' form of prorogation agreement has remained unchanged since it was adopted in the 1968 Brussels Convention. For Article 24 to be applicable, three requirements must be satisfied. Firstly, the lawsuit must be made by the plaintiff and accepted by the court. The peculiarities concerning the procedural aspects of the questions related to the plaintiff's action are governed by the procedural law of the forum state (*lex fori regit processum*).<sup>189</sup>

## 3. Choice of Court Agreements in Japan

**173** Article 11 of the Japanese CCP deals only with domestic choice of court agreements and stipulates *inter alia* that 'choice of court agreements can be made in the proceedings at the court of first instance'. In practice, this means that Japanese courts would enforce choice of court agreements made before the date of the oral arguments. Choice of court agreements shall be made in writing (Art. 11(2) CCP). The written form requirement is also satisfied if the choice of court agreement is concluded by electronic means (Art. 11(3) CCP). The written form requirement has been interpreted as requiring the parties to specify clearly the substance of the disputes which should fall under the ambit of the choice of court agreement and indicate the court which should de-

cide the dispute. If a choice of court clause is a part of a more complex contract, the nullity of a contract does not render the choice of court clause invalid (so-called 'separability doctrine'). Choice of court agreements do not necessarily have to be in one document (e.g. offer and acceptance). Choice of court agreements that are included in B2C contracts have to be interpreted to the benefit of a weaker party, who cannot be deprived of the home court advantage. Hence, choice of court agreements which are obviously detrimental to the interests of one contracting party may be considered not enforceable. Similarly, choice of court agreements preventing the parties from raising any claims with regard to particular issues also may not be enforceable.

**174** The prevailing opinion in Japan is that choice of court agreements are enforceable before Japanese courts.<sup>190</sup> In 1975 the Japanese Supreme Court handed down the landmark judgment in the so-called *Chisadane* case and upheld the validity of an exclusive choice of court agreement.<sup>191</sup> In this case the dispute arose with regard to the damage to crude sugar which occurred during transport from Brazil to Osaka. The question was whether a choice of forum clause included in a bill of lading was enforceable. The Supreme Court followed the established practice under Article 11 of the CCP and held that it is sufficient if the parties specify a country where the dispute is to be resolved. The choice of court agreement shall be in writing, although the parties are not obliged to sign the agreement as long as its content is drafted sufficiently clearly. International choice of court clauses are valid unless they are contrary to public policy, or fall under the exclusive jurisdiction of Japanese courts. In a case where parties refer to a particular court but do not specify whether the designated court has exclusive jurisdiction, such a choice of court clause is deemed to confer exclusive jurisdiction upon the chosen court. Besides, the court stated that the reciprocity requirement, which is one of the conditions for recognising foreign judgments, is not a necessary condition in determining the validity of a choice of court agreement.

**175** Japanese courts have not dealt with choice of court agreements pertaining to IP disputes. Yet it appears that the majority opinion supports the idea that the parties' agreements conferring jurisdiction upon Japanese courts would be enforceable even if no relationship between the dispute and the forum exists.<sup>192</sup> However, it is not clear whether a Japanese court would assert jurisdiction in disputes related to foreign-registered IP rights where the validity defence is raised.

**176** The newly adopted rules on international jurisdiction introduced significant improvements. Article 3-7 of the Act Amending CCP (2011) allows the parties to conclude a choice of court agreement. In order to be valid, choice of court agreements must

arise out of a specific legal relationship made in written form. However, the parties' choice of court agreement is not effective if a chosen foreign court cannot assert jurisdiction according to the forum law (Art. 3-7(iv)). Besides, according to the Explanatory Report of the Interim Proposal, agreements on jurisdiction would be null and void if they are obviously contrary to public policy. The Act contains additional provisions concerning choice of court agreements over disputes in consumer and individual employment contracts (Articles 3-7(v) and 3-7(vi)).

**177** Insofar as IP rights are concerned, these matters are open to interpretation.<sup>193</sup> Generally, parties cannot make choice of court agreements concerning matters related to registration or entries in public registries which also cover matters related to the registration of IP rights. It should be reiterated that in the new legislative framework, claims related to the existence and validity of registered IP rights fall under the exclusive jurisdiction of Japanese courts when the IP rights concerned are registered in Japan (Art. 3-5(iii)). In cases where the validity of registered IP rights arises as a preliminary question or is raised as a counter-claim by the defendant, the Explanatory Report indicates that the possibility of making an invalidity defence depends on the applicable law (e.g. the question of whether the invalidity of an American patent can be challenged in proceedings concerning the infringement of an American patent shall be decided pursuant to the applicable American patent law). According to the Explanatory Report, this issue of the invalidity defence is treated as a problem of parallel proceedings which has to be decided on the basis of the special circumstances test. Such a legislative approach has been criticised as not offering much legal certainty and is open to interpretation.<sup>194</sup>

## IV. Discussion

### 1. Choice of Court Agreements

**178** In deciding upon the rules dealing with choice of court agreements and appearance of the defendant, a number of issues should still be carefully considered. Among them the drafters are recommended to take into account existing differences among the legislative proposals with regard to terminology and the overall structure of the rules that govern choice of court agreements. More precisely, the drafters should once again reconsider which approach should be taken with regard to infringement claims; what rules and requirements should be established with regard to formal and material validity of choice of court agreements; and whether there is a need to include a special rule determining the law governing the capacity of the parties to enter into a choice

of court agreement and a need for special rules on mass-market agreements. In this regard, it is also necessary to be aware of the framework established by the 2005 Hague Choice of Court Convention and the legislative reform proposals made in the context of the Brussels I modification.

## 2. Appearance of the Defendant

**179** The future legislative instrument should also contain a rule on the appearance of the defendant. Among the points for discussion there should be a question of whether the rules dealing with jurisdiction by the appearance of the defendant should also contain additional provisions delineating the relationship to the exclusive jurisdiction rules. If such rules are not inserted, this issue should be addressed in the commentary part.

## F. Multiple Defendants

*Art. 14 of the 1999 Draft of the Hague Judgments Convention; Art. 206 of the CLIP Principles; Section 206 ALI Principles; Art. 110 Transparency Principles; Art. 208 Waseda Principles*

### I. Differences

**180** All legislative proposals contain special rules dealing with controversies involving multiple defendants. The establishment of such rules marks a significant leap towards the adjudication of multi-state IP disputes. The provisions dealing with the adjudication of disputes involving several defendants were drafted in the light of different legal backgrounds. Such differences between legal frameworks and court practices have to a large degree affected the structure of the legislative proposals as well as the particular conditions for bringing actions against multiple defendants. The following sections focus on specific features concerning the exercise of international jurisdiction in cases involving multiple parties.

#### 1. Multiple Defendants

**181** These legislative proposals generally accept that the court seised with several related claims against multiple defendants can consolidate those claims if they are closely connected and/or there is a danger of inconsistent judgments. Before going to a more detailed discussion, some remarks should be made with regard to the *overall structure* of the rules dealing with adjudication of multiple claims:

The Japanese proposals are drafted in the light of the Japanese law and provide for two sets of rules: (a) ‘*objective joinder*’ of closely related claims; and (b) ‘*subjective joinder*’ of related claims against multiple defendants.

Both the ALI Principles and the Waseda Principles deal with consolidation of claims against multiple defendants in one Article and do not differentiate different possible constellations.

The CLIP and the Transparency Principles contain several rules for consolidation of claims against multiple defendants: (a) more general provisions concerning claims against multiple defendants; and (b) so-called ‘spider-in-the-web’ situations.

#### a) Close Connection Requirement

**182** All legislative proposals establish a requirement of a close connection between claims. It means that to be able to join claims against multiple defendants, these claims must be so closely connected that there is a need to adjudicate them in one court to avoid irreconcilable judgments. While other legislative proposals do not expound on the precise notion of close connection, the ALI Principles provide for some additional guidance. Namely, Section 206(1) stipulates that actions against several defendants can be joined if (a) there is a substantial, direct and foreseeable connection between the forum’s IP rights at issue and each non-resident defendant; or (b) as between the forum and the states in which the added defendants are resident, there is no forum that is more closely related to the entire dispute.

**183** In the Transparency Principles, besides the ‘close connection’ requirement, an additional requirement of foreseeability was introduced (Art. 110(2)). This requirement means that claims against several defendants may be joined if defendants could ordinarily foresee that Japanese courts would have international jurisdiction over them. This aims to strike the balance between the interests of different stakeholders (plaintiffs and defendants, right holders and alleged infringers). In addition, the requirement of foreseeability aims to strike a balance between legal certainty and flexibility.<sup>195</sup>

#### b) The Notion of ‘Inconsistent Judgments’

**184** It should also be noted that the notion of ‘inconsistent judgments’ is addressed differently. For instance, the Transparency and the Waseda Principles do not elaborate on the issue of inconsistent judgments. On the other hand, the ALI Principles provide that the risk of ‘inconsistent judgments’ exists if the ensuing judgments (a) would impose redundant liability; (b) would conflict with a judgment in another



case; or (c) would conflict in that a party would not be able to conform its behaviour to both judgments.

**185** The CLIP Principles establish a notion of ‘irreconcilable judgments’ which is designed in the light of the CJEU *Roche Nederland*<sup>196</sup> judgment. Namely, the CLIP Principles aim to fine tune the CJEU practice to make adjudication of multi-state IP infringement claims possible in situations where the defendants act in concert. Therefore, Article 2:206(2) provides that (a) disputes involve essentially the same factual situation if the defendants have acted in an identical or similar manner in accordance with a common policy; or (b) if relevant national laws are harmonised to a significant degree by rules of a Regional Economic Integration Organisation or by international conventions which are applicable to the disputes in question.

**186** The ALI and Waseda Principles additionally provide that consolidation would not be possible with regard to a defendant who is invoking an exclusive choice of court agreement with the plaintiff (s 206(3) ALI and Art. 208(2) Waseda). It is likely that this provision was taken from the 1999 Draft of the Hague Convention.<sup>197</sup>

## 2. ‘Spider-in-the-Web’ Doctrine

**187** The CLIP and the Transparency Principles provide for additional rules covering so-called ‘spider-in-the-web’, i.e. situations where parallel IP rights are infringed by legal entities belonging to the same corporate group. Here the wording of the provisions differ. In Article 2:206(3), the CLIP Principles refer to the requirements of close connection between the claims and the objective to prevent situations where inconsistent judgments are rendered. In addition, the CLIP Principles clearly state that it should be ‘manifest from the facts’ that one of the defendants has coordinated the activities or is otherwise most closely connected with the dispute in its entirety.

**188** Article 110(3) of the Transparency Principles provides for a more stringent requirement regarding the objective connection between claims. Namely, IP rights must be ‘substantively’ connected (whereas Art. 110(1) requires ‘close’ connection). In addition, Japanese courts could have jurisdiction against multiple defendants only if the primary obligations (in case of contractual disputes) or primary facts (in case of infringement of parallel IP rights) occur in Japan. Therefore, it appears that Article 110(3) would be applicable only if the dispute has a close objective connection to Japan (e.g. if essential coordination activities should have taken place in Japan).

**189** In addition, both the CLIP Principles and the Transparency Principles establish additional *limitations* of the court’s jurisdiction in spider-in-the-web situ-

ations. Namely, the Transparency Principles reiterate the ‘defendant’s foreseeability’ clause, which means that Japanese courts could hear a case only if defendants could have ordinarily foreseen that Japanese courts would assert jurisdiction over claims against them (Art. 110(3)). The CLIP Principles state that in the situations where the defendant is coordinating infringing activities, the jurisdiction to adjudicate the dispute is conferred only to the courts of the state where the coordinating defendant is habitually resident.

## 3. Peculiarities of Japanese Law: Objective Joinder

**190** Another difference among proposals concerns the peculiarities of the Japanese law. Namely, Japanese law draws a distinction between objective joinder and subjective joinder. Objective joinder implies situations where the related claims are at stake, while subjective joinder refers to situations where the claims are brought against multiple related parties. In light of this background, the Waseda and Transparency Principles provide for special rules dealing with objective and subjective joinder. Namely, Article 110(1) of the Transparency Principles and Article 207(1) of the Waseda Principles establish that a court can consolidate claims which are mutually related. However, in this situation, the jurisdiction of the court is limited to the claims which concern obligations to be performed in the forum state.

## II. Rationale

### 1. Stringent ‘Close Connection’ Requirement in the 1999 Hague Draft

**191** Article 14 of the 1999 Hague Draft of Judgments Convention contained a special jurisdiction rule concerning actions against multiple defendants. Despite the fact that this rule was later removed from the 2001 Draft of the Hague Judgments Convention, this provision remains noteworthy because it has paved the way to addressing the issue of claims against multiple defendants in subsequent legislative proposals. Article 14 of the 1999 Draft of the Hague Convention established that a plaintiff, bringing action against a defendant in a court of the state in which that defendant is habitually resident, may also proceed in that court against other defendants who are not habitually resident in that state if two conditions are fulfilled: first, the claims against the defendant habitually resident in that state and the other defendants are so closely connected that they must be adjudicated together to avoid a serious risk of inconsistent judgments; and, secondly, as regards each defendant who is not habitually resident in that state,



there must be a substantial connection between that state and the dispute involving that defendant. As can be seen, the provisions of the 1999 Hague Draft are quite restrictive. Two additional conditions of close relationship between the claims and the connection between the forum and the dispute which involves a non-resident defendant were imposed to limit possible procedural advantages that a plaintiff might obtain by instituting proceedings against multiple defendants before courts of a single country.<sup>198</sup> Further, in order to avoid situations where a non-resident defendant is sued before a clearly inappropriate forum, the Draft Convention required a substantial connection between the dispute concerning that particular defendant and the state of the forum seised.<sup>199</sup>

## 2. Objective Joinder in Japanese Law

**192** As regards objective joinder of claims, the Transparency and Waseda Principles provide that Japanese courts shall have international jurisdiction over joint claims or counterclaims between the same parties if, first, Japanese courts have jurisdiction over one of the claims and, secondly, the claims or counterclaims are closely connected to each other (Art. 110(1) of the Transparency). Thus, according to Article 110(1), a Japanese court would be competent to join claims which are related to infringement of IP rights held in different countries, even if those infringing acts are not identical. The underlying requirement for such a joinder would be the close connection between the claims.<sup>200</sup> Therefore, a Japanese court could join claims seeking legal redress on the basis of infringement of IP rights and claims of the counter-party, based on unfair competition statutes.<sup>201</sup> Besides the requirement of close connection between the claims, Article 110(1) sentence 2 adds an additional condition that objective joinder of claims is possible if Japan is the country where primary contractual obligations were performed or primary infringing acts occurred. This approach reflects previous Japanese court practice.<sup>202</sup>

## III. International Context

### 1. Actions against Multiple Defendants in the US

**193** With regard to US law, parties have tried to enjoin claims related to foreign IP rights on the basis of supplemental jurisdiction. In particular, 28 USC Section 1367 confers district courts with a 'supplemental jurisdiction' to entertain certain non-federal claims brought in the same action that are not otherwise supported by the original jurisdiction. Courts can enjoin claims that are related so that they form

part of the same controversy under Article III of the United States Constitution (S 1367(a)). However, the Federal Circuit has consistently denied the possibility of entertaining foreign IP claims.

**194** In *Mars Inc v Nippon Conlux Kabushiki-Kaisha*,<sup>203</sup> an action was brought against Nippon Conlux, a Japanese corporation, and its subsidiary in the United States. The plaintiff argued that an alleged direct infringement of the United States and respective Japanese patent constituted an act of unfair competition pursuant to 28 USC Section 1338(b) (1988). The defendant argued that the claim concerning the alleged infringement of the Japanese patent should be dismissed on the ground that the court did not have subject-matter jurisdiction. The Federal Circuit first interpreted Section 1338(b) and held that Congress did not intend to establish a notion of 'unfair competition' which would cover infringements of foreign patents. The court also found that the foreign patent infringement was not related to the United States patent since the underlying patents, devices, alleged acts and governing laws were different. In addition, the Federal Circuit noted that 'public interest' implies that localised controversies had to be decided at home, and that the hearing of claims related to matters involving a Japanese patent would undermine international comity.

**195** Another landmark judgment was handed down in the *Voda v Cordis* case<sup>204</sup> where the Federal Circuit reversed the decision of the district court, which found subject-matter jurisdiction over foreign patent infringement claims pursuant to the rules of supplemental jurisdiction (Section 1367). Voda was a proprietor of patents issued under the Patent Cooperation Treaty in the United States, Canada and a number of European Patents in the UK, Germany and France. The defendant, Cordis, was a US-based corporation established in Florida with foreign affiliates in France, Germany, Italy and the Netherlands. Voda filed a suit against Cordis US alleging infringements of US patents. Later, Voda amended his complaint and added claims of alleged infringements of European, British, French, German and Canadian patents. The district court decided it had supplemental jurisdiction over foreign patent claims. Yet, despite Voda's arguments that a consolidated multinational patent adjudication would be more efficient, the Federal Circuit decided that the district court erred in asserting supplemental jurisdiction over foreign patent infringement claims. In particular, the Federal Circuit decided that the district court abused its discretion by asserting jurisdiction and held that considerations of comity, judicial economy, convenience, fairness and other exceptional circumstances constituted compelling reasons to decline supplemental jurisdiction. In coming to this conclusion, the Federal Circuit relied on such notions as independence of national patents (stating that 'only a British court, applying British law, can determine the valid-

ity and infringement of British patents'). In discussing an issue of comity, the court noted *inter alia* that the plaintiff had not succeeded in identifying an international duty for American courts to adjudicate foreign patent infringement claims.

## 2. Actions against Multiple Defendants in the Brussels I Regulation

### a) Article 6(1) in the CJEU Practice

**196** The Brussels Regulation does not contain any specific rules for the consolidation of actions. However, there are some specific rules which allow the plaintiff to consolidate proceedings. One such possibility is established in Article 6(1),<sup>205</sup> which states that a person domiciled in a Member State may also be sued, where that person is one of a number of defendants, in the courts of the place where any of them is domiciled. Article 6(1) was considered to be quite lenient as it enables the plaintiff to choose one of several states where actions against multiple defendants could be brought. Nevertheless, for Article 6(1) to be applicable, a connection between the actions against multiple defendants has to be established (e.g. joint liability of defendants for the performance of contractual obligations).<sup>206</sup> Some argued that such a narrow interpretation of Article 6 could help maintain the general jurisdictional ground of a defendant's domicile and prevent national courts from exercising exorbitant jurisdictions.<sup>207</sup>

**197** Such a restrictive interpretation of Article 6(1) of the Brussels Convention was affirmed by the CJEU. In one of its early judgments the CJEU decided that Article 6(1) is an exception to the principle that jurisdiction is vested in the courts of the state where the defendant is domiciled and the existence of such a principle should not be challenged by an extensive application of exceptions to the general jurisdiction rule established in Article 2.<sup>208</sup> Thus, Article 6(1) could be applied where there is a connection between actions against different defendants that makes it expedient to determine those actions together to avoid the risk of irreconcilable judgments resulting from separate proceedings.<sup>209</sup> However, the CJEU allows the national courts to decide on a case-by-case basis whether such a connection between the actions exists or not.<sup>210</sup>

**198** In subsequent cases, the CJEU provided some additional guidance concerning the existence of a close connection between claims. For example, in *Réunion européenne*, it was decided that two claims in an action, one regarding compensation directed against different defendants and based in one instance on contractual liability and the other on the liability in tort or delict, cannot be regarded as connected.<sup>211</sup>

It should be noted, however, that the CJEU borrowed the notion of 'irreconcilable judgments' from Article 22 of the Convention (Art. 28 of the Regulation), which deals with the coordination of related proceedings.

**199** Although not mentioned in Article 6(1) of the Brussels Convention, the requirement of close connection between claims against multiple defendants was later included in the text of Article 6(1) of the Brussels I Regulation, which provides that 'a person domiciled in a Member State may be also sued where he is one of a number of defendants, in the courts for the place where any of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings'. Within the framework of the Brussels Convention, Article 6 of the Regulation is an exception from the general defendant's domicile rule (Art. 2). Therefore, in order to assure legal certainty as to the place of litigation, the Regulation allows proceedings against several defendants only in exceptional cases.

### b) Application of Article 6 before National Courts

**200** The application of Article 6(1) to IP matters raised many controversial questions, and the practice of the national courts varied significantly. For instance, English courts have usually adhered to the territorial nature of IP rights and refused to exercise jurisdiction over foreign IP rights. In *Coin Controls v Suzo International*,<sup>212</sup> the plaintiff, who was an owner of three European patents in the UK, Germany and Spain for the coin-dispensing device used in gaming machines, sought interlocutory relief before the English courts against four defendants: a Dutch company and its three subsidiaries established in the UK, Germany and the Netherlands. The plaintiff argued that the Dutch and German subsidiaries were responsible for the development and manufacturing of the coin-dispensing device, while the Dutch parent company provided financial assistance. The defendant requested that the court remove all of the defendants except Suzo UK. Justice Laddie decided that the court had jurisdiction only with regard to claims against Suzo UK and Suzo Holland concerning the infringement of the UK patent. All other claims were dismissed on the basis that there was not enough evidence that the defendants had taken part in infringing different national patents. Such a decision was largely based on two main legal arguments. First, as regards claims related to the infringement of foreign patent rights, Justice Laddie decided that English public policy considerations prevented UK courts from adjudicating foreign IP rights.<sup>213</sup> Secondly, joinder of actions against multi-

ple defendants according to Article 6(1) of the Brussels Convention was not possible because the validity of each of the patents was challenged and such matters related to the validity of registered foreign IP rights are subject to exclusive jurisdiction of the courts of granting states.<sup>214</sup>

**201** In the *Fort Dodge* case, the first plaintiff, Akzo, was a Dutch company and a proprietor of corresponding English and Dutch patents. The second plaintiff, Intervet International, was a fully owned subsidiary which also had exclusive licence under the patent. The patents concerned were granted by the European Patent Office. Akzo and Intervet instituted proceedings before Dutch courts seeking preliminary and final injunctions against a group of companies for alleged acts of infringements of both the Dutch and the UK patent. The action brought before Dutch courts was against various companies that either produced, imported or distributed allegedly infringing products in the Netherlands and the UK. The representative of Akzo and Intervet argued before the English Court of Appeal that the decision reached in the previous *Pearce v Ove Arup* case should be reversed so as to enable the proceedings related to infringement of the UK patent at stake to be brought against the defendants before Dutch courts. The Court was not persuaded by the arguments and stated that strict interpretation of Articles 2, 5(3) and 6(1) as established in the jurisprudence of the CJEU should be followed, which in this case meant that Akzo and Intervet had to initiate separate proceedings before the English courts if they wished to enforce their rights stemming from the UK patent. The reasoning behind such a decision was based on the territorial nature of patent rights, which meant that there could be no irreconcilable judgments relating to the infringement of two national patent rights.<sup>215</sup>

**202** The courts of continental European countries took a more liberal approach and allowed the consolidation of actions related to infringements of national bundle patents granted in accordance with the EPC. A number of remarkable decisions were made by Dutch courts. In one of its landmark judgments, *Expandable Grafts v Boston Scientific*,<sup>216</sup> the Hague Court of Appeal had to decide (a) whether it had jurisdiction over an action for an injunction brought by a proprietor of a European patent who sought to prohibit the defendant domiciled in the Netherlands from infringing the Dutch Patent of the European bundle of patents, and (b) whether its jurisdiction could also be extended with regard to an action for an injunction against a French defendant, seeking the prevention of an infringement of the French patent. The plaintiff's argument was based on the fact that the same infringing products were put into different domestic markets by corporations belonging to the same corporate group.

**203** The Hague Court was of the opinion that the general rule allowing the suing of the defendant before courts of the country where it is domiciled should be maintained. However, the Court also noted that the need for a proper administration of justice requires simultaneous hearing of actions brought against several companies belonging to the same corporate group if such companies are selling identical products in different national markets based on a joint business plan. Nevertheless, this joinder of actions should not result in a situation where the plaintiff is given the possibility of suing all the parties in the courts, of the plaintiff's own choosing, of the domicile of any one of the companies belonging to the group. The Hague Court of Appeal held that the best way to strike a balance between Article 2 and Article 6(1) is to allow the bringing of actions in their entirety only before courts of the domicile of the head office which is in charge of the business operations in question or from which the business plan originated.

**204** The decision in the *Expandable Graft* case restricted the possibility of bringing actions only before the courts of the domicile of the main infringer, and thus limited forum-shopping possibilities. Hence, a great number of previous cases where Dutch courts assumed jurisdiction over actions for the infringement of bundle patents brought against multiple alleged infringers were reversed.<sup>217</sup> The approach taken by the Hague Court of Appeal, whereby the plaintiff was allowed to sue alleged infringers belonging to the same group of companies before the courts of the main infringer, was labelled the 'spider-in-the-web' doctrine and was subsequently applied by courts of other European countries.<sup>218</sup>

### c) CJEU Decision in 'Roche Nederland'

**205** To a large extent, the decision of the CJEU in *Roche Nederland* put an end to divergent interpretations of the applicability of Article 6(1) of the Brussels Convention to IP disputes. In this case, two American companies, Primus and Goldenberg, which were proprietors of the European patent in 10 EU states, brought an action in the Hague, where the main infringer (Roche Nederland) was established. The plaintiffs also sought to enjoin eight other companies belonging to the Roche group. Primus and Goldenberg argued that those companies had all infringed the patents by committing infringing acts in accordance to the common policy elaborated by Roche Nederland. Both the trial court and the court of second instance approved the existence of jurisdiction; the Dutch Supreme Court (*Hoge Raad*), however, was not so convinced and referred the case to the CJEU for a preliminary ruling. The CJEU was asked to clarify whether it is possible to bring a lawsuit for an infringement of a bundle of European patents against a defendant whose registered office is in



the forum state and also sue other defendants having their registered offices in Contracting States other than that of the forum.

**206** The CJEU decided that Article 6(1) of the Brussels Convention does not apply in European patent infringement proceedings involving a number of companies established in various Contracting States which concern acts committed in one or more of those states even where those companies, belonging to the same group, may have acted in an identical or similar manner in accordance with a common policy elaborated by one of them.<sup>219</sup> In coming to such a conclusion, the CJEU followed the same line of reasoning as was established in its previous case law. The court again emphasised that for Article 6(1) of the Convention to be applicable, actions against multiple defendants must have a connection of such a kind that it is expedient to determine the actions together in order to avoid the risk of irreconcilable judgments which might result from separate proceedings.

**207** The parties in the *Roche Nederland* case suggested different interpretations as to the meaning of 'irreconcilable judgments'. The plaintiffs argued that the Court should follow a broader notion of irreconcilable judgments, as established in the interpretation of Article 22 of the Convention which dealt with the coordination of related proceedings. If this interpretation were adopted, 'irreconcilable judgments' would have meant that the risk of conflicting judgments would not necessarily cause the risk of giving rise to mutually exclusive legal consequences.<sup>220</sup> On the other hand, the defendants and the Advocate General supported a narrower understanding of the notion of 'irreconcilable judgments'. In their view, the Court should have followed its established jurisprudence when applying rules related to the recognition of judgments where irreconcilable judgments were interpreted as entailing legal consequences which are mutually exclusive.<sup>221</sup> The CJEU did not find it necessary to decide on this issue. Instead, it merely stated that even if broader interpretation of the notion of 'irreconcilable judgments' is accepted, there is no risk of such decisions being given in European patent infringement proceedings.<sup>222</sup>

**208** The Court followed the proposal of AG Léger in deciding that decisions rendered in separate domestic proceedings could be contradictory if they are related to the same factual and legal situation. The CJEU stated that in the case of infringements of parallel patent rights, factual situations are not the same, because different persons are sued in different Member States for varied infringing acts.<sup>223</sup> Furthermore, the principle of the independence of national patent rights, even though the patents at stake were granted under the European Patent Convention, led the Court to the conclusion that the legal situation is also different.<sup>224</sup> Similarly, as regards 'spider-in-the-

web' situations where individual companies pursue a common business policy that leads to infringements of patents held in different countries, the CJEU acknowledged that although factual circumstances are similar, from a legal perspective, infringements were not identical because of the independence of national patent rights.<sup>225</sup> The CJEU explored further the policy objectives of the Brussels Convention, namely, the predictability of the rules of jurisdiction, the prevention of forum shopping and the need to assure speedy litigation.<sup>226</sup> Finally, even if an action against multiple infringers were possible, it is very likely that the defendants would raise invalidity defences which, according to the previous judgment in *GAT v LuK*, would again lead to territorial litigation according to exclusive jurisdiction rules.<sup>227</sup>

**209** The practical outcome of the CJEU decisions in the cases of *Roche* and *GAT* is that cross-border IP litigation, at least insofar as it is related to the registered IP rights, should be conducted on a country-by-country basis before the courts of each protecting state.<sup>228</sup> Even though it is possible to sue the main infringer in a court of the infringer's domicile and try to bring actions concerning infringements in other countries, such actions would fail if the plaintiff does not succeed to prove the causal link between the infringements of sister IP rights protected abroad. As a result of the CJEU decision in the *Roche* case, a proprietor of parallel patent rights would be able to sue the coordinator of the infringement and in the same court seek a consolidation of claims against a number of defendants who belong to a group of corporations that jointly infringe parallel patent rights. There are some domestic cases where the CJEU reasoning in the *Roche* case was adopted<sup>229</sup> or where it is expected that the domestic international jurisdiction rules might be adjusted to reflect the recent CJEU decision on the *Roche* case.<sup>230</sup>

**210** The CJEU decision in the *Roche Nederland* case ignited many discussions within the patent community. On one hand, the common law scholars claimed that the CJEU decision affirmed the earlier practice of English courts.<sup>231</sup> On the other hand, legal scholars – mainly from the continental countries – were quite sceptical of the approach adopted by the CJEU.<sup>232</sup> Taken together, the criticism of the CJEU judgment in *Roche* rests upon three main arguments. First, the conclusion that there can be no inconsistent judgments in so-called 'spider-in-the-web' situations was considered unconvincing. By stating that the infringements and defendants are different and that infringing acts would usually occur in different states, the CJEU decided that there can be no contradictory decisions even if patents were granted according to the EPC. However, it has been argued that the CJEU could have come to a different conclusion if it had taken into account what constitutes an object of infringement in disputes such as the *Roche* case. In particular, it has been argued that in European patent



infringement proceedings the object of an infringement is the same; therefore, there actually is a likelihood of contradictory judgments.<sup>233</sup> Even though national law plays a certain role in European patent infringement proceedings, to the extent provided in Article 64 of the EPC, usually the allegedly infringed invention would be the same and the court dealing with the infringement case would have to determine the scope of the allegedly infringed patent according to the patent claims, which would be identical to all patents in the bundle (Art. 69(1) EPC).<sup>234</sup>

**211** The second criticism is related to the need to protect the interests of the non-resident defendants. It stands to reason that the general principle of a defendant's domicile should be maintained, and only limited exceptions to this rule are desirable. Although predictability of jurisdiction rules is one of the underlying policy objectives of the Brussels regime, it does not pre-empt jurisdiction rules from a dynamic interpretation. Insofar as cross-border IP litigation is concerned, it is argued that the CJEU should have adopted the interpretation of Article 6(1) as it was established in the *Expandable Grafts* decision of the Hague Court of Appeal because it 'has laid a solid foundation for a balanced and pragmatic solution'.<sup>235</sup> Further, commentators submit that the 'spider-in-the-web' doctrine does not threaten the objectives of predictability or legal certainty; instead, it balances the interests of both parties and facilitates efficient dispute resolution.<sup>236</sup>

**212** Thirdly, the *Roche* judgment is criticised on the basis that it failed to take into account the interest of the business community for an efficient patent litigation structure. By referring to its previous decision in *GAT*, the CJEU reiterated the existence of exclusive jurisdiction rules which would come into application whenever the invalidity defence is raised. Taking into account relatively high litigation costs, the combined effects of the CJEU rulings in the *GAT v LuK* and *Roche* cases will cause litigation costs to be even higher because of the segmentation of state-to-state patent litigation. This might have dramatic effects on small and medium undertakings that might no longer be able to enforce their IP rights. Therefore, it might be questioned whether another fundamental right to access of justice is not undermined. On a more general scale, territorially based litigation might have further systemic effects, namely, because of high costs associated with the enforcement of patent rights, companies might be discouraged from applying for the legal protection of their creative products.

**213** Nonetheless, some scholars argued that the CJEU judgment in *Roche* did not completely eliminate the possibility of a joinder in multi-state IP infringement proceedings.<sup>237</sup> The post-*Roche* jurisprudence of some national courts illustrates that, notwithstanding the strict approach taken by the CJEU, there

might be further possibilities for the application of the 'spider-in-the-web' doctrine. In this regard there is one noteworthy decision, handed down by the Hague Court of Appeal in 2007,<sup>238</sup> where the Court applied the *Roche* test requiring an investigation into the likeliness of inconsistent judgments in actions brought before courts of the country where each defendant is domiciled. As regards factual sameness, the Court decided that they may be the same where the defendant companies, belonging to the same corporate group, act in an identical or similar manner in accordance with the common policy prepared by one of them. Since the case at hand involved infringement of a Community trade mark, the Court had the opportunity to test whether this infringement would lead to the same factual situation even if the actions were litigated before the courts of each protecting country. Different from proceedings concerning the infringement of European bundle patents, the Hague Court of Appeal found that in the case of Community IP rights, the danger of irreconcilable judgments actually does exist because Community IP rights regulations create truly uniform supranational IP rights, which are effective within the entire European Union.<sup>239</sup> It follows that the 'spider-in-the-web' doctrine was not completely eliminated by the CJEU and could still be applied in cases of multi-state infringements of Community IP rights by companies who belong to the same group and who act in an identical or similar manner. Similarly, in one of several trade mark cases, an Italian court interpreted Article 6(1) broadly and joined claims related to the ownership of Italian and US trade marks.<sup>240</sup> More generally, it seems that the opinions still differ as to whether the implications of the *Roche* case should affect consolidation of claims in cross-border cases concerning other kinds of IP rights (especially non-registered IP rights such as copyrights).<sup>241</sup>

#### d) Situations Outside of the Scope of the Brussels/Lugano Regime

**214** The possibility of consolidating claims against defendants domiciled in third states should be decided according to domestic jurisdiction provisions. At the outset, it should be noted that there are very few (or no) domestic court decisions with regard to this matter. Therefore, the answers could only be derived from existing domestic statutory provisions<sup>242</sup> or prevailing academic opinions. Due to the absence of domestic court decisions, in many Member States it remains unclear whether consolidation of the proceedings, where the defendant is not resident in any EU or EFTA Member State, would be possible.<sup>243</sup>

### 3. Joinder of Claims according to Japanese Law

**215** Japanese law embeds a rather peculiar system concerning the consolidation of claims. There are two main areas of consolidation: (1) 'objective joinder', which means joinder of related claims, and (2) 'subjective joinder', which means joinder of claims brought against different defendants. The legal basis for the joinder of claims is posited in Article 7 of the Japanese CCP which states that joinder of claims is possible if a (Japanese) court has jurisdiction over one of the claims pursuant to jurisdiction rules of the CCP. Objective joinder is considered to be one of the special grounds of jurisdiction. Thus, Article 7 of the Japanese CCP should be interpreted and applied restrictively. Article 7 of the CCP does not directly require that there be any connection between the claims brought before a court; however, the prevailing opinion is that Japanese courts can assert jurisdiction only if there is a close connection between the claims.

**216** One of the benchmark decisions in the area of objective joinder is the Supreme Court decision in the so-called *Ultraman* case.<sup>244</sup> In this case a dispute arose between a Japanese corporation, Tsuburaya Production, and a Thai national. The defendant's corporation did not have its registered office in Japan, but its president was resident there. According to the licence contract concluded between Tsuburaya and the Thai counterparty in 1976, the object of the contract was a transfer of rights to use copyright products in a number of countries, including Thailand. In 1996 Tsuburaya allegedly sent a letter confirming the transfer of exclusive rights to the Thai counterparty. Later, Tsuburaya licensed the use of the copyright works to another party, a Japanese corporation, Bandai; according to this agreement, the territorial scope of use covered Japan and South East Asian countries. In April 1997 the corporation whose president was the Thai defendant sent warning letters to Bandai and its subsidiaries as well as Sega Entertainment, arguing that it had obtained exclusive licence from Tsuburaya Corporation, and requesting the stopping of infringements. Subsequently, Tsuburaya Corporation brought a suit in Japan against the defendant, making a number of claims for compensation and requiring the court to issue declarations regarding a number of facts.

**217** Having decided that Japanese courts rightly asserted international jurisdiction, the Supreme Court briefly addressed the question of joinder of claims. It confirmed that joinder of claims is possible only if the close relationship between the claims exists. In the case at hand, the plaintiff made a number of claims, including (1) a claim for compensation of damages for the disturbance of business by the defendant via warning letters; (2) a claim for a declaration that the

defendant did not have a copyright over the copyrighted works concerned; (3) a claim for recognition of the fact that the contract of 1976 was not authentic (and indeed, the plaintiff argued that the defendant had forged the contract); and (4) a claim for the recognition that the plaintiff had the copyrights to use the works in Thailand, etc. The Supreme Court found that the first and the second claims were closely related to the third and fourth claims. The Court emphasised that the joinder of claims would facilitate international adjudication of disputes and therefore was justifiable, considering the international allocation of judicial functions among the courts of different countries.

**218** Another form of joinder of claims is known as subjective joinder, i.e. joinder of claims raised by multiple plaintiffs or multiple defendants. According to Article 38 CCP, 'if rights or obligations that are the subject matter of the suits are common to two or more persons or are based on the same factual or statutory cause, these persons may sue or be sued as co-parties'. This provision is to be read in conjunction with Article 7 CCP which also requires that such a joint claim be brought to a court which has a general venue pursuant to Article 4. In other words, courts which have jurisdiction on the basis of Article 4 (the defendant's domicile, place of establishment or place of business is in Japan) may assert jurisdiction over claims between joint parties if such claims are based on the same factual or statutory cause. In theory, Article 38 aims to allow the consolidation of closely related claims between the same parties, thus facilitating dispute resolution, potentially reducing procedural costs and preventing inconsistent judgments. Besides, it is generally acknowledged that there should be a close connection between the claims and also between joint parties.<sup>245</sup> In court practice, this provision has been interpreted in a restrictive fashion.<sup>246</sup> Courts have often refused to exercise their international jurisdiction over multiple defendants who do not have residence in Japan. This was generally based on the argument that suing multiple foreign defendants may undermine their right to fair trial and procedural defence rights.<sup>247</sup>

**219** Accordingly, although Japanese courts would not in principle have international jurisdiction over infringements of IP rights in foreign countries, they might nevertheless assert international jurisdiction over several closely related claims, provided that jurisdiction could be asserted over one of these claims. However, this close connection would not be affirmed in cases where parallel IP rights are infringed by persons who act independently in different foreign countries. In addition, it is hardly likely that Japanese courts would assert international jurisdiction in so-called 'spider-in-the-web' cases where infringement of parallel IP rights was committed by corporations belonging to the same cor-

porate group. Hence, the question of whether the invalidity defence is raised is not relevant.

**220** Consolidation of claims brought for breach of contract might be possible if contractual obligations were to be performed in Japan. However, for claims related to the performance of contractual obligations by different parties to be joined, Japanese courts would apply a special circumstances test. According to the special circumstances test, Japanese courts would consider whether joinder of claims against different parties does not undermine the principle of fairness between the parties, proper and speedy adjudication and the burden of defendants against whom the action is brought before Japanese courts. Hence, a joinder of the foreign parties for the performance of contractual obligations before a foreign court might also be problematic.

**221** The drafters of the CCP (2011) were aware of the efficiency gains if several related claims are heard together in the same proceedings. Article 3-6 follows the established court practice and stipulates that Japanese courts can exercise international jurisdiction whenever they are competent to hear at least one claim of the action, provided that there is a close connection between the claims of the action. According to the Explanatory Report to the Interim Proposal, the exercise of international jurisdiction over claims which are not related might be considered an exorbitant exercise of jurisdiction. In addition, the question of whether there is a close connection between the claims should be interpreted in light of territorial jurisdiction rules and, moreover, the discretion of the court should be restricted. Such an approach is said to be in line with the protection of the interests of the defendant, who should be given a fair opportunity to defend the case.<sup>248</sup> The special rule concerning the joinder of claims would not apply if the claims are related to matters which fall under exclusive jurisdiction. In cross-border IP litigation this exception will be especially important, because most patent disputes involve issues which are related to registration and fall under exclusive jurisdiction rules.

## IV. Discussion

**222** The possibility of consolidation of claims against multiple defendants plays a vital role in the adjudication of multi-state IP disputes. In this area there is an obvious need to balance the interests of the parties; hence the rules conferring jurisdiction to decide claims upon the non-resident defendants must require a significantly close connection between the forum and the dispute. Various legislative proposals aimed to address this problem and significant clarification of issues can be seen. At the same time, some of the differences among the legislative pro-

posals should be taken into consideration. Accordingly, it is suggested to draft a clear rule which would unambiguously provide for the conditions when a court can assert jurisdiction over foreign defendants. In this regard, it is necessary to (1) re-consider the meaning of 'close connection' of the defendant or claims against a non-resident defendant and forum; (b) discuss whether a more precise explanation of the danger of 'irreconcilable judgments' is necessary (the CLIP and the ALI Principles could serve as solid ground for discussion); (c) examine whether there is a need to provide a special rule where a pre-existing exclusive choice of court agreement between the plaintiff and one of the defendants can be invoked; and (d) consider the structure of rules dealing with jurisdiction to hear claims against multiple defendants: whether one general rule will suffice or whether some special rules dealing with particular constellations (such as 'spider-in-the-web') are to be established.

**223** However, if the drafters of the ILA guidelines intend to adopt a more visionary approach, then the question of jurisdiction over disputes involving multiple parties (possibly, multiple plaintiffs and multiple defendants) could fall into the ambit of rules dealing with the coordination of judicial proceedings. This has already been attempted in the ALI Principles where a separate set of rules merging rules on parallel proceedings as well as proceedings has been adopted. However, one has to beware that such an innovative approach may take some time before gaining wider acceptance in the judicial practice.

## G. Coordination of Proceedings: Lis Pendens and Beyond

*Arts. 21 of the 1999 Hague Draft; Arts. 2:701-2:706 CLIP Principles; Art. 201 Transparency Principles; Sections 221-223 ALI Principles; Art. 213 of the Waseda Principles*

### I. Differences

#### 1. General Remarks: From Court Discretion towards Legal Certainty

**224** The problems associated with the treatment of parallel proceedings involve many considerations. One of the main ones is the question of how to deal with actions which have been or are about to be instituted before a forum of a third country. The 'international context' section highlights different approaches followed by the courts of different states. However, in the context of the legislative proposals one noteworthy remark has to be made. This remark is closely related to the discussion expounded in the section on



personal jurisdiction and the discretion of the courts to decline jurisdiction. Namely, it has been shown above that in the recent legislative proposals, a general trend towards the limitation of a court's discretion to decline jurisdiction could be identified. Accordingly, doctrines such as *forum non conveniens* or the 'special circumstances' test have been criticised due to the legal uncertainty of the litigants.

**225** As a result, the need to increase legal certainty and foreseeability leads to the clarification of jurisdiction rules in other fields: infringement, contract, parallel proceedings, etc. In particular, the CLIP and the ALI Principles provide for a comprehensive set of rules to deal with parallel proceedings and negative declaratory actions. These specific rules filled in the gap which was left to the courts' discretion. In particular, the CLIP, Transparency and Waseda Principles adopt a lenient *lis pendens* approach giving the court first seized priority to proceed with the adjudication of the dispute unless there are cases of abuse.<sup>249</sup> While the CLIP, Transparency and Waseda Principles establish *lis pendens* rules, the CLIP and the ALI Principles establish a more comprehensive framework to coordinate proceedings before the courts of multiple states (Arts. 2:701-2:706 CLIP and S 221-223 ALI.).

## 2. Modification of the Lis Pendens Rule

**226** All legislative proposals adopt a number of rules which are designed to tackle problems when parallel proceedings are pending before courts of several states. However, here the approaches differ. The ALI Principles generally divide the decisions of the courts based on which court was first seized and what kind of method should be most advantageous in a given situation. Hence, the ALI Principles further require deciding which of the three forms of coordination should be applied: (i) cooperation; (ii) consolidation; or (iii) a combination of cooperation and consolidation.

**227** Other legislative proposals adopt a modified *lis pendens* rule. However, the approaches here differ. The CLIP, Transparency and Waseda Principles give priority for the court first seized to decide whether it has jurisdiction to adjudicate the case; the courts later seized generally must stay the proceedings and await the conclusions of the court first seized. However, the Transparency and Waseda Principles contain a special rule according to which a judgment of a foreign court first seized could be recognized in the forum state, while the court later seized *shall* dismiss the case (Art. 201(1) Transparency and Art. 213(2) Waseda). The CLIP Principles specify that a court second seized is not obliged to stay the proceedings if (a) it has exclusive jurisdiction or (b) it is manifest that the judgment from the court first seized will not be recognized (Art. 2:701(1) CLIP).

**228** In addition, the CLIP and Waseda Principles specify that in situations where the court first seized does not decide upon its jurisdiction within a reasonable time, the court later seized may reopen the proceedings (Art. 2:701(2) CLIP; Art. 213(3) Waseda). Further, the CLIP, Transparency and Waseda Principles adopt special rules of priority in situations where matters related to exclusive jurisdiction are at stake (Art. 2:703 CLIP; Art. 201(3) Transparency).

## 3. Court 'Seised' and Court 'First Seised'

**229** Another set of differences concern the embodied clarifications when a court is deemed to be 'seised' and 'first seised'. The notion of the court which is deemed seised was provided in Article 21 of the 1999 Hague Draft, which stated that for the purposes of the application of the *lis pendens* rule, a court is deemed to be seised (a) when the document instituting the proceedings is lodged within a court; or (b) if such document has to be served before being lodged within the court, when it is received by an authority responsible for the service on the defendant. This notion of when the court is seised was adopted in the text of CLIP, ALI and the Waseda Principles.<sup>250</sup>

**230** In addition, the ALI Principles also provide for a special rule when the court is considered to the 'first seised': (a) when the subject matter of the action is not within another tribunal's exclusive jurisdiction; and (b) no other court had previously been seised with a coercive action seeking substantive relief; and (c) in the case of actions between different parties, no other court has a pending motion to coordinate actions (S 221(5)). The need to establish for a special rule determining when a court is deemed to be 'first seised' was crucial because the ALI Principles propose for a comprehensive system of coordination of multi-territorial actions.

## 4. Cooperation between the Courts

**231** Three of the legislative proposals adopt a view that in the case of parallel proceedings pending before the courts of different states, the courts should cooperate among themselves in order to promote efficient resolution of multi-state disputes (Art. 2:704 CLIP; Art. 201 Transparency; S 221 ALI). In particular, the legislative proposals seem to be inspired by the previous legislative proposals in the area of multi-state insolvency proceedings.<sup>251</sup> In particular, the ALI, CLIP and Transparency Principles determine that courts should be encouraged to directly communicate among themselves in order to efficiently manage the proceedings.



## II. International Context

### 1. Coordination of Proceedings in the US

232 The US law does not follow any similar clear-cut doctrine such as the *lis pendens* rule. Instead of priority rules, American courts have taken into consideration the maintenance of international comity. While American courts were applying *forum non conveniens* doctrine in deciding upon international jurisdiction, in the context of parallel proceedings, courts deferred to a standard of 'international abstention'. This standard was developed in court practice and confers discretion upon the courts to decide how to deal with parallel litigation. As a starting point, it should be noted that American federal courts have a 'virtually unflagging obligation' to exercise the jurisdiction conferred on them by Congress.<sup>252</sup> However, in 'exceptional' circumstances, a court may abstain from hearing a suit and await the outcome of parallel proceedings.<sup>253</sup> In order to be able to defer to foreign proceedings, a finding of some substantial reason is not sufficient. Instead, the court held in *Moses v Mercury* that there should be the 'clearest of justifications' so that the court could surrender its jurisdiction over the dispute.<sup>254</sup>

233 Before deciding whether it is possible to apply the doctrine of abstention, the courts need to determine whether suits are parallel. In *Schneider v Carr*, it was held that suits are parallel if 'substantially the same parties are litigating substantially the same issues simultaneously in two fora'.<sup>255</sup> Nevertheless, suits do not have to be identical to be parallel.<sup>256</sup> Furthermore, the mere presence of additional parties or additional questions in one of the cases does not necessarily preclude a finding that the cases are parallel.<sup>257</sup> Accordingly, the essential question is not whether suits are formally symmetrical, but whether there is a 'substantial likelihood' that the foreign litigation 'will dispose of the claims' brought before a federal court.<sup>258</sup> In *AAR International Inc v Nimelias Enterprises* it was held that in deciding whether to proceed with an action over a dispute which is also pending abroad, the court needs to consider various factors, including (a) respect for the courts of foreign nations; (b) fairness to the litigants (relative convenience of the forum and possible prejudice); or (c) efficient use of judicial resources.<sup>259</sup>

### 2. Parallel and Related Proceedings in the EU

#### a) The Practice of the CJEU

234 The Brussels I Regulation establishes two cornerstone provisions related to the coordination of par-

allel proceedings. Article 27 of the Regulation provides for a rule which deals with parallel proceedings that arise between the same parties and are based upon the same cause of action. Article 28 applies to situations where related actions are pending before courts of several Member States. The following sections deal with those two rules more specifically as well as focus on the problems which have emerged in the context of cross-border enforcements of IP rights.

235 Article 27 of the Brussels I Regulation<sup>260</sup> deals with *lis pendens* situations and entrenches the first-in-time principle. In particular, Article 27 applies to proceedings which fulfil two conditions: first, parallel proceedings must have the same cause of action, and, second, proceedings must be between the same parties. If both requirements are fulfilled, any court other than the court first seised shall of its own motion stay the proceedings until the jurisdiction of the court first seised is established. The court second seised has no discretion and must stay the proceedings. Further, if the court first seised decides to hear the case, any other court later seised shall decline jurisdiction in favour of the court first seised (Art. 27(2)).

236 This *lis pendens* framework as entrenched in the Brussels I Regulation is justified on several grounds. First, the *lis pendens* rule is designed to preclude, as far as possible from the outset, the possibility of a situation where judgment given in a particular case is not recognised on the basis of its irreconcilability with a judgment given in proceedings between the same parties in the state in which recognition is sought.<sup>261</sup> Second, the *lis pendens* rule contributes to the protection of the right to access courts, which means that parties can submit their dispute only to one court.<sup>262</sup> Thus, the underlying objective of the *prior temporis* rule is to eliminate judicial inefficiency and retain mutual trust between the Member States.

237 In its previous case law, the CJEU made it clear that the requirements for the application of the *lis pendens* rule should be interpreted autonomously from those laid down in the national procedural statutes.<sup>263</sup> Such autonomous interpretation should contribute to the proper administration of justice within the EU and prevent parallel proceedings before national courts of different Member States. Hence, according to the CJEU, the application of the *lis pendens* rule does not depend on any other conditions besides that (1) the action should be between the same parties, (2) those involving the same cause of action and (3) the same subject matter.<sup>264</sup> Therefore, the determination of the content of these requirements is crucial for the application of Article 27 of the Brussels I Regulation.

238 One of the most controversial issues which the courts of EU Member States had to face was the determination of whether parallel proceedings had the

same cause of action and the same object. In its early case law, the CJEU ruled that the notion of the same 'cause of action' comprises the facts and the rule of law which form the basis of the action, whereas the 'object of the action' for the purposes of Article 21 of the Brussels Convention (Art. 27 of the Regulation) means the ultimate goal of the action.<sup>265</sup> According to the CJEU, Article 21 of the Convention should be interpreted broadly so as to cover various situations where cases having the same cause of action are pending before courts of different countries and might end in conflicting decisions.<sup>266</sup> Based on these considerations the CJEU found, for example, that a situation of *lis pendens* arises where one party brings an action for the rescission or discharge of an international sales contract whilst another party institutes proceedings before a court of another Member State seeking to enforce the same contract.<sup>267</sup> For example, in the *Tatry* case, the CJEU decided an action for a declaration where the plaintiff is not liable; subsequently, an action commenced whereby the plaintiff in the first action is sued for compensation of damages having the same object.<sup>268</sup> In this case, the ship-owners brought an action in the Netherlands seeking a declaration that they are not liable for damage to the cargo; subsequently, the cargo owners brought actions before English courts seeking damages for their alleged loss.

**239** The second condition of the application of Article 27(1) of the Regulation is the sameness of the parties. According to the CJEU ruling in the *Gubisch* case,<sup>269</sup> the 'sameness of the parties' is established regardless of the procedural position of each of the parties in parallel proceedings. Therefore, the parties are considered the same even if one party who is a plaintiff in one proceeding is the defendant in a proceeding before another court. Hence, it is only important that the basic legal relationship from which the dispute arises involves the same parties regardless of their procedural status. The same interpretation of the Brussels I Regulation is also followed by the domestic courts of the EU Member States.<sup>270</sup>

**240** In practice, there may also be situations where more than two parties are involved in parallel proceedings before courts of different countries but not all of the parties are identical. According to the CJEU ruling in the *Tatry* case, where two actions involved the same cause of action but only some of the parties to the second action were the same as those in proceedings instituted earlier before courts of other countries, it would be necessary for the court second seised to stay and eventually decline jurisdiction only on the basis that the parties are also involved in proceedings before a court of another Member State. Hence, the court second seised could (a) continue the proceedings with regard to the parties that are not involved in the proceedings before a court first seised; or (b) stay the proceedings; or (c) decline jurisdiction

according to the rules provided in Article 27 of the Regulation.<sup>271</sup>

**241** According to Article 28 of the Brussels I Regulation, a court may stay the proceedings or decline jurisdiction if a related action is pending in another Member State. Notably differently from Article 27, Article 28 does not require absolute sameness of cause of actions which are pending before courts of different Member States. More particularly, Article 27 is designed to solve the problem of two legally *conflicting* judgments that may be rendered in courts of different Member States. The sister rule in Article 28 deals with a broader scope of the matter – *inconsistent* judgments that may be legally compatible but provide for different legal outcomes. In other words, Article 27 deals with conflicting judgments that are legally congruent – those in which parties dispute over the same legal object and may result in competing awards.<sup>272</sup> Article 28, on the other hand, applies to parallel proceedings that are related without necessarily having the same legal object.

## b) IP Litigation Practices

**242** Strict interpretation of Article 21 of the Brussels Convention (Art. 27 of the Regulation) facilitated the development of unseen litigation techniques whereby an alleged infringer of IP rights in one Member State launches action for a negative declaration seeking the establishment that certain acts do not constitute IP infringement, or that certain IP rights are not valid. Such actions are often obviously abusive: they are launched before a court that bears hardly any relationship with the dispute or is known for lengthy adjudication of disputes. In this regard, Italian and Belgian courts became (in)famous as places where such abusive actions were filed. In particular, alleged infringers of IP rights often filed an action for a negative declaratory judgment before Italian courts, where litigation usually takes more time than in other EU Member States. Such abusive actions became ironically known as 'torpedoes'<sup>273</sup> because of the procedural advantages resulting from the mandatory stay of proceedings by the court second seised. Hence, the plaintiff of a torpedo action could win time even in the situation where the court first seised declined jurisdiction.

**243** National courts of EU Member States have several times referred to the CJEU to seek clarification concerning the compatibility of such abusive actions with the European jurisdiction framework. In *Turner v Grovit*, the UK courts heard a dispute where an English national, Mr Turner, brought an action against his former Spanish employer. The employer contested the jurisdiction of the English courts and brought another action in Spain. The question in this dispute was whether the English courts could grant restraining orders against defendants who are

threatening to commence or continue legal proceedings before courts in other countries, when those defendants were acting in bad faith and with the intention to frustrate or obstruct proceedings pending before the English courts. The CJEU decided that injunctions, whereby courts of one Member State prohibit a party from continuing the proceedings pending before a court of another Member State, cannot be granted under the Brussels Convention even if that party is acting in bad faith with the purpose of frustrating the existing proceedings.<sup>274</sup> The reasoning of the CJEU was based on the principle of mutual trust, which allows a compulsory system of jurisdiction that does not permit the jurisdiction of a court to be reviewed by a court of another Member State. This principle also extends to situations where the defendant threatens to commence or continue legal proceedings before a court of another state. In the view of the CJEU, a court decision that questions whether such a party is acting in bad faith by having recourse to the jurisdiction of courts of another state amounts to interfering with the jurisdiction of the foreign court and therefore undermines the principle of mutual trust.<sup>275</sup>

**244** In another case, *Gasser*, the CJEU again had an opportunity to clarify whether *lis pendens* rules requiring the court second seised to decline jurisdiction should be followed in situations where the proceedings before a court first seised takes an excessively long time. The CJEU did not endorse any possible deviations to the strict interpretation of the *lis pendens* rule. It was decided that the possibility to disregard a duty to stay the proceedings, if the proceedings before the court first seised are excessively long or if it is obvious that the court seised has no jurisdiction over the merits, would run counter to the letter and spirit of the Brussels Convention.<sup>276</sup> The court reiterated that the Brussels jurisdiction regime is based on the principle of mutual trust which all courts of Member States have to follow.<sup>277</sup> In this decision, the CJEU gave unconditional preference to legal certainty and closed the doors to the introduction of any exceptions which might have allowed some flexibility in the application of Article 27. As a result, the court second seised may only stay the proceedings and cannot *sua sponte* examine the jurisdiction of the court first seised.

**245** The practical implications of the territoriality principle should be carefully taken into consideration when dealing with parallel IP proceedings. Namely, torpedo actions had been possible because the CJEU considered infringement actions and actions for negative declaratory judgments to be based on the same cause of action. However, in the area of IP rights, the same cause of action exists only when both actions instituted before courts of different states are related to the same IP right.<sup>278</sup> In other words, both actions should concern an IP right protected in the same country. Yet in situations where parallel pro-

ceedings concern the protection of different national IP rights, it is obvious that these proceedings do not have the same cause of action.<sup>279</sup> This also follows from the CJEU *Roche* decision, where it was held that parallel proceedings concerning patents granted in different countries have different causes of action.<sup>280</sup> In such situations, it is not relevant whether the objective of parallel proceedings is the infringement of IP rights, declaration of non-infringement or validity. It follows that Article 27 of the Regulation would not be applied. Theoretically, a court could exercise its discretion and stay the proceedings pursuant to Article 28 of the Brussels I Regulation. Nevertheless, it is very unlikely that the court second seised would stay the proceedings, especially if a court of another state was previously seised with a torpedo claim.

**246** Next it has to be clarified whether the same cause of action exists between the proceedings for the validity of IP rights and IP infringement proceedings. Here, two possible situations should be distinguished. First, the alleged infringer may file a suit challenging the validity of IP rights before a court of a third state which is not the protecting state, and the right holder subsequently brings an infringement action before a court of a state where the alleged infringer is domiciled. Second, the alleged infringer may file a suit challenging the validity of IP rights before a court of the protecting country (in the case of patents – the granting country) and the right holder brings an infringement action before courts where the alleged infringer is domiciled. Both cases are identical in that (a) the right holder seeks legal redress before courts of the defendant's domicile pursuant to Article 2 of the Brussels I Regulation; and (b) the IP rights at stake are the same in all proceedings. Generally, there is no common agreement among European scholars as to whether the invalidity action and the infringement action have the same cause of action and what procedural steps should be taken by the court second seised. In the first scenario where an action for invalidity is brought before a court of a third country which bears no connection to the dispute, if the proceedings are considered to have the same cause of action, the court second seised would be obliged to stay the proceedings (regardless of the fact that the action to the court first seised was a clear abuse of rights) pursuant to Article 27 of the Brussels I Regulation. However, it may be argued that invalidity proceedings and infringement proceedings do not have the same cause of action and therefore the court second seised could continue the proceedings.<sup>281</sup> Following this approach, these invalidity proceedings would not even be considered to be related proceedings in terms of Article 28, and the court second seised would not be obliged to stay its proceedings. The situation would be rather different in the second constellation where an invalidity action is brought before a court of a protecting state. The question which has to be answered is how to control parallel pro-



ceedings involving the same IP rights. In this case, the CJEU ruling in *GAT v LuK* would imply that the two actions are based on the same cause and that the proceedings before the court second seised have to be stayed and jurisdiction declined as soon as the court first seised asserts jurisdiction.

**247** It appears that such territoriality considerations would be equally applicable with regard to unregistered IP rights. Hence, proceedings involving different IP rights, whether registered or not, will not be considered as having the same cause of action, and the *lis pendens* rule requiring the court second seised would not be applicable. In the UK there are several court decisions where English courts refused to defer to foreign parallel proceedings involving parallel IP rights.<sup>282</sup> It should also be noted that the only situation where the requirement to stay the proceedings pursuant to Article 27 is if the court second seised has exclusive jurisdiction over the claim which had been previously brought before a court of another state.<sup>283</sup>

**248** To tackle the torpedo problem, a number of solutions have been proposed. In order to avoid abusive torpedo actions, it has been argued that courts second seised should not defer to foreign proceedings where it is obvious that a judgment of a court first seised cannot be recognised in the forum country. However, as was stated above, such an approach is incompatible with the Brussels I regime.<sup>284</sup> Further, it has been proposed that in cross-border IP litigation, actions for a declaration of non-infringement should be allowed only before courts of the state where the proprietor of IP rights has a domicile. The possibility of bringing an action before a court of a foreign protecting state where the proprietor of allegedly infringed IP rights is not domiciled would still keep the gates open for potential abuse of procedural rights. It was argued that this approach should also be adopted with regard to alleged infringements of European bundle patents.

### c) Third-Country Situations

**249** The provisions of the Brussels I Regulation are applicable only to parallel proceedings pending before the courts of EU Member States. Therefore, Articles 27 and 28 are not applicable when the parallel proceedings occur before courts of a third state. In such situations, national jurisdiction rules of the forum would determine the manner of coordination of parallel proceedings. Upon closer inspection of the existing national laws, two different approaches could be distinguished: first, countries where the control of parallel proceedings depends, inter alia, on the condition of whether a foreign judgment rendered in the parallel proceedings could be recognised in the forum state; and second, countries, where the courts

would not take into consideration the fact that there are pending parallel proceedings in a third state.

**250** A number of continental European countries belong to the first group of states where the control of foreign parallel proceedings depends on whether a foreign judgment could be recognised in a forum state. In Germany, for an action brought before a court of a third country, the Code of Civil Procedure would be applied and the rules entrenched in Section 261 paragraph 3 would be applied, *mutatis mutandis*. A German court would decline jurisdiction if there were a likelihood of the judgment being enforced in Germany.<sup>285</sup> If an action for a negative declaratory judgment is raised before a court of a third country challenging the validity of foreign patents, German courts would assert jurisdiction on the basis that a judgment rendered by a court of the third country would not be recognised in Germany on the ground that the court would not have jurisdiction over the dispute related to the validity of foreign patent rights (S 328 para. 1 no. 1 of the German Code of Civil Procedure).

**251** In Austria, parallel litigation issues related with claims raised before courts of third countries would be decided pursuant to Section 233(1) of the Civil Procedure Act, which provides that the court second seised has to dismiss the claim of its own motion if the same claim is already pending before a court of another state. This rule was originally applied for domestic *lis pendens* situations, but later its application was extended to include foreign parallel proceedings.<sup>286</sup> The notion of the 'same claim' is interpreted differently from the notion of 'the same cause of action' of the Brussels I Regulation. However, the most remarkable feature of the Austrian domestic regime is that the control of parallel proceedings is possible only if there is a risk of irreconcilable judgments. Such irreconcilability may arise when a foreign court judgment is rendered and the recognition is sought in Austria (S 233(1) of the Civil Procedure Act). Hence, the Austrian court would have to ascertain whether the disputes are based on the same cause of action and whether a foreign judgment can be recognised in Austria.<sup>287</sup> As regards foreign parallel proceedings, the Austrian Supreme Court had previously decided that IP rights are territorial in nature; therefore, the cause of action is different where foreign proceedings are related to the protection of unregistered IP rights in that foreign country and Austrian proceedings are about the protection of Austrian IP rights.<sup>288</sup> Such findings of the Supreme Court are in line with the CJEU practice established in the *Roche* judgment.<sup>289</sup>

**252** Italian domestic jurisdiction provisions dealing with foreign parallel proceedings are somewhat similar to the Austrian regime. Pursuant to Article 7(1) of the Italian PIL Statute, a judge shall stay the proceedings in situations where a dispute between the same par-



ties, having the same object and being based on the same grounds, is pending before a foreign court and a judgment rendered in those foreign proceedings can be recognised in Italy.

**253** In Switzerland, the issue of parallel proceedings is governed by Article 9 of the Federal Private International Act, according to which the proceedings have to be stayed if an action having the same subject matter and between the same parties is pending before a court of a foreign country, and it is expected that the foreign court will, within a reasonable time, render a decision which can be recognised in Switzerland.

**254** In Belgium, Article 14 of the CPIL allows the court to stay the proceedings where, firstly, the parallel disputes have the same cause of action and, secondly, will likely be recognised and enforced in Belgium. Similarly, Dutch courts do not seem to be bound by such strict jurisdiction rules as those entrenched in the Brussels I Regulation. Article 12 Rv leaves more discretion to the courts, which are allowed to stay the proceedings but are not obliged to do so.

**255** In Spain there are no procedural rules that would deal with the control of international parallel proceedings. In practice, Spanish courts have been reluctant to take into consideration foreign parallel proceedings. Hence, it is very unlikely that Spanish courts will defer to foreign parallel proceedings in IP disputes.<sup>290</sup> French courts usually decline international jurisdiction or stay the proceedings if they are courts second seised.<sup>291</sup>

**256** In cases where the Brussels I regime does not apply, the jurisdiction of UK courts would be determined according to the common law. International jurisdiction of UK courts in IP-related cases would to a large extent be affected by the strict territoriality principle and the *forum non conveniens* doctrine. Namely, English courts may decline jurisdiction over disputes involving infringements or validity of foreign IP rights even if *in personam* jurisdiction over the defendant was established. Accordingly, UK courts would not take into consideration proceedings which are brought before a foreign court challenging the validity of UK IP rights.<sup>292</sup>

**257** Some of the issues concerning the modernisation of the Brussels I Regulation were also related to parallel proceedings. In particular, as regards parallel IP infringement proceedings, the EC Commission proposed to enhance the communication as well as interaction between the national courts of different Member States which deal with parallel proceedings.<sup>293</sup> In addition, some further alternatives were discussed with regard to the coordination of IP infringement and validity proceedings,<sup>294</sup> as well as the coordination of proceedings concerning the validity

of the arbitration clause before a national court and an arbitral tribunal.<sup>295</sup>

### 3. Efforts to Create a European Patent System

**258** To overcome the existing limitations concerning the adjudication of multi-state patent disputes, two possible legal instruments have been proposed: (a) a Community patent and (b) a European and Community Patents Court. One of the objectives of creating a system of Community Patent is to create additional incentives for small and medium enterprises and to make access to the patent system less costly. A unitary Community title would provide for equal protection within the EU and thus help fight against counterfeiting and patent infringements. The Community patent can be granted only in respect of the whole Community (Art. 2(2)). The examination of patent applications, the grant of Community patents as well as other administrative functions are to be carried out by the EPO. In particular, applications for Community patents should be filed through the national patent authorities or directly to the EPO. The EPO shall also be in charge of the administration of the Registry of Community Patent. As for substantive law provisions, the European Patent Convention should be applied together with national law, insofar as it complies with the Community law.

**259** The European and Community Patents Court would be for disputes concerning the infringement and validity of European and Community patents. The main objective of establishing a special patents court is to provide for a legal mechanism which would ensure expeditious and high-quality decisions, and would strike a balance between the interests of various stakeholders. The Court would have exclusive jurisdiction concerning (a) actions for actual or alleged infringements of patents, supplementary protection certificates and related defences as well as declarations of non-infringement; (b) actions for provisional and protective measures and injunctions; (c) counterclaims for revocations of patents; (d) actions for damages and compensation derived from the provisional protection conferred by a published patent application; (e) actions relating to the use of the invention prior to the granting of the patent or the right based prior to use of the patent; and (f) actions for the grant and revocation of compulsory licences concerning Community patents (Art. 15(1)).

**260** The national courts of Contracting States shall have jurisdiction in actions related to Community and European Patents unless they fall under the exclusive jurisdiction of the Patent Court. In particular, actions referred to in (a), (b) and (d) of Article 15(1) shall be brought to either (a) the court of the Contracting State where the infringement occurred or

may occur, or (b) the local court of the Contracting State where the defendant is domiciled. If the defendant is domiciled outside the territory of Contracting States, the action shall be brought before the courts of the state where the infringement occurred or threatened to occur. Other kinds of actions referred to in Article 15(1) shall be brought before the central division. Such actions may only be initiated if the infringement proceedings have not been initiated before the local or regional division. An action for a declaration of non-infringement that is pending before the central division shall be stayed if an infringement action concerning the same patent between the same parties, or between the holder of the exclusive licence and the person requesting a declaration, is initiated within three months of a local action.

- 261** The Patent Court may impose measures which are described in the Statute of the Court and Rules of Procedure. In particular, the Court can issue the following: orders to produce or preserve evidence, orders to inspect property, freezing orders, provisional and protective measures, permanent injunctions as well as corrective measures in infringement proceedings (Articles 34–38). The Patent Court may also render a decision upon the validity of a patent and award damages. In the case of Community patents, the decisions of the Patent Court shall have effect within the whole territory of the EU. If the dispute concerns European patents, the effects of the decision shall be limited to the territory in which the European patent has effect (Art. 16).

#### 4. Parallel Proceedings According to Japanese Law

- 262** The Japanese legal framework concerning international parallel proceedings is also not explicitly addressed in the Code of Civil Procedure. The only pertinent statutory provision is entrenched in Article 142 of the CCP which states that ‘neither of the parties can bring another action regarding the case which is pending before the court’. However, Japanese courts have consistently refused to apply Article 142 to situations where a similar case is pending before a foreign court. Hence, it was questioned whether international parallel proceedings should be prohibited in principle, and if so what jurisdictional rules would be most appropriate. The national report identifies three prevailing approaches: 1) the so-called ‘anticipated recognition’ theory; 2) the theory according to which parallel proceedings should be treated as an issue of standing to sue; and 3) the opinion that the decision concerning parallel proceedings is based on the ‘special circumstances’ test.

- 263** In early case law, Japanese courts tended to turn a blind eye to parallel proceedings pending before

foreign courts. Recently, however, the prevailing approach among both legal scholars and Japanese courts supports the special circumstances theory. According to this theory, Japanese courts would take into consideration whether there are certain circumstances that would require Japanese courts to decline jurisdiction. Such circumstances affecting whether jurisdiction should be declined or not are those of the burden of the parties, location of evidence, time factors, etc.

- 264** There are no cases related to the handling of parallel proceedings simultaneously pending before Japanese and foreign courts. Nevertheless, existing case law sheds some light on possible parallel IP litigation situations. Hence, in such situations where the alleged infringer brings an action before foreign courts where IP rights are granted and asks the court to issue a declaration of non-infringement, Japanese courts seised by the right holder with an infringement action of foreign IP rights would consider which court is better situated to adjudicate the dispute. If a Japanese court found that there were some special circumstances showing that a foreign court would be better located to hear the dispute, the Japanese court would decline the jurisdiction. The situation would be the same if the defendant in infringement proceedings challenged the validity of allegedly infringed foreign patents: Japanese courts again would take all relevant factors into consideration to determine in which country the dispute would be best adjudicated.

- 265** The question of international parallel proceedings was also vigorously deliberated among the members of the CCP reform group. At an early stage of drafting, the majority opinion was that in cases where parallel proceedings concerning the same action are pending before courts of different countries, Japanese courts should dismiss the action if Japanese courts were seised of the case later than the foreign court.<sup>296</sup> The Interim Draft (2009) prepared by the Ministry of Justice working group contained several alternative rules for international parallel proceedings. The proposed rules stipulated that Japanese courts would have had the authority to stay the proceedings until the foreign court decides the case, given that such future decisions may be recognised in Japan. However, due to fierce criticism and opposition, the idea of establishing a special rule for parallel proceedings was abandoned during the drafting. Instead, it was decided that the handling of international parallel proceedings should fall under the rule establishing a court’s discretion to dismiss an action if there are special circumstances (Art. 3-9<sup>297</sup>).

## H. Concluding Remarks

**266** As has been shown in this paper, a number of controversial questions still exist in relation to the optimal approach concerning the adjudication of multi-state IP disputes. Even though the existing legislative proposals were drafted with the idea of streamlining the adjudication of multi-state IP disputes, the approaches among the legislative proposals differ as well. Some of these differences could be explained in light of the intended scope as well as the addressee of the principles. Therefore, before starting to prepare the workable set of guidelines, the ILA Committee must decide upon several policy questions: (a) Should the draft ILA guidelines merely restate the existing law or be more visionary? (b) Should the draft guidelines adopt a rather general syntax or contain more detailed set of recommendations? (c) How should the draft guidelines strike a balance between different traditions?

**267** In this regard a number of problems arise. First, what should the ultimate goal of the future ILA guidelines be – promoting legal certainty or flexibility? According to the answer to this question, the overall structure of the ILA guidelines could be crystallized. If the ILA Committee decides to favour flexibility, then presumably there would be fewer possibilities for replacing discretionary jurisdictional doctrines such as *forum non conveniens* or the ‘special circumstances’ test with more judicial, cooperation-oriented rules. On the contrary, if the parties cannot agree on the place of adjudication, efficiency considerations seem to favour certain clarity as to the outcome of the litigation, i.e. cooperation between the courts or perhaps consolidation of a multi-state dispute before one single court.

**268** The second difficulty is related to the subtle divide between the principles of adjudicatory authority of courts in common law and civil law countries. In civil law countries, it is generally conceived that the defendant’s domicile/habitual residence offers a firm jurisdiction rule, and other grounds of jurisdiction are considered merely exceptions from this general principle. In common law countries, the distinction is made between the jurisdiction over the persons (so-called *in personam* jurisdiction) and a court’s competence to hear the dispute (i.e. subject-matter jurisdiction). Whether and how these two approaches to international judicial jurisdiction could be reconciled is a delicate matter. However, the estimated date for finalising the ILA guidelines is scheduled for 2014, which means that the members of the ILA Committee have sufficient time for a careful consideration in finding a balanced approach.

1 The American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes* (Chestnut, ALI Publishers, 2008).

- 2 The European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP), *Principles on Conflict of Laws in Intellectual Property*, available at: <[www.cl-ip.eu/files/pdf2/Final\\_Text\\_1\\_December\\_2011.pdf](http://www.cl-ip.eu/files/pdf2/Final_Text_1_December_2011.pdf)>.
- 3 See J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual Property in the Global Arena* (Mohr, Tübingen, 2010), pp. 394-402, also available at: <[www.tomeika.jur.kyushu-u.ac.jp/ip/pdf/Transparency%20RULES%20%202009%20Nov1.pdf](http://www.tomeika.jur.kyushu-u.ac.jp/ip/pdf/Transparency%20RULES%20%202009%20Nov1.pdf)>.
- 4 See <[www.hcch.net/index\\_en.php?act=text.display&tid=149](http://www.hcch.net/index_en.php?act=text.display&tid=149)>.
- 5 See T. Kono and P. Jurčys, ‘General Report’, in T. Kono (ed.), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart, 2012), pp. 1-216.
- 6 Available at: <[www.hcch.net/upload/wop/jdgm2001draft\\_e.pdf](http://www.hcch.net/upload/wop/jdgm2001draft_e.pdf)>.
- 7 See e.g. A. T. von Mehren, *Adjudicatory Authority in Private International Law: A Comparative Study* (Leiden, Martinus Nijhoff Publishers, 2007), at p. 51 et seq.
- 8 See Rationale part below.
- 9 For a more detailed discussion, see Rationale part below.
- 10 The approach adopted in the KOPILA Principles is discussed below, in the Rationale part.
- 11 For the discussion, see the Rationale part below.
- 12 ALI, *supra* note 1, at p. 28.
- 13 See Preliminary Document No. 11, available at: <[www.hcch.net/index\\_en.php?act=publications.details&pid=3494&dtid=35](http://www.hcch.net/index_en.php?act=publications.details&pid=3494&dtid=35)>.
- 14 *Ibid.*, at p. 56.
- 15 *Ibid.*, at pp. 78-79.
- 16 Cf. *Gulf Oil Corp v Gilbert*, 330 US 501 (1947).
- 17 For an overview of Korean jurisprudence and the application of the ‘special circumstances test’, see G. Lee, ‘Korea’ in T. Kono (ed.), *supra* note 5, at pp. 793 et seq.
- 18 See T. Kono, Comments to Art. 109, in Basedow/Kono/Metzger (eds.), *supra* note 3, at pp. 107-9.
- 19 *International Shoe Co v Washington* 326 US 310 (1945) 316.
- 20 *World-Wide Volkswagen Corp v Woodson* 444 US 286 (1980) at 297-98.
- 21 *Gulf Oil Corp v Gilbert* 330 US 501 (1947) at 508-9.
- 22 *Ibid.*
- 23 *Piper Aircraft Co v Reyno* 454 US 235 (1968) at 260.
- 24 See e.g. *Dominic Murray v BBC* 81 F3d 287 (2d Cir 1996) at 290; *Skelton Fibres Limited et al v Antonio Linares Canas et al* 1997 US Dist LEXIS 2365; *Boosey & Hawkes Music Publishers Ltd v The Walt Disney Company and Buena Vista Home Video* 145 F3d 481 (1998) at 491.
- 25 *Ralphe A Armstrong and Anna Music v Virgin Records Ltd* 91 F Supp 2d 628 (2000) at 636. For the application of these jurisdiction requirements in patent infringement disputes, see e.g. *Viam Corp v Iowa Export-import Trading Co* 84 F3d 424 (Fed Cir 1996) at 427.
- 26 *SRAM Corporation v Sunrace Roots Enterprise Co Ltd* 390 F Supp 2d 781 (2005).
- 27 Art. 2 of the Lugano Convention and the revised Lugano Convention (2007).
- 28 CJEU, Case C-412/98, *Group Josi Reinsurance Comp v UGIC*, [2000] ECR I-5925, para. 61.
- 29 CJEU, Case C-26/91, *Handte v Traitements Mécano-chimiques des Surfaces*, [1992] ECR I-3967, para. 14.
- 30 For a more detailed discussion as to the application of Articles 2 and 59 of the Brussels I Regulation by domestic courts, see T. Petz, ‘Austria’ in T. Kono (ed.), *supra* note 5, section 4.1.1; M. E. Ancel, ‘France’ in T. Kono (ed.), *supra* note 5, answers to HC 1; N. Boschiero and B. Ubertazzi, ‘Italy’ T. Kono (ed.), *supra* note 5, section 1.2.2.



- 31 It should be noted that the Lugano Convention of 1988 in its Art. 53 only refers to the 'seat of a company or association of natural or legal persons' which are to be considered as domicile and mandated by the court to apply its own rules of private international law to determine that seat.
- 32 Art. 5(5) of the Lugano Convention and the revised Lugano Convention (2007).
- 33 CJEU, Case 33/78, *Somafer SA v Saar-Ferngas AG*, [1978] ECR 2183, paras. 7-8.
- 34 CJEU, Case 14/76, *A De Bloos SPRL v Société en commandite par actions Bouyer*, [1976] ECR 1497, paras. 20-21; CJEU, Case 139/80, *Blanckaert & Willems PVBA v Luise Trost*, [1981] ECR 819, para. 9.
- 35 CJEU, Case 139/80, *Blanckaert & Willems PVBA v Luise Trost*, [1981] ECR 819, paras. 12-3.
- 36 CJEU, Case 33/78, *Somafer SA v Saar-Ferngas AG*, [1978] ECR 2183, para. 13. The same practice is established by courts of some Member States.
- 37 See, inter alia, CJEU, Case C-412/98, *Group Josi Reinsurance Comp v UGIC*, [2000] ECR I-5925, paras. 35-7; CJEU, Case C-51/97, *Réunion européenne SA and Others v Spliethoff's Bevrachtingskantoor BV*, [1998] ECR I-6511, para. 16.
- 38 CJEU, Case C-281/02, *Owusu v Jackson*, [2005] ECR I-1383, para. 37.
- 39 Ibid., para. 41.
- 40 See Petz, *supra* note 30, section 3.2.3; M. C. Janssens, 'Belgium' in T. Kono (ed.), *supra* note 5, para. 41; D. van Engelen, 'Netherlands' in T. Kono (ed.), *supra* note 5, section 3.2 and nn 18-19; A. Metzger, 'Germany' in T. Kono (ed.), *supra* note 5, section 2.2.1.2; Boschiero/Ubertazzi, *supra* note 30, answers to HC 1; P. A. de Miguel Asensio, 'Spain' in T. Kono (ed.), *supra* note 5, answers to HC 1.
- 41 Petz, *supra* note 30, section 3.2.3; Metzger, *supra* note 40, section 2.2.1.2; Asensio, *supra* note 40, answers to HC 1, where it is also noted that the issue of applicability of Art. 2 of the Brussels I Regulation to IP infringements which occur on the Internet is still controversial.
- 42 Council Regulation (EC) No. 207/2009 of 26 February 2009 on the Community trade mark (codified version) [2009] OJ L78/1.
- 43 Arts. 82 and 83(1) Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs [2002] OJ L3/1.
- 44 Art. 101 of the Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights [1994] OJ L 227/1.
- 45 Janssens, *supra* note 40, para. 159 and also nn 159 and 160.
- 46 CJEU, Case C-68/93, *Fiona Shevill and Others v Presse Alliance*, [1995] ECR I-415.
- 47 van Engelen, *supra* note 40, section 3.2; Metzger, *supra* note 40, answers to HC 1; Boschiero/Ubertazzi, *supra* note 30, answers to HC 1; Asensio, *supra* note 40, answers to HC 1.
- 48 C. Wadlow, 'UK' in T. Kono (ed.), *supra* note 5, answers to HC 1.
- 49 For a discussion, see Ancel, *supra* note 30, answers to HC 1; D. Možina, 'Slovenia' in T. Kono (ed.), *supra* note 5, answers to HC 1, question 4.
- 50 U. Maunsbach, 'Sweden' in T. Kono (ed.), *supra* note 5, answers to HC 1.
- 51 E.g. Arts. 42 and 43 of the French Code of Civil Procedure; Art. 3 of the Italian PIL Statute; Art. 48(1) [personal jurisdiction] and Art. 59 [operation of a branch or agency] of the Slovenian PILP Act; Art. 112 of the Swiss Federal Private International Law Act.
- 52 van Engelen, *supra* note 40, section 3.2.
- 53 Asensio, *supra* note 40, answers to HC 1.
- 54 Ancel, *supra* note 30, sections 1.2.1 and 1.2.
- 55 Wadlow, *supra* note 48, answers to HC 1.
- 56 Ancel, *supra* note 30, section 1.2.3.6.
- 57 Wadlow, *supra* note 48, answers to HC 1.
- 58 See <ec.europa.eu/justice\_home/doc\_centre/civil/studies/doc\_civil\_studies\_en/htm>, Green Paper on the review of Council Regulation (EC) No. 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (21 April 2009), COM(2009) 175, 3-4.
- 59 Supreme Court of Japan, Judgment of 16 October 1981, 35 Minshū 1224.
- 60 Supreme Court, Judgment of 11 November 1997, 51 Minshū 4055.
- 61 Kokusai saiban kankatsu kenkyū-kai [International Jurisdiction Study Group], *Kokusai saiban kankatsu kenkyū-kai hōkoku (1) [Report of the International Jurisdiction Study Group (1)]*, 883 New Business Law (2008.6.15) at p. 6. Art. 22 of the Japanese Civil Code provides: 'The principal place wherein a person lives shall be his/her domicile'.
- 62 P. Nygh and F. Pocar, *Report on the preliminary draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters*, available at <www.hcch.net/upload/wop/jdgmppd11.pdf> (hereinafter referred to as 'Nygh-Pocar Report'), at pp. 40-42.
- 63 See 2001 Hague Draft.
- 64 von Mehren, *supra* note 7, at p. 51 et seq.
- 65 For the discussion, see 'Rationale' part below.
- 66 Section 205 of the ALI Principles; Art. 2:201(2) second sentence of the CLIP Principles and Art. 204(2) of the Waseda Principles.
- 67 S. Chaen, T. Kono and D. Yokomizo, *Jurisdiction in Intellectual Property Cases: The Transparency Proposal*, in Basedow/Kono/Metzger (eds.), *supra* note 3, at p. 93.
- 68 Nygh-Pocar Report, *supra* note 62, at p. 50.
- 69 The proposed Alternative A also established several possible definitions of 'activity'.
- 70 Ibid., at p. 49.
- 71 Ibid., at pp. 50-1.
- 72 J. Basedow, *Foundations of Private International Law in Intellectual Property*, in Basedow/Kono Metzger (eds.), *supra* note 3, at p. 28.
- 73 Chaen/Kono/Yokomizo, *supra* note 67, at pp. 92-93.
- 74 ALI Principles, *supra* note 1, Comments to Section 205.
- 75 J. Fawcett and P. Torremans, *Intellectual Property and Private International Law*, (Oxford University Press, 2nd ed., 2011), para. 11-154.
- 76 See also Art. 5(1) of the Lugano Convention (1988) as well as the revised Lugano Convention (2007).
- 77 CJEU, Case 266/85, *Hassan Shenavai v Klaus Kreischer*, [1987] ECR 239, para. 20; CJEU, Case C-288/92, *Custom Made Commercial Ltd v Stawa Metallbau GmbH*, [1994] ECR I-2913, para. 13.
- 78 CJEU, Case C-288/92, *Custom Made Commercial Ltd v Stawa Metallbau GmbH*, [1994] ECR I-2913, para. 15.
- 79 CJEU, Case C-334/00, *Fonderie Officine Meccaniche Tacconi v HWS*, [2002] ECR I-7357, paras. 22-3.
- 80 CJEU, Case C-26/91, *Handte v Traitements Mécanochimiques des Surfaces*, [1992] ECR I-3967, para. 18; CJEU, Case C-334/00, *Tacconi*, [2002] ECR I-7357, para. 27.
- 81 CJEU, Case 14/76, *A De Bloos, SPRL v Société en commandite par actions Bouyer*, [1976] ECR 1497, para. 10.
- 82 Ibid., paras. 11 and 13; CJEU, Case 266/85, *Hassan Shenavai v Klaus Kreischer*, [1987] ECR 239, para. 20.
- 83 CJEU, Case 14/76, *A De Bloos, SPRL v Société en commandite par actions Bouyer*, [1976] ECR 1497, para. 14.
- 84 Ibid., paras. 8-10; CJEU, Case C-420/97, *Leathertex Divisione Sintetici SpA v Bodetex BVBA*, [1999] ECR I-6747, para. 31.



- 85 CJEU, Case C-420/97, *Leathertex Divisione Sintetici SpA v BodeTex BVBA*, [1999] ECR I-6747, para. 40.
- 86 CJEU, Case 12/76, *Industrie Tessili Italiana Como v Dunlop AG*, [1976] ECR 1473, para. 13.
- 87 CJEU, Case C-288/92, *Custom Made Commercial Ltd v Stawa Metallbau GmbH*, [1994] ECR I-2913, paras. 27–9.
- 88 CJEU, Case 56/79, *Siegfried Zelger v Sebastiano Salitrini*, [1980] ECR I-89, para. 5.
- 89 CJEU, Case C-106/95, *MSG v Gravières Rhénanes*, [1997] ECR I-911, paras. 30–1.
- 90 CJEU, Case C-26/91, *Handte v Traitements Mécanochimiques des Surfaces*, [1992] ECR I-3967, para. 18; CJEU, Case C-440/97, *GIE Groupe Concorde and Others v The Master of the vessel 'Suhadiwarno Pankan' and Others*, [1999] ECR I-6307, para. 24; CJEU, Case 256/00, *Besix SA v Wasserreinigungsbau Alfred Kretzschmar GmbH & Co KG and Others*, [2002] ECR I-1699, para. 26; CJEU, Case C-368/05, *Color Drack GmbH v Lexx International Vertriebs GmbH*, [2007] ECR I-3699, para. 19.
- 91 CJEU, Case C-440/97, *GIE Groupe Concorde and Others v The Master of the Vessel 'Suhadiwarno Pankan' and Others*, [1999] ECR I-6307, para. 32.
- 92 CJEU, Case 256/00, *Besix SA v Wasserreinigungsbau Alfred Kretzschmar GmbH & Co KG and Others*, [2002] ECR I-1699, para. 31.
- 93 CJEU, Case C-381/08, *Car Trim GmbH v KeySafety Systems Srl*, [2010] ECR I-1255, para. 58.
- 94 CJEU, Case 256/00, *Besix SA v Wasserreinigungsbau Alfred Kretzschmar GmbH & Co KG and Others*, [2002] ECR I-1699, paras. 49–50.
- 95 CJEU, Case C-368/05, *Color Drack GmbH v Lexx International Vertriebs GmbH*, [2007] ECR I-3699, para. 40.
- 96 CJEU, Case C-19/09, *Wood Floor Andreas Domberger GmbH v Silva Trade SA*, [2010] ECR I-2121, para. 31; CJEU, Case C-204/08, *Peter Rehder v Air Baltic Corporation*, [2009] ECR I-6073, para. 36.
- 97 CJEU, Case C-368/05, *Color Drack GmbH v Lexx International Vertriebs GmbH*, [2007] ECR I-3699, paras. 43–4.
- 98 CJEU, Case C-420/97, *Leathertex Divisione Sintetici SpA v BodeTex BVBA*, [1999] ECR I-6747, paras. 38–9.
- 99 *Ibid.*, para. 41.
- 100 CJEU, Case C-368/05, *Color Drack GmbH v Lexx International Vertriebs GmbH*, [2007] ECR I-3699, para. 41; CJEU, Case C-19/09, *Wood Floor Andreas Domberger GmbH v Silva Trade SA*, [2010] ECR I-2121, para. 40.
- 101 CJEU, Case C-19/09, *Wood Floor Andreas Domberger GmbH v Silva Trade SA*, [2010] ECR I-2121, para. 42; CJEU, Case C-204/08, *Peter Rehder v Air Baltic Corporation*, [2009] ECR I-6073, para. 38.
- 102 CJEU, Case C-19/09, *Wood Floor Andreas Domberger GmbH v Silva Trade SA*, [2010] ECR I-2121, para. 43.
- 103 CJEU, Case C-204/08, *Peter Rehder v Air Baltic Corporation*, [2009] ECR I-6073, paras. 40–4.
- 104 CJEU, Case C-533/07, *Falco Privatstiftung and Thomas Rabitsch v Gisela Weller-Lindhorst*, [2009] ECR I-3327, para. 40.
- 105 CJEU, Case C-381/08, *Car Trim GmbH v KeySafety Systems Srl* para. 38.
- 106 CJEU, Case C-533/07, *Falco Privatstiftung and Thomas Rabitsch v Gisela Weller-Lindhorst*, [2009] ECR I-3327, para. 29.
- 107 CJEU, Case C-19/09, *Wood Floor Andreas Domberger GmbH v Silva Trade SA*, [2010] ECR I-2121, para. 34.
- 108 CJEU, Case C-533/07, *Falco Privatstiftung and Thomas Rabitsch v Gisela Weller-Lindhorst*, [2009] ECR I-3327, paras. 31 and 36.
- 109 The *Falco* jurisprudence was adopted in the practice of several domestic courts; see A. Pereira, 'Portugal' in T. Kono (ed.), *supra* note 5, answers to HC 3 and n 105 in particular.
- 110 See e.g. Nagoya District Court, Judgment of 12 November 1979, 35 *Minshū* 1241.
- 111 Tokyo District Court, Judgment of 31 January 1994, 837 *Hanrei Taimuzu* 300.
- 112 Tokyo District Court, Judgment of 25 April 1995, 898 *Hanrei Taimuzu* 245; Tokyo High Court, Judgment of 24 March 1999, 1700 *Hanrei Jihō* 41; Tokyo District Court, Judgment of 19 March 1998, 997 *Hanrei Taimuzu* 286.
- 113 Osaka District Court, Judgment of 25 March 1991, 783 *Hanrei Taimuzu* 252.
- 114 Kobe District Court, Judgment of 22 September 1993, 1515 *Hanrei Jihō* 139; Tokyo District Court, Judgment of 17 October 1962, 18 *Kaminshū* 1002.
- 115 Tokyo District Court, Judgment of 17 October 1962, 18 *Kaminshū* 1002; Shizuoka District Court, Judgment of 30 April 1993, 824 *Hanrei Times* 241.
- 116 Tokyo District Court, Judgment of 25 April 1995, 898 *Hanrei Taimuzu* 245.
- 117 Shizuoka District Court, Judgment of 30 April 1993, 824 *Hanrei Taimuzu* 241.
- 118 See CJEU, Case C-616/10, *Solvay SA v Honeywell Fluorine Products Europe BV and Others*.
- 119 CJEU, Case C-391/95, *Van Uden Maritime v Kommanditgesellschaft in Firma Deco-Line and Others*, [1998] ECR I-7091, para. 47.
- 120 n 92 of the 2001 Hague Draft.
- 121 Nygh-Pocar Report, *supra* note 62, at pp. 70–72.
- 122 CJEU, Case C-391/95, *Van Uden Maritime v Kommanditgesellschaft in Firma Deco-Line and others*, [1998] ECR I-7091; CJEU, Case C-261/90, *Mario Reichert, Hans-Heinz Reichert and Ingeborg Kockler v Dresdner Bank AG*, [1992] ECR I-2149, para. 34; CJEU, Case C-104/03, *St Paul Dairy Industries NV v Unibel Exser BVBA*, [2005] ECR I-3481, para. 13.
- 123 See e.g. M. Norrgård, Provisional Measures and Multiple Defendants in the MPI Proposal, in J. Drexler and A. Kur (eds.), *Intellectual Property and Private International Law* (Hart, 2005), at p. 38.
- 124 This has been seen as a confusing matter by some authors; see e.g. Norrgård, *supra* note 123, at p. 38 and 41.
- 125 E. Nodder, Preliminary Injunctions Under European Patents: Comparative Analysis and Future Plans, available at: <fordhamipconference.com/wp-content/uploads/2010/08/EdwardNodder\_Preliminary\_Injunctions\_Under\_European\_Patents.pdf>.
- 126 Art. 24 of the Lugano Convention and Art. 31 of the revised Lugano Convention.
- 127 C. Heinze, *A Framework for International Enforcement of Territorial Rights: The CLIP Principles on Jurisdiction*, in Basedow/Kono/Metzger (eds.), *supra* note 3, at p. 73.
- 128 Art. 31 provides the following: 'Application may be made to the courts of a Member State for such provisional, including protective, measures as may be available under the law of that State even if under this Regulation, the courts of another Member State have jurisdiction as to the substance of the matter.'
- 129 Recital 11 of the Regulation.
- 130 See e.g. A. Dickinson, Provisional Measures in the 'Brussels I' Review – Disturbing the Status Quo?, *IPRax* (2010), p. 203.
- 131 van Engelen, *supra* note 40, sections 3.1 and 3.5.
- 132 Proposal for a Council Act establishing a Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COM(97) 607 final OJ [1997] C 33/20.
- 133 CJEU, Case C-391/95, *Van Uden Maritime v Kommanditgesellschaft in Firma Deco-Line and Others*, [1998] ECR I-7091, para. 40; CJEU,

- Case C-99/96, *Hans-Hermann Mietz v Intership Yachting Sneek BV*, [1999] ECR I-2277.
- 134 CJEU, Case C-261/90, *Mario Reichert, Hans-Heinz Reichert and Ingeborg Kockler v Dresdner Bank AG*, [1992] ECR I-2149, para. 34; CJEU, Case C-391/95, *Van Uden Maritime v Kommanditgesellschaft in Firma Deco-Line and Others*, [1998] ECR I-7091, para. 37; CJEU, Case C-104/03, *St Paul Diary Industries NV v Unibel Exser BVBA*, [2005] ECR I-3481, paras. 12–13.
- 135 *Ibid.*, 25.
- 136 CJEU, Case C-104/03, *St Paul Diary Industries NV v Unibel Exser BVBA*, [2005] ECR I-3481, paras. 15–6.
- 137 Asensio, *supra* note 40, answers to HC 11.
- 138 van Engelen, *supra* note 40, sections 3.1 and 3.5.
- 139 Arts. 94(2)(a) and 103 of the Community Trade Mark Regulation.
- 140 Janssens, *supra* note 40, answers to HC 11.
- 141 D. van Engelen, ‘Netherlands’ in T. Kono (ed.), *supra* note 5.
- 142 Bariati/Ubertazzi, *supra* note 30, answers to HC 11.
- 143 Janssens, *supra* note 40, answers to HC 11; Maunsbach, *supra* note 50, answers to HC 11.
- 144 CJEU, Case C-391/95, *Van Uden Maritime v Kommanditgesellschaft in Firma Deco-Line and Others*, [1998] ECR I-7091; CJEU, Case C-125/79, *Denilauler v Couchet Frère*, [1980] ECR I-1553.
- 145 Bariati/Ubertazzi, *supra* note 30, answers to HC 11.
- 146 Možina, *supra* note 49, answers to HC 11.
- 147 Ancel, *supra* note 30, answers to HC 11; Boschiero/Ubertazzi, *supra* note 30, answers to HC 11; Možina, *supra* note 49, answers to HC 11; Maunsbach, *supra* note 50, answers to HC 11.
- 148 Pereira, *supra* note 109, answers to HC 11.
- 149 Asensio, *supra* note 40, answers to HC 11.
- 150 Metzger, *supra* note 40, answers to HC 11.
- 151 Wadlow, *supra* note 48, answers to HC 11.
- 152 CJEU, Case C-391/95, *Van Uden Maritime v Kommanditgesellschaft in Firma Deco-Line and Others*, [1998] ECR I-7091.
- 153 Metzger, *supra* note 40, answers to HC 11; Maunsbach, *supra* note 50, answers to HC 11.
- 154 Pereira, *supra* note 109, answers to HC 11.
- 155 Art. 12 of the Provisional Civil Remedies Act provides that ‘[a] case of a temporary restraining order shall be under the jurisdiction of the court having jurisdiction over the case on the merits or the district court having jurisdiction based on the location of the property to be provisionally seised or the subject matter of the dispute.’
- 156 Supreme Court of Japan, Judgment of 26 September 2002, 56 *Minshū* 1551.
- 157 ALI, *supra* note 1, pp. 89–90 (Reporter’s Notes).
- 158 Chaen/Kono/Yokomizo, *supra* note 67, at p. 106.
- 159 See ‘International Context’ part below.
- 160 Art. 5 (‘Appearance by the Defendant’) of the 2001 Hague Draft provides:  
1. *Subject to Article 12 [Exclusive Jurisdiction], a court has jurisdiction if the defendant proceeds on the merits without contesting jurisdiction.*  
2. *The defendant has the right to contest jurisdiction no later than at the time of the first defence on the merits.*
- 161 ALI, *supra* note 1, at pp. 38–40; Chaen/Kono/Yokomizo, *supra* note 67, at p. 106.
- 162 The same approach is also adopted in Art. 206 of the Korean Principles.
- 163 Caravaca/Gonzales, in U Magnus and P Mankowski (eds), *Brussels I Regulation* (Sellier, 2007), at p. 237.
- 164 Available at <www.hcch.net/index\_en.php?act=conventions.text&cid=98>. Before that, two conventions on choice of court agreements – namely, the 1958 Convention on the Jurisdiction of the Selected Forum in the Case of International Sales of Goods and the 1965 Convention on the Choice of Court – had been adopted but had not entered into force. The Hague Convention of 2005 was already widely discussed in academic literature. See e.g. M. A. Adler, *The Hague Convention on Choice of Court Agreements: The United States Joins the Judgment Enforcement Band*, 27 *Northwestern Journal of International Law & Business* (2007) 1–36; G. Rühl, *Das Haager Übereinkommen über die Vereinbarung gerichtlicher Zuständigkeiten: Rückschritt oder Fortschritt?*, (2005) *IPrax* 410–15; C. Thiele, *The Hague Convention on Choice-of-Court Agreements: Was It Worth the Effort?* in E. Gottschalk, R. Michaels, G. Rühl and J. von Hein (eds.), *Conflict of Laws in the Globalized World* (Cambridge University Press, 2007), at pp. 63–88; P. Beaumont, *Hague Choice of Court Agreements Convention 2005: Background, Negotiations, Analysis and Current Status*, 5 *Journal of Private International Law* (2009), pp. 125–59.
- 165 Status of the 2005 Hague Choice of Court Convention is available at: <hcch.net/index\_en.php?act=conventions.status&cid=98>.
- 166 T. Hartley and M. Dogauchi, *Explanatory Report*, available at: <www.hcch.net/upload/expl37e.pdf>, paras. 125–26.
- 167 IP matters were not excluded from the 1965 Choice of Court Convention (Art. 2).
- 168 Hartley/Dogauchi, *supra* note 165, at para. 37.
- 169 *Ibid.*, para. 39.
- 170 The requirements for the enforceability of choice of court agreements according to domestic jurisdiction rules might be somewhat different from those established in the Brussels I Regulation. For instance, Belgian courts might analyse whether the dispute has a significant connection with Belgium (Art. 6 of Belgian CPIL).
- 171 CJEU, Case C-150/80, *Elefanten Schuh v Pierre Jaqmain*, [1981] ECR 1671, para. 26.
- 172 Recitals 13 and 14 of the Preamble of the Brussels I Regulation.
- 173 CJEU, Case C-281/02, *Andrew Owusu v NB Jackson* [2005] ECR I-1383, paras. 37–40.
- 174 See e.g. Judgment of the Lisbon Court of Appeal as referred to in the Pereira, *supra* note 109, nn 46 and 118.
- 175 CJEU, Case C-167/00, *Verein für Konsumenteninformation v Karl Heinz Kenkel*, [2002] ECR I-8111, para. 50; CJEU, Joined Cases C-240/98 to 244/98, *Oceano Grupo Editorial v Roció Munciano Quintero*, [2000] ECR I-4941, paras. 29 and 32.
- 176 CJEU, Case C-159/97, *Transporti Castelleti Spedizioni Internazionali SpA v Hugo Trumpy SpA*, [1999] ECR I-1597, para. 40.
- 177 Petz, *supra* note 30, answers to HC 4, where it was also indicated that the same approach would be taken under the Austrian Civil Jurisdiction Act, which would be applicable if neither of the parties is resident in the EU.
- 178 Metzger, *supra* note 40, answers to HC 4.
- 179 D. Stauder, *Die Anwendung des EWG Gerichtsstands- und Vollstreckungsübereinkommens auf Klagen im gewerblichen Rechtsschutz und Urheberrecht*, *GRUR Int* (1976) 465.
- 180 Ancel, *supra* note 30, answers to HC 4, where it is also noted that if an invalidity defence is raised, a French court hearing an IP infringement dispute will stay the proceedings.
- 181 CJEU, Case C-4/03, *GAT v LuK*, [2006] ECR I-6509, para. 24.
- 182 CJEU, Case C-26/91, *Handte v Traitements Mécanochimiques des Surfaces*, [1992] ECR I-3967; CJEU, Case C-334/00, *Fonderie Officine Meccaniche Tacconi v HWS*, [2002] ECR I-7357.
- 183 Petz, *supra* note 30, answers to HC 4.
- 184 Janssens, *supra* note 40, answers to HC 4; A Gramaticaki, ‘Greece’ in T. Kono, *supra* note 5, answers to HC 4.

- 185 Pereira, *supra* note 109, n 130. Similarly also in Switzerland, choice of court agreements concerning disputes which arise out of contractual or tortious relationship or unjust enrichment would be enforceable (see Chabron/Sidler, 'Switzerland' in T. Kono, *supra* note 5, answers to Question 4 of Part II).
- 186 Bariati/Ubertaini, *supra* note 30, answers to HC 4.
- 187 Ancel, *supra* note 30, section 1.2.5.
- 188 Ibid., and answers to HC 4.
- 189 Caravaca/Gonzales, *supra* note 162, p 439, para. 8.
- 190 Osaka District Court, Judgment of 23 March 1986, 1200 *Hanrei Jihō* 97, available at: <tomeika.jp/search/content.php?did=1521>; Tokyo District Court, Judgment of 28 February 1994, 876 *Hanrei Taimuzu* 268, available at: <tomeika.jp/search/content.php?did=1096> (declining jurisdiction on the grounds that parties have concluded choice of court agreement designating courts of California as exclusively competent); Kobe District Court, Judgment of 10 November 1997, 981 *Hanrei Taimuzu* 191, available at: <tomeika.jp/search/content.php?did=1537>; Tokyo High Court, Judgment of 28 November 2000, 1743 *Hanrei Jihō* 137, available at: <tomeika.jur.kyushu-u.ac.jp/procedure/E-label/LA1-H12.11.28.pdf> (where the exclusive choice of court clause in employment contract was upheld); Tokyo District Court, Judgment of 26 September 2003, 1153 *Hanrei Taimuzu* 268, available at: <tomeika.jur.kyushu-u.ac.jp/procedure/E-label/LA1-H15.09.26HT.pdf> (where the Tokyo district court enforced parties' exclusive choice of Hawaiian court agreement).
- 191 Supreme Court of Japan, Judgment of 28 November 1975, 29 *Minshū* 1554.
- 192 Yokomizo, 'Japan' in T. Kono, *supra* note 5, answers to HC 4.
- 193 Ibid.
- 194 Ibid.
- 195 Chaen/Kono/Yokomizo, *supra* note 67, at p. 142.
- 196 CJEU, Case C-539/03, *Roche Nederland BV and Others v Frederick Primus and Milton Goldenberg*, [2006] ECR I-6535.
- 197 Art. 14 of the 1999 Hague Draft of the Hague Convention; it should be noted that the rule on claims against multiple defendants did not survive in the 2001 Draft.
- 198 Nygh-Pocar Report, *supra* note 62, at p. 75..
- 199 Ibid., at pp. 75–6.
- 200 Ibid.
- 201 Ibid.
- 202 Supreme Court of Japan, Judgment of 8 June 2001, 55 *Minshū* 727.
- 203 Mars Inc v Nippon Conlux Kabushiki-Kaisha 24 F 3d 1368 (Fed Cir 1994).
- 204 *Jan K Voda v Cordis Corp* 476 F 3d 887 (Fed Cir 2007).
- 205 Art. 6(1) of the revised Lugano Convention.
- 206 P. Jenard, Report on the Convention on jurisdiction and the enforcement of judgments in civil and commercial matters signed at Brussels, (27 September 1968) [1979] OJ C59/1 (hereinafter 'Jenard Report'), at p. 49.
- 207 Ibid.
- 208 CJEU, Case 189/87, *Kalfelis v Bankhaus Schröder*, [1988] ECR 5565, para. 8; CJEU, Case C-51/97, *Réunion européenne SA and Others v Spliethoff's Bevrachtungskantoor BV and the Master of the vessel Alblasgracht V002*, [1998] ECR I-6511, paras. 46–47; CJEU, Case C-462/06, *Glaxosmithkline v Jean-Pierre Rouard*, [2008] ECR I-3965, where the CJEU decided that Art. 6(1) should be interpreted strictly, and refused to apply Art. 6(1) to unilateral rules of jurisdiction provided for individual employment contracts (paras. 28 and 32).
- 209 CJEU, Case 189/87, *Kalfelis v Bankhaus Schröder*, [1988] ECR 5565, para. 8.
- 210 Ibid., paras. 12–13. For the practice of Italian courts, see Bariati/Ubertaini, *supra* note 30, answers to HC 3 and n 134.
- 211 CJEU, Case C-51/97, *Réunion européenne SA and Others v Spliethoff's Bevrachtungskantoor BV and the Master of the vessel Alblasgracht V002*, [1998] ECR I-6511, para. 50.
- 212 Coin Controls Ltd v Suzo International Ltd et al [1997] Ch 33.
- 213 Ibid., 40–44.
- 214 Ibid., 48 et seq.
- 215 *Fort Dodge Animal Health Limited et al v Akzo Nobel NV* [1998] ILPr 732, paras. 21–22 (Lord Woolf).
- 216 IEPT19980423, Hof Den Haag, *EPG v Boston Scientific*.
- 217 For example, in the case of *Organon*, the Hague Court of Appeal enjoined defendants from infringing a European Patent in the Netherlands, Germany, France, Lichtenstein, Luxembourg, Austria, the UK, Switzerland and Sweden (Court of Appeal of the Hague, decision of 3 February 1994, *Applied Research Systems BV v Organon et al* (1995) *GRUR Int* 253 – *Follikelstimulationshormon*).
- 218 van Engelen, *supra* note 40, section 1.1.
- 219 CJEU, Case C-539/03, *Roche Nederland BV and Others v Frederick Primus and Milton Goldenberg*, [2006] ECR I-6535, para. 41.
- 220 Ibid., paras. 22 and 24; CJEU, Case C-406/92, *The Tatry v Maciej Rataj*, [1994] ECR I-5439, para. 58.
- 221 CJEU, Case C-539/03, *Roche Nederland*, [2006] ECR I-6535, paras 23–24; CJEU, Case 145/85, *Hoffman*, [1986] ECR 645, para. 22.
- 222 Case C-539/03 *Roche Nederland* [2006] ECR I-6535, para. 25.
- 223 Ibid., paras. 27–28.
- 224 Ibid., para. 31.
- 225 Ibid., paras. 34–35.
- 226 Ibid., paras. 37–39.
- 227 Ibid., para. 40.
- 228 Janssens, *supra* note 40, answers to HC 3.
- 229 As for the court practice of Belgian courts, *ibid*, answers to HC 3 and n 349.
- 230 Ancel, *supra* note 30, answers to HC 3.
- 231 Wadlow, *supra* note 48, answers to HC 3.
- 232 Bariati/Ubertaini, *supra* note 30, answers to HC 3; Asensio, *supra* note 40, answers to HC 3. Also RC Dreyfuss, Resolving Patent Disputes in a Global Economy, in R. Moufang and T. Takemaka (eds.), *Patent Law: A Handbook of Contemporary Research* (Cheltenham, Edward Elgar Publishing, 2009), pp. 627–29.
- 233 A. Kur, A Farewell to Cross-Border Injunctions? The CJEU Decisions in *GAT v LuK* and *Roche Nederland v Primus and Goldenberg*, *International Review of Intellectual Property and Competition Law* (2006), at p. 850.
- 234 See e.g. van Engelen, *supra* note 40, section 1.1; Metzger, *supra* note 40, answers to HC 3; Asensio, *supra* note 40, answers to HC 3; Kur, *supra* note 232, at p. 850; G. Beilfuss, Is There Any Web for the Spider? Jurisdiction over Co-defendants after *Roche Nederland*, in A. Nuyts (ed.), *International Litigation in Intellectual Property and Information Technology* (Kluwer, 2008), pp. 84–86.
- 235 Kur, *supra* note 232, at p. 850.
- 236 Kur, *ibid.*, pp. 580–51; Beilfuss, *supra* note 233, at pp. 85–86.
- 237 Ancel, *supra* note 30, answers to HC 5.
- 238 Decision of the Hague Court of Appeal of 23 August 2007, available at <iept.nl/files/2007/IEPT20070823\_Hof\_Den\_Haag\_Bacardi\_v\_Mad\_Bat.pdf> (in Dutch).
- 239 van Engelen, *supra* note 40, section 3.7.
- 240 Boschiero/Ubertaini, *supra* note 30, answers to HC 3 and n 135.
- 241 Asensio, *supra* note 40, answers to HC 3. Similar doubts are expressed in Maunsbach, *supra* note 50, answers to HC 3.



- 242 Art. 5 §1 of the Belgian CPIL; Art. 37 § 1 of the Greek Code of Civil Procedure.
- 243 Wadlow, *supra* note 48, answers to HC 3.
- 244 Supreme Court of Japan, Judgment of 8 June 2001, 55 *Minshū* 727.
- 245 Supreme Court of Japan, Judgment of 28 April 1998, 52 *Minshū* 853.
- 246 Tokyo District Court, Judgment of 25 April 1995, 898 *Hanrei Taimuzu* 245.
- 247 Tokyo District Court, Judgment of 5 February 1997, 936 *Hanrei Taimuzu* 242.
- 248 Kokusai saiban kankatsu kenkyū-kai [International Jurisdiction Study Group], Kokusai saiban kankatsu kenkyū-kai hōkoku (6) [Report of the International Jurisdiction Study Group (6)] NBL No 886 (2008.8.1), p. 72.
- 249 Art. 201 of Transparency Principles, Art. 213 of Waseda, Art. 2:701 et seq. of CLIP Principles.
- 250 Art. 2:706 of the CLIP Principles; S 221(4) of the ALI Principles; Art. 213(5) of the Waseda Principles.
- 251 1997 UNCITRAL Model Law on Cross-Border Insolvency, available at: [uncitral.org/uncitral/en/uncitral\\_texts/insolvency/1997Model.html](http://uncitral.org/uncitral/en/uncitral_texts/insolvency/1997Model.html) and 2001 American Law Institute's 'Guidelines Applicable to Court-to-Court Communications in Cross-Border Cases' available at: [amercol.org/images/DOC005.pdf](http://amercol.org/images/DOC005.pdf).
- 252 *Colorado River Water Cons Dist v United States*, 424 US 800 (1976) 817.
- 253 *Finova Capital Corp v Ryan Helicopters USA Inc*, 180 F3d (7th Cir. 1999) 896, 898.
- 254 *Moses H Cone Mem'l Hosp v Mercury Constr Corp*, 460 US (1983) 25-26.
- 255 *Schneider National Carriers Inc v Carr*, 903 F2d (7th Cir. 1990) 1154, 1156.
- 256 *Caminiti & Iatarola Ltd v Behnke Warehousing Inc*, 962 F2d (7th Cir 1992) 700.
- 257 *Ibid.*, at p. 701; *Lumen Constr Inc v Brant Constr Co Inc*, 780 F2d (7th Cir. 1985) 695.
- 258 *Day v Union Mines Inc*, 862 F2d (7th Cir. 1988) 656.
- 259 *AAR International Inc v Nimelias Enterprises*, 250 F3d (7th Cir 2001) 510.
- 260 Also Art. 27 of the Lugano Convention and the Revised Lugano Convention (2007).
- 261 CJEU, Case 144/86, *Gubisch Maschinenfabrik KG v Giulio Palumbo*, [1987] ECR 4861, para. 8.
- 262 See e.g. T. Schilling, *Internationale Rechtshängigkeit vs Entscheidung binnen angemessener Frist*, *IPRax* (2004) 296.
- 263 CJEU, Case 144/86, *Gubisch Maschinenfabrik KG v Giulio Palumbo*, [1987] ECR 4861, para. 11. For instance, the CJEU held in the *Tatry* case that the distinction which is made between actions *in personam* and actions *in rem* according to English law is not relevant to the interpretation of Art. 21 of the Brussels Convention (CJEU, Case C-406/92, *The Tatry v Maciej Rataj*, [1994] ECR I-5439, para. 46).
- 264 CJEU, Case 144/86, *Gubisch Maschinenfabrik KG v Giulio Palumbo* [1987] ECR 4861, para. 14.
- 265 CJEU, Case C-406/92, *The Tatry v Maciej Rataj*, [1994] ECR I-5439, paras. 38 and 40.
- 266 CJEU, Case C-351/89, *Overseas Union Insurance Ltd et al v New Hampshire Insurance Company Co.*, [1991] ECR I-3317, paras. 12-17.
- 267 CJEU, Case 144/86, *Gubisch Maschinenfabrik KG v Giulio Palumbo*, [1987] ECR 4861, paras. 17-19.
- 268 CJEU, Case C-406/92, *The Tatry v Maciej Rataj*, [1994] ECR I-5439, para. 44.
- 269 CJEU, Case 144/86, *Gubisch Maschinenfabrik KG v Giulio Palumbo*, [1987] ECR 4861.
- 270 Petz, *supra* note 30, section 4.5.
- 271 CJEU, Case C-406/92, *The Tatry v Maciej Rataj*, [1994] ECR I-5439, paras. 33-35.
- 272 U. Magnus and P. Mankowski (eds.), *Rome I Regulation* (Munich, Sellier, 2009), 477 para. 3.
- 273 M. Franzosi, *World-wide Patent Litigation and the Italian Torpedo*, 19 *European Intellectual Property Review* (1997) p. 382; M. Franzosi, *Torpedoes are here to stay*, 3(2) *International Review of Intellectual Property and Competition Law* (2002) pp. 154-63.
- 274 CJEU, Case C-159/02, *Gregory Paul Turner v Felix Fareed Ismail Grovit and Others*, [2004] ECR I-3565, para. 31.
- 275 *Ibid.*, para. 28.
- 276 CJEU, Case 21/76, *Handelskwekerij GJ Bier BV v Mines de potasse d'Alsace SA*, [1976] ECR 1735; CJEU, Case C-116/03, *Erich Gasser GmbH v MISAT Srl*, [2003] ECR I-14693, paras. 71-73.
- 277 CJEU, Case C-116/03, *Erich Gasser GmbH v MISAT Srl*, [2003] ECR I-14693, paras. 70-72.
- 278 Petz, *supra* note 30, section 4.5; Ancel, *supra* note 30, answers to HC 5; Maunsbach, *supra* note 50, answers to HC 5.
- 279 Asensio, *supra* note 40, answers to HC 5. In another French case, the First Instance Court of Paris refused to acknowledge the sameness of the object where French patent infringement proceedings had been instituted in France along with an action for a declaration of non-infringement of a parallel Italian patent. See TGI Paris, decision of 9 March 2001 (2005) 33 *International Review of Intellectual Property and Competition Law* 225.
- 280 CJEU, Case C-539/03, *Roche Nederland BV and Others v Frederick Primus and Milton Goldenberg* [2006] ECR I-6535.
- 281 Janssens, *supra* note 40, answers to HC 5.
- 282 *Abkco Music & Records v Jodorowski* [2003] ECDR 3; *Prudential Assurance Co Ltd v Prudential Insurance Co of America* (No 1) [2003] EWCA Civ 327, [2004] FSR 25.
- 283 CJEU, Case C-351/89, *Overseas Union Insurance td et al v New Hampshire Insurance Company Co* [1991] ECR I-3317; CJEU, Case C-116/03, *Erich Gasser GmbH v MISAT Srl*, [2003] ECR I-14693. The same approach was adopted by the Hague District Court, *Rb Den Haag*, IEPT20070926 *Nooteboom v Faymonville*.
- 284 Petz, *supra* note 30, section 4.5.
- 285 Metzger, *supra* note 40, HC 5.
- 286 Petz, *supra* note 30, section 4.5.
- 287 *Ibid.*
- 288 Austrian Supreme Court, Decision OGH 4 Ob 91/90 (1991) *GRUR Int* 384.
- 289 Petz, *supra* note 30, section 4.5.
- 290 Asensio, *supra* note 40, answers to HC 5.
- 291 Ancel, *supra* note 30, section 1.2.4.
- 292 Wadlow, *supra* note 48, answers to HC 5.
- 293 Green Paper on the review of Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (21 April 2009), COM(2009) 175, 7.
- 294 *Ibid.*, at p. 6.
- 295 *Ibid.*, 9; Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the application of Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (21 April 2009), COM(2009) 174, 9.
- 296 Kokusai saiban kankatsu kenkyū-kai [International Jurisdiction Study Group], 'Kokusai saiban kankatsu kenkyū-kai



hōkoku (6) [Report of the International Jurisdiction Study Group (6)]' 886 *New Business Law* (2008.8.1) 78.

- 297 Art. 3-9 of the Act Amending CCP (2011) provides as follows: 'Courts can reject all or some claims of the action which they are competent to hear (except when parties have made an agreement conferring exclusive jurisdiction on a Japanese court) if from the nature of the case or the extent of the burden of the defendant caused by his/her appearance, the location of evidence or by reason of other circumstances the exercise of jurisdiction would be inequitable to the parties or hinder the conduct of a proper and speedy trial.'

# Infringement and Exclusive Jurisdiction in Intellectual Property:

## a Comparison for the International Law Association

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**Abstract:** The following comparison was written for the first meeting of the International Law Association's newly established (2010) Committee on Intellectual Property and Private International Law (Chair: Professor Toshiyuki Kono, Kyushu University; Co-Rapporteurs: Professors Pedro de Miguel Asensio, Madrid Complutense University, and Axel Metzger, Hannover University) (hereinafter: ILA Committee), which was hosted at the Faculty of Law of the University of Lisbon in March 16-17, 2012. The comparison

at stake concerns the rules on infringement and exclusive (subject-matter) jurisdiction posed (or rejected, in case of exclusive jurisdiction) by four sets of academic principles. Notwithstanding the fact that the rules in question present several differences, those differences in the majority of cases could be overcome by further studies and work of the ILA Committee, as the following comparison explains.

**Keywords:** Infringement, Jurisdiction, Territoriality, Ubiquity, Intellectual property, Exclusive (subject-matter) Jurisdiction, Validity, Inter Partes Effects

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### C. Exclusive Jurisdiction in Intellectual Property

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### A. Introduction

- 1 The following pages compare the rules on infringement and exclusive (subject-matter) jurisdiction posed (or rejected) by four sets of academic principles, namely the American Law Institute Principles Governing Jurisdiction, Choice

### C.III. Notion of exclusive (or subject matter) jurisdiction rules

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of Law, and Judgments in Transnational Disputes, adopted on 14 May 2007 (will be referred to as the ALI Principles); the "Principles for Conflict of Laws in Intellectual Property, prepared by the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP)", published on 31 August 2011 (will be referred to as the CLIP Principles); the "Transparency of Japanese Law Project, Transparency Proposal

on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property” finalised in 2009 (will be referred to as the Transparency Proposal); the “Principles of Private International Law on Intellectual Property Rights, Joint Proposal Drafted by Members of the Private International Law Association of Korea and Japan (Joint University Global COE Project)”, of 14 October 2010 (will be referred to as the Joint Korean and Japanese Proposal). The comparison demonstrates a trend of all sets of principles to mitigate and even to overcome the territorial approach, in favour of the consolidation of claims in cross-border intellectual property rights disputes.

## B. Infringement Jurisdiction in Intellectual Property

### I. PIL method adopted

#### 1. Differences

- 2 The Transparency Proposal adopts a unilateral PIL method which determines only when Japanese courts will have international jurisdiction to hear a claim, but does not determine which other State’s courts may also have jurisdiction for the same claim. The ALI Principles, the CLIP Principles and the Joint Korean and Japanese Proposal all adopt a multilateral method, which does address when national and foreign courts will have jurisdiction.

#### 2. Rationale

- 3 The Transparency Proposal primarily aims at the reform of current Japanese law, particularly with respect to international jurisdiction,<sup>1</sup> while the other sets of Principles seek universal Principles on issues concerning international IPRs law. Thus, the former adopts a unilateral method, while the latter adopts a multilateral approach.

#### 3. International Context

- 4 The multilateral conventions on international jurisdiction typically seek universal Principles and therefore adopt a multilateral approach.

#### 4. Discussion

- 5 The Transparency Proposal adopts a unilateral approach, which does not give an answer to the question of which court has international

jurisdiction to address the case at stake when the forum state courts do not have such jurisdiction. While unilateralism is necessary for national rules on international jurisdiction, it is not suitable for international rules on the same topic.

- 6 By contrast, the ALI Principles, the CLIP Principles, and the Joint Korean and Japanese Proposal each adopt a multilateral approach for determining jurisdiction. Thus, each of these provide an answer for which other court(s) would have jurisdiction even if the forum state in question lacks jurisdiction. An international consensus is needed if the problems of cross-border litigation are going to be adequately addressed and these proposals, by taking a multilateral approach, are more likely to be helpful in finding a unified international solution. Also, the multilateral approach is supported by the 2001 Draft of the Hague Judgment Convention, in Article 10 on Torts, which clearly envisages international litigation and sets out guidelines for which courts will have jurisdiction.<sup>2</sup>

### II. Notion of infringement

#### 1. Differences

- 7 The CLIP Principles (in Article 2:202) and the Transparency Proposal (in Article 105) are explicit that jurisdiction extends not only to infringement, but also to *threatened infringements*. In contrast, the Joint Korean and Japanese Proposal, by referring to “infringement occurs”, in Article 203, does not make provision for cases of threatened infringements. The wording of the ALI Principles, in Section 204, does not make it clear whether a forum State could have jurisdiction over an infringement claim when the infringement is only threatened.
- 8 All sets of Principles do not characterise the notion of infringement on the basis of the magnitude of the harm caused or the degree of fault involved, but instead insert escape clauses, which will be addressed in paragraph B.IV.
- 9 The 2001 Draft of the Hague Judgment Convention supports the approach taken by the CLIP Principles and the Transparency Proposal, as outlined in paragraphs B.II.3 and B.II.4 below.

#### 2. Rationale

- 10 The CLIP Principles and the Transparency Proposal provide for jurisdiction in cases of infringement as well as in cases of threatened infringement. The Comments to the Transparency Proposal highlight that this rule is necessary since “if no preventive

measure could be taken – for example, in cases where infringing actions via Internet or the flow of pirate products from an off-shore production site are surely foreseen – damages could be huge. The author is of the opinion that in such cases preventive measures should be taken. The Transparency Proposal therefore includes ‘the place where results of an intellectual property infringement are to occur’ and ‘an infringing act is to take place’.<sup>3</sup> It is reasonable to assume similar reasoning was behind the granting of jurisdiction over threatened infringements in the CLIP Principles.

- 11 In contrast, the Joint Korean and Japanese Proposal does not make provision for threatened infringements, and the wording of the ALI Principles is not clear on whether a forum State could have jurisdiction over a threatened infringement. The reason for this is not given.
- 12 As a matter of principle, the term “infringement” in all sets of Principles is not qualified either with respect to the magnitude of the harm caused or the degree of fault involved. This means that according to the basic rule in each of the sets of Principles (found in Article 2:202 of the CLIP Principles, Article 105 of the Transparency Proposal, Article 203 of the Joint Korean and Japanese Proposal and Section 204 of the ALI Principles), jurisdiction could in principle be established in countries where the infringement only occurs accidentally, and has only minimal effect. In order to avoid such results, which could be grossly disproportional to the infringing activity and/or harm caused, each set of Principles has an escape clause under which jurisdiction will be denied if certain requirements are met, and those requirements vary with respect to each set of Principles.

### 3. International Context

- 13 The 2001 Hague Draft Convention includes the notion of threatened infringements, in Article 10(4), where it says “[a] plaintiff may also bring an action in accordance with paragraph 1 when the act or omission, or the injury may occur.” This approach is in line with the CLIP Principles and the Transparency Proposal, as mentioned above. Furthermore, the Hague Draft Convention supports all of the sets of Principles by not characterizing the notion of infringement in terms of harm caused or degree of fault involved either. However, the Convention does have an escape clause, in Article 10(3), which says that “where the defendant has taken reasonable steps to avoid acting in or directing activity into that State” then that State will not have jurisdiction.

## 4. Discussion

- 14 The CLIP Principles and the Transparency Proposal are explicit that jurisdiction extends not only to infringement, but also to *threatened infringements*. In contrast, the Joint Korean and Japanese Proposal, by referring to “infringement occurred,” does not make provision for jurisdiction in cases of threatened infringements. The wording of the ALI Principles does not make clear whether a forum State could have jurisdiction over an infringement claim when the infringement is only threatened. The approach of the first two proposals is preferable since the advantages typically connected with establishing jurisdiction in the country where the infringing activity already occurred are also pertinent in the case of threatened infringement. Even though the situation differs insofar as infringing items will not be found on the market, indicia for a threat being imminent will regularly be accessible at the place or the places where the relevant preparations are taken.<sup>4</sup>
- 15 The approach taken by the CLIP Principles and the Transparency Proposal of including threatened infringements is also supported by the 2001 Draft of the Hague Judgment Convention.<sup>5</sup> Article 10(4) states that the plaintiff may also “bring an action [...] when the act or omission, or the injury may occur.”
- 16 In contrast, even though the term “infringement” in all sets of Principles is not qualified either with respect to the magnitude of the harm caused or the degree of fault involved, each set of Principles poses an escape clause under which jurisdiction will be denied if certain requirements are met, in order to avoid establishing jurisdiction in countries where the infringement only occurs accidentally, and has only minimal effect. The escape clauses will be discussed in paragraph B.IV.4.

## III. Territoriality

### 1. Differences

- 17 All sets of Principles are grounded on the premise that IPRs infringements are torts.<sup>6</sup> International jurisdiction in tort cases is usually grounded at the place of the *harmful act* as well as at the place of the produced *effect*. However, the CLIP Principles do not apply such a distinction in intellectual property matters due to the territorial structure of intellectual property rights, which does not allow for the establishment of jurisdiction in a State where the right is not protected. In fact, the CLIP Principles determine the place of the infringement activity as always coincident with the place of the infringement results, due to the territorial nature of



IPRs (see Article 2:202, which says “[A] person may be sued in the courts of the State where the alleged infringement occurs or may occur...”). Yet, the CLIP Principles do mitigate the territorial approach by adopting a more “effects-oriented approach”. Under this approach, the infringing conduct that has taken place in a certain State (and so can base the infringement jurisdiction in that State) is also required to have been directed to that State.<sup>7</sup>

- 18 In contrast, all other sets of Principles adopt the jurisdiction criteria of general torts for IPRs infringements cases, namely by granting jurisdiction to the courts at the place of the infringement activity or at the place of the infringement results, the latter being hypothetically different from the former.
- 19 The 2001 Draft of the Hague Judgment Convention also supports the jurisdiction criteria of general torts, as is discussed below in paragraph B.III.4.

## 2. Rationale

- 20 All sets of Principles save the CLIP Principles allow for the establishment of jurisdiction at the place where the infringement activities took place as well as at the place where the infringing results occurred. Thus, even though the Comments to the Joint Korean and Japanese Proposal refer to the territoriality principle, the same Comments interpret the category of infringement in conformity with the ubiquity theory.
- 21 The territorial approach of the CLIP Principles is explained by the fact that an IPRs infringement differs than a traditional tort since any conduct can infringe an IPRs that does not actually exist where the conduct is perpetrated. So, for instance should the protection of an Italian IPR be invoked before a US court by reason of the fact that the uploading activity took place in the US, the US court should consider that the right to be protected is an Italian right, that this right does not exist in the US, that it is not possible to infringe something that does not exist, that the activity at stake is therefore not an infringing activity, and that the US court cannot ground its jurisdiction on the Italian IPR infringement. In summary, the infringing activities can only be the first activities of the series of conducts that take place in the state where the IPR to be protected exists. As a consequence, the place where the injuries occur can only be coincident with the place where the activities initiating those injuries occur, and can be localized in the State where the IPR to be protected exists.<sup>8</sup> The territoriality principle therefore highly influences the CLIP Principles infringement jurisdiction.
- 22 Yet, the influence of the territoriality principle on the CLIP Principles is mitigated in several ways.

First, the territoriality principle is intended as an expression of the proximity principle, since under the CLIP Principles it is suitable to determine the best placed court to adjudicate the infringement in light of the fact that this court is the more proximal to the concrete case at stake.<sup>9</sup> Second, the CLIP Principles are also influenced by “the act-based conception of intellectual property infringements”<sup>10</sup> under which “whereas traditional tort distinguishes between act, causation and damage, the infringement of an IPR requires only that the defendant committed an act which falls in the scope of the absolute right of the right holder.”<sup>11</sup> Third, the CLIP Principles even adopt a more “effects-oriented approach”, under which the infringing conduct that can base the infringement jurisdiction includes the activity that takes place, which is directed to a certain State. As such the Principles implement the “directed to” test proper of German jurisprudence<sup>12</sup> and the “commercial effects” proposed by the WIPO Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet, adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the WIPO at the Thirty-Sixth Series of Meetings of the Assemblies of the Member States of WIPO 24 September to 3 October 2001.<sup>13</sup>

## 3. International Context

- 23 A tendency to overcome a strict territorial approach is reflected by the rules on jurisdiction that do not consider the place of result as being coincident with the place of the act in the name of the territoriality principle, but rather extend the ubiquity theory to IPRs. This theory is generally adopted with respect to other sorts of torts and leads to the vesting of international jurisdiction in the courts at the place of the act or alternatively in the courts at the place of the result. In the Brussels system for instance, Article 5(3) of the Brussels I Regulation establishes that “a person domiciled in a Member State may, in another Member State, be sued: / [...] 3. in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur” In relation to this rule and to its corresponding one of the Brussels Convention the ECJ has rendered many different interpretative judgments.
- 24 So, in the *Mines de potasse* case the ECJ posed the ubiquity theory by maintaining that “where the place of the happening of the event which may give rise to liability in tort, delict or quasidelict and the place where that event results in damage are not identical, the expression ‘place where the harmful event occurred’, in Article 5(3) of the Convention of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial matters, must be understood as being intended to cover both the

place where the damage occurred and the place of the event giving rise to it. The result is that the defendant may be sued, at the option of the plaintiff, either in the courts for the place where the damage occurred or in the courts for the place of the event which gives rise to and is at the origin of that damage.”<sup>14</sup>

25 With particular regard to the multi-state infringements, in the *Shevill* decision<sup>15</sup> the ECJ maintained that the expression of Article 5(3) of the Brussels I Regulation “place where the harmful event occurred” shall be interpreted in the sense that “the victim of a libel by a newspaper article distributed in several Contracting States may bring an action for damages against the publisher either before the courts of the Contracting State of the place where the publisher of the defamatory publication is established, which have jurisdiction to award damages for all the harm caused by the defamation, or before the courts of each Contracting State in which the publication was distributed and where the victim claims to have suffered injury to his reputation, which have jurisdiction to rule solely in respect of the harm caused in the State of the court seised”.

26 In the case *Olivier Martinez, Robert Martinez v Société MGN Limited* the “Tribunal de Grande Instance de Paris” referred to the ECJ the following question “must Article 2 and Article 5(3) of Council Regulation (EC) No 44/2001 of 22 December 2000 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial matters be interpreted to mean that a court or tribunal of a Member State has jurisdiction to hear an action brought in respect of an infringement of personal rights allegedly committed by the placing on-line of information and/or photographs on an Internet site published in another Member State by a company domiciled in that second State - or in a third Member State, but in any event in a State other than the first Member State - : On the sole condition that that Internet site can be accessed from the first Member State, On the sole condition that there is between the harmful act and the territory of the first Member State a link which is sufficient, substantial or significant and, in that case, whether that link can be created by: - the number of hits on the page at issue made from the first Member State, as an absolute figure or as a proportion of all hits on that page, /- the residence, or nationality, of the person who complains of the infringement of his personal rights or more generally of the persons concerned, - the language in which the information at issue is broadcast or any other factor which may demonstrate the site publisher’s intention to address specifically the public of the first Member State, - the place where the events described occurred and/or where the photographic images put on-line were taken, - other criteria?”<sup>16</sup> In other words, the ECJ was asked to determine a so called market impact rule.<sup>17</sup> Unfortunately the ECJ did not answer

to this question because it was not raised in a case pending before a court or tribunal of a Member State against whose decisions there is no judicial remedy under national law as required by Article 68(1) of the EC Treaty, but rather in a case where decisions on jurisdiction taken by the national court in the main proceedings were subject to appeal under national law.<sup>18</sup> In the absence of an ECJ judgment on this problem, EU member states adopt different solutions in relation to the IPRs infringement on the Internet. At first, the EU member States’ national courts have interpreted broadly the notion of “place where the harmful event occurred”, which was intended to include the place where an Internet service could be downloaded. This interpretation however, has been superseded in more recent times, particularly in Germany, starting from the *Hotel Maritime* judgment of the German Supreme Court which required websites to be “intentionally directed” to German users in order to ascertain the German courts jurisdiction.<sup>19</sup>

27 In the very recent *eDate* case the ECJ maintained that Article 5(3) of the Brussels I Regulation “must be interpreted as meaning that, in the event of an alleged infringement of personality rights by means of content placed online on an internet website, the person who considers that his rights have been infringed has the option of bringing an action for liability, in respect of all the damage caused, either before the courts of the Member State in which the publisher of that content is established or before the courts of the Member State in which the centre of his interests is based. That person may also, instead of an action for liability in respect of all the damage caused, bring his action before the courts of each Member State in the territory of which content placed online is or has been accessible. Those courts have jurisdiction only in respect of the damage caused in the territory of the Member State of the court seised.”<sup>20</sup> In other words, the *eDate* jurisprudence then poses a *forum actoris*, allowing the plaintiff to sue the defendant at his place. As such this jurisprudence derogates to the principle at the basis of the Brussels system according to which *actor sequitur forum rei*.

28 In sum, for torts in general Article 5(3) of the Brussels system as interpreted by the ECJ does not consider the place of the result as being coincident with the place of the act, in the name of the territoriality principle, but rather adopts the ubiquity theory leading to the vesting of international jurisdiction in the courts at the place of the act or alternatively in the courts at the place of the result. Yet, the ECJ for a long time did not specify if the judgments just recalled are extendable to IPRs infringement cases. Therefore, the issue was highly debated. According to an opinion the *Shevill* jurisprudence does not apply to IPRs cases by reason of their territorial nature: this opinion leads to a narrower scope of the court’s authority than the one proper of the *Shevill*

jurisprudence, since the extent of both the jurisdictions at the place of the activity and the jurisdictions at the place of the result (intended in any case as being identical) would be territorially limited to the damages localised in the forum state.<sup>21</sup> Yet, another opinion adopts an opposite view and considers the *Shevill* jurisprudence extendable to IPRs cases despite their territorial nature.<sup>22</sup> In any case both opinions deny the application to IPRs of the *eDate* jurisprudence on the *forum actoris*, since contrary to the owner of sensible data, the IPR owner is the stronger party of the case rather than the weaker one: it does not seem correct, then, to allow the stronger party to sue the defendant at his place.

29 Finally, on April the 19<sup>th</sup> 2012 in the *Wintersteiger*<sup>23</sup> case the ECJ extended the judgments at stake to the IPRs cases, by stating that Art.5(3) of the Brussels I Regulation “must be interpreted as meaning that an action relating to infringement of a trade mark registered in a Member State because of the use, by an advertiser, of a keyword identical to that trade mark on a search engine website operating under a country-specific top-level domain of another Member State may be brought before either the courts of the Member State in which the trade mark is registered or the courts of the Member State of the place of establishment of the advertiser”. In other words Art. 5.3 grants jurisdiction to the courts at the place of registration of a trademark, in their quality of being the courts of the harmful event, and at the same time to the courts of the place of establishment of the person who uploaded material on-line, in their quality of being the courts of the place of the action. Furthermore, the scope of the courts’ authority at the place of the establishment of the person at stake is territorially unlimited, while the extension of the jurisdiction of the courts at the place of the registration of the trademark at stake is confined to the territory of the forum State. Finally, the Court explicitly denied the application of the *eDate* jurisprudence to the IPRs infringement cases: while the situation of a person who considers that there has been an infringement of his personality rights could involve more than one State, being these personality rights protectable in all Member States, a proprietor of an IPR cannot rely on the protection of this right outside the territory of its granting State, since the protection afforded by the registration of a national mark is, in principle, limited to the territory of the Member State in which it is registered<sup>24</sup>.

30 Finally, it is worth noting that according to Article 98(2) of the Community Trade Mark Regulation, courts in the defendant’s country of domicile, or one of the other courts listed in the “cascade” of fora in Article 97 (1)-(4), have competence to adjudicate the infringement of a Community Trade Mark in its entirety, but the courts in the countries where the infringement occurred only have jurisdiction with re-

gard to their own territory.<sup>25</sup> A corresponding rule can also be found in Article 83(2) of the Community Design Regulation.

31 Outside the EU frame, specifically in Japan, according to the new Japanese Act on International Jurisdiction, an action related to a tort may be filed with the courts of Japan when “the tort occurred in Japan (except where the result of a harmful act committed abroad has occurred in Japan and the occurrence of that result in Japan would have been normally unforeseeable)” (Article 3-3 (viii) of Japan’s Act on International Jurisdiction). According to the common understanding of this rule, “in the cases where the place of a harmful act and the place of the result of the act differ, it is sufficient if either the act or the result took place in Japan.”<sup>26</sup> This rule applies also to IPRs, because of the absence of a specific provision on these kind of torts and the exclusion of IPRs infringements from the scope of exclusive jurisdiction rule.<sup>27</sup> Thus, the Japanese approach would then allow a Japanese court to adjudicate an infringement case under the infringement jurisdiction rule notwithstanding the fact that the claim relates to a foreign IPR and the defendant is not domiciled in Japan, if for instance, the results of the infringement are in Japan. This would not be possible according to the territorial approach.<sup>28</sup> This Japanese approach allows for centralised jurisdiction even with regard to the multi-state IPRs infringements, rendering it possible in cases of multi-state torts to claim damages for the tort in its entirety in Japan, even if it is not the place where the defendant is domiciled and it is not the place where the action causing the harm was committed.<sup>29</sup> Furthermore, in Japan, in determining the place of the result it is relevant to refer to the place of the effects that the alleged infringing act would have upon the forum, rather than to the physical territorial connection to the forum in line with the market impact approach.<sup>30</sup>

32 Also, the ubiquity approach is adopted in China, where the Supreme Court’s Interpretation of Several Questions on the Application of Law in on-line Copyright Disputes Litigation of 2000 (amended in 2006) established that for the purposes of international jurisdiction “the place of infringement includes the place where the ISP, computer terminals which operate the alleged infringing activity are located. In the cases where the place of infringement [...] cannot be ascertained, the place where the computer terminal through which the plaintiff found infringing contents is located is deemed the place of infringement.”<sup>31</sup>

#### 4. Discussion

33 The tendency to overcome a strict territorial approach with respect to IPRs infringement cases is evident in the four sets of Principles. In fact, all of



the sets of Principles, except the CLIP Principles, adopt the ubiquity theory with respect to IPRs infringements and therefore neglect the territorial approach, allowing for jurisdiction at the place where the infringement activities took place or will take place as well as at the place where the infringing results occurred or might occur.<sup>32</sup>

34 This approach is supported by the 2001 Draft of the Hague Judgment Convention, which outlines in Article 10(1) that the plaintiff may bring an action either at the place of the action, or at the place of the injury.<sup>33</sup> The Nygh/Pocar Report to the Hague Judgment Convention talks about this approach both ensuring that the best placed court in each case is chosen, and allowing the victim to have the benefit of choosing the court in light of which law will be applied.<sup>34</sup> Also, even the CLIP Principles limit the influence of the territoriality principle on their infringement jurisdiction rule.<sup>35</sup> In fact, the CLIP Principles do not refuse to apply the ubiquity theory in IPRs cases by reason of the territoriality principle being an expression of a particular nature of those rights. Rather the refusal to apply the ubiquity theory to IPRs cases originates in their understanding of the territoriality principle as an expression of the proximity principle, under which the most proximal and best placed court to adjudicate the case should always be the court of the country of protection of the IPR involved.<sup>36</sup> The refusal to apply the ubiquity theory to IPRs cases by the CLIP Principles derives also from the act-based conception of IPRs infringement. The same refusal is also grounded in the criticism of the place of the action as an adequate jurisdiction criterion, particularly in Internet cases.<sup>37</sup> In any case, the CLIP Principles still adopt a tempered territoriality approach in relation to the infringement jurisdiction because they follow an effects-oriented approach.

35 Finally, all the Principles in question allow (under different requirements) a centralised jurisdiction to adjudicate on the entire infringement without territorial limitations, and heavily rely on the market impact rule, as will be recalled at paragraph B.IV.4 below.

36 The “territorial approach” with respect to infringement jurisdiction of the CLIP Principles has been criticised by Professor Yuko Nishitani because it does not allow for the capturing of preparatory acts directly in the place where these acts are being perpetrated, when the IPR infringed by these preparatory acts is a foreign IPR. On this, see the example given *supra* in footnote 26.<sup>38</sup>

37 Professor Basedow’s comments on the issue are also relevant, but it is unclear whether these comments are limited to ubiquitous infringements or can be applied more generally to the territo-

rial approach of the CLIP Principles. In his comments, Professor Basedow raises the questions of whether there can be maintained in cases of worldwide dissemination of data the view that the only relevant state is the one where the IPR exists (in fact, if somebody uploads something in one country that infringes rights in other countries it would be reasonable to qualify the act of uploading as irrelevant); and the view that there is unlikely to be relevant evidence in the state where the preparatory acts take place (in fact, “in the state where the material is uploaded, there could, for instance, be witnesses who could testify that certain material was uploaded at a certain point in time.”)<sup>39</sup>

38 However, Doctor Heinze offers an argument in favour of the territorial confinement of jurisdiction, explaining that there are several objections against a rule that gives jurisdiction to a State in which the right does not even exist. One, from a dogmatic point of view it is odd to grant jurisdiction over an intellectual property infringement to a state in which the right does not even exist. Second, since the purpose of the infringement jurisdiction rule is to grant jurisdiction to a court that has proximity to the evidence to be presented in the case, it is assumed that the relevant evidence relating to the IPR infringement can be found in the State where the infringement occurred and thus in the State where the IPR that was allegedly infringed exists. Finally, as for the enforcement concerns and the need to obtain redress quickly, plaintiffs can seek provisional measures in the State where the activities took place by relying on the special jurisdiction rules for provisional measures.<sup>40</sup>

39 Finally, it seems that the stance to be welcomed is the one that favours the application of the jurisdiction rule on tort to claims on the infringement of IPRs i.e. the approach that is followed by the ALI Principles, the Joint Korean and Japanese Proposal and the Transparency Proposal.<sup>41</sup> This position is also in line with the 2001 Draft of the Hague Judgment Convention approach, as is clear by the wording of Article 10, splitting the issues of jurisdiction into the places where the act or omission “that caused injury” occurred, and the place where the “injury arose.”<sup>42</sup>

## IV. Jurisdiction criteria, scope of court’s authority and escape clause

### 1. Differences

40 The ALI Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal all adopt



the so called ubiquity theory,<sup>43</sup> which provides for jurisdiction at the place of the action, and at the place of the result of the infringement.

- 41 With respect to the court at the place of the action, this court's authority is unlimited in scope under the ALI Principles, but is limited under the Transparency and Joint Korean and Japanese Proposals. The place of the action does not provide a sufficient forum to exercise jurisdiction in cases of ubiquitous infringements under the Transparency Proposal, unless the results are maximized in Japan, and under the Joint Korean and Japanese Proposal, the place of the action does not provide a sufficient forum to exercise jurisdiction in cases of multistate infringements, unless the major part of the alleged infringer's activities occurred in the forum state.
- 42 To be more precise, the ALI Principles establish that where the court is situated in the place where the defendant has substantially acted, or taken substantial preparatory acts, to initiate or to further an alleged infringement, the court has jurisdiction and its jurisdiction extends to claims respecting all injuries arising out of the conduct, wherever the injuries occur. Thus, the ALI Principles provide for a centralised jurisdiction in favour of the courts at the place of action, independent of the means utilised to perpetrate the infringement, and therefore not only in cases of "ubiquitous infringements", (this wording is not adopted by the ALI Principles). This solution allows for consolidation of jurisdiction at the place from which the infringement in its entirety has started, such as in the country where the infringing content was first published or uploaded or where the infringing goods were fabricated.
- 43 The Japanese Transparency Proposal establishes in Article 105 that Japanese courts shall have jurisdiction over an infringement claim if the infringing act took place or is likely to take place in Japan. The extent of jurisdiction of the court at the place where the infringing act took place or is to take place is established by the first part of Article 105, which states that infringement jurisdiction should only extend to the territory of the State which has grounds for infringement jurisdiction. However, the Japanese Transparency Proposal poses an exception to the general rule, which can be recalled as an "escape clause", because under the second part of Article 105, Japanese courts shall decline jurisdiction in cases of "ubiquitous infringement" claims. Therefore the defendant can escape the Japanese jurisdiction.
- 44 The Joint Korean and Japanese Proposal poses the principle that infringement jurisdiction shall vest in the courts in all countries where the alleged infringement occurs, stating that "A person may be sued in the courts of any state where the alleged infringement occurs" (Article 203 (the 1<sup>st</sup> sentence of paragraph (1))). The so-called "[S]tate in which the major part of his or her activities that initiate infringement" (it is worth noting here that this second sentence in Article 203(1) is missing the word "occur" at the end) means not only the State in which those allegedly infringing activities were initiated, but also the State in which the injuries arising out of those activities occur. The Joint Korean and Japanese Proposal limits the scope of jurisdiction of the courts of the State where the activities occurred to the injuries occurring in that State, as this is the country to which the activities of the defendant were "directed" (under Article 203(2)). However, Article 203 (the 2<sup>nd</sup> sentence of paragraph (1)) poses an escape clause according to which when the injuries occur in multiple States, regardless of the sequence of those injuries, the person whose infringement activities give rise to those injuries may be sued in the courts of the State in which the major part of his or her activities that initiated the alleged infringement occurred. So, if the defendant did not perpetrate the major part of his/her activities in the forum state, then he/she cannot be sued there. Finally, the Comments to Article 203 (specifically, to the 2<sup>nd</sup> sentence of paragraph (1)) clarify that the "state in which the major part of his or her activities ... [occur]" means the State in which the essential and substantial part of those activities occur. International jurisdiction with regard to infringements occurring in multiple states is then granted to the courts in the country where the "major part" of the activities initiating the infringement took place. This court can deal with all the claims arising out of that infringement irrespective of the fact that they are located outside the forum state.
- 45 The 2001 Draft of the Hague Judgment Convention seems to support the limited approach taken by the Transparency Proposal and the Joint Korean and Japanese Proposal. Article 10(1)(a) states that a plaintiff may bring an action "in the courts of the State – in which the act or omission that caused the injury occurred." This is then limited by the requirement in (2); namely that the "activity" complained of must have been directed to that State by the defendant, or have been engaged in by the defendant frequently or significantly in that State, and that the claim arises out of that activity, and the overall connection of the defendant to that particular State means it is reasonable for the defendant to be sued in that State. Furthermore, Article 10(3) provides an escape rule, in that the defendant cannot be sued in the place of action "where the defendant has taken reasonable steps to avoid acting in or directing activity into that State."
- 46 With respect to the court at the place of the result, the ALI Principles, the Transparency Proposal, and the Joint Korean and Japanese Proposal establish jurisdiction at the place of the result of the infringement, but provide for a territorially limited scope of the corresponding courts' authority. In addition,

these sets of Principles provide escape clauses, allowing the court at the place of the result to dismiss the case when the activities are not directed to the forum state (ALI Principles), in cases of ubiquitous infringements (Transparency Proposal), and in relation to multistate infringements (Joint Korean and Japanese Proposal). However the court at the place of the result shall not dismiss the case and therefore shall exercise jurisdiction without any territorial limitation on all of the infringement claims (centralized jurisdiction) in the case of ubiquitous infringements, whenever the results are maximised or are to be maximised in Japan, under the Transparency Proposal; and in the case of multistate infringements when the major part of the activities that initiated the alleged infringement occurred in the forum state, under the Joint Korean and Japanese Proposal.

- 47 To be more precise, the ALI Principles state that the plaintiff may also sue before the court of any State in which the defendant's activities give rise to an infringement claim. The extent of the jurisdiction of the court of the state where the infringement occurred is limited to injuries suffered in that forum state. As for the escape clause of the ALI Principles, according to the second sentence of Section 204(2), the jurisdiction of the courts at the place of infringement can be denied if the defendant did not direct his/her activities to that state.<sup>44</sup>
- 48 The Japanese Transparency Proposal establishes in Article 105 that Japanese courts shall have jurisdiction over infringement if the results of an IPR infringement occurred or are to occur in Japan. The extent of jurisdiction of the court at the place where the results of the infringement occurred or are to occur is established by the first part of Article 105, which sets forth the general principle that infringement jurisdiction should only extend to the territory of the State where the ground for attributing such jurisdiction exists. However, the Japanese Transparency Proposal also poses an escape clause. Hence, according to the second part of Article 105, Japanese courts shall decline jurisdiction over "ubiquitous infringement" claims. However, there is an exception to the escape clause, thus allowing the court seized to exercise jurisdiction whenever the results of the ubiquitous infringements are maximised or are to be maximised in Japan. In this case the court can exercise jurisdiction over the entire infringement, regardless of where the injuries occur. Thus, if the infringements at stake are perpetrated throughout an ubiquitous medium (e.g., the Internet) and the State of the forum is also the state where the results of the infringement are maximized, Article 105 confers centralized jurisdiction on the courts of the forum State to adjudicate the entire infringement claims wherever the injuries occur.
- 49 The Joint Korean and Japanese Proposal establishes the principle that infringement jurisdiction shall be vested in the courts in all countries where an infringement occurs, stating that "A person may be sued in the courts of any state where the alleged infringement occurs" (the 1<sup>st</sup> sentence of paragraph (1)). The so-called "[S]tate in which the major part of his or her activities to initiate an alleged infringement [occur]" means not only the State in which those activities that initiate the alleged infringement occur but also the State in which the injuries arising out of those activities occur. This is made clear by the Comments to the Joint Korean and Japanese Proposal, which first reintroduce the category of activities, not present in the text of the Proposal, and characterize this category as encompassing both activities and results. The Joint Korean and Japanese Proposal limits the extent of jurisdiction of the courts of the State in which the injuries arising out of those activities occur to the injuries occurring in that State, as this is where the activities of the defendant were "directed". However, Article 203 (the 2<sup>nd</sup> sentence of paragraph (1)) poses an escape clause. According to this Article, when the injuries occur in multiple states, the person whose infringement activities give rise to those injuries may be sued in the courts of the State in which the major part of his or her activities that initiated the alleged infringement occurred, regardless of the sequence of those injuries. Thus, an injury suffered in a State is not sufficient for jurisdiction; only a State where the defendant perpetrated a major part of his or her allegedly infringing activities will have jurisdiction under this Article (see *supra* B.IV.1).
- 50 The 2001 Draft to the Hague Judgment Convention takes a similar approach to the other three sets of Principles discussed. Article 10(1)(b) makes it clear that the plaintiff can bring a claim in the State in which the injury arose. However the same section poses an escape clause, in that if the defendant establishes that the person purported to be responsible could not reasonably foresee that the act or omission could result in an injury in that State, the plaintiff will not be able to bring their action there.
- 51 Article 10(5) establishes the extent of the jurisdiction of courts in the State where the result has occurred. It states that those courts will have jurisdiction "only in respect of the injury that occurred or may occur in that State, unless the injured person has his or her habitual residence in that State."
- 52 The jurisdiction at the place of the infringement means the jurisdiction at the place of both the infringement activity and the infringement results under the CLIP Principles. This is due to the notion that activity and results cannot be split up due to the territorial nature of IPRs. Yet, Article 2:202 requires that the infringing conduct that can base the infringe-

ment jurisdiction occurs in a certain State, and is directed to that certain State.<sup>45</sup>

- 53 In addition, the CLIP Principles establish a territorially limited scope of the court's authority under 2:203(1) i.e., the court can only adjudicate on the infringements that occurred inside its State. Although there is a territorial limitation of the jurisdiction to the place of the infringement under the CLIP Principles, it was considered necessary to allow the court at the place of the infringement to have centralized jurisdiction over the entire infringement, with no territorial confinement, in one exceptional case: when the infringement is perpetrated through ubiquitous media. Ubiquitous infringement "means concurrent multi-territorial infringements evoked by a single act of operation"<sup>46</sup> – with the main example of ubiquitous media being the Internet. In these cases, the CLIP Principles provide that the court shall exercise jurisdiction with respect to the entire infringement, namely the infringement that occurs or may occur within the territory of the forum State as well as in any other States, when a number of qualifications are met (set out under Article 2:203(2)). First, the allegedly infringing activity must be carried out through ubiquitous media. Second, such activity must have no substantial effect in the State or States where the alleged infringer is habitually resident. Third, even if an alternative forum can be established in principle, the venue chosen by the plaintiff must conform to a positive requirement in order to ensure that it is not chosen arbitrarily. Namely, it must be established that either substantial activities in furtherance of the infringement have been carried out in the forum State, or that the harm occurring in that State is substantial in relation to the infringement in its entirety.<sup>47</sup>
- 54 In contrast, as outlined above, the court at the place of the infringement does not have jurisdiction at all when the defendant did not act in the forum state in furtherance or initiation of the infringement, and if the activities causing the infringement cannot reasonably be seen as having been directed to that State (under Article 2:202). This clause is also called an escape clause because it allows the defendant the possibility of escaping the infringement court's jurisdiction.<sup>48</sup> The elements in the escape clause are meant to apply cumulatively, signified by the use of "and". If one is lacking, infringement jurisdiction will still be found.
- 55 With respect to the escape clauses, the Japanese Transparency Proposal applies its escape clause in a stricter way than the ALI Principles, the CLIP Principles and the Joint Korean and Japanese Proposal. Thus, the Japanese Transparency Proposal allows for a broader exercise of jurisdiction by forum State courts, allowing Japanese courts to exercise jurisdiction when the result of the infringement is maximised in Japan. Indeed, the category of "results of the infringement" is very broad and poses problems with respect to its characterisation. Moreover, the Japanese Transparency Proposal does not pose any further conditions other than the results being maximised in Japan, such as the activities being directed to Japan or the defendant acting in Japan.
- 56 In contrast, these conditions are posed by the other sets of Principles. Hence, the CLIP Principles allow for the exercise of jurisdiction by forum State courts only if the alleged infringement occurred or will occur in that State, and the defendant either acted in the forum state to initiate or further the infringement or directed his/her activity to the same state, or both.
- 57 The ALI Principles allow the forum state court to exercise jurisdiction only when the defendant directed his/her activities to the forum state, independently of his/her acting also in that state.
- 58 The Joint Korean and Japanese Proposal conditions the exercise of jurisdiction to the case of multistate infringements where the major part of the defendant's activities that initiate the alleged multistate infringement occurred in the forum state (according to the Comments to the Joint Korean and Japanese Proposal, this means the state in which the essential and substantial part of those activities occur). So, while the notions of activity directed to or defendant acting in the forum state can be assessed by taking into account all of the relevant circumstances, including the language, content, and other aspects from which the territorial scope of the targeted area may be inferred, it is not clear what kind of assessments characterise the notion of "results maximised in Japan", and it seems it would be possible to ascertain jurisdiction under this requirement where the merely economic results of the infringement are suffered in Japan.
- 59 However, the Japanese Proposal only allows for the application of the escape clause to cases when the allegedly infringing activity is spread through ubiquitous media. In contrast, the Joint Korean and Japanese Proposal allows for the application of the escape clause to multistate infringements cases that are not necessarily perpetrated throughout the Internet or another form of ubiquitous media. Also, the CLIP Principles and the ALI Principles do not condition the application of their escape clauses to the nature of the means through which the infringement is perpetrated, or to the number of countries involved in the infringement.
- 60 The 2001 Draft of the Hague Judgment Convention is similar to the CLIP Principles in that its escape clause is based on the activities of the defendant, rather than on the type of media involved or whether the infringement is multistate. This is discussed below in paragraph B.IV.4.



- 61 With particular regard to centralised jurisdiction, the following can be said. The ALI Principles, the CLIP Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal allow for the adjudication of the infringement in its entirety in certain circumstances. Under the CLIP Principles, it is only when the infringements are committed through a form of ubiquitous media, whereas the ALI Principles, the Joint Korean and Japanese Proposal, and the Japanese Transparency Proposal also allow for the consolidation of claims with respect to infringements carried out in other ways. In contrast to the CLIP Principles, the Transparency Proposal impedes the centralization of jurisdiction with respect to infringements carried out throughout ubiquitous media, save when the results are maximized in Japan.
- 62 In this respect the CLIP Principles are much stricter than the other Principles and Proposals in allowing centralized jurisdiction. In fact, while the Transparency Proposal has a similar rule with respect to ubiquitous infringement, the CLIP Principle's rule is still stricter. Hence, the relevant Transparency Proposal rule operates independently from the fact that the activities allegedly causing the infringement have substantial effect in the State or States where the alleged infringer is habitually resident, whereas the CLIP Principles rule requires that the activities allegedly causing the ubiquitous infringement have no substantial effect in the State or States where the alleged infringer is habitually resident. However, the CLIP Principles, like the Transparency Proposal, allow for centralized jurisdiction over infringement claims before the forum state courts even though not all of the activities in furtherance of the infringement have been carried out within the territory of the forum state, when the harm caused by the infringement in the forum state is substantial (CLIP Principles) and when the results of an "ubiquitous infringement" are maximized or are to be maximized in Japan (Transparency), respectively.
- 63 Furthermore, the CLIP Principles establish certain requirements that must be met before extending the scope of the jurisdiction to the entire infringement (set out under Article 2:203(2)(a) and (b)). These requirements are much stricter than the ones posed by the corresponding rules of the ALI Principles, the Joint Korean and Japanese Proposal<sup>49</sup> and the Transparency Proposal with regard to infringements spread through non-ubiquitous forms of media (these are outlined below). However, the Transparency Proposal does have a rule on infringements carried out through ubiquitous media that seems to pose requirements similar to the CLIP Principles' corresponding provisions, namely that the results of the "ubiquitous infringement" are to be maximized in Japan.
- 64 Specifically, the CLIP Principles require that the activities allegedly causing the ubiquitous infringement
- ment have no substantial effect in the State or States where the alleged infringer is habitually resident, and that the activities in furtherance of the infringement in its entirety have been carried out within the territory of the forum state or the harm caused by the infringement in the forum state is substantial. In contrast, the ALI Principles establish that the court situated in the place where the defendant has substantially acted, or taken substantial preparatory acts, to initiate or further an alleged infringement has jurisdiction extending to claims respecting all injuries arising out of the conduct, wherever the injuries occur. This result is the same with regard to the corresponding Transparency Proposal rule related to infringements carried out through non-ubiquitous forms of media (it must be that the infringing act took place or is to take place in Japan), and with regard to the Joint Korean and Japanese Proposal's corresponding provision on multistate infringements (the forum state must be the state in which the major part of the activities occur).
- 65 Finally, the ALI Principles also provide for an alternative forum when a person cannot be sued in a Member State of the WTO with respect to the full territorial scope of the infringement. In this case, Section 204(3) of the ALI Principles provides that a person may be sued before the courts of any State where his/her activities give rise to infringement claims, if the activities were directed to that State, or where the person solicits or maintains regular business contacts, whether or not that activity is connected with the infringement. The provision only applies in the rather rare case that a person is habitually resident in a non-WTO State. Such a person would then be amenable to court, without territorial restrictions, in any country to which his or her activities are directed, or with which substantial contacts of any kind are maintained. The extent of jurisdiction of the court seized on the basis of Section 204.3 concerns the entire infringement and thus covers all injuries that relate to the alleged infringement in the State, regardless of where the injuries occurred.
- 66 The 2001 Draft of the Hague Judgment Convention also seems to allow the adjudication of the entire infringement in one centralised jurisdiction in certain cases, as is discussed below in paragraph B.IV.4.

## 2. Rationale

- 67 With regard to the jurisdiction at the place of the action, the ALI Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal grant Jurisdiction at the place of the action. The extent of this jurisdiction, however, varies among those sets of Principles.
- 68 The ALI Principles establish that a court situated in the place where the defendant has substantially



acted, or taken substantial preparatory acts, to initiate or to further an alleged infringement has jurisdiction and its jurisdiction extends to claims respecting all injuries arising out of the conduct, wherever the injuries occur. Thus, the ALI Principles provide for a centralised jurisdiction in favour of the courts at the place of action independent from the means utilised to perpetrate the infringement. According to the Comments to this rule “examples of substantial activity, in addition to those discussed in Comment a, include maintaining a manufacturing or distribution center for patent-infringing components, or a factory that silkscreens infringing trademarks onto T-shirts.”<sup>50</sup> This solution allows consolidation of judgments at the place from which the infringement in its entirety has emanated, such as in the country where the infringing goods were fabricated, or where the infringing content was first published. The provision may also be said to implement the approach of the ECJ *Shevill* decision.<sup>51</sup>

69 The Japanese Transparency Proposal establishes in Article 105 that Japanese courts shall have jurisdiction over infringement if the infringing act took place or is to take place in Japan. This rule adopts the same notion of “infringing act” as has been adopted by the new Japanese Act on International Jurisdiction. This Act establishes that an action related to a tort may be filed in the courts of Japan when “the tort occurred in Japan (except where the result of a harmful act committed abroad has occurred in Japan and the occurrence of that result in Japan would have been normally unforeseeable).”<sup>52</sup> According to the Annotation which accompanies this Act, “in the cases where the place of a harmful act and the place of the result of the act differ, it is sufficient if either the act or the result took place in Japan except in the case mentioned in the bracket” (i.e., except where the harm would have normally been unforeseeable).<sup>53</sup> This rule is applicable to IPRs, because of the absence of a specific provision on these torts and the exclusion of IPRs infringements from the scope of exclusive jurisdiction rule.<sup>54</sup> Article 105 also establishes the scope of jurisdiction granted to the court at the place where the infringing act took place or is to take place, by adopting the general principle that infringement jurisdiction should only extend to the territory of the State where the ground for attributing such jurisdiction exists.

70 The Japanese Transparency Proposal also poses both a general escape clause and an exception to the escape clause, as discussed above. In this case, the court has jurisdiction to adjudicate the entire infringement, wherever the injuries occur. The exceptional character of the escape clause in Article 105 of the Transparency Proposal is marked by the grammatical structure of the provision. It follows from the wording (“except the case where ...”) that the

burden for establishing that the jurisdiction does not exist lies with the defendant contesting jurisdiction.

71 This rule partially reflects Japanese law. The new Japanese Act on International Jurisdiction establishes that an action related to a tort may be filed with the courts of Japan when “the tort occurred in Japan (except where the result of a harmful act committed abroad has occurred in Japan and the occurrence of that result in Japan would have been normally unforeseeable).”<sup>55</sup> The rule offers a valid basis to deny the jurisdiction of the Japanese courts in cases where the contacts between the forum and the tortfeasor are very weak, including cases where the infringing content is merely accessible from Japan, but has not been directed there and does not have a substantial effect on the market.<sup>56</sup> Similarly, the Transparency Proposal uses the escape clause to deny international jurisdiction to the courts in Japan in cases where the infringement is spread through ubiquitous media, except in cases where the results of the ubiquitous infringement are maximised in Japan. This reflects the approach adopted by the Japanese Act on International Jurisdiction, since in most cases of ubiquitous infringement, it is highly probable that the occurrence of the harmful effect in Japan was unforeseeable. Additionally, while the exception to the escape clause is grounded without any reference to the foreseeability requirement, in the case that the results were maximised or are to be maximised in Japan, that result would be “usually foreseeable.”<sup>57</sup> Furthermore, the Japanese Transparency Proposal rule denies jurisdiction only where the results of the harmful effects that are unforeseeable are spread through ubiquitous media, whereas the new Japanese Act on International Jurisdiction denies the Japanese jurisdiction independently from the way in which the tort was committed. Finally, the Transparency Proposal conditions the exercise of jurisdiction in its entirety over ubiquitous infringement claims by Japanese courts to the fact that the results of the infringement are maximised in Japan without adopting the connecting factor of infringing activities. This is because “in the era of cloud computing, a server as the central point of infringement is no longer identifiable. It means that identifying an infringing “act” does not make much sense, and the factor of an act is losing its significance as [a] jurisdictional ground in the context of [the] Internet.”<sup>58</sup> Another Japanese scholar has stated similarly that “[a]fter all, it seems appropriate to accept the assertion that, in regards to IP infringement on the Internet, identifying an infringing “act” does not make much sense, and the factor of an “act” is losing its significance as a jurisdictional ground. Therefore, the place of the result should be the jurisdictional ground in the context of the Internet.”<sup>59</sup>

72 In a recent case concerning the infringement of patents on the Internet, the IP High Court in Japan ad-

addressed whether the principle of territoriality has anything to do with international jurisdiction. The plaintiff, a Japanese company, sought an injunction and damages against a Korean company, whose website contained information about products allegedly infringing the plaintiff's patents. The plaintiff argued that the website constitutes an "offering for assignment," which constituted an infringement of the plaintiff's Japanese patents. The Court first declared "that it is appropriate to determine a Japanese courts' international jurisdiction over the case according to whether the transmitting act of the offering or the reception of the offering as the result occurred in Japan or not."<sup>60</sup> The Court went on to analyze the specific circumstances of the case with respect to the website, such as the introduction of the allegedly infringing product, providing the addresses and telephone number of the defendant's sales headquarters in Japan, and the possibility of sales inquiries for similar products through the defendant's webpage.<sup>61</sup> However, after analyzing these specific circumstances, the Court affirmed its international jurisdiction without making clear whether the infringing act or the result arising out of it had occurred in Japan.<sup>62</sup>

- 73 The Joint Korean and Japanese Proposal poses the principle that infringement jurisdiction shall be vested in the courts in all countries where an infringement occurs, stating that "[a] person may be sued in any state in which infringement activities occur (the 1<sup>st</sup> sentence of paragraph (1), Article 203). However, the Comments to the Proposal make clear that "the so-called "state in which the major part of his or her activities that initiate the alleged infringement [occur]" means not only the state in which those activities to initiate that infringement occur but also the state in which the injuries arising out of those activities occur". The Comments then go further and maintain at footnote 9 that "[t]he same provision" on jurisdiction with respect to infringement is also found in the Transparency Proposal (Article 105). However, an infringement of intellectual property rights differs from a traditional tort. Any conduct infringing the absolute intellectual property right is enough to constitute an infringement. In summary, it seems that the Joint Korean and Japanese Proposal grants jurisdiction to the court of the State where the activity to initiate an infringement occurred, even though the Comments suggest taking the territoriality principle into account. The Joint Korean and Japanese Proposal limits the extent of jurisdiction of the courts of the State where the activities occurred to the injuries occurring in that State, as that State is where the activities of the defendant were "directed". In this regard, the Comments to this rule recall the ECJ *Shevill* jurisprudence<sup>63</sup> and emphasize that jurisdiction should be limited to those claims respecting the injuries occurring within that state.
- 74 However, Article 203 (the 2<sup>nd</sup> sentence of paragraph (1)) poses an escape clause which posits that when the injuries from an infringement occur in multiple states, the person whose infringement activities give rise to those injuries may be sued in the courts of the State where the major part of his or her activities initiating the alleged infringement were taken, regardless of the sequence of those injuries. Thus, if the defendant did not perpetrate the major part of his/her activities in the forum state then he/she cannot be sued there. Yet, according to the Comments to Article 203 (the 2<sup>nd</sup> sentence of paragraph (1)) the "state in which the major part of those activities occur" means the "state in which the essential and substantial part of those activities occur." In respect to international jurisdiction with regard to infringements occurring in multiple states, the Joint Korean and Japanese Proposal grants jurisdiction to the courts in the country where the "major part" of the activities initiating the infringement took place, without any relevance given to the media through which the infringement is perpetrated. This court can deal with all the claims arising out of that infringement irrespective of their location outside the forum state. However, the same Comments to this Article maintain that "there is much difficulty in definitely specifying the circumstances under which this Article applies and it may be unduly applied" grounding an unduly centralized jurisdiction. Thus, the Comments refer to Article 211 which requires some special considerations to be taken into account by the court which has international jurisdiction in deciding whether to exercise that jurisdiction ("the court when it finds that there are special circumstances that will be harmful to fairness between the parties and prevent due process or prompt trial, considering the nature of the action, convenience for the defendant to enter an appearance, domiciles of the parties and witnesses to be examined, the location of material evidence to be collected and any other circumstances, may dismiss an action partly or wholly"). Furthermore, the Comments to Article 203 maintain that it is necessary to "prevent the excessive application of this Article".
- 75 The 2001 Draft of the Hague Judgment Convention also allows for centralization of jurisdiction at the place of the action, as is discussed below in paragraph B.IV.4.
- 76 With respect to the jurisdiction at the place of the infringement/results, in all the Proposals the extent of jurisdiction at the place of the infringement/results is restricted to infringements that occurred in that country, following the "mosaic approach". However, under certain conditions, consolidation of claims is allowed.
- 77 The ALI Principles state that the plaintiff might utilise the court of any State in which the defendant's activities give rise to an infringement claim. The

extent of the jurisdiction of the court of the State where the infringement occurred is limited to activities occurring in that forum state. This provision is consistent with the approach taken in the ECJ *Shevill Case*.<sup>64</sup>

- 78 Yet, the ALI Principles pose an escape clause: the second sentence of Section 204(2) provides that the jurisdiction of the courts at the place of infringement can be denied if the defendant did not direct<sup>65</sup> his or her activities to that state. This reflects the desire to avoid granting jurisdiction in cases of infringement that occurred accidentally. Furthermore, in those cases the infringements generally have *minimal effects* (see above). The notion of “directing activities” was adopted so as to express a standard which is less strict than “targeting”, while retaining an element of intentionality.<sup>66</sup> The escape clause is drafted for application in all types of cases. Yet, it is reasonable to assume that it will be applied especially in Internet cases. This assumption derives from i.a. the ALI Principles’ Reporters Notes that concentrate on Internet cases.<sup>67</sup> The escape clause allows, then, for restriction of jurisdiction in certain cases of “overspill”. Such restrictions may be called for when a potential infringer has limited or no control over the territorial impact of the allegedly harmful action, because the effects of the initiating act are “dispersed” over different territories. Most typically, this occurs when infringing content is distributed through mass media. All of the circumstances of a given case must be taken into account when assessing whether activities were “directed” to the forum State. For example, if the infringing material is dispersed through a website, a court should consider factors such as the languages used on the site; types of currency accepted; references to localities; and, when appropriate, disclaimers.<sup>68</sup>
- 79 The Japanese Transparency Proposal establishes in Article 105 that Japanese courts shall have jurisdiction over infringement if the results of an IPR infringement occurred or are to occur in Japan. This rule adopts the notion of results of the infringement which is also proper under the new Japanese Act on International Jurisdiction, as already mentioned.<sup>69</sup> The results criterion is particularly important for the Transparency Proposal as will be highlighted when the ubiquitous infringements centralised jurisdiction of this Proposal will be addressed.<sup>70</sup>
- 80 The 2001 Draft of the Hague Judgment Convention also allows for consolidation of claims in the place of the result under one condition, which is discussed below in paragraph B.IV.4.
- 81 According to Article 2:202 of the CLIP Principles, in disputes concerned with infringement of an IPR, a person may be sued in the courts of the State where the alleged infringement occurs or may occur. As previously mentioned, the Comments make clear that the notion of infringement adopted by this proposal is comprehensive of both activity and results and cannot be split up due to the territorial nature of IPRs.
- 82 Paragraph 1 of Article 2:203 sets forth the general principle that infringement jurisdiction should only extend to the territory of the State where the ground for attributing such jurisdiction exists, i.e. the State where the infringement occurred or may occur. Although this Article establishes a general jurisdiction rule that is territorially restrictive, the drafters did consider it necessary to allow for centralized jurisdiction in one specific case, namely when the infringements are perpetrated through ubiquitous media. In these cases, paragraph 2 of Article 2:203 establishes an alternative forum in favour of the court that has jurisdiction according to Article 2:202. This court shall exercise jurisdiction with respect to the entire infringement, namely the infringement that occurs or may occur within the territory of the forum State as well as within any other States, provided that a number of qualifications are met. First, the infringing activity must be carried out through an ubiquitous medium. Second, the allegedly infringing activity must have no substantial effect in the State or States where the alleged infringer is habitually resident. This clause is intended to protect against abuse of the system: if the alleged infringer does not direct her/his business to the market in the State where she/he has taken residence, there is no demonstrable reason for choosing that location to reside in other than to evade an efficient pursuit of justice. Third, even if an alternative forum can be established in principle, the venue chosen by the plaintiff must conform to a positive requirement in order to ensure that it is not chosen arbitrarily: it must be established that either substantial activities in furtherance of the infringement have been carried out in the forum State, or that the harm accruing in that State is substantial in relation to the infringement in its entirety. The rationale of the CLIP Principles ubiquitous infringement rule is that when the infringement is committed through ubiquitous media, such as the Internet, the risk for wide-spread infringement is extremely high and the ability to effectively and efficiently enforce one’s claims may be seriously hampered.<sup>71</sup> For example, the infringer may not have any production sites or a sizeable business establishment of some permanence, where his habitual residence can be located. The problem is further enhanced by the fact that whatever is needed for carrying out the infringement – in particular the location of the server – can be swiftly moved, and can be set up without much difficulty in states which either do not provide an adequate level of legal protection, or where the law remains on paper only and is not enforced in practice (“information havens”).<sup>72</sup>



In such cases of *abusive conduct*, when the alleged infringer seeks to evade an efficient pursuit of justice, the plaintiff would be unfairly disadvantaged if the possibility were denied to establish infringement jurisdiction extending over national borders in an alternative forum, independent of the state of the defendant's habitual residence.

- 83 As for the escape clause of the CLIP Principles, which is provided for in the second part Article 2:202, as already recalled, an activity cannot ground infringement jurisdiction “unless the alleged infringer has not acted in that State to initiate or further the infringement and his/her activity cannot reasonably be seen as having been directed to that State”. In other words if the defendant can demonstrate that he/she did not act or direct his/her activities to the forum state, the courts of this state shall decline jurisdiction even though these activities are located in the country that granted the right and therefore should be considered as the *forum delicti*. As already seen the requirements of the acting in that State and directing the activity in that same State are meant to implement the “directed to” test and the “commercial effects” qualification.<sup>73</sup> Yet, the new version of the CLIP Principles modified the wording of the rule, dropping the requirement of substantiality which was posed by the previous version of the rule and shifting the burden of proof to challenge infringement jurisdiction to the alleged infringer. These variations were made in response to criticisms addressed to the previous version of the correspondent rule. Those criticisms highlighted that if infringement jurisdiction could only be established by proving substantial activities or substantial harm within the territory of the forum state this could have been too burdensome for the claimant, usually the IPR owner. In fact, IPRs owners generally only find a single infringing item on the relevant market, and as a consequence seize the court of the state of the market in question to obtain information and typically an injunction stopping further infringement. In those cases, therefore, it would be difficult for the IPR owner to demonstrate the substantial activity or harm in the relevant market, having as mentioned only single items as relevant proofs.<sup>74</sup>
- 84 With particular regard to centralized jurisdiction the following can be said. All sets of Principles allow for centralized jurisdiction when certain requirements are met.
- 85 The CLIP Principles pose 4 requirements. First, centralized jurisdiction can be established only with respect to Internet or other ubiquitous media cases. Second, the Principles require that the activities allegedly causing the ubiquitous infringement have no substantial effect in the State or States where the alleged infringer is habitually resident, since otherwise the court would lack jurisdiction.<sup>75</sup> Third, the activities in furtherance of the infringement have been carried out within the territory of the forum state in its entirety. Fourth, as an alternate requirement with respect to the third one, the harm caused by the infringement in the forum state is substantial. The fourth requirement was posed as an alternative requirement to the third one in a later version of the Principles. In fact, the rule in the previous version allowed centralized jurisdiction to be grounded only in cases “such as, e.g., a website provided by a natural person domiciled at Caribbean Island who operates the services mainly from the US without being domiciled there. In this case the rule would grant unlimited jurisdiction in the US for infringement claims.”<sup>76</sup> Yet, this rule was considered to be too strict, and therefore the new version of the CLIP Principles and their final draft included the alternative requirement number four just mentioned, to capture also other cases. So, for instance if the defendant operates his website from its domicile in the Caribbean and targets US markets with his website US courts should have unlimited jurisdiction “if the highest share of the claimed damages or threatened damages relates to the infringement in the US irrespective of whether substantial activities have taken place in the US or not.”<sup>77</sup>
- 86 In contrast, the ALI Principles establish that where the court is situated in the place where the defendant has substantially acted, or taken substantial preparatory acts, to initiate or to further an alleged infringement, the court's jurisdiction extends to claims respecting all injuries arising out of the conduct, wherever the injuries occur.
- 87 Furthermore, the ALI Principles grant unlimited jurisdiction to certain courts in cases where the defendant is resident in a non-WTO member State. The aim of this rule as adopted by the ALI Principles is to prevent a situation where a plaintiff's claims cannot efficiently be enforced in the defendant's forum due to the fact that she/he “hides” in a State where legal standards are low and pursuit of justice will be difficult. Using lack of WTO-membership as an element to identify such non-amenable fora has the advantage of offering an objective and plausible criterion for the distinction: if a State is bound to WTO/TRIPS, it is presumed that its court system lives up to the standards prescribed in TRIPS with regard to substantive law as well as to the enforcement mechanisms available.
- 88 The centralized jurisdiction at the place of the action irrespective of the means adopted to perpetrate the infringement is established by the Joint Korean and Japanese Proposal on multistate infringements, which is therefore in line with the ALI Principles corresponding rule. However, the Comments to the Joint Korean and Japanese Proposal relevant rule highlight that “there is much difficulty in definitely



specifying the circumstances under which this Article [on centralized jurisdiction] applies and it may be unduly applied”, thereby unduly grounding centralized jurisdiction. Thus, it is necessary to “prevent the excessive application of this Article”. The Comments refer to Article 211, which requires some special considerations to be taken into account by the court with international judicial jurisdiction in determining whether to exercise jurisdiction (“the court when it finds that there are special circumstances that will be harmful to fairness between the parties and prevent due process or prompt trial, considering the nature of the action, convenience for the defendant to enter an appearance, domiciles of the parties and witnesses to be examined, the location of material evidence to be collected and any other circumstances, may dismiss an action partly or wholly”).

- 89 The Transparency Proposal allows centralized jurisdiction in cases of ubiquitous infringements but only when the result of the infringement is localized in Japan. The reason for this rule is that “in the era of cloud computing, a server as the central point of infringement is no longer identifiable. It means that identifying an infringing “act” does not make much sense, and the fact of an “act” is losing its significance as jurisdictional ground in the context of the Internet.”<sup>78</sup> Yet the place of the occurrence of the result is further specified by the Transparency Proposal. In fact, since this place can be largely expanded in a potentially unlimited number of states when the infringement occurs through the Internet the Transparency Proposal focuses on the country where the results are to be maximized. According to the annotation to this rule “such a country is usually foreseeable to persons who allegedly infringe or have infringed the intellectual property in question.”<sup>79</sup> This explains also the reason why the Transparency Proposal does not contain any exceptions to this rule that allows alleged infringers to escape jurisdiction in cases where the place of the result was unforeseeable, like the relevant Japanese civil procedure national rule does.<sup>80</sup> The place where the results are to be maximized should be determined by taking into account all relevant factors, such as the language of the website that typically indicates its targets (a website written exclusively in Japanese will target only Japanese consumers).<sup>81</sup>

### 3. International Context

- 90 During the negotiations of the Hague Draft Convention on International Jurisdiction and Recognition of Foreign Judgments (hereafter Draft Convention), there was no consensus on whether to include IPRs infringement proceedings in the exclusive jurisdiction rule, which would limit jurisdiction over infringement claims to the courts of the State that

recognized or granted the IPR.<sup>82</sup> In fact, assuming IPRs should have fallen within the scope of the Hague Convention, two alternative provisions were proposed, of which Alternative A granted exclusive jurisdiction for pure infringement proceedings to the State of registration and Alternative B excluded IPRs infringement claims from the scope of the exclusive jurisdiction rule. Despite the limited scope of the exclusive jurisdiction rules at least under Alternative B, the issue of exclusive jurisdiction was extensively debated during the Hague Draft Convention negotiations.<sup>83</sup> During the special meeting of experts from different negotiating countries in February 2001, many differences between the approaches adopted in separate legal systems were examined. Particularly, the US delegation opposed the need for an exclusive jurisdiction rule in general, pointing out the “almost uniform opposition in the private sector to the current text as it applies to intellectual property rights; and [the] great difficulty in understanding the structure of the draft convention text.”<sup>84</sup> More specifically, “the US could not accept (*in personam*) jurisdiction in infringement on IP rights cases over a defendant who had no relation with the jurisdiction”,<sup>85</sup> and also “raised questions about the need for exclusivity” highlighting that “some of the US private sector comments clearly oppose exclusive jurisdiction.”<sup>86</sup> The delegations of UK, Australia and China supported the view that exclusive jurisdiction should apply to the infringement of the patent. A number of other delegations, including Switzerland, Finland and Sweden, supported a more flexible view, according to which first, “insofar as patent [infringement] disputes [are] arbitrable, it seem[s] inconsistent to confer exclusive jurisdiction for such disputes upon State courts”; second, “co-ordination between the proceedings on validity and on infringement could be ensured by other ways than by providing that the court of the place of registration of the IP right has exclusive jurisdiction to hear all matters related to this right (validity issues as well as infringement issues), for instance, by a suspension of proceedings by the court seized with the infringement claim, pending a decision on the validity by the court of the place of registration of the IP right.”<sup>87</sup> However, the German and UK delegations pointed out that proceeding in this way could lead to a multiplication of litigation, especially when the patent at stake was a European patent and thus the national bundle of rights would require the parties to bring validity proceedings in each of the countries concerned.<sup>88</sup> Finally, the Chair noted that there seemed to be no consensus on the question of whether infringement claims should be included in the scope of any exclusive jurisdiction rule.

- 91 So, should infringement claims not come under the exclusive jurisdiction rule, their relevant jurisdiction was to be found under The Hague Draft Juris-

diction in the rule applicable to all sorts of infringements, namely in Article 10 according to which “a plaintiff may bring an action in tort [or delict] in the courts of the State – (a) in which the act or omission that caused the injury occurred, or (b) in which the injury arose, unless the defendant establishes that the person claimed to be responsible could not reasonably foresee that the act or omission could result in an injury of the same nature in that State.”<sup>89</sup> It is therefore apparent that the Hague Draft Convention adopted the ubiquity theory for IPRs infringement claims, allowing the plaintiff to seize at the place of the action or at the place of the event, under certain requirements and providing also for an escape clause.<sup>90</sup>

- 92 Finally, it is to be noted that the Hague Preliminary Draft Convention of 1999, in Article 10(4), granted unlimited jurisdiction to the court at the place of the plaintiff’s domicile, intended as a *forum delicti*. This approach was criticized as will be highlighted in paragraph B.V.4.
- 93 With regard to pure infringement claims outside the scope of exclusive jurisdiction rules, notwithstanding the fact that in the EU and EFTA legal systems there is no rule establishing exclusive jurisdiction rules for registered IPRs pure infringement issues, since the exclusive jurisdiction rules of the Brussels system do not cover those claims,<sup>91</sup> certain EU/EFTA Member States adopted the view that pure infringement claims fall under the exclusive jurisdiction rule of Article 22(4) rather than under the infringement jurisdiction rule of Article 5(3) of the Brussels System.<sup>92</sup> This approach was adopted in two Italian lower Courts’ decisions which extended the exclusive jurisdiction rules of the Brussels system to pure infringement proceedings, maintaining that “even in the absence of a validity issue, a proceeding on the infringement as well as on the non-infringement of an IPR always requires, as an essential and implicit assumption, a preliminary evaluation of the scope of the patent. It follows, then, the exclusive jurisdiction *ex* Article 22(4) of the (EC) Regulation 44/2001 of the court of the State that granted the patent (or the portion of the European patent).”<sup>93</sup> The same approach was followed by the UK Court of Appeal in *Lucasfilm*, according to which Article 22(4) Brussels I Regulation applies to copyright infringement proceedings and thereby precludes the application of Article 5(3) and Article 2 of the same Regulation.<sup>94</sup>
- 94 Yet, the UK Court of Appeal’s *Lucasfilm* ruling was reversed by the Supreme Court’s 27 July 2011 ruling, which instead confirmed the *Pearce* judgment<sup>95</sup> and maintained that Article 22(4) of the Brussels I Regulation “only assigns exclusive jurisdiction to the country where the right originates in cases which are concerned with registration or validity of rights which are ‘required to be deposited or registered’ and does not apply to infringement actions in which there is no issue as to validity.”<sup>96</sup>
- 95 With respect to positive infringement claims, many reasons militate against the few decisions that extend the exclusive jurisdiction rules of the Brussels system to pure infringement proceedings. Firstly, the literal interpretation of the exclusive jurisdiction rules of the Brussels system emphasises that those rules do not refer to infringement claims and thus do not apply to them. Secondly, this result is confirmed by the Jenard Report to the Brussels Convention, as well as by the Pocar Report to the Lugano Convention, according to which infringement claims do not enter into the exclusive jurisdiction rules of the Brussels system.<sup>97</sup> Thirdly, the same result is confirmed by a systematic interpretation of the EU Brussels I Regulation and the Rome II Regulation,<sup>98</sup> since Article 8 of the latter on “infringement of intellectual property rights”<sup>99</sup> determines the possibility of applying a foreign law to IPRs infringement claims, namely the *lex loci protectionis*, and as such “plainly envisages the litigation of foreign intellectual property rights” infringements.<sup>100</sup> Fourthly, it is widely acknowledged that the extension of exclusive jurisdiction rules to IPRs pure infringement claims is “doubtless wrong.”<sup>101</sup> Fifthly, this result is confirmed also under the CLIP Principles referring to the non-extension of the Brussels system exclusive jurisdiction rules to IPRs infringement claims.<sup>102</sup>
- 96 In the EU frame, with regard to claims related to infringement actions or actions for declaration of non-infringement of the Community trademarks,<sup>103</sup> Articles 92–94 of the Community Trademark Regulation pose “exclusive jurisdiction” rules.<sup>104</sup> However, those norms do not ground the international jurisdiction of a single exclusively competent court, but rather establish a plurality of equally competent tribunals, namely: the (trademark) courts of the EU Member State chosen by the parties according to the Brussels Convention (now Brussels I Regulation); the EU Member State where the defendant is domiciled or has an establishment; the EU Member State where the plaintiff is domiciled or has an establishment; the seat of the Office of Harmonization for the Internal Market (OHIM); or the State where the infringement has been committed or threatened (with the exception of actions for a declaration of non-infringement of a Community trade mark).<sup>105</sup> Thus, as between the courts of EU Member States, the so-called “exclusive jurisdiction” rules established by the CTM Regulation are not actually exclusive at all. However, Articles 92–94 of the Community Trademark Regulation do aim to limit jurisdiction to only the exclusively competent EU tribunals. Thus, for those seeking to sue outside of the EU, these Articles

do effectively establish exclusive jurisdiction rules, albeit in favor of more than one EU court. The conclusions just reached with respect to the Community trademarks also apply in relation to other European and Community IP rights, such as plant variety rights<sup>106</sup> and design.<sup>107</sup>

97 As for the national statutes and case law, since Article 22(4) of the Brussels system does not extend its exclusive jurisdiction rule to registered IPRs infringement claims, EU/EFTA Member States are not required by the Brussels Regulation to apply exclusive jurisdiction rules with respect to those claims. This conclusion is most recently reflected in the UK Supreme Court's *Lucasfilm* judgment.

98 EU/EFTA Member States do not generally include registered IPRs pure infringement claims under their exclusive jurisdiction rules even outside the Brussels system.<sup>108</sup>

99 Furthermore, the same result is achieved by other European continental countries that are not members of the EU/EFTA. Thus, for example, Croatian courts would have jurisdiction over claims involving foreign registered IPRs pure infringement issues, however raised.<sup>109</sup>

100 As for the common law countries, including the UK, outside of the scope of the Brussels I Regulation the following can be said. In the UK, courts have generally refused to adjudicate foreign registered IPRs infringement claims. Yet, the ruling of the UK Supreme Court in *Lucasfilm*, which adopted the opposite view with respect to copyright claims, can be reasonably extended to registered IPRs infringement claims.<sup>110</sup> Furthermore, even if exclusive jurisdiction rules were still applicable with respect to those claims, their adoption should be limited to cases that do not fall under the Brussels system, in order for the exclusion of the exclusive jurisdiction rule rendered by this Regulation to prevail.

101 In Australia, as already recalled, the *Moçambique* rule related to local land actions has been extended to actions for infringement of patents, excluding the jurisdiction of Australian Courts over foreign registered IPRs infringement claims.<sup>111</sup> Yet, as already discussed,<sup>112</sup> recent Australian case law has "eroded the basis" for the *Moçambique* rule "to the point where it now seems possible that Australian courts could decide actions involving the infringement of foreign registered intellectual property rights."<sup>113</sup> At any rate, the Australian state of New South Wales has repealed the application of the *Moçambique* rule.<sup>114</sup>

102 Asian States, including China, Taiwan, Korea and Japan, do not establish any exclusive jurisdiction rules with respect to registered IPRs pure infringe-

ment claims. In China, as already recalled, no exclusive jurisdiction rule is provided for with regard to IPRs claims in general, or specifically with regard to foreign registered IPRs disputes of any nature.<sup>115</sup> Thus, in 2001, the Chinese Supreme Court published the "Interpretation of Several Rules on the Legal Issues arising from Patent Disputes Litigation", which established that "the plaintiff [in a patent infringement dispute] may sue at the place where the infringement occurs or where the defendant domiciles. The place of infringement includes: the place where the alleged patented invention utility model products are manufactured, used, offered for sale, sold, imported; the place where the act of using patented process is committed, where the acts of using, promising to sell, selling, importing products that are directly obtained according to the patented process are committed; where the acts of manufacturing, selling, importing of patented designs products are committed. It includes also the place where the result of the above infringing activities occurred."<sup>116</sup>

103 In Japan, exclusive jurisdiction rules exist only with respect to principally raised validity issues of registered IPRs, but not with regard to pure infringement claims.<sup>117</sup> This result was confirmed by the Tokyo District Court in the "*Coral Sand* judgment."<sup>118</sup>

## 4. Discussion

104 With particular regard to the escape clauses the following can be said. While each of the proposals includes an escape clause to limit jurisdiction, the scope of these provisions and the circumstances under which they apply vary.

105 The escape clause of the Transparency Proposal is too lenient in allowing forum State courts to adjudicate cases. First the escape clause applies only to ubiquitous infringements. Second, the escape clause does not apply, and courts can therefore exercise jurisdiction, when the results of the infringements are "maximized" in Japan, with no relevance being given to whether the defendant is habitually resident in Japan or whether the defendant acted or directed his activities to Japan. It is not clear what kind of assessments would characterise the notion of "results maximised in Japan" and it seems possible to ascertain jurisdiction where the merely economic results of the infringement are suffered in Japan. Indeed, the notion of result of the infringement under the Transparency Proposal is highly questionable (see paragraph B.IV.1) when compared to the other three sets of principles, which require that action be taken or directed toward a State for its courts to exercise jurisdiction over an infringement claim.

106 Section 204(2) of the ALI Principles and Article 203(2) of the Joint Korean and Japanese Proposal estab-



lish escape clauses that allow for escape jurisdiction when it is possible to demonstrate that the defendant did not direct his activities to the state of infringement of the IPR. Indeed, this escape clause is not literally structured as an escape clause, but rather as a rule on the extent of jurisdiction. Thus, according to these clauses the courts at the place of the infringement can adjudicate claims related to the injuries occurring in that state where the infringement was directed against that state. So, it seems that if the infringement was not directed to that state the court can not exercise jurisdiction. Thus, these rules pose escape clauses to the jurisdiction at the place of the infringement. However, the structure of the rules does not make it so clear to establish who has the burden for proving that the activities were directed (or not directed) to a particular state. But it seems to follow from the sense of the rule that the burden for establishing that the jurisdiction does not exist lies on the defendant contesting jurisdiction.

**107** The scope of the provision under the Joint Korean and Japanese Proposal is somewhat obscure. Hence, the first sentence of Article 203(1) starts by granting jurisdiction to the courts of the state of the infringement i.e. the place of the results. Then the second sentence of Article 203(1) grants jurisdiction at the place of the action for multistate infringements. Finally, Article 203(2) comes back to the jurisdiction at the place of the infringement but specifies that where the activities are directed there the scope of jurisdiction is the injuries that occurred in that state. Thus, it is not so clear what the scope of jurisdiction is at the place of the infringement (first sentence of Article 203(1)) when the activities are not directed there (Article 203(2) is inapplicable) and the infringement is not a multistate infringement (the second sentence of Article 203(1) is inapplicable). It seems then possible to rely on the Comments to the Joint Korean and Japanese Proposal to interpret the first sentence of Article 203(1) as an Article on jurisdiction at the place of the action, so that Article 203(2) could be adopted as a rule related to jurisdiction at the place of the infringement. However, even so it is not clear which is the scope of jurisdiction at the place of the action.

**108** Finally, the 2001 Draft of the Hague Judgment Convention is similar to the corresponding rules of the ALI Principles, the Joint Korean and Japanese Proposal, and the CLIP Principles, as the Nygh/Pocar Report emphasises. This is because the plaintiff will only be able to bring the action at the place of the result when the person “alleged to be responsible could reasonably have foreseen injurious consequences from his act or omission in that place”.<sup>119</sup> This escape clause renders it very clear that the defendant bears the burden for establishing that the injury was not reasonably foreseeable.

**109** With particular regard to centralised jurisdiction, the following can be said. All sets of Principles allow for centralized jurisdiction under certain requirements. Their approach is very much to be welcomed. In fact, centralized jurisdiction is completely in line with the need to overcome fragmentation of jurisdiction which leads to extremely costly and inefficient results. The centralization of jurisdiction is also in line with the Hague Draft Convention approach. Firstly, it allows for centralised jurisdiction in the State where the result occurs or may occur, under Article 10(5), if the injured party has “his or her habitual residence” in that same state. This is further discussed below in this paragraph, including important criticisms of this approach.

**110** Furthermore, it seems that the 2001 Draft of the Hague Judgment Convention allows for the centralised jurisdiction of the entire infringement at the place of the action, under Article 10(2). This is because, firstly, centralized jurisdiction is explicitly ruled out for the State where the result occurs (apart from when there is the above exception regarding the plaintiff’s domicile), and it is not explicitly ruled out for the State where the action occurs. Secondly, the limitations imposed in Article 10(2) can be interpreted so that as long as the claim relates to an infringement arising from an activity that has occurred in that State, *and* the defendant has engaged in significant or frequent activity in that State, *or* has directed such activity to that State, *and* the overall connection of the defendant to that State makes it reasonable for the defendant to be sued there, then the court in that State can have jurisdiction over all the resulting injuries from that activity, no matter where they occur.

**111** As mentioned above, the Hague Preliminary Draft Convention of 1999 granted unlimited jurisdiction to the court at the place of the plaintiff’s domicile in Article 10(4), the precursor to the 2001 Draft’s Article 10(5), intended as a *forum delicti*. All states party to the Convention would need to recognize the judgment given at the place where the plaintiff has his or her “habitual residence.”<sup>120</sup> This approach was criticized, since in internet cases particularly, it would have allowed the plaintiff, typically the right owner, to start infringement proceedings with centralized jurisdiction before the courts of his home state, establishing as such a probably exorbitant *forum actoris*.<sup>121</sup> Indeed, the ECJ in the *eDate* case followed exactly the same approach, even though the extension of this judgment to IPRs cases is debated.<sup>122</sup> In any case, it is laudable the approach of all of the sets of Principles here examined, in that they avoid granting centralized jurisdiction at the *forum actoris*.<sup>123</sup> Finally, it is important to remember that centralized jurisdiction can also be established at the place of the defendant’s domicile by virtue of the general jurisdiction criterion or before the court chosen by the



parties.<sup>124</sup> Where centralized jurisdiction cannot be grounded, the alternative is the “reasonable application of the mosaic approach”,<sup>125</sup> namely claiming for damages or asking for territorially restricted injunctions in the most relevant jurisdiction to stop the defendant’s infringing activities. In fact, territorially limited injunctions can be granted even in Internet cases,<sup>126</sup> as it is stated explicitly by the CLIP Principles in Art.2:604.<sup>127</sup>

**112** In this framework, the following remarks will therefore highlight certain criticisms of single aspects of each relevant rule, with the sole aim of trying to reach a common understanding of how and where centralized jurisdiction should be established in the future.

**113** The ALI Principles, the CLIP Principles, the Japanese Transparency Proposal and the Joint Korean and Japanese Proposal set forth the general principle that infringement jurisdiction should only extend to the territory of the State where the ground for attributing such jurisdiction exists. However, all four of the Principles allow for the adjudication of the infringement in its entirety in certain cases. The ALI Principles and the Joint Korean and Japanese Proposal allow for the consolidation of claims of infringements when specified circumstances are met, however the infringement is perpetrated, while the CLIP Principles and the Japanese Transparency Proposal only allow for consolidation with respect to infringements spread through ubiquitous media.

**114** Yet, the ubiquitous infringement rule of the CLIP Principles is somewhat stricter than the corresponding rule of the Transparency Proposal. The relevant rule of the Transparency Proposal operates independently from the fact that the activities allegedly causing the infringement have substantial effect in the State or States where the alleged infringer is habitually resident, whereas the CLIP Principles rule requires that the activities allegedly causing the ubiquitous infringement have no substantial effect in the State or States where the alleged infringer is habitually resident. However, like the Transparency Proposal, the CLIP Principles allow for centralized jurisdiction over infringement claims before the forum State courts even though the activities in furtherance of the infringement have not been carried out within the territory of the forum state in its entirety, so long as the harm caused by the infringement in the forum state is substantial (CLIP Principles) or when the results of an “ubiquitous infringement” are maximized or are to be maximized in Japan (Transparency).

**115** In any case, the rules of the CLIP Principles and of the Transparency Proposal on ubiquitous infringements might have a tendency to privilege plaintiffs who are resident in large and economically strong

States. In fact, such plaintiffs will frequently be in a position to show that substantial harm or that the result of the infringement, respectively, was caused and occurred in the domestic market, thus giving them an advantage over plaintiffs residing in countries where the dimension of market, and accordingly the harm done, is regularly smaller.

**116** Additionally, under the CLIP Principles, the clause that the activities allegedly causing the infringement do not have substantial effects in the State or States where the alleged infringer is habitually resident seems to be too strict.

**117** Furthermore, it is not clear enough if the notion of place of the results also includes the place where the economic damages are suffered. This is particularly true for the Transparency Proposal, since the territoriality understanding of IPRs infringement of the CLIP Principles should avoid this outcome.

**118** Finally, it may be criticized the limitation of centralized jurisdiction to ubiquitous infringements, since it seems that even multi-territorial infringements related to traditional communication means, non ubiquitous, deserve consolidation of proceedings. It seems therefore appropriate to propose rules relevant both in the real world and on the Internet.

**119** In fact, the ubiquitous nature of the Internet does not change the problems posed by a country by country approach, but rather only offers cases that are truly global in nature, providing for a much wider number<sup>128</sup> of potentially exclusive competent fora (and applicable laws), thereby increasing the cost and inefficiency of enforcing one’s IPRs.<sup>129</sup> In fact, it is evident that the Internet is by definition borderless and, as such, it clashes with the territorial approach that is proper in the IP field.<sup>130</sup>

**120** Yet, most of the difficulties posed by Internet “are of a substantial law nature”,<sup>131</sup> rather than of a PIL character, and are similar to those that arose with respect to satellite broadcasting: “Where is the copy made? How relevant are the various stages of the pulling, sending and downloading of information? Where does in essence the infringement take place if what the statute describes as one act of copying or communication to the public falls apart in several activities taking place in different jurisdictions? Copyright [substantive] law needs to define what exactly is the act of copying or communication to the public in the technological context of [the] [I]nternet.”<sup>132</sup>

**121** Additionally, the assumption that the Internet is not bound by territorial limitations has been countered by the efforts of governments, supported by private parties, which have attempted to make the territorial scope of regulation and enforcement on the Internet mirror the geographical limits of the

physical world i.e. through the adoption of “geolocation tools”.<sup>133</sup> It is evident that the practice of a user viewing the Internet as if he/she is located in a country other than the one where he/she is physically present, so called “cybertravel”, frustrates all those efforts as well as the effectiveness of geolocation tools.<sup>134</sup> Yet, the legal status of cybertravel is highly unclear as of yet, since neither national or international legislatures have drafted laws governing cybertravel, nor have courts been presented with cybertravel cases. On one hand, it is possible to purport that “cybertravel should be analogized to physical travel, and that the benefits that society enjoys through physical travel correspond in large measure to the benefits provided for by cybertravel. Therefore cybertravel should enjoy the constitutionally protected right to travel, and should be subject to reasonable governmental regulation, as in any other international travel.”<sup>135</sup> However, with respect to IPRs, it seems plausible that cybertravel disputes will define the next generation of transborder cases where IPRs holders will claim it is illegal to make content available to an audience that was not intended to have access to it.<sup>136</sup>

**122** In this light, the aim of the rules of the Joint Korean and Japanese Proposal and of the ALI Principles to propose solutions relevant both in the real world and on the Internet is to be approved.

**123** With respect to the ALI Principles the forum at the place of the activity is understood as “mostly coincide[nt] with one of the defendant’s domicile.”<sup>137</sup> In addition, this forum is criticised for Internet infringements, since the place of the server can be manipulated too easily; webspace and other host services are typically offered by third parties that are acting in a state other than the one of the person that uploads the infringing material; and it is usually difficult to prove where this uploading took place.<sup>138</sup> Those critics believe that the place of the result, rather than of the act, should be the jurisdictional ground in the context of the internet.<sup>139</sup> In addition, the result should be intended according to the market impact rule as being the place of the effects that the alleged infringing act would have upon the forum, rather than the physical territorial connection to the forum.<sup>140</sup> The same can be said with respect to the corresponding rule of the Joint Korean and Japanese Proposal (Article 203), as is established also by the Comments to this same rule. It is therefore also in light of these criticisms that the Transparency Proposal and the CLIP Principles corresponding rules adopt the place of the result as a jurisdiction criterion (the CLIP Principles, however, as an alternative one to the place of the activity).

**124** Also the other jurisdiction criterion that determines a centralised jurisdiction is criticised, namely the ALI

Principles additional forum in the court of a state in which the defendant is neither domiciled nor acted substantially if he has directed his activity to that state, is doing business in that state and cannot be sued in a WTO-member-state under any of the infringement jurisdiction relevant rules (defendant’s domicile, prorogation of jurisdiction and the place of activity rule). In fact, first the assumption on which the rules is based that the claimant’s interests are better protected in a WTO-member-state does not convince since “even a quick reading of the current list of WTO-member-states casts serious doubt on this presumption.”<sup>141</sup> Second, in any case it is said to be inconceivable that the defendant domiciled in a non WTO-member-state directs his activities to another country where he does not do business.<sup>142</sup> In other words, this criterion of territorially unlimited jurisdiction merely grounds the jurisdiction of the court of the state to which the services were directed and only if the alleged infringer was domiciled and acted only in non-WTO-member states.<sup>143</sup>

## V. Declaratory actions

### 1. Differences

**125** Declaratory actions are filed usually by the plaintiff seeking to establish first that the defendant owes him damages for a tort committed, without specifying the amount due, since the computation may take place in subsequent proceedings between the same parties or in an out-of-court agreement. Also in a contractual relationship, the plaintiff may seek a declaration that the defendant is bound by the agreement. In addition, a plaintiff can seek a declaration that she or he has no contractual obligation or is not perpetrating any infringement.

**126** Section 213 of the ALI Principles and Article 2:602 of the CLIP Principles stipulate that declaratory actions in relation to non-infringements of IPRs may be brought on the same terms as actions seeking substantive relief. The other sets of Principles do not explicitly address declaratory actions, nor does the 2001 Draft of the Hague Judgment Convention.

### 2. Rationale

**127** Section 213 of the ALI Principles and Article 2:602 of the CLIP Principles stipulate that declaratory actions may be brought on the same terms as actions seeking substantive relief, and the other sets of Principles do not expressly address declaratory actions. The most appropriate forum for dealing with declaratory actions is the same forum that would have been competent for hearing a corresponding claim for positive remedies. Yet, if the object of the claim is to

establish that an infringement has neither occurred nor is threatened, a literal understanding of the sections of the sets of Principles that do not deal with declaratory actions but rather regulate only positive infringement claims might lead to the result that courts would not have jurisdiction over negative declaratory actions, since the plaintiff is requesting the court to establish that the allegedly infringing activity is not occurring.

### 3. International Context

**128** Notwithstanding the fact that in the EU and EFTA legal systems there is no rule establishing exclusive jurisdiction rules for registered IPRs pure infringement issues, certain EU/EFTA Member States adopted the view that negative declarations of non-infringement fall under the exclusive jurisdiction rule of Article 22(4) rather than under the infringement jurisdiction rule of Article 5(3) of the Brussels System.<sup>144</sup> This approach was adopted by the Italian Supreme Court in *BL Macchine Automatiche* in 2003;<sup>145</sup> the Brussels Court of Appeal in 2000;<sup>146</sup> and by the Swedish Supreme Court in a Lugano Convention context in *Flotek AB case* in 2000.<sup>147</sup> In this regard, the German Bundesgerichtshof recently requested the ECJ to give a preliminary ruling on the issue of declaratory actions of non-infringement with regards to an antitrust case<sup>148</sup>. These decisions, particularly those coming from the Italian Supreme Court, establish that declaratory actions of non-infringement do not fall under Article 5(3) of the Brussels system not because these actions fall under the exclusive jurisdiction rules, but rather because the object of these actions would be different from those for infringement with respect to jurisdiction.<sup>149</sup> This approach can be explained by EU-specific litigation strategies based on forum shopping that were developed and abused by alleged infringers of registered IPRs in the last decade of the twentieth century. These alleged infringers would launch proceedings seeking declarations of non-infringement in courts known for lengthy proceedings (e.g., Italian courts) or courts willing to hear claims involving enforcement of foreign IPRs (e.g., Belgian courts). By doing so, these alleged infringers took advantage of the *lis pendens* rule established by Article 27 of the Brussels I Regulation, which requires all later seized courts to stay proceedings if the same case between the parties was pending in a court in another country and ultimately decline jurisdiction if the first seized court asserted jurisdiction over the dispute. In practice, this prevented the rights holder, i.e. the defendant in the declaratory action, from enforcing his IPRs until the first court finished its proceeding. Thus, to reduce the effectiveness of those so-called “torpedoes”<sup>150</sup> a number of measures have been adopted, including

the approach followed by the Italian Supreme Court in the *BL Macchine Automatiche*,<sup>151</sup> which regarded the object of proceedings for a negative declaration of non-infringement as being different from those for infringement. This meant that an Italian court would not consider itself as blocked by the *lis pendens* provisions in the Brussels system from adjudicating an infringement claim in Italy due to their being an earlier legal action for non-infringement brought in another member State.<sup>152</sup> In any case, this approach was extensively criticised in literature for the same reasons that suggest not extending the exclusive jurisdiction to pure infringement proceedings of a positive nature.<sup>153</sup> The same approach is to be criticised also because to disallow claims for negative declaratory actions being brought at the place where the harmful event occurs is inconsistent with the fact that corresponding actions can be brought under Article 5(1) of the Brussels I Regulation. Thus, the ECJ in the recent *Fischer case* (C-133/11) concluded that Art. 5(3) of Regulation No 44/2001 must be interpreted as meaning that an action for a negative declaration seeking to establish the absence of liability in tort, delict, or quasi-delict falls within the scope of that provision. Finally, even though Article 97(5) of the Community Trade Mark Regulation does not allow claims to be brought for declaration of non-infringement at the place where the infringement occurs or is threatened to occur, no corresponding restriction applies to Community Designs.

**129** In the US a US court must have both subject matter jurisdiction and personal jurisdiction over the defendant(s) to properly hear a claim. With respect to subject matter jurisdiction, an action for a declaratory judgment of non-infringement can be based on the same ground of jurisdiction as a corresponding action seeking substantive relief. As recently affirmed by a Federal Circuit court in a case involving IPRs, subject matter jurisdiction over a declaratory action is determined based on whether a court would have subject matter jurisdiction over the hypothetical claim of the Declaratory Judgment defendant.<sup>154</sup> Because a court would have subject matter jurisdiction over the defendant’s hypothetical infringement claim, it would also have subject matter jurisdiction over the plaintiff’s declaratory action. However, because the claim is of *non* infringement in the US and the defendant is *not* domiciled in the US, it is necessary to demonstrate that other connecting factors exist between the defendant and the US territory to ground the personal jurisdiction over the defendant, like an active enforcement by the defendant (the IPR owner) of the IPR in question in the US.<sup>155</sup> In this context, because of the fear that foreign patent owners could not be sued in the US by plaintiffs filing against them declaratory non infringement actions, Congress passed 35 U.S.C. 293, which insures that non-US patent owners are always



subject to personal jurisdiction in Washington DC where they filed the US patent.

#### 4. Discussion

**130** Only the ALI Principles and the CLIP Principles expressly stipulate that declaratory actions in relation to infringements or non-infringements may be brought on the same terms as actions seeking substantive relief. Thus, rather than leaving the availability of such actions open to question, these two proposals are very clear with respect to the rule governing such actions. The Transparency Proposal and the Joint Korean and Japanese Proposal, however, do not expressly address declaratory actions apart from actions by which the validity of a registered intellectual property right is challenged or sought to be established. However, this does not necessarily mean that different results would be reached on the basis of the respective proposals.

### VI. Civil claims arising out of criminal proceedings

#### 1. Differences

**131** Only the CLIP Principles explicitly address the issue of civil claims arising out of criminal proceedings. The other sets of Principles do not deal with this issue, nor does the 2001 Draft of the Hague Judgment Convention.

#### 2. Rationale

**132** Article 2:204 of the CLIP Principles clarifies that with regard to civil claims for remedies for infringements which gave rise to criminal proceedings, a court seized with the criminal proceedings may also have jurisdiction over the corresponding civil claims if such jurisdiction is possible according to the forum State's national law. However, this rule must be applied in conjunction with Article 2:203; no derogation is granted from the rule limiting the extent of civil jurisdiction to the domestic territory of the forum state. Furthermore, in order to claim competence based on Article 2:204, criminal proceedings must already be pending as the provision only applies if a court is already "seized with" criminal proceedings. Thus the mere possibility of a court entertaining criminal proceedings does not provide a sufficient basis for assuming jurisdiction over civil claims in intellectual property matters.

### 3. International Context

**133** Article 5(4) Brussels I Regulation stipulates that civil claims for damages or restitution based on an act giving rise to criminal proceedings may be brought in the court seized with those proceedings, if it is allowed under the forum State's procedural law. This Article has not been applied directly to IPRs cases as of yet. However, two recent cases related to the civil claims arising out of criminal proceedings pose interesting international jurisdiction issues. The first case is a Swedish case: *Pirate Bay*, ruled by the Swedish Court of Appeal on November 26, 2010. The court established their international jurisdiction by reason of the fact that the applicable law to the primary crimes was the Swedish law.<sup>156</sup> In fact, according to the court the crimes had been committed in Sweden by virtue of the uploading of the infringing files onto the Pirate Bay database which was located in Sweden. In this case, all defendants were domiciled in Sweden and the courts awarded the damages for the entire infringement without any territorial limitation.<sup>157</sup> In another recent case (29.11.2011) the French Supreme Court ruled that French courts have jurisdiction to adjudicate criminal proceedings related to copyrights infringement only where French law applies to the crime in question, and "under the Berne Convention (Article 5(2)) the protection afforded an author is determined by the law of the state where such protection is sought, which means the law of the State on whose territory the infringing acts took place and not that of the state where the harm was suffered. [...] In that case the Court found that given that the infringement occurred outside of France the Court of Appeal had misapplied the aforementioned principle."<sup>158</sup>

#### 4. Discussion

**134** Only the CLIP Principles explicitly addresses the issue of jurisdiction over corresponding civil claims in a criminal suit, at Article 2:204. However, this does not necessarily mean that different results would be reached on the basis of the other Principles. Although it may not be necessary for such jurisdiction to be exercised, Article 2:204 of CLIP does serve clarifying purposes, in particular insofar as it leaves no doubt that irrespective of the breadth of competence assumed with regard to the assessment of the criminal act, the confinements applying under the pertinent articles remain with regard to the civil claims.



## C. Exclusive Jurisdiction in Intellectual Property

### I. PIL method adopted

#### 1. Differences

**135** The Transparency Proposal adopts a unilateral PIL method, as it determines only when Japanese courts have international jurisdiction to hear a claim, but does not address when courts in other States would also have jurisdiction over such claims. The other sets of Principles adopt a multilateral method, which does address when national or foreign courts will have jurisdiction. The 2001 Draft of the Hague Judgment Convention also adopts a multilateral method, which is outlined in paragraph C.I.4 below.

#### 2. Rationale

**136** The Transparency Proposal primarily aims at the reform of current Japanese law, particularly with respect to international jurisdiction to adjudicate, while the other sets of Principles seek universal Principles on issues concerning international IPR law. Thus, this is why the former adopts a unilateral method, while the latter adopts a multilateral approach.<sup>159</sup>

#### 3. International Context

**137** The international conventions on international jurisdiction typically seek universal Principles and therefore adopt a multilateral approach.

#### 4. Discussion

**138** The Transparency Proposal adopts a unilateral approach, which does not give an answer to the question of which court has international jurisdiction to address the case at stake when the forum state courts do not have such jurisdiction. While unilateralism is necessary for national rules on international jurisdiction, it is not suitable for international rules on the same topic.

**139** By contrast, the ALI Principles, the CLIP Principles, and the Joint Korean and Japanese Proposal adopt a multilateral approach for determining jurisdiction. Thus, each of these provides an answer for which other court(s) would have jurisdiction even if the forum state in question lacks jurisdiction. An international consensus is needed if the problems of cross-border litigation are going to be adequately

addressed and these proposals, by taking a multilateral approach, are more likely to be helpful in finding a unified international solution. This multilateral approach is supported by the 2001 Draft of the Hague Judgment Convention.<sup>160</sup>

## II. Territoriality. Rejection of exclusive jurisdiction

### 1. Differences

**140** All four sets of Principles reject exclusive jurisdiction rules for claims of infringement with respect to both registered and unregistered IPRs.

**141** As for validity, this issue can be raised in many different ways. In practice, the issue of validity is often raised as a *plea in objection* in an infringement action. It can also be invoked in support of a declaratory action seeking to establish that there has been no infringement, as a means to establish that no enforceable right exists upon which the defendant can rely. Of course validity can also be raised principally by means of a claim or a counterclaim. The four sets of Principles reject any exclusive jurisdiction rules in relation to unregistered IPRs' validity issues, principally or incidentally arising. Also, the four sets of Principles reject any exclusive jurisdiction rules with regard to validity issues of registered IPRs incidentally raised. Yet, only the ALI Principles and the Transparency Proposal reject any exclusive jurisdiction rules in relation to registered IPRs validity issues principally raised (the ALI Principles under stricter conditions, namely the defendant's residence in the forum state and the multistate registration of the IPR involved, whereas no such conditions are imposed by the Transparency Proposal). For both the ALI Principles and the Transparency Proposal, however, only a decision in the country of registration will have *erga omnes* effect. The CLIP Principles and the Joint Korean and Japanese Proposal, in contrast, confirm the exclusive jurisdiction of the state of registration with regard to registered IPRs validity claims principally raised.

**142** In other words, with respect to validity claims the clear implication of the approach followed by the four sets of Principles is that only a decision in the country of registration will have *erga omnes* effect, but that courts in other countries are not deprived of all forms of jurisdiction in this area. *Inter partes* decisions clearly are acceptable. However, the CLIP Principles and the Joint Korean and Japanese Proposal do not allow the courts in countries other than the State of registration to examine the validity of registered rights whenever that question is principally raised. In contrast, this is possible under the Transparency Proposal, which establishes that

the Japanese courts can adjudicate the validity of a registered IPR, even when principally raised, provided that there is another basis upon which to ground jurisdiction in the Japanese courts. The same result is provided for by the ALI Principles but under stricter conditions, namely that the defendant is resident in the forum state and that the invalidity of the registration of the right is raised for multiple States.<sup>161</sup>

**143** The comment to the relevant rule in the Transparency Proposal, Article 103, written by r Chaen, Kono and Yokomizo, warrants full quotation: “it is generally thought, in Japan as well as in foreign countries, that the courts of the country of registration have exclusive jurisdiction over actions concerning the registration or validity of IP rights that arise from registration, such as patent rights. However, the Transparency Proposal does not adopt this thinking, and recognizes that there are cases in which the jurisdiction of Japanese courts should be affirmed even where the IP right was granted under foreign law. However, a judgment invalidating an IP right granted under foreign law should not be effective against third parties, but only effective between the parties to the action.”<sup>162</sup>

**144** The 2001 Draft of the Hague Judgment Convention seems to have influenced the approach adopted by all sets of Principles as far as the rejection of exclusive jurisdiction rules for validity issues incidentally raised is concerned, whereas with respect to validity issues principally raised the 2001 Draft of the Hague Judgment Convention seems to have influenced the approach adopted by the CLIP Principles and the Joint Korean and Japanese Proposal, as is discussed below in paragraph C.II.4. The same can be said for the 2005 Convention on Choice of Court Agreements, as is discussed below in paragraph C.II.4.

## 2. Rationale

**145** A typical justification for exclusive jurisdiction rules in the context of IPRs litigation is the territorial nature of IPRs.<sup>163</sup> Thus, the rejection of such rules by the four sets of Principles under comparison, even if just in part, constitutes a departure from the understanding of the territoriality principle as an international procedural rule. This departure is more radical with regard to the ALI Principles and the Transparency Proposal, since they reject exclusive jurisdiction rules almost entirely. The same departure is softer in relation to the CLIP Principles and the Joint Korean and Japanese Proposal, since they adopt limited exclusive jurisdiction rules in relation to registered IPRs validity issues principally raised. The Comments to the Joint Korean and Japanese Proposal do not mention the territoriality principle as a justification for exclusive jurisdiction

rules. Also, the CLIP Principles try to promote cross border litigation by limiting exclusive jurisdiction to those situations where the public law interest of the country of protection is truly concerned.<sup>164</sup> All sets of Principles explain their (total or partial) abandoning of exclusive jurisdiction rules in terms of efficiency gains. Furthermore, the ALI Principles ground their approach related to the overcoming of exclusive jurisdiction rules with respect to validity issues principally raised (under certain requirements) as a compromise between the reluctance to examine the acts of foreign public authorities and efficiency gains.<sup>165</sup> The Transparency Proposal also bases the rejection of exclusive jurisdiction rules on the need for adequate dispute resolution. Furthermore, the Commentaries to the Transparency Proposal determine the basis for the existing exclusive jurisdiction rules as the avoidance of causing interference with the national sovereignty of foreign countries, and as the courts at the place of registration of the IPR involved being the best placed courts to examine its validity. Yet, according to those commentaries “the base for recognising the exclusive jurisdiction of the country of registration over actions concerning the validity of a right are not necessarily firm” and in any case “alone cannot justify exclusive jurisdiction that would, for example, preclude the international jurisdiction of the court of the country where the defendant is domiciled.”<sup>166</sup> Thus, the Transparency Proposal and the ALI Principles are in agreement with the departure from the exclusive jurisdiction rule even with respect to validity issues principally raised.

**146** However, the ALI Principles set forth the prerequisites of the multiplicity of the rights and of the suit in the defendant’s country of residence, whereas the Transparency Proposal does not impose such requirements. The reason for this difference between the two sets of Principles is explained by the commentary on the Transparency Proposal according to which the prerequisites imposed by the ALI Principles to overcome the exclusive jurisdiction “are not relevant to the question of whether such an action may be filed in a country other than the country of registration”<sup>167</sup> and therefore are not imposed by the Transparency Proposal.

## 3. International Context

**147** For a comparative analysis of States’ practices related to exclusive jurisdiction rules, the author refers to her book on “exclusive jurisdiction in intellectual property”.<sup>168</sup> Particularly, Chapter II of this book highlights: the almost universal absence of exclusive jurisdiction rules for unregistered IPRs claims of whatever nature in international

instruments, as well as in EU/EFTA norms and in national statutory or case-law rules; the almost universal absence of exclusive jurisdiction rules in international instruments, as well as in EU/EFTA norms and in national statutory or case-law rules for registered IPRs infringement claims however raised; the prevailing absence of exclusive jurisdiction rules in international instruments and in national statutory or case-law rules, as well as the mitigation of the scope of the exclusive jurisdiction rules of the EU/EFTA Brussels system for registered IPRs validity claims incidentally raised; and the emerging rejection of exclusive jurisdiction rules for registered IPRs validity issues principally raised.

**148** In addition, Chapter II of the book demonstrates that neither the exclusive jurisdiction rules related to unregistered IPRs pure infringement claims and validity claims however raised, as well as registered IPRs pure infringement claims and validity claims incidentally raised, nor the exclusive jurisdiction rules related to registered IPRs validity issues principally raised are expression of a customary international law rule imposing States to adopt them.

**149** Finally, the book purports and develops a thesis already maintained in literature as well as in case-law according to which exclusive jurisdiction rule are not only insufficiently supported by any of the arguments usually invoked in their favor, but actually are also contrary to the public international law rules on the avoidance of a denial of justice and on the fundamental human right of access to a court, and therefore should be abandoned with respect to infringement and validity claims involving either registered or unregistered IPRs. This abandonment would be in line with the clear already existing trend in this respect and would prevent economic inequalities in cross-border IP litigation, without however leading to abusive forum shopping.

#### 4. Discussion

**150** The rejection of exclusive jurisdiction rules for validity issues incidentally raised, proper of all sets of principles involved, was influenced by the 2001 Draft of the Hague Judgment Convention, providing that judgments over issues such as the grant, registration, validity, abandonment or revocation of foreign patents or marks should only have *inter partes* effects, whether the issue was principally or incidentally raised, in Article 12(6).<sup>169</sup> The Nygh/Pocar Report on the Hague Judgment Convention states that since the incidentally raised issue would have no effect *erga omnes*, it would be “seriously doubted whether it is desirable to confer exclusive jurisdiction” in this situation.<sup>170</sup> The 2005 Convention on Choice of Court Agreement supports this approach in Article 10, by

saying that only a decision on validity of registered IPRs in the country of registration will have effect *erga omnes*.

**151** The commentaries on the Transparency Proposal and the ALI Principles recall that “this method of handling the registered- rights problem was suggested by Curtis Bradley, writing at the behest of the United States State Department negotiators of the Hague Judgments Draft.<sup>171</sup> He distinguished between rights among individuals and rights against the world. Under his proposal to the Hague drafters, parties would be allowed to litigate their entire case in any court that has jurisdiction under the general terms of these Principles. However, if the case were litigated outside the State where the right was deposited or registered, the ‘status or validity of the deposit or registration of . . . rights [would have] effect as between the parties only.’”<sup>172</sup>

**152** Based on the above arguments against territoriality interpreted as an international jurisdiction criterion, the approach of all sets of Principles rejecting the notion of territoriality as the basis for exclusive jurisdiction rules is to be welcomed. Similarly, the approach of the sets of Principles that grounds the rejection of exclusive jurisdiction rules on efficiency gains is a good one, since as already argued, exclusive jurisdiction rules lead to an unreasonable and inefficient duplication of proceedings. Having said that, the ALI Principles and the Transparency Proposal appear to follow the preferable approach, since they abandon exclusive jurisdiction rules also with regard to validity issues principally raised. Thus, a plaintiff domiciled in Japan could rise principally before a Japanese court a validity issue related to a foreign patent of a competitor domiciled in Japan, for instance. In this case the competent Japanese court could establish the validity or invalidity of the patent at stake irrespective of its being of a foreign nature. In this regard, then, the parties could have their dispute settled at home, even though the effects of the judgment will be of a limited nature with respect to third parties and even to the same parties in the future, if the Japanese court declares the foreign patent invalid.

### III. Notion of exclusive (or subject matter) jurisdiction rules

#### 1. Differences

**153** The ALI Principles adopt the notion of subject-matter jurisdiction, whereas the CLIP Principles and the Joint Korean and Japanese Proposal refer to exclusive jurisdiction. The Transparency Proposal refers simply to international jurisdiction, since it does not pose any exclusive jurisdiction rule. These

differences reflect the fact that each set of Principles is rooted in a different legal system. Yet, these differences are more of a terminology nature rather than one of content, and in fact the different systems involved lead to similar results in this respect. For a detailed examination of the systems adopting the notions of exclusive or respectively subject-matter jurisdiction and on the similar results reached by both of them, the author refers to paragraph two of her book and the literature and case-law recalled thereby.<sup>173</sup>

**154** The 2001 Draft of the Hague Judgment Convention and the 2005 Convention on Choice of Court Agreements take the same approach as the CLIP Principles and the Joint Korean and Japanese Proposal, as is discussed in paragraph C.III.4 below.

## 2. Rationale

**155** The different sets of Principles do not clarify why they refer to the notion of exclusive jurisdiction or to the one of subject matter jurisdiction. The different approaches adopted by the four sets of Principles in this respect clearly derive from their being rooted in different legal systems.<sup>174</sup>

## 3. International Context

**156** See para 2 of the author's book referred to supra at C.III.1.

## 4. Discussion

**157** Based on the above arguments against exclusive jurisdiction, the approach of the ALI Principles and the Transparency Proposal is preferable, as they do not refer to the notion of an exclusive jurisdiction rule.

**158** By referring to "the courts of the Contracting State of grant or registration" having "exclusive jurisdiction", Alternative A of the 2001 Draft of the Hague Judgment Convention<sup>175</sup> adopts the notion of exclusive jurisdiction. The 2005 Convention on Choice of Court Agreements also acknowledges the notion of exclusive jurisdiction, in Article 3.

registered or is deemed to have been registered under the terms of an international convention (Art.2:401.1). The Japanese Transparency Proposal refers to "rights prescribed under Japanese law (including intellectual property rights that are *deemed to be granted under Japanese law* pursuant to the provisions of an international treaty)" (103.1) (emphasis added). By contrast, the ALI Principles (Section 213.2) and the Joint Korean and Japanese Proposal (Art.209.1) refer only to the "State of registration", but provide no further specification.

**160** The 2001 Draft of the Hague Judgment Convention is similar to the ALI Principles and the Joint Korean and Japanese Proposal in this respect, and is discussed further in paragraph C.IV.4 below.

## 2. Rationale

**161** The different sets of Principles do not clarify why they do or do not refer to IPRs deemed to have been registered in the forum state by virtue of the rules of an international treaty.

## 3. International Context

**162** See para 2 of the author's book referred to supra at para C.III.1.

## 4. Discussion

**163** For the sake of clarity, the Principles that explicitly include rights that are deemed to have been registered under the terms of an international convention within their definition of registered rights, namely the CLIP Principles and the Transparency Proposal, are preferable.

**164** The 2001 Draft of the Hague Judgment Convention<sup>176</sup> refers only to "the Contracting State of grant or registration" in Alternative A. However, the Nygh/Pocar Report to the Hague Judgment Convention states that the Convention includes the notion of "courts of the Contracting State in which according to an international Convention the deposit or registration is deemed to have taken place".<sup>177</sup> This refers to the earlier 1999 version of the Draft Convention, and this reference was removed in the 2001 version.

# IV. Notion of registered rights

## 1. Differences

**159** The CLIP Principles ground the exclusive jurisdiction in the courts of the State where the right has been



## V. Matters included in the rules governing exclusive jurisdiction

### 1. Differences

**165** Each of the following Principles establish different matters that fall under their respective subject matter jurisdiction rules. The ALI Principles talk about “a proceeding brought to obtain a declaration of invalidity” being subject to exclusive jurisdiction, in Article 213(2). Article 2:401 of the CLIP Principles adopts a more explicit approach, and stipulates that exclusive jurisdiction applies to “disputes having as their object a judgment on the grant, registration, validity, abandonment or revocation of a patent, a mark, an industrial design or any other intellectual property right”. Article 209 of the Joint Korean and Japanese Proposal establishes exclusive jurisdiction over “any dispute arising out of acquiring, registering, disclaiming or revoking and validity of intellectual property rights”. Article 103 (1) of the Transparency Proposal applies to “actions concerning the existence, registration, validity or ownership of intellectual property rights”, but rejects exclusive jurisdiction rules for any of these issues.

**166** The 2001 Draft of the Hague Judgment Convention supports the approach taken by the CLIP Principles and the Joint Korean and Japanese Proposal in this respect, and is discussed in paragraph C.V.4 below.

**167** The notion of exclusive jurisdiction adopted by all three sets of Principles (excluding the Transparency Proposal) only covers the aspects of foreign IPRs litigation<sup>178</sup> namely the IPR subsistence, scope, validity and registration.<sup>179</sup> It excludes disputes that can affect some of those issues but where the real object of the litigation<sup>180</sup> is different. This is notwithstanding the fact that they may result in decisions that can be the basis for changes in the records of the registries of a State,<sup>181</sup> namely *inter alia* IPRs first ownership and entitlement issues,<sup>182</sup> as well as transferability and assignability matters and the contractual transfer of ownership.<sup>183</sup> In fact, it is true that the Transparency Proposal mentions those last issues together with the validity matters. As for the subsistence, scope, validity and registration notions included in exclusive jurisdiction rules, they relate *inter alia* to the definition of the various categories of protected works, the originality, novelty and legal requirements, the granting, the fixation, the registration (including its abandonment or revocation) and the scope of protection, namely the various exclusive rights and the way in which they are defined and limited as well as the term of the right in question.<sup>184</sup>

**168** For present purposes the notions of subsistence, validity, registration and scope of an IPR will be recalled together under the category of “validity”, for simplicity reasons, unless specified differently.

### 2. Rationale

**169** The different terminology adopted to designate the matters governed by the subject-matter jurisdiction rules reflects the many basic elements that relate to the existence and validity of an IPR and which can each serve as a basis for challenging whether all the criteria were met for establishing the right, in particular the registration and whether the right was validly granted.<sup>185</sup>

**170** Indeed, the CLIP Principles avoid the vague wording “validity” and designate explicitly the matters falling under exclusive jurisdiction rules as it shows clearly the limited number of scenarios that may give rise to exclusive jurisdiction. Furthermore, according to the Comments to the Joint Korean and Japanese Proposal, the terminology adopted by the Proposal to determine the claims falling under their exclusive jurisdiction rule (“any dispute arising out of acquiring, registering, disclaiming or revoking and validity of intellectual property rights”) reflects the aim of “drawing upon a comprehensive review of similar concerned provisions” of the other four sets of Principles’ corresponding rules.

### 3. International Context

**171** See para 2 of the authors book referred to supra at para C.III.1.

### 4. Discussion

**172** Even though the CLIP Principles and the Joint Korean and Japanese Proposal adopt exclusive jurisdiction rules, they try to limit those rules in an applaudable way, as both avoid the vague wording of “validity” and instead explicitly designate the matters falling under the rules on exclusive jurisdiction, as well as the rules on the limited effects of the judgments on foreign IPRs “validity” matters. Thus, by being more precise, the CLIP Principles and the Joint Korean and Japanese Proposal clearly and narrowly circumscribe exclusive jurisdiction rules or rules on limited effects of the judgments to be rendered. Furthermore, those Principles are in line with the 2001 Draft of the Hague Judgment Convention, Alternative A, which refers to the notions of judgment “on the grant, registration, validity, abandonment, revocation [...] of a patent or a mark.”<sup>186</sup>

## VI. Legal actions included in the exclusive jurisdiction rules

### 1. Differences

**173** As well as determining the matters which fall within their subject matter jurisdiction, which were discussed above in paragraph C.I.5, each set of Principles also determines different procedural actions that fall under their exclusive jurisdiction rules. Section 213(1) of the ALI Principles refers to “a declaratory judgment [...] to declare a registered right invalid”, and Section 213(2) refers to “a proceeding brought to obtain a declaration of the invalidity” of a registered IPR. Article 2:401 of the CLIP Principles stipulates that exclusive jurisdiction applies to “disputes having as their object a judgment on the grant, registration, validity, abandonment or revocation of a patent, a mark, an industrial design or any other intellectual property right protected on the basis of registration” when raised as a principal claim or counterclaim. Article 209 of the Joint Korean and Japanese Proposal states that exclusive jurisdiction applies to “[a]ny dispute arising out of acquiring, registering, disclaiming or revoking and validity of intellectual property rights,” except when such questions arise in a context other than “in a context of a preliminary or incidental question”. By contrast, as previously discussed, the Transparency Proposal governs “actions concerning the existence, registration, validity or ownership of intellectual property rights” (Article 103), but does not establish any exclusive jurisdiction rules for these actions regardless of how they are raised.

**174** The 2001 Draft of the Hague Judgment Convention supports the specific approach taken by the CLIP Principles, as is discussed below in paragraph C.VI.4. However, the 2005 Convention on Choice of Court Agreements, adopts a much less specific term for judgments on intellectual property rights, and refers only to them as “a ruling on the validity of an intellectual property right.”

**175** For the present purposes for simplicity, the following remarks will adopt the terms “validity claims” or “validity proceedings”, “*inter partes* effects” and “validity issues incidentally raised”, which are intended to be comprehensive, unless specified differently.

### 2. Rationale

**176** Even though the CLIP Principles adopt an exclusive jurisdiction rule, they try to limit those rules in an applaudable way, by avoiding the vague wording of “actions concerned with” and “proceedings related to,” and instead designating explicitly the actions falling under the rules on exclusive jurisdiction and

the rules on the limited effects of the judgments on foreign IPRs “validity” matters with the stipulation that these actions shall “have as their object” the interested claims. Thus, by being more precise, the CLIP Principles clearly and narrowly circumscribe exclusive jurisdiction rules and rules on limited effects of the judgments to be rendered.

### 3. International Context

**177** See para 2 of the author’s book referred to supra at C.III.1.

### 4. Discussion

**178** The differences in the language of the ALI, CLIP and Joint Principles leads to the question of how closely the procedural action must be connected to the question of validity or registration before the exclusive jurisdiction clause applies. Hence, “proceedings brought to obtain a declaration” under the ALI Principles; claims “having as their object a judgment” under the CLIP Principles; and “disputes arising out of” under the Joint Korean and Japanese Proposal may each be interpreted to govern different legal actions, leading to different results.

**179** Indeed, the CLIP Principles adopt the terminology “having as their object”, which could make the limitation clear and exclude cases where the issues of validity and registration are only slightly related to the real purpose of litigation. This approach is also supported by the 2001 Draft of the Hague Judgment Convention,<sup>187</sup> Alternative A, which provides for exclusive jurisdiction “in which the relief sought is a judgment on the grant, registration, validity, abandonment, revocation [...] of a patent or a mark.”<sup>188</sup>

## VII. Effects of the judgments adopted on foreign IPRs validity issues

### 1. Differences

**180** Each set of Principles determines differently the effects of the judgments which concern the validity of foreign registered IPRs. According to paragraph 211(2) of the ALI Principles, “the adjudication of the validity of registered rights granted under the laws of another State is effective only to resolve the dispute among the parties of the action”. Article 2:401(2) of the CLIP Principles stipulates that “the decisions resulting from [...] disputes” on validity or registration of registered IPRs that arose in a context other than by principal claim or counter-

claim “do not affect the validity or registration of those rights as against third parties.” This rule shall be coordinated with Article 4:202 of the same Principles on “validity and registration”, according to which “recognition and enforcement of a foreign judgment may not be refused on the ground that in the proceedings before the court of origin the validity or registration of an intellectual property right registered in a State other than the State of origin was challenged, provided that the recognition and enforcement produces effects concerning validity or registration only with regard to the dispute between the parties”. Article 103(3) of the Transparency Proposal stipulates that “judgments invalidating intellectual property rights prescribed under foreign law shall only be effective as between the parties to the action”. Article 209(2) of the Joint Korean and Japanese Proposal states that “the decisions resulting from those disputes” which arose in “the context of preliminary or incidental questions” “do not affect later claims”. The comments to the Joint Korean and Japanese Proposal clarify that “even for the parties in such dispute, the decision rendered by the court that has exclusive jurisdiction derived from these Principles ought to prevail over that rendered by any other court, and the decisions in preliminary questions do not affect the subsequent proceedings.”<sup>189</sup>

**181** The limitation of the effect of the judgment to the parties of the proceeding with respect to the action at stake is similar to the one adopted by the 2001 Draft of the Hague Judgment Convention, which is discussed below in paragraph C.VII.4.

**182** The four sets of Principles do not explicitly specify the scope of the judgments rendered by the courts of the State of registration on validity issues principally raised. Yet, this scope can be established by referring to the rules of each set of Principles which limit judgments concerning the validity of IPRs granted under the laws of other States to be effective only *inter partes*, with some variation in the extent of this limitation. Thus, a logical interpretation of these rules determines that the decisions rendered by the courts of the State of registration affect the validity of the IPRs at stake not only between the parties of the proceedings, but also as against third parties, and therefore have an *erga omnes* effect.

**183** In addition to the State of registration, the ALI Principles provide that a plaintiff may also principally challenge the validity of IPRs arising in multiple countries in the State where the defendant is resident. The Transparency Proposal stipulates that Japanese courts have international jurisdiction over validity claims principally raised concerning IPRs granted under foreign law, provided that there is another basis for jurisdiction in the Japanese courts, such as (but not only) the defendant being domiciled in Japan. Both the ALI Principles and the Transparency Proposal limit the scope of judgments concern-

ing validity when rendered by the courts of the State other than the one which granted the IPR to the parties of the action.

**184** The four sets of Principles provide for jurisdiction over issues concerning the validity of registered rights that are incidentally raised in the courts competent to address the related principal claims, e.g., infringement proceedings or contractual actions. Once again, each of the Principles limits the scope of the judgments rendered by these courts, stipulating that the effects of the judgments on rights registered in States other than the forum will be limited to the parties of the action (with slight differences).

**185** Article 2:402 of the CLIP Principles establishes that when a court is seized of a claim which is subject to the exclusive jurisdiction of another court in a different state, by virtue of Article 2:401, the first court mentioned shall declare of its own motion that it has no jurisdiction. While the other sets of Principles do not deal with this procedural matter explicitly, they would presumably reach the same result.

## 2. Rationale

**186** The sets of principles at stake confine the legal effects of the decision on validity of foreign registered IPRs to the parties to the proceeding. The ALI Principles are generally interpreted as intending to confine the legal effects of the decisions over validity of foreign IPRs to the parties of the proceedings as necessary to maintain the balance between the interests of various stakeholders (right-holders, other parties to the proceedings and states) while making sure that the sovereign interests of the granting State are not undermined.<sup>190</sup> Sovereignty considerations are invoked also by the Commentary on the Transparency Proposal according to which “a judgment invalidating a foreign IP right that is effective against third parties would likely be considered interference with the national sovereignty of this foreign country.”<sup>191</sup> Regarding the CLIP Principles, confining legal effects of the decisions over validity of foreign IPRs to the parties of the proceedings is necessary to avoid amendment of registers based on a ruling by a foreign court that has *erga omnes* effect. Thus, in other words, according to this argument, proceedings having as their object the validity or legality of entries in these public registers cannot be recognised in the country where the register is kept.<sup>192</sup>

## 3. International Context

**187** See chapters II and V of the authors book referred to supra at C.III.1.



#### 4. Discussion

**188** As already seen, the ALI Principles, the CLIP Principles and the Joint Korean and Japanese Proposal confine the legal effects of the decision on validity of foreign registered IPRs to the parties to the proceeding. The Transparency Proposal has adopted the preferable approach, by limiting the effects of the judgments only when they invalidate foreign IPRs but not limiting those effects when they declare the foreign IPRs valid. The 2001 Draft of the Hague Judgment Convention provides that decisions related to the validity of foreign IPRs incidentally raised would have no binding effect in subsequent proceedings, even if they are between the same parties, according to Article 12(6), Alternatives A and B.<sup>193</sup> Article 10 of the Hague Convention on Choice of Court Agreement of 2005 confirms this approach.<sup>194</sup> The 2005 Convention does not deprive courts in countries other than the country of registration of all forms of jurisdiction in this area, and particularly allows courts to exercise jurisdiction with *inter partes* decisions on foreign registered IPRs validity claims incidentally raised. However, under this Convention, a validity decision concerning a registered IPR only has *erga omnes* effect if rendered in the country of registration. Therefore the Hague Draft Convention and the Hague Convention of 2005 are in agreement with the approach taken by all sets of principles with respect to validity issues incidentally raised.

**189** With respect to the rejection of exclusive jurisdiction rules for validity issues principally raised and the *inter partes* effect of the relevant judgments, evident in the ALI Principles and the Transparency Proposal only, it is relevant to recall a criticism addressed to the Transparency Proposal, but that could be extended, *mutatis mutandis*, to the same rejection of the ALI Principles. According to this criticism the rejection of exclusive jurisdiction in validity issues principally raised would be useless<sup>195</sup> and would not fulfil the requirement posed i.a. by Japanese law of the procedural interests of the parties. The criticism at stake does not render immediately clear why it reaches those conclusions, but it seems reasonable to understand it as being based on the limited effects of the judgment on the validity of a foreign IPR principally raised. In other words, since the judgment on validity does not bind either third parties or the same parties with respect to their future actions, the judgment would be completely ineffective.

**190** Yet, this criticism does not convince. In fact, even if the judgment of the court binds only to the parties and does not prevent their future legal actions, it seems that this judgment will still become *res judicata* for the parties with respect to its object. In other words, should one of the parties want to raise the validity issue related to the foreign IPR involved once again, the claimant should challenge said va-

lidity on the basis of reasons and arguments different than the ones that constituted the object of the judgment which became *res judicata*. Furthermore, according to the Transparency Proposal the limitation of effects of the judgment at stake involves only the judgment on invalidity, but does not concern the judgments on validity, rendering it clear that those will bind (at least) the parties on future claims. Also, according to the commentary on the ALI Principles the limitation of the effects of judgments on foreign IPRs validity issues to the parties of the dispute “may not result in as much duplicative litigation as might appear at first blush, for once the court of one commercially significant jurisdiction declares a foreign patent invalid, the patentee cannot easily enforce the right, or counterpart rights, against any other party.”<sup>196</sup> Finally, it is perfectly conceivable that the parties will comply voluntarily with a judgment on validity of a foreign IPR, being for instance just in need of legal certainty and aiming at avoiding further litigation between themselves, especially when the IPRs at stake are registered in many different jurisdictions. In fact, their voluntary compliance would prevent them from raising the validity issue of the IPR at stake in various different legal systems, with the risk of initiating inefficient proceedings, which are usually extremely costly and lead to divergent outcomes.<sup>197</sup> So, the limitation of effects of the judgments on foreign registered IPRs validity issues principally raised adopted by the ALI Principles and by the Transparency Proposal is not sufficient enough to indicate that their rejection of exclusive jurisdiction rules is useless.

**191** On the contrary, the same limitation of effects seems to be criticisable for the same reasons that the exclusive jurisdiction rules are criticised. In fact, the said limitation of effects is probably grounded on sovereignty reasons by the Commentary on the ALI Principles and by the Transparency Proposal, whereas it is based on the need to avoid the amendment of foreign registers in the case of the CLIP Principles.<sup>198</sup> However, as already mentioned, sovereignty reasons and arguments related to the amendment of foreign registers are not very convincing with respect to international jurisdiction issues related to IPRs. In summary, the effects of foreign judgments on the updating of national registers should be determined not by limiting *ex ante* the effects of the judgments of foreign courts on matters inscribed in these registers, but rather according to the usual PIL-relevant methods related to the recognition and enforcement of foreign judgments, i.a. the public policy reasons. So, national courts should be allowed to refuse to recognise a foreign judgment on the validity of a national IPR whenever this judgment is against public policy. However, it is likely that the public policy exception will be adopted in a restrictive way with regard to IP transnational litigation.<sup>199</sup>



192 Interestingly enough this approach seems to be confirmed also by the Commentaries to the Transparency Proposal and to the ALI Principles. In fact, according to the commentaries to the Transparency Proposal, their rejection of exclusive jurisdiction for foreign registered IPRs validity issues principally raised might lead to “cases where a foreign court has international jurisdiction over actions concerning the validity of Japanese IP rights and invalidates those rights. But the Transparency Proposal provides, as a requirement for the recognition and enforcement of foreign judgment, that ‘the content of the judgment and the courts proceedings are not contrary to the public policy in Japan’ in Article 402(3), and it is understood that non-application of the absolutely mandatory statutes, the inconsistency of the rights situation with the country of registration, or the non-guaranteeing of an opportunity to pursue a claim about the validity and scope of rights may be contrary to public policy.”<sup>200</sup>

193 The possible overcoming of the limitation of the effects of judgments on foreign IPRs validity issues seems to be purported also by the ALI Principles commentaries. In fact, interestingly enough those commentaries establish that “a mechanism for public notification of *inter se* invalidity determinations would be a useful complement to the Principles as it would contribute to maintaining the public domain.”<sup>201</sup> In other words, according to these commentaries, even though the decision on foreign registered IPRs validity issues should have only *inter partes* effects, they could be notified to the entire world so that they could produce some sort of effect outside their limited scope. This approach is to be applauded.

## D. Conclusions

194 The comparison just exposed demonstrates that a trend exists in all sets of principles examined to mitigate and even to overcome the territorial approach in cross-border IPRs litigation, allowing for the consolidation of claims even before courts other than the ones of the IPR granting State and even when the IPR validity issue is raised as a defense in an infringement proceeding. Furthermore, the comparison highlights that another trend exists in two of the four sets of principles at stake (the ALI Principles and the Transparency Proposal) to reject exclusive jurisdiction rules, allowing the consolidation of claims before courts other than the ones of the IPRs granting States even when the IPR validity issue is raised as a principal claim. Thus, the comparison explains that despite existing certain differences among the rules on infringement and exclusive jurisdiction posed (or rejected) by the four sets of academic principles, in the majority of cases further studies and work of the ILA Committee could help

overcoming these differences, achieving common results, that could eventually be codified in a future ILA Resolution.

- 1 Jurčys, Nishitani and Vande Walle, ‘Summary of Comments and Discussion on International Jurisdiction’ in Basedow, Kono and Metzger, (eds), *Intellectual Property in the Global Arena* (Tübingen, Mohr Siebeck 2010) p. 146.
- 2 See Hague Conference on Private International Law, “Commission II: Jurisdiction and Foreign Judgments in Civil and Commercial Matters: Summary of the Outcome of the Discussion in Commission II of the First Part of the Diplomatic Conference 6 – 20 June 2001, Interim Text”, available at: [www.http://www.hcch.net/upload/wop/jdgm2001draft\\_e.pdf](http://www.hcch.net/upload/wop/jdgm2001draft_e.pdf), p. 11.
- 3 Chaen, Kono and Yokomizo, ‘Jurisdiction in Intellectual Property Rights Cases’ in Basedow, Kono and Metzger (eds), *Intellectual Property in the Global Arena* (Tübingen, Mohr Siebeck 2010) p. 98.
- 4 In addition to that, of course, the advantage remains that courts at the place where the infringement is threatening to occur are in a position to apply municipal law.
- 5 See Hague Conference on Private International Law, (n 2) p. 11.
- 6 Jurčys, Nishitani and Vande Walle, (n 1) p. 148.
- 7 Metzger, ‘Jurisdiction in Cases Concerning Intellectual Property Infringements on the Internet – Brussels I Regulation, ALI Principles and Max-Planck Proposals’, in Ohly and Leible (eds), *Intellectual Property and Private International Law* (2009), p. 258; Heinze, *Jurisdiction: A Framework for International Enforcement of Territorial Rights: The CLIP Principles*, in Basedow, Kono and Metzger, (n 1) p. 67.
- 8 Metzger, (n 7) p. 258; Heinze, (n 7) p. 63.
- 9 Heinze, (n 7) p. 66.
- 10 *Ibid.*, p. 64.
- 11 *Ibid.*, p. 63.
- 12 See *infra* para B.III.3.
- 13 On this Joint Recommendation see Metzger, ‘Applicable Law Under The CLIP-Principles: A Pragmatic Revaluation Of Territoriality’, in Basedow, Kono and Metzger (eds), (n 1) pp. 172-173. See also, the application of the Joint Recommendation by the German Federal Court of Justice in *Hotel Maritime* (Case IZ R 163/02, 13 October 2004).
- 14 Case C-21/76 *Handelskwekerij G. J. Bier BV v Mines de potasse d’Alsace SA* [1976] ECR 1735, conclusions.
- 15 Case C-68/93 *Shevill v Presse Alliance SA* [1995] ECR I-415. On the *Shevill* decision see for all Anna Gardella, ‘Diffamazione a mezzo stampa e Convenzione di Bruxelles del 27 settembre 1968’ [1997] RDIPP 657.
- 16 See Reference for a preliminary ruling from the Tribunal de Grande Instance, Paris (France) lodged on 16 July 2009 – Case C-278/09 *Olivier Martinez, Robert Martinez v Société MGN Limited* [2009] OJ C220/56. On this case see Boschiero and B. Uberrazzi, Italy [a report prepared for the International Congress on Comparative Law, Washington, 2010], in Kono (ed.), *Intellectual Property and Private International Law*, Hart Publisher, The Hague, 2012, pp. 707-762.
- 17 Boschiero and Uberrazzi, (n 16).
- 18 See Reference for a preliminary ruling from the Tribunal de Grande Instance, Paris (France) lodged on 16 July 2009 – Case C-278/09 *Olivier Martinez, Robert Martinez v Société MGN Limited* [2009] OJ C220/56.
- 19 See the references to the relevant German, French and Austrian case-law in Metzger, (n 7) pp. 255-257; Heinze, (n 7) p. 67.
- 20 Joined Cases C-509/09 and C-161/10 *eDate Advertising GmbH v X and Olivier Martinez, Robert Martinez v MGN Limited* [2011] OJ C370/9, conclusions.

- 21 Boschiero, 'Il principio di territorialità in materia di proprietà intellettuale: conflitti di leggi e giurisdizione' [2007] AIDA 81; Metzger, 'Transfer of Rights, License Agreements, and Conflict of Laws: Remarks on the Rome Convention of 1980 and the Current ALI Draft' in Basedow, Drexler, Kur and Metzger (eds), *Intellectual Property in the Conflict of Laws* (Tübingen, Mohr Siebeck 2005) p. 258; Heinze, (n 7) p. 63. See also On this case see van Engelen, 'Jurisdiction and Applicable Law in Matters of Intellectual Property' (2010) 14(3) EJCL 6, who highlights that Dutch Courts appear to have taken a restrictive view of *Shevill*, repeatedly denying the case's applicability to cross-border intellectual property infringements when jurisdiction is based on Article 5(3) of the Brussels I Regulation. See also further references in Metzger, 'Jurisdiction in Cases' (n 7) p. 261.
- 22 The French *Cour de Cassation* has applied the *Shevill* judgment in a variety of cases concerning intellectual property infringement. For references see de Miguel Asensio, 'Cross-border Adjudication of Intellectual Property Rights and Competition between Jurisdictions' (2007) 41 AIDA 117; Nuyts, *Suing at the Place of Infringement: the Application of Article 5(3) of Regulation 44/2001 to IP Matters and Internet Disputes*, in Arnaud Nuyts (ed.), *International Litigation in Intellectual Property and Information Technology* (Kluwer 2008) p. 116; Metzger, (n 7).
- 23 Case C-523/10 *Wintersteiger AG v Products 4U Sondermaschinenbau GmbH* [2012].
- 24 *Ibid.*, para 25.
- 25 See de Miguel Asensio, (n 22) p. 123; Metzger, (n 7) p. 260.
- 26 See Takahashi, Koji, *Japan's new act on international jurisdiction*, available at <http://www1.doshisha.ac.jp/~tradelaw/UnpublishedWorks/JapaneseNewActInternationalJurisdiction.pdf>, 6. See also Yokomizo, 'Intellectual Property Infringement on the Internet and Conflict of Laws' (May 2011) AIPPI Journal, 105 and the opinion of Professor Nishitani reported in Jurčys, Nishitani and Vande Walle (n 1) 149. See Japan's new act on international jurisdiction, "Act for the Partial Amendment of the Code of Civil Procedure and the Civil Interim Relief Act", adopted on 28 April 2011 and promulgated on 2 May 2011. This act will enter into force one year after the promulgation
- 27 See Article 3-5(3) of Japan's New Act (n 24) on exclusive jurisdiction, on which see the exclusive jurisdiction comparative file. See the annotation to Article 3-5(3) according to which "this paragraph does not cover an action for damages for infringement of an intellectual property", see Takahashi (n 26) p. 9. See also Chaen, Kono and Yokomizo, (n 3) p. 98.
- 28 So, as an example Professor Nishitani recalled the following: "suppose a Japanese company operates BlackBerry devices by sending signals from Canada to the US. Then a US company claims that these activities infringe its US patents. If the Japanese company does not have any branch office in Canada, there is no jurisdiction" according to the territorial approach to infringement jurisdiction, proper also of the "CLIP Principles" (see the following remarks). However, for the sake of effective remedies, especially injunctions, it makes sense to grant jurisdiction to the Canadian courts, as the Japanese system allows and the "ALI Principles and the Transparency Proposal suggest. Otherwise the US company would have to obtain a judgment in the US or Japan and have it enforced in Canada, even if provisional measures are available under the CLIP Principles" (see the remarks made by Nishitani recalled by Jurčys, Nishitani and Vande Walle (n 1) p. 149).
- 29 Chaen, Kono and Yokomizo, (n 3) p. 110, with reference to the Japanese Supreme Court decision of 8 June 2001 – *Tsuburaya Production*, Minshu Vol. 55(4) p. 227.
- 30 Yokomizo, 'Intellectual Property Infringement' (n 26) p. 106.
- 31 The translation into English was kindly provided for me by Dr. Ning Zhao. See the interpretation at stake at <<http://www.chinaipmagazine.com/law-show.asp?id=439>>.
- 32 See Heinze, (n 7) p. 65; Chaen, Kono and Yokomizo, (n 3) p. 77.
- 33 See Hague Conference on Private International Law, (n 2) p. 11.
- 34 *Preliminary Draft Convention on Jurisdiction and the Effects of Judgments in Civil and Commercial Matters (DHJC)*, June 18, 1999, with an explanatory report by Peter Nygh & Fausto Pocar, (HC) Prel. Doc. No. 11, available at (Pocar and Honorati eds., 2005) *The Hague Preliminary Draft Convention on Jurisdiction and Judgments: Proceedings of the Round Table held at Milan University on 15 November 2003*, Milan, Cedam, 2005 (Nygh/Pocar Report), p. 251.
- 35 Metzger, (n 7) p. 259; Heinze, (n 7) p. 65.
- 36 On the territoriality principle as an expression of the proximity principle see Ubertazzi B., *Exclusive Jurisdiction in Intellectual Property*, Mohr Siebeck, 2012, chapter IV.
- 37 See *infra* para B.IV.
- 38 See the remarks made by Nishitani referred to by Jurčys, Nishitani and Vande Walle, (n 1) p. 149.
- 39 *Ibid.*, p. 150.
- 40 *Ibid.*, p. 151.
- 41 See Ancel M.E., *Le contentieux international de la concurrence déloyale dans la jurisprudence récente*, in *JurisClasseur* 2006, p. 14; Ancel M.E., *Concurrence déloyale sur Internet: la compétence juridictionnelle française perd pied*, *Note a Cass. Com.*, 20 mars 2007, in *La Semaine Juridique* 2007, p. 29; Ancel M.E., *L'arrêt GAT: une occasion manquée pour la défense de la propriété industrielle en Europe*, in *ERA Forum* 2007, p. 27; Nuyts, (n 22) p. 116; Chaen, Kono, Yokomizo, (n 3) p. 98; Yokomizo, (n 26) p. 106.
- 42 See *supra*, para B.III.1.
- 43 See *supra*, para B.III.1.
- 44 On this requirement see B.IV.2.
- 45 See para B.III.
- 46 Chaen, Kono and Yokomizo, (n 3) p. 98.
- 47 See Drexler and Kur, *Intellectual Property and Private International Law* (2005), 329; Metzger, (n 7) pp. 259-260.
- 48 See paragraphs B.IV.2, B.IV.3, and B.IV.4.
- 49 See *infra*, para B.IV.2.
- 50 See The American Law Institute (Philadelphia 2007), p. 94.
- 51 See *supra*, para B.III.3.
- 52 Article 3-3 (viii) of the Japanese Act on International Jurisdiction. See Japan's new act on international jurisdiction, (n 26). On this act see Koji Takahashi, (n 26); Masato Doguchi, *Forthcoming Rules on International Jurisdiction*, 12 (2010) *Japanese Yearbook of Private International Law*, pp. 212-241. On the previous draft see Nishitani, 'Intellectual Property in Japanese Private International Law', (2005) 48 *The Japanese Annual of International Law* 87, at p. 94 adding the reservation that tort jurisdiction could be contested if the connection between the forum and the tortious act is very weak, such as in case of Internet communication which is not directed to, and has no substantial effect on, the market.
- 53 See Takahashi, (n 26) p. 6.
- 54 See Article 3-5(3) of Japan's New Act on International Jurisdiction, on exclusive jurisdiction. See the annotation to Article 3-5(3) according to which "this paragraph does not cover an action for damages for infringement of an intellectual property". see Koji Takahashi, (n 26), p. 9. See also Chaen, Kono and Yokomizo, (n 3) p. 98.
- 55 Article 3-3 (viii) of the Japanese Act on International Jurisdiction; see Koji Takahashi, (n 26), p. 6.
- 56 See Nishitani, (n 52) p. 94 with further references.
- 57 Chaen, Kono and Yokomizo, (n 3) p. 99.
- 58 *Ibid.*, p. 98.
- 59 Yokomizo, (n 26) p. 106

- 60 Yokomizo, (n 26) pp. 105-106.
- 61 Ibid., p. 107.
- 62 Ibid., p. 106.
- 63 Metzger, (n 7) p. 262.
- 64 See *supra* para B.III.3.
- 65 Dreyfuss, 'Resolution Through Conflict of Laws: The ALI Principles on Transnational Intellectual Property Disputes: Why Invite Conflicts?' (2005) 30 *Brook. J. Int'l L.* p. 831.
- 66 See The American Law Institute, (n 50) p. 95. See also Dreyfuss, (n 65) p. 831.
- 67 Metzger, (n 7) p. 257
- 68 Ibid.
- 69 See *supra* para B.IV.2.
- 70 See *supra*, para B.III.3.
- 71 Metzger, (n 7) p. 260; Heinze, (n 7) pp. 68-69.
- 72 Metzger, (n 7) p. 260; Heinze, (n 7) p. 69 fn. 78.
- 73 See *supra* para B.III.2.
- 74 Metzger, (n 7) p. 260; Heinze, (n 7) p. 67.
- 75 Metzger, (n 7) p. 264.
- 76 Ibid.
- 77 Ibid.
- 78 Chaen, Kono and Yokomizo, (n 3) p. 98; Yokomizo, 'Intellectual Property Infringement' (n 26) p. 106.
- 79 Chaen, Kono and Yokomizo, (n 3) p. 98.
- 80 Ibid.
- 81 Ibid.
- 82 Nygh & Pocar, (n 34) p. 209. The text of the DHJC is available *ibid.* For the history of the draft convention and the ensuing developments, see *id.* and also Schulz, The Hague Conference Project for a Global Convention on Jurisdiction, Recognition and Enforcement in Civil and Commercial Matters: An Update, in, *Intellectual Property and Private International Law: Heading for the Future 5* (Josef Drexl & Annette Kur eds., 2005). With respect to IPRs see Kur, *International Hague Convention on Jurisdiction and Foreign Judgments: A Way Forward for IP?* E.I.P.R. 175 (2002); Svetozara, *The Potential Impact of the Draft Hague Convention on International Jurisdiction and Foreign Judgments in Civil and Commercial Matters on Internet-related Disputes with Particular Reference to Copyright*, 2 *Intell. Prop. Q.* 173 (2004).
- 83 See Permanent Bureau, 'Report of the experts meeting in the intellectual property aspects of the future Convention on jurisdiction and foreign judgments in civil and commercial matters' Preliminary Document No. 13 (1 February 2001), page 7, available at <<http://www.hcch.net/upload/wop/jdgmppd13.pdf>>.
- 84 Ibid., p. 3.
- 85 Ibid., p. 4.
- 86 Ibid.
- 87 Ibid.
- 88 Ibid.
- 89 This provision will have to be excluded from the exceptions stated in Article 17.
- 90 On the ubiquity theory, see *supra*, para B.III.
- 91 See part C of this article.
- 92 Article 5(3) establishes that "A person domiciled in a Member State may, in another Member State, be sued 3. in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur".
- 93 Trib. Venezia 16.04.2011, unpublished; See also Trib. Milano 60696/07 29.11.2007, unpublished. On these cases see Boschiero and Ubertazzi, (n 16).
- 94 Article 2 of the Brussels I Regulation establishes that subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.
- 95 *Pearce v Ove Arup Partnership Ltd* [2000] Ch 403. See the comment to this case in *International Review of Intellectual Property and Competition Law* (1999) 30(7) 825-840. See also Austin, 'The Concept of "Justiciability" in Foreign Copyright Infringement Cases' (2009) 40 *IIC* 399.
- 96 *Lucasfilm Ltd. & Ors v Ainsworth & Anor* [2011] UKSC 39 (27 July 2011) <[http://www.supremecourt.gov.uk/decided-cases/docs/UKSC\\_2010\\_0015\\_Judgment.pdf](http://www.supremecourt.gov.uk/decided-cases/docs/UKSC_2010_0015_Judgment.pdf)>, 109.
- 97 See Paul Jenard, 'Report on the Convention on jurisdiction and the enforcement of judgments in civil and commercial matters' [1979] OJ C59/36; Explanatory Report by Professor Fausto Pocar (Chair of International Law at the University of Milan) [2009] OJ C 319/26.
- 98 See for instance the (EC) Regulation No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations [2007] OJ L199/40 on 31 July 2007 (Rome II Regulation).
- 99 According to which "1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed. 2. In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed".
- 100 *Lucasfilm Ltd. & Ors v Ainsworth & Anor* [2011] UKSC 39 (27 July 2011) <[http://www.supremecourt.gov.uk/decided-cases/docs/UKSC\\_2010\\_0015\\_Judgment.pdf](http://www.supremecourt.gov.uk/decided-cases/docs/UKSC_2010_0015_Judgment.pdf)>.
- 101 Fawcett and Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) 211.
- 102 de Miguel Asensio, 'Recognition and Enforcement of Judgments in Intellectual Property Litigation: The CLIP Principles' in Basedow, Kono and Metzger, (n 1) p. 276.
- 103 Council Regulation (EC) 40/94 of 20 December 1993 on the Community trade mark [1994] OJ L011 (see amending acts at <[http://europa.eu/legislation\\_summaries/other/l26022a\\_en.htm#AMENDINGACT](http://europa.eu/legislation_summaries/other/l26022a_en.htm#AMENDINGACT)>).
- 104 Ibid., at Articles 92-94.
- 105 Ibid., at Articles 92-94.
- 106 Note, these issues are usually addressed by regional international rules. For instance, in Europe, the Convention on the Grant of European Patents (adopted 5 October 1973, entered into force 7 October 1977) 1065 UNTS 199 (European Patent Convention), on which see *infra* paragraph B.IV., includes the Protocol on Jurisdiction and the Recognition of Decisions in respect of the Right to the Grant of a European Patent (Protocol on Recognition). The text is available at <<http://www.epo.org/law-practice/legal-texts/html/epc/2010/e/ma4.html>>. Council Regulation (EC) 40/94 of 20 December 1993 on the Community trade mark [1994] OJ L011 (see amending acts at <[http://europa.eu/legislation\\_summaries/other/l26022a\\_en.htm#AMENDINGACT](http://europa.eu/legislation_summaries/other/l26022a_en.htm#AMENDINGACT)>) includes Title X on Jurisdiction and Procedure in Legal Actions Relating to Community Trade Marks. Council Regulation (EC) 6/2002 of 12 December 2001 on Community designs [2002] OJ L3/1 includes Title IX on Jurisdiction and Procedure in Legal Actions Relat-



- ing to Community Designs. Council Regulation (EC) 2100/94 of 27 July 1994 on Community plant variety rights [1994] OJ L227/1 includes Part Six on Civil Law Claims, Infringements, Jurisdiction.
- 107 Council Regulation (EC) 6/2002 of 12 December 2001 on Community designs [2002] OJ L3/1 includes Title IX on Jurisdiction and Procedure in Legal Actions Relating to Community Designs. Council Regulation (EC) 2100/94 of 27 July 1994 on Community plant variety rights [1994] OJ L227/1 includes Part Six on Civil Law Claims, Infringements, Jurisdiction.
- 108 See *supra*, para B.IV.3.
- 109 Kunda, in Kono (ed.), (n 16).
- 110 With regard to similar reasoning invoking the extension by way of interpretation of the *Lucasfilm* UK Supreme Court ruling from unregistered IPRs infringement issues to unregistered IPRs validity issues incidentally raised, see Ubertazzi, (n 36) para 16.
- 111 See Ubertazzi, (n 36) para 65.
- 112 See Baddeley, 'Out of Africa: The Moçambique Rule and Obstacles to Suits for Enforcement of Foreign Registered Intellectual Property Rights in Australia' (June 2007) *The Intellectual Property Forum* (Journal of the Intellectual Property Society of Australia and New Zealand) 45.
- 113 Ibid.
- 114 See Ubertazzi, (n 36), para 16.
- 115 See Mo Zhang, 'International Civil Litigation in China: A Practical Analysis of the Chinese Judicial System' (2002) 25 *B.C. Int'l & Comp. L. Rev.* 59, 71, available at <[http://www.bc.edu/bc\\_org/avp/law/lwsch/journals/bciclr/25\\_1/25\\_1\\_toc.htm](http://www.bc.edu/bc_org/avp/law/lwsch/journals/bciclr/25_1/25_1_toc.htm)>.
- 116 Article 5 of the said Interpretation. The translation of this text into English was kindly provided for me by Dr. Ning Zhao. See the Chinese text at <<http://www.chinaipmagazine.com/law-show.asp?id=311>>.
- 117 See Article 3-5(3) of Japan's New Act (n 375) on exclusive jurisdiction, on which see Takahashi (n 24) 9, available at <<http://www1.doshisha.ac.jp/~tradelaw/UnpublishedWorks/JapaneseNewActInternationalJurisdiction.pdf>>. See also Chaen, Kono and Yokomizo, (n 3) p. 98. Finally see the literature quoted with respect to the Japanese system at Ubertazzi, (n 36) para 16.
- 118 See Ubertazzi, (n 36), para 16.
- 119 Nygh and Pocar, (n 34) p. 251.
- 120 See Schulz, *The Hague Conference Project for a Global Convention on Jurisdiction, Recognition and Enforcement in Civil and Commercial Matters – An Update*, in Basedow, Drexler, Kur and Metzger (eds), *Intellectual Property in the Conflict of Laws* (Tübingen, Mohr Siebeck 2005), 9 for discussion on the impact this Article would have.
- 121 See Kur, *Jurisdiction and Enforcement of Foreign Judgements – The General Structure of the MPI Proposal*, in Basedow, Drexler, Kur and Metzger (eds), (n 120) p. 28; Metzger, 'Jurisdiction in Cases', (n 7) p. 265.
- 122 See *supra*, para B.IV.3.
- 123 Metzger, 'Jurisdiction in Cases', (n 7) p. 265.
- 124 Metzger, 'Jurisdiction in Cases', (n 7) pp. 265-266.
- 125 Metzger, 'Jurisdiction in Cases', (n 7) p. 265.
- 126 Ibid.
- 127 See also Ubertazzi, 'Recognition and Enforcement of Foreign Judgments in Intellectual Property: a Comparison for the International Law Association', in this journal issue.
- 128 See de Miguel Asensio, 'Cross-border' (n 22) 106; Fawcett and Torremans (n 101) p. 911.
- 129 See Ubertazzi, (n 36) chapters IV and VI.
- 130 See de Miguel Asensio, *Derecho Privado de Internet* (4th edn, Civitas 2011) 432. See Benedetta Ubertazzi, 'Territorial and Universal Protection of Intangible Cultural Heritage from Misappropriation' (2010) 8 *New Zealand Yearbook of Int. Law* 69.
- 131 Fawcett and Torremans (n 101) pp. 911-912.
- 132 Ibid.
- 133 Trimble, 'The Future of Cybertravel: Legal Implications of the Evasion of Geolocation' (2012) 22 *Ford. Intell. Prop. Media & Ent. L.J.*. See also Cogo, *I contratti di diritto d'autore nell'era digitale* (Turin, Giappichelli 2010) pp. 65-66; Katzenberger, 'Zwangsdigitalisierung urheberrechtlich geschützter Werke in den USA und in Deutschland: das Project Google Book Search und §1371 UrhG' [2010] *GRUR Int* 563.
- 134 See Goldman, 'Geolocation and A Bordered Cyberspace' (13 November 2007) available at <[http://blog.ericgoldman.org/archives/2007/11/geolocation\\_and.htm](http://blog.ericgoldman.org/archives/2007/11/geolocation_and.htm)>; Trimble, (n 133).
- 135 Trimble, (n 133) conclusions.
- 136 Ibid.
- 137 Metzger, 'Jurisdiction in Cases' (n 7) p. 263.
- 138 Ibid. Yokomizo, 'Intellectual Property Infringement' (n 26) 107, according to whom "it seems appropriate to accept the assertion that, in regards to IP infringements on the Internet, identifying an infringing 'act' does not make much sense, and the factor of an 'act' is losing its significance as jurisdictional ground.
- 139 Chaen, Kono, Yokomizo, (n 3) p. 98; Yokomizo, 'Intellectual Property Infringement' (n 26) p. 106.
- 140 Yokomizo, 'Intellectual Property Infringement' (n 26) p. 106.
- 141 Metzger, 'Jurisdiction in Cases' (n 7) p. 263.
- 142 Ibid.
- 143 Ibid.
- 144 Article 5(3) establishes that "A person domiciled in a Member State may, in another Member State, be sued 3. in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur".
- 145 Cass. 19.12.2003 n. 19550, *BL Macchine Automatiche ApA v Windmoller & Holscher KG* in [2005] *GRUR Int* 264, annotated by Wolfgang Wurmnest. See also Cass. s.u. 3657/89, in *Foro it.* [1990], I, 117, *Corte di Appello di Milano* 02.03.2004, in *GADI* [2004] n. 4719 p. 837; Trib. Milano 10.01.2009, in *GADI* [2009] n. 5395 p. 637. See Trib. Milano 06.08.2008, in *Diritto d'autore* [2009] n. 2 p. 332; Trib. Milano 29.03.2005, in *AIDA* [2005] 640; Trib. Roma ordinanza 01.02.2000, in *AIDA* [2000] p. 870; Trib. Brescia 11.11.1999, in *GADI* [2000] n. 4107 p. 505. On those cases see Boschiero and Ubertazzi (n 16). See also Fawcett and Torremans, (n 101) p. 211.
- 146 Court of Appeal of Brussels 20.02.2000; Trib. Brussels 12.05.2000; Trib. Brussels 08.06.2000. See Fawcett and Torremans, (n 101) p. 211.
- 147 Swedish Supreme Court, *Flotek AB case*, 14.06.2000, in [2001] *GRUR Int* 178. See case comment by Lydia Lundstedt in [2001] *GRUR Int* 103. See also Fawcett and Torremans, (n 101) p. 211.
- 148 C-133/11, Reference for a preliminary ruling from the Bundesgerichtshof (Germany) lodged on 18 March 2011 - *Folien Fischer AG and Fofitec AG v RITRAMA SpA*.
- 149 Boschiero and Ubertazzi, (n 16). See also Fawcett and Torremans, (n 101) p. 211.
- 150 Franzosi, 'World-Wide Patent Litigation and the Italian Torpedoes' (1997) 19 *EIPR* 382; Franzosi, 'Torpedoes are Here to Stay' (2002) 31 *IIC* 156; Fawcett and Torremans, (n 101) p. 211.



- 151 *BL Macchine Automatiche* (n 145).
- 152 Fawcett and Torremans, (n 101) p. 211.
- 153 See *supra* paras B.V.2 and B.V.3.
- 154 See *ABB Inc. v. Cooper Industries*, [2010] Federal Circuit available at <http://www.patentlyo.com/files/10-1227.pdf>
- 155 See *Avocent Huntsville Corp. v. Aten Int'l Co. Ltd* [2008] Federal Circuit 552 F.3d 1324, pp. 1331-1332.
- 156 See *Pirate Bay Founders Loose Appeal*, posted on 26 November 2010 in BBC News, accessible at <http://www.bbc.co.uk/news/technology-11847200>. See the Supreme Court decision in the *Pirate Bay* case February 2012 partially translated into English in <http://www.wrongplanet.net/postt188742.html>.
- 157 See the case in <http://sverigesradio.se/Diverse/AppData/Isidor/files/83/6277.pdf>
- 158 See Jurisdiction in France over acts committed in Italy: Cour d'Appel fights Cour de Cassation, Posted by FrenchKat to The 1709 Blog on 1/18/2012.
- 159 Jurčys, Nishitani and Vande Walle, (n 1) p. 146.
- 160 See Hague Conference on Private International Law, (n 2), Article 12(6), Alternatives A and B, available at: [www.cptech.org/ecom/jurisdiction/hague.html](http://www.cptech.org/ecom/jurisdiction/hague.html)
- 161 Chaen, Kono and Yokomizo, (n 3) p. 88, according to whom "the ALI Principles and the Transparency Proposal are in agreement on this point of departure from the rule of exclusive jurisdiction of the country of registration".
- 162 See Chaen, Kono and Yokomizo, (n 3) p. 79.
- 163 See Ubertazzi, (n 36), section III of chapter IV.
- 164 Heinze, (n 7) p. 57
- 165 See Chaen, Kono and Yokomizo, (n 3) pp. 87-88.
- 166 *Ibid.*, p. 89.
- 167 *Ibid.*, p. 90.
- 168 Ubertazzi, (n 36).
- 169 See Hague Conference on Private International Law, (n 2) p. 13: Article 12(6), Alternatives A and B.
- 170 The Hague Preliminary Draft Convention on Jurisdiction and the Effects of Judgments in Civil and Commercial Matters (adopted on 30 October 1999), with an explanatory report by Peter Nygh and Fausto Pocar, 'Preliminary Document No. 11' in Fausto Pocar and Costanza Honorati (eds), *The Hague Preliminary Draft Convention* (n 34) p. 262.
- 171 See Special Commission on International Jurisdiction and the Effect of Foreign Judgments in Civil and Commercial Matters, Hague Conference on Private International Law, Work Doc. No. 97E, 39, 122 (Nov. 10-20, 1998).
- 172 See The American Law Institute, (n 50) p. 135.
- 173 Ubertazzi, (n 36).
- 174 See *supra* para C.III.1
- 175 See Hague Conference on Private International Law, (n 2) p. 13: Article 12(4).
- 176 See Hague Conference on Private International Law, (n 2) p. 13: Article 12(4).
- 177 Nygh and Pocar, (n 34) p. 263.
- 178 On those notions in general terms see Bariatti, 'La giurisdizione e l'esecuzione delle sentenze in materia di brevetti di invenzione nell'ambito della C.E.E.' [1982] *Rivista di diritto internazionale privato e processuale* 511; Torremans, 'The Sense or Nonsense of Subject Matter Jurisdiction over Foreign Copyright' (2011) 33(6) *EIPR* 349-356.
- 179 See Bariatti, 'La giurisdizione' (n 178) p. 516; Torremans, 'The Sense or Nonsense' (n 178) p. 349.
- 180 See *infra*, para C.VI
- 181 See Bariatti, 'La giurisdizione' (n 178) p. 516; Torremans, 'The Sense or Nonsense' (n 178) p. 349.
- 182 See *Case 288/82 Duijnste v Goderbauer* [1983] ECR 3663, with regard to disputes concerning the right to a patent when what is involved is an invention of an employee. Yet "doubtless, the same will be true even if it is not an invention of an employee", as such Fawcett and Torremans, (n 101) p. 20. For further references to case-law see *Ibid.*, pp. 20 et seq.. Finally see Chaen, Kono and Yokomizo, (n 3) p. 90 according to whom "there is no reason to require that the country of registration that grants the right has exclusive jurisdiction over actions concerning the ownership of an IP right".
- 183 The inclusion of the transferability matter in exclusive jurisdiction rules remains unclear. Yet, according to prevailing opinion, issues that arise by virtue of the transfer of a right by contract are not covered, even though changes in the registries entries related to the right might be necessary. See Fawcett and Torremans, (n 101) p. 20 for relevant references to case-law.
- 184 See Torremans, 'The Sense or Nonsense' (n 178) p. 351, criticising however the exclusion from this notion *inter alia* of the transferability and first ownership matters.
- 185 Fawcett and Torremans, (n 101), p. 7.
- 186 See Hague Conference on Private International Law, (n 2) p. 13: Article 12(4).
- 187 See Hague Conference on Private International Law, (n 2) p. 13: Article 12(4).
- 188 *Ibid.*
- 189 See the comment to Article 209.
- 190 See Chaen, Kono and Yokomizo, (n 3) p. 89.
- 191 *Ibid.*
- 192 See Asensio, 'Recognition and Enforcement of Judgments in Intellectual Property Litigation: The CLIP Principles' in Basedow, Kono and Metzger (eds), (n 102) p. 278.
- 193 See Hague Conference on Private International Law, (n 2) p. 13: Article 12(6).
- 194 See *supra*, para C.II.
- 195 Jurčys, Nishitani and Vande Walle, (n 1) p. 146.
- 196 See American Law Institute, (n 50) p. 135.
- 197 See Chaen, Kono and Yokomizo, (n 3) p. 88 according to whom "even if a judgment by a court of a country other than the country of registration is not recognised in other countries, it is possible that the parties will voluntarily comply with the judgment, particularly in the case of jurisdiction by a choice-of-court agreement or agreed arbitration".
- 198 See de Miguel Asensio, (n 102) p. 278.
- 199 See Ubertazzi, (n 127).
- 200 See Chaen, Kono and Yokomizo, (n 3) p. 89. Note that the commentaries at stake use the word "may" and therefore the contrariety to the registration state public policy of said judgments shall be demonstrated on a case-by-case basis, always interpreting the public policy exception restrictively.
- 201 See American Law Institute, (n 50) p. 136.

# IP and Applicable Law in Recent International Proposals:

## Report for the International Law Association

by **Rita Matulionytė**, Vilnius, Dr. iur. (Munich and Freiburg), LL.M. IP (Munich), deputy director at the Law Institute of Lithuania

**Abstract:** The report compares applicable law rules to intellectual property (IP) disputes as proposed in the recent international projects (ALI, CLIP, Transparency, Kopila and Joint Japanese-Korean proposals). Namely, it identifies the differences among proposals, reveals the underlying reasons of differing rules, looks at how particular issues have been until now solved at international and national levels, and finally, overviews the main arguments for and

against particular solutions suggested in the proposals. This report was presented in the 1st meeting of the Committee on Intellectual Property and Private International Law of the International Law Association (15-17 March 2012, Lisbon) and is expected to contribute to the merge of current international proposals into a single international initiative.

**Keywords:** Intellectual property, applicable law, conflict of laws, *lex loci protectionis*, *lex originis*, initial ownership, ubiquitous infringement, party autonomy

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- G. Party autonomy
- H. De minimis rule
- I. Ubiquitous infringement
- J. Secondary infringements
- K. Summary

### A. Introduction

1 During the last years several proposals dealing with private international law (PIL) and intellectual property (IP) have been made public, namely the Principles by American Law Institute (ALI),<sup>1</sup> proposal by the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP),<sup>2</sup> Japanese “Transparency” proposal,<sup>3</sup> Principles by Korean Private International Law Association (KOPIA)<sup>4</sup> and Joint Proposal drafted by Members of the Private Interna-

tional Law Association of Korea and Japanese Waseda University Global COE Project (Joint JK).<sup>5</sup>

2 The goal of this study is to compare the abovementioned projects in order to facilitate their merge into a single international proposal. The current report focuses on applicable law rules to IP. It consists of eight chapters covering the most important issues of applicable law, namely, (1) the main applicable law rule (*lex loci protectionis*); (2) initial ownership and (3) transferability issues; (4) the rules to IP contracts;

(5) party autonomy in infringement cases; (6) the *de minimis* provision; and the rules for (7) ubiquitous infringements as well (8) secondary infringements.

- 3 Each issue is discussed from four aspects. First, the rules in all proposals are compared by highlighting their differences. Second, the rationale underlying the different provisions is outlined. When possible, it is taken from written comments by the drafters or from individual consultations. In other cases, the underlying reasons of particular solutions are searched for in the legal practice of relevant jurisdictions. Third, the international legal situation is overviewed in order to see where the proposals stand in the context of current legal practice in different countries. Fourth, the main arguments for and against the suggested rules are summarized, mostly as they are discussed in legal doctrine or, if no significant discussion has been identified, from the perspective of the author. More attention is devoted to the issues on which the proposals differ (e.g. initial ownership, secondary infringement), whereas some highly controversial issues are less analyzed if the proposals suggest similar rules (e.g. ubiquitous infringement rule, transferability issue).

## GENERAL RULES

### B. Main rule

*Sec. 301 ALI; arts. 3:102, 3:601, 3:701 CLIP; art. 19 Kopila; art. 301 Transparency; art. 301 Joint JK.*

- 4 All proposals, as a general matter, maintain the territorial approach and suggest very similar applicable law rules to IP disputes. It could be generally called “*lex loci protectionis*.” Some exceptions to this approach and other differences still remain.

### I. Differences

- 5 First, although Transparency proposal, similar like other proposals, follows the territorial approach in regard to most issues, it suggests a loosened approach to territoriality with respect to IP infringement. The latter is subjected to the law of the place of the results of exploitation (or a “market impact” rule) (art. 301 Transparency). It deviates from the strict territorial approach, which stipulates that the state law governs only the conduct occurring in that state. Rather, according to the market impact rule, the law of a particular state A will govern conduct occurring in state B if that conduct has (real or potential) effects in the state A; and *vice versa*, the law of the state B will not be applied to the conduct occurring in its own territory if that conduct does not have market effects there.

- 6 Further, although all proposals seem to suggest very similar (if not identical) applicable law rules, their formulations slightly differ. Some proposals distinguish between registered and unregistered rights: the former is subject to the law of the “state of registration” whereas the latter is governed by the law of the “state for which protection is sought”<sup>6</sup> (sec. 301(1) ALI, art. 19 Kopila and art. 301 Joint JK). Differently, the CLIP Proposal subjects *all* IP rights to the law of the state “for which protection is sought.” Similarly, Transparency proposal subjects all rights (at least as far as issues related to a right as such are concerned) to the same rule; however, it is formulated in a unique way. It refers to the law of the state “which grants the protection” (art. 305 Transparency). This is meant to avoid the ambiguity of the notion “*lex loci protectionis*” and cover both the *lex loci protectionis* and the state of registration rules.<sup>7</sup>

- 7 Different terminology is used for the above described rules. The CLIP Proposal uses “*lex loci protectionis*” when referring to the “law of the country for which protection is sought.” Joint JK Proposal covers under “*lex loci protectionis*” both the country “for which protection is sought” (as in CLIP) as well as the country of registration.<sup>8</sup> The latter two rules are called “territoriality” in the ALI Proposal.<sup>9</sup> Also, although ALI subjects unregistered rights to the law of the state “for which protection is sought” (like CLIP), in its comments ALI group refers to “affected market” as a usual point of attachment when the law of the protecting country is applied.<sup>10</sup> In this way, the ALI approach comes closer to the “place of the results of exploitation” rule as found in the Transparency proposal. It is most likely that these differences in terminology would have no significant effects in practice. The agreement on the common definition of such basic concepts as “*lex loci protectionis*” or “territoriality” is, however, important.

## II. Rationale

- 8 The reasons for the market impact rule and a loosened approach towards territoriality, as adopted in the Transparency proposal, can be traced in the Japanese court practice. The Japanese Supreme Court formulated a strict approach to territoriality in the BBS case<sup>11</sup> and reiterated it in the Card Reader case.<sup>12</sup> In the latter case, the defendant situated in Japan was producing the items covered by the U.S. patent with the purpose of distributing them in the USA (the item was not patented in Japan). The court defined territoriality in a strict way: “the principle of territoriality in relation to patent rights means that a patent right registered with each country is to be governed by the laws of the relevant country with regard to issuance, transfer, validity and the like thereof and such patent right can come into force only within the territory of the relevant coun-

try.” Accordingly, it rejected the application of the U.S. law in respect of conduct (production) occurring in Japan since no patent was granted in Japan. The court argued that the application of the U.S. law would impinge the territoriality principle of IP rights and would thus violate the public policy of Japan.<sup>13</sup> Such a strict territoriality approach, however, was met controversially by legal scholars. For instance, some argued that the court had run into confusion between different concepts of the territoriality principle in private international and public law.<sup>14</sup> Keeping this in mind, the drafters of the Transparency proposal have suggested the market effect rule as an alternative solution.<sup>15</sup>

- 9 The next question concerns the reasons of proposing two distinctive rules for registered and unregistered rights, namely country of registration for the former and country for which protection is sought (or “country of protection”) rule for the latter. In other words, does the country of registration rule lead to different results than the country of protection rule if applied to registered rights? It seems that in most cases the results will be the same and the country of registration rule is just a more straightforward rewording (or variation) of the country of protection rule.<sup>16</sup> On the other hand, in Japanese legal practice the approach exists that these two rules in some cases do not coincide. Some scholars suggest that a “country of protection” may refer to different states (e.g. country which grants the protection or country where right holder raises a claim even if the laws do not grant the protection, i.e. *lex forum*).<sup>17</sup> Also, according to the Joint JK proposal, it is “assumed” that the country of registration is the same as the country of protection, however, this presumption can be rebutted.<sup>18</sup> In order to avoid the ambiguous *lex loci protectionis* rule and the confusion that the usage of both *lex loci protectionis* and country of registration rule may cause, the Transparency proposal uses the expression “the law of the country granting the right,” which represents a combination of the two concepts.<sup>19</sup>

### III. International context

- 10 It is often assumed that territoriality and *lex loci protectionis* are accepted in most state legal practice in a similar (if not the same) scope and, thus, the analyzed proposals merely reconfirm this. The picture, however, is more colorful than that.
- 11 First of all, it is worth noting that IP law is new in many jurisdictions worldwide (especially in developing countries) and, naturally, they often have no special PIL rules to IP disputes or practice related to it. Then, most countries which have certain IP traditions treat IP rights as territorial; however, there are also a few countries which have adopted a universal approach (e.g. Portugal, Romania and Greece).<sup>20</sup> Even between countries that adhere to the territorial approach there is no unitary notion of it. Some countries stick to a traditionally very strict territoriality principle which does not allow courts to adjudicate disputes over foreign IP rights. Because of this (and other) reasons courts would adjudicate only disputes over local IP rights and simply apply *lex forum* (thus, no applicable law rules are needed).<sup>21</sup> Others have since recognized that the territoriality principle does not preclude international jurisdiction in at least disputes over foreign copyrights.<sup>22</sup>
- 12 Countries that allow the adjudication of foreign IP disputes, often apply *lex loci protectionis* rule. Some commentators argue that the *lex loci protectionis* rule can be derived from art. 5(2) of the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention),<sup>23</sup> however, no agreement on this issue exists.<sup>24</sup> Similarly, there is no agreement whether *lex loci protectionis* can be derived from the national treatment provision as implemented in the Paris Convention for the Protection of Industrial Property (Paris Convention)<sup>25</sup> or Agreement on Trade Related Aspects of Intellectual Property Rights<sup>26</sup> (TRIPS).<sup>27</sup> In national jurisdictions it is rarely implemented as a statutory rule (Switzerland<sup>28</sup>), and in some countries it is established only through court practice (e.g. Germany<sup>29</sup>). It is often not clearly distinguished from other similar rules like *lex forum* (e.g. Austria,<sup>30</sup> China,<sup>31</sup> Taiwan<sup>32</sup>). Furthermore, the same *lex loci protectionis* rule (or “country for which protection is sought”) may be understood differently. In Germany it essentially refers to the country that grants the protection, whereas in Japan a broader approach can be identified.<sup>33</sup> Also, in some countries “*lex loci protectionis*” and “territoriality” concepts are used interchangeably (U.S., UK), whereas in others a clear line is drawn, at least on a dogmatic level (e.g. Germany).<sup>34</sup> Some states also apply other rules to IP disputes. For instance, the law of country of registration is applied for registered industrial property rights (e.g. Portugal).<sup>35</sup> Other countries do not have any special applicable law rules to IP disputes and thus general tort applicable law rules (most often – *lex loci delicti*) apply (e.g. UK,<sup>36</sup> Netherlands,<sup>37</sup> U.S.<sup>38</sup>). In the U.S., *lex loci delicti* is often used interchangeably with *lex loci protectionis*.<sup>39</sup>
- 13 Regarding the scope of *lex loci protectionis*, it has been differing from country to country. In some countries all issues (putting aside initial ownership and transferability) have been subject to *lex loci protectionis* (Austria,<sup>40</sup> Belgium,<sup>41</sup> Germany,<sup>42</sup> Italy,<sup>43</sup> Switzerland,<sup>44</sup> South Korea,<sup>45</sup> China<sup>46</sup>). In other countries it covers only proprietary issues (existence, scope, duration, termination, etc.), whereas infringement-related issues (illegal conduct and remedies) have been subject to general tort applicable law rules such as *lex loci delicti* (e.g. U.S.,<sup>47</sup> UK,<sup>48</sup> France,<sup>49</sup> Portugal<sup>50</sup>). It is argued that, although *lex loci protectionis* and



*lex loci delicti* are different from a doctrinal point of view, the practical outcome of the two approaches is mostly the same.<sup>51</sup> This, however, has proved to be not true in Japan. Here, according to the established court practice, injunctions are subject to the law of the country of protection (or registration), whereas damages are subject to the tort applicable law rules.<sup>52</sup> In the famous Card Reader case this led to the application of different laws with respect to injunctions (U.S. law) and damages (Japanese law).<sup>53</sup> Finally, it is important to note that the Rome II Regulation has harmonized the application of *lex loci protectionis* at least for non-contractual (or infringement-related) issues in the EU, though it remains unclear if it also covers proprietary aspects.<sup>54</sup> At the international level no harmonization has been reached yet and the scope of the *lex loci protectionis* remains divergent.

- 14 Regarding the market impact rule (as suggested in the Transparency Proposal), there is no known jurisdiction where such rule was explicitly applied as the main applicable law rule in IP cases. It has been known, however, in other fields of law. For instance, a similar “effect theory” was initially applied as a rule of applicable law in antitrust and unfair competition law.<sup>55</sup> Certain variations of the market effect rule have been already proposed or applied for certain special IP problems. In copyright law, a similar *de minimis* rule was proposed for infringements concerning cross-border satellite broadcasting.<sup>56</sup> The so called “targeting” doctrine has been developed for copyright infringement cases in the U.S. In essence, it grants U.S. courts a jurisdiction over alleged copyright infringement having a foreign element if the U.S. audience is the intended target of that conduct.<sup>57</sup> Simultaneously, a so-called “market impact” rule was suggested in the 2001 WIPO Recommendation for use of trademarks on the Internet.<sup>58</sup> It has been successfully applied in online trademark cases,<sup>59</sup> and was also gradually adopted by some European courts in online copyright cases. In addition, it is interesting to note that in its initial drafts, ALI also suggested a market effect rule as a main rule for IP cases. This approach was later abandoned in favor of a more traditional territoriality-based approach. Still, when commenting on the applicable law rule to unregistered rights (i.e. “country for which protection is sought” rule), ALI suggests that “[t]he usual point of attachment for determining infringement of these rights therefore will be the countries where the right owner’s market for the work has been affected.”<sup>60</sup> Thus, the market effect rule is not an entirely new one, though had little acceptance in practice until now.

#### IV. Discussion

- 15 There is no need here to analyze the relevance of *lex loci protectionis* for IP disputes, since apart from minor differences in wording, all proposals have

adopted it. Below, two issues on which the agreement is lacking will be shortly discussed: (1) a different treatment of registered and unregistered rights and (2) whether it is reasonable to treat IP *infringement* differently from IP right *as such* (or propriety issues) and subject the former to the market effect rule (as proposed by the Transparency group).

- 16 The distinctive treatment of registered and unregistered rights may have some advantages. It is true that *lex loci protectionis* (or the law of the country “for which protection is sought”) is not an entirely clear concept, and courts may have difficulties in applying it especially in those countries where it is new and there is not much practice in international IP litigation. “Country of registration” is a more straightforward notion, so it may bring more legal certainty at least in disputes over registered rights. However, this clearer concept can not be applied to unregistered rights (obviously because there is no registration), and the states would still have to live with the not entirely clear notion of *lex loci protectionis* (or find clearer wording – see below). The other problem of the differentiated treatment of registered and unregistered rights is the need for two different rules, which makes a complicated applicable law system even more complex. Also, the relationship between those two rules may remain unclear – is it the same rule worded differently or are these two different rules with different content?
- 17 An alternative solution could be to find another wording, e.g. by referring to “the law of the granting state” as suggested in the Transparency proposal. It eliminates an unclear concept of *lex loci protectionis* and merges both rules under a single concept. This could lead to more legal certainty. However, it requires abandoning the formulation “for which protection is sought,” which is already implemented in some national statutes (e.g. Switzerland, China), clearly established in some states’ court practice (e.g. Germany) and widely accepted in doctrine. The adoption of a new concept on the international level would require some countries to change their established practices, which could be done only if there is a very strong need. Also, the adoption of a new notion would still maintain the danger of it being interpreted differently in different jurisdictions. Thus, the clarification of contents of the *lex loci protectionis* (e.g. in comments) seems to be a more preferred option than the overall abandonment of this notion.
- 18 The other question is whether it is reasonable to subject the IP infringement to the market impact rule, while leaving the IP right as such to be governed by *lex loci protectionis*. It is true that the market impact rule could provide a different solution than the one found in the Card Reader case. Market impact rule allows the application of the law of the affected country despite where the conduct that causes those

effects occurs. In the Card Reader case, this would have meant the application of U.S. law for the copies made in Japan, since they are later exported to the USA and thus affects the U.S. market. One could argue that in IP cases the place of conduct is irrelevant since the object is intangible (different than in case of real property) and the economic interests that underlie IP rights are violated where the relevant market is harmed.<sup>61</sup>

19 On the other hand, one should keep in mind that the *lex loci protectionis per se* does not imply such strict territoriality as suggested by the Japanese Supreme court and does not prevent solving the Card Reader case in some other way. For instance, if the case were solved under secondary infringement rules as applied in the USA, UK or Germany, U.S. law would be applied to the infringement. As a general rule, secondary infringement is governed by the law that governs the primary (direct) infringement.<sup>62</sup> It is an acknowledged exception to territoriality principle.<sup>63</sup> If the production in Japan with a purpose of exportation to the U.S. were treated as a contributory act facilitating illegal sale in the U.S., U.S. law could apply with respect to the production act that occurs in Japan. This would leave *lex loci protectionis* intact and would lead to the similar (if not the same) result that the suggested market effect rule intends to reach.

20 What is more important, the market impact rule, as proposed in the Transparency proposal, does not merely solve the problem in the Card Reader (and similar) cases. More than that, it means a significant shift away from the territoriality principle and ultimately, a change of the scope of the protection of IP rights. Firstly, it requires an extraterritorial application of a state law. The state A law will govern foreign conduct that has certain effects on the market of state A. For sure, such extraterritorial application of IP statutes is not entirely new. For instance, certain extraterritorial practices have been developed by U.S. courts in trademark<sup>64</sup> and copyright cases.<sup>65</sup> However, these practices have been criticized by commentators as a unilateral export of strong U.S. IP policies to other countries.<sup>66</sup> As the opposition against ever-rising IP protection seems to be growing in academic fields at least in the U.S. and Europe,<sup>67</sup> it is doubtful whether such extraterritorial application of laws shall be promoted in PIL instrument.

21 Secondly, the market impact rule would mean that the law of the particular state would not govern the conduct that occurs in its territory but does not (directly) affect its market. This would effectively limit the scope of the protection under IP laws. Such approach is not entirely new either. For instance, in several jurisdictions secondary infringements are not governed by the law of the country where the secondary conduct occurred but rather by the law

that governs a primary infringement, i.e. where the infringing conduct actually affected the market.<sup>68</sup> However, the market impact rule would go further than that. As a matter of principle, in order to establish an infringement of e.g. copyright, it must be proven that conduct (e.g. reproduction) is sufficient and there is no harm in the market (e.g. through distribution). However, if the market effect rule is applied, the mere reproduction in the country is not sufficient to apply the country's law if no market effects are felt there (e.g. if copies are made for exportation purposes and not for a local market). As another example, in the case of broadcasting, an emission of signals in the country would not be sufficient to apply the law of that country if no signals are received by the public of that country.<sup>69</sup> Whether such a shift of scope of protection is reasonable is a question of policy. However, the scope of protection can be better harmonized through a substantive law instrument rather than through applicable law rules.

22 In addition, it is questionable how effective it would be to subject an infringement issue to the law of a country other than the one that governs all other issues (i.e. apply *dépeçage*). First, it would make the determination of law more complicated. Second, the existence and scope of protection is closely related to the infringement issue: an infringement can be found only in the country where the right exists. Overall, the application of market impact rule to IP infringements may lead to far reaching – more negative than positive – consequences than one may expect.

## C. Initial ownership

*Secs. 311-313 ALI; arts. 3:201, 3:401-3:402 CLIP; art. 305 Transparency, art. 24 Kopila, art. 308 Joint JK*

### I. Differences

23 The proposals are quite similar when dealing with the initial ownership to registered rights but adopt different approaches with respect to the initial ownership to unregistered rights.

#### 1. Registered rights

24 The initial (single) ownership to registered rights in all proposals is subject to the territoriality approach. However, the applicable law rules on initial title, the same as in the case of a main rule, are worded in slightly different ways. ALI and Kopila proposals refer to the “state of registration,”<sup>70</sup> whereas CLIP and Joint JK Proposal refer to the “country for which protection is sought.”<sup>71</sup> As discussed above, the interrelation of these rules is not entirely clear, and

although in most cases they may lead to the same results, the opinion exists that the results will not coincide in all cases.<sup>72</sup>

- 25 The employment situations in case of registered rights (especially, employees' inventions) are dealt in not entirely the same way either. In such situations, most proposals suggest subjecting initial ownership to the law governing the employment contract (or other pre-existing relationship) (sec. 311(2) ALI, art. 3:201(3) CLIP, art. 25(1) Kopila; art. 308(4) Joint JK). Only the Transparency proposal does not specifically address this issue and seems to subject it to the same "granting state" rule (art. 305).<sup>73</sup> Furthermore, with regards to *lex contractus* rules,<sup>74</sup> all proposals allow parties to choose the applicable law.<sup>75</sup> In the absence of choice, however, the suggested solutions vary. Sec. 315 ALI refers to the law with the closest connection, which is presumed to be the law of the residence of the transferor or assignor (i.e. *employee*); similarly, art. 3:503 CLIP refers to the place where or from which the *employee* works unless another place has a closer connection. Differently, art. 25(2) Kopila and art. 307 Joint JK Proposal, in case the choice of law by parties is absent, refer to the country where the *employer* (or assignee/transferee in Joint JK) has a habitual residence. Thus, whereas ALI and CLIP seem to favor the employee in these cases, Kopila and Joint JK proposals seem to be more advantageous for the employer. The Transparency proposal meanwhile, by referring to the law of the granting state, gives a priority to states' territoriality interests.
- 26 The co-ownership situation in case of registered rights is not specifically addressed in most of the proposals. The exception is the CLIP Proposal which suggests co-ownership rules not only to unregistered rights (as is the case in other proposals) but also to the registered rights.<sup>76</sup>

## 2. Unregistered rights

- 27 The applicable law to initial ownership for unregistered rights is one of the most controversial issues and, not surprisingly, the approaches adopted in different proposals diverge. Whereas ALI, Kopila and Joint JK proposals adopt a universal approach, CLIP and Transparency proposals stick to the territorial approach even for the initial ownership issue.
- 28 Before analyzing the particular rules, it is important to note that their scopes slightly diverges in different proposals. In the ALI proposal universal approach covers only "other unregistered rights" (mainly copyright), whereas unregistered trademark and trade dress are subject to special rules (sec. 312). CLIP does not differentiate between different unregistered rights as a matter of principle but does pro-

vide a special "work-for-hire" rule only for copyright cases. Kopila subjects *all* unregistered rights (presumably including unregistered design and trademark) to the universality approach. Differently, Joint JK Proposal subjects only copyright to the universality approach, and thus the question remains what law regulates other unregistered rights (e.g. unregistered design). Transparency proposal does not distinguish between IP rights at all.

- 29 In a single initial ownership situation, proposals following the universal approach refer either to the creator's residence (sec. 313 ALI) or to the place of creation (art. 308(2) Joint JK; art. 24(2) Kopila - habitual residence of the creator, however, will be taken into account when determining the place of creation). Proposals that promote territorial approach to initial ownership refer to *lex loci protectionis* (art. 3:201(1) CLIP) or granting state law (art. 305 Transparency).
- 30 Regarding co-ownership situation, ALI follows universality approach and suggests three rules in a cascading order – the law assigned by the agreement between parties,<sup>77</sup> the law of the state where the majority of authors reside, and the law with "the closest connection to the first exploitation" (sec. 313(1)(b) ALI). Kopila proposal overtakes, in a slightly modified manner, the first and third rules suggested by the ALI but omits the majority residence rule (art. 24(3) Kopila), whereas the Joint JK Proposal overtakes the first and second but omits the third one (closest connection rule) (art. 308(2) Joint JK). Meanwhile CLIP group tries to find a compromise between the universal and territorial approaches. Similarly like in ALI and others, most of the issues related to the co-ownership relationship are subject to the law governing the legal relationship between the parties (such as contract, marriage, succession etc.);<sup>78</sup> if no such relationship exists, the law with the closest connection applies (art. 3:402). The main difference of the CLIP from all other proposals is that proprietary issues, such as who can be the owner and transferability of shares, are subject to *lex loci protectionis* (art. 3:401). The Transparency proposal does not specifically address this issue and thus the "granting state" rule (or *lex loci protectionis*) applies.
- 31 Initial ownership in the case of employment relationship is subject to *lex contractus* rule (sec. 313(1)(c) ALI, art. 25(1) Kopila,<sup>79</sup> and art. 308(3) Joint JK). The Transparency proposal does not specifically address this issue and thus seems to apply the same "granting state" (or *lex loci protectionis*) rule to this issue as well.<sup>80</sup> CLIP generally maintains *lex loci protectionis* for employment situations with regards to unregistered rights (differently from registered!). However it, in addition, suggests a novel and unique "work-for-hire" rule. In short, it suggests that "[i]f the situation has a close connection with another State that has a work made for hire provision (...), effect



may be given to such rules by constructing the parties' relationship (...) as involving a transfer or exclusive license of all economic rights in the work" (art. 3:201(2) CLIP). That is, if the law assigned by the *lex loci protectionis* rule grants the initial ownership to the employee but the dispute is closely connected to the country having a work-for-hire tradition (e.g. the work was created there or at least one party resides there), it should be deemed that economic rights have been transferred to the employer.

- 32 For instance, a German director is hired by a U.S. film production company to direct the creation of a movie in the USA; no contract between the parties regarding the transfer of rights is signed. Later, the movie is exploited *inter alia* in Germany in the way that violates economic and moral rights of the director. The film director sues the production company in a German court. Under the CLIP rule, German law, as law of the country for which protection is sought, determines the initial ownership; in this case it would be German law, which grants film director an initial ownership to the film. However, if the case is found to be closely connected to the USA (and U.S. law contains work-for-hire provision), German law would be construed in such a way that all economic rights have been transferred to the producer. Still, the film director maintains at least moral rights available under German law, the violation of which he/she may claim.
- 33 In addition, all proposals following the universal approach suggest an additional "escape" clause: when the assigned applicable law does not grant any protection, the law of the state where the rights are first exploited and recognized is applied (sec. 313(2) ALI, art. 24(4) Kopila, art. 308(3) Joint JK). Also, ALI contains a supplementary provision concerning the validity of contractual choice of law in mass-market agreements (sec. 313(1)(d) ALI).

## II. Rationale

### 1. Registered rights

- 34 It should first be asked why co-ownership to registered IP rights (in contrast to copyright) has not been specifically addressed by most proposals, except for CLIP. The groups either intentionally excluded this issue from their proposals (e.g. as having little practical relevance) or found it suitable to subject it to a main rule governing initial ownership to registered rights (i.e. country of registration) for proprietary aspects of a co-ownership situation and rules on IP transfers in regard to contractual aspects. Meanwhile CLIP has probably realized the increasing importance of joint research (e.g. in collaborative research agreements, joint ventures) and the

problems initial ownership may cause when such research is undertaken and its results are exploited on a cross-border level. By suggesting a two-layer rule to co-ownership situations the CLIP group most likely intended to accommodate dual interests. By subjecting initial co-ownership and transferability of shares to *lex loci protectionis* (3:401), CLIP preserves the interests of states to regulate these important issues on territorial basis. Second, by subjecting all other issues<sup>81</sup> to a single law of the contract (and if there is no contract – the law with the closest connection) it intended to serve the legal certainty interests of the parties.

- 35 Initial ownership to registered rights in case of employment or other pre-existing relationship (e.g. employee inventions) in most proposals (except of Transparency) is subject to the law governing the pre-existing employment relationship, as it gives a uniform answer throughout the world. This helps employers to market the product and enhances the value of the registered rights.<sup>82</sup> According to the CLIP Group, it is reasonable to subject the initial ownership in these cases to the law of the pre-existing relationship, since the right to claim a registered right, in particular the right to file an invention at the patent office, is transferable under the substantive law provisions of many jurisdictions.<sup>83</sup> As will be seen later, the situation is different in case of unregistered rights (copyright).<sup>84</sup> Certainly, as ALI also recognized, a risk exists that employers (and similar co-contractants) may impose a national law unrelated to the parties or the subject matter of the rights solely for the purpose of denominating the employer as the initial owner. However, where particular states impose employee-protective mandatory rules, the court may take these into account by virtue of mandatory rules exception.<sup>85</sup> Similarly, the CLIP proposal explicitly prevents the overriding of the employee-protective provisions when choosing the applicable law.<sup>86</sup>

- 36 Differently, the Transparency proposal does not recognize party autonomy in employment relationships and even here subjects the initial ownership to the law of the state granting the right; it seems to disallow any agreement on applicable law. The reason seems to be the respect for national state policies towards the employer-employee relationship. This solution might have been influenced by Japanese court practice. In the Hitachi decision,<sup>87</sup> Japanese Supreme Court recognized that initial ownership is governed by *lex loci protectionis*. However, in a case dealing with an employee's inventions, it allowed the choice of applicable law between parties with respect to remuneration claims. It further acknowledged that the law selected by parties (in this case – Japanese law) regulated remuneration claims for patents granted not only in Japan but also in other foreign countries. Japanese academics have firmly



opposed such an application of the Japanese Patent Act beyond Japan's borders. According to them, a country's statutory treatment of employee inventions deeply reflects that country's particular policies on patent protection and employee-employer relations.<sup>88</sup> Transparency group seems to have followed this critical stance and for this reason decided to maintain *lex loci protectionis* for all issues related to the employment relationship.

## 2. Unregistered rights

37 Various arguments have been raised by the groups for choosing or rejecting the territorial or universal approach for the initial ownership issue in cases of unregistered rights. They can be summarized as follows.

38 The promoters of universal approach first raise a legal certainty argument: "To make ownership subject to the different laws of the different countries in which the work is exploited may therefore engender uncertainty in the exercise of rights, because it may not be clear whether the person or entity purporting to license rights in fact had the rights to license."<sup>89</sup> Joint JK group in addition argues that the initial title is closely connected to the state of origin.<sup>90</sup> At the same time, ALI recognizes that a single-law approach will not create complete certainty so long as States use a public policy (*ordre public*) exception in order to reject the application of the law initially designating ownership.<sup>91</sup> Thus, the ALI suggests that the application of the *ordre public* rule should be truly exceptional.<sup>92</sup>

39 CLIP group recognizes that *lex originis*, by designating a single applicable law, might facilitate the transfer of rights. However, according to them, the reasons for not choosing a single law approach prevail.<sup>93</sup> First, as also noted by the ALI, courts are not willing to accept the consequences of the *lex originis* and apply their national copyright law as part of the public policy of the forum.<sup>94</sup> Second, there are difficulties in determining *lex originis* since the definition provided in art. 5(4)(a) Berne Convention would not always lead to a single clear outcome. In addition, subjecting industrial rights and copyright under different choice of law rules regarding ownership raises another problem.<sup>95</sup> It is further highlighted that initial ownership in copyright is an essential part of state policy choice, and it is of practical importance to allow states to ensure those policies by maintaining the territoriality principle.<sup>96</sup> Also, although *lex loci protectionis* may in theory lead to the application of a multitude of applicable laws in multi-state situations, arguably, the practical problems of this "mosaic approach" are often exaggerated: employees explicitly or tacitly grant an exclusive license for all economic rights in the work to the employer.

Transparency group suggests similar arguments. In addition, they note that it would make no sense to subject initial ownership to a single-law approach if transferability issue remains governed by *lex loci protectionis*.<sup>97</sup>

40 The next question is why ALI has chosen creator's residence as a main rule (and for Kopila and Joint JK proposal – as a facilitating rule) for determining initial ownership for unregistered rights. One of the alternatives could have been to provide for the well known country of origin (or *lex originis*) rule. However, ALI rejected this possibility because "the definition of 'country of origin' set forth in the Berne Convention, art. 5(4), presents several alternative criteria for determining the country of origin of a work of authorship, thus it identifies too many possibilities."<sup>98</sup> Creator's residence is more certain and has a strong link with the creative work.<sup>99</sup> It is arguable that this connecting factor could promote a sort of "forum-shopping" for the most creator-protective law. However, according to the ALI, the residence of the creator, who (as used in the Principles) is always a natural person and thus has only one residence (see sec. 201(2) ALI), is usually stable, or if it changes, generally does so without regard to possible choice-of-law consequences. Furthermore, an alternative "place of creation" rule was not adopted by the ALI Principles because it might have been entirely fortuitous or unrelated to the work's subsequent commercialization.<sup>100</sup> In addition, other connecting factors such as *lex fori*, *lex rei sitae*, and *lex loci delicti commissi* are also regarded as unsuitable. *Lex fori* would cause "law shopping" by the right holder and legal uncertainty for the infringer, whereas *lex rei sitae*, in the case of exploitation in multiple states, would lead to the designation of multiple laws.<sup>101</sup>

41 Drafters provide little comment as to why they have chosen particular connecting factors to the co-ownership situation. Party autonomy, with respect to applicable law to initial ownership in a co-ownership situation, could be seen as one of the examples where a strict territoriality approach has been loosened. Party autonomy has been recognized in most proposals (except for Transparency), though with certain limitations. In ALI Principles, "[t]he coauthors' choice is limited to one of their countries of residence because these Principles choose as the fundamental point of attachment for works of authorship the person of the author."<sup>102</sup> CLIP excludes such a choice of law with respect to proprietary issues, which because of states' policy interests, should be subject to *lex loci protectionis*.<sup>103</sup> When there is no party choice, most proposals turn to the closest connection rule (except Joint JK Proposal), which is well known in applicable law to contract but at the same time does not provide for much legal certainty or foreseeability.<sup>104</sup> Most likely because of the latter reason, before turning to the flexible closest connection rule, ALI proposal suggests the "major-

ity's residence" rule, which may give a better guidance in designating the applicable law. On the other hand, the ALI three-layer rule (choice by creators, majority residence and the closest connection) for the co-ownership situation alone might seem too complicated. It is likely that because of this reason the Kopila and Joint JK groups decided to shorten their respective rules.

- 42 The most complicated task appears to have been the determination of initial ownership to copyright in an employment relationship. The main reason for this is due to a different allocation of ownership in case of employment (or similar) relationship in different legal traditions: whereas common law countries traditionally assign it to the employer (on the basis of work-for-hire or similar doctrine), continental law countries vest it into the employee.
- 43 The ALI suggests applying the law of the contractual relationship in such situations. This would designate a single applicable law, which would facilitate the international exploitation of work. ALI group recognizes that "[i]f the contract determines the law applicable to initial ownership, the concern arises that the dominant party to an author-employment or commissioned-work contract will choose a national law designating the dominant party as the initial right holder (...) The creators may not be completely without recourse, however, because § 323 of the Principles instructs the court to consider applying the mandatory rules of the forum or of third countries with points of attachment to the employment relationship, and some of these rules may require creator-ownership."<sup>105</sup> In short, ALI group, and supposedly other groups' proposals following a similar approach (Kopila, Joint JK), expect that employee-protective policies can be preserved on the basis of a mandatory rules exception.<sup>106</sup>
- 44 CLIP group apparently was not convinced with the sufficiency of such a solution. For this reason they maintained *lex loci protectionis* as a main rule for determining initial ownership in the case of an employment relationship. It supposedly better ensures the possibility for states to pursue their policies in respect of initial ownership. However, the CLIP group sought to reach a compromise between the two different legal traditions, and for this purpose proposed a "work-for-hire" rule in 3:201(2) CLIP. Its wording is partly inspired by art. 2(3) of the Council Directive 91/250/EEC of 14 May 1991 on the Legal Protection of Computer Programs.<sup>107</sup> According to the CLIP group, "it would be odd in such cases [i.e. those closely connected to the country having a work-for-hire doctrine – R.M.] to attribute the economic rights in the work to the employee since both parties assumed during the production of the work that the exclusive rights should be held by the employer." The "work-for-hire" provision "may give some guidance for the

interpretation of the relationship of employer and employee."<sup>108</sup>

- 45 Transparency Proposal instead maintains a strict territoriality approach in this situation and suggests applying the law of each granting state without any exception. It is likely that such a solution was influenced by a controversial Japanese court practice.<sup>109</sup>
- 46 The "escape" clause was implemented in the proposals that follow the universal approach. There might be cases that a single selected law does not extend protection over the subject matter (e.g. in the case of databases or industrial designs). In such a case, it would be unreasonable to apply this law to determine initial ownership. As a connecting factor for the "escape" clause, ALI proposed (and other groups followed) the rule of the "first exploitation." This criterion derives from the Berne Convention's "first publication" rule. Arguably, the place of first exploitation has the most significant relationship to the work since "[b]y organizing its first distribution or transmission in that State, the creator or initial rights owner will, in effect, have chosen that State as the State of the work's nationality."<sup>110</sup>

### III. International context

#### 1. Registered rights

- 47 As a general matter, law applicable to (single) initial ownership in the case of *registered* rights has not received much attention in legal practice. It is ordinarily subject to the same rule as a registered right itself, i.e. *lex loci protectionis*. There are also no specific rules on applicable law in co-ownership situations in patent law (e.g. collaborative research). Under general international private law rules to IP, proprietary aspects are subject to territoriality principle (and most often – *lex loci protectionis*), whereas contractual aspects are regulated by contract applicable law rules (most importantly, choice of parties).<sup>111</sup> More clear legal solutions have been developed for employment situations. In some countries it is subject to the law governing employment relationship (e.g. Belgium,<sup>112</sup> Taiwan<sup>113</sup>). Some others seem to subject initial ownership in such situations to *lex loci protectionis* (e.g. China<sup>114</sup>). A third group of countries suggest a mixed approach (e.g. Austria<sup>115</sup>). As a fourth option, under the European Patent Convention the right to the European patent is governed by the law of the State where the inventor is principally employed; if this is impossible to determine, it is subject to the law of the state in which the employer has his place of business to which the employee is attached.<sup>116</sup>

## 2. Unregistered rights

48 The international situation regarding (single) initial ownership to unregistered rights is even more complex. Art. 5(2) of the Berne Convention does not mention initial ownership at all. Art. 14bis(2)(a) of the Berne Convention in respect of initial ownership in cinematographic works refers to the law of the country “where the protection is claimed.” However, there is no agreement on whether it sets an applicable law rule.<sup>117</sup> Although Rome II Regulation harmonizes *lex loci protectionis* for non-contractual obligations, according to the majority opinion it does not extend to the initial ownership.<sup>118</sup> Meanwhile, national legal practice is divided between *lex loci protectionis* (e.g. Germany,<sup>119</sup> Austria,<sup>120</sup> Spain,<sup>121</sup> Belgium,<sup>122</sup> Japan,<sup>123</sup> China,<sup>124</sup> and South Korea<sup>125</sup>) and *lex originis* (France,<sup>126</sup> USA<sup>127</sup>). In case of employment situations, some countries seem to apply *lex loci protectionis* (e.g. Germany),<sup>128</sup> others *lex contractus* (e.g., Japan,<sup>129</sup> Taiwan<sup>130</sup>), a third group promotes *lex originis* (e.g. France<sup>131</sup>), whereas some suggest a mixed approach (e.g. Austria<sup>132</sup>). It is important to add here that in France moral rights have been recognized both as internationally mandatory<sup>133</sup> and constituting a part of public policy.<sup>134</sup> Thus, even if the creator was not initially granted moral rights under the applicable foreign law, the rights would be vested into him/her in France under the public policy or mandatory rules doctrine.

## IV. Discussion

### 1. Registered rights

49 The first issue is the need for a rule to determine initial ownership of a registered right in a co-ownership situation. The importance of the co-ownership issue in international collaborative research projects shall not be underestimated. The extent of collaborative research is increasing. At the same time, substantial laws differ on determining when co-ownership exists and how the rights of co-owners shall be exercised, and there is no clear answer as to what law governs co-ownership when research is undertaken in several jurisdictions.<sup>135</sup> Thus the attempt to address these issues in the CLIP proposal shall be welcomed. Also, subjecting the relations between co-owners (such as exercise and enforcement of rights) to a single applicable law that can be chosen by parties shall be welcomed. It facilitates the exploitation of rights and distribution of revenues between co-owners.

50 One should, however, ask how reasonable it is to keep territoriality principle in such situations. One may understand the wish to subject initial co-ownership and transferability – issues intrinsically related

to the IP right as such – to the *lex loci protectionis*. This is the rule applied in single-ownership situations and it intends to preserve state interests to regulate co-ownership for patent rights in respect of their territory. On the other hand, one could point to the problems such differentiated treatment of proprietary and contractual aspects may cause. For instance, there might be situations that partners to a collaborative research choose one law governing the exploitation of the results of the joint research, however, one partner is not granted co-proprietorship under the law of the country where he/she wants to exploit the results.<sup>136</sup> Such a scenario is possible since a standard to get a co-inventor status may differ from state to state.<sup>137</sup> In order to avoid such transaction costs, initial ownership of registered IP rights in *employment* relationships is normally subject, in its entirety, to the law governing the employment relationship. Similarly, in the case of a co-ownership situation one should consider giving priority to the parties’ interests for legal certainty needed to exploit the results of a joint research. For these reasons some authors suggest qualifying all co-ownership issues as contractual and subjecting them to a law chosen by parties.<sup>138</sup>

51 Most proposals subject initial ownership in case of employees’ inventions to the law governing employment contract. Only Transparency proposal does not contain any specific rule and seems to subject such situations to the law of each granting state. Whereas the rationale of the former solution is clear (legal certainty in case of international exploitation), the rationale of the latter solution is dubious. Subjecting initial ownership in employment situations to the territorial approach leads to uncertainty. Both parties cannot know in which countries which party (employer or employee) owns the initial right. This further complicates the question of in which countries does the employer have to acquire the right and for which territories does it have to pay remuneration. Further, the problem of the Hitachi case,<sup>139</sup> which is likely to have been a reason for this different solution in the Transparency proposal, could be solved in a more proportionate way than subjecting it to *lex loci protectionis*. For instance, courts could apply the same *lex contractus* rule, but in a limited manner – *lex contractus* may decide who is the initial owner worldwide, however, the national remuneration provision may have only territorial effects.

### 2. Unregistered rights

52 Extensive studies have been written analyzing advantages and disadvantages of territorial and universal approaches to the initial ownership issue<sup>140</sup> and this question has been intensively discussed by the members of each project. Below only the main arguments can be outlined.<sup>141</sup>



- 53 The first question is what are the main advantages and disadvantages of the territorial and universal approaches and the respective rules proposed by different groups, namely, *lex loci protectionis* and creator's residence rule in cases of initial (single) ownership,<sup>142</sup> i.e. where there is one creator.
- 54 As an initial option, the territorial approach, and a corresponding *lex loci protectionis* rule, is advantageous in several respects. First, it is consistent with a general territorial approach to copyright disputes adopted in all Proposals. Thus, the law that determines all proprietary and infringement-related issues will also determine the initial ownership. Second, it is normally easy to identify the law of the protecting country as it would most often coincide with the place of infringement. Third, some commentators derive it from the Berne Convention: even if there is no clear agreement whether it is implied by the national treatment provision found in art. 5(2), art. 14bis(2)(a) rather unambiguously subjects initial ownership in cinematographic works to the law of the country "where the protection is claimed."<sup>143</sup> Fourth, the territorial approach would allow states to maintain their national policies in respect of initial ownership issue. This is of special importance, since this issue is up to now addressed rather differently in different legal traditions.
- 55 At the same time one could list the main contra arguments. Most importantly, *lex loci protectionis* would arguably lead to the need to determine initial ownership under multiple laws, which may lead to the situation where the person owns rights in one country but not in another. This becomes of special relevance when works are used in such a ubiquitous media like the Internet. On the other hand, in practice this problem in *single* initial ownership cases is likely to be minor, since the substantive laws on this issue barely differ: in *single* initial ownership cases the initial owner will normally be a creator. Secondly, it is highly doubtful if the Berne Convention implies any applicable law rule on initial ownership. Art. 5(2) does not mention initial ownership at all. Art. 14bis(2)(a) is also interpreted differently and is of little practical relevance: it is barely ever mentioned in court decisions dealing with the issue and has been denied in judgments where *lex originis* was applied in respect of the initial ownership issue.<sup>144</sup> Thirdly, the states' interest argument is of little relevance in case of *single* initial ownership cases since it is normally attributed to the creator.
- 56 The other, universality approach, as represented by the creator's residence rule here, also has numerous advantages and disadvantages. The main, if not the single most significant advantage of it would be the legal certainty it is supposed to create: it would indicate a single applicable law that would determine the initial ownership worldwide. On the other hand, one of the main problems is determining a proper con-

necting factor. It is true that the creator's residence rule has several advantages over other potential connecting factors. It is a more stable connecting factor than the place of creation;<sup>145</sup> it cannot be manipulated by the right holder as easily as the *lex fori* rule; by referring to the "creator" and thereby avoiding the concept "author," the ambiguous nature of the later term has been avoided.<sup>146</sup> ALI principles have also tried to deal with other problems relating to this connecting factor. For instance, there is no international, regional or, in some cases, national uniform definition of "residence" for the purposes of international private law;<sup>147</sup> furthermore, the creator may have been changing his/her residences or had several residences.<sup>148</sup> Thus, the Principles define the creator's residence "at the time the subject matter was created;" they also suggest certain guidelines when defining the creator's residence.<sup>149</sup> Also, in case the law of a creator's residence does not grant protection over the subject matter, an escape clause that refers to the place of first exploitation may be applied.<sup>150</sup> This rule has often been discussed in doctrine as one of the most suitable alternatives for initial ownership.<sup>151</sup> On the other hand, it remains unclear what law would be applied when a work is first transmitted over the Internet, when it is first exploited simultaneously in several countries, or when the work has not been exploited at all. In addition, some argue that the creator may manipulate the point of attachment by moving to a country with advantageous rules on initial ownership. However, as ALI rightly argues, the more favorable initial ownership rules are unlikely to influence the decision of the creator when choosing a place of domicile.

- 57 The co-ownership situation is more complicated. States have different regulations regarding who is the co-owner of collaborative works and how the co-ownership could be exercised.<sup>152</sup> This reflects the differing policies of the states. At the same time diverging substantive laws lead to legal uncertainty when exploiting and enforcing the rights internationally.
- 58 As a first option, the *territorial approach*, as adopted for the co-ownership situation by the CLIP and Transparency proposals, obviously serves the states' territoriality interests. However, it raises some legal certainty concerns. The CLIP proposal subjects the initial co-ownership and transferability of shares (Transparency proposal – all issues) to the *lex loci protectionis* rule; thus, they will be determined in each protecting country independently. On the other hand, it is questionable if the issue on who is entitled to co-ownership is that problematic and important (as, in comparison, initial ownership in employment relationship where parties have normally unequal bargaining powers). Even if national laws provide to a certain extent different rules on co-ownership, it is questionable whether the differences are of such a significance that they should be preserved on the



costs of (both initial and subsequent) right holders and users who have to identify the co-owners in each country separately. To facilitate this situation, CLIP suggests a second part of the rule (no comparable one is available in the Transparency proposal). Under the CLIP Proposal, most of the other issues (licensing, enforcement, etc.) are subject to a single law governing parties' relationship (contract, marriage, succession, etc.). However, as all the issues (initial co-ownership, transferability, licensing, enforcement, etc.) are intrinsically related, it is questionable whether the application of different rules will increase legal certainty or, in the opposite, will lead to more confusing or even conflicting results.<sup>153</sup>

- 59 As another option, the *single-law approach* adopted for the co-ownership situation in the ALI, Kopila and Joint JK proposals also has its strengths and weaknesses. As a main advantage, a single applicable law would make the exploitation and enforcement of the work easier both for initial and subsequent right holders as well as users. One problem, however, is trying to find clear and sufficient connecting factors. The combination of party autonomy and the closest connection rules (as proposed by ALI and Kopila) is a combination that has been broadly accepted in applicable law to contracts.<sup>154</sup> Party autonomy allows the parties to choose the law most suitable for them<sup>155</sup> whereas the closest connection rule provides flexibility to determine the relevant law in case the choice of parties is absent.
- 60 The problem with the latter rule is a lack of legal predictability. ALI addressed this problem by proposing to apply the law of majority residence first. Only if there is no majority residence shall the first place of exploitation be taken into account when determining the law with the closest connection. On the other hand, one may argue that the combination of these four connecting factors just for a co-ownership situation might seem to be too complex of a solution that diminishes rather than increases the level of legal certainty. Here, a "shortened" version of the ALI rule as suggested by the Kopila and Joint JK proposals could be considered. The second problem of a single-law approach is a lack of protection of states' policies. This might especially be seen in cases related to cinematographic works, where different states grant initial ownership to different persons participating in the production.<sup>156</sup> For example, a film is created in country A and an international group of contributors (director, screenplay writer, composer, dancer, etc.) decide to apply A country's law to their relationship. Country A's law vests initial ownership only into the director of the film. Thus, all other contributors appear to have no rights in the film worldwide, even if they were granted a co-ownership in their national jurisdictions. As a result, it remains a difficult task to choose what interests shall prevail – those of legal certainty or the protection of local policies.
- 61 The situation in regard to the initial ownership in an employment (or comparable) relationship is similar to the co-ownership cases, only even more complicated. The continental and common law traditions differ radically on this issue on a substantive law level. The former countries, as a general rule, vest initial ownership to the employee (creator), whereas the latter vest it to the employer (production company) on the basis of a "work-for-hire" (or similar) doctrine.<sup>157</sup> Whereas the former intends to protect the interests of private creators, the latter seeks to facilitate the exploitation of the work by a single person – the employer. The analyzed proposals try to balance these interests on the applicable law level but all in different ways.
- 62 The *lex loci protectionis*, as adopted in the CLIP and Transparency proposals, do help countries preserve the application of their policies at least with respect to exploitation acts occurring in their territory. The main problem though, again, is the legal uncertainty that the application of multiple laws will cause because there are likely to be different initial owners of the same work in different countries. It is possible that the problem is mitigated in practice since employers and employees normally sign rights-transfer contracts.<sup>158</sup> Still, since some rights cannot be transferred in some countries (e.g. moral rights, some remuneration rights), the employee will retain them in respect of some, though not all countries. Also, all rights may remain with the employee if no special contract on the transfer of rights has been signed.<sup>159</sup>
- 63 The CLIP Group recognized that in some situations such an approach would be unreasonable and thus suggested the above described "work-for-hire" rule. However, it is questionable if it will provide sufficient legal certainty. First, its application is subject to three cumulative conditions: there should be a contractual relationship between the parties; another country should have a close connection; and that country should have a work-for-hire or similar provision. Second, each of the requirements is not sufficiently defined. For instance, it is not clear what contractual relationships are included; the "close connection" requirement is flexible and the results of its application cannot always be foreseen. Third, since the rule is formulated as a substantive law rule, its suitability as an international private law instrument may be disputed. Fourth, it enables the employer to acquire only economic rights, whereas the employee maintains the moral rights. Employees (or their heirs) may exercise these moral rights in order to block new uses, for example.<sup>160</sup> It is also unclear what is meant by economic rights – will remuneration rights (rental, lending or resale) or future rights also be deemed transferred to the employer? In addition, the courts "may" rather than "shall" apply this rule. Finally, the geographical scope of this provision is limited – if the case is brought under e.g. German law, the employer may "acquire" the eco-

conomic rights only in Germany, whereas legal uncertainty will remain with regards to the exploitation in other countries.

64 In contrast, the *lex contractus* rule as suggested in the ALI, Kopila and Joint JK proposals leads to a single applicable law for initial ownership in the employment relationship.<sup>161</sup> Also, the law applicable to the employment contract is rather easy to identify under the general applicable law rules. These rules, as have been seen above, are substantially similar in the EU and the USA and they meet the expectations of both parties.<sup>162</sup> Also, the employment contract normally covers several issues related to intellectual property. If the issues were subjected to different laws, this might lead to conflicting results<sup>163</sup>. Thus, the *lex contractus* rule is likely to ensure legal certainty more efficiently than the *lex loci protectionis* rule (even if combined with the “work for hire” rule as suggested in the CLIP Proposal).

65 On the other hand, similar to the co-ownership situation, the protection of the states’ (or more specifically – creator-protective states’) interests is relatively weak under the *lex contractus* rule. It is often argued that a single law approach favors employers’ exploitation interests at the cost of creators’ interests.<sup>164</sup> If the law containing work-for-hire doctrine is applied to the relationship, the employer retains all rights, whereas the employee loses all potential rights worldwide. Furthermore, the *lex contractus* rule contains a danger that the employer, as a stronger party, will choose the law favorable to him/her.

66 Regarding the latter problem, however, some legal systems implement employee-protective provisions when choosing the employee contract law.<sup>165</sup> With regards to the first problem (lack of protection for creator), one could however point that whereas the *lex contractus* rule might deprive a creator from any rights in some cases, it may also initially vest the creator with worldwide rights if the law contains author-protective provisions. Furthermore, according to ALI commentators, author-protective provisions could be enforced under the mandatory rules exception.<sup>166</sup> The latter proposal is, however, not without a problem. First, what should be treated as “mandatory rules” is a controversial issue.<sup>167</sup> The ALI Principles seem to provide a rather broad concept of the term (including creator-protective provisions with regard to an employment relationship),<sup>168</sup> however, this shall be determined under each state’s national laws. Second, even if courts may be allowed to apply foreign mandatory rules, it is very doubtful if a court would do that without a very strong reason.<sup>169</sup> Third, some commentators argue that if the mandatory rule exception is to be applied in each case where the initial ownership issue is at stake, the exceptional nature of this rule will be lost.<sup>170</sup> On the other hand, one should keep in mind that the given problem –

determining applicable law for initial ownership in an employment relationship in a dispute related to both creator-protective and work-for-hire systems – is very rare in practice.

67 In conclusion, in regard to employment situations, the *lex contractus* rule seems to ensure more legal certainty than *lex loci protectionis* (even in combination with a special “work-for-hire” rule). However, the former does not satisfactorily address the interests of author-protective countries. Additional solutions might need to be discussed.

## CONTRACTS

### D. Transferability

Sec. 314 ALI, art. 3:301 CLIP, art. 305 Transparency, art. 19 Kopila, art. 309(1) Joint JK

#### I. Differences

68 Transferability of IP rights is one of the issues that is rather unitarily regulated in all proposals. The proposals subject transferability to the territorial approach. It is true that the wording of the applicable law rules slightly differ<sup>171</sup> but the underlying rule and the expected results seem to be the same. Similarly, the scope of the rule is also worded in a slightly different manner<sup>172</sup> but the intended scope seems to be the same.

69 The only significant difference is an interesting exception proposed in the Joint JK Proposal: “The transferability of copyrights may be governed by the same law which is designated by the provision of paragraph (2) of the preceding Article if the parties’ agreement under Article 302 is available” (art. 309(2) Joint JK). On the one hand, according to the first part of the provision, it allows (but not requires) subjecting the transferability issue to the same law that governs initial ownership (the latter is subject to the single-law approach in the Joint JK Proposal). On the other hand, according to the second part, this is possible only if parties have agreed on this. At the same time, the agreement is subject to art. 302, which restricts the effects of agreements *inter partes*. It is questionable how this exception would function in practice.

#### II. Rationale

70 The main reason for choosing *lex loci protectionis* seems to be various restrictions on the transferability of the copyright or of particular claims in the continental law systems (e.g. non-transferability of

moral rights, non-transferable remuneration claims for rental right, etc.).<sup>173</sup> In addition, ALI group explains that the provision “reflects the widely accepted principle that the law applicable to the alienability of intellectual property rights is that of the law governing the existence, content, scope, and remedies for the violation of those rights. This is a subset of the broader choice-of-law regime for transferability of moveable property.”<sup>174</sup>

- 71 Joint JK group however, has acknowledged that the application of *lex loci protectionis* to transferability issues may hamper the international exploitation of rights. There might be no use of a single-law approach to initial ownership if the transferability issue has still to be decided on a state-to-state basis. Thus, art. 309(2) Joint JK intended to facilitate the transfer of copyright. The group explains that *lex loci protectionis* is reasonable when deciding transferability to industrial rights. However, “copyrights are less connected to the state of protection than registered intellectual property such as industrial properties, because registration is not a condition of the right under the non-formality principle of the Berne Convention. Thus, the transferability as well as initial ownership of a copyright should be sufficiently flexible considering the parties’ choices.”<sup>175</sup> On the other hand, the group was probably aware that *lex loci protectionis* is accepted for transferability issues both in Japanese and international legal practice. Most likely because of this they formulated the provision as non-mandatory (“may”).

### III. International context

- 72 *Lex loci protectionis* has been an accepted rule for the transferability issue in reported national practice (e.g. France,<sup>176</sup> UK,<sup>177</sup> Germany,<sup>178</sup> Austria,<sup>179</sup> Belgium,<sup>180</sup> USA<sup>181</sup>). No country has been identified where transferability issues were subject to a single-law approach.

### IV. Discussion

- 73 There are good arguments for the application of *lex loci protectionis* in respect of transferability. Numerous states have restrictions on transferability of copyrights.<sup>182</sup> Subjecting transferability to *lex originis* would mean that states are not anymore able to determine the scope of transferability in respect of transfers of national rights. One may argue that, even if *lex originis* were applied, states could enforce their policies on the basis of mandatory rules or public policy exceptions<sup>183</sup>. However, courts would normally take into account only the mandatory rules of the forum. Meanwhile *lex loci protectionis* allows enforcing the author-protective rules not only when claims are brought before the courts of the state

whose laws contain such rules but also in disputes arising before the courts of another state (e.g. when a court is asked to enforce foreign copyright). Also, the price of applying public policy and internationally mandatory rules is a disturbance of the international harmony of decisions and an inherent danger for forum shopping.<sup>184</sup>

- 74 On the other hand, one could understand the problems that Joint JK Proposal seeks to address. First, the application of *lex loci protectionis* to transferability would hamper cross-border licensing, which is in particular problematic when licensing copyright on an international scale (e.g. Internet). Second, the initial ownership and transferability issues are closely connected and it is logical to subject them to the same rule.<sup>185</sup> Also, if initial ownership is subject to the universal approach and transferability issue to the territorial approach, the latter will eventually make all the advantages of the former ineffective in practice.<sup>186</sup>

## E. Contracts

Sec. 315-316 ALI; arts. 3:501-3:507 CLIP; arts. 306-307 Transparency; art. 23 Kopila; art. 307 Joint JK

### I. Differences

- 75 First of all, all proposals allow parties to choose the applicable law (party autonomy principle). CLIP elaborates on party autonomy more than other proposals.<sup>187</sup> ALI Principles in addition suggest rules to protect a weaker party in standard agreements (sec. 315(3)(a) ALI).
- 76 If the agreement between parties is absent, all proposals, as a matter of principle, refer to the country with the closest connection. The law with the closest connection is however determined in a different way. ALI establishes a presumption of the transferor’s or licensor’s residence (sec. 315(2) ALI), which assumingly can be rebutted in case another country has the closest connection to the contract. Transparency proposal establishes two rules, namely, the *lex loci protectionis* for single-country contracts and transferor’s or licensor’s habitual residence rule for multi-state contracts; in addition, the “escape” clause allows for applying the law with the closer connection.<sup>188</sup> CLIP suggests a two-step rule.<sup>189</sup> First, it requests the court to analyze a list of factors in order to determine the law with which country – habitual residence of assignor/transferor or that of the assignee/transferee – the contract has the closest connection (art. 3:502(2)). Second, if no clear answer is found, CLIP proposes two (rebuttable) presumptions similar to the ones found in the Transparency proposal, namely, *lex loci protectionis* for single-coun-



try contracts and assignor's/transferor's residence rule for multi-state contracts. In contrast, the Kopila and Joint JK proposals presume that the assignee's or transferee's country of residence has the closest connection;<sup>190</sup> in addition, the Joint JK Proposal subjects the latter rule to the list of factors that resembles the one suggested by the CLIP group.<sup>191</sup>

- 77 Further, CLIP contains a special provision on employment relationship (art. 3:503). The relationship of employers and employees, in particular the right of the employer to claim the IP right and the corresponding right of the employee to claim for additional remuneration, are governed by the law chosen by parties, subject to the protection afforded the employee by the state where he habitually carries out his work. In the absence of choice, the law of the state where he habitually carries out his work applies. Other proposals contain only provisions on applicable law to initial ownership in case of employment relationship but do not provide for special provisions governing other issues related to it (such as a right to claim a registered right or a right to remuneration).<sup>192</sup>

## II. Rationale

- 78 The main difference between the proposals is the presumptions they suggest in case of an absence of choice by the parties. ALI explains its choice of assignor's or transferor's residence as follows: "The reasons for that designation are twofold: 1. The intangible subject matter of the transfer or license has been developed by the transferor or licensor in its factories, workshops, or studios. It is aimed at working or being used in a given technical or social environment. Therefore, disputes relating to the contract under which ownership or use of the intangible asset is transferred or authorized are best adjudicated taking into account the law of that State. It is more closely connected to the creation of, as well as to guarantees and warranties pertaining to, this asset than the law of any other State. 2. The licensor's residence will often correspond to the place of 'characteristic performance' under European conflicts principles (...) For example, a copyright licensing agreement is an agreement under which the main promise is the undertaking by the licensor to allow the licensee to use or copy the work. Thus, with respect to intellectual property contracts, the characteristic performer is the transferor or licensor. The licensor's residence also usually corresponds to the place where the intellectual property assets were developed and thus may have been instrumental in encouraging production of the work."<sup>193</sup>
- 79 The CLIP group, when drafting the rules on applicable law to IP contracts, used the Rome I Regulation as a model. However, the group has noted that the
- characteristic performance rule provided in art. 4(2) Rome I Regulation is not helpful in complex IP transfer cases.<sup>194</sup> For this reason, art. 3:502(2) provides a flexible rule instead that includes a set of factors, which should help to determine the state with which the contract is most closely connected. Only if these factors do not lead to a clear decision on applicable law does the CLIP proposal suggest two fall-back presumptions. This approach arguably follows the prevalent opinion among European scholars who plead for a differentiated model. According to that model, some contracts are most closely connected to the residence state of the transferor or licensor, whereas others have closer links to the residence state of the transferee or licensee or to the state for which the IP right is transferred or licensed.<sup>195</sup> In addition, the drafters of the Joint JK mention that developed and developing countries have entirely different answers to the question of what is the characteristic performance in IP contracts.<sup>196</sup> Namely, the developed countries (where most IP assets are created and thus where the transferor or assignor normally resides) prefer designating the state of the transferor's or assignor's habitual residence, whereas the developing countries (for which territories the rights are normally assigned) prefer the opposite assignee's or transferee's rule. This could have been one of the reasons why the Asian proposals have chosen the latter approach.
- 80 The CLIP group found it important to address the issue of applicable law for employment relationships. In their opinion, the obligations between the employer and employee (e.g. a right to claim a registered right and a right to remuneration) need a separate treatment from the initial ownership or transferability issue. They are normally regarded as contractual matters.<sup>197</sup> Thus, CLIP decided to follow art. 8 of Rome I Regulation here, which is partly in line with Art. 60(1) sentence 2 of the European Patent Convention (EPC) but allows for party autonomy.<sup>198</sup>

## III. International context

- 81 Contractual aspects of IP transfer contracts are subject in most jurisdictions to general applicable law rules to contracts (e.g. U.S.,<sup>199</sup> UK,<sup>200</sup> France<sup>201</sup>). As a main rule, they all provide for party autonomy. Regarding applicable law in the absence of choice, the 1980 Rome Convention on the law applicable to contractual obligations used to designate the law of the country where the party which is due to accomplish a characteristic performance to the contract has a habitual residence ("characteristic performance" rule).<sup>202</sup> As a general matter, this provision used to be applied to IP contracts as well. However, because of different types of IP contracts, its application has not been unitary: in some cases the courts would refer to the habitual residence of the assignor or trans-



feror, in others, to the habitual residence of the assignee or transferee. In order to solve this problem, the Rome I Regulation draft provided the residence of transferor or licensor as a main rule.<sup>203</sup> However, in the final version it was abandoned because experts submitted that the proposed rule would not be suitable for many contracts having as their main object the transfer or license of an IP right.<sup>204</sup> It has been argued by the majority of commentators that in complex contracts it is not clear which party's performance is characteristic, and in some cases the contract has a closer connection to a country other than where the party affecting a characteristic performance resides.<sup>205</sup> As a result, under Rome I Regulation, IP transfer contracts might be subject to several rules. If the transfer is part of a more complex agreement listed in art. 4(1) Rome I (like distribution or franchise), it will be subject to the law governing that agreement. If the agreement does not fall under any of the enumerated categories, it is subject to the characteristic performance rule found in art. 4(2) Rome I Regulation. Courts may deviate from this rule when the contract is "manifestly more closely connected" to another state ("escape clause", art. 4(3) Rome I). Finally, if it is impossible to determine the applicable law under the above mentioned rules, the closest connection rule applies (art. 4(4) Rome I).<sup>206</sup>

- 82 National law diverges on the issue. In Switzerland, IP contracts are subject to the law of the grantor's habitual residence.<sup>207</sup> Formerly, Austrian law used to point to *lex loci protectionis* when there was only one country of protection, and to the law of the assignee's or transferee's habitual residence in case of multi-state contracts.<sup>208</sup> In Germany, no specific statutory rules exist. However, Düsseldorf district court in the "*Virusinaktiviertes Blutplasma*" case explicitly held that the applicable law to patent license contracts must be determined on a case by case basis.<sup>209</sup> The German Federal Supreme Court has held in relation to book and music publishing contracts that the law of the publisher's habitual residence applies.<sup>210</sup> In China IP contracts are subject to the general rules on applicable law to contracts.<sup>211</sup> Namely, the rule on characteristic performance applies unless another law has the closest connection with the contract.<sup>212</sup>

## IV. Discussion

- 83 The law applicable in the absence of an agreement on applicable law has been extensively discussed at least in European doctrine. The main arguments for and against each of the proposed rules are shortly outlined below.
- 84 To start with, the *licensor's* (assignor's or transferor's) *habitual residence* seems to have the strongest support in the doctrine as the main applicable law for IP contracts. First, in "simple" IP contracts (e.g. when licensee's only duty is to pay a fixed amount), it is the licensor who affects a characteristic performance.<sup>213</sup> Second, it would normally refer to the country where the IP (invention, industrial design, etc.) was created, where the IP assets were first marketed and to which environment the debtor's whole organization has been geared.<sup>214</sup> Third, the existence of the whole contract depends on the existence of the exclusive right. Fourth, it would lead to the application of a single law to the entire international contract (differently from *lex loci protectionis*). Fifth, from a policy perspective, making the licensor's law applicable is arguably a very promising tool to instill confidence in small and medium enterprises that might otherwise reject any thought of sharing their IP assets with companies in different countries.<sup>215</sup> Sixth, in case of agreements on author rights, this criterion has an advantage since it refers to the habitual residence of the author, who is considered a weaker party.<sup>216</sup> Finally, it arguably brings legal certainty and predictability; when it is not suitable, an escape clause can be applied.<sup>217</sup>
- 85 To mention the main contra-arguments, it is claimed that in some complex contracts, the closest connection might be with the licensee's place of residence rather than licensor's (e.g. in production and distribution agreements licensee can undertake important additional obligations). Also, the licensor's habitual residence can have little connection with the place of invention (e.g. when an inventing company establishes a daughter company in some other country for the purpose of licensing its rights;<sup>218</sup> or when a licensor is not an inventor but e.g. the exclusive licensee residing in a different country).<sup>219</sup> Moreover, the transferor's residence rule may lead to unfair results since it strengthens the dominant position of technology providers in contracts relating to industrial property rights.<sup>220</sup> Thus, some commentators have suggested applying this criterion only in certain situations (e.g. only if the license is granted for several countries or only if the license is neither exclusive nor if there is an obligation to exploit the right.)<sup>221</sup>
- 86 Licensee's habitual residence, as a second alternative, similarly has certain advantages and disadvantages. In short, licensee's habitual residence will arguably have the closest connection in e.g. complex contracts where licensee is investing capital and manpower in the exploitation of the industrial property right, while licensor only receives royalties or other payments under the contract.<sup>222</sup> Furthermore, one may argue that the contract has the strongest connection with the country where the rights are exploited, which is normally the place where the licensee resides. However, these arguments could be challenged by arguments listed above. For instance, differently from complex contracts, simple contracts may set numerous duties to the licensor where licensee has only a duty to pay remuneration (and

thus licensor's residence seems to be more suitable here). Further, the second argument fails if the licensee exploits the right in a country other than its habitual residence.<sup>223</sup> Thus, similar to the transferor's residence rule, some commentators have suggested this criterion should be applied only to certain situations (e.g. if the licensee has a duty of exploitation or if an exclusive license is granted).<sup>224</sup>

87 In regard to the *lex loci protectionis* rule, as a third option, commentators argue that it is similar to the *lex rei sitae* rule that is applied for contracts related to immovable property. Further, the IP right is limited to a particular country. In most cases the primary exploitation acts will take place in the country of protection. Also, as proprietary aspects are in any case governed by *lex loci protectionis*, subjecting contractual aspects to the same rule will lead to the application of a single law.<sup>225</sup> To mention the main contra-arguments, it is suggested that if a single license grants exploitation rights in several countries, multiple laws would apply to the same contractual relationship. Furthermore, when both a licensor and a licensee have a seat in the same country different from the country of protection, the former country seems to have a closer connection to the contract. Also, different treatment of single-country and multiple-country contracts might seem unjustifiable and it would be rather unreasonable to change applicable law when a single-country license is amended into a multiple-country license.<sup>226</sup> *Lex loci protectionis* would also lead to different treatment of a patent license on the one hand and a know-how license contract on the other hand; this would cause problems in practice since contracts often contain licensing of both.<sup>227</sup>

88 The last option to be mentioned here is a *flexible approach* which allows courts to determine the law with the closest connection on case-by-case basis (CLIP). It takes into account that none of the above discussed or other connecting factors suits all situations, instead, each of them might be relevant for certain cases. At the same time, the CLIP proposals' drafters have realized that such a flexible rule would not lead to a clear answer in many cases and may thus compromise legal certainty and predictability.<sup>228</sup> For this reason a "fall back" rule comprised of two presumptions (*lex loci protectionis* and assignor's/transferor's habitual residence) has been added. In this way the compromise between flexibility and foreseeability has been reached. On the other hand, this was achieved at the cost of simplicity – the rule turned to be rather long and complicated.

## F. Security rights

Sec. 317 ALI, arts. 3:801-3:803 CLIP, art. 308 Transparency, art. 32 Kopila

## I. Differences

89 The law applicable to IP security rights is regulated rather differently across the proposals. ALI and CLIP distinguish between proprietary aspects of IP rights and contractual aspects of contracts creating security interests. The first ones are subject to the law of protecting country. The latter ones are not regulated by ALI whereas CLIP subjects them to a separate set of rules (the choice of law by parties, closest connection rule, grantor's habitual residence rule). Transparency and Kopila proposals do not, at least explicitly, distinguish between different issues. In Transparency proposal "security interests in intellectual property rights" are subject to the law of the country granting the right (i.e. *lex loci protectionis*). Meanwhile the Kopila proposal subjects security contracts to the same rules that apply to assignment and license contracts (choice of law agreement, the closest connection rule and security holder's habitual residence). Joint JK Proposal does not specifically address the issue.

## II. Rationale

90 Transparency Proposal has followed a view accepted in most countries (including Japan<sup>229</sup>) that security interests in IP rights shall be subject to the *lex loci protectionis* rule. ALI understood the problems caused by territorial approach in international transactions and adopted a more careful approach. Namely, it excluded contractual aspects and left this issue to be regulated by other international initiatives. CLIP, after an intensive exchange with the UNICITRAL working group, adopted a compromise – whereas the proprietary aspects (existence, scope, initial ownership and others) remain subject to the same rules the CLIP Proposal prescribed to IP rights, contractual aspects are governed by special rules, which is first of all the law of the grantor's residence.

## III. International context

91 Most international conventions do not address security rights in intellectual property, nor do they provide conflict rules for this field.<sup>230</sup> On the national level, the application of the *lex loci protectionis* on all questions of IP security rights seems to be the traditional approach found in e.g. Germany,<sup>231</sup> Italy,<sup>232</sup> and Japan.<sup>233</sup> Alternatively, under the *EU Community Trade Mark (CTM) Regulation*, a Community trade mark as an object of property is dealt with in its entirety as a national trade mark registered in the Member State in which either the proprietor has his seat or domicile, or an establishment, or where the Harmonisation Office is situated.<sup>234</sup> Also, a differentiated treatment of different issues could also be found in jurisdictions that are influenced by the *Uniform Com-*

mercial Code (UCC) as well as a new Australian Personal Property Securities Act 2009.

- 92 In addition, several model laws address the issue. The *UNCITRAL Legislative Guide on Secured Transactions – Supplement on Security Rights in Intellectual Property*<sup>235</sup> follows a hybrid approach similar to the one proposed by the CLIP group: as a general matter, proprietary issues (creation, effectiveness against third parties and priority of a security right in intellectual property) are subject to *lex loci protectionis*, whereas contractual issues (enforceability) are governed by the grantor location's law.<sup>236</sup> The issue is also regulated in the *Model Inter-American Law on Secured Transactions of the Organization of American States* (OAS)<sup>237</sup> as well as the Model Law on Secured Transactions of the European Bank for Reconstruction and Development.<sup>238</sup>

## IV. Discussion

- 93 The draft comments to the CLIP Proposal outlines a good summary of arguments.<sup>239</sup> In short, the application of the traditional *lex loci protectionis* approach to all issues leads to a synchronisation of the object of security and the security right itself. It avoids *dépeçage* between the property right and the security interest.<sup>240</sup> This makes it easier to comply with registration requirements in the country of protection, which may be a prerequisite for third-party effectiveness of the security right. Further, from the perspective of the *lex situs* approach to property law, the application of the country of protection's law may be seen as the closest equivalent to the *situs* of corporeal property.
- 94 On the other hand, as the CLIP group suggests, the disadvantages of a strict *lex loci protectionis* approach are apparent. First, it necessarily leads to a fragmentation of the secured transaction, which has to be made effective for all jurisdictions in which the work, sign or invention may be protected. Apart from the resulting costs, one may also question whether the (main) justification of the *lex loci protectionis* of protecting the economic, social and cultural policy of the country of protection, applies with equal force to a 'mere' security interest. In addition, while there are some aspects of security rights that clearly concern the third party interests (in particular priority and third-party effects), or the interests of the registration authority (namely registration and its effects), others seem to be relevant primarily or exclusively for the relationship between the parties of the transaction (e.g. the conditions under which the secured party may enforce his/her security if the grantor defaults on the loan). Furthermore, the application of several *leges protectionis* may lead to frictions in insolvency. Finally, a brief look to substantive law reveals that only certain aspects of secured transactions in this field are governed by specific intellectual property legislation, while others fall under the general rules of secured transactions law, which militates in favor of distinguishing both matters on the level of conflict of laws as well.

## INFRINGEMENT

### G. Party autonomy

Sec. 302 ALI; art. 3:606 CLIP; art. 304 Transparency; art. 20 Kopila; art. 302 Joint JK

### I. Differences

- 95 All proposals allow at least a limited choice of applicable law in IP infringement cases. Some differences, however, can be identified. First, the scope of choice of law by parties is not entirely the same. Most proposals, despite different wording, seem to allow for the contractual choice in respect of infringement-related issues whereas proprietary issues are excluded from such a choice.<sup>241</sup> CLIP adopts a more restrictive approach and allows a choice only in respect to remedies (3:606 CLIP); thus, other infringement-related issues, such as third party liability, limitations of liability, and more, are excluded from party autonomy. On the contrary, the Joint JK proposal is most generous. It contains an open-ended list of excluded proprietary issues but the parties are not prevented from choosing law applicable to these issues; rather, such choice would affect only the contracting parties (art. 302(1) and (2)). As a result, the Joint JK Proposal allows parties to choose applicable law with respect to all issues related to IP infringement, though the choice of law for proprietary issues has only *inter partes* effects.
- 96 As another less significant difference, the effects of agreements over excluded issues differ. For instance, Transparency proposal explicitly states that such choice is null and void (art. 305 Transparency). ALI meanwhile explains that, although the law that has been chosen by parties for proprietary issues cannot extend to the scope of rights (and thus infringement cannot be found), the parties can still claim remedies for the breach of such choice of law contract.<sup>242</sup> Also, all proposals, except for CLIP, explicitly state that the choice of law shall not affect the interests of third parties.
- 97 To add some other differences, all proposals allow the choice of law at any time (before or after the dispute arises), except for Transparency, which seems to allow it only after the dispute arises. Also, ALI, Kopila and Joint JK proposals explicitly allow the choice of the applicable law for all or part of the dispute, whereas CLIP and Transparency proposals



do not mention this. Furthermore, ALI specifically addresses the validity of the contract, capacity issue and choice of law by parties in mass-market agreements. CLIP regulates validity and other issues by reference to art. 3:501 (freedom of choice in contracts). According to Kopila and Joint JK proposals, the existence and validity of the contract are regulated by the law chosen by parties.

## II. Rationale

**98** The possibility for parties to choose the law applicable to IP disputes is a novel deviation from the territoriality principle. The main question here is why all the proposals have decided to introduce this novel rule and why party autonomy has been limited only to infringement-related issues.

**99** As a general matter, the groups have realized advantages of party autonomy in tort cases. For instance, according to the drafters of the Transparency proposal, first, tort claims are widely accepted to be discretionally disposed by the parties in many jurisdictions and they do not have a strong public nature. Second, the rules between the parties become clearer and it contributes to the resolution of the conflict. Third, it conforms to the need for credibility and legal certainty.<sup>243</sup> Similarly, ALI argues that “(...) efficiency interests are better served by allowing the parties to agree among themselves on the law that will determine what will usually be the monetary consequences of their conduct.”<sup>244</sup> Accordingly, the question has been raised by the groups why a choice of applicable law by the parties in intellectual property infringement has been out of question in most jurisdictions.<sup>245</sup>

**100** Two main reasons have been identified for such restrictive legal practice. First, the Transparency group has pointed to the criticism that a change of applicable law by the parties may have effects on third parties. However, the group denied this problem arguing that a choice of law agreement is only effective *inter partes* and it does not effect such elements as the validity of an IP right, which may violate the interests of third parties.<sup>246</sup> Second, as pointed out by the ALI, IP rights have been seen as a part of public policy and strictly territorial; the choice of applicable law has thus been out of question. However, the ALI has also noticed that party autonomy has recently been given an increasing role in the resolution of IP disputes (e.g. by allowing arbitration).<sup>247</sup> Furthermore, in order to overcome this public policy problem most proposals have limited party autonomy to infringement-related issues. Sovereignty interests are mainly related to the validity of registered rights and other public-law issues. Thus, such issues have been excluded from the scope of party autonomy and states’ public policy interests have been ar-

guably preserved.<sup>248</sup> On the other hand, CLIP group noticed that even damages, as one of the infringement-related issues, can be closely related to state’s public policy.<sup>249</sup> ALI also notes that injunctive relief brings the public policies of the affected States more closely to the fore. However, the preservation of local mandatory rules would arguably allow a court to take those interests into account notwithstanding the otherwise applicable law.<sup>250</sup>

**101** Differently, Joint JK Proposal allows contractual choice of law with respect to both infringement-related and proprietary issues. It is justified by the need for efficiency in IP dispute resolution,<sup>251</sup> which is prioritized over states’ interests.

## III. International context

**102** Some European countries (e.g. Germany<sup>252</sup> and Austria<sup>253</sup>) have explicitly rejected the choice of law by parties in IP infringement. In some other European countries no similar explicit prohibition has existed (e.g. Belgium)<sup>254</sup> or a limited party autonomy has been allowed. For instance, Swiss law allows parties to choose the applicable law in IP disputes.<sup>255</sup> Party autonomy is, however, limited in three ways. First, parties are allowed to choose the applicable law only after the dispute has arisen (i.e. *ex ante* agreement is not possible). Second, the scope is limited to the “claims arising out of an infringement.” According to Swiss doctrine, party autonomy is possible only with respect to the claims that are not intrinsically linked to the IP rights as such.<sup>256</sup> Third, parties can choose the application only of the forum law. In contrast, the Rome II Regulation has followed German legal practice and explicitly precluded party autonomy in IP cases.<sup>257</sup> While drafting the Rome II Regulation, the European Parliament during the first reading proposed to extend party autonomy to IP disputes.<sup>258</sup> However, the final version of the Regulation excluded such a possibility. Such a restrictive approach of the Rome II Regulation has been criticized in doctrine.<sup>259</sup>

**103** Some non-European countries seem to allow at least a limited party autonomy in choosing applicable law in IP disputes. For instance, Japanese law generally allows choice of law by parties in tort cases.<sup>260</sup> Although it does not specify anything on IP torts, according to some commentators, since damages are qualified as an issue of tort<sup>261</sup> the choice of law by parties in IP disputes shall not be prevented, at least with respect to damages.<sup>262</sup> Furthermore, a recent Chinese PIL law follows a Swiss law approach and allows a limited party autonomy: it allows parties, after the dispute arises, to choose the forum law as an applicable law for their dispute.<sup>263</sup> Interestingly, Chinese PIL statute has no (explicit) limitations in



regard to issues that would be governed by the chosen law.

and thus the *ex ante* party autonomy rule becomes superfluous.<sup>270</sup>

## IV. Discussion

**104** The proposals have made an important step forward by granting a limited party autonomy in IP infringement cases. The following paragraphs will overview the arguments for an even more extensive party autonomy in such situations (e.g. as suggested by the Joint JK group). It will first take a short historical look at party autonomy in contract and tort cases and then see how far the arguments in those fields can be extended in the IP field.

**105** Starting with party autonomy in general, major authors in France, Germany and Italy at the turn of twentieth century have denied party autonomy in choice of law to *contracts*.<sup>264</sup> The main arguments against it have been as follows.<sup>265</sup> First, the parties' freedom to contract cannot go beyond the dispositive norms of the relevant substantive law because otherwise parties would have excessive power to circumvent any mandatory rules. The parties should not have as much power and discretion as a legislator. Second, the existence and validity of parties' consent to choose the applicable law must be judged by a certain law. This law cannot be the one chosen by parties, because the governing law is not determined until the parties' consent is confirmed as valid. It was until the 1930s that the criticism of party autonomy in applicable law to contracts was overcome in Germany. Today party autonomy is a fundamental principle of private international law in matters of contractual obligations in Europe<sup>266</sup> and is accepted in almost all countries worldwide.<sup>267</sup>

**106** In applicable law to *torts*, party autonomy has been playing an increasing role in Europe since 1970s. Most laws that expressly address this issue allow contractual choice of law by parties to a certain extent.<sup>268</sup> However, the discussion is still active. Before the adoption of the Rome II Regulation the opinion was widespread that there was little need for party autonomy or even that it was not desirable. After the adoption of the Rome II Regulation, commentators continue to argue that this will barely expand the scope of party autonomy in practice but is rather meant to stir the academic debate.<sup>269</sup> It is arguable that Article 14 of Rome II Regulation will be a dead letter. First, parties are strangers before the damage occurs. They will not be willing to agree on the applicable law *ex post* since tort laws differ in national jurisdictions and one of the parties will be disadvantaged. Second, if parties are already in a relationship and a tort that relates to that relationship occurs, it would anyway be governed by the law of that relationship ("pre-existing relationship" rule)

**107** Other commentators defend party autonomy in tort cases. First, the injured party always has a possibility to bring a claim or refrain from bringing a claim; also, parties can settle out of court and compromise. Thus the injured party should be able to settle the applicable law together with the defendant. Second, contractual choice of law helps to eradicate any doubts as to applicable law and reinforce legal certainty. Third, parties can subject all legal relationships, contractual and non-contractual, to the same applicable law. Also, parties are in the best position to know which law will best protect their interests. Regarding practical relevance, Dutch legal practice shows that parties have used the possibility to agree on the applicable law for reasons of procedure and practical convenience (most often by choosing Dutch law as a forum law).<sup>271</sup> Parties may also have a reason to choose the application of forum law when the objective-connecting factors lead to the application of foreign law, in which case choosing forum law would make the procedure less complicated for both the parties and the court. Further, the above mentioned "pre-existing relationship" rule arguably introduces party autonomy through a "back door" and it would be more useful to formulate party autonomy as an explicit rule instead. In addition, one should notice that courts recognize a tacit choice of forum law in some cases. When applicable law rules refer to a foreign law but a plaintiff argues on the basis of forum law and the defendant does not challenge this, courts often apply forum law.<sup>272</sup>

**108** Turning to party autonomy in IP infringement cases, one should note that there is very little discussion on this issue. Keeping the above arguments in mind and taking into account the particularities of IP rights, one could sum up the main arguments against party autonomy as follows. First, one may argue that the national treatment provision found in the international instruments implies *lex loci protectionis* and thus excludes the possibility of applying any other law including the one chosen by parties.<sup>273</sup> Second, territorial nature of IP rights (or in other words, public policy aspects underlying IP rights) does not allow parties to choose law applicable to IP issues.<sup>274</sup> Parties cannot, by their agreement, create IP rights or make them ineffective, or extend or narrow down their scope. Only a legislator can determine the existence and scope of IP rights.<sup>275</sup> Third, (tangible) property rights are normally subject to *lex rei sitae* and party autonomy is not permitted here.<sup>276</sup> Accordingly, at least proprietary aspects of IP rights should be subject to a similar *lex loci protectionis* rule from which parties shall not be allowed to deviate by agreement. Also, third parties' interests may be endangered if parties are allowed to choose what law governs such issues as existence, initial ownership, duration and scope of IP rights. Last but not the least,

similar to general discussion related to torts, one can argue that party autonomy in IP disputes would have little practical relevance.<sup>277</sup> Also, a separate rule on ex ante party autonomy is unnecessary if a pre-existing relationship rule is provided.<sup>278</sup>

**109** Obviously, these arguments are contestable. First, many authors and some courts have denied the applicable law nature of the national treatment provision found in international treaties arguing that it is a mere non-discrimination clause.<sup>279</sup> If international treaties imposed the application of *lex loci protectionis* in all IP cases, *lex originis* as applied to initial ownership issues in the U.S. and France or partial party autonomy as allowed in IP tort cases under Swiss PIL would be in violation of international obligations. The same problem would arise in respect of the closest connection rule as proposed for ubiquitous infringements in all analyzed proposals (see later discussion).

**110** Second, it is true that IP rights to some extent reflect states' public policies. States regulate the development of their economic, information society or cultural policies by deciding whether to grant a particular IP right and to what extent. However, this argument resembles an argument in regard to dispositive norms and party autonomy in contracts discussed a century ago.<sup>280</sup> In the latter case it has been realized that not all contract law norms amount to public policy and the most important ones may be protected by developing exceptions to party autonomy<sup>281</sup> or by mandatory rules or public policy exceptions. Also, although tort liability rules in tort cases may differ from state to state (e.g. in environmental torts), EU states in Rome II Regulation have decided to allow parties to choose the applicable law in tort cases.

**111** Can similar arguments be applied to party autonomy in IP infringement cases? First, one would have to determine which IP provisions are of particular importance for states' policies. Proprietary issues are more likely to be recognized as a part of public policy, whereas infringement-related issues (remedies, third party liability, etc.) are less likely to be treated as such.<sup>282</sup> Furthermore, one should keep in mind that there might be a conflict between state's interest to preserve their policies related to IP rights and private parties' interests to efficiently enforce multi-state infringements of IP rights. For instance, in the case of copyright infringement occurring online, states are interested in deciding the extent of copyright for online rights as far as infringement occurs in (or affects) their territory. On the other hand, right holders, for efficiency reasons, may prefer applying a single law for the entire infringement even if that law would grant fewer rights than the laws of some of the countries covered by the dispute. Taking this conflict of state and private parties' interests into account, all analyzed proposals have suggested

limiting states' territorial interests by applying a single law having the closest connection to the entire online infringement. Importantly, the possibility to enforce each state's law is retained through an exception – though parties are free to apply it or not.<sup>283</sup> The same argument may apply in respect of party autonomy: in case there is a need to facilitate enforcement of IP rights and a party autonomy rule is able to do that, states might need to partially give up public policy interests.

**112** In addition, one should ask whether state's public policies would be effectually ignored in cases where the law chosen by parties applies. One should keep in mind that a significant international harmonization of IP rights (especially copyright) has been reached. Thus, in many cases the application of foreign law would lead to the same result as the application of local state's law. For instance, in cases when unauthorized content is reproduced and made available online for commercial purposes, the infringement is likely to be found under the laws of all TRIPS signatory states. Thus, in such cases the application of a law of a single TRIPS state (e.g. chosen by parties) would not harm the public policies of states but rather better protect them by enabling a more efficient enforcement of cross-border IP rights.

**113** Third, it is true that applicable law rules to property rights do not allow party autonomy since it is for the states and not the parties to decide the emergence and scope of a right.<sup>284</sup> Similar reasoning is particularly valid for industrial property cases.<sup>285</sup> The situation, however, is different in case of copyright. In contrast to tangible property rights, copyright assets are of an intangible nature and thus simultaneously exist in a multiple number of states and can very easily be multiplied. Thus, the exercise and enforcement of right differs significantly. Further, different from registered (industrial) IP rights, copyright emerges almost worldwide at the moment of creation (or fixation) of the work. Also, new information technologies lead to potentially worldwide infringement (as opposed to a registered trademark, which would be potentially infringed only in the country of registration). As argued above, although the states might be interested in preserving their copyright policies online, they should also keep in mind the enforcement interests of parties, which eventually corresponds to the interests of states themselves. Also, the argument that the parties' choice of law in IP infringements may affect third party interests cannot be upheld. The agreement, as a rule, is valid only *inter partes*; this has also been explicitly stated in most of the analyzed proposals (except for CLIP). This means that the decision based on a chosen law cannot affect the interests of parties' creditors, competitors, or any other parties.<sup>286</sup>

**114** Last but not the least, the issue of practical relevance needs to be addressed.<sup>287</sup> It is true that in most cases

it would be difficult or impossible to reach an ex post agreement since parties go to court only when no satisfactory solution outside of the court can be reached. Further, a provision allowing an ex ante agreement becomes largely superfluous if a pre-existing relationship rule is available.<sup>288</sup> Also, neither IP doctrine nor practice has until now identified a clear need for party autonomy in IP enforcement cases. However, according to the author's opinion, with the increasing number of cross-border cases, especially on the Internet, a need might become more apparent. A single use on the Internet automatically leads to a potentially worldwide infringement. At the same time, national laws on online copyright liability (especially secondary liability standards) are different or not clear. In order to avoid proceedings in several states (or in one state under several laws) and related costs, parties may wish to agree on a single applicable law that would lead to a decision with worldwide effects.<sup>289</sup> This might be especially relevant when both parties are major commercial entities. It would also be useful for a weaker party (e.g. author) who does not have enough resources to adjudicate an online dispute under numerous laws.

**115** In addition, one could argue that the adjudication of online cases is already facilitated by the ubiquitous infringement rules proposed by all analyzed proposals. However, it is first doubtful if these rules are to be applied to secondary liability cases.<sup>290</sup> Second, even if the ubiquitous infringement rule were applied, the closest connection rule, as proposed by most proposals, does not allow parties to foresee the applicable law in advance and may refer to a foreign law.<sup>291</sup> Meanwhile, in order to facilitate the proceedings, parties may be willing and ready to agree on the application of forum law for the entire dispute. Also, an exception contained in the ubiquitous infringement rule in all proposals allows any of the parties to claim another law leading to a different solution. "Surprises" that the application of this exception may cause are avoidable if parties agree on the applicable law. Actually, if the defendant does not dispute the applicable law suggested by the plaintiff and no party makes a use of the exception, it has the effect of creating a tacit agreement between the parties to apply the law suggested by the plaintiff. In current practice in online infringement cases, such "tacit agreements" are accepted by courts: if forum law is claimed and the issue of applicable law is not raised by parties, courts normally do not raise the issue of applicable law at all.<sup>292</sup>

**116** In conclusion, although there are good reasons to exclude proprietary issues from party autonomy as a general matter, one may argue that in ubiquitous infringement cases the unlimited party autonomy would be both reasonable and useful.

## H. De minimis rule

Art. 3:602 CLIP; art. 305 Joint JK

## I. Differences

**117** The de minimis rule has been suggested primarily by CLIP group (art. 3:602 CLIP) and later followed, with some amendments, in Joint JK proposal (art. 305).<sup>293</sup> CLIP rule, in short, allows courts to find an infringement only in the country where there is a substantial conduct or substantial effects, unless the court exceptionally decides to derogate from this rule when "reasonable" under the circumstances of the case. The rule is formulated as a substantive law rule rather than an applicable law rule.<sup>294</sup> The rule suggested in the Joint JK Proposal differs from the CLIP one. However, at least in its English translation, it is quite vague and difficult to comprehend.<sup>295</sup> It is titled "Recognition of Infringement Due to Extraterritorial Activities" and seems to require courts to apply the law of the protecting country only if the conduct is directed to the state of protection and there is a threat of direct and substantive injury within its territory. In addition, the rule seems to be limited to secondary infringements.<sup>296</sup> This rule, similar to the CLIP de minimis rule, is formulated as a substantive law rule. However, different from the CLIP Proposal, it refers only to the place of targeting and market effects and thereby excludes the place of a mere conduct.

**118** Other proposals do not contain any similar rules. It is worth noting, however, that a similar approach has been discussed by the ALI group. The ALI Preliminary Draft suggested a "market effect" rule (the content of which is similar to that of the de minimis rule).<sup>297</sup> However, it was suggested as a main applicable law rule for IP infringements (i.e. instead of *lex loci protectionis*). It allowed (and required) applying the law only of that country where market effects were felt, regardless of where the infringing conduct occurred. Although this market effect rule was abandoned in later drafts in favor of the traditional *lex loci protectionis*, the drafters of the ALI Principles still believe that *lex loci protectionis* is compatible with the market oriented approach.<sup>298</sup> Similar to the ALI, Transparency group discussed – and eventually adopted – a market effect rule as a main applicable law rule but only for IP infringements (but not to IP rights as such).<sup>299</sup> Again, it differs from the CLIP de minimis rule in at least two respects. First, the market impact rule in the Transparency proposal is formulated as an applicable law rule (and not as a substantive law rule in the CLIP Proposal). Second, it refers only to the "results of the exploitation" (i.e. market effect) and in this way prevents the application of the law of the place of (substantial) conduct;<sup>300</sup> the latter is explicitly allowed under the CLIP de minimis rule.



## II. Rationale

**119** The initial goal of the CLIP de minimis rule was, and has been, to prevent the application of a state's law where the effects are insubstantial (de minimis). The market impact rule implemented in the 2001 WIPO Recommendation was the main inspiration. Its scope, however, was substantially broadened. Whereas the 2001 WIPO Recommendation applied only to trademark cases online, the CLIP de minimis rule applied for all IP infringements and in all types of media.<sup>301</sup> However, the expansion of the market effect rule, as found in the WIPO Recommendation, would have led to a significant decrease of the number of potentially applicable laws. For instance, it is likely that a "pure" market effect rule would have prevented a finding of the infringement in the country where the broadcasting signal was emitted if no signals were received (and thus, no market effect found). This would have possibly contradicted the established legal practice.<sup>302</sup> For this and other reasons the initial CLIP rule was amended by including the "substantial action" element. Now, the infringement can be found where *either* the substantial conduct *or* substantial effects could be allocated. In addition, a possibility was created for the courts to derogate from this rule when "reasonable" under the circumstances of the case.<sup>303</sup> This exception was intended to cover, for instance, disputes over moral rights when both the substantial conduct and substantial effects in the country were difficult to establish. As a result, it has become questionable in which cases this rule will be of use.

**120** Interestingly, whereas the WIPO market effect rule and the CLIP de minimis rule has the intention to limit the number of laws under which infringement may be found, the purpose of the de minimis rule in the Joint JK Proposal seems to be the opposite – namely, it is to extend the scope of protection<sup>304</sup>. The Joint JK group refers in their explanatory notes to two cases in Japan and South Korea where the courts employed a strict territoriality approach and allowed finding the infringement only under the law of the country where the infringing conduct took place.<sup>305</sup> Then they note that "the strict territoriality rule employed in both cases has become outdated in the era of globalization and fails to offer sufficient protection for intellectual property rights (...)"<sup>306</sup>. The de minimis rule suggested in the Joint JK Proposal is intended to address this problem, but it is not sufficiently explained how.

## III. International context

**121** The examples of different variations of market impact rule inside and outside the field of IP law have been enumerated above, such as the market effect rule provided in 2001 WIPO Recommendation or U.S.

targeting theory.<sup>307</sup> It is just worth adding that the CLIP de minimis rule differs from those rules in various respects. For instance, as mentioned above, it differs from the market effect rule in the WIPO Recommendation with regard to its scope: the latter is applied only to trademark infringements occurring online, whereas the former covers all IP rights and all types of media. Also, whereas WIPO refers only to "commercial effects" and thus excludes "substantial conduct," the CLIP covers both of them. U.S. targeting theory also requires targeting (which is similar, but not necessarily identical, to the effects test) and is formulated as a private international law doctrine rather than a substantive law doctrine.

## IV. Discussion

**122** The CLIP de minimis rule is to a certain extent similar to the market impact (effect) rule as proposed in the Transparency proposal and discussed above. However, since it differs from it in several respects (most importantly – it includes a "substantive conduct" element and is formulated as a substantive law doctrine), the above outlined arguments are valid *mutantis mutandis*.

**123** First, it can be asked whether there is a need to limit the number of laws under which infringement can be found for all IP cases and all media. The purpose of the 2001 WIPO Recommendation was obvious. The use of trademark online could be subject to the laws of multiple states where the same or similar sign could be owned by different persons. Thus a limitation of the number of laws under which the infringement could be found was necessary. A similar solution has been discussed in doctrine<sup>308</sup> and to certain extent adopted for copyright infringements online, though with limited results.<sup>309</sup> However, it is a question for debate whether there is an apparent need to expand this rule to all IP rights and all media in general. It should be noted, that such a rule, if expanded to all media, may effectively limit the scope of protection. Similar like the market effect rule, in order to find the infringement, it requires the establishment of substantial effects whereas normally, substantial conduct is sufficient, at least in copyright infringement cases. As shown before, according to the established case law in different countries, the uplink of the satellite broadcasting signal is sufficient to find the infringement in the uplink country, whereas under the market effect rule this would be insufficient. Whether such a limitation is reasonable or not is a question of policy and should probably be better harmonized in a substantive law instrument. Thus, taking these (and other) potential problems into account, the CLIP has modified the de minimis rule and included a "substantive conduct" element as well as an exception.



- 124 Having this new formulation in mind, the second question arises as to what cases the CLIP de minimis rule intends to cover. It seems to prevent finding infringement only in the cases when there is no substantial conduct and no substantial effects in the state. However, very few such cases are likely to be raised before courts. In addition, courts are granted the discretion to derogate from this rule, i.e. they may still apply the law of the particular state even if there are neither substantial conduct nor effects in that state. This seems to make the rule even less effective and less predictable.
- 125 Third, its relationship to other rules of a similar nature found in the international and regional instruments needs to be clarified. For instance, it may conflict with the market impact rule in the 2001 WIPO Recommendation. Whereas under the latter a trademark infringement will be found only in the country where the substantial effects are felt, under the CLIP de minimis rule the infringement will be found also under the law of the country where a substantial conduct took place. Further, under the EU Cable and Satellite directive<sup>310</sup> the infringement of copyright and related rights through satellite broadcasting media occurs only in the country of emission, whereas under the CLIP de minimis rule it can also be found in the country of substantial effects (i.e. substantial receptions). The last issue to consider is a rather formal one. The de minimis rule is a substantive law rule and it is questionable how, from a systematical point of view, it fits into an international private law instrument.
- 126 Overall, it is doubtful what added value the CLIP de minimis rule in its current formulation would bring in the resolution of IP disputes.

## I. Ubiquitous infringement

*Sec. 321 ALI; art. 3:603 CLIP; art. 302 Transparency; art. 21 Kopila; art. 306 Joint JK*

## I. Differences

- 127 All proposals, except for Transparency project, provide very similar rules for ubiquitous infringement, which follow a single-law approach and consist of three elements: the closest connection rule, the set of connecting factors that should facilitate the determination of the law with the closest connection and the exception allowing parties to “retreat” back to territorial approach. Transparency proposal also follows a single-law approach but it suggests a different applicable law rule instead. It refers to the law of the country where the effects of the exploitation of the right are (or to be) maximized (“maximum results” rule) with the possibility to exclude a country from the universal application of the selected law.
- 128 The formulation of the closest connection rule, however, differs slightly in the proposals. Firstly, CLIP, Kopila and Joint JK proposals provide for the “closest connection” rule, whereas ALI refers to the “law or laws” with the “close connection.”. Secondly, whereas Kopila and Joint JK proposals (as well as Transparency in regard to its rule) *require* (“shall”) the courts to apply the closest connection rule for multiple state infringements, ALI and CLIP merely *allow* (“may”) courts to do so; this means that the courts are allowed in certain cases (which ones?) to apply a general rule (*lex loci protectionis*) instead.
- 129 Thirdly, the closest connection is determined in a slightly different way. All proposals containing this rule provide with a list of factors in order to determine the closest connection. Whereas in the ALI and CLIP proposals the lists contain mere examples, in Kopila and Joint JK proposals, they seem to be exhaustive. In addition, the Kopila proposal is the only one that provides a default rule of defendant’s residence in case the closest connection can not be established (art. 21(3) Kopila). Although draft ALI and CLIP proposals used to contain default rules (ALI – *lex fori*,<sup>311</sup> CLIP – defendant’s residence<sup>312</sup>), they have been abandoned in later versions. The suggested connecting factors also differ to some extent. Whereas ALI contains broader and party-neutral criteria, CLIP connecting factors seem to be narrower and more favorable to the infringer than to the right holder.<sup>313</sup> Kopila and Joint JK proposals suggest a compromise approach – they largely overtake the factors found in the CLIP proposal but in addition request taking into account the place where right holder’s principal interests are located (arts. 21(1)(3) Kopila, 306(2) (iii) Joint JK proposal).
- 130 The Transparency “maximum results” rule follows the market impact rule as a main rule governing IP infringements.<sup>314</sup> The commentators explain how “maximal results” should be estimated: “[t]he maximized result of exploitation is not reduced to the amount of damages from a substantive law perspective, but based on the amount (quantity) of exploitation such as extensive downloading in a specific jurisdiction.”<sup>315</sup> Also, the results should be determined at the time when the action is filed; if the situation changes afterwards, it should be treated as another “ubiquitous infringement” and another law of the place where the results are maximized should be applied to solve that distinct problem.<sup>316</sup>
- 131 The proposals seem to slightly differ on what types of infringement the suggested rules cover. The CLIP group seems to suggest the narrowest definition – it requires that the infringement takes place over ubiquitous media (Internet) and that it “arguably occurs in *each state* where the signal is received”. ALI pro-

proposal has a slightly broader formulation: it also requires ubiquitous media but a second requirement – “if the laws of *multiple* states are pleaded” – sounds less strict than a similar requirement in the CLIP proposal. It also seems that disputes covering several (but not all) countries worldwide are covered. Transparency proposal simply refers to the “ubiquitous infringement” but it is not clear whether it implies the requirement of ubiquitous media (conduct), ubiquitous infringement, or both.<sup>317</sup> Kopila and Joint JK proposals seem to be broader – they cover not only ubiquitous (Internet) infringements but also other infringements occurring in “multiple states” that are unspecific or unidentifiable. Such wording also seems to cover some multi-state offline cases.

**132** Under the ALI and CLIP proposals the law chosen under the ubiquitous infringement rule regulates both infringement-related issues (infringement and remedies) and most proprietary issues (existence, validity, duration, limitations),<sup>318</sup> whereas initial ownership and transferability are not covered by this rule. In contrast, Kopila and Joint JK proposals additionally include assignability and the effects of the assignment in the scope of the rule. Transparency proposal mentions only “infringement” and leaves it open for interpretation what this concept encompasses. According to its drafters, “infringement” covers only remedies whereas all proprietary issues, including initial ownership and transferability, are excluded from the rule.<sup>319</sup>

**133** All proposals provide a very similar exception to the single-law approach adopted for ubiquitous infringement cases. The exception allows parties to claim that the law(s) of some other state(s) provide a different solution from the laws of the country chosen under the closest connection rule, and thus courts should take this into consideration when determining a remedy.<sup>320</sup> The wordings of the exceptions do have some important differences, which are as follows. First, ALI, CLIP and the Joint JK proposals allow *any* party to claim this exception;<sup>321</sup> Kopila proposal allows only the defendant to make use of it; and the Transparency Proposal does not specify on this at all. Second, ALI, CLIP and Joint JK proposals seem to set the burden on the claiming party to prove the differing law,<sup>322</sup> which in most cases would be the infringer. In comparison, Kopila proposal suggests that each party may “argue,” which seems to leave courts with more flexibility in allocating the burden of proof between parties. Transparency proposal is silent on this and thus could be seen as leaving discretion to courts to allocate the burden of proof. Third, legal consequences of the other differing law are worded a bit differently. Under the ALI proposal, such differences should be taken into account when fashioning the remedy. Joint JK proposal adds “unless this would lead to inconsistent decisions.”<sup>323</sup> CLIP suggests applying both laws (i.e. those selected under the closest connection rule and

proven by party) and, only when this would lead to inconsistent decisions shall differences be taken into account when fashioning the remedy. Kopila proposal prevents courts from prohibiting or limiting activities in the country with differing laws, however, still allows such prohibition/limitation when it is “inevitable for appropriate protection of the rights of the person whose IPRs were infringed.” Transparency proposal simply requires courts not to apply the chosen law in respect of the other country. How far these different wordings would result in different results is not clear.

## II. Rationale

**134** All groups have tried to combine a single-law approach with an exception allowing a retreat to the territorial approach. According to the ALI, “[t]he Principles endeavor to meet the territoriality and single law approaches halfway. They seek to gain the simplification advantages of the single law approach by identifying the State(s) most closely connected to the controversy, but they also strive to respect the sovereignty interests underlying the territoriality approach.”<sup>324</sup> A similar argument has assumingly been followed by all groups.

**135** A selection of the rule allowing for the determination of a single applicable law has been a difficult task. The closest connection rule has been chosen by most groups as a flexible rule that helps to avoid “forum shopping” and “race to the bottom” problems that other more specific rules would cause.<sup>325</sup> Instead, the Transparency group analyzed several options: (1) §321 of the ALI Principles, (2) CLIP Principles, (3) choice of law by the claimant, (4) habitual residence of the right holder, (5) habitual residence of the alleged infringer, and (6) law of the place where the results of the exploitation of intellectual property are maximized. Options (3) to (5) were rejected mainly because of possible „law shopping“ either by the right holder (option (3)) or the infringer (option (5)). The closest connection rule suggested by the ALI and CLIP proposals were rejected because of the lack of legal foreseeability.<sup>326</sup> Thus, the last option – the place where the results of the exploitation have been maximized – has been chosen. It is also in accordance with the market effect rule as suggested by the Transparency proposal for other (offline) infringements.

**136** The closest connection rule varies slightly in the proposals. Different from other proposals suggesting the “closest connection”, ALI prefers a “close connection” rule. The reason is not entirely clear; the intention may be to merely enable the parties the opportunity to apply an additional law under the exception. Alternatively, it may presuppose that (even without applying the exception) the court may de-

cide (on plaintiff's or its own motion?) to apply several laws if several of them have a sufficiently close connection to the dispute.<sup>327</sup> The effect is that ubiquitous infringements would not necessarily be subject to a single applicable law. Furthermore, both the ALI and CLIP proposals "allow" but do not "require" courts to apply the ubiquitous infringement rule. This supposedly means that general rule (*lex loci protectionis*) may also be applied (on plaintiff's or also on court's motion?) for the adjudication of ubiquitous infringement. This enables the plaintiff to choose under which rule to adjudicate the dispute – if a closest connection rule is not advantageous for the plaintiff (i.e. it refers to a law with insufficient protection standards), he/she can choose to apply the law of the protecting country instead and at least obtain territorial remedies. Such a careful (non-binding) wording of a ubiquitous infringement rule has most likely been chosen taking into account the novel nature of the rule and the difficulties of predicting how it will be applied and what problems it may cause in practice.

**137** All proposals containing a closest connection rule suggest an (open-ended or exhaustive) list of connecting factors, which should facilitate the determination of the law with the closest connection. The combination of several factors allows for the avoidance of the disadvantages of each single connecting factor (such as potential law shopping by the infringer or the right holder). The Kopila proposal's default rule provided is supposed to ensure some legal certainty in case the closest connection rule does not lead to a clear result. In the CLIP proposal, a similar default rule (referring to the defendant's domicile) has been abandoned as superfluous after the connecting factors had been redrafted in favor of the defendant. The drafts of the ALI Principles used to suggest connecting factors in a "cascading" order with *lex fori* as a default rule; this approach however was also abandoned in later versions of the Principles, which embraced a more dominant role for territoriality.<sup>328</sup> Regarding the specific connecting factors, in the ALI proposal, they were inspired by the list of factors set out in the US Restatement of Foreign Relations § 403(2)(a)-(h).<sup>329</sup> Keeping in mind that a right holder already has the advantage of choosing the court in which the dispute will be adjudicated, the CLIP group has opted for more defendant-oriented rules instead.<sup>330</sup> The Joint JK group has tried to select the connecting factors that "can easily be discerned and grasped."<sup>331</sup>

**138** Regarding the types of infringements that the rule covers (only Internet or also other multi-state cases), at least the CLIP group deliberately wants to limit the ubiquitous infringement rule, as a significant exception to territoriality, only to indispensable cases.<sup>332</sup> They believe that even if offline infringement takes place in multiple states, the parties would manage to adjudicate the infringements under the laws of sev-

eral states and no single-law rule is needed. Also, in the CLIP proposal the "ubiquitous infringement" requirement is supposed to exclude online trademark cases as a general matter, since in only a very few cases will trademark rights be owned worldwide (i.e. in case of very famous marks).

**139** Most proposals exclude initial ownership and transferability issues from the scope of the ubiquitous infringement rule assumably because of their high importance in states' copyright policies. In such a case they would be further determined under specific applicable law rules (*lex loci protectionis* or *lex originis* depending on the issue and on the proposal).

**140** The exception that allows parties to prove a differing law provides for the possibility of preserving the application of national laws on their territory even in case of ubiquitous infringements. This, however, is possible only if it is of interest to the parties (i.e. if they decide to make use of the exception and claim a particular national law).

### III. International context

**141** There is no specific applicable law rule to ubiquitous infringements at an international, regional, or national level. The only more relevant international instrument dealing with this issue is the 2001 WIPO Recommendation, which provides a market effect rule for online trademark cases. It has been successfully applied by some national courts in trademark cases. A main example is a German Supreme Court decision in a Martime Hotel case.<sup>333</sup> Here, the court referenced the WIPO rule and examined whether the dispute had a sufficient connection to the forum. However, despite the website using *inter alia* German language and targeting customers living *inter alia* in a Germany, the connection to Germany was found to be insufficient and thus the claim was rejected. Importantly, the 2001 WIPO Recommendation contains a substantive law rule rather than the applicable law rule. Still, it is indirectly relevant for this study.<sup>334</sup>

**142** National courts in most Internet infringement cases ignore the cross-border nature of disputes. Often, they do not discuss any private international law issues at all or confine themselves to shortly referring to jurisdictional questions.<sup>335</sup> In rare cases, courts discuss whether the alleged infringing online conduct could be allocated in a specific forum<sup>336</sup> or shortly refer to the *lex loci protectionis* (or *lex loci delicti*) rule.<sup>337</sup> No cases have been identified where the courts applied foreign law for the adjudication of online infringements. Importantly, some courts have realized that the remedies in an online case may have extraterritorial effects and have examined whether these effects can be confined to a territory of the forum.<sup>338</sup> Other courts, however, have applied



a more loose approach to the territorial nature of copyright in online infringement cases.<sup>339</sup>

## IV. Discussion

**143** Commentators outside the working groups have yet to analyze the ubiquitous infringement rule, as suggested in all of the proposals. As a general matter, all proposals suggest a good compromise between universal (or single-law) and territorial approaches. Whereas a single-applicable law allows right holders to get universal (worldwide) remedies, the exception retains a possibility for parties (mainly the defendant) to take advantage of the territorial nature of IP rights and apply the law of some state that is more advantageous for the party; at the same time this also helps to enforce states' IP policies in case of ubiquitous infringement, at least when this is of interest to the parties.

**144** The first question to address here is what the advantages and disadvantages of the closest connection rule (as proposed by the ALI, CLIP, Joint JK and Kopila groups) are on the one hand, and what the advantages and disadvantages of the "maximum results" rule (as proposed by the Transparency group) are on the other hand. The closest connection rule is a highly flexible rule. In order to determine the law applicable to the case, courts are asked to take a variety of factors into account. On the one hand, this helps to overcome the disadvantages of each single connecting factor.<sup>340</sup> On the other hand, it provides very little legal certainty and foreseeability, if any at all. Online users, especially good-faith e-commerce service providers need to know, in advance, which law governs their conduct. However, it is almost impossible for them to foresee what law will be in closest connection to the conduct. They thus cannot know which legal requirements they should obey. The default rule available in the Kopila proposal may slightly increase the predictability but it is applied only as a last resort when no other clear results can be determined, and thus it is barely sufficient. Right holders also cannot know in advance what law would be applicable to the case.<sup>341</sup> Thus, in order to avoid these risks, they may decide to adjudicate the case on a territorial basis instead, i.e. by applying the *lex loci protectionis* rule. This further decreases legal predictability for users. The courts may also have trouble accepting such a flexible rule. Whereas a similar, most significant relationship rule is broadly accepted in common law (particular U.S.) legal practice, it is questionable whether it can be accepted in a continental law system where legal certainty and predictability are particularly significant. The latter jurisdictions may prefer seeing a clear-cut rule combined with the closest connection rule as an escape clause.<sup>342</sup>

**145** Transparency's "maximum results" rule adopts a variation of the market effect rule, which has been partially followed by courts in some jurisdictions and often suggested in legal doctrine.<sup>343</sup> Whereas a "typical" market effect rule allows finding an infringement in *any* state where the commercial effects are sufficient,<sup>344</sup> Transparency proposal suggests applying a *single* law where the effects are maximized. By applying this connecting factor, potential forum shopping by both infringer and right holder is precluded. The place where maximum results are felt seems to be reasonable from the perspective of both a right holder (his/her interests were prejudiced in that market) and an infringer (conduct was directed to that market). Also, the rule seems, at first glance, to provide more legal certainty and predictability than the closest connection rule: in any given case, it should usually be easier to predict the country with maximum results than the country with the closest connection. However, there likely to be numerous cases where it is highly complicated or even impossible to determine the place with the maximum results (e.g., a website is in many languages, and the amount of exploitation results is similar in several countries). Also, the rule takes into account the place where the results are "to be maximized" – however, it seems quite difficult to predict the future.<sup>345</sup> This rule also requires the court, when determining the applicable law, to engage in estimation of effects (or calculation of damages) when this is a question of substantial law. Furthermore, there might be cases that are closely connected to a state other than the one where the results of the exploitation are maximized (i.e., the state where effects are substantial, though not maximum, and both parties have a common domicile). The proposal does not suggest any exception, or "escape rule", for such situations.

**146** The next question is what types of infringements the rule shall cover. Namely, one way could be to limit the application of the ubiquitous infringement rule only to acts carried out through ubiquitous media and that lead to arguably worldwide infringement (as proposed by CLIP). Alternatively, one could extend it to some other cases, i.e. online infringements that occur in a multiple states but not worldwide (the wording of the ALI and Joint JK proposals seem to allow this),<sup>346</sup> or even to certain multi-state infringements occurring offline. The application of a single-law approach is limited only to the restricted number of cases where both the media and the infringement is ubiquitous because the exception to territoriality should be applied only to cases where it is indispensable, namely, where the efficient enforcement of rights otherwise becomes impossible. When it is possible to identify all states where the alleged infringement took place,<sup>347</sup> one may argue that the rights can still be enforced under traditional rules (like *lex loci protectionis*). In such cases other international private law mechanisms can be put to use.<sup>348</sup> It



is even more so in offline cases: even if the infringement takes place in several countries, the number of infringements is limited and right holders may find ways to cope with such cases.<sup>349</sup> On the other hand, it can be pointed out that politicians, lawyers and right holders are currently searching for ways to improve enforcement mechanisms for both offline and online infringements as much as possible.<sup>350</sup> If such a course of policy is upheld, the expansion of a single-law approach to a broader range of multistate infringement cases both online and for certain offline cases<sup>351</sup> could be a helpful legal measure at the level of international private law.

**147** Third, all the proposals exclude from the scope of ubiquitous infringement rule initial ownership and, most of them, the transferability issue.<sup>352</sup> The main argument in favor of this solution is the need to protect the states' policies underlying these issues. The initial ownership and transferability issues are said to be one of the core issues of copyright policies; as their regulation differs significantly, the states may also want to preserve their policies in case of online infringement.<sup>353</sup> On the other hand, it is questionable how such an exclusion of initial ownership and transferability issues would be applied in practice. It is especially problematic when these issues are subject to *lex loci protectionis* rule (e.g. CLIP, Transparency). Will the right holder have to prove that he/she owns the title to the works (or a right to sue) in each country covered by the dispute (i.e. in an unidentifiable number of countries)? This burden is likely to be too high and almost unimaginable in practice. It is more likely that courts would search for ways to simplify this burden by, for example, requiring proof of the title under forum law (or the law with the closest connection) and/or (implicitly) applying the presumption that the title is owned worldwide. In such a case, it would be ineffective to exclude initial ownership and transferability issues from the ubiquitous infringement rule. Furthermore, it would be left to the defendant to contest the title in any of the countries. However, it is questionable if the exception of the ubiquitous infringement rule could be applied in such cases. One may argue that since the ubiquitous infringement rule does not cover these issues at all, they cannot be raised in the framework of the exception either. On the other hand, the inclusion of these issues under the ubiquitous infringement rule also seems to be problematic. Initial ownership and transferability would then be governed under a single law with the closest connection. However, this does not allow the right holder to predict the law under which ownership issues will be determined.<sup>354</sup> It is questionable how this would be dealt with in practice.

**148** Interestingly, this problem is not as significant when a single-law approach is applied for initial ownership (e.g. creator's residence rule in ALI, Kopila, Joint JK).

Here, although the right holder might need to prove initial ownership under a law different from the one applicable to the entire infringement, there would be a single law and it would remain stable in respect to all infringements. The problem, however, remains in regard to the transferability issue. Since it is subject to *lex loci protectionis* rule in all proposals,<sup>355</sup> it remains questionable how right holders are supposed to prove it in ubiquitous infringement cases.

**149** The exception allowing parties to claim a differing national law should be welcomed since it helps reach a balance between universality and territoriality approaches in online cases. Although, as a general rule, a single law will govern an online infringement, the parties are allowed to invoke other territorial laws if they are favorable for them. On the other hand, as has been noticed by drafters themselves, this exception could lead to much litigation.<sup>356</sup> Also, it could be misused by stronger parties who have resources and who wish to prolong proceedings to make it more costly for the other party.

**150** Furthermore, the burden to prove a different law seems to lie on the party requesting application of the law, which in most cases is the defendant. Traditionally, it was the defendant who would have to prove that the right exists, that he/she owns the right, and that the use falls within the scope of rights. In the case of the exception, it is the defendant who should prove that this is not the case in some of the countries covered by the dispute. Shifting the burden might be reasonable in obvious infringement cases, such as where defendant is acting in bad-faith and on a commercial scale (*prima facie* "piracy" cases). However, its reasonability could be challenged in more complicated cases (i.e. when it is not clear if online use is covered by copyright exceptions and a defendant was acting under the belief that it was not infringing).<sup>357</sup> One should consider whether it is more reasonable to explicitly leave the allocation of the burden of proof to the courts' discretion in each particular case.

## J. Secondary infringements

Art. 3:604 CLIP; art. 305 Joint JK

### I. Differences

**151** Law applicable to secondary infringements,<sup>358</sup> and in particular to those occurring online, has been an emerging and very important but little investigated issue. All groups have realized its importance but because of its complexity, it has not been addressed in most proposals.

152 ALI suggests in its comments that the “facilitation of infringement” is governed by the same law as the primary infringement.<sup>359</sup> Interestingly, the issue of secondary liability online is not addressed by ALI when commenting on the ubiquitous infringement rule. Rather, the comments give an example of how the *lex loci protectionis* rule shall be applied to such online cases.<sup>360</sup> Transparency group has discussed the problem and identified the problems when subjecting secondary infringement to different rules (e.g. to the law governing the primary infringement or to the law of Internet service provider’s (ISP) residence) but they did not propose any special rule.<sup>361</sup> The Joint JK proposal refers to secondary liability in art. 305. However, at least the rule’s English translation is difficult to comprehend.<sup>362</sup> In short, it allows finding the infringement in the protecting country only if direct inducement, accessory-ship and substantive preparatory acts are directed to that state and there is a threat of injury within that state. However, despite mentioning the acts that are meant to cover secondary infringement (direct inducement, etc.) the rule seems to rather establish a kind of market effect rule similar to the CLIP proposal’s *de minimis* rule.<sup>363</sup> One can barely extract from it an applicable law rule to secondary infringements. Rather, the place of secondary activities is used as a factor to allow the establishment of the infringement on a substantive law level.

153 The only proposal that makes an attempt to formulate a comprehensive rule on secondary liability is the CLIP project. First, it sets a general rule that secondary infringement is governed by the law applicable to the primary infringement (art. 3:604(1)). Second, it suggests a rather complex rule for secondary liability online. In short, certain (online) secondary infringements are subject to a single law of the state where the “center of gravity” of those activities is located (art. 3:604(2)). However, the law selected under this rule applies only if it meets certain substantive law standards: it has to contain at least (a) liability for failure to react in case of a manifest infringement and (b) liability for active inducement (art. 3:604(3)). In addition, this rule is not applied in regard to ISPs’ information duty (art. 3:604(4)).

## II. Rationale

154 The need for an applicable law rule to secondary infringements is obvious, especially in regard to online infringements. Right holders seeking to enforce their online rights first direct their efforts not against direct infringers (who are numerous, difficult to allocate and are eventually their customers) but rather against intermediaries (who are easier to identify and the prosecution of whom may more significantly reduce the infringement scale and ensure damages).<sup>364</sup> On the other hand, the issue of second-

ary liability is highly complicated. The substantive rules on secondary liability strongly diverge from state to state; there is even no accepted agreement on what constitutes a “secondary infringement.” Secondary infringements offline and online are of a different nature and it appears to be difficult to cover them under the same rule. As a general matter, online primary and secondary liability standards are still constantly evolving.<sup>365</sup> Furthermore, there are no statutes or legal practices on applicable law rules to such secondary infringements, which would provide a starting point for the drafters.<sup>366</sup> It is thus understandable why, facing these and other difficulties, most of the groups abandoned the idea of suggesting an applicable law rule to indirect liability cases at this stage. Only very recently has CLIP come up with the first suggestion on this issue.

155 CLIP differentiates between “traditional” (offline) and multi-state (online) secondary liability. In the first case (art. 3:604(1) CLIP) they follow the prevailing approach in different jurisdictions that a secondary infringement is treated as ancillary to the main (primary) infringement and is thus governed by the same law as the latter.<sup>367</sup> In contrast, a secondary infringement occurring online is treated autonomously from the primary infringement and is subject to an autonomous connecting factor (art. 3:604(2) CLIP). Such an approach is arguably consistent with the way the laws of secondary infringement appear to be developing.<sup>368</sup> Facilitating conduct has already been adjudicated by courts independently from the question whether there is a direct infringement.<sup>369</sup> Arguably, the tort underlying secondary liability serves different social purposes than the tort underlying primary (direct) liability. Thus, the autonomous connecting factor allows the law to better take into account the specific policy concerns related to secondary infringements.<sup>370</sup>

156 One of the difficult tasks when formulating the secondary infringement rule has been to define the legal object that the applicable law rule regulates (*Anknüpfungsgegenstand*). There is no unitary definition of what “secondary infringement” is; the same conduct may be covered by different indirect or direct liability rules in different jurisdictions.<sup>371</sup> For this reason CLIP does not mention such concepts as “secondary,” “indirect,” or “contributory” infringement in their rule but rather autonomously defines the legal object. Namely, the rule applies for “facilities or services being offered and/or rendered that are capable of being used for infringing or non-infringing purposes by a multitude of users without intervention of the person offering and/or rendering the facilities or services in relation to the individual acts resulting in infringement.” In short, four criteria should be met: (1) the conduct should constitute “offering and/or rendering of facilities or services;” (2) those facilities and services should be “capable of being used for infringing or non-infringing purposes;” (3) they

should be used “by a multitude of users;” and finally (4) there shall be “no intervention [by the secondary infringer] in individual acts resulting in infringement.” The rule may potentially cover a variety of activities. For instance, it is likely to govern Internet access provision, temporary storage, hosting of content, linking activities of search engines, online auctions, as well as more controversial online conduct such as file sharing services (such as Bittorrent sites) and services enabling circumvention of technical protection measures if they are capable of both infringing and non-infringing purposes.

157 Furthermore, the CLIP group has chosen the “center of gravity” as a connecting factor most likely because it is seen as ensuring both sufficient legal certainty and flexibility. The minimum substantive standards that the selected law shall meet have been added in order to ensure that the law applied to the entire online secondary infringement meets at least certain minimum standards on intermediary liability. Finally, information duty of ISPs has been excluded assumably because of its close relation to the data protection laws, which contain important public policy issues.

### III. International context

158 As a general matter, there are no clearly and explicitly established applicable law rules on secondary infringements in intellectual property cases. The courts in different jurisdictions seem to treat secondary infringements as ancillary to the primary infringements and, thus, subject them to the law governing the latter (i.e. primary) infringements (e.g. UK,<sup>372</sup> U.S.,<sup>373</sup> Germany<sup>374</sup>).

159 However, with the emergence of different forms of secondary liability online (e.g. for search engines, auction sites, host providers, etc.) this rule has become unsuitable. Since there are multiple primary infringements originating from different states, a claim on secondary infringement would need to be adjudicated simultaneously under all of these laws. Thus, having no clear applicable law solutions on an international or national level like in other online cases, courts have either been ignoring the cross-border nature of the online dispute or, satisfied with certain connections with the forum, have been applying their own forum law for the entire dispute.<sup>375</sup> In regard to the scope of the remedies, some courts often do not mind granting remedies under forum law, which has extraterritorial effects,<sup>376</sup> whereas others try to limit them territorially.<sup>377</sup>

### IV. Discussion

160 As indicated above, the need of applicable law rules for secondary infringements is obvious. Thus, an attempt to formulate such a rule in the CLIP proposal can only be welcomed. Without intending to provide a thorough analysis of this rule, attention can still be drawn to several points, which may facilitate the discussion on whether this rule is proper for an international proposal. The following arguments will focus on art. 3:604(2)-(3) CLIP.

161 First, the wording of the provision is technology-neutral with regards to the legal object of the rule. As opposed to the ubiquitous infringement rule, it does not even mention “ubiquitous” media or multiple states. As a matter of principle, it may cover secondary infringements in any media if there are multiple direct infringers (and other criteria are met). One may thus ask whether it could also cover multi-state offline cases. For instance, could one apply the rule for the situation where a person residing in country A is organizing and facilitating (e.g. by providing devices, organizing marketing activities, etc.) the illegal reproduction and distribution of CDs in multiple other countries?

162 Second, the rule seems to cover all IP rights. The ubiquitous infringement rule, as proposed in art. 3:603 CLIP, will cover mainly copyright cases: trademark infringements are mostly excluded since the right holder can claim a worldwide trademark infringement in rare cases (e.g. famous trademarks).<sup>378</sup> In contrast, the secondary infringement rule does not set any requirements comparable to the one in the case of ubiquitous infringement (i.e. the infringement shall be “arguably taking place in each country where the signals can be received”). That would mean that in case of direct trademark infringement, online parties will have to deal with each separate law under *lex loci protectionis* rule, whereas in the case of secondary infringement online the entire dispute will be covered under a single law of the state where the “center of gravity” of the infringing activity is found. Moreover, it is questionable how these two different rules are applicable in cases where the defendant is sued both under direct and secondary liability rules – this is a common practice when adjudicating IP disputes. Similarly, “offering and/or rendering of facilities or services” may cover both primary infringement (making available the content) and secondary infringement (enabling unauthorized downloading by end users). Thus, it needs to be clarified which applicable law rule – the one for ubiquitous infringement or the one for secondary infringement – applies.

163 Further, it is true that most online services are “capable of being used for infringing or non-infringing purposes.”<sup>379</sup> One may however wonder, for exam-



ple, when the requirement of non-infringing use is met. For instance, in a case dealing with a hosting service on the Rapidshare website, German courts gave different answers: whereas the Hamburg court found the business model underlying the website as blatantly infringing,<sup>380</sup> the Düsseldorf court found substantial legitimate purposes.<sup>381</sup> Also, one may ask what law will apply in case some service does not meet the “infringing and non-infringing purposes” requirement. For instance, software is designed and explicitly marketed for unauthorized exchange of music and video files and the software producer is aware that such exchange is illegal under the law of the targeted country. It seems that such activities are excluded from the secondary liability rule and remain subject to *lex loci protectionis*. Then, right holder would have to enforce such obvious infringements under the laws of each protecting country. Such burden is difficult to justify.

**164** Another question is how far the secondary infringement rule will apply to secondary conduct if the primary activities (the use of service by end users) are legal. For instance, the defendant provides online file sharing service for consumers in several European countries. In the Netherlands, copying for private purposes is legal even if it is done from an illegal source,<sup>382</sup> while under German law private copying from obviously illegal source is illegal.<sup>383</sup> The plaintiff seeks an European-wide injunction. Will the rule apply to this situation or, rather, is an (actual or potential) direct infringement in each country a prerequisite for the application of a secondary infringement rule under the CLIP proposal? The reference to the “individual acts resulting in *infringement*” in the CLIP provision seems to favor the latter option. On the other hand, it would be unreasonable to require the court, before choosing the applicable law rule, to first examine if there is a direct infringement in each state covered by the dispute. Thus, further clarification on how one should deal with such cases might be necessary.

**165** Also, one should ask what would constitute an “intervention in individual acts.” If the host provider is filtering obviously illegal contents *ex ante* or *ex post*, adding advertisements to hosted sites, and organizing the structure of websites of individual users – will this be a sufficient intervention? The “active role” of hosting providers has been addressed differently in different jurisdictions and the ECJ has provided some guidance on this issue.<sup>384</sup> Still, answering this question at the stage of applicable law may appear problematic. Overall, the definition of the legal object of the rule may need further clarifications.

**166** Concerning the connecting factor, the CLIP proposal subjects secondary infringements to the law of the place where the “center of gravity” of the contested activities is located. The factor is flexible enough to minimize the danger of forum shopping by a poten-

tial infringer (i.e. by establishing itself in the country with no or low protection standards). On the other hand, one could ask how similar it is with the “closest connection” rule as provided for the ubiquitous infringements. As a general matter, both rules allow taking into account different factors when determining the applicable law and could be associated with the most significant relationship rule found in U.S. Restatement of Law (Second). Then, the center of gravity rule would lead to the closest connection rule’s same problems of lack of legal certainty and predictability.<sup>385</sup> However, since a different title was chosen and no exemplary list of factors was proposed in case of a center of gravity rule, it is supposed to be different from the closest connection rule. The question then remains in which way.

**167** Third, in contrast to the ubiquitous infringement rule, secondary infringement rule has no exception allowing the defendant to argue that other laws (than the one applied to the case) provide a different solution. This does eliminate the danger that many laws will be raised during the court proceedings.<sup>386</sup> However, differing treatment of online direct infringement and secondary infringements needs a clear justification, especially since the delimitation of these types of infringements is difficult and the same conduct may fall under both definitions. Further, if the alleged infringer is ready to geographically differentiate its conduct in accordance with different national legal standards (i.e. by applying technological measures), it is questionable if this will be prevented by demanding the ISP to obey a single law for the entire worldwide activity. This could, of course, foster internationally unitary online services. On the other hand, this could force the ISP to even more carefully consider in which country they should further their services. They may be more willing to establish and further the services in the countries with less protection even when main target markets are in other countries. Then, additional difficulties in determining the country with the “center of gravity” would emerge. Also, since the “center of gravity” is often likely to be developed countries with high protection standards,<sup>387</sup> the application of these laws with worldwide effects will mean the exportation of the highest protection standards to countries that have lower protection standards and are not ready or willing to accept the more stringent ones. Last but not the least, the possibility of enforcing such decisions with extraterritorial effects in other countries remains questionable.

**168** Finally, several arguments regarding minimum substantive standards in the secondary infringement rule are indicated. The underlying rationale can be well understood: it is important to ensure that if a single law is applied to the entire online secondary infringement it shall meet at least certain minimum standards of IP protection. This has been of concern since the beginning of discussions on law applica-

ble to online infringements.<sup>388</sup> The first issue here is whether the setting of substantial standards in an international private law instrument is appropriate at all. Although substantive law considerations have been taken into account when determining applicable law both in the U.S. and Europe,<sup>389</sup> it is difficult to point to any PIL instrument that formulate substantive law standards in such an explicit way. The second problem is that there are no international standards on intermediary liability. The most recent efforts to do so at a multilateral level in the Anti-Counterfeiting Trade Agreement (ACTA) had been strongly criticized both by scholars and non-governmental groups,<sup>390</sup> and was consequently abandoned by the negotiating parties.<sup>391</sup> Thus setting such a standard in a private international law instrument may indirectly incite creating such international rules on the one hand, while decreasing chances that the countries without substantive standards will be willing to apply this PIL proposal. Furthermore, the concepts used in the wording of the provision – such as “manifest infringement” and “active inducement” – are doubtlessly difficult to construe and are thus likely to lead to divergent interpretations. It will be in particular complicated (and politically incorrect?) if the court has to determine whether the foreign applicable law meets these standards. Overall, although the first attempt to formulate a rule on secondary liability is strongly welcomed, additional efforts to clarify some issues are invited.

## K. Summary

- 169** In sum, all proposals have retained the territorial approach in disputes over IP rights as a general rule. However, because of the ambiguous notion of the *lex loci protectionis* rule, the drafters have chosen different wordings for the applicable law rules they suggested (e.g. country for which protection is sought, country of registration, country granting the right). Also, some proposals proposed different rules for registered and unregistered rights (ALI, Kopila, Joint JK). The scope of the proposed applicable law rule is mostly the same – leaving transferability and initial ownership issues aside, it governs all issues related to IP. The exception is the Transparency proposal where the IP rights infringements are subject to the law of the place where the exploitation results occur (“market impact” rule). It deviates from a traditional territoriality approach and is supposed to allow certain extraterritorial enforcement of rights. While the differences in the wording of the rules and the separation of registered and unregistered rights partly reflect different understandings of *lex loci protectionis* in national practice, the “market impact” rule proposed by the Transparency group is an innovative solution to the transborder cases. It is suggested, however, that the latter rule would be
- too radical a move away from territoriality. Instead, clarifying the *lex loci protectionis* rule is suggested.
- 170** The determination of applicable law to initial ownership differs significantly in the proposals and is the most controversial issue. Regarding initial ownership to *unregistered rights*, one group of proposals (CLIP and Transparency) retains a strict territorial approach (with certain limited exceptions in case of co-ownership and employment situations), whereas the other group (ALI, Kopila and Joint JK) opts for a single-law (universal) approach (also with special rules for co-ownership and employment relationships). The applicable law rules for *registered rights* demonstrate more unity between the groups. However, they differ in regard to the employment relationship, in particular, in the absence of choice of law by parties. Also, only the CLIP proposal addresses the co-ownership situation (e.g. in collaborative research cases). The main rationales underlying the proposed rules are the need for legal certainty on the one hand, and the need to respect national state policies regarding initial ownership issues on the other. The variety of suggested rules also reflects diverging national practices (e.g. *lex loci protectionis* in Germany, Austria, and *lex originis* in France, USA). The discussion suggests that none of the suggested rules leads to the optimal results and, thus, an additional attempt to find a compromise might be necessary.
- 171** Regarding the transferability issue, all proposals have opted for the territorial approach. Although the wording of the suggested rules slightly differ, they are likely to result in the application of the same law of the protecting country. Only Joint JK proposal suggests a provision allowing the adjudication of the transferability issue under the same rule as the initial ownership issue (the latter is subject to a single-law approach in the Joint JK proposal). The national state practice is, however, unitary on this issue and recognizes *lex loci protectionis* as the applicable rule. Although the legal certainty and simplicity reasons may call for a single law approach here, as well, the states’ interests on preserving diverging policies on transferability of rights seem to prevail.
- 172** As far as the applicable law to IP contracts are concerned, all proposals acknowledge party autonomy as a main rule. The rules, however, differ in setting presumptions in case the parties’ choice of law is absent. Here, different proposals show preferences for assignor’s residence, assignee’s residence, *lex loci protectionis* or a combination. CLIP, in addition, sets forth a law applicable to employment contracts (as distinguished from initial ownership in employment relationships). Different points of attachment in cases where parties’ choice is absent reflect the difficulty of finding the most appropriate law in such cases, which can also be seen in national state practice. The discussion demonstrates that each of the factors may be most relevant to different situations,

thus, a flexible approach in determining the applicable law, such as CLIP group's proposal, is worth considering.

**173** All proposals allow party autonomy in IP infringement cases but all to a different extent. Most proposals limit it to infringement-related issues; CLIP allows it only with respect to remedies, whereas the Joint JK proposal seems to allow it to all issues. Until now, party autonomy has been excluded or barely exercised in most states' practice. It has been suggested, however, that its importance may grow, especially in trans-border cases online, and an even further extension of its scope might need to be discussed.

**174** The *de minimis* rule is found only in the CLIP and Joint JK proposals. At least in CLIP proposal, it seems to apply only to a very limited number of cases (i.e. when there is neither substantial conduct nor effects in the country and if the exception provided by CLIP is not applied). Thus, its expected effects in practice are questionable.

**175** Most proposals suggest very similar rules for ubiquitous infringement. It is subject to a single law with the closest connection leaving a possibility for parties to claim a different national law (and, thus, retreat back to the territorial approach). More significant differences between the proposals concern the exact formulation of the rule ("closest" or "close" connection), nature of the rule (mandatory or voluntary), types of infringements covered (worldwide or multi-state; online or offline), issues covered (initial ownership is excluded in most proposals but transferability is included at least in the Kopila and Joint JK proposals), the list of connecting factors, and the exact wording of the "retreat to territoriality" exception. In contrast, the Transparency proposal suggests a different rule: it subjects multistate infringements to a single law of the country where maximum exploitation results are located. The current national practice shows that courts, as a general matter, avoid discussing applicable law issues in online cases and simply apply forum law on a territorial basis. Both of the suggested rules thus implicate the departure from a strict territorial approach, demonstrating a great innovative nature. It is further suggested that the ubiquitous infringement rule might need to be amended in order to provide for more legal certainty and foreseeability, especially for legitimate online service providers.

**176** Only the CLIP proposal suggests a special applicable law rule in cases of secondary liability. It subjects certain secondary conduct (specifically defined in the rule) to a single law of the country where the center of gravity of the conduct can be located, with the condition that this law meets certain minimum substantive law standards. Other proposals do not specifically address the issue because of its highly complicated nature. In national practice the courts

seem to avoid discussing applicable law issues, especially in Internet service providers' cases, and simply apply forum law. Although the CLIP group's attempt to formulate the applicable law rule to secondary liability cases should be highly welcomed, several elements of the rule might need further discussion in order to ensure both sufficient legal certainty and compatibility with the ubiquitous infringement rule.

- 1 American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute Publishers, St Paul, MN 2008).
- 2 CLIP Principles for Conflicts of Laws in Intellectual Property, the "Draft" and previous drafts are available on [www.cl-ip.eu](http://www.cl-ip.eu).
- 3 Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property, published in Jürgen Basedow, Toshiyuki Kono, Metzger, Axel (eds.), *Intellectual Property in the Global Arena* 394-402 (Mohr Siebeck 2010), also available at <http://www.tomeika.jur.kyushu-u.ac.jp/ip/pdf/Transparency%20RULES%20%202009%20Nov1.pdf>.
- 4 Principles on International Intellectual Property Litigation, approved by KOPIA on 26 March 2010.
- 5 Principles of Private International Law on Intellectual Property Rights of October 14, 2010, published (with comments) in *The GCOE Quarterly Review of Corporation Law and Society* 112 (2011).
- 6 "Law of Protected State" in art. 19 Kopila is assumed to have the same meaning.
- 7 Kojima, Ryo, Shimanami, Ryo, Nagata, Mari *Applicable Law to Exploitation of Intellectual Property Rights in the Transparency Proposal*, in Jürgen Basedow, Toshiyuki Kono, Axel Metzger (eds.), *Intellectual Property in the Global Arena* 179-229, 209 (Mohr Siebeck 2010).
- 8 The proposal presumes that *lex loci protectionis* is identical to the state of registration but this presumption might be rebutted, see explanatory note to art. 301 Joint JK Proposal, *supra* note 5.
- 9 See the title to sec. 301 ALI.
- 10 See comment c to sec. 301 ALI ("The usual point of attachment for determining infringement of these rights therefore will be the countries where the right owner's market for the work has been affected") or comment d to sec. 301 ALI ("The formulation 'each country for which protection is sought' is compatible with a market-oriented approach; it corresponds to the markets that plaintiff seeks to protect from infringements that are occurring (or threatened to occur) there").
- 11 Supreme Court decision of 1 July 1997, Minshû Vol. 51, No.6, p. 2299; abbreviated English translation is available at <http://www.courts.go.jp/english/judgments/text/1997.07.01-1995-O-No.1988.html> (last visited on 2 May 2011).
- 12 Supreme Court decision of 26 September, 2002, Minshû Vol. 56, No.7, p. 1551, abbreviated English translation is available at <http://www.courts.go.jp/english/judgments/text/2002.9.26-2000-Ju-No.580.html> (last visited on 2 May 2011).
- 13 *Id.*
- 14 Kojima/Shimanami/Nagata, *supra* note 7, p. 188, fn. 24 and p. 207 ("Criticism has been directed at this decision from academic authors to the effect that whilst it might outwardly be concerned with a method of choosing the applicable law for a private law relationship (in the form of choosing the law of the place with the closest connection to the facts), in terms of its actual content the decision adopted a choice of law method for a public law relationship that took on the form of the range of applicability of U.S. patent law.")



- 15 The other reason for rejecting the “country for which protection is sought” rule is that the latter is in a “fine line with a ‘subjective connection’ (namely the formula of ‘law of the country which the plaintiff claims’)”, Kojima/Shimanami/Nagata, *supra* note 7, p. 186.
- 16 ALI seems to follow a similar approach: since “other rights” do not stem from the registration and thus the registration criterion cannot be applied, they are subject to the law of each country for which protection is sought, see comment d to sec. 310 ALI.
- 17 E.g. Kojima/Shimanami/Nagata, *supra* note 7, p. 209.
- 18 See Joint JK Proposal art. 301 (2) (“(...) *lex protectionis* is the law of the state for which protection is sought. In the case of a registered intellectual property right, this state is assumed to be the state in which that right is or will be registered, or which is deemed to be a state of registration under the convention to which that state belongs or the local law of that state”) and comments to it, *supra* note 5.
- 19 Kojima/Shimanami/Nagata, *supra* note 7, p. 209.
- 20 It is to be seen to which extent this rule remains after the Rome II Regulation (and *lex loci protectionis* implemented therein) is applied in practice, see Regulation (EC) 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), OJ L 199, 31.7.2007, pp. 40-49 (Rome II).
- 21 E.g. such approach has been until recently valid in regard to copyright infringements in UK, for more see Fawcett, James J. & Torremans, Paul, *Intellectual Property and Private International Law* 280-295 (Clarendon Press 1998); it is still broadly accepted in respect of registered rights’ infringements, see e.g. *Barcelona.com v. Excelentísimo*, 330 F.3d 617, 618-19 (4th Cir. 2003) (holding that United States courts will not entertain actions to enforce trademark rights under foreign law).
- 22 E.g. this is arguably required under the jurisdiction rules of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ L 12, 16.1.2001, pp. 1-23 (Brussels I).
- 23 Berne Convention for the Protection of Literary and Artistic Works, adopted on 9 September 1886, last amended on 28 September 1979.
- 24 This has been confirmed in some jurisdictions’ court practice (eg. Judgment of the Tokyo District Court on 9 December 2004, Hanrei Jihô No.1936, p. 40 (*Chinese Poem* case) – as cited in Kojima/Shimanami/Nagata, *supra* note 7, p. 192, fn. 28), but denied in others (e.g. USA’s *Itar-Tass Russian Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 90-91 (2<sup>nd</sup> Cir. 1998); European Court of Justice (ECJ) case C-28/04 of 30 June 2005, *Tod’s SpA and Tod’s France SARL v. Heyraud SA*, ECR I-05781, para. 32 (2005) (“[A]s is apparent from article 5.1 of the Berne Convention, the purpose of that convention is not to determine the applicable law”).
- 25 Signed on 20 March 1883, last amended on 28 September 1979.
- 26 Agreement on Trade Related Aspects of Intellectual Property Rights, adopted at 15 April 1994, Marrakech.
- 27 See e.g. Sender, Marta Pertegás, *Cross-Border Enforcement of Patent rights* 5.46 et seq. (Oxford University Press 2002).
- 28 Art. 110(1) of Swiss Private International Law subjects all IP rights to the law for which protection is sought, see also Sender, *supra* note 27, at 5.92 et seq.
- 29 One of the first cases to establish it is German Supreme Court decision of 19 May 1972 - I ZR 42/71 *Goldrausch*, GRUR Int. 49 (1973).
- 30 Eg. Art. 34(1) of Austrian IPR statute reads “in which protection is sought,” which could imply *lex fori* (cf. 5(2) Berne Convention). However, the courts have construed it as *lex loci protectionis*, see Austrian Supreme Court decision of 28 September 1993 – *Adolf Loos Werke II*, GRUR Int 638 (1994).
- 31 See art. 48 of Chinese Law on the Laws Applicable to Foreign-Related Civil Relations of 28 October 2010 (“law of the place where protection is sought”).
- 32 See sec. 42 of Taiwanese Law on Laws Applicable to Foreign-Related Civil Relations, adopted on 26 May 2010 (unofficial translation reads: “Intellectual property rights are governed by the law of the place where protection is sought”).
- 33 See *supra* text.
- 34 Drexler, Josef, *Münchener Kommentar zum Bürgerlichen Gesetzbuch*. Band 11: Internationales Wirtschaftsrecht Art. 50-245 EGBGB, para. 13 (Verlag C.H. Beck 2005).
- 35 Art. 48 of the Portuguese Private International Law.
- 36 Secs. 11 and 12 of UK Private International Law (Miscellaneous Provisions) Act; for more on their application to IP cases see Fawcett/Torremans, *supra* note 21, p. 60 et seq.
- 37 Sender, *supra* note 27, 5.123 et seq. (general tort applicable law rule *lex loci delicti* applies).
- 38 *Itar-Tass Russian Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 90-91 (2d Cir. 1998) (refers to *lex loci delicti* and states interests’ doctrine).
- 39 E.g. Goldstein, Paul, *International Copyright. Principles, Law and Practice* 99-100 (Oxford University Press 2001) (*lex loci protectionis* is defined as referring to “the country in which the work is being exploited without the copyright owner’s authority”).
- 40 Austrian Supreme Court decision of 14 January 1986, 4 Ob 408/85, GRUR Int. 735 (1986); also Schwind, Fritz, *Internationales Privatrecht* 191 (1990).
- 41 Art. 93 para. 1 of Belgium Private International Law Code; also Sender, *supra* note 27, p. 478.
- 42 Federal Supreme Court decision of 17 June 1992, GRUR 697 (1992) – ALF.
- 43 Art. 54 of the Private International Law Act; Boschiero, Nerina *Infringement of Intellectual Property Rights, A Commentary on Article 8 of the Rome II Regulation*, IX Yearbook of Private International Law 87, 100 (2007).
- 44 Art. 110 para. 1 of the Federal Private International Law Act; Jegher, Gion, Art. 110 (Immateriälgüterrechte), in: Honsell et al. (eds.), *Baseler Kommentar, Internationales Privatrecht*, 2<sup>nd</sup> ed. (2007), Art. 110, at 13.
- 45 Art. 24 of the Korean Private International Act; Seoul Central District Court, Judgment of 30 August 2006, Case No. 2006Ga-hap53066 (concerning trademarks).
- 46 Arts. 48 and 50 of Law of the People’s Republic of China on the Laws Applicable to Foreign-related Civil Relations of 28 October 2010.
- 47 *Itar-Tass Russian Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 90-91 (2<sup>nd</sup> Cir. 1998).
- 48 *Def Lepp Music v. Stuart-Brown*, [1986] RPC 273; *Pearce v. Ove Arup Partnership Ltd*, [2000] Ch. 403; Fawcett/Torremans, *supra* note 21, p. 60 et seq.
- 49 Court of Cassation, 22.12.1959, D. 1960, jur. 93 – *Rideau de fer*.
- 50 Vicente, Dário Moura, *A tutela internacional da propriedade intelectual* 322-23 (2008).
- 51 Metzger, Axel, *Applicable Law under the CLIP Principles: A Pragmatic Revaluation of Territoriality*, in Jürgen Basedow, Toshiyuki Kono, Axel Metzger (eds.), *Intellectual Property in the Global Arena* 157-178, 171-172 (Mohr Siebeck 2010); this is also the practical consequence of the cases discussed by Fawcett/Torremans, *supra* note 21, pp. 601-06.
- 52 See Supreme Court decision of 26 September, 2002, Minshû Vol. 56, No.7, p. 1551, abbreviated English translation is available at <http://www.courts.go.jp/english/judgments/text->

- t/2002.9.26-2000.-Ju.-No..580.html (last visited on 2 May 2011) (patent case); this rule has been confirmed by lower courts for copyright infringements, see Kojima/Shimanami/Nagata, *supra* note 7, p. 184 (with supporting judgments in fn. 11).
- 53 The application of U.S. law, however, was eventually denied under public policy exception, see Supreme Court decision of 26 September 2002, Minshû Vol. 56, No. 7, p. 1551.
  - 54 For a discussion on that see Leistner, Matthias, *The Law Applicable to Non-Contractual Obligations Arising from an Infringement of National or Community IP Rights*, in Leible, Stefan & Ohly, Ansgar (eds.), *Intellectual Property and International Private Law* (Mohr Siebeck 2009); Basedow, Jürgen & Metzger, Axel, *Lex loci protectionis europea*, in: Trunk, A. et al. (eds.) *Russia in the International Context: Private International Law, Cultural Heritage, Intellectual Property, Harmonization of laws*. Festschrift für Mark Moiseevic Boguslavskij 153, 162 (Berliner Wissenschafts-Verlag 2004).
  - 55 See e.g. Sandrock, Otto, *Das Kollisionsrecht des unlauteren Wettbewerbs zwischen dem internationalen Immaterialgüterrecht und dem internationalen Kartellrecht*, 8-9 GRUR Int. 507 (1985).
  - 56 However, courts were rather reluctant to apply it in practice, see Dreier, Thomas & Schulze, Gernot, *Urheberrechtsgesetz* Vor. §§120 ff. para. 38 (2. Auflage, Verlag C.H. Beck München 2006).
  - 57 See e.g. Denaro, James, *Choice of Law Problems Posed by the Internet and by Satellite Broadcasting*, 1(3) *Tulane Journal of Technology and Intellectual Property* 1, para. 49 (2000).
  - 58 See art. 2 of Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (with Explanatory Notes), adopted by the Assembly of the Paris Union for the Protection of Industrial Property and WIPO on 24 September to 3 October 2001.
  - 59 See e.g. Kur, Annette, *Use of Trademarks on the Internet – The WIPO Recommendations*, 1 IIC 41 (2002).
  - 60 Comment c to sec. 310 ALI; see also comment d to sec. 310 ALI (“The formulation ‘each country for which protection is sought’ is compatible with a market-oriented approach”).
  - 61 Cf. Kojima/Shimanami/Nagata, *supra* note 7, p. 186.
  - 62 See *infra* “Secondary Infringement.”
  - 63 E.g. Bradley, Curtis A., *Territorial Intellectual Property Rights in an Age of Globalism*, 37 *Virginia Journal of International Law* 505, fn. 110 (1997) (for copyright cases).
  - 64 E.g. *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952) (U.S. Lanham Act was applied in respect of use by a U.S. citizen of a sign in Mexico which was protected under U.S. law but unprotected under Mexican law).
  - 65 Under the “root copy” approach, if an initial illegal act is carried out in the U.S., the right holders can extract damages from the following illegal conduct (reproduction) occurring abroad, see e.g. *L.A. News Serv. v. Reuters Television Int’l Ltd.*, 149 F.3d 987, 991-92 (9th Cir. 1998) (unauthorized transmission and copy of work made in the United States and then further transmitted to Europe and Africa); *Update Art, Inc. v. Modiin Publ’g, Ltd.*, 843 F.2d 67, 72-73 (2d Cir. 1988) (unauthorized copy of plaintiff’s poster made in the United States and then further copied and distributed in Israel); *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939) (awarding plaintiff profits from both U.S. and Canadian exhibition of infringing motion picture where a copy of the motion picture had been made in the United States and then shipped to Canada for exhibition), *aff’d*, 309 U.S.390 (1940).
  - 66 E.g. against root copy approach see Austin, Graeme W., *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 *Columbia-VLA Journal of Law and the Arts* 1, 7-13 (1999); Drexler, *supra* note 34, p. 436 et seq.
  - 67 E.g. Anti-counterfeiting trade agreement (ACTA), as the latest attempt to raise IP enforcement standards, have been criticized both by American and European academics, see Urgent ACTA Communique, available at <http://www.wcl.american.edu/pijip/go/acta-communique>, The Opinion of European Academics on ACTA, available at [http://www.iri.uni-hannover.de/tl\\_files/pdf/ACTA\\_opinion\\_200111\\_2.pdf](http://www.iri.uni-hannover.de/tl_files/pdf/ACTA_opinion_200111_2.pdf).
  - 68 See *infra* “Secondary Infringement.”
  - 69 This would be an opposite result from what has been set in e.g. ECJ decision C-192/04 of 14 July 2005 *Lagardère Active Broadcast v SPRE and GVL*, ECR I-07199 (2005) (both the law of the emitting country and the law of receiving country is applicable) and *National Football League v. PrimeTime 24 Joint Venture*, 211 F.3d 10 (2<sup>nd</sup> Cir. 2000) (U.S. law was applied to the signal emitted from the U.S. but received in Canada).
  - 70 “Registered state,” as found in art. 24 Kopila, is assumed to have the same meaning.
  - 71 Transparency proposal suggests a “country that granted a right,” which is supposed to cover both the *lex loci protectionis* and the state of registration rules, see *supra* “Main rule.”
  - 72 See *supra* “Main rule.”
  - 73 In addition, the latter generally and unconditionally excludes any choice of law agreements in regard to initial ownership (art. 305 2<sup>nd</sup> sentence); this seems to be applied also to the cases with preexisting (employment) relationship.
  - 74 They are also discussed later in chapter “contracts,” however, they need to be addressed here since some proposals (e.g. ALI and Kopila) contain specific rules for transfer of initial ownership in employment relationships.
  - 75 In CLIP Proposal, however, the chosen law cannot deprive employees from rights which otherwise designated law grants to them, see art. 3:503(1) CLIP.
  - 76 Art. 3:401-3:402 CLIP, see *infra*.
  - 77 However, it could be only the law of one of the creators’ residences.
  - 78 Although it is not identical to parties choice as suggested in the ALI and others, supposedly, the parties will often choose the law governing such relationships between them.
  - 79 At the same time, art. 25(2) Kopila refers to the employer’s residence and seems to exclude the application of applicable law rules to contracts.
  - 80 Kojima/Shimanami/Nagata, *supra* note 7, p. 209 (“the rules on employee inventions in any country ought to apply to each intellectual property right that that country grants” (i.e. art. 305)).
  - 81 Such as licensing, waiver, consent and any other form of exploitation, the division of revenues, the authority to enforce the intellectual property rights and to bring suits.
  - 82 Comment b to sec. 311 ALI.
  - 83 See e.g. Art. 60 European Patent Convention; sec. 6 German Patent Act; sec. 7(2) lit. c) UK Patents Act; art. L. 611-6 French Intellectual Property Code; sec. 261 para. 2 U.S. Patent Act.
  - 84 Metzger, *supra* note 51, p. 162.
  - 85 See e.g. comment b to sec. 311 ALI.
  - 86 Art. 3:503(1) CLIP.
  - 87 Supreme Court decision, 17 October 2006, Minshû Vol. 60, No. 8, p. 2853, abbreviated English translation available at <http://www.tomeika.jur.kyushu-u.ac.jp/ip/pdf119-148/17%20October%202006.pdf>.
  - 88 Kojima/Shimanami/Nagata, *supra* note 7, p. 208.
  - 89 See comment a to sec. 313 ALI; also explanatory note to art. 308 Joint JK, *supra* note 5.
  - 90 See explanatory note to art. 308 Joint JK, *supra* note 5 (“no matter what law protects the copyright of its original owner, its initial title absolutely connects with the state of origin so that the subject matter circulates more easily”).

- 91 This has been an established court practice in France, see “international context.”
- 92 Comment a to sec. 313 ALI.
- 93 Metzger, *supra* note 51, pp. 160-162.
- 94 French Supreme Court decision of 28 May 1991 – *John Huston*, II JCP Nr. 220 (1991) – note by Ginsburg/Sirinelli; rev. crit. DIP 752 (1991).
- 95 See Ansgar Ohly, *Choice of Law in the Digital Environment – Problems and Possible Solutions*, in Drexler/Kur (eds.), *Intellectual Property and Private International Law* pp. 241, 249-50 (2005).
- 96 Metzger, *supra* note 51, pp. 160-162 (“Territoriality is not just a traditional (and some may say obsolete) concept in intellectual property law but a legal means to execute the cultural policy choices of states. Initial ownership in copyright is an essential part of this policy choice”).
- 97 “Since parties are free however to transfer rights from different countries separately after the rights in question had been created, there is not thought to be much point in applying a standardized rule for just the principal of primary ownership,” see Kojima/Shimamami/Nagata, *supra* note 7, pp. 209-201.
- 98 Comment b to sec. 313 ALI.
- 99 “As intellectual property covers creative works of the mind, as well as related subject matter, it seems appropriate to link the country of origin to the creator’s residence at the time of the work’s creation,” comment b to sec. 313 ALI.
- 100 For example, if the author is simply visiting or passing through a country when inspiration strikes, see comment b to sec. 313 ALI.
- 101 Reporters’ note 4 to sec. 313 ALI.
- 102 Comment b to sec. 313 ALI.
- 103 Metzger, *supra* note 51, p. 165.
- 104 ALI makes it more concrete by referring to the “state with the closest connection with the first exploitation.”
- 105 Comment d to sec. 313 ALI.
- 106 Interestingly, ALI in addition tries to protect the creator’s interests in case of the mass market agreements (sec. 313(1)(d) ALI). They are subject to *lex contractus* rule but the validity of choice is subject to the conditions of reasonability and accessibility (sec. 302(5)). These provisions would be useful to protect the initial ownership interests of creators in e.g. online cases when they contribute to a collaborative work and transfer their ownership under non-negotiable click-wrap agreements.
- 107 OJ L 122, 17 May 1991, pp. 42-46 (“all economic rights”); Metzger also points out that it can hardly be compared to the “effect may be given” – proviso of art. 9(3) Rome I Regulation which gives discretion to courts regarding foreign overriding mandatory provision, see Metzger, *supra* note 51, p. 162 fn. 19.
- 108 Metzger, *supra* note 51, p. 162 fn. 19.
- 109 See *supra* text on Hitachi decision.
- 110 Comment f to sec. 313 ALI.
- 111 See Westkamp, Guido, *Research Agreements and Joint Ownership of Intellectual Property Rights in Private International Law*, 6 IIC 637-661, 639 et seq. (2006).
- 112 Art. 93(2) Belgian Code of Private International Law (“Nevertheless, the determination of the original owner of the industrial property right is governed by the law of the state with which the intellectual activity has the closest connections. If the activity takes place within a framework of contractual relations, that State is presumed to be the state of which the law applies to these contractual relations, until proof to the contrary is brought”).
- 113 Sec. 42(2) of Taiwanese Law on Laws Applicable to Foreign-related Civil Relations, adopted on 26 May 2010.
- 114 Since there is no special rule on initial ownership in employment situations, it seems to be governed by a general rule on initial ownership, which refers to “the law of the place where protection is sought,” see art. 48 China Law on the Laws Applicable to Foreign-related Civil Relations been adopted on 28 October 2010.
- 115 Art. 34(2) Austrian Private International Law Statute (IPRG) (“For intangible property rights arising for the activity of an employee within the framework of his employment relationship, the conflicts rule governing the employment relationship shall be determinative for the relationship between the employer and the employee” – translation by R.M.). It seems to subject, at least *inter partes* effects, to the law governing the employment relationship whereas *erga omnes* effects are governed by *lex loci protectionis*. This provision has been little applied in practice and its relevance has been much discussed.
- 116 Art. 60 European Patent Convention. It provides a stricter approach than the one adopted in art. 8(1) Rome I Regulation: the latter allows parties to choose the applicable law to individual employment contracts, though the effect of otherwise applicable overriding employee-protective provisions shall remain.
- 117 E.g. its applicable law nature was rejected in the U.S. case *Itar-Tass Russian Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 91 (2<sup>d</sup> Cir. 1998) (USA).
- 118 See e.g. Pertegás, Marta, *Intellectual Property and Choice of Law Rules*, in Malesta, Alberto (ed.), *The Unification of Choice of Law Rules on Torts and other Non-contractual Obligations in Europe*. The “Rome-II” Proposal 221-248, 239 (Casa Editrice Dott. Antonio Milani 2006); Boschiero, *supra* note 43, pp. 102-103; Birkmann, Andrea, *Die Anknüpfung der originären Inhaberschaft am Urheberrecht. Ein Vergleich der Rechtslage in Deutschland, Frankreich und den USA unter Berücksichtigung internationaler Konventionen* 104 (Nomos Verlagsgesellschaft 2009); contra e.g. Leistner, Matthias, *The Law Applicable to Non-Contractual Obligations Arising from an Infringement of National or Community IP Rights*, in Leible, Stefan & Ohly, Ansgar (eds.), *Intellectual Property and International Private Law* (Mohr Siebeck 2009).
- 119 Supreme Court decision of 02 October 1997 – I ZR 88/95 *Spielbankaffaire*, MMR 35 (1998), for a thorough analysis of German practice see Birkmann, *supra* note 118, pp. 121-142.
- 120 See art. 34 Austrian International Private Law Statute (IPRG). Although its wording resembles *lex fori* rule (“where the protection is sought”), in practice it is construed as *lex loci protectionis* rule, see Supreme Court, 17.06.1980, JBl. 1986, 655 = GRUR Int. 1986, 728 – *Hotel-Video*.
- 121 Art. 10(4) of the Spanish Civil Code.
- 122 Art. 93(1) of the Belgian Code of Private International Law.
- 123 See Supreme Court decision, 17 October 2006, Minshû Vol. 60, No. 8, p. 2853 (“Hitachi”).
- 124 Art. 48 Law of the People’s Republic of China on the Laws Applicable to Foreign-related Civil Relations of 28 October 2010.
- 125 Art. 24 of South Korean Private International Law Act.
- 126 See Supreme Court decision of 22 December 1959 – *Société Fox-Europa v Société Le Chant du Monde*, 28 RIDA 120 (1960); Court of Appeal of Paris decision of 14 March 1991 – *Almax International*, II JCP, Éd. G, Nr. 21780 (1992).
- 127 See *Itar-Tass Russian Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 91 (2<sup>d</sup> Cir. 1998) (although it sets a “most significant relationship” rule it, would arguably lead to the same results as *lex originis*); interestingly, sec. 104A U.S. Copyright Act subjects the ownership of so-called “restored works” to the law of the country of origin; see also Goldstein, *supra* note 39, p. 103.
- 128 For a discussion see Birkmann, *supra* note 118, pp. 129-130.
- 129 Supreme Court decision, 17 October 2006, Minshû Vol. 60, No. 8, p. 2853 (in respect of remuneration claims).



- 130 § 42(2) of Taiwanese Law on Laws Applicable to Foreign-related Civil Relations, adopted on 26 May 2010.
- 131 See Birkmann, *supra* note 118, p. 166.
- 132 See art. 34(2) Austrian Private International Law Statute (IPRG) (“For intangible property rights arising from the activity of an employee within the framework of his employment relationship, the conflicts rule governing the employment relationship shall be determinative for the relationship between the employer and the employee” – translation by R.M.). It seems to subject, at least with *inter partes* effects, to the law governing the employment relationship whereas *erga omnes* effects are governed by *lex loci protectionis*. This provision has been little applied in practice and its relevance has been much discussed.
- 133 See Court of Appeal of Paris decision of 13 January 1953, R.C.D.I.P. 739 (1953); Court of Appeal of Paris decision of 6 July 1989 – *John Huston*, 116 JDI 979 (1989) = GRUR Int. 936 (1989) (German translation).
- 134 See Court of Appeal of Paris decision of 1 February 1989 – *Anne Bragance v. Olivier Urban and Michel de Grece*, 142 RIDA 301 (1989); Supreme Court decision of 28 May 1991 – *John Huston*, II JCP Nr. 220 (1991); also the rules on remuneration for a private copy were recognized as mandatory rules (*regles de police*), see District Court of Paris decision of 3 May 2000, 3 RIDA 451 (2000).
- 135 Westkamp, *supra* note 111, pp. 637–639.
- 136 Westkamp, *supra* note 111, pp. 651–652.
- 137 E.g., in UK the person not contributing to the inventive step cannot be a joint inventor, see *Henry Bros. (Magherafel) v. Ministry of Defense* [1999] RPC 442.
- 138 Westkamp, *supra* note 111, p. 661.
- 139 Supreme Court decision, 17 October 2006, Minshû Vol. 60, No. 8, p. 2853 (“Hitachi”), for a description see *supra* text.
- 140 See e.g. Birkmann, *supra* note 118.
- 141 This part is largely based on the study Rita Matulionyte, *Law Applicable to Copyright Infringements: An Analytical Comparison of the ALI and CLIP Proposals* (Edward Elgar 2011).
- 142 The following text will focus on the creator’s residence rule since it is suggested in all proposals either as a main rule (ALI) or as an additional rule (Joint JK, Kopila proposals).
- 143 This has also been noted by the ALI, see Reporters’ note 3 to sec. 313 ALI.
- 144 See Birkmann, *supra* note 118, pp. 93–94.
- 145 E.g., work can be created while moving through different places, see Birkmann, *supra* note 118, p. 247.
- 146 In some jurisdictions (e.g. UK) “author” can be both physical and legal person.
- 147 About the flexible nature of “residence” in German legal practice see e.g. Kropholler, Jan, *Internationales Privatrecht* 281 (6. Auflage, Mohr Siebeck 2006).
- 148 See e.g. Regelin, Frank P., *Das Kollisionsrecht der Immaterialgüterrechte an der Schwelle zum 21. Jahrhundert* 154 (Peter Lang 2000).
- 149 See comment b to sec. 313 ALI (when defining the creator’s residence one has to take into account “circumstances of a personal or professional nature that show durable connections with that place or indicate the will to create such connections”).
- 150 See sec. 313 (2) ALI, also sec. 313(1)(b)(iii) ALI.
- 151 E.g., Kessedjian, Catherine, *Current International Developments in Choice of Law: An Analysis of the ALI Draft*, in Basedow, Jürgen et al. (eds.), *Intellectual Property in the Conflicts of Laws* 19–38, 35 (Mohr Siebeck 2005), 32; Regelin, *supra* note 148, p. 158; Birkmann, *supra* note 118, p. 246.
- 152 For instance, in France a “work of collaboration” is defined as a work in creation of which more than one natural person has participated; the rights to such a work should be exercised by a common accord, see art. L.113-2 and 113-3 of French Intellectual Property Code; in Germany, the definition of a joint work is narrower – it stipulates that “contributions cannot be separately exploited;” the exercise of rights by each contributor is restricted – a co-author may not unreasonably refuse the consent, see art. 8(1) and (2) of German Copyright and Related Rights Act.
- 153 To give a single example, a choreographic performance was created by a group of artists including a choreographer. They agreed to apply the law of country A, which grants ownership for all creators and requires the consent of all creators when exploiting the work. Country B grants rights only to the choreographer. A theater in country B thus asks the permission to use the choreographic work only from a choreographer and not from other creators. Other creators wanted to claim their rights. Although the chosen law of country A allows them to enforce their rights individually, the choice appears to be of no use since law of country B does not grant any rights to them.
- 154 E.g. art. 3 and art. 4(4) Rome I Regulation.
- 155 See Echoud, Mireille van, *Choice of Law in Copyright and Related Rights. Alternatives to the Lex Protectionis* 186 (Kluwer Law 2003).
- 156 The co-authors of a cinematographic works could be, e.g., only the producer or the producer and a principle director (e.g. in Ireland, United Kingdom) or the principal director, the authors of underlying works of literature and composers of music or the principal director and, if their contributions meet the requirements of originality in each individual case, also the director of photography, the editor, the sound designer and others, see Report from the Commission to the Council, the European Parliament and the economic and social Committee on the question of authorship of cinematographic or audiovisual works in the Community of December 9, 2002, available at <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52002DC0691:EN:NOT>> [accessed on 20 November 2009].
- 157 See, e.g., Thum, Dorothee, *Who Decides on the Colours of Films on the Internet? Drafting of Choice-of-Law Rules for the Determination of Initial Ownership of Film Works vis-à-vis Global Acts of Exploitation on the Internet*, in Drexler, Josef & Kur, Annette (eds.), *Intellectual Property and Private International Law. Heading for the Future* 265–287, 265–266 (Hart Publishing 2005).
- 158 See Metzger, *supra* note 51, pp. 161–162.
- 159 For instance, a work was created under an employment contract in A, which contains no special provisions on transfer of copyright. The employer acquired copyrights as a result of the work-for-hire doctrine applicable in country A. However, country B requires an explicit written transfer of rights. Thus, when the employer tries to enforce infringed rights in country B, he/she cannot prove the ownership of copyright.
- 160 See Court of Appeal of Paris decision of 6 July 1989 – *John Huston*, 116 JDI 979 (1989) = GRUR Int. 936 (1989) (France) (The more right holders blocked the use of colorized movie in France).
- 161 For arguments in favor of *lex contractus* see, e.g., Echoud, *supra* note 155, p. 188 et seq.; Geller, Paul Edward, *Conflicts of Laws in Copyright Cases: Infringement and Ownership issues*, 51 *Journal of Copyright Society of the U.S.A.* 315, 361 et seq. (2003/2004); Fawcett/Torremans, *supra* note 21, p. 514 et seq.; Regelin, *supra* note 148, p. 186; Ulmer, Eugen, *Die Immaterialgüterrechte im internationalen Privatrecht* para. 56 et seq. (Carl Heymanns Verlag KG 1975).
- 162 See Geller, *supra* note 161, p. 364.
- 163 See Echoud, *supra* note 155, p. 191.
- 164 See Birkmann, *supra* note 118, p. 258 et seq.

- 165 See Rome I Regulation, art. 8(1).
- 166 See comment b to sec. 311 ALI.
- 167 See Birkmann, *supra* note 118, p. 261.
- 168 See comment a to sec. 323 ALI.
- 169 The court may be motivated to take into account foreign mandatory provisions if the danger exists that it will be impossible to enforce the decision in that country in case these author-protective provisions are not taken into account.
- 170 See Birkmann, *supra* note 118, p. 261.
- 171 See “law of each state for which rights are transferred” (sec. 314 ALI); “country that granted the intellectual property right” (art. 305 Transparency); “law of protected country” (art. 19 Kopila); “for which protection is claimed” (3:301 CLIP, 309(1) Joint JK).
- 172 ALI proposal refers to the extent of transferability and recordation requirements, CLIP proposal – to transferability and invocation against third parties, Transparency proposal – only to transferability, Kopila proposal – to assignability and the effects of assignation, and Joint JK proposal – to transferability and the effects of transfer.
- 173 Metzger, *supra* note 51, p. 163; Reporters’ note 3 to sec. 314 ALI.
- 174 Reporters’ note 1 to sec. 314 ALI.
- 175 Explanatory comments to art. 309 Joint JK, *supra* note 5.
- 176 Court de cassation, pre-mière chambre civile [Cass. 1e civ.], 28 May 1991, Bull. civ. I, No. 172 (Huston v. La Cinq) (Fr.). In that case, however, the French high court avoided any choice-of-law analysis, and applied French law as a mandatory rule.
- 177 *Campbell Connelly & Co. Ltd. v. Noble*, [1963] 1 All ER 237 (High Court).
- 178 German Supreme Federal Court, 02.10.1997, GRUR 1999, 152 – *Spielbankaffaire*.
- 179 See Rummel, Peter (ed.), *Kommentar zum allgemeinen bürgerlichen Gesetzbuch Band II, Teil 6 para. 4* (Wien: Manz., 2004); Schwimann, Michael, *Internationales Privatrecht* 75 (Wien: Manz 1993).
- 180 Belgian Code of Private International Law art. 94(1)(4).
- 181 *Corcovado Music Corp. v. Hollis Music, Inc.*, 981 F.2d 679 (2d Cir. 1993) (assignability of copyright renewal term was determined under U.S. law as the law of protecting country).
- 182 E.g. moral rights are unwaivable under Article L. 121-1 al. 3 French Intellectual Property Code; unwaivable remuneration right under art. 4 of Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, OJ L 346, 27/11/1992 P. 0061 – 0066; unwaivable resale right under art. 1(1) of Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art, OJ L 272, 13/10/2001 P. 0032 – 0036.
- 183 This has been followed by French courts, see Paris Court of Appeal, 06.07.1989, D. 1990, Jur. 152 – *Sté la Cinq/Angelica Huston et autres* (moral rights); a similar approach was adopted in Sec. 32b of the German Copyright Act.
- 184 Metzger, *supra* note 51, p. 164.
- 185 Also Metzger, *supra* note 51, p. 163.
- 186 Cf. Kojima/Shimanami/Nagata, *supra* note 7, p. 210.
- 187 It sets requirements for the choice (“expressed or demonstrated with a reasonable certainty”), sets a presumption on agreement on applicable law in case there is an agreement on the choice of court, allows the choice for the whole or part of the contract (all in art. 3:501(1)); allows a change of choice (art. 3:501(2)); regulates the validity of contractual choice (art. 3:501(3)).
- 188 Art. 3:503(2) CLIP; art. 306(2) Transparency.
- 189 The rule applies only to contracts that have “as their main object the creation of protectable subject matter or the transfer or license of intellectual property rights;” for other contracts containing IP transfer clauses (e.g. franchise or distribution contracts), general presumption of art. 3:502(1) is applicable, see Metzger, *supra* note 51, p. 168.
- 190 Art. 23(1) Kopila; art. 307(2) Joint JK.
- 191 Art. 307(2) Joint JK; however, here, the list raises additional questions, e.g. how many factors need to be met in order to apply the law of assignee’s residence; what law court shall (or may) apply if no connecting factor is met; can a court decide to apply the law of assignee’s residence on the basis of other factors?
- 192 E.g. ALI Principles treat the issue of employment relationship as an issue of initial title (sec. 313(1)(c) and 313(2)).
- 193 Comment b to sec. 315 ALI.
- 194 E.g. Asensio, P.A. De Miguel, *Applicable Law in the Absence of Choice to Contracts Relating to Intellectual or Industrial Property Rights*, Yearbook of Private International Law, Vol. X, 2008, pp. 199-219, cited from <http://eprints.ucm.es/8689/1/YPIL2008p-demiguel.pdf> pp. 13-17; Paul Torremans, *Licenses and Assignments of Intellectual Property Rights under the Rome I Regulation*, 4 Journal of Private International Law 397, 406-407 (2008).
- 195 From draft comments to the article as discussed by the CLIP group in Munich meeting on 19-20 November 2010.
- 196 Explanatory notes to art. 307 Joint JK, *supra* note 5.
- 197 Fawcett/Torremans, *supra* note 21, pp. 514-15, 523-34.
- 198 Metzger, *supra* note 51, p. 169.
- 199 *Corcovado Music Corp. v. Hollis Music, Inc.*, 981 F.2d 679 (2d Cir. 1993) (A U.S. court refused to recognize the validity of a Brazilian-law agreement assigning a U.S. copyright renewal term on the ground that, although the U.S. renewal copyright was assignable, the Brazilian contract did not assign the term effectively because the text of the agreement did not contain the word “renewal”).
- 200 *Cambell Connelly & Co Ltd v. Noble*, (1963) 1 WLR 252, 255 (UK).
- 201 Judgement of 1 February 1989, *Anne Bragance v. Olivier Orban and Michel de Grece* (1989) 142 RIDA 301.
- 202 Art. 4(2) of Convention 80/934/ECC on the law applicable to contractual obligations opened for signature in Rome on 19 June 1980.
- 203 See art. 4(1)(f) of Proposal for a Regulation of the European Parliament and the Council on the law applicable to contractual obligation (“Rome I”) of 15.12.2005, COM (2005) 650 final.
- 204 See e.g. *CLIP Comments on the European Commission’s Proposal for a Regulation on the Law Applicable to Contractual Obligations (“Rome I”) of 15 December 2005 and the European Parliament Committee on Legal Affairs’ Draft Report on the Proposal of 22 August 2006*, reprinted in IIC 472 (2006).
- 205 E.g., Fawcett/Torremans, *supra* note 21, p. 560 et seq; Asensio, *supra* note 194, pp. 13-17.
- 206 For more see Asensio, *supra* note 194, pp. 11-12.
- 207 Art. 122(1) Switzerland’s Code on Private International Law of December 18, 1987 as amended until January 1, 2007, see also Swiss Supreme Court, 22.04.1975, GRUR Int. 1977, 208 – “EFASIT.”
- 208 Art. 43(1) of the former Austrian Private International Law Act (IPRG).
- 209 Landgericht Düsseldorf, 10.01.1999, GRUR Int. 1999, 772 – “*Virusinaktiviertes Blutplasma*.”
- 210 See German Supreme Court decisions of 22.11.1955, GRUR 1956, 135 – “*Sorell and Son*” and of 29.03.2001, GRUR 2001, 1134 – “*Lepo Sumera*.”
- 211 Art. 49 of Chinese Law on Laws Applicable in foreign-Related Civil Relations.

- 212 Art. 41 of Chinese Law on Laws Applicable in foreign-Related Civil Relations.
- 213 Asensio, *supra* note 194, p. 12.
- 214 Dessenmontet, *The Law Applicable under the ALI Principles: Choice of Law in Transborder Litigation*, in Stefania Bariatti, *Litigating Intellectual Property Rights Disputes Cross-Border: EU Regulations, ALI Principles, CLIP Project 51* (CEDAM 2010).
- 215 *Id.*
- 216 Asensio, *supra* note 194, p. 14.
- 217 See Nishitani, Yuko, *Contracts Concerning Intellectual Property Rights*, in Ferrari, Franco and Leible, Stefan, *Rome I Regulation. The Law Applicable to Contractual Obligations in Europe* 51–84, 68 et seq. (Berlin, New York: Sellier de Gruyter 2009).
- 218 This has been decided in Austrian Supreme Court case of 5 May 1987 – *Stefanel*, GRUR Int 72 (1988).
- 219 Fawcett/Torremans, *supra* note 21, pp. 561–564.
- 220 For a similar argument on characteristic performance see Soltysinski, S., *Choice of Law and Choice of Forum in Transnational Transfer of Technology Transactions*, *Recueil des cours* (1986), t. 196, at 239, 315.
- 221 E.g. Troller, GRUR Auslandteil 108, 121 (1952).
- 222 Modiano, *Le contract de license de brevet*, Droz 138–141 (1979).
- 223 For more arguments see Fawcett/Torremans, *supra* note 21, pp. 564–566.
- 224 Ulmer, Eugen, *Intellectual Property Rights and the Conflict of Laws* 101–102 (Kluwer Academic Publishers 1978).
- 225 In favor see Fawcett/Torremans, *supra* note 21, pp. 566–570; Asensio, *supra* note 194, pp. 18–20.
- 226 Nishitani, *supra* note 217, p. 70.
- 227 Ulmer, *supra* note 224, pp. 92–93.
- 228 See Nishitani, *supra* note 217, p. 67.
- 229 Kojima/Shimanami/Nagata, *supra* note 7, 225–226 (proposing to apply the law of the country granting the intellectual property right).
- 230 Security interests are explicitly mentioned in Article 14(1)(b) (iii) WIPO Patent Law Treaty and Rule 17(9) of the Regulations Under the Patent Law Treaty.
- 231 Drexler, *supra* note 34, para. 202.
- 232 Bariatti, *The Law Applicable to Security Rights in Intellectual Property*, 6 *Journal of Private International Law* 395, 400 (2010).
- 233 Kojima/Shimanami/Nagata, *supra* note 7, 225–226.
- 234 Article 16(1), (2) Council Regulation (EC) 207/2009 of 26 February 2009 on the Community Trade.
- 235 Available at [http://www.uncitral.org/pdf/english/texts/security-ig/e/10-57126\\_Ebook\\_Suppl\\_SR\\_IP.pdf](http://www.uncitral.org/pdf/english/texts/security-ig/e/10-57126_Ebook_Suppl_SR_IP.pdf).
- 236 Recommendation 248 of the Legislative Guide.
- 237 Organization of American States (OAS), *Model Inter-American Law on Secured Transactions*, available at [http://www.oas.org/dil/CIDIP-VI-securedtransactions\\_Eng.htm](http://www.oas.org/dil/CIDIP-VI-securedtransactions_Eng.htm).
- 238 Available at <http://www.ebrd.com/downloads/legal/secured/modellaw.pdf>, see comments to Art 11.
- 239 To be published by OUP in 2012; the further summary of the discussion is largely based on these comments.
- 240 Bariatti, *supra* note 232, at 396; *UNCITRAL Legislative Guide on Secured Transactions – Supplement on Security Rights in Intellectual Property* (2011) para. 299.
- 241 302(2) ALI excludes from parties’ choice validity and maintenance of registered rights, the existence, attributes, transferability, and duration of rights, as well as formal requirements for recordation of assignments and licenses (interestingly, initial ownership is not mentioned); Transparency proposal allows choice in respect of the “formation and effects of the claims” but excludes choice of law by parties for existence, primary ownership, transferability and effects of transfer (arts. 304(1) and 305); Kopila excludes issues of existence or validity, the contents, extinguishment, infringement, assignability, and the effect of assignment on a third party, and registration of registered IPRs (art. 20 Kopila).
- 242 Comment a to sec. 302 ALI.
- 243 Kojima/Shimanami/Nagata, *supra* note 7, p. 203; According to the Joint JK group, party autonomy in choice of law is “an important principle governing the conflict of intellectual property rights [which] promotes transference and exploitation of those rights between East Asian states,” see Explanatory notes to art. 302 Joint JK, *supra* note 5.
- 244 See Reporter’s Note 2 to sec. 302 ALI.
- 245 See *infra* “International context.”
- 246 Kojima/Shimanami/Nagata, *supra* note 7, pp. 204–205.
- 247 Reporter’s Note 1 to sec. 302 ALI (“The increasing amenability over the last 30 years of intellectual property issues to arbitration [citation omitted] demonstrates that some States now are willing to commit to party autonomy intellectual property disputes whose resolution the State previously confined to courts in that State”).
- 248 Comment a to sec. 302 ALI (“contract can not create rights in the country where they do not exist”), see also Reporter’s Note 1 to sec. 302 ALI (“Competition law, foreign-exchange law, protection of consumers, product liability, or transferability restrictions under domestic intellectual property law cannot be contracted away by the parties through a choice-of-law agreement.”), cf. Metzger, *supra* note 51, pp. 176–177.
- 249 Metzger, *supra* note 51, p. 176 (“One can argue that the remedies, e.g. the availability of double damages, are a crucial element of the level of protection of intellectual property and therefore part of the national trade policy that can not be derogated from by contract”), also Basedow/Metzger, *supra* note 54, p. 160.
- 250 Reporter’s Note 2 to sec. 302 ALI.
- 251 Explanatory notes to art. 302 Joint JK, *supra* note 5.
- 252 See Supreme Court decision of 17 June 1992 – I ZR 182/90 – *Alf*, 24 IIC 539 (1993); Supreme Court decision of 2 October 1997 – I ZR 88/95 – *Spielbankaffaire*, MMR 35 (1998).
- 253 Rummel, Peter (Ed.), *Kommentar zum allgemeinen bürgerlichen Gesetzbuch Band II, Teil 6, para. 4* (Manz 2004) (with references to relevant case law).
- 254 Belgian Code of Private International Law art. 104(2) (allows party autonomy in quasi-contractual relations).
- 255 Art. 110(2) of the Swiss Private International Law provides as follows: “In any case claims arising out of infringement of intellectual property rights, the parties may always agree, after the act causing damage has occurred, that the law of the forum shall be applicable.”
- 256 Since injunction is regarded to be *ius prohibendi* of IP rights, party autonomy is restricted to the patrimonial claims, especially such as pecuniary damages, see Vischer F., *Das internationale Privatrecht des immateriellgüterrechtes nach dem schweizerischem IPR Gesetzentwurf*, GRUR Int 670–682, 680 (1987); Dutoit B., *Commentaire de la loi fédérale du 18 décembre 1987*, 293 (Basel: Helbing&Lichtenhahn, 1997); Sender, *supra* note 27, at 5.98.
- 257 Art. 8(3) of Rome II Regulation.
- 258 See art. 8 as proposed in the European Parliament Legislative Resolution on the Rome II Proposal, adopted in first reading on 6 July 2005.
- 259 E.g. Boschiero, *supra* note 43, p. 107 et seq.; Boer, Th. M., *Party Autonomy and Its Limitations in the Rome II Regulation*, 9 *Yearbook of Private International Law* 19, 25–26 (2007).
- 260 Art. 21 of the Japanese Act on the General Rules for Application of Laws, English translation (unofficial) is available on



- [http://www.hawaii.edu/aplpj/articles/APLPJ\\_08.1\\_anderson.pdf](http://www.hawaii.edu/aplpj/articles/APLPJ_08.1_anderson.pdf).
- 261 See Supreme Court decision of 26 September, 2002, Minshū Vol. 56, No.7, p. 1551 (“Card Reader”).
- 262 Kojima/Shimanami/Nagata, *supra* note 7, p. 204.
- 263 Art. 50 2<sup>nd</sup> sentence of the Chinese Law on the Laws Applicable to Foreign-related Civil Relations (“The parties may also choose to apply the law of the forum after the infringement occurs”).
- 264 Even though courts have started to recognize it in practice, see Nishitani, Yuko, *Party Autonomy and Its Restrictions by Mandatory Rules in Japanese Private International Law*, in Basedow, Jürgen, Baum, Harald and Nishitani, Yuko, *Japanese and European Private International Law in Comparative Perspective* 77-105, 81-82 (Mohr Siebeck 2008).
- 265 Nishitani, *supra* note 259, p. 82.
- 266 See also Heiss, Helmut, *Party Autonomy*, in Ferrari, Franco and Leible, Stefan, *Rome I Regulation. The Law Applicable to Contractual Obligations in Europe*, 1-16, 3 (Berlin, New York: Sellier de Gruyter 2009).
- 267 Nishitani, *supra* note 217, pp. 82-83.
- 268 Belgium, Germany, Lithuania, Switzerland, Russia, Japan – only *ex post*; Austria, Lichtenstein, Netherlands – *ex post* and *ex ante*, see Graziano, Thomas, Kadner, *Freedom to Choose the Applicable Law in Tort – Articles 14 and 4(3) of the Rome II Regulation*, in John Ahern and William Binchy (eds.), *The Rome II Regulation on the Law Applicable to Non-contractual Obligations*, 113-133, 114-115 (Martinus Nijhoff Pub. 2009); also Hartenstein, Olaf, *Die Privatautonomie im Internationalen Privatrecht als Störung des europäischen Entscheidungsklang* 5 (Mohr Siebeck 2000).
- 269 See Graziano, *supra* note 268, p. 113 et seq.
- 270 *Id.*
- 271 See a famous *Bier v. Mines de Potasse* case: although French law set very strong liability for environmental damage, Dutch law was chosen because application of foreign (French) law would have not allowed the appeal, commented in Graziano, *supra* note 268, p. 116.
- 272 See a good summary of arguments in Graziano, *supra* note 268, p. 115 et seq.
- 273 See e.g. Kreuzer, in MünchKommB 2249 (3rd. Ed, 1998); Pertegás, Marta, *Intellectual Property and Choice of Law Rules*, in Malesta, Alberto (ed.), *The Unification of Choice of Law Rules on Torts and other Non-contractual Obligations in Europe. The “Rome-II” Proposal* 221-248, 221 (Casa Editrice Dott. Antonio Milani 2006).
- 274 See, e.g. Hamburg Group for Private International Law, *Comments on the European Commission’s Draft Proposal for a Council Regulation on the Law Applicable to Non-Contractual Obligations*, 2002 available at <[http://ec.europa.eu/justice\\_home/news/consulting\\_public/rome\\_ii/max\\_planck\\_en.pdf](http://ec.europa.eu/justice_home/news/consulting_public/rome_ii/max_planck_en.pdf)> [Accessed on 25 July 2007], p. 38 (party autonomy should not be allowed “where public interests are or may be involved”); Buchner, Benedikt, *Rom II und das Internationale Immaterialgüter- und Wettbewerbsrecht*, 12 GRUR Int. 1004, 1008 (2005) Kur, Annette, *Applicable Law: an Alternative Proposal for International Regulation – The Max-Planck Project on International Jurisdiction and Choice of Law*, 30(3) Book. J. Int’l L. 952, 975 (2005); Kreuzer, Karl, *Tort Liability in General*, in Malesta, Alberto (ed.), *The Unification of Choice of Law Rules on Torts and other Non-Contractual Obligations in Europe. The “Rome-II” Proposal* 55-56 (Casa Editrice Dott. Antonio Milani 2006), Pertegás, *supra* note 273, p. 221; Eechoud, *supra* note 155, pp. 174-175.
- 275 Compare to the former argument in the field of contract law.
- 276 See Hartenstein, *supra* note 268, pp. 11-12.
- 277 See Metzger, *supra* note 51, p. 177.
- 278 It is found in most of the analyzed proposals, except for the ALI Principles.
- 279 See *supra* discussion on *lex loci protectionis*.
- 280 See *supra*.
- 281 See arts. 5-9 of Rome I Regulation (provisions on employment, consumer, insurance contracts as we mandatory rules), also Heiss, *supra* note 266, p. 3.
- 282 See Pertegás, *supra* note 273, at 221; Metzger, *supra* note 51, at 176 (argues that damage rules such as on pecuniary damages, may reflect public policies).
- 283 See *infra* “Ubiquitous infringement.”
- 284 See also Briggs, Adrian, *Agreements on Jurisdiction and Choice of Law* para. 10.75 (Oxford University Press 2008).
- 285 For instance, in case the invention is used without authorization in countries A and B whereas the patent exists only in A, parties cannot decide to apply patent law of country A for both territories since this would “create,” through parties agreement, a patent right in country B.
- 286 Cf. 2:401(2) CLIP (allows, in certain cases, international jurisdiction over validity and registration issues, however, only with *intra partes* effects).
- 287 E.g. Metzger, *supra* note 51, pp. 176-177.
- 288 For some critical comments concerning *ex ante* choice of applicable law in Rome II Regulation see Kono, Toshiyuki, *Critical and Comparative Analysis of the Rome II Regulation on Applicable Laws to Non-contractual Obligations and the New Private International Law in Japan*, in Jürgen Basedow, Harald Baum and Yuko Nishitani, *Japanese and European Private International Law in Comparative Perspective* 221-241, 240 (Mohr Siebeck 2008).
- 289 For instance, a search engine A was sued by a right holder B for contributory copyright infringement allegedly occurring worldwide. Since the laws on contributory liability are not clear in many countries and the litigation in each state would be too cost-prohibitive, the parties may decide, on their own risk, to apply a law in respect of the entire worldwide infringement. In such a case parties would undertake the risk that if the decision is not favorable to them, it would still extend to the countries whose laws would have otherwise provided a favorable solution.
- 290 See *infra* chapter “Secondary liability.”
- 291 See *infra* chapter “Ubiquitous infringement.”
- 292 See *infra* chapter “Ubiquitous infringement.”
- 293 See explanatory notes to art. 305 Joint JK, *supra* note 5.
- 294 See Metzger, *supra* note 51, p. 173.
- 295 Art. 305 Joint JK Proposal reads “Courts that apply *lex loci protectionis* find the infringement of intellectual property rights as long as the direct inducement, accessory-ship and substantive preparatory acts of such infringement are directed to the state of protection, even if whole or part of the act was done outside the state of protection, and there is the threat of direct and substantive injury within its territory.”
- 296 See a reference to the “direct inducement” and “accessory-ship” in art. 305.
- 297 See § 301(2) ALI Principles, Preliminary Draft of 2005, published in Jürgen Basedow et al. (eds.), *Intellectual Property in the Conflicts of Laws* 229-250 (Mohr Siebeck 2005) (“the law applicable to determine the existence, validity and scope of the intellectual property rights and remedies for their infringement is the law of any country where the alleged infringing act has or will significantly impact the market for the work or subject matter at issue”).
- 298 Comment to sec. 123 ALI (*lex loci protectionis* “corresponds to the markets that plaintiff seeks to protect from infringements that are occurring (or threatened to occur) there”).
- 299 See *supra* “Main rule.”

- 300 See *supra* discussion.
- 301 Metzger, *supra* note 51, pp. 172-173.
- 302 See ECJ decision C-192/04 of 14 July 2005 *Lagardère Active Broadcast v. SPRE and GVL*, ECR I-07199 (2005) (both the law of the emitting country and the law of receiving country is applicable) and *National Football League v. PrimeTime 24 Joint Venture*, 211 F.3d 10 (2d Cir. 2000) (U.S. law was applied to the signal emitted from the US but received in Canada).
- 303 See an exception in art. 3:602(2) CLIP.
- 304 Cf. the rationale of the market effect in the Transparency proposal, see *supra* text.
- 305 Japan Supreme Court decision of 26 September, 2002, Minshû Vol. 56, No.7, p. 1551 ("Card Reader"); The Supreme Court of Korea, decision of 22 July 2004 ("X Girl").
- 306 Explanatory note to art. 305 Joint JK, *supra* note 5.
- 307 For the former see art. 2 of Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet; for the later see Denaro, James, *Choice of Law Problems Posed by the Internet and by Satellite Broadcasting*, 1(3) *Tulane Journal of Technology and Intellectual Property* 1, para. 49 (2000).
- 308 E.g. Dreier/Schulze, *supra* note 56, Vor §§120 ff. para. 42; Thum, Dorothee, *Das Territorialitätsprinzip im Zeitalter des Internet – Zur Frage des auf Urheberrechtsverletzungen im Internet anwendbaren Rechts*, in Bartsch, Michael & Lutterbeck, Bernd (eds.), *Neues Recht für neue Medien* 117-144, 140 (Verlag Dr. Otto Schmid 1998).
- 309 Courts tend to easily find sufficient (economic) connection to the forum, see e.g. Appeal Court of Jena decision of 27.2.2008 – 2 U 319/07 *Thumbnails*, 7 GRUR-RR 223 (2008) (Germany) (although the website was English, it was found to have a sufficient connection to Germany on the basis that the defendant "displaces the reconfiguration of the pictures into the thumbnails in the hit list of its search engine in Germany").
- 310 Art. 2(b) of Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, OJ L 248, 06.10.1993, pp. 15-21.
- 311 Sec. 302(3) ALI, Preliminary Draft of 2005, in Jürgen Basedow et al. (eds.), *Intellectual Property in the Conflicts of Laws* 229-250 (Mohr Siebeck 2005).
- 312 Art. V.3(3) CLIP draft of 2008 (unpublished) ("[i]f it is not possible to determine the applicable law on the basis of paragraph 2, the court shall apply the law of the country where the infringer has its habitual residence or its principal place of business as defined in (2)(a)").
- 313 E.g. art. 3:603(2)(a) CLIP refers to infringers residence, (b) to place of conduct and (c) to place of harm of the infringing activity.
- 314 See *supra* "Main rule."
- 315 Kojima/Shimanami/Nagata, *supra* note 7, p. 200.
- 316 *Id.*
- 317 According to its drafters, it is supposed to cover, essentially, copyright infringements occurring over the Internet.
- 318 Under CLIP – only if they come up as incidental issues.
- 319 From an individual consultation, see also Kojima/Shimanami/Nagata, *supra* note 7, pp. 200, 214.
- 320 The wording of the Transparency proposal is slightly different, though has the same intention, see art. 302(2) Transparency ("If the result of the application of Paragraph 1 is extremely unreasonable in relation with specific country, the liability or remedy based on the law determined by paragraph 1 shall not be applied in relation to the specific country.").
- 321 Although the exception is of main use for the defendant, a right holder can use it as well, i.e., he/she can claim more extensive damages if they are available under the law of another country.
- 322 See "each party may prove."
- 323 It, however, remains unclear what courts should do in case of such inconsistent decisions.
- 324 Reporters' note 1 to sec. 321 ALI.
- 325 See Reporters' note 1 to sec. 321 ALI.
- 326 Kojima/Shimanami/Nagata, *supra* note 7, p. 199.
- 327 The third, though unlikely possibility, could be that the rule enables dépeçage, i.e. application of different laws for different issues (e.g. initial ownership, transferability, remedies).
- 328 Reporters' note 4 to sec. 321 ALI.
- 329 See also Restatement Second, Conflict of Laws § 145; comment f to sec. 222 ALI (considerations to take into account in determining whether to consolidate cases), Reporters' note 2 to sec. 321 ALI.
- 330 Metzger, *supra* note 51, p. 176.
- 331 Explanatory notes to art. 306 Joint JK Proposal, *supra* note 5.
- 332 Kur, Annette, *Applicable Law: an Alternative Proposal for International Regulation – The Max-Planck Project on International Jurisdiction and Choice of Law*, 30(3) *Book J. Int'l L.* 952, 973 (2005).
- 333 Supreme Court decision of 13 October 2004 – I ZR 163/02 *Hotel Maritime*, 5 GRUR Int 433 (2005).
- 334 WIPO has recently started talks on possible review of 2001 Recommendation with a purpose to adjust it to ongoing developments in online markets, see Nurton, James, "Should Secondary Liability Online Be Harmonized?," published on 15 March 2011 by Managing Internet IP, available at <http://www.managingip.com/Article/2786671/Managing-Internet-IP-Archive/Should-secondary-liability-online-be-harmonised.html?LS=EMS505745>.
- 335 See, e.g. *Faulkner v. Nat'l Geographic Enters. Inc.*, 409 F.3d 26 (2005) (USA); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (2001) (USA); *MGM v. Grokster*, 545 U.S. 913 (2005) (USA); *SABAM v. Tiscali*, E.C.D.R. 19 (2007) (Belgium); *Sony v. Ball*, E.C.D.R. 33 (2004) (UK); *Perathoner et al. v. S. Joseph Societe Free*, E.C.D.R. 8 (2003) (France); *Google Inc v. Copiepresse SCRL*, ECDR 5 (2007) (Belgium); *Hit Bit Software GmbH v. AOL Bertelsmann Online GmbH*, ECDR 18 (2001) (Germany); *KODA and others v. Anders Lauritzen and Jimmy Egebjerg*, ECDR 25 (2002) (Denmark); *Polydor Ltd and others v. Brown and others*, EWHC 3191 (2005) (UK); *Shetland Times Ltd v. Wills*, SC 316 (1997) (UK); *BMG Records v. Heise Zeitschriften Verlag*, MMR 768 (2005) (Germany); *Paperboy*, E.C.D.R. 7 (2005) (Germany); *Thumbnails*, 2 GRUR Int. 148 (2004) (Germany).
- 336 See e.g. District Court of Stockholm decision of 17 April 2009 – B 13301-06, *The Pirate Bay* (Sweden), p. 46 (unpublished) (Sweden), available at <[www.ifpi.org](http://www.ifpi.org)> [accessed on 27 April 2009] (the court "regard(s) an offence which involves the making available of something on the Internet as having been committed in a country where the Internet user can obtain the information which has been made available, provided that the making available has legal implications in the country").
- 337 See, e.g. Supreme Court decision of 21 September 2006 – 29 U 2119/06 *Haftung von eBay als Mitstörer für Urheberrechtsverletzungen*, JurPC Web-Dok. 124/2006 (Germany) ("German copyright law is applied as the law of the country for which protection is sought (so called protecting country principle)").
- 338 See District Court of Paris decision of 20 November 2000 – *International League Against Racism & Anti-Semitism (LICRA) and the Union of French Jewish Students (UEJF) v. Yahoo! Inc.*, 1(3) *Electronic Business Law Reports* 110 (2001) (French court analyzed to which extent the injunction could be restricted to French territory).
- 339 See, e.g. District Court decision *Sonofon A/S (formerly DMT2 A/S) v IFPI Danmark*, ECDR 10, 16 (2009)(Denmark) (Internet access provider was ordered to terminate the access to the Pirate Bay

website despite the fact that the persons behind the website were domiciled in Sweden).

- 340 For disadvantages of other alternatives see *supra* text of this chapter.
- 341 In case of ALI “close connection rule,” the situation of right holders is much better since in most cases forum law would have a sufficiently close connection.
- 342 Compare solutions adopted in Rome I and Rome II Regulations.
- 343 See *supra* “Main rule.”
- 344 E.g. art. 2 WIPO Recommendation.
- 345 This also seems to contradict the commentary which states that only the results at the time of filing the suit should be taken into account, see *supra* text of this chapter.
- 346 I.e. trademark infringements online can occur only in states where they are registered and only famous trademarks can be infringed worldwide.
- 347 E.g. in registered trademark cases or where the copyright duration expired in numerous countries.
- 348 E.g. consolidation of actions before a single court.
- 349 E.g. by stopping an infringement in a “source” country where initial copies are made or initial (broadcasting) signals are emitted.
- 350 See e.g. a recently concluded Anti-Counterfeiting Trade Agreement (ACTA); three-strike-rule adopted in law in France, Korea, New Zealand, UK and practiced between stakeholders in U.S. and Ireland.
- 351 E.g. obvious “piracy” cases offline.
- 352 The latter seems to be covered by the ubiquitous infringement rule in Kopila and Joint JK Proposals.
- 353 E.g. author-protective countries may want to prevent the application of the work-for-hire doctrine in respect of that part of online infringements that occur in their territories.
- 354 E.g. the law with the closest connection will be determined taking into account the residence of infringer, the place of infringement, etc.
- 355 Only Joint JK Proposal suggests some interesting deviation from it in copyright cases, see *supra* “Transferability.”
- 356 E.g. Reporters’ note 1 to sec. 321 ALI.
- 357 E.g. it is not clear if the use of thumbnails in a search engine is covered by copyright exceptions in different jurisdictions: it is arguably covered by fair use doctrine in the U.S., whereas it is not covered by copyright exceptions in Germany, see German Supreme Court decision of 29.04.2010, Az. I ZR 69/08 – *Thumbnails*.
- 358 There is no agreed definition of “secondary infringements.” In this study it is used in a broadest sense as covering any activities facilitating, contributing to, initiating, or enabling the primary (direct) infringement.
- 359 Comment h to sec. 301 ALI
- 360 *Id.*
- 361 Kojima/Shimamami/Nagata, *supra* note 7, pp. 196-198.
- 362 Art. 305 “Recognition of Infringement due to Extraterritorial Activities” reads: “Courts that apply *lex protectionis* find the infringement of intellectual property rights as long as the direct inducement, accessory-ship and substantive preparatory acts of such infringement are directed to the state of protection, even if whole or part of the act was done outside the state of protection, and there is the threat of direct and substantive injury within its territory.”
- 363 See *supra* chapter “De minimis rule.”
- 364 See also Dinwoodie, Graeme B., Dreyfuss, Rochelle, Kur, Annette, *The Law Applicable to Secondary Liability in Intellectual Property Cases*, 42 New York University Journal of Interna-

tional Law and Politics, 201-235, 203 (2010), available at <http://ssrn.com/abstract=1502244>.

- 365 For a collection of publications on secondary liability online see Alain Strowel (ed.), *Peer-to-peer file sharing and secondary liability in copyright law* (Edward Elgar 2009); for a digest of main EU cases on copyright liability online see Strowel, Alain & Matulionyte, Rita, *Online Copyright Liability: Leading European Cases* (European Patent Office 2009), available on [www.ipr2.org](http://www.ipr2.org).
- 366 See *infra*.
- 367 See *infra* “international context.”
- 368 Dinwoodie/Dreyfuss/Kur, *supra* note 364, pp. 216-223.
- 369 E.g. the U.S. root copy theory allows extracting damages from foreign use without taking into consideration if foreign conduct constitutes a direct infringement under a foreign law; TPMs are protected without consideration whether the circumvention leads to a direct infringement.
- 370 Dinwoodie/Dreyfuss/Kur, *supra* note 364, pp. 216-223.
- 371 See Dinwoodie/Dreyfuss/Kur, *supra* note 364, p. 202 (fn. 3).
- 372 *ABKCO Music and Records Inc. v. Music Collection International Ltd* (1995) RPC 675, CA (although the authorization to make an infringement in UK was given in Denmark, the authorization conduct was subject, on the basis of mandatory rules doctrine, to the UK law).
- 373 See *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 845-846 (11<sup>th</sup> Cir. 1990); *GB Mktg. USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 772-773 (W.D.N.Y. 1991); also *Metzke v. May Dep’t Stores*, 878 F. Supp. 756 (W.D. Pa. 1995) (USA) (the court held that offshore copying will infringe U.S. law if the defendant knew or should have known that copies would be sold in the USA); *Subafilms, Ltd. And others v. MGM-Pathe Communications Co. and Others*, 24 F.3d 1088 (9<sup>th</sup> Cir. 1994) (U.S. law was not applied when only authorization took place in the USA whereas the primary infringement occurred abroad).
- 374 See Drexel, *supra* note 34, paras. 182-183 (If a defendant acts through a third person, who carries out the actual infringing activities, only the place of the activity of the third person is important); Dreier/Schulze, *supra* note 56, Vor. §§120 ff. 32 (“the local participation in the foreign infringement does not lead to the infringement of a local right”); German Supreme Court decision of 16 June 1994 – I ZR 24/92 *Folgerecht bei Auslandsbezug*, 11 GRUR, 798 (1994).
- 375 See *supra* notes 335-337.
- 376 See Dinwoodie/Dreyfuss/Kur, *supra* note 364, p. 207.
- 377 E.g. District Court of Paris decision of 20 November 2000 – *International League Against Racism & Anti-Semitism (LICRA) and the Union of French Jewish Students (UEJF) v. Yahoo! Inc.*, 1(3) Electronic Business Law Reports 110 (2001).
- 378 See *supra* “Ubiquitous infringement.”
- 379 Although the provision reads “infringing or non-infringing purposes,” it is likely that the CLIP group meant to cover only the services with are used for *both* infringing and non-infringing purposes.
- 380 Hamburg Court of Appeal, 30 September 2009, Case No. 5 U 111/08 (District Court of Hamburg), 2010 MMR 51 – *Sharehoster II*.
- 381 Düsseldorf Court of Appeal, 27 April 2010, Case No. I-20 U 166/09 (District Court of Düsseldorf), 2010 MMR 483 – *Rapidshare*.
- 382 See Hague Court of Appeal decision of 15 November 2010 200.069.970/01 – *FTD v. Eyeworks*, unofficial translation available at <http://ipkitten.blogspot.com/p/ftd-v-eyeworks.html>.
- 383 Art. 53(1) German Copyright Statute.
- 384 See ECJ Grand Chamber of the Court, 23 March 2010, Case No C-236/08, C-237/08 and C 238/08, 2010 E.T.M.R. 20, OJEU



C 134/2 22.05.2010, *Google France SARL v. Louis Vuitton Malletier SA et al.*

- 385 See supra chapter “Ubiquitous infringement.”
- 386 See supra “Ubiquitous infringement;” also Dinwoodie/Dreyfuss/Kur, supra note 364, p. 213 (on problems of the exception of the ubiquitous infringement rule).
- 387 U.S. is currently leading in the provision of online services.
- 388 A comparable reference to substantive standards was proposed in early ALI drafts .
- 389 In U.S., substantive rules have been taken into account by applying governmental (or states) interests’ theory, for more about this theory see Symeonides, Symeon C., *The American Choice-of-Law Revolution: Past, Present and Future* (Martinus Nijhoff Publishers 2006); in EU, substantive norms have been taken into account when drafting applicable law rules related to e.g. consumer or employment consumer contracts, see arts. 6(2) and 8(1) Rome I Regulation (preventing a possibility to deprive consumers or employees of protection granted under otherwise applicable laws).
- 390 E.g. Moris, Michael R., *ACTA’s Abandoned Third-Party Liability Provisions and What They Mean for the Future*, PIJIP Research Paper no. 10 (2010), available at <http://digitalcommons.wcl.american.edu/research/10/>; Baker, Brook K., *ACTA: Risks of Intermediary Liability for Access to Medicines*, PIJIP Research Paper no. 1 (2010), available at <http://digitalcommons.wcl.american.edu/research/1>.
- 391 The only remaining non-binding reference to the liability of ISPs can be found in art. 27(2) footnote 13 ACTA (“For instance, without prejudice to a Party’s law, adopting or maintaining a regime providing for limitations on the liability of, or on the remedies available against, online service providers while preserving the legitimate interests of right holder.”).

# Recognition and Enforcement of Foreign Judgments in Intellectual Property:

## a Comparison for the International Law Association

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**Abstract:** The following comparison was written for the first meeting of the International Law Association's newly established (2010) Committee on Intellectual Property and Private International Law (Chair: Professor Toshiyuki Kono, Kyushu University; Co-Rapporteurs: Professors Pedro de Miguel Asensio, Madrid Complutense University, and Axel Metzger, Hannover University) (hereinafter: ILA Committee),

which was hosted at the Faculty of Law of the University of Lisbon in March 16-17, 2012. The comparison concerns the rules on recognition and enforcement of judgments posed by four sets of academic principles.

**Keywords:** Recognition, enforcement, judgments, provisional measures, intellectual property

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## A. Introduction

- 1 The following pages compare the rules on recognition and enforcement of judgments posed by four sets of academic principles, namely the American Law Institute Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes, adopted on 14 May 2007 (will be referred to as the ALI Principles); the "Principles for Conflict of

Laws in Intellectual Property, prepared by the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP)," published on 31 August 2011 (will be referred to as the CLIP Principles); the "Transparency of Japanese Law Project, Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property" finalized in 2009 (will be referred to as the Transparency Proposal); the "Prin-

ciples of Private International Law on Intellectual Property Rights, Joint Proposal Drafted by Members of the Private International Law Association of Korea and Japan (Joint University Global COE Project),” of 14 October 2010 (will be referred to as the Joint Korean and Japanese Proposal). As the comparison demonstrates, in practice, all four sets of principles lead to similar results allowing for recognition and enforcement of judgments defined in a broad and flexible way inclusive of non-final judgments, as well as of provisional measures. The similarity among the principles at stake is grounded on the great need, particularly in connection with IPRs, for the effective protection of a rights holder from infringement; and is a natural consequence of the favor shown towards the consolidation of claims provided for by all four sets of principles in question.

## B. Scope of Application

### 1. Differences

- 2 Pursuant to Section 401.1, the ALI Principles’ provisions on recognition and enforcement apply only to foreign judgments rendered by courts that applied the Principles. By contrast, if the rendering court did not apply the Principles, then the enforcement court should determine whether to recognize or enforce the judgment pursuant to its domestic rules on recognition and enforcement of foreign judgments.<sup>1</sup> All of the other sets of Principles here analyzed, however, provide that their provisions on recognition and enforcement apply to foreign judgments rendered by any courts, whether they applied the set of principles at stake or not. Additionally, reciprocity is not a precondition for recognition and enforcement under the ALI Principles, CLIP Principles and Joint Korean and Japanese Proposal, whereas it is a precondition according to the Transparency Proposal (Article 402 (vi)).<sup>2</sup> The Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters of 30 October 1999 and then of February 2001 (hereinafter, Hague Judgment Convention or Hague Draft Convention) does have an element of reciprocity, being a draft for an international convention, as is outlined below in paragraph B.IV. Finally, only the CLIP Principles explicitly pose the *favor recognitionis* principle.<sup>3</sup>

### 2. Rationale

- 3 The ALI Principles limit the application of its recognition and enforcement rules to judgments that were rendered according to the ALI Principles (§ 401). Thus, according to the comments to this provision it “creates [the] condition[...] on enforcement and Recognition [...] that the dispute was declared

by the rendering court as within the scope of the Principles.”<sup>4</sup> “If the rendering court did not apply the ALI Principles, the enforcement court shall determine whether to recognize or enforce the judgment pursuant to its domestic rules on recognition and enforcement (subsection (l)(b)).”<sup>5</sup>

- 4 By contrast, the recognition and enforcement rules of the CLIP Principles, the Transparency Proposal, and the Joint Korean and Japanese Proposal are not limited to judgments that applied their respective rules. Not limiting the applicability of the proposal to “situations in which the rendering court has applied the Principles seems to be more flexible than the one adopted under §401(1) ALI Principles. This flexibility may be helpful for designing a model not only for international or treaty legislators but also for national legislators when drafting their own national systems to be applied to decisions adopted in any country in the world.”<sup>6</sup>
- 5 Additionally, the CLIP Principles and the Joint Korean and Japanese Proposal do not require reciprocity as a precondition for recognition and enforcement. Thus, a judgment otherwise entitled to recognition will not be denied recognition simply because the rendering country might not recognize the judgment of the country where recognition is sought if the circumstances were reversed. The approach of the CLIP Principles “is based on the idea that public or state interests are affected only indirectly by the recognition of judgments that resolve civil controversies between private parties.”<sup>7</sup> As such, “[t]he protection of public interests does not justify recourse to reciprocity, since other alternatives more respectful of the rights of the private parties involved and the policy goals behind recognition provide the necessary safeguards, especially the use of public policy as a ground for non-recognition.”<sup>8</sup> In contrast, reciprocity is a precondition for recognition and enforcement under the Transparency Proposal (Article 402 (vi)). With respect to this Proposal the presence of the reciprocity requirement is influenced by the corresponding rule in the Japanese system, namely Article 118 of the Code of Civil Procedure. However, this rule has been criticised, both in the context of the Japanese system and in the Transparency Proposal, as will be recalled in the Discussion section below. Notwithstanding this criticism, the Transparency Proposal keeps the reciprocity requirement for the following reason, well expressed by the commentary’s exact wording: “due to considerable differences of legal policies on IP rights and unfair competition, there are many varieties concerning the scope, degree and method of the protection of rights. Under these circumstances, it is still unclear if for only Japan to abandon the reciprocity requirement would create more protection of IP rights or fair competition. Thus, the Transparency Proposal still maintains the reciprocity requirement to recognize and enforce foreign judgments



relating to IP rights or unfair competition. However, the standards for determining the reciprocity should be relaxed as explained below. (2) Standards for Reciprocity. The requirement of reciprocity would be satisfied, if, in the rendering court, a Japanese judgment of the same kind relating to IP or unfair competition would be recognized or enforced under substantially the same conditions as those prescribed in the Transparency Proposal. This is based on academic opinions and judgments so far, which have generously recognized the existence of reciprocity.”<sup>9</sup>

- 6 With regard to reciprocity, the ALI provisions on recognition and enforcement are drafted as an instrument to be applied only to judgments that followed the principles. Hence there is no need for reciprocity as a condition for recognition and enforcement of judgments.<sup>10</sup>

### 3. International Context

- 7 Notwithstanding the fact that the existing and negotiated universal international instruments on IP, especially the ones concluded and negotiated in the past two decades among which the TRIPs agreement and the ACTA, strongly emphasise the need to effectively enforce intellectual property rights (IPRs), and albeit enforcement of IPRs across national borders is crucial for their effective protection,<sup>11</sup> those international instruments focus their emphasis on purely domestic issues,<sup>12</sup> while at the same time “ignore” transnational disputes,<sup>13</sup> fail to address problems of cross-border enforcement of IPRs through civil litigations, and do not deal with cross-border recognition and enforcement of judgments. Yet, international conventions on recognition and enforcement of judgments concerning civil and commercial matters in general can have an impact on IPRs judgments. Among those conventions at the regional level in the EU/EFTA frame worth remembering are the 1968 Brussels Convention, now Brussels I Regulation (Regulation 44/2001), and the Lugano Convention (hereinafter Brussels system), which achieved significant uniformity. Yet, the Brussels system’s recognition and enforcement rules apply only to judgments given by a court of another Member State, even though the recasting of this Regulation will also address third States’ judgments,<sup>14</sup> mainly in line with the European Group of Private International Law Proposed Amendment of Regulation 44/2001 in Order to Apply it to External Situations (Bergen, 21 September 2008, Padua 20 September 2009, Copenhagen, 19 September 2010),<sup>15</sup> Thus, for the time being the Brussels system is subject to reciprocity. Furthermore, conventions in this field aim at creating a special regime that favors recognition of judgments.
- 8 In contrast, national rules do not pose reciprocity as a precondition for recognition and enforcement of

foreign judgments. See, for instance, the PIL Swiss law as well as the Italian law on the matter. Also, the majority of U.S. courts do not impose a reciprocity requirement for the recognition and enforcement of foreign judgments.<sup>16</sup> This approach is reflected in U.S. legislation (e.g., the Uniform Foreign Money-Judgments Recognition Act) as well as in American treaties (e.g., Restatement (Third) of Foreign Relations Law).<sup>17</sup> While some national legal systems do include a reciprocity requirement, such as in Spain and Japan, it typically does not play a significant role in practice and the generally held view is that the requirement should be abolished.<sup>18</sup>

### 4. Discussion

- 9 The extension of the provisions on recognition and enforcement of foreign judgments of the CLIP Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal to situations in which the rendering court has not applied the Principles corresponds to their aim to be model rules. In fact, “contrary to international conventions, model rules made by national or private bodies in the area of recognition and enforcement of judgments are not expected to be applied as such by courts in typical situations. Indeed, Part 4 of the CLIP Principles may in practice mainly be useful as a reference to interpret or supplement international and domestic law and as a model for national and international legislators, in line with the possible uses of the CLIP Principles as stated in the Preamble. Therefore, the provisions of Part 4 of the CLIP Principles are not drafted to be applicable only to situations in which the rendering court has applied the Principles.”<sup>19</sup> In contrast, notwithstanding the fact that this aim is also proper to the rules of the ALI Principles, their limited application to judgments rendered by courts of countries adopting the Principles seems to be subject to criticism.
- 10 Reciprocity should not be a precondition for recognition and enforcement, as it is under the Transparency Proposal, since other alternatives already provide the necessary safeguards for the protection of public interests involved, especially the use of public policy as a ground for non-recognition.<sup>20</sup> Also, the questionable aspects of reciprocity are highlighted by the commentary on the Transparency Proposal according to which the requirement of reciprocity should be deleted from Article 118 of the Code of Civil Procedure<sup>21</sup> as well as from the Transparency Proposal,<sup>22</sup> since first, it is “theoretically problematic that the lack of efforts of the concerned government to establish reciprocity would bring about burdens on private persons as users of the system of the recognition and enforcement of foreign judgments.”<sup>23</sup> Second, “it takes too much time and costs to gather and translate foreign legal materials for examining the requirement of reciprocity.”<sup>24</sup> Third, only a few

countries still pose the reciprocity requirement.<sup>25</sup> In this context the reason given by the Transparency Commentary to include the reciprocity requirement, indicated in paragraph B.II. on rationales, does not seem so convincing as the same commentary recognizes and states that “keeping this requirement would certainly need careful consideration”<sup>26</sup> and also that in any case “the standards for determining the reciprocity should be relaxed” as explained<sup>27</sup> in paragraph B.II. on rationales.

- 11 Although the 2001 Hague Draft Convention does not explicitly limit the scope of the Convention to judgments adopted by contracting States, the fact that it was a draft for an international convention makes it clear that its provisions would only apply to decisions adopted by the courts of other contracting States. Therefore the Convention technically supports the reciprocity requirement embodied in the Transparency Proposal, but it is in an entirely different context, namely that of an international convention where some degree of reciprocity is implicit.
- 12 Finally, Art. 4:103 of the CLIP Principles’ *favor recognitionis* principle is to be welcomed.

## C. Definition of judgment and provisional measures

### I. Differences

- 13 According to Professor de Miguel Asensio, the term judgment in the CLIP Principles is to be understood in a very broad way, as covering “appealable judgments, provisionally enforceable orders [...] judgments rendered in default of appearance [...] Orders for the payment of money, orders for the transfer and delivery of property, orders regulating the conduct of the parties, and orders declaring the rights and liabilities of the parties, including negative declarations such as declarations on non-infringement of IP rights [...], monetary and non monetary judgments.”<sup>28</sup> By contrast, interlocutory decisions of a procedural nature are not covered. Particularly, “money judgments are usually the result of the authority granted to the courts to order the infringer to pay damages to the right holder. Typical non-money judgments include court orders for a party to desist from an infringement as well as “money penalties, such as coercive fines, astreintes, substituted performance of not strictly personal acts, coercive detention, and, in the common law world, the institution of contempt of court.”<sup>29</sup> Non-money judgments exist also in the form of injunctions stopping the marketing or production of a good and the use of protected subject matter; orders for delivery of infringing items; and other specific performance orders. Furthermore, declaratory judgments and even negative declarations can also be included in the notion of non-money judgments.<sup>30</sup>
- 14 Article 401.1 of the Transparency Proposal leads to the same result as the CLIP Principles,<sup>31</sup> as clarified by the commentary according to which this rule “basically accepts the existing interpretation of Japanese law,” including “(a) a money or a non-money judgment, (b) a judgment ordering affirmative relief, or a declaratory judgment, (c) a judgment given after contesting proceedings or a judgment given in default of the appearance of the defendant, and (d) a judgment given in a summary procedure, etc., whatever the judgment might be called.”<sup>32</sup> With respect to the recognition and enforcement of injunctions see *infra* the parts related to the effects of judgments, to the public policy and to the recognition and enforcement procedures.
- 15 Finally, with respect to the Transparency Proposal the literature makes it clear that “a ‘foreign court’ means the authority of a foreign country that exercised civil jurisdiction, whatever name is given to that authority”<sup>33</sup> and therefore, includes administrative agencies, such as a national patent office. The same result is reachable under the other sets of principles, since for instance the notion of judgments in the CLIP Principles is intended as “including writs of execution and the determination of costs or expenses by an officer of the court, which in some countries are decisions of the registrar.”<sup>34</sup>
- 16 There are minor differences between the sets of principles, notably: the Transparency Proposal is the only proposal analyzed here that gives no special treatment to default judgments, and furthermore, of the four proposals, only the CLIP Principles explicitly specify that the term “judgment” also encompasses settlements to which a court has given its authority. In addition, unlike the Transparency Proposal, which defines provisional measures, the CLIP Principles, the ALI Principles and the Joint Korean and Japanese Proposal do not explicitly characterize the notion of provisional measures in the recognition and enforcement of judgments, but refer to their respective rules on international jurisdiction with regard to those measures.
- 17 Notwithstanding those minor differences, it is reasonable to conclude that “the basic meaning of ‘judgment’ of Art. 401.1 of the Transparency Proposal is to the same effect as in the ALI Principles § 101.2 and in the CLIP Principles.”<sup>35</sup> The same can be said with regards to the Joint Korean and Japanese Proposal. The broad idea of “judgment” encompassed in all sets of principles is supported by the 2001 Hague Judgment Convention, in Article 23, as is outlined in paragraph C.IV. below. The Convention is also in agreement with the majority of the Principles in having special rules for default judgments.

- 18 In respect of default judgments, see *infra* paragraph H., which discusses them in the context of verification of jurisdiction, paragraph J., which discusses them in relation to the limitation on fact-finding, and paragraph O., which discusses the protection of the defendant during the proceedings, and the implications of default judgments in that regard.

## II. Rationale

- 19 The similar results reached by the four sets of principles addressed with regard to the recognition and enforcement of judgments, defined in a broad and flexible way,<sup>36</sup> as well as to provisional measures, are grounded on the great need, particularly in connection with IP, for the effective protection of a rights holder from an infringement.<sup>37</sup>
- 20 With respect to the ALI Principles, the CLIP Principles and the Joint Korean and Japanese Proposal conferring a special treatment to default judgments, the rationale is to protect the interests of the defendant and that “these additional protections are necessary in light of the expanded bases of personal jurisdiction that the Principles establish, and because of the absence of a supranational court competent to ensure that the Principles’ norms are properly applied.”<sup>38</sup> According to the Joint Korean and Japanese Proposal, “an expedient and effective remedy for the winning party’s rights takes priority if the defendant appears, but Section 402 protects the defendant who failed to appear in court. Review of the jurisdiction over the default judgment shall be reviewed in a more restrained manner – this idea is associated with the issue of facts found by the rendering court [...], and has been written into more and more international conventions.”<sup>39</sup> In contrast, the Transparency Proposal protects more the plaintiffs’ interests; albeit the interests of the defendants are also safeguarded by adopting the rules related to the general requirements of recognizing and enforcing a foreign judgment<sup>40</sup>.
- 21 Paragraph H.II further considers default judgments in the context of verification of jurisdiction, including the conclusion that imposing additional controls on the verification of jurisdiction for default judgments is inappropriate.

## III. International Context

- 22 Art. 32 of the Brussels I Regulation adopts a broad definition of judgments, which states that “for the purposes of this Regulation, ‘judgment’ means any judgment given by a court or tribunal of a Member State, whatever the judgment may be called, including a decree, order, decision or writ of execution, as well as the determination of costs or expenses by an

officer of the court.” The Lugano Convention determines “judgment” to mean “all decisions given by a court or tribunal, whatever they may be called,” including “orders on costs or expenses made by an officer of the court” as outlined in Professor Pocar’s Explanatory Report.<sup>41</sup> This report also makes it clear that provisional and protective measures fall within the meaning of “judgments,” provided that both parties were given a chance to be heard in the State of origin. With regard to non-monetary judgments, although not specifically in the IP field, the ECJ in the *Realchemie* case clarified that the recognition and enforcement rules of the Brussels system also apply to the non-monetary judgments such as “a decision of a court or tribunal that contains an order to pay a fine in order to ensure compliance with a judgment given in a civil and commercial matter.”<sup>42</sup> This decision is in line with other recent ECJ decisions with respect to the scope of non-monetary injunctions related to EU IPRs.<sup>43</sup> Those decisions “mark an important passage in the cross border enforcement of IPRs, explicitly pronouncing themselves in favour of the circulation of injunctive mechanisms which are so important in this field.”<sup>44</sup> With regard to the procedures to enforce an injunction in the Brussels system see paragraph R. related to the recognition and enforcement procedures. Finally, in the EU Brussels system “the term ‘court’ means an authority which regularly exercises judicial functions and is entitled to give a judgment as regards legal relationship under private law.”<sup>45</sup> Thus, a foreign judgment to be recognised may also be rendered by an administrative authority or a criminal one.

- 23 At the national level non-monetary judgments posed by the different systems can highly vary, as emphasised in paragraph C, related to the definition of judgment.<sup>46</sup> In the past, certain common law systems did not admit the recognition and enforcement of foreign non-monetary judgments, but legislation and practice has recently overcome this trend.<sup>47</sup>
- 24 The majority of the four sets of principles find special treatment for default judgments, which is also sometimes established at the national level, including in Japan.<sup>48</sup>

## IV. Discussion

- 25 The broad approach adopted by the four sets of Principles is to be welcomed, especially in light of the need for effective enforcement of IPRs.
- 26 The 2001 Hague Judgment Convention defines “judgment” in Article 23(a) as “any decision given by a court, whatever it may be called, including a decree or order, as well as the determination of costs or expenses by an officer of the court, provided that it relates to a decision which may be recognised or en-



forced under the Convention.” Article 23(b) excludes provisional and protective measures from the scope of “judgment.” The same broad definition of judgments is to be found in Art. 4 of the 2005 Hague Convention on Choice of Court Agreements. Therefore the Hague Draft Convention supports the broad approach adopted by all of the Principles.

- 27 As for the issue of the establishment of special rules related to the enforcement of default judgments, the approach of the Transparency Proposal, unlike that of the ALI Principles, the CLIP Principles, the Joint Korean and Japanese Proposal and the 2001 Hague Judgment Convention, is grounded in the fact that the defendants’ interests are already well-protected by the general requirements for recognising and enforcing a foreign judgment.<sup>49</sup>
- 28 For further discussion on default judgments, see paragraph H.IV., which discusses them in the context of verification of jurisdiction, and reaches the conclusion that imposing additional controls on the verification of jurisdiction for default judgments is inappropriate, and paragraph J.IV., which discusses them in the context of finding facts. Furthermore, paragraph O.IV. discusses default judgments in the context of service to the defendant, and when non-service will be grounds for refusal of recognition and enforcement.

## D. Finality of judgments

### I. Differences

- 29 In practice, all four sets of Principles lead to similar results allowing for the recognition and enforcement of non-final judgments as well as of provisional measures. Yet, the ALI Principles adopt the term “final” to designate a judgment that indeed can also be of a non-final nature, in conformity with the U.S. internal system.<sup>50</sup> Furthermore, the Transparency Proposal’s relevant rule (Article 403.2) acknowledges the possibility of making enforcement of non-final judgments conditional on the provision of security by the party seeking enforcement. This possibility is understood as compatible with the CLIP Principles as well.<sup>51</sup> The Article 23A of the 2001 Hague Judgment Convention also supports the recognition and enforcement of non-final judgments, as is outlined in paragraph D.IV.

### II. Rationale

- 30 The similar results reached by the four sets of principles addressed with regard to the allowance of the recognition and enforcement of non-final judgments, as well as of provisional measures, are

grounded on the great need, particularly in connection with IP, for the timely and effective protection of a rights holder from an infringement. As such, provisional measures and non-final judgments “may practically speaking bring the dispute to an end.”<sup>52</sup> Thus, all the sets of Principles “on recognition and enforcement of foreign judgments take on more significance upon the creditor’s rights and interests, intended to protect those rights and interests efficiently and effectively at an international level to as great an extent possible. It’s safe to say the most recent treaties related to this issue also value most highly the rights and interests of the creditor.”<sup>53</sup> The possibility of requiring the party seeking enforcement to provide securities is understood as a remedy to avoid precluding recognition and enforcement of the foreign judgment, therefore granting the effective enforcement of IPRs.<sup>54</sup>

- 31 The ALI Principles’ notion of final judgments for judgments that are still subject to appeal derives from the U.S. legal notion as will be discussed at paragraph E.III.

## III. International Context

- 32 The recognition and enforcement of non-final judgments as well as of provisional measures is allowed by the EU Brussels System, as will be recalled in paragraph E.III., as well as by the most recent national laws adopted on that point.<sup>55</sup> From a comparative perspective, various States follow the view that national non-final decisions can be enforced in their legal system<sup>56</sup> and therefore are more favorable to the possibility of enforcing foreign non-final decisions whenever they are recognised as enforceable by the rendering court’s system.
- 33 Yet, some national rules, including Italy<sup>57</sup> and Japan,<sup>58</sup> still only allow recognition and enforcement of final judgments. In particular, while Italy explicitly requires a foreign judgment to have become *res judicata* in order for it to be recognised and enforced in Italy, as will be discussed in paragraph E.III., Japan adopts the wording “final and binding” (Art. 118 of the Code of Civil Procedure, Art. 24(3) of the Civil Execution Act). The literature clarifies that “it is generally understood that a judgment becomes final and binding at the point in time when it is no longer subject to ordinary forms of review under the law of the rendering country.”<sup>59</sup>
- 34 In the EU under the current Brussels system it is generally accepted that provisional measures can be recognized abroad, but only if a court that is competent over the merit grants them. In contrast, when a different court, namely the one of the territorial State, grants them, they cannot be recognized. This approach is codified by the EU Commission proposal for the recasting of the Brussels I Regulation since

under the Brussels Regulation Article 2(a) of the Commission Proposal restricts cross-border enforcement to those provisional measures that have been “ordered by a court which by virtue of this Regulation has jurisdiction as to the substance of the matter” (Recital 25 second sentence). In contrast, provisional measures adopted by other courts “should be confined to the territory of that Member State” (Recital 25 third sentence)<sup>60</sup>.

- 35 In the U.S. the notion of final judgments is also adopted with respect to judgments that are still subject to appeal, as will be highlighted in the paragraph E.III.

## IV. Discussion

- 36 The approach adopted by the four sets of Principles is to be welcomed, especially in light of the need for effective and timely enforcement of IPRs. This approach is also supported by the 2001 Hague Judgment Convention, which states that non-final judgments as well as provisional measures shall be recognised. Yet, the ALI Principles’ adoption of the term “final” to characterize a judgment that can also be non-final could potentially cause confusion.

## E. Effects of judgments

### I. Differences

- 37 All four sets of Principles avoid the adoption of the term *res judicata*. However, the ALI Principles and the CLIP Principles explicitly clarify that the effects attributed to a foreign judgment throughout the recognition and enforcement procedures should be no greater than the effects of the judgment in the rendering State under the doctrine of extension of effects.<sup>61</sup> So the effects of a foreign judgment should be determined by the *lex originis*. More specifically, this law determines when the judgment is enforceable.
- 38 Yet, several derogations are established. First, the CLIP Principles and the ALI Principles make it clear that enforcement of foreign judgments takes place according to the *lex fori*, and therefore the requested state can limit the enforcement of foreign judgments or injunctions if they are contrary to its public policy, or if they establish remedies that are unknown in the forum State’s legal system. Second, preclusive effects that are against the right to a fair trial should also be denied recognition. Third, the effects of injunctions or judgments should be limited especially with regard to the Internet context and in light of the need to respect the territorial nature of IPRs; this limitation derives from specific rules (CLIP Principles on the scope of injunctions) or from

the rules on partial recognition and enforcement of judgments (severability). Fourth a specific limitation relates to foreign judgments declaring the invalidity of IP rights. A final limitation relates to the provision of suitable compensation in cases where a compulsory license is granted (Art.404(3) of the Transparency Proposal).

- 39 Therefore the extension of effects doctrine is combined with the equalization of effects doctrine under which the effects of a foreign judgment is equivalent to a similar judgment of the requested court. Finally the *Kumulationstheorie* applies, under which “the extension of effects of the legal system of origin normally applies only to the extent that they are compatible with the legal system of the requested state.”<sup>62</sup>
- 40 The 2001 Hague Judgment Convention, supports this approach, with the alternatives provided for in Article 25 all grounded in the doctrine of extension of effects, as is outlined below at paragraph E.IV.
- 41 By contrast, the adoption of the doctrine of equalization of effects is not made explicitly clear in either the Transparency Proposal or the Joint Korean and Japanese Proposal. However, the commentary to the Transparency Proposal highlights that a non-final judgment can be enforced only if it is enforceable in the rendering court,<sup>63</sup> thus making it clear that the *lex originis* determines the ability of the requested state recognizing the effect of a judgment, as well. The same result seems to be reachable under the Joint Korean and Japanese Proposal. Finally, Article 404(3) of the Transparency Proposal allows for courts to decline the enforcement of a foreign injunction in Japan under circumstances in which the defendant is authorised by the Government of Japan to use the intellectual property right in question without the authorization of the right holder. This provision explicitly provides that refusal to enforce an injunction is subject to monetary compensation to the rights holder.
- 42 None of the four sets of principles have adopted a provision on the evidential use of foreign judgments.
- 43 With respect to the recognition and enforcement of injunctions, see also the paragraphs related to the public policy (M.), recognition and enforcement procedures (R.) and severability (G.).

## II. Rationale

- 44 All sets of principles avoid the adoption of the term *res judicata* since “it has different meanings in different places. Instead, [the ALI Principles] [...] utilize the terms enforcement, recognition, and preclusive effect. These terms should be understood to cover the gamut of consequences that a judgment may

have.”<sup>64</sup> The CLIP Principles and the ALI Principles clarify that the *lex originis* determines the effect of a foreign judgment to be recognised by the requested court, in particular whether and when the judgment is enforceable. This is so because “applying the rendering court’s law on the upper limit of the preclusive effect of the judgment is necessary to allow the parties to understand the stakes of the litigation at the time when they are making litigation decisions. Moreover, if another jurisdiction applies preclusion that would be denied by the rendering court, the parties could inadvertently lose claims or arguments. It could be argued that the enforcement court should not give an effect lesser than that of the rendering court because that would also undermine the finality of the decision.”<sup>65</sup>

- 45 Yet, certain derogations are established. First, the CLIP Principles and the ALI Principles make clear that enforcement of foreign judgments takes place according to the *lex fori*, and therefore “legal and procedural constraints in the requested state may affect the available remedies, especially to the extent that enforcement of injunctions is at stake.”<sup>66</sup> Second, according to Professor De Miguel, under the CLIP Principles the general rule that foreign judgments should be given the same effect as what the rendering country provides should be mitigated in the following case: “to the extent that the country of recognition has broader rules on preclusion than the country of origin (for instance, because only under the law of the country where recognition is sought does such a judgment preclude re-litigation as to matters actually not litigated) restraint should be exercised by the recognizing court.”<sup>67</sup> So, for instance Professor De Miguel recalls recent case law where “before applying the doctrine of collateral estoppel to judgments rendered in countries where such concepts are unknown, a U.S. court must satisfy itself that the party to be bound had fair opportunity and incentive to litigate in the foreign court the issue sought to be precluded from relitigation in the U.S.”<sup>68</sup> Third, with regard to the effects of injunctions, the CLIP Principles specifically deal with the issue of the interpretation of the scope of injunctions by the court of enforcement, namely at Article 4:102(3), allowing the requested court to limit the effects of foreign injunctions to be recognised in exceptional cases related to the Internet context. In fact, “the displaying, offering for sale, or download of a product protected by IP might be legal in some countries of reception but not in others. Under such circumstances, a court’s injunction must only encompass the illicit part of the behaviour, and the infringer must be allowed to continue his legal Internet activities or be able to adapt his Internet presence without the right holder having the possibility of preventing him from doing so on the basis of the original judgment.”<sup>69</sup> The ALI Principles’ Section 412(1)(b) reaches the same result, which provides that if the court limits the effects of an injunction it must award monetary relief. Indeed,

the rationale underlying the CLIP Principles’ rules on the issue of the interpretation of the scope of injunctions by the court of enforcement is a need to limit the scope of those injunctions especially in ubiquitous infringements cases.<sup>70</sup> Yet, the corresponding rules in the ALI Principles are not explicitly justified on that rationale, but rather on the basis of safeguarding strong public policies of the country of enforcement. In any case the limitation of effects of injunctions, similar to the same limitation of effects of judgments, can be derived from the rules on partial recognition and enforcement of judgments (severability). With respect to the recognition and enforcement of injunctions see also the paragraphs related to the public policy (M.), to the recognition and enforcement procedures (R.) and to severability (G.).

- 46 The lack of provisions on the evidentiary use of foreign judgments in the four sets of Principles is based on the fact that this matter falls within the law of evidence and is to be determined in accordance with the law of the forum.<sup>71</sup>

### III. International Context

- 47 The Brussels system does not make any reference to the term *res judicata*. This is because *res judicata* is not a requirement for recognition under the Convention. Furthermore, the Pocar Report on the Lugano Convention explains that Article 38 of the Convention provides for foreign judgments to be declared enforceable only when they are already enforceable in their State of origin.<sup>72</sup> So, the Brussels system adopts the doctrine of effects together with the *Kumulationstheorie*.<sup>73</sup>
- 48 The avoidance of the reference to the term *res judicata* is based also on the fact that this term is subject to significant variation across jurisdictions. Particularly, common law countries adopt the notions of issue preclusion and collateral estoppel, which are not known to civil law systems<sup>74</sup> and are much broader than the corresponding notion of *res judicata*.<sup>75</sup> In fact, “in the U.S., issue preclusion, also known as collateral estoppel, prevents a party and its privies from re-litigating questions of fact or law which were actually litigated and determined in a prior suit, even if the later suit involves a different claim or cause of action.”<sup>76</sup> In contrast, in civil law systems such as the European and South American ones, “the preclusive effect of a judgment is limited to a later suit that is identical with the previous judgment in object, cause, and parties. In addition, the effects are restricted to the dispositive part of the judgment and do not extend to the grounds.”<sup>77</sup> Furthermore, “in common law countries *res judicata* typically arises when the judgment on the merits cannot be reconsidered by the same court in ordinary proceedings, even though the decision may be subject to appeal.



Hence, the term final, even as a condition for recognition and enforcement, is understood in a very flexible way. By contrast, in some civil law countries a judgment may only be considered final and produce the preclusive or binding effect of *res judicata* (materielle Rechtskraftwirkung) when it is no longer subject to ordinary forms of review (formelle Rechtskraft).<sup>78</sup>

- 49 To demonstrate the broad notion of the issue of preclusion it is significant to refer to the IPRs field. For a discussion on the approach taken by the U.S., see *infra* at paragraph I. Among the civil law countries, Italy adopts the notion of *res judicata*, dictating that the foreign judgment can be recognized only when it became *res judicata* “according to the law of the country where it was rendered.”<sup>79</sup> This law will then determine also the preclusive effects to be recognized for the judgment to become *res judicata*.
- 50 Finally, in the majority of national legal systems, foreign judgments may be partly recognized and enforced.<sup>80</sup> The Hague Draft Convention and, at the EU level, Art.48 of the Brussels I Regulation and of the Lugano Convention confirm this approach at the international level. It has also been academically supported.<sup>81</sup>

## IV. Discussion

- 51 The avoidance of the term *res judicata* by all four sets of principles should be applauded, particularly in light of the differences among the common law and the civil law legal systems on this issue. Also to be welcomed is the adoption of the *Kumulationstheorie* by all sets of principles involved. In addition, all sets of principles follow the same grounds to limit the effects of foreign judgments even though they may adopt different rules to reach this result. So, for instance a rule such as the one of the CLIP Principles on the issue of the interpretation of the scope of injunctions by the court of enforcement dealt with by Article 4:102(3) is to be welcomed as a way to temper the necessarily broad international jurisdiction related to ubiquitous infringement cases. The same limitation of effects can be derived, however, from the rules on severability. With respect to the recognition and enforcement of injunctions issues, see also the paragraphs related to the public policy (M.), to the recognition and enforcement procedures (R.) and to severability (G.). Among the other reasons for the limitation of effects are the public policy exception, the right to a fair trial, the reason related to the invalidity of IP rights, and the reason concerning suitable compensation in cases where a compulsory license is granted.
- 52 The 2001 Hague Judgment Convention supports the approach taken by the ALI Principles and the CLIP Principles, as it is outlined by its Report, according

to which common law and civil law systems see the issue of when a judgment becomes *res judicata* differently.<sup>82</sup> For example, England and the United States will consider a decision *res judicata* whenever the same court cannot reconsider the issue, but many civil law systems consider that a decision only becomes *res judicata* when the decision has exhausted all forms of ordinary review. The Hague Draft Convention therefore states, “1. A judgment based on a ground of jurisdiction provided for in Articles 3 to 13, or which is consistent with any such ground, shall be recognised or enforced under this Chapter. 2. [In order to be recognised, a judgment referred to in paragraph 1 must have the effect of *res judicata* in the State of origin.] or [A judgment referred to in paragraph 1 shall be recognised from the time, and for as long as, it produces its effects in the State of origin.] 3. [In order to be enforceable, a judgment referred to in paragraph 1 must be enforceable in the State of origin.] or [A judgment referred to in the preceding paragraphs shall be enforceable from the time, and for as long as, it is enforceable in the State of origin].” Each of those alternatives is grounded on the doctrine of the extension of effects (*Wirkungserstreckung*), together with the *Kumulationstheorie*.<sup>83</sup> The same result is reachable on the basis of the Transparency and Joint Korean and Japanese Proposals.

## F. Postponing the recognition or enforcement of foreign non-final judgments

### I. Differences

- 53 The relevant rules of the CLIP Principles and Joint Korean and Japanese Proposal grant judicial discretion to a court to stay recognition and enforcement of foreign non-final judgments when they are subject to review in the rendering State, each using the word “may” in the relevant provisions. The 2001 Hague Judgment Convention uses the same discretionary terminology in Article 25(4), as is discussed further in paragraph F.IV. The ALI Principles go even further, mandating that courts “should” stay the proceeding pending appeal. The Comments to the ALI Principles provide that “§ 401(2) instructs a court to delay both recognition and enforcement until the time for reviewing the decision is over.”<sup>84</sup> The Transparency Proposal also goes even further in that even though it adopts the word “may” it allows the requested court to stay the proceeding “when the court deems it necessary to do so,” and therefore not only when the non-final judgment is being appealed.

## II. Rationale

- 54 While the CLIP Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal adopt the wording “may” and therefore grant courts judicial discretion to stay recognition and enforcement of foreign non-final judgments when they are the subject of reviews in the rendering State, the ALI Principles use the term “should” and clarify in the comments that “§ 401(2) instructs a court to delay both recognition and enforcement until the time for reviewing the decision is over.” Professor Dessemontet explains the reason behind this rule by referring to the *Hilmarton* case, which “illustrates the grave risk of allowing enforcement of arbitral awards that are not yet final and binding. This risk also exists with respect to enforcement of foreign judgments in intellectual property cases.”<sup>85</sup> Regardless of whether staying a proceeding is discretionary or mandatory, the corresponding rules in each of the Principles are based on the fact that the contrasting approach, which would entitle a judgment to enforcement as soon as it was entered irrespective of whether an appeal is pending, would be risky in “a multijurisdictional system such as the one contemplated here.”<sup>86</sup> In fact, “since a not ‘final and binding’ judgment involves difficulties in the possible rehabilitation, a flexible consideration of the circumstances of each case is extremely necessary. Therefore, like provisional measures, it is necessary to grant the court discretion to flexibly deal with a case, and thus a court may stay proceedings in order to determine whether or not enforcement should be granted (*mutatis mutandis* application of Art. 403(3) by Art. 403(4) of the Transparency Proposal). In the court’s exercise of its discretion, while the specific circumstances of the case will be usually considered, important factors for consideration also include whether there is an urgent need to provide a remedy for the judgment creditor, whether or not an appeal has been brought in the country of origin, how far those appeal proceedings have progressed, and what the prospect is for that appeal.”<sup>87</sup> Professor De Miguel “explained that, under the CLIP Principles, judgments that are not yet final do not have to be enforced. The court has the possibility of postponing or refusing recognition and enforcement (Art. 4:102 CLIP Principles). He suggested that it could perhaps be clarified in the comments that enforcement can also be made conditional, *e.g.* on the provision of security by the party seeking enforcement”<sup>88</sup> (for more on the issue of security, see *infra* within paragraph L.).

## III. International Context

- 55 According to Professor De Miguel Asensio a “trend to favor the availability of enforcement for decisions of

first-instance courts is becoming more common in a comparative perspective. In this connection, some systems in which regular enforceability is only possible once some or all methods of appeal available have been exhausted, accept that judgments may become provisionally enforceable before, by operation of law, or by judicial declaration. Those cases raise similar issues to those posed by all situations in which the enforceable judgment may be revised on appeal, such as the possibility of staying provisional enforceability or making enforcement subject to a security; and the liability of the claimant in case a judgment was vacated on appeal after having been enforced. At any rate, the basic principle in the enforcement context remains that only judgments that are enforceable under the law of the country of origin may be enforced in foreign countries”<sup>89</sup> (for more on the issue of security, see *supra* within paragraph F.).

- 56 The Brussels system also adopts an approach giving the requested State discretion to stay the proceedings related to the recognition and enforcement of a foreign judgment when an appeal has been lodged in the State of origin. In fact, Article 37 of the Brussels Regulation states that “1. A court of a Member State in which recognition is sought of a judgment given in another Member State may stay the proceedings if an ordinary appeal against the judgment has been lodged. 2. A court of a Member State in which recognition is sought of a judgment given in Ireland or the United Kingdom may stay the proceedings if enforcement is suspended in the State of origin, by reason of an appeal.” The same rule is found in the Lugano Convention. According to the Pocar Report to this Convention “no change has been made to the rule that allows the court in which recognition is sought for a judgment delivered in another State bound by the Convention to stay the proceedings if an appeal has been lodged against the judgment in the other State. Article 37 reproduces Article 30 of the 1988 Convention, and does not require special comment (see the Jenard report, p. 46, and the Schlosser report, paragraphs 195-204).”<sup>90</sup>

## IV. Discussion

- 57 The ALI Principles’ establishment of the requested court’s obligation to stay the recognition and enforcement of foreign but not final judgments when they are the subject of review in the rendering State achieves the aimed for result much better than mere judicial discretion on the point, which is what the other three sets of Principles rely on. This discretionary approach is also taken by Article 25.4 of the 2001 Hague Judgment Convention, which says that “recognition or enforcement may be postponed [or refused] if the judgment is the subject of review in the State of origin or if the time limit for seeking a

review has not expired,” leaving suspension to judicial discretion. Yet it is to be welcomed that the CLIP Principles and Transparency Proposal acknowledge the possibility of making enforcement of final judgments conditional on the provision of security by the party seeking enforcement (the issue of security is discussed above).

## G. Severability

### I. Differences

- 58 The CLIP Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal each establish that foreign judgments may be partly recognised and enforced. Even though the ALI Principles are silent on this point, Section 411(2) allows enforcement of a part of foreign judgments awarding punitive damages.
- 59 The 2001 Hague Judgment Convention also establishes that partial recognition and enforcement may occur in Article 34, albeit with two alternative provisions, outlined in paragraph G.IV.

### II. Rationale

- 60 The CLIP Principles (in Article 4:101(6)), the Transparency Proposal (in Article 404(1)) and the Joint Korean and Japanese Proposal (in Article 402) permit severability of judgments. According to the commentaries to the Transparency Proposal the reason for this rule is that “if grounds for refusal would apply to only a part of a foreign judgment or provisional measures, refusing the recognition and enforcement of the entire judgment or order would be excessive, especially for the convenience of the parties. Accordingly the remaining part of the judgment or order not subject to the grounds for refusal will be recognized or enforced, and only that part of the foreign judgment or provisional measure will have effect (Art. 404(1)).” According to the Transparency Proposal commentary then, the relevant rule also allows courts to reduce the scope of the judgments or of the injunctions to be recognized and enforced. The commentary warrants full quotation: “the scope of effect of a judgment or order will be closely related to the content of the procedural due process granted to the parties in the court proceedings in the foreign country where the judgment or order was given. Therefore it will be appropriate, in principle, to decide that scope in accordance with the law of that foreign country. However, if Japanese procedural public policy (Art. 402(iii)) would be prejudiced, because the foreign judgment or provisional measure in question has been given excessive effect in light of the fundamental principles of Japa-

nese procedural law, there will be no alternative to an exceptional reduction of the effect of the judgment or order. Article 404(1) is a provision that implies this sort of process.”<sup>91</sup> With respect to the recognition and enforcement of injunction issues see also the paragraphs related to the effects of judgment (E.), public policy (M.) and recognition and enforcement procedures (R.).

- 61 According to the comments to the Transparency Proposal the severability of foreign judgments could be derived from the general provisions. The Proposal however inserts a specific rule due to the need to provide legal certainty.<sup>92</sup>
- 62 The ALI Principles are silent on the issue of severability even though they allow the partial recognition of judgments in, for example, cases of punitive damages.

## III. International Context

- 63 The Brussels system allows for the partial recognition of foreign judgments. In fact, Article 48 establishes that “1. Where a foreign judgment has been given in respect of several matters and the declaration of enforceability cannot be given for all of them, the court or competent authority shall give it for one or more of them. 2. An applicant may request a declaration of enforceability limited to parts of a judgment.” The Pocar Report confirms this result in relation to Article 48 of the Lugano Convention, which “permits the applicant to request a partial declaration of enforceability.”<sup>93</sup> This report clarifies in detailed terms the reasons why the partial recognition and enforcement of foreign judgments are to be allowed. In fact, according to the report, “The most likely instances of a declaration of enforceability of this kind are those where a section of the judgment might be contrary to public policy, or where the applicant seeks a declaration of enforceability only for one or more sections of the judgment because he has no interest in the others, or more frequently where the foreign judgment deals with some matters that fall within the scope of the Convention and others that do not. It should be pointed out that for the application of this provision the matters dealt with in the judgment need not be formally distinct. If a judgment imposes several obligations only some of which are within the scope of the Convention, it may be enforced in part, provided that it clearly shows the aims to which the different parts of the judicial provision correspond.”<sup>94</sup>
- 64 According to the commentary to the Transparency Proposal in both Korea and Japan, foreign judgments may be partly recognized and enforced, which has been academically supported.<sup>95</sup>



## IV. Discussion

- 65 From a comparative perspective, the partial recognition and enforcement of judgments is a principle that is generally accepted. Thus, the ALI Principles' silence with regard to the severability of foreign judgments is questionable. Yet, commentary to the Joint Korean and Japanese Proposal clarifies that the partial recognition of foreign judgments could be derived from the general rule. This seems to be exactly the case with the ALI Principles since those Principles allow, for instance, recognising and enforcing partially foreign judgments on punitive damages. Thus, they could be interpreted as not impeding the partial recognition and enforcement of foreign judgments even in cases other than those related to punitive damages.
- 66 Art. 34 of The Hague Draft Convention adopts two alternatives on severability. Alternative A establishes that "[i]f the judgment contains elements which are severable, one or more of them may be separately recognised, declared enforceable, registered for enforcement, or enforced." According to Alternative B, "[p]artial recognition or enforcement of a judgment shall be granted where: a) partial recognition or enforcement is applied for; or b) only part of the judgment is capable of being recognised or enforced under this Convention; or c) the judgment has been satisfied in part." Therefore the Convention explicitly supports the approach taken by all of the sets of Principles, aside from the ALI Principles, by accepting the possibility of partial recognition and enforcement of foreign judgments.

## H. Verification of jurisdiction

### I. Differences

- 67 All sets of principles adopt the so-called standard of equivalence approach,<sup>96</sup> under which, to be recognized and enforced abroad, a foreign judgment should have been rendered by a court that would have had jurisdiction according to the rules of each set of principles or that established its jurisdiction according to rules equivalent to the ones in the principles. The sets of principles involved do not follow the mirror-image approach under which judgments can be recognized and enforced only if they were rendered by courts that ascertained their jurisdiction on the basis of being identical to the principles. Thus, for all sets of principles, judgments formally based on exorbitant grounds of jurisdiction, and thus incompatible with the international jurisdiction rules of those principles, can still be recognised and enforced when the rendering court would have had jurisdiction under the principles themselves due to the existence of other connections be-

tween the dispute and the country of origin.<sup>97</sup> The standard of equivalence approach is supported by the 2001 Hague Draft Convention in Article 27 as is discussed below in paragraph H.IV. However, the Transparency Proposal is not so clear on this point. This leads to different opinions with respect to the Proposal. In fact, even though according to one opinion, this Proposal "adopts the view that the standards for indirect jurisdiction are identical to that for direct jurisdiction,"<sup>98</sup> according to another view the approach adopted by this Proposal does not seem to be very much different from the CLIP Principles approach. This seems to be supported by the commentary to the relevant CLIP Principles rule according to which, "under these Principles, where the foreign state in which the judgment was rendered and the requested state share the same jurisdictional rules, we are afraid it's not reasonable to differentiate between direct and indirect jurisdictions which would otherwise complicate recognition of foreign judgments. We considered creating different rules to govern the recognition and enforcement of foreign judgments rendered upon direct and indirect jurisdictions respectively. These rules should be included in Part II (Jurisdiction). If such those rules are not found in Part II, it may be inferred that no such limitation be put upon foreign judgments to be recognized and enforced."<sup>99</sup>

- 68 For all Proposals it is not necessary to list the grounds of jurisdiction that are deemed to be insufficient because the connection with the direct jurisdiction rules required by all sets of principles to recognise and enforce the judgments is intended to be enough, and also "considering the potential application of the Principles to judgments coming from any country in the world, it could not be a closed list."<sup>100</sup> Yet, the understanding of the CLIP Principles by Prof. De Miguel Asensio is that among those unacceptable grounds are to be included "jurisdiction founded solely on the document instituting the proceedings having been served on the defendant during his temporary presence in the rendering country, or jurisdiction based only in the presence within the country of origin of property belonging to the defendant not directly related to the dispute."<sup>101</sup>
- 69 However, there are also some differences among the sets of principles at stake. In fact, only the ALI Principles differentiate explicitly between mandatory and discretionary grounds for non-recognition, whereas the CLIP Principles reach implicitly the same result and the other sets of principles only provide for mandatory grounds of non recognition.
- 70 Also, with regard to default judgments, only the ALI Principles impose additional controls on foreign judgments in the form of a verification of jurisdiction under the law of the rendering State. See also

paragraph C.I. on default judgments, and paragraphs C.II. and C.IV. for a discussion.

## II. Rationale

- 71 All sets of principles adopt the standard of equivalence approach, which requires that the connection between the dispute and the rendering court be equivalent to the connections that may provide direct jurisdiction under the respective principles. The rationale for following this approach is to provide the requested court with the necessary flexibility in a multilateral context where States do not have the same direct jurisdiction rules among themselves and even with regard to the sets of principles.<sup>102</sup>
- 72 In addition, this approach allows courts to follow more the “purposes of the system of recognition and enforcement of foreign judgments,” which “are to establish the well-balanced international order for movement of judgments by giving weight to, *inter alia*, (a) the convenience of the parties, (b) the prevention of incompatible judgments, (c) judicial economy, and (d) the maintenance of public policy. In any particular case of recognition and enforcement, indirect jurisdiction will be examined taking the standard for direct jurisdiction and these purposes into consideration.”<sup>103</sup> Also, this approach is in line with the one followed more on a comparative perspective, as will be explained in paragraph H.III.
- 73 With regard to default judgments the ALI Principles alone impose additional controls upon foreign judgments by also requiring verification of jurisdiction under the law of the rendering State. The Comments to the ALI Principles describe the reason for this as needing to provide a “‘second look’ on jurisdictional issues that is necessary to safeguard due process interests in the absence of a multidistrict coordination authority.”<sup>104</sup> This seems to go too far however, as verification of jurisdiction under the law of the rendering state is an obligation between the states of the U.S., and the idea does not translate well into the international context (see paragraph H.IV. below for further discussion on this point related to default judgments).<sup>105</sup>

## III. International Context

- 74 The Brussels system outlines that there may be no review of a court’s jurisdiction regarding a judgment to be recognised and enforced, provided that the rendering court belongs to a State that is party to the Brussels system, independently of whether this court applied the Brussels rule on direct jurisdiction or its national rules referred to by Art.4 of the Brussels I Regulation. There are, however, some excep-

tions to this rule, so that jurisdiction can be reviewed when the judgment concerns matters of insurance and consumer contracts, or where the rules of exclusive jurisdiction are involved (art.35). The Pocar Report on the Lugano Convention explains that the working party originally considered removing any references to reviewing jurisdiction, but it was decided that some exceptions to the general rule that courts shall not review the jurisdiction of the court of origin should remain.<sup>106</sup>

- 75 As for the national rules it is worth noting that while the mirror-image approach is followed by certain national codifications of private international law<sup>107</sup> as well as several international conventions, the standard of equivalence approach has attained significant acceptance from a comparative perspective.<sup>108</sup> For instance, in Japan, Article 118(i) of the Code of Civil Procedure provides that “[t]he jurisdiction of the foreign court is recognized under laws or regulations or conventions or treaties.” This rule is interpreted according to the sense that the foreign court must have jurisdiction in the view of Japanese law.<sup>109</sup> According to a Japanese Supreme Court ruling of 28 April 1998, the rules grounding the jurisdiction of foreign courts shall not be identical to the Japanese ones, but should be equivalent and the equivalent requirement should be assessed in light of the circumstances of the case.<sup>110</sup>

## IV. Discussion

- 76 All sets of principles adopt the standard of equivalence approach, which requires that the connection between the dispute and the rendering court be equivalent to the connections that may provide direct jurisdiction under the respective principles. This approach shall be favoured because it facilitates the necessary flexibility and is in line with the more adopted approach from a comparative perspective. In the light of the same flexibility, the approach of the ALI Principles (explicitly) and of the CLIP Principles (implicitly) with regard to the discretionary grounds to deny the recognition and enforcement of foreign judgments is to be welcomed. In contrast, the Joint Korean and Japanese Proposal and its related commentary do not seem to be so clear on the point.
- 77 Under the Hague Draft Convention, according to Art. 27 on “Verification of jurisdiction,” “1. The court addressed shall verify the jurisdiction of the court of origin. 2. In verifying the jurisdiction of the court of origin, the court addressed shall be bound by the findings of fact on which the court of origin based its jurisdiction, unless the judgment was given by default. 3. Recognition or enforcement of a judgment may not be refused on the ground that the court addressed considers that the court of origin should

have declined jurisdiction in accordance with Article 22.” Those rules apply the standard of equivalence approach to determine at the recognition and enforcement stage whether the jurisdiction of the court of origin is acceptable, as opposed to the mirror-image principle, because the standards to assess the jurisdiction of the rendering court need not be identical with the direct jurisdiction rules of the Draft Hague Convention. Therefore, the Hague Draft Convention supports the approach taken by all of the sets of Principles. Under Article 27(1), the Report to the Hague Draft Convention states that the court can take the initiative to investigate the court of origin’s jurisdiction, without the debtor raising the issue.<sup>111</sup>

- 78 With regard to default judgments the ALI Principles impose additional controls on foreign judgments in the form of verification of jurisdiction under the law of the rendering State. Yet, such a verification of the jurisdiction under the law of the rendering state, which is imposed between the states of the U.S. by the rules on full faith and credit, does not seem appropriate in the case of judgments rendered in foreign countries.<sup>112</sup>

## I. Validity and registration

### I. Differences

- 79 All sets of Principles present the following similarities. First, they allow recognition and enforcement of foreign judgments on registered IPRs over ownership and entitlement issues that are not covered by the exclusive jurisdiction rules, even though the recognition and enforcement of such decisions requires changes in the records of the registries of the State that granted the IPR at stake. Second, all sets of Principles allow for recognition and enforcement of foreign judgments rendered in infringement or contractual proceedings where the IPR validity issue was incidentally raised and addressed by courts sitting in a State that was not the country of registration, provided that the decision resulting from such a dispute does not affect the validity or registration of those rights as against third parties, or as against the same parties to the dispute at stake in subsequent proceedings, thus having no binding effect beyond the proceeding concerned. This approach is supported by Article 12(6) of the 2001 Hague Draft Convention.
- 80 Yet, the different scope of exclusive jurisdiction rules in the ALI Principles, the CLIP Principles, the Joint Korean and Japanese Proposal, and the non-existence of those rules in the Transparency Proposal plays an important role with regard to the recognition and enforcement of foreign judgments. Thus, since the Transparency Proposal does not encompass exclusive jurisdiction rules covering validity
- issues of foreign registered IPRs principally raised (under certain requirements), Art. 402.(i) does not preclude the recognition and enforcement of foreign judgments rendered when validity has been principally challenged. However, Article 404(2) does provide that a decision concerning the validity of a foreign IPR is only effective “to resolve the dispute between the parties to the litigation.” The same result is reachable according to the ALI Principles, which adopt a limited exclusive jurisdiction rule and allow for the exercise of jurisdiction over foreign IPRs validity issues principally raised under certain conditions, provided that the effects of the decisions on those issues are limited to the parties of the proceeding at stake. In contrast, the CLIP Principles and the Joint Korean and Japanese Proposal do not allow for adjudication of validity issues principally raised by foreign courts and therefore do not allow the recognition and enforcement of foreign judgments on validity principally raised, not even with effects limited to the parties of the proceeding. The 2001 Hague Draft Convention supports the CLIP Principles and the Joint Korean and Japanese Proposal in regards to validity issues principally raised, since it does not allow for adjudication of validity issues principally raised by foreign courts, as is outlined below in paragraph I.IV.
- 81 When the validity or scope of a IP right on which a foreign judgment is based is discrepant with that of one in the granting country, the literature commenting on the Transparency Proposal suggests applying the public policy exception in order to not recognise the foreign judgments at stake.<sup>113</sup> “Such a case occurs, for example, when a Japanese patent right had already been invalidated by a final and binding trial decision of the Japanese Patent Office at the time of conclusion of oral proceedings in a foreign court, or when, although the scope of claims had been restricted by a trial decision of correction or the Japan Patent Office, a foreign judgment awarded compensation of damages or ordered injunction based on the original claims. In these cases, the contrariety to public policy may be assumed, because in these cases it is safe to say that the factual premise of the foreign judgment had been mistaken by the foreign court.”<sup>114</sup> Yet with regard to the effect of subsequent invalidation of IPRs on earlier infringement judgments that became final, the commenting literature to the Transparency Proposal makes clear that even though there are discussions on the possibility of applying the public policy exception to avoid recognising the foreign judgment on infringement at stake, “this is an issue to be further discussed and hence the Transparency Proposal is not yet in the position to decide its standpoint.”<sup>115</sup> The literature commenting on the CLIP Principles also seems to suggest the non-recognition of the foreign judgment at stake at least when a non-validity challenge is pending before the requested state.<sup>116</sup> For more about the pub-



lic policy exception in relation to exclusive jurisdiction, see *infra* paragraph M.I. (the tenth point).

- 82 Finally only the literature commenting on the CLIP Principles refers to the impossibility of recognising foreign judgments resulting from proceedings which, have as their object, the validity or legality of entries in these public registers related to copyright, and therefore that are based only on a facilitation of evidence purpose since the recognition would determine a change in the registry at stake.<sup>117</sup>

## II. Rationale

- 83 All of the sets of Principles here analyzed adopt rules that demonstrate the decisive role of exclusive jurisdiction rules not only directly in allocating competence to the courts but also indirectly in the stage related to the recognition and enforcement of foreign judgments. Yet, this rationale is well expressed by the Joint Korean and Japanese Proposal's comments according to which such a rule on recognition and enforcement of judgments on validity and registration of foreign IPRs "should be located in the jurisdiction chapter [...] and it would be sufficient. Nevertheless, we wrote and include this Article for clarity." Also, the literature commenting on the CLIP Principles is clear on the point by stating that "the interpretation and scope of the exclusive jurisdiction rules are decisive not only directly to allocate competence to the courts but also indirectly because due to their mandatory character they may decisively influence non-recognition of foreign judgments. A judgment which falls foul of the provisions on exclusive jurisdiction does not benefit from the system of recognition and enforcement under the Principles."<sup>118</sup>

- 84 Yet, all sets of Principles favor the recognition and enforcement of foreign decisions on disputes in which not only the infringement of rights registered in countries other than the adjudicating country is addressed, or the first entitlement and ownership of the same right, but also when their validity or registration is raised incidentally and sometimes even principally, even though these Principles limit the effects of the recognition and enforcement of the decisions on validity to the parties of the proceeding. "This approach facilitates the adjudication before the courts of a single country of infringement claims in cases in which validity is incidentally challenged because it makes possible the cross-border enforcement of decisions rendered in these situations."<sup>119</sup> The rationale underlying the recognition and enforcement of such decisions is to foster effective cross-border litigation. The ALI Principles' Comment on this point warrants full quotation: "as patent law becomes harmonized and more national trademarks and patents stem from single, multi-ju-

isdiction applications (such as the Madrid Agreement, the PCT or the EPC), the need to limit the effect of declarations of invalidity may recede."<sup>120</sup> This comment is reasonably extendable, *mutatis mutandis*, to all IPRs – not just patents and trademarks. The literature commenting on the CLIP Principles renders it clear that "the rationale behind the exclusive jurisdiction established in Article 2:401 CLIP Principles rests on the close connection of certain disputes with the public proceedings that determine the existence of the exclusive right and with the functioning of the public registries involved. The scope of the exclusive jurisdiction must be limited to what is essential to achieve its purposes. Therefore, not all disputes that may result in decisions that can be the basis for changes in the records of the registries of a state fall within the exclusive jurisdiction of the courts of the respective state. Judgments on some of those issues may not be concerned with the registration, grant, or the validity of the IP right as such. Only judgments that interfere in the functioning or operation of the public registry may be deemed to have as their object the registration of the right."<sup>121</sup>

- 85 All sets of Principles invoke the public policy exception in order not to recognize and enforce a judgment on the infringement of a foreign IPR where the validity was adjudicated incidentally, in favor of a subsequent judgment on the validity of the IPR at stake rendered by the court of its registration state. Yet, the literature commenting on the Transparency Proposal tempers this result with regard to the effect of subsequent invalidation of IPRs on earlier infringement judgments that became final, as is referred to in the relevant public policy parts.

- 86 Finally, the literature commenting on the CLIP Principles makes it clear that "under the rationale of Article 2:401 it may be appropriate to conclude that foreign judgments resulting from proceedings which have as their object the validity or legality of entries in these public registers cannot be recognized in the country where the registry is kept."<sup>122</sup>

## III. International Context

- 87 At the international and universal level, rules impeding recognition and enforcement of foreign judgments dealing with issues related to IPRs granted by countries other than the State of the rendering court are absent. In contrast, The Hague Convention on Choice of Court Agreements provides an important example of an international convention explicitly allowing for the recognition and enforcement of judgments that contain an incidental ruling on the validity of IPRs. Thus, although Article 2(2) leaves the validity and infringement of IPRs other than copyright and related rights outside the scope of application of the Convention, save where infringement

proceedings are brought for breach of a contract between the parties relating to such rights, the Convention allows in Article 10(3) for the recognition and enforcement of judgments in which the validity of IPRs arises as a preliminary question in infringement proceedings for breach of a contract, including a choice of court agreement.

- 88 In the EU/EFTA framework, Article 35 of the Brussels system establishes that a judgment shall not be recognised if it conflicts with Section 6 of Chapter II, which establishes the exclusive jurisdiction rule concerning foreign IPRs validity issues principally and incidentally raised. However, foreign judgments on IPRs claims that do not fall within the exclusive jurisdiction rules shall be recognised and enforced by the requested EU Member State, namely decisions concerning infringement of foreign IPRs, both unregistered and those subject to registration, as well as decisions concerning the validity of foreign unregistered IPRs. In addition, although exclusive jurisdiction rules exist with respect to foreign registered IPRs validity claims even incidentally raised, judgments on those claims are also being recognised and enforced, at least when a non-validity challenge is not pending before the court of the enforcing country.<sup>123</sup> Finally, the understanding of the Brussels system that the foreign judgment on validity of an IPR given by the court at the place of registration having an exclusive jurisdiction on this issue cannot be recognised if in the requested State another judgment was already rendered or a third State already recognised another judgment on the infringement of the same IPR is notable. This is true even if this last judgment had also adjudicated the validity issue incidentally raised if the two judgments lead to irreconcilable results.<sup>124</sup> This understanding acknowledges the breach to exclusive jurisdiction rules of the Brussels system as interpreted by the ECJ in GAT that derives from the preference given to the latter judgment on the former. To overcome this breach, then, the interpretation at stake purports to apply the Brussels system under the presumption that the court that rendered the infringement judgment that excludes the recognition of the validity judgment did not adjudicate on the validity incidentally raised “for definition”<sup>125</sup> in conformity with the GAT judgment. So interpreted, in fact, the two judgments would not lead to different results and therefore the judgment on validity could be recognised even if contrary to the judgment on the infringement, which is presumed not to have entered into the validity issue. It is to be noted that the same understanding that a judgment on validity is reconcilable with a judgment on infringement that adjudicated the validity incidentally differently to the judgment on the validity issue principally raised, is adopted, for instance, with respect to purely internal cases in the Italian system by the Supreme Court.<sup>126</sup>
- 89 At the national level, while certain rules refuse recognition and enforcement of foreign judgments that adjudicated the validity of registered IPRs of the requested State,<sup>127</sup> those rules do not impede recognition and enforcement when the judgments in question relate to unregistered IPRs validity and infringement issues, or in the case of registered IPRs infringement claims and validity issues incidentally raised.
- 90 In addition, certain national systems go even further and establish that foreign infringement and validity decisions on IPRs of the requested State that have been recognised and enforced in the requested State and that have become *res judicata* are typically not affected by a subsequent declaration of invalidity by a requested State to the extent the judgments at stake have been enforced prior to the requested State’s declaration of invalidity.<sup>128</sup>
- 91 Other legal systems are even more advanced. For example, in Japan, it seems to be possible to recognise and enforce a foreign judgment on a Japanese IPR infringement claim or on the incidental validity of this right, even if the status of the Japanese IPR in question is now different to what it was at the time the foreign judgment was rendered if the change in status arose after the termination of the foreign proceedings.<sup>129</sup>
- 92 Certain legal systems go even further and allow national courts not only to recognise and enforce foreign judgments on national IPRs claims, but also to adopt those judgments in order to preclude litigation in the forum State concerning national parallel IPRs cases. Among those systems is the U.S. system, where courts have already applied in several cases the doctrines of *res judicata* and collateral estoppel to use foreign judgments related to foreign IPRs claims to preclude litigation in the U.S. concerning national parallel IPRs cases on the corresponding relevant issues. Those cases enable the conclusion that “US courts have doctrinal authority to apply the doctrines of *res judicata* and collateral estoppel to prevent parties from making their transnational intellectual property disputes ‘a war of attrition’. To date, they have shown some willingness to apply collateral estoppel.”<sup>130</sup> It is evident that certain U.S. decisions have rejected attempts to rely on foreign judgments concerning foreign IPRs to preclude litigation in U.S. courts on the same issues of corresponding U.S. IPR, considering that the foreign judgments in question do not present the same issues as U.S. IPR disputes.<sup>131</sup> However, “none of the[se] decisions foreclose courts from exercising this option.”<sup>132</sup>

## IV. Discussion

- 93 In light of the need to effectively enforce cross-border IPRs, the approach adopted by all sets of Principles favoring the recognition and enforcement of foreign decisions in disputes in which not only the infringement of rights registered in countries other than the adjudicating country is addressed, or the first entitlement and ownership of the same right, but also when their validity or registration is raised incidentally and sometimes even principally (ALI Principles, Transparency Proposal), limiting however the effects of the recognition and enforcement of the decisions on validity to the parties of the proceeding, is to be particularly favored. There is a trend in this respect in the international context. The 2001 Hague Draft Convention, supports this result, by not impeding the recognition of judgments on validity issues incidentally raised.
- 94 Furthermore, in light of what has been said with respect to the need to also overcome exclusive jurisdiction rules for registered IPRs validity issues principally raised, that the ALI Principles as well as the Transparency Proposal do not preclude the recognition and enforcement of foreign judgments rendered on validity issues principally addressed by courts sitting in a State that is not the country of registration of the rights whose validity has been principally challenged, is to be welcomed, albeit the decision resulting from such a dispute is enforceable only between the parties to the litigation, thus it has no binding effect beyond the proceeding concerned.
- 95 The Principles refer to the public policy exception in cases of conflicts between a decision on validity incidentally raised, taken by courts sitting in a State that is not the country of registration of the rights, and a judgment on validity principally raised adopted by courts sitting in the State of registration of the rights. Yet, the commentaries to the Transparency Proposal explicitly ground this possible adoption of the public policy exception not on the need to safeguard exclusive jurisdiction rules (which the Proposal does not establish anyway), but on the fact that the judgment to be recognised is grounded on false factual premises. Furthermore, the possibility left open by the Transparency Proposal that “non recognition of the foreign judgment should not always be expected despite the fact that the status of IP rights in the granting country is now different due to the changes which arose after the termination of the foreign proceedings”<sup>133</sup> is a good approach to take. This restrictive approach is also in line with the understanding of the Brussels system.

## J. Finding of facts

### I. Differences

- 96 Rules on the finding of facts are absent in the Transparency Proposal.<sup>134</sup> By contrast, the other three sets of Principles prevent the court from re-examining the “finding of facts” (4:203 CLIP) or the “substance or merit” (Art.401.2 Waseda) to the rendering court. According to Section 401(2) of the Joint Korean and Japanese Proposal, “[a] foreign judgment may not be reviewed as to its substance or merits.” The Comments to the Joint Korean and Japanese Proposal explicitly state that this provision “includes the stipulation that the requested court shall be bound by the facts found by the rendering court.”<sup>135</sup>
- 97 Under the CLIP Principles, this limitation relates only to the verification of jurisdiction. The ALI Principles and the Joint Korean and Japanese Proposal extend such a limitation to the verification of all requirements that shall be met in order for a foreign judgment to be recognised and enforced. The 2001 Hague Draft Convention follows the approach of the CLIP Principles, in Article 27.2, and limits re-examining the facts only in relation to the verification of jurisdiction, as is outlined below in paragraph J.IV. The limitation related to the finding of facts applies also to default judgments under both the CLIP Principles and the ALI Principles, unlike the Hague Draft Convention where it does not extend to default judgments.

### II. Rationale

- 98 The rules preventing the requested court from re-examining the relevant facts present in the CLIP Principles (only with respect to the verification of jurisdiction)<sup>136</sup> as well as in the Joint Korean and Japanese Proposal and in the ALI Principles (with regard to the verification of all requirements to be met by a foreign judgment in order for it to be recognised and enforced abroad), aim at avoiding duplication and waste of resources,<sup>137</sup> since “rearguing facts is costly and time consuming. The traditional private international law restriction on re-examining factual predicates represents an attempt to strike a balance between the interest in finality and the interest in accuracy.”<sup>138</sup> Also, these rules are “common to most international instruments dealing with the recognition and enforcement of foreign judgments.”<sup>139</sup> As Professor Dessemontet pointed out “assessment by the court in the State where enforcement is sought would always be based on the facts as stated in the foreign judgment. Hence, at least with respect to the facts, the case would not have to be re-litigated.”<sup>140</sup>



99 Yet, the limitation of this rule to the verification of jurisdiction posed by the CLIP Principles is in line with the current situation in those legal systems that do not have a concept of issue preclusion in their *res judicata* doctrine, whereas the broader scope of the same rule in the ALI Principles is grounded on the concept of issue preclusion in the common law countries, especially the U.S.<sup>141</sup>

100 Finally, the absence of such a limitation in the Transparency Proposal is based on the fact that “concern rests upon keeping the requested court from unduly reviewing indirect jurisdiction and thus from failing to sufficiently protect the defendant’s procedural rights.”<sup>142</sup>

### III. International Context

101 A “traditional private international law restriction”<sup>143</sup> adopted by “quite a few international conventions”<sup>144</sup> is that in its verification of the rendering court’s jurisdiction the requested authority shall be bound by the findings of fact on which the rendering State’s court based its jurisdiction. At the international level see, for instance, the Hague Draft Convention already recalled, as well as Art. 25 of The Hague Convention on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in Respect of Parental Responsibility and Measures for the Protection of Children of 1996. At the EU level see Article 35(2) Brussels I Regulation, according to which, “In its examination of the grounds of jurisdiction referred to in the foregoing paragraph, the court or authority applied to shall be bound by the findings of fact on which the court of the Member State of origin based its jurisdiction.”<sup>145</sup>

### IV. Discussion

102 The rules preventing the requested court from re-examining the relevant facts present in the CLIP Principles, Joint Korean and Japanese Proposal and the ALI Principles avoid a waste of resources and therefore shall be favored.<sup>146</sup> According to Art. 27.2 of the Hague Draft Convention on Verification of Jurisdiction, “in verifying the jurisdiction of the court of origin, the court addressed shall be bound by the findings of fact on which the court of origin based its jurisdiction, unless the judgment was given by default.” Thus, this limitation only applies to the verification of jurisdiction, supporting the approach taken in the CLIP Principles, but not to other circumstances. Furthermore, the limitation related to the finding of facts does not concern default judgments. The concerns at the absence of those rules in the Transparency Proposal related to those find-

ings can be addressed by the recourse to the public policy exception.

## K. Jurisdiction rules protecting consumers or employees

### I. Differences

103 The CLIP Principles are the only set of Principles to include rules on the recognition and enforcement of foreign judgments manifestly incompatible with specific jurisdictional rules protecting consumers and employees. Yet, those principles adopt a flexible approach leaving to the court discretion in deciding whether to recognise the foreign judgment at stake or not. Also, “this ground for non-recognition is to be interpreted restrictively, because it requires that the foreign judgment is ‘manifestly incompatible’ with the specific jurisdictional rules protecting consumers or employees in the state of recognition.”<sup>147</sup>

104 No such rules are present in the ALI Principles, the Transparency Proposal, or the Joint Korean and Japanese Proposal. However, in some cases, international jurisdictional protection of consumers and employees may be regarded as a public policy issue and then the general clauses of public policy included by the three sets of Principles at stake may be used to decline recognition and enforcement of a foreign judgment that is clearly discrepant with such protection. Furthermore, with regard to the ALI Principles, Section 403(1)(f) may be relevant, because it establishes a mandatory ground for non-recognition of foreign judgments when the rendering court exercised jurisdiction on the basis of a standard form choice of court agreement, which was contrary to the safeguards mentioned in § 202(4). Thus, although this Section applies generally to situations in which standard form agreements are used and only foresees involvement in choice of forum agreement cases, it could play a role in consumer and employee contracts in which a standard form agreement is used.

### II. Rationale

105 The only sets of Principles with special rules specifically aimed at consumers or employees are the CLIP Principles. These rules were adopted to reflect the fact that many countries have adopted legislative rules on jurisdiction aimed at protecting consumers and employees<sup>148</sup> and are grounded in the fact that there is no common understanding on the grounds for jurisdiction in relation to the matters at stake.<sup>149</sup>

### III. International Context

**106** In the international legal order, due to the diversity of the standards on consumer and employee protection both at the substantive and at the PIL level, uniform jurisdiction and enforcement rules in global conventions have not been adopted as of yet. Furthermore, those rules were greatly debated and raised “insurmountable problems”<sup>150</sup> in the negotiations at the Hague Conference on the proposed Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, and in the end it did not include jurisdictional rules specifically protecting consumers or employees. The 2005 Hague Convention on Choice of Court Agreements excludes consumer and employment contracts from its scope of application (Article 2.1).<sup>151</sup>

**107** At the EU level, Art. 35.1 of the Brussels system does not include the jurisdiction rules on employee protection subject to mandatory verification at the stage of recognition and enforcement. The Pocar Report to the Lugano Convention explains that the idea of adding the violation of rules of jurisdiction on individual employment contracts to the group of exceptions that allow verification of the court of origin’s jurisdiction was ultimately rejected. This is because in employment disputes, the employee normally brings the action. Therefore, if the employee is trying to gain recognition of the ruling in his or her favor in a foreign court, allowing the court to verify the jurisdiction of the court of origin will normally benefit the employer (as the defendant), by delaying proceedings.<sup>152</sup>

**108** At the national level, States adopt highly different levels of protection in their respective substantive and PIL rules on consumer and employee protection.<sup>153</sup>

### IV. Discussion

**109** The CLIP Principles inclusion of a specific rule related to the recognition and enforcement of foreign judgments manifestly incompatible with specific jurisdictional rules protecting consumers and employees is to be welcomed. It is true that the same practical outcome can be reached throughout the general clauses of public policy included by the other three sets of Principles. Nevertheless, given the exceptional nature of such a clause it is better to rely on a more specific provision. The same can be said with regard to the possibility of relying on Section 403.1.f of the ALI Principles to achieve consumer and employee protection with respect to international jurisdiction. Hence, this Section only envisages cases in which a choice of forum agreement is involved,

which is not always the case in consumer and employee situations.

## L. Provisional and protective measures

### I. Differences

**110** Under the ALI Principles and the CLIP Principles, provisional measures adopted by courts that do not have the jurisdiction to hear the merits cannot be recognized or enforced abroad, in line with the approach adopted by the proposal to recast the Brussels Regulation (Art. 2 of the Commission Proposal), by the European instruments on unitary industrial property rights and by the Hague Draft Convention, as will be outlined below in paragraphs L.III. and L.IV. respectively. The CLIP Principles clarify that this restrictive approach does not preclude the application of a more liberal approach i.e. in a context of regional integration or under a conventional regime, according to the *favor recognitionis* principle.<sup>154</sup> In contrast, the Joint Korean and Japanese Proposal is unclear on the point, although the explanatory notes seem to adopt the same requirement by stating that “it is meaningful to clarify that extraterritorial enforcement is available only for provisional or protective measures rendered in the state that has the jurisdiction to hear the merits.”<sup>155</sup> The Transparency Proposal does not adopt this requirement, which can lead to different results.

**111** Under the CLIP Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal, provisional or protective measures adopted *inaudita altera parte* cannot be recognised or enforced abroad. Although the ALI Principles do not expressly exclude the recognition and enforcement of *ex parte* provisional measures, the same conclusion can be reached under § 403 (1)(a)-(d). This provision ensures the respect of procedural guarantees, including proper and timely notice and an opportunity to be heard. This criterion is in line with the Brussels system corresponding rule, as will be highlighted in paragraph L.III. Yet, the critics to this limitation pursued the Commission Proposal related to the recasting of the Brussels I Regulation to overcome it, as will be explained in paragraphs L.III. and L.IV.. Finally, the Transparency Proposal includes the requirement that the measure should be adopted after the opposing party is given an opportunity to state an opinion on the validity of rights in question in the foreign proceedings in which the provisional measures were granted. While this requirement is not explicitly present under the other three sets of Principles, a similar result can be reached in practice since those sets of Principles grant to opponents the gen-

eral right to be heard, which presumably would include the right to state an opinion as to the validity of the IPR involved.

- 112 The Transparency Proposal includes the requirement that “if a court implements the execution of a provisional measure of a foreign court, the court may require the party seeking enforcement to provide security.” Yet, this requirement is not present under the other three sets of Principles. However, as mentioned above in paragraph D.I., a court requiring the party seeking enforcement to provide security is generally understood to also be compatible with the CLIP Principles.<sup>156</sup>

## II. Rationale

- 113 The limitation that provisional measures adopted by courts that do not have the jurisdiction to hear the merits cannot be recognised and enforced abroad is grounded in the traditional distinction between provisional measures adopted by a court competent over the merits and those adopted by a court lacking such jurisdiction. This approach is also in line with the view emerging in the international context, as will be recalled at paragraph L.III. Yet, the absence of this limitation in the Transparency Proposal seems to favor the recognition and enforcement of provisional measures, in line with the view emerging in literature that criticises the limitation at stake.<sup>157</sup>

- 114 The rationale of the limitation that provisional or protective measures adopted *inaudita altera parte* is that although Art. 50.2 of the TRIPs Agreement allows courts to adopt provisional measures *inaudita altera parte*,<sup>158</sup> the TRIPs agreement does not harmonise the standards concerning the protection of the right to be heard and the characteristics of *ex parte* procedures and does not impose on Member States an obligation to recognize foreign decisions on *ex parte* measures, since it does not address PIL issues. The exclusion of the recognition and enforcement of foreign measures adopted *inaudita altera parte* is grounded on the fact that those Principles are applicable to judgments rendered by countries where standards concerning the protection of the right to be heard and the characteristics of *ex parte* procedures may vary significantly. The same result is reachable under the Transparency Proposal’s corresponding rule, which requires that the provisional measures should only be adopted if the opposing party was given an opportunity to state an opinion on the validity of rights in question in the foreign proceedings in which the provisional measures were granted. The purpose of this rule is “to exclude foreign provisional measures that were issued simply based on a petition filed for the purpose of abuse or harassment on the basis of an IP right of dubious creation or existence.”<sup>159</sup> In other words, this limita-

tion is posed “for the purpose of equally protecting the debtor, only when he/she is given an opportunity to challenge the judgment shall such protective measures against him/her be recognized and enforced.”<sup>160</sup>

- 115 The Transparency Proposal also poses a rule that “if a court implements the execution of a provisional measure of a foreign court, the court may require the party seeking enforcement to provide security.” This rule reflects the reality that “provisional measures will sometimes be petitioned for in an IP or unfair competition dispute in order to pressure the obligor and just to observe his/her reaction and response,” and therefore the purpose of this requirement “is to make good use of provision on security for testing the obligee’s seriousness about protecting his/her own right.”<sup>161</sup> Yet, the provision of security is based on the requested court’s discretionary power. The other proposals do not explain why they do not provide this requirement, although as mentioned in paragraph L.I supra, a requirement for the party intending to enforce the judgment to provide security is generally understood to also be possible under the CLIP Principles.<sup>162</sup>

## III. International Context

- 116 In the international framework, the limitation that provisional measures adopted by courts that do not have jurisdiction to hear the merits shall not be recognised and enforced abroad is posed by Art. 23(b) of the Hague Draft Convention, as will be explained in paragraph L.IV.

- 117 In the EU the limitation that provisional measures adopted by courts that do not have the jurisdiction to hear the merits shall not be recognised and enforced abroad is posed by Article 103.2 Council Regulation (EC) No 207/2009 of 26 February 2009 on Community trademarks (OJ L 78, 24 March 2009, pp. 1-42, p. 25); and Article 90 Regulation (EC) 6/2002 of 12 December 2001 on Community designs (OJ L 3, 5 January 2002, pp. 1-24).<sup>163</sup> The same limitation is posed by the 2010 Commission Proposal on the reform of the Brussels I Regulation, according to which for the purposes of recognition and enforcement, “the term ‘judgment’ includes provisional, including protective measures ordered by a court which by virtue of this Regulation has jurisdiction as to the substance of the matter” (Art. 2). Yet, if the court that has jurisdiction as to the merits with regard to the recognition and enforcement adopts the provisional measure at stake, the Draft Proposal for a recasting of the Brussels Regulation can lead to important achievements, as Professor Ricolfi highlights: “let us imagine a provisional, including protective, measure issued by State A in our hypothetical case [...], concerning infringement of a patent in Germany



(Member State of the Court seized and of defendant's domicile) and in the UK. The infringement proceeding may well be stayed as far as the UK patent is concerned, if an invalidity issue is raised by defendant; this rather unfortunate consequence may be rather effectively counterbalanced by the possibility that the German Court may nevertheless give interim relief not only for Germany but also for the UK. The novel feature, indeed a giant leap forward, is that now this relief is immediately enforceable by combining Art. 36, 38(2)" on the abolition of *exequatur* (see the paragraph on the recognition and enforcement procedures (R.)) "and the definition of judgments under Art. 3(a) of the Draft proposal."<sup>164</sup> Furthermore, "even provisional, including protective, measures may be assisted by penalties. If this is the case,"<sup>165</sup> then what will be mentioned in the paragraph on recognition and enforcement procedures (paragraph R.) applies with regard to injunctions as well.

**118** In the EU, the limitation that excludes from recognition and enforcement foreign provisional measures adopted without prior hearing to the adverse party and enforceable without prior service of process to that party (although Art.50(2) TRIPS as well as the EU enforcement Directive 2004/48 implementing TRIPS recognize those measures), is posed by the current version of the relevant rules of the Brussels System, as interpreted by the ECJ starting from the *Denilauler* case.<sup>166</sup> Yet, critics to the *Denilauler*'s approach led the EU Commission to revisit it. In fact, Recitals 22 and 25 of the 2010 Commission Proposal on the reform of the Brussels I Regulation recalls the harmonisation rules of Directive 2004/48 on provisional *ex parte* measures, and Article 2(a) also extends the recognition and enforcement system of the Brussels Regulation to *ex parte* measures provided that "the defendant has the right to challenge the measure subsequently under the national law of the Member State of origin."<sup>167</sup> This more liberal approach is being favored by the literature according to which "the Commission is right to revisit the thirty-year-old *Denilauler*-jurisprudence [...] and to clarify that [ex parte provisional] measures can be recognised and enforced on the basis of the Regulation if the defendant has the 'right to challenge the measure subsequently under the national law of the Member State of origin' (Art. 2(a), Recital 25 4th sentence CP). As it has been pointed out in legal scholarship, both consistency with Directive 2004/48/EC153 (which explicitly requires Member States to introduce *ex parte* relief) and the more flexible approach of both the ECJ and the ECHR in the interpretation of the right to be heard in the context of provisional measures militate in favour of such a more liberal approach."<sup>168</sup>

**119** Finally, at the national level, certain countries do not allow recognition and enforcement of provi-

onal and protective measures (e.g., see Italian Law, Japanese law).<sup>169</sup>

## IV. Discussion

**120** The limitation proper to the ALI Principles, the CLIP Principles and the Joint Korean and Japanese Proposal related to the provisional measures adopted by courts that do not have the jurisdiction to hear the merit and cannot be recognised and enforced abroad is in line with the same approach adopted by the Hague Draft Convention. This Convention says in Article 23: "[Alternative A. 1. A decision ordering a provisional and protective measure, which has been taken by a court seized with the claim on the merits, shall be recognised and enforced in Contracting States in accordance with Articles [25, 27-34]. 2. In this article a reference to a provisional or protective measure means – a) a measure to maintain the status quo pending determination of the issues at trial; or b) a measure providing a preliminary means of securing assets out of which an ultimate judgment may be satisfied; or c) a measure to restrain conduct by a defendant to prevent current or imminent future harm.];" "[Alternative B. Orders for provisional and protective measures issued in accordance with Article 13 shall be recognised and enforced in the other Contracting States in accordance with Articles [25, 27-34]." Thus, both alternatives establish that provisional measures adopted by courts that do not have the jurisdiction to hear the merits shall not be recognized and enforced abroad: Alternative A by referring to "a decision ordering a provisional and protective measure, which has been taken by a court seized with the claim on the merits;" Alternative B by referring to "orders for provisional and protective measures issued in accordance with Article 13" and thus by connecting Art. 23.A alternative b) to Art. 13 of the Hague Draft Convention. Yet, the Transparency Proposal's absence of such requirement is in line with the view that criticizes this limitation, highlighting the "disadvantages" to which it may lead.<sup>170</sup>

**121** The approach adopted by the CLIP Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal explicitly, and by the ALI Principles implicitly, with respect to the exclusion of the recognition and enforcement of *ex parte* provisional measures can be criticized for the same reasons, *mutatis mutandis*, highlighted in relation to the correspondent limitation of the current Brussels system, which led the EU Commission to overcome the limitation at stake.<sup>171</sup> This approach could therefore be overcome by rules such as the *favour recognitionis* principle explicitly posed by the CLIP Principles and by allowing the recognition of such measures in the context of regional integration, especially in light of the EU

Brussels system's future overcoming of the limitation at stake.<sup>172</sup>

## M. Public policy

### I. Differences

**122** All sets of Principles refer to the public policy exception as a ground to refuse recognition and enforcement of foreign judgments. Yet, the CLIP Principles refer to procedural public policy and substantive public policy in different rules, and the literature commenting on those principles discusses some examples from the CLIP Principles in a more general way.<sup>173</sup> The Joint Korean and Japanese Proposal refers to procedural public policy together with substantive public policy. In contrast, the Transparency Proposal refers to “public policy” without any further distinction, but the literature accompanying the Transparency Proposal provides a very long and precise list of cases where public policy can be adopted. The ALI Principles refer to “public policy” as such, but then contain three specific grounds for non-recognition and enforcement in connection with procedure. The 2001 Hague Draft Convention also refers to both substantive and procedural policy, as is outlined below in paragraph M.IV. Furthermore, the CLIP Principles and the Transparency Proposal both deem the rule on procedural public policy to be sufficient to refuse recognition in cases of fraud and therefore do not contain a separate ground for non-recognition related to fraud. This point is well explained by Professor Pedro de Miguel Asensio in his discussion of recognition and enforcement in the CLIP Principles: “fraud provisions in the field of recognition are typically aimed at providing a defense against situations in which a fraudulent action by the prevailing party deprived the other party of a reasonable opportunity to defend its case. To the extent that one of the parties, typically the defendant was deprived of such an opportunity in the original proceedings, recourse to the provision on procedural public policy seems sufficient to refuse recognition.”<sup>174</sup> In contrast, the ALI Principles do not deem the rule on procedural public policy to be sufficient to deal with cases of fraud and therefore contain a specific rule for non-recognition or enforcement related to fraud in connection with procedure.

**123** Under the CLIP Principles, the incompatibility with public policy should be manifest to allow refusal to recognize and enforce a foreign judgment. Also, the Comments to the ALI Principles make clear that “the intent [of Section 403.1.a)-c) and e)] is to describe a narrow category of cases.”<sup>175</sup> The intent of the Transparency Proposal to describe a narrow category of cases is expressed well by the specifications of the

public policy exception provided for by the corresponding Comments or relevant literature interpreting the principles. In contrast, in the Joint Korean and Japanese Proposal concrete illustrations are lacking, except for typical cases referred to by the commentary on the rule on public policy and further specified in Articles 406 and 407, involving a foreign judgment that awards punitive damages and inconsistency with a precedent domestic judgment.<sup>176</sup> In contrast, the Joint Korean and Japanese Proposal does not refer either to the “manifest” incompatibility of the foreign judgment with the public policy of the requested State, or to the “degree” of such incompatibility being of an important nature, and therefore uses wording that does not immediately highlight the exceptional character of the public policy rule.

**124** For simplification purposes, the following remarks will examine each of these specifications of the public policy exception, with the footnotes recalling the relevant sets of principles that provide for the specification at stake, and with the text recalling the rationales. Therefore, the corresponding paragraph M.II. will refer to this paragraph as far as the rationale for each specification is concerned.

**125** Recourse to public policy can be adopted to deny recognition and enforcement of foreign judgments in the following cases.

**126** First, where a foreign judgment on the scope of a national patent has strong consequences on the availability of products necessary to meet health and safety requirements, the requested State may choose to adopt the public policy exception to deny recognition of this type of judgment.<sup>177</sup>

**127** Second, the public policy exception may be adopted to exclude the recognition of a foreign judgment on the patentability of bio-technological inventions that can be interpreted in the requested State to be against human dignity.<sup>178</sup>

**128** Third, the public policy exception could be adopted to deny recognition to foreign judgments that disregard the moral rights of authors.<sup>179</sup>

**129** Fourth, recognition of foreign judgments can be denied when it is determined that the foreign court admitted evidence accessed through certain mechanisms used to fight allegedly infringing activities on the Internet, but obtained in a way that failed to respect the fundamental right to the accused infringer's private life and data protection.<sup>180</sup>

**130** Fifth, recourse to procedural public policy can be made to refuse recognition and enforcement of foreign judgments when the foreign judgment was adopted without respecting the right of the parties

to substantiate their claims, in light of the fact that the parties had not been given “a proper opportunity to produce allegations concerning the validity and scope of a right.” This is because in infringement proceedings, parties shall always be granted the opportunity to produce a defence of invalidation or a counter-defence of correction, since those defenses “concern the validity and scope of the right itself and will have a great influence on the conclusion of the disputes.”<sup>181</sup>

**131** Sixth, recourse to procedural public policy can be made to refuse recognition and enforcement of foreign judgments when the foreign judgment was adopted without respecting the right of the parties to present all relevant evidence, for instance, as a consequence of a fraudulent behaviour.<sup>182</sup>

**132** Seventh, the public policy exception can be adopted for refusing to recognize or enforce a foreign judgment rendered on the basis of a procedure contrary to the right to a fair trial posed by Article 6 ECHR, as the ECtHR maintained on several occasions<sup>183</sup> and the ECJ confirmed by interpreting the public policy exception of Article 34(1) of the Brussels I Regulation in light of the ECtHR jurisprudence on Article 6 ECHR.<sup>184</sup>

**133** Eighth, the public policy exception can be adopted where a foreign court ruled on an invention that employed extremely advanced technology without the aid of specialists with sufficient knowledge to understand the content of the invention.<sup>185</sup>

**134** Ninth, the public policy exception can be adopted to refuse recognition and enforcement of a foreign judgment in light of the fact that the judgment was concluded on matters “not to be decided in courts proceedings under the law of the granting country,” because in certain systems, such as Japan, the compulsory licence of patent rights and copyrights (award systems) are decided by administrative authorities, and thus their adjudication by judicial bodies allowed under other systems, such as France, cannot be recognised in the former systems due to the recourse to public policy.<sup>186</sup>

**135** Tenth, “contrariety to public policy may come into question when the validity or scope of a IP right on which a foreign judgment is granted is discrepant with that in the granting country.”<sup>187</sup> Yet, this result should be tempered: “there are discussions on whether or not circumstances after the delivery of a foreign judgment can be taken into account under public policy where the system of automatic recognition is adopted. Even if such circumstances can be taken into consideration, non-recognition of the foreign judgment should not always be expected despite the fact that the status of IP rights

in the granting country is now different due to the changes which arose after the termination of the foreign proceedings. For example, when allegations on the invalidation or correction of a Japanese patent right had not been produced in a timely manner in foreign proceedings, or when the actual content of a request for correction to be made by the Japan Patent Office was discrepant from that asserted in foreign proceedings, there might be room to recognize the foreign judgment in Japan. This conclusion might be justified, since, according to Article 104-3 of the Japanese Patent Act which allows parties to produce allegations for the invalidation of a patent in infringement proceedings, overdue allegations must be dismissed.”<sup>188</sup> This conclusion finds support in the Transparency Proposal itself. First, the Proposal implicitly rejects the safeguarding of exclusive jurisdiction rules as a grounding basis for a public policy exception, as it is not included in the list of cases provided for by the comments to the same Proposal, where the public policy exception can be adopted to refuse to recognize or enforce a foreign judgment. Second, while this proposal acknowledges the possibility of adopting the public policy exception for non-enforcement of a judgment that was based on the (in)validity or the scope of an IPR that is discrepant with that in the granting country, it grounds this possibility not on the need to safeguard exclusive jurisdiction rules but rather on the fact that the foreign judgment at stake is based on a mistaken factual premise related to the validity of the IPR involved.<sup>189</sup> The same conclusion finds support in the comparative perspective, particularly in light of the understanding of the Brussels system in relation with the inconsistency of judgments (see *infra*).

**136** Eleventh, according to the Transparency Proposal the public policy exception prevents recognition and enforcement of foreign judgments in cases where the judgment at stake does not apply certain provisions of the granting State. In fact, the recourse to public policy can be grounded on the granting State’s nature of the rules that have not been applied regulating “matters such as the filing of application, registration, or cancellation of registration” of IPRs;<sup>190</sup> “initial ownership for a right to obtain a patent;” “the existence, validity and initial ownership of a non-registered right, and matters such as the protection period, effect (scope of protection, etc.) and transferability of both registered rights and non-registered rights.”<sup>191</sup> In fact, “it seems to be unarguable that, for instance, grounds for the invalidation of patents should be governed only by the law of the registered country. In other words, these provisions are a sort of internationally mandatory rules, the application of which is always to be ensured,” and “application of such rules [...] come into question under the Transparency Proposal because it does not provide for exclusive jurisdiction for the actions concerning the validity of registered IPRs (see Article



103 and the Comments) and, as a result, even a foreign judgment determining the validity of patents of Japan or of a third country may be recognised and enforced in Japan. It cannot be accepted that those matters may not be governed by the law other than that of the registered country, even if the effect of a foreign judgment pertaining to the invalidity of a registered right is limited to having an *inter partes* effect as set forth in Articles 103(3) and 404(2).<sup>192</sup> This approach is then in line with the opinion that to overcome exclusive jurisdiction rules, it requires the requested State to verify the law applied by the court that rendered the judgment to be recognised and enforced.<sup>193</sup> In any case, recourse to the public policy exception to refuse to recognize and enforce a foreign judgment with the aim of safeguarding the granting State's internationally mandatory rules shall be excluded in the following cases. First, when the foreign court did not apply the granting State's rules on remedies for infringement of IPRs or IPRs contracts, since those provisions cannot be characterised as internationally mandatory rules. Second, when the foreign court failed to apply the granting State's rules in case of IPRs ubiquitous infringements, since "it cannot be supposed that the law of the granting country should always be applied in such a case."<sup>194</sup> Finally, under the principle of no review on the merits of foreign judgments in the recognition and enforcement stage, which is generally accepted around the world, the appropriateness of the interpretation and the application of the granting State's relevant rules by the foreign court cannot be questioned in principle. Consequently the requested court cannot refuse to recognize and enforce a foreign judgment in cases of misappropriation and misapplication of the granting State's provisions. Similarly, from a judicial economy perspective the requested court cannot refuse to recognize and enforce a foreign judgment when the application of the relevant provision of a State other than the granting State, instead of this latter State's mandatory rules "does not affect the conclusion of the judgment."<sup>195</sup>

**137** Twelfth, the ALI Principles establish "some connection between the rules on applicable law and the rules on enforcement. If the original court did not apply the ALI Principles on applicable law, it need not recognize or enforce the foreign judgment."<sup>196</sup> In fact, the ALI Principles allow for the adoption of the public policy exception to deny recognition and enforcement of foreign judgments when the rendered court applied national laws or laws other than the ones established as applicable by the ALI Principles, i.e. without respecting the territoriality principle or awarding damages "deleteriously impact[ing] local interests."<sup>197</sup> The reason for so doing is well expressed by the ALI Principles' Comments, according to which "the Principles recognize that much of the

controversy concerning adjudication of multiterritorial intellectual property claims derives from apprehensions that the court will apply laws inappropriate to the multinational character of the case, in particular, that the court will apply its own State's law to the full range of alleged infringements occurring outside the forum. [...] For this reason, Part III offers provisions on applicable law. The general rule of territoriality strongly informs these provisions [...] Judgments applying laws designated in a manner consistent with territoriality will not be enforced and recognised."<sup>198</sup> "By contrast, both the CLIP Principles and the Transparency Proposal seem to separate these aspects completely."<sup>199</sup> In fact, the Transparency Proposal explicitly declines this possible adoption of the public policy exception in relation to the recognition and enforcement of foreign judgments issues, in light of the fact that "such a strict meaning of the principle of territoriality"<sup>200</sup> should not be taken, accepting derogations to this principle on some occasions. The absence of control (save for the respect of the territorial nature of IPRs with regard to injunctions, see the relevant paragraphs related to the effects of judgments (E.)) is explained by the literature commenting on the CLIP Principles, emphasising that those principles are in line with the international trend to focus on the verification of jurisdiction rather than on the verification of the law applied. In fact, "making enforcement of a foreign judgment conditional on the application of the right law inevitably leads to a very in-depth review of the case. In the end, this comes down to a review of the merits and this is exactly what recognition and enforcement proceedings are supposed to avoid."<sup>201</sup> Yet, the literature commenting on the Transparency Proposal highlights that in patent law, procedural and substantive aspects are often inextricably interwoven. In such cases, should a foreign judgment that applied a law different from the one designated by the applicable law rules of the enforcement court be recognized and enforced? Wouldn't that result in the rules of the enforcement court being bypassed and couldn't this be problematic in situations where procedural and substantive issues are interwoven? In this respect, one could wonder whether the ALI Principles aren't more appropriate, because they do establish a connection between the applicable law rules and the rules on recognition and enforcement."<sup>202</sup>

**138** Apart from the aforementioned exceptional situations, public policy is a last resort mechanism. Therefore, even when the public policy exception can, in principle, be adopted to deny recognition and enforcement of foreign judgments, it should be limited in the following two ways. First, "the enforcement court should consider only the *outcome* of litigation, not the substance or procedure by which the outcome was achieved. Second, the court should consider how the outcome affects interests in the fo-

rum State and whether any clash with local interests can be softened through the remedial procedures,” an approach that “allow[s] the enforcement court to tailor the remedy to local concerns”<sup>203</sup> rather than to deny recognition and enforcement of the foreign judgment in question. “In fact, the remedial approach is particularly appropriate in an international setting, where cultural differences and levels of technological development are so widely disparate.”<sup>204</sup>

**139** In any case, a civil judgment based on a jury verdict, in principal, should not be regarded as contrary to public policy in countries that do not use civil juries.<sup>205</sup> Also, differences with respect to the availability of discovery devices between the country of origin and the requested country should not be an obstacle to the enforcement of the judgment.<sup>206</sup> Also, the CLIP Principles and the ALI Principles both provide that the public policy exception shall not be adopted with regard to punitive damages, since a part of those damages might be acceptable under the severability of the foreign judgment approach (see above). The Transparency Proposal also provides that sometimes the public policy exception will not be invoked in relation to punitive damages, and that “a part of punitive damages award might be acceptable in Japan.”<sup>207</sup> The Comments to the ALI Principles provide that the public policy exception “should not provide an opportunity for relitigation of the case.” This requirement is also explicitly mentioned in the Transparency Comments.

**140** So, the different sets of Principles and their related commentaries and literature contain many different public policy grounded specifications for the refusal of recognition and enforcement. However, as discussed at paragraph M.IV. below, this does not necessarily mean the different sets of Principles will reach different results where the specifications mentioned differ between them.

## II. Rationale

**141** Professor de Miguel Asensio explains the rationale for explicitly including both substantive and procedural public policy within the public policy exception: “Article 4:401 CLIP Principles refers to substantive and procedural public policy in separate provisions. Although in some conventions substantive and procedural public policy are mixed in the same provision and some international, regional, and national instruments do not include a specific reference to procedural public policy, it has been considered appropriate to deal with substantive and procedural public policy in different provisions. This approach is also a feature of many national systems.”<sup>208</sup>

**142** The reasoning behind the rejection of the approach that provides for the specification of the public policy exception directly in the relevant rule, rather than in the corresponding commentary, is well expressed by the commentaries to the Transparency Proposal Comments: first, “there were difficulties in creating an exhaustive list of stipulations due to the wide variety of circumstances peculiar to IP disputes” and second, “there were concerns raised that a public policy clause with a long list of considerations would lead to the misconception that the Transparency Proposal was very reluctant to recognise foreign judgments regarding IP disputes.”<sup>209</sup>

**143** The intent of all of the sets of Principles is to describe a narrow category of cases, as explained in detail in paragraph M.I. Furthermore, while the different sets of Principles and their accompanying commentaries and literature may set out different specifications for where public policy can ground refusal of recognition and enforcement, the Principles may all reach the same result in the end, as is discussed below in paragraph M.IV.

## III. International Context

**144** The common view is that the public policy exception should be adopted in a restrictive way in IPRs transnational litigation.<sup>210</sup> The same view highlights that the public policy exception to the recognition and enforcement of foreign judgments includes both substantive and procedural public policy.<sup>211</sup> Although public policy is typically a national defense based on the basic values and fundamental principles of a national legal system, in the case of public policy as a ground for non-recognition the doctrine is to be understood within the stricter sense of international public policy in both categories of substantive and procedural public policy. It should be applied in a restrictive and exceptional way, limited to situations in which requested court can easily ascertain the violation of public policy; and the incompatibility with the requested State’s public policy must be manifest.<sup>212</sup> Usually, the rules on public policy are general rules that do not specify the cases where this exception can be adopted to deny recognition and enforcement of foreign judgments. Yet, the literature and case that comments and applies those rules renders this specification.

**145** With respect to IP law, the literature and case law highlight that the important approximations of national substantive and procedural laws regarding the means of enforcing IPRs reduce the level of disparities between national legislations, particularly with respect to basic principles.<sup>213</sup> Furthermore, owing to the economic component of IP law civilization, conflicts are lacking in this field.<sup>214</sup> Therefore, the forum

State court cannot adopt the public policy exception of a substantive nature to avoid the recognition and enforcement of a foreign judgment based on whatever differences there are in substantive laws, but rather in very limited cases where the differences reflect diverging options followed by the countries involved as to where to strike the balance between IPRs and other conflicting values, interests and even fundamental rights, such as the freedom of expression and information, the right of education and the protection of health care.<sup>215</sup>

**146** Recent case law originating in various countries of the world also confirm the exceptional nature of public policy with regard to the recognition and enforcement of foreign judgments. In the U.S., in the *Sarl Louis Feraud International v. Viewfinder, Inc.* Judgment,<sup>216</sup> the U.S. Court of Appeals for the Second Circuit had to determine the enforceability of a French judgment that found copyright infringement in France under French law on a subject matter that was not copyrightable in the U.S. The question before the court was whether the fact that the object of the infringement was not copyrightable in the U.S. made the foreign judgment contrary to U.S. public policy. In answer to this question, the U.S. Court of Appeals for the Federal Circuit supported the view of the district court that copyright is not a matter of “strong moral principle”<sup>217</sup> but rather represents “economic legislation based on policy decisions that assign rights based on assessments of what legal rules will produce the greatest economic good for society as a whole,”<sup>218</sup> concluding that “the fact that the foreign judgment found copyright infringement under foreign law on a subject matter that is not copyrightable in the US does not make the foreign judgment contrary to public policy.”<sup>219</sup>

**147** In the EU, in the *Renault v. Maxicar* case,<sup>220</sup> Renault sought to enforce a French judgment in Italy, in which the defendant was found guilty of forgery for having manufactured and marketed body parts for Renault vehicles. The Italian First Instance Court dismissed the application on the ground that the French judgment could not be declared enforceable in Italy because it was contrary to public policy in economic matters. The Court of Appeal of Torino then decided to stay proceedings and refer the following question to the ECJ for a preliminary ruling: “is a judgment handed down by a court of a Member State to be considered contrary to public policy within the meaning of Article 27 of the Brussels Convention if it recognises industrial or intellectual property rights over such component parts which together make up the bodywork of a car, and affords protection to the holder of such purported exclusive rights by preventing third parties trading in another Member State from manufacturing, selling, transporting, importing or exporting in that Member

State such component parts which together make up the bodywork of a car already on the market, or, in any event, by sanctioning such conduct?”<sup>221</sup> The ECJ answered in the following terms. First the ECJ highlighted that “recourse to the clause on public policy in Article 27, point 1, of the Convention can be envisaged only where recognition or enforcement of the judgment delivered in another Contracting State would be at variance to an unacceptable degree with the legal order of the State in which enforcement is sought inasmuch as it infringes a fundamental principle.”<sup>222</sup> Second, the ECJ recalled that “the court of the State in which enforcement was sought is in doubt as to the compatibility with the principles of free movement of goods and freedom of competition of recognition by the court of the State of origin of the existence of an intellectual property right in body parts for cars enabling the holder to prohibit traders in another Contracting State from manufacturing, selling, transporting, importing or exporting such body parts in that Contracting State.”<sup>223</sup> Third, the ECJ emphasised that “the court of the State in which enforcement is sought cannot, without undermining the aim of the Convention, refuse recognition of a decision emanating from another Contracting State solely on the ground that it considers that national or Community law was misapplied in that decision.”<sup>224</sup> Finally, the ECJ concluded that “Article 27, point 1, of the [Brussels] Convention, [now 34 point 1 of the Brussels I Regulation] [...] must be interpreted as meaning that a judgment of a court or tribunal of a Contracting State recognising the existence of an intellectual property right in body parts for cars, and conferring on the holder of that right protection by enabling him to prevent third parties trading in another Contracting State from manufacturing, selling, transporting, importing or exporting in that Contracting State such body parts, cannot be considered to be contrary to public policy.”<sup>225</sup>

**148** In the Brussels system the European Commission Proposal to recast the Brussels I Regulation suggests that the notion of public policy as a ground for refusal of recognition should be removed.<sup>226</sup> The same Proposal was presented by the Commission in the framework of the Lugano Convention. However this was rejected by the *ad hoc* working party, who, although acknowledged that the exception was rarely used in real life, felt that the public policy rule was still necessary as a safeguard for nation States’ fundamental interests. However, the requirement that the judgment be “manifestly” contrary to public policy was added. The Pocar Report on the Lugano Convention mentions that the two concepts of substantive public policy and procedural public policy were discussed by the *ad hoc* working party in trying to determine whether the concept of public policy in the Convention covered both of them.<sup>227</sup>



## IV. Discussion

**149** The distinction between substantive public policy and procedural public policy, as well as the specific reference to procedural public policy made by certain sets of principles like the CLIP Principles and the Joint Korean and Japanese Proposal, which is in line with the approach of many international conventions as well as domestic legislation, is to be welcomed. The approach followed by only the ALI Principles, which specifies the cases where the public policy exception can be adopted to deny recognition and enforcement of foreign judgments in the rule related to the recognition and enforcement of foreign judgments, seems to be questionable for the reasons referred to by the Transparency Proposal. Thus, this Proposal avoids listing the cases where the public policy exception could lead to the non-recognition and enforcement of the foreign judgment at stake, and rather includes some examples in the Proposal's comments, following the CLIP Principles' approach. In any case, it seems sufficient to refuse the recourse to the rule on procedural public policy, in line with the approach adopted by the CLIP Principles and the Transparency Proposal, in the case of fraud unlike the corresponding rules of the Hague Draft Convention, as well as the ALI Principles, which contain a ground for non-recognition and enforcement related to fraud in connection with procedure. In fact, according to Art. 28.1(c) of the 2001 Hague Draft Convention on "grounds for refusal of recognition or enforcement," "recognition or enforcement of a judgment may be refused [only] if – [...] [c] the [judgment results from] proceedings [in the State of origin were] incompatible with fundamental principles of procedure of the State addressed, [including the right of each party to be heard by an impartial and independent court];]." Furthermore, according to Art. 28.1(f), "recognition or enforcement of a judgment may be refused [only] if – [...] recognition or enforcement would be manifestly incompatible with the public policy of the State addressed." Thus, the Hague Draft Convention distinguishes between procedural public policy (Art.28.1.c) and substantive public policy (Art.28.1.f), following the recent tendency to include specific reference to both kinds of public policy.

**150** The intent of all sets of principles to describe a narrow category of cases, as well as the expression of this intent in the wording of the ALI Principles and Comments, the CLIP Principles, and the Transparency Proposal is to be welcomed. In contrast, the wording of the Joint Korean and Japanese Proposal and its related Comments does not seem to sufficiently express this intent.

**151** With respect to the different specifications of the public policy grounds mentioned by the commentaries to the relevant principles and by the literature

related to them, it is to be noted that even though differences exist between them, this does not mean that the sets of principles involved necessarily lead to different results. In fact, each commentary to the sets of principles under examination makes it clear that the specifications provided are only examples and do not mean to be exhaustive. Therefore, even if a ground of non-recognition is not found in the specifications with regard to one set of principles that is present in another set, the same ground could still be adopted by the former set of principles and therefore reach the same result. Under this premise, it seems important at this point to just refer to paragraph (M.I.) where an analysis is made of what appears to lead to different results and the reasons for that. With respect to the adoption of the public policy exception in relation to validity see also the validity relevant paragraphs (I.).

## N. Non-compensatory damages

### I. Differences

**152** The ALI principles, the CLIP Principles and the Joint Korean and Japanese Proposal introduce a specific ground for non-recognition of money judgments on non-compensatory damages. In contrast, the Transparency Proposal does not provide for such a rule. However, the result is the same because the Transparency Proposal invokes the possibility of adopting the public policy exception in relation to punitive damages. Yet, as mentioned above, the Transparency Proposal does not foresee that punitive damages will always be contrary to public policy.<sup>228</sup> Instead, it advocates resolving the issue on a flexible basis, scrutinizing the foreign judgment according to a case-by-case approach, by stating that "whether foreign damages awards are punitive and shall not be recognized or enforced depends upon the particular facts of the cases concerned, and is to be determined by the requested court."<sup>229</sup> In addition, Section 411 of the ALI Principles and the literature commenting on the CLIP Principles require a comparison of both the function and the amount of the sums awarded, making significant to that comparison amounts aimed at covering costs and expenses relating to the proceedings, attorneys fees and liquidated damages.<sup>230</sup> Finally, the commentaries to the ALI Principles explicitly acknowledge the need to recognize and enforce reasonable royalties.<sup>231</sup>

### II. Rationale

**153** The rules on non-compensatory damages of the sets of principles at stake are all based on the same rationale of facilitating the (partial) recognition and

enforcement of foreign judgments awarding punitive damages despite the differences related to the “principles on the purposes and functions of the liability system.”<sup>232</sup> In fact, “this approach reflects the trend to assume that refusal to recognize judgments imposing punitive damages is mainly a reaction against the excessive amount of money awarded.”<sup>233</sup> Those rules are “modelled”<sup>234</sup> on Art. 33 of the Hague Draft, which, however, includes certain specifications on the debtor’s role before the court, as well as on the impossibility of the requested court reducing the damages awarded beyond the sum that would have been imposed by it in the same circumstances of the case. Article 33 of this Draft Convention is outlined in more detail in paragraph N.IV. below.

### III. International Context

**154** In the international context, a tendency to favor the (partial) recognition and enforcement of foreign judgments awarding non-compensatory damages is expressed by Art. 11 of the Hague Convention of Choice of Forum, which is modelled on Art. 33 of the Hague Draft Convention.

**155** In the EU the same tendency is established by the Rome II Regulation (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)). In fact, under Art. 15(c) the applicable law to the IPR infringement determines also “(c) the existence, the nature and the assessment of damage or the remedy claimed.” Yet, Recital 32 of the Rome II Regulation establishes that “Considerations of public interest justify giving the courts of the Member States the possibility, in exceptional circumstances, of applying exceptions based on public policy and overriding mandatory provisions. In particular, the application of a provision of the law designated by this Regulation which would have the effect of causing non-compensatory exemplary or punitive damages of an excessive nature to be awarded may, depending on the circumstances of the case and the legal order of the Member State of the court seised, be regarded as being contrary to the public policy (ordre public) of the forum.” Thus, the requested court can exercise discretionary evaluation just to reduce the amount of the damages awarded.<sup>235</sup>

**156** At the national level, courts in several states that do not impose punitive damages have found recognition and enforcement of such decisions to be contrary to public policy, refusing to recognise entirely the judgment at stake. This approach was followed for instance in Italy by the Supreme Court in 2007.<sup>236</sup> However, this approach is criticised by the view that invokes a less restrictive approach with regard to

public policy and aims to restrict the non-recognition of the judgment imposing punitive damages to the amount of compensatory damages.<sup>237</sup> A trend can be identified in this respect to (partially) recognise and enforce foreign judgments imposing punitive damages,<sup>238</sup> as is demonstrated by the relevant Supreme Court decision in Japan.<sup>239</sup> In other civil law systems even more favourable results have been reached. For example, in Spain, the Supreme Court declared a U.S. judgment enforceable that awarded punitive damages in a dispute involving the infringement of IP rights.<sup>240</sup>

### IV. Discussion

**157** The rules of the ALI principles, the CLIP Principles and the Joint Korean and Japanese Proposal that introduce a specific ground for non-recognition of monetary judgments on non-compensatory damages, with the aim of facilitating the partial recognition of those judgments, are to be welcomed. The Transparency Proposal’s understanding of punitive damages as being eventually included in the public policy exception leads to the same result. Thus, those rules are in line with the international tendency to favour the (partial) recognition and enforcement of foreign judgments imposing punitive damages that is well-expressed by the Hague Convention on Choice of Court Agreement and by the Hague Draft Convention. The Hague Draft Convention states in Article 33: “1. A judgment which awards non-compensatory damages, including exemplary or punitive damages, shall be recognised and enforced to the extent that a court in the State addressed could have awarded similar or comparable damages. Nothing in this paragraph shall preclude the court addressed from recognising and enforcing the judgment under its law for an amount up to the full amount of the damages awarded by the court of origin. 2. a) Where the debtor, after proceedings in which the creditor has the opportunity to be heard, satisfies the court addressed that in the circumstances, including those existing in the State of origin, grossly excessive damages have been awarded, recognition and enforcement may be limited to a lesser amount. b) In no event shall the court addressed recognise or enforce the judgment in an amount less than that which could have been awarded in the State addressed in the same circumstances, including those existing in the State of origin. 3. In applying paragraph 1 or 2, the court addressed shall take into account whether and to what extent the damages awarded by the court of origin serve to cover costs and expenses relating to the proceedings.” This rule favors the (partial) recognition and enforcement of foreign judgments awarding punitive damages, which is in line with the current international trend.<sup>241</sup> The Report to the Hague Convention makes it clear that Ar-

ticle 33(1) was intended to exclude reliance by States on any public policy objection they may have raised to enforce punitive damages.<sup>242</sup> The same report explains how the effect of paragraph 2(a) is to be limited, using the example of a “woman who receives several millions of dollars for being scalded by hot coffee” to show what is meant by “grossly excessive damages.”<sup>243</sup> Furthermore, the report states that assessing what is “grossly excessive” is to be done by comparing the award given to the norm in similar cases in the State of origin – comparing the award to the norm in the State addressed is not enough on its own.<sup>244</sup> The rule of the Hague Draft Convention at stake goes even further in that paragraph two specifies the role of the debtor in proving to the court the excessive nature of the damages awarded as well as clarifying that the requested court shall not recognize or enforce the judgment in an amount less than that which could have been awarded in the State addressed in the same circumstances.<sup>245</sup>

- 158** Unlike the Hague Draft Convention, all sets of Principles do not refer either to the role of the debtor in proving before the court the excessive nature of the damages awarded, or to the fact that the requested court shall not recognize or enforce the judgment in an amount less than that which could have been awarded in the requested State in the same circumstances. The high standard of clarity provided by the literature commenting on the CLIP Principles and the ALI Principles’ commentaries in relation to how to compare the amount of damages awarded by the rendering court to the ones that would have been imposed by the requested court is to be welcomed. The same results could also be reached under the Transparency Proposal and the Joint Korean and Japanese Proposal, recalling the need to scrutinize the foreign judgment according to a case-by-case approach.

## O. Other grounds for non-recognition of foreign judgments

### I. Differences

- 159** Each set of principles enumerates exhaustively the other grounds for non-recognition so that no other checks may be used to control recognition of foreign judgments.<sup>246</sup>
- 160** The CLIP Principles, the ALI Principles, the Transparency Proposal, and the Joint Korean and Japanese Proposal all raise the failure to provide timely and lawful service/notice as a basis for non-recognition of judgments. Yet, the adoption of the words “service” or “notice” could be avoided as they are in the Hague Draft Convention, which uses the word “notify.”<sup>247</sup> Certain differences among the sets of Principles concern whether this ground for non-recognition applies when the defendant is improperly served but still appears in court. Under the CLIP Principles, improper service cannot serve as a basis for non-recognition in “situations in which the defendant entered an appearance and presented his case without contesting notification in the court of origin, provided that the law of the state of origin permitted notification to be contested.”<sup>248</sup> Under the Transparency Proposal, a judgment shall be recognized even if the defendant did not receive proper service if, *inter alia*, the defendant “appeared in the action without receiving such service” (Article 402(ii)). Unlike the CLIP Principles, there is no mention of such a requirement. As for the Joint Korean and Japanese Proposal, while the Comments note that “the Article clarifies that the defendant’s appearance does not legitimate the non-compliance with the formality,”<sup>249</sup> the text of the Article provides that improper service as a ground for non-recognition shall not apply “if the defendant has appeared without receiving such timely service” (Article 401(1)(ii)). Furthermore, the Joint Korean and Japanese Proposal clarifies that service by publication or any other service similar thereto is excluded (Article 401(ii)). By contrast, the ALI Principles seem to provide an even broader basis for non-recognition than the corresponding rules of the CLIP Principles and the Transparency Proposal with respect to the ground for non-recognition related to “notice,” because the ALI Principles appear to allow for non-recognition when there was improper service even when the defendant appeared and did not contest service.<sup>250</sup> The ALI Principles’ approach is not in line with the solution adopted by the Hague Draft Convention.<sup>251</sup>
- 161** Another difference concerns service that is sufficient to ensure protection of the defendant’s rights, but is not in compliance with international conventions binding upon the states involved. The CLIP Principles and the ALI Principles reflect one approach, requiring only that the defendant receive notice in time sufficient to respond to the suit, but do not explicitly require that the service be made in compliance with binding conventions<sup>252</sup> and even state that, “process serving not undertaken in accordance with a treaty on judicial cooperation to which the country of origin and the enforcing country are parties does not necessarily make recognition contrary to Article 4:501(1).”<sup>253</sup> By contrast, the Transparency Proposal provides, consistent with the Hague Draft Convention as will be discussed in paragraph O.IV., that if there is a treaty between the country of judgment and Japan that provides that the service of the document required for the commencement of litigation must be effected in a certain manner, service must comply with the requirements of the treaty or it will not be regarded as timely and lawfully made.



Yet the results of both approaches seem to be the same since the commentary to the Transparency Proposal recognizes that service that was not compliant with international conventions or was insufficient to protect the defendant's rights cannot serve as a basis for non-recognition if the defendant appeared in the foreign proceedings.<sup>254</sup> Furthermore, the literature commenting on the CLIP Principles states that "at any rate, from the practical perspective, it seems reasonable to advise any party who may be interested in the future enforcement of the judgment abroad to ensure that service is through a method admitted in the future requested state, to avoid possible risks of non-recognition given the current state of the law in many countries."

**162** Finally, none of the sets of Principles examined include a provision like Article 9(c)(ii) of Hague Convention on Choice of Court, which refers to an additional ground for non-recognition as the situation in which notification to the defendant in the requested State was made "in a manner that is incompatible with fundamental principles of the requested State concerning service of documents." Hence, those situations are covered by the procedural-specific rules of the ALI principles as well as by the procedural public policy provisions of the other sets of Principles.<sup>255</sup>

**163** All sets of Principles establish as a ground for non-recognition the pending of proceedings as well as the inconsistency between judgments in terms closely related to their specific coordination of jurisdiction principles. With respect to those grounds for non-recognition in relation to the validity issue see the validity relevant paragraphs (I.).

**164** Therefore, a first ground for non-recognition in this respect is related to the pending of proceedings. In fact, the CLIP Principles provide a chronological criterion, like the Hague Draft Convention (see paragraph O.IV.), and establish that a foreign judgment shall not be recognized if proceedings between the same parties that have the same cause of action are pending before a court of the requested state, provided that those proceedings were the first to be instituted, even if the proceeding did not come to a judgment by the time the foreign judgment was required to be recognized and enforced (otherwise the rules on the irreconcilability of judgments hereafter mentioned should prevail).<sup>256</sup> The Joint Korean and Japanese Proposal's relevant rule is modelled on the CLIP Principles' corresponding provision.<sup>257</sup> The ALI Principles adopt the same chronological criterion but do not limit it to the forum state proceeding. Instead, they extend it to whatever previously pending proceeding is in the non-rendering states, when the previously seized court has jurisdiction according to the relevant jurisdiction rules or when this court coordinates or cooperates in the adjudication or in the consolidation court. By contrast, the

Transparency Proposal provides that the Japanese proceeding always prevails over the foreign judgment in terms of recognition in Japan, thus allowing for non-recognition even if the proceeding in the requested State (e.g., the Japanese proceeding) starts after the proceeding that led to the judgment to be recognised, even if the Japanese proceeding did not come to a judgment by the time the foreign judgment was required to be recognised and enforced. The Transparency Proposal does not pose the requirement of same parties and same subject matter but just adopts the notion of "parallel litigation," leaving its characterisation in relation to the concrete case to the court requested in light of the relevant jurisdiction rules.

**165** A second ground for non-recognition in this respect is based on the "irreconcilability" of judgments. The CLIP Principles establish that a foreign judgment cannot be recognised if it is irreconcilable with another judgment given by the requested State's court of between the same parties, or given between the same parties and having the same cause of action by a third State's court earlier or already recognised by the requested court. Thus, with respect to the inconsistency of the judgment to be recognised with another judgment rendered in a third State's court, the CLIP Principles pose either a priority criterion or a requirement related to the same cause of actions of both judgments involved, whereas those two requirements are absent with regard to the irreconcilability of the rendered judgment with the one given in the requested State. The Joint Korean and Japanese Proposal's relevant rule is modelled on the CLIP Principle's corresponding provision.<sup>258</sup> The ALI Principles do not pose a priority requirement but rather impose the same cause of action for any case related to the irreconcilability of judgments, allowing recognition to be refused when the foreign judgment at stake is irreconcilable with a judgment rendered by the forum state's courts, or even by third states that had jurisdiction according to the relevant rules or were had coordinated or cooperated in the adjudication or in the consolidation court. In any case, the CLIP Principles specify the strict understanding of the same parties requirement, as well as the irreconcilability of judgments requirement. and the fact that the CLIP Principles leave to the requested court the decision as to whether the judgment given in the rendered State has to have become *res judicata* or if it is sufficient for the judgment to be final and conclusive at that stage of procedure.<sup>259</sup> Once again the Joint Korean and Japanese Proposal's relevant rule is modelled on the CLIP Principle's corresponding provision.<sup>260</sup> In contrast, Article 402(v) of the Transparency Proposal regulates "a situation where, if the recognition and enforcement of a foreign judgment is sought, there already exists a Japanese judgment incompatible with that foreign judgment which did not result from international parallel litigation. In

this situation, the Japanese judgment should have priority over the foreign judgment if the former had become final and binding earlier than the latter had.” Thus, the Transparency Proposal does not pose any requirement related to the same subject-matter and the same parties, but refers only to the notion of “incompatibility,” leaving its characterisation in relation to the concrete case to the court requested in light of the relevant jurisdiction rules. Furthermore, the Proposal does not refer to the inconsistency of the judgment to be recognised with another judgment given in a third country eventually recognised in the requested State. Also, the Transparency Proposal requires explicitly that the Japanese judgment become final and binding to allow for the non-recognition of the foreign judgment at stake. Yet, even though this rule seems to be stricter than the corresponding ones of the other sets of Principles, which do not require the finality of the judgments of the forum State or third States, the result in this respect could still be the same because the rendered judgment to be recognised cannot be recognised whenever a Japanese proceeding is pending in Japan, irrespective of any chronological criterion. Thus, even if the pending Japanese proceeding is still in the first instance phase, the requested judgment cannot be recognised.

## II. Rationale

**166** The ground for non-recognition related to the timely and lawful service is posed by all sets of Principles to ensure the protection of the defendant during the proceeding. This ground for non-recognition is therefore “based on an understanding of the importance of procedural fairness that finds expression in the requirement for notice of the commencement of the suit to the defendant as a core of the system of the recognition and enforcement of foreign judgments.”<sup>261</sup> Furthermore, the Transparency Proposal commentary clarifies that the rule related to service incorporates the Supreme Court of Japan’s interpretation of the corresponding rule of the Japanese Code of Civil Procedure.<sup>262</sup> As for the differences between the sets of principles with respect to methods of service, as already noted they do not lead to different results since each of the principles involved, save for the ALI Principles which is not so clear on the point, focuses on the verification that the defendant was notified and received knowledge of the proceedings in a way that did not hinder his right of defense, and therefore had the opportunity to defend himself.<sup>263</sup> Yet, the commentaries to the Transparency Proposal clarify that “the functions of giving notice and creating defense possibilities, which the service must fulfil under this provision, could be required through interpretation of the term ‘service.’ However interpretation does not always lead to the requirement of complying with the applicable con-

ventions. Thus, the Transparency Proposal, from the viewpoint of stressing the significance of international judicial assistance conventions and ensuring the stability of the procedure, provides for the requirement for the compliance with such conventions in Article 402(ii).”<sup>264</sup>

**167** All sets of principles establish the pending of proceedings as well as the inconsistency between judgments in terms closely related to their specific coordination principles as a ground for non-recognition. The reasoning for those grounds is well-explained by the Comments to the ALI Principles: “in order to promote efficient adjudication, it is important not only to facilitate parties’ applications to coordinate, but also to discourage continued proceedings in other fora once an action has been coordinated. An effective way to discourage those proceedings is to deny enforcement to any resulting judgment.”<sup>265</sup>

**168** The approach adopted by the CLIP Principles, the Joint Korean and Japanese Proposal and ALI Principles in relation to the pending of proceedings under which a chronological criterion is established is grounded on its being in line with the view followed by many international conventions and instruments.<sup>266</sup> Yet, the absence of any chronological criterion in the Transparency Proposal, which always grants prevalence to the proceedings in Japan, is explained in this way: “giving priority to the Japanese proceedings and the Japanese judgment in the future is logically consistent, because, in this case, Japanese courts would justify the exercise of jurisdiction as the place of performance of the primary obligation or the place of occurrence of the primary facts adopted by Article 201 (1)(2), i.e. the ‘the proper forum approach.’ Thus the foreign judgment is not to be recognized or enforced, even if it has been rendered or has become final and binding earlier than the existing or future Japanese judgment has. Article 402(iv) clarifies that purpose.”<sup>267</sup>

**169** The approach adopted by the CLIP Principles, the Joint Korean and Japanese Proposal and ALI Principles with regard to the irreconcilability of judgments (though maintaining some differences) is grounded on the fact that it “reflects criteria that have achieved significant acceptance from a comparative perspective.”<sup>268</sup> The commentaries to the Transparency Proposal make it clear that their approach aims at “protecting the domestic legal order.”<sup>269</sup>

**170** Finally, with respect to those grounds for non-recognition in relation to the validity issue, see the validity relevant paras.

### III. International Context

171 At the international level an exhaustive list of grounds of refusal “is common in the drafting of international conventions concerning the recognition and enforcement of judgments, as illustrated by the approach followed in the” Hague Draft Convention.

172 With respect to the ground for non-recognition related to services, at the international level, rules imposing the control of the defendant’s rights of defense by proper service in adequate time before the court of origin are posed e.g., by Article 9(c)(i) Hague Convention on Choice of Court Agreements of 2005, Section 4(c)(1) Uniform Foreign-Country Money Judgments Recognition Act (2005) and Art.28(1)(d) of the Hague Draft Convention on Jurisdiction, which will be discussed in paragraph O.IV.<sup>270</sup> At the EU/EFTA level, rules imposing the control of the rights of defense of the (defaulting) defendant by proper service in adequate time before the court of origin are posed by Art. 34.2 of the Brussels I Regulation and of the Lugano Convention. In light of the relevant ECJ jurisprudence, the Pocar Report to the Lugano Convention discusses how the *ad hoc* working party saw the need to balance the protection of the defendant (through the requirements of the document being “duly” served, and the defendant having “sufficient time to enable him to arrange for his defence,” present in the 1988 Convention), against the possibility of the defendant abusing the provision and relying on “insignificant irregularities of service” to frustrate the recognition and enforcement procedure.<sup>271</sup> This led to Article 34(2) dropping the requirement of service being in due form. Instead, this issue was considered in combination with the issue of giving the defendant “sufficient time to enable him to arrange for his defence.”<sup>272</sup> Furthermore, even if the service did not give the defendant sufficient time to prepare his defense, the judgment is still to be enforced if the defendant did not challenge the service in the State of origin when it was possible for him to do so.<sup>273</sup> At the national level, rules controlling the rights of the defendant before the court of origin (namely requiring proper summons and giving sufficient time) are established by many legal systems such as 64.b) Italian Act of Private International Law of 1995.

173 With respect to the ground for non-recognition related to parallel litigation “many international conventions on recognition and enforcement as well as national legislations follow [the] approach”<sup>274</sup> taken by the CLIP Principles and the Joint Korean and Japanese Proposal particularly. Yet, in Japan Article 118 of the Code of Civil Procedure and Article 24 of the Civil Execution Act contain no provision to deal with international parallel litigation. The relevant jurisprudence adopted the public policy exception in certain occasions to deal with those issues. The

literature is divided on the point.<sup>275</sup> In contrast, at the EU/EFTA level, a pending proceedings rule that says that at the recognition and enforcement stage, the proceeding of the court first seized shall prevail against judgments given by courts at later stages (save when the requested court’s proceedings that were however later seized had come to a judgment at the time when recognition was sought) is lacking in the Brussels system. This is so because the *lis pendens* rule provided for by Article 27 Brussels I Regulation should prevent such proceedings from developing in parallel.

174 With respect to the ground for non-recognition related to irreconcilability of judgments many international conventions on recognition and enforcement as well as national legislations follow the view of the CLIP Principles and the Joint Korean and Japanese Proposal particularly, which is also adopted by Art. 34(3) and (4) of the Brussels system.<sup>276</sup> Particularly, the Pocar Report to the Lugano Convention clarifies that the ground for non-recognition of irreconcilability between judgments will apply only rarely. However, it does have a broad scope, and thus two judgments can be held as irreconcilable where they only have the same parties to the action, not the same subject matter.<sup>277</sup>

175 At the national level, different approaches can be found in national systems regarding the status of the judgment given by the Court of origin, and whether it has to be *res judicata* or if it can simply be “final and conclusive” regarding that stage of the procedure. In Italy for instance, the Italian judgment that can preclude the recognition and enforcement of the foreign judgment at stake has to have become *res judicata*. In Japan, Article 118 of the Code of Civil Procedure and Article 24 of the Civil Execution Act contain no provision to deal with the existence of an incompatible Japanese judgment. The relevant jurisprudence adopted the public policy exception in certain occasions to deal with those issues. The literature is divided on the point.<sup>278</sup>

176 With respect to those grounds for non-recognition in relation to the validity issue, see the validity paragraph (I).

### IV. Discussion

177 Each sets of Principles enumerates exhaustively the other grounds for non-recognition so that no other checks may be used to control recognition of foreign judgments.<sup>279</sup> This approach is in line with the Hague Draft Convention, which in Art. 28 on the “grounds for refusal of recognition and enforcement” adopts the wording “only.” The Hague Draft Convention adopts an exhaustive list of grounds of refusal as Art. 28 on “Grounds for refusal of recognition or enforce-



ment” establishes that “recognition or enforcement of a judgment may be refused [only] if.” Therefore, as the Report to the Hague Draft Convention highlights, while the list is exhaustive, courts have discretion as to whether they actually refuse recognition or enforcement when a grounds of refusal exists.<sup>280</sup>

**178** With respect to the ground for non-recognition related to services, the ALI Principles’ approach is to be understood as too broad in that it does not restrict the operating of this ground to default judgments or to judgments when the defendant appears in order to contest service, but it also covers cases where the defendant appears and does not contest service. Yet the approach adopted by all other sets of Principles is more in line with Art. 28(1)(d) of the Hague Draft Convention, which highlights that the non-recognition ground at stake applies “unless the defendant entered an appearance and presented his case without contesting the matter of notification in the court of origin.” In any case this Article requires that the two requirements of notification to the defendant of the document instituting proceedings and the allowance of sufficient time to arrange for a defense must be fulfilled; otherwise the judgment may be denied recognition and enforcement. Finally, on a terminology note the adoption of the words “service” or “notice” is contrary to the result of the Hague Draft Convention, which uses the word “notified” instead, as “notify” has no technical meaning in English legal terms in order to avoid references to national law.<sup>281</sup>

**179** With respect to the pending of proceedings and the inconsistency of judgments requirements, the absence of references to the inconsistencies with third countries’ judgments in the Transparency Proposal, as well as the too broad prevalence conferred by the Transparency Proposal to Japanese proceedings according to which the foreign judgment is not to be recognized or enforced, even if it has been rendered or has become final and binding earlier than the existing or future Japanese judgment has, is subject to criticism. In both aspects the Transparency Proposal is not in line with the Hague Draft Convention, which adopts an approach similar to the CLIP Principles and Joint Korean and Japanese Proposal, listing among the other grounds for refusal of recognition and enforcement of foreign judgments the following: “a) proceedings between the same parties and having the same subject matter are pending before a court of the State addressed, if first seised in accordance with Article 21; b) the judgment is inconsistent with a judgment rendered, either in the State addressed or in another State, provided that in the latter case the judgment is capable of being recognised or enforced in the State addressed.” Furthermore, the Transparency Proposal approach may lead to dangerous results. Thus, similarly to what happened for instance in Italy in the frame of the previ-

ous PIL system, this rule can give rise to many abuses and sharp practices given that parties in a foreign proceeding in the finalizing or finalized stage can start proceedings in Japan as soon as they are aware of the fact that their counterparties are in the process of asking for the recognition and enforcement of the foreign judgment in a Japanese court. In this way the recently instituted Japanese proceeding can prevent the recognition and enforcement of the foreign judgment at stake. It is to be welcomed the literature commenting on the fact that the CLIP Principles leave to the requested court the decision as to whether the judgment given in the State addressed needs to have become *res judicata* or if it is sufficient for the judgment to have become final and conclusive at that stage of the procedure.

**180** Finally, with respect to the inconsistencies of the judgment to be recognized with another judgment rendered in the requested State, the CLIP Principles’ absence of clarification as to why they do not pose either a priority criterion or a requirement related to the same cause of actions of both judgments involved is subject to criticism, whereas for instance in the Joint Korean and Japanese Proposal the “same cause of action” is posed as an additional requirement to deny recognition of the foreign judgment. Yet, it seems that an explanation for the CLIP Principles approach can be inferred from the Hague Draft Convention Report according to which, “the quality of being inconsistent should not be confused with *lis alibi pendens*. A *lis pendens* situation can lead to compatible results: the main problem there is the duplication of time, effort and money. Inconsistent judgments, on the other hand, can result from causes of action in respect of subject matters which are different and may even arise when the parties are different as when one judgment condemns a guarantor to pay for a debt that as between the creditor and principal debtor has been annulled in another judgment. Nor is preference necessarily given to the inconsistent judgment which is prior in time or which results from proceedings which are instituted prior in time.”<sup>282</sup> This is in line with the Brussels system understanding mentioned at the corresponding paragraph O.III. Therefore, the CLIP approach in this respect should be favored and even extended to inconsistent judgments of third states. On the irreconcilability of judgments with regard to the validity issue, this was already referred to in the paragraphs related to validity (I.) and to public policy (M.).

**181** Finally, on a terminology note the Hague Draft Convention on Jurisdiction adopts the notion of “inconsistency” in line with the ALI Principles and the Joint Korean and Japanese Proposal, rather than “incompatibility” (Transparency Proposal) or “irreconcilability” (CLIP Principles). In fact, “in the English version the word ‘inconsistent’ was preferred

to ‘irreconcilable’ as a counterpart to the French ‘inconciliable.’”<sup>283</sup>

## P. Exclusion of substantive review

### I. Differences

**182** The CLIP Principles and the Joint Korean and Japanese Proposal explicitly prohibit substantive review of the merits of a case when determining whether to enforce a foreign judgment. Therefore, “consideration of the merits of foreign judgments is limited to the verification of the grounds for non-recognition, especially to ensure it does not infringe public policy.”<sup>284</sup> The commentary to the Transparency Proposal clarifies that “the Transparency Proposal still maintains and is based on some fundamental principles prerequisite for Article 118 of the Code of Civil Procedure and Article 24 of the Civil Execution Act. They are as follows: (i) no review of the merits of the foreign judgments or the prohibition of review of their merits for recognition (the prevailing interpretation) and enforcement (Art. 24(2) of the Civil Execution Act) [...]. Although [the Transparency Proposal] includes no provisions setting forth these principles, it presupposes them as a matter of course.”<sup>285</sup> This approach is in line with the approach taken by the 2001 Hague Draft Convention, in Article 28(2), which is outlined below in paragraph P.IV. The ALI Principles is silent on the point,<sup>286</sup> whereas their Section 403(4) impedes the requested court from reviewing “the facts found by the rendering State and the governing law.” On the finding of facts issue see, however, above at paragraph J.I.

### II. Rationale

**183** The CLIP Principles prohibit substantive review of a foreign judgment in Article 4:601, which is a “criterion [that] is common to almost all international, regional, and national systems of recognition and enforcement, since it results from the separation of judicial systems and the essence of recognition and enforcement.”<sup>287</sup> The same rationale is adopted by the Joint Korean and Japanese Proposal (in Article 401(2)) in support of its corresponding provisions.<sup>288</sup> The commentary to the Transparency Proposal recalls the relevant Japanese internal rule in this respect.

## III. International Context

**184** “This criterion is common to almost all international, regional, and national systems of recognition and enforcement, since it results from the separation of judicial systems and the essence of recognition and enforcement.”<sup>289</sup> At the EU level the exclusion of substantive review is established by Arts. 36 and 45.2 of the Brussels I Regulation and 2007 of the Lugano Convention. The same exclusion is provided for by the Hague Draft Convention, as will be discussed in paragraph P.IV.

## IV. Discussion

**185** The approach taken by the CLIP Principles, Transparency Proposal and Joint Korean and Japanese Proposal is to be welcomed because i.e. it is in line with the scope of the recognition and enforcement of foreign judgments as well as with the international tendency in this field. In contrast, the ALI Principles’ silence on the point is regrettable. In fact, despite the fact that those Principles provide for the rule on the finding of facts, they do not seem to reach with this rule the same results as the provisions here addressed. The absence of a clear rule in this respect in the Transparency Proposal could be an issue for those who might not be aware of its relevant commentary recalling the exclusion at stake as a general grounding principle of the Proposal.<sup>290</sup>

**186** Additionally, the reference by the literature commenting on CLIP Principles to certain substantive review that can be rendered under the public policy exception is to be welcomed. Yet, even in the absence of such referral the other sets of Principles lead to the same result. The Hague Draft Convention’s relevant rule, Art. 28(2), states that “without prejudice to such review as is necessary for the purpose of application of the provisions of this Chapter, there shall be no review of the merits of the judgment rendered by the court of origin.” The Report to this Draft Convention clarifies that a substantive review is necessary to verify the jurisdiction of the rendering court; that the judgment was not obtained by fraud and that it does not conflict with the public policy exception; and to reconsider the damages in cases of punitive damages.<sup>291</sup> As mentioned it seems that all sets of Principles lead to the same results by way of interpretation.

## Q. General principles related to the procedure

### I. Differences

**187** The ALI Principles and the Transparency Proposal lack rules on the general principles related to the procedures unlike the CLIP Principles (at Article 4:701) and the Joint Korean and Japanese Proposal (at Article 409(2)). Yet, as the Joint Korean and Japanese Proposal's commentary clarifies "because these expectations are self-evident, an independent provision in the [principles] is not be a must. That's why it does not appear in the *Transparency Proposal*. However, because it is universally accepted as a model rule in conflict of laws, we've written it into these Principles to reconfirm it with certainty."<sup>292</sup> In other words, even in the absence of specific rules on the point it is clear that recognition and enforcement procedures shall not be unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays. This result derives i.e. from "the general obligations imposed by Article 41(2) TRIPS Agreement."<sup>293</sup>

### II. Rationale

**188** The relevant CLIP Principles and the Joint Korean and Japanese Proposal rules are in line with the "general obligation" imposed on member States by Article 41(2) TRIPS Agreement.<sup>294</sup> Furthermore, the Joint Korean and Japanese Proposal provides a rationale for the absence of such a provision in the Transparency Proposal, stating that the result to which this proposal leads to are self-evident by way of interpretation.<sup>295</sup>

### III. International Context

**189** At the international level Article 41(2) TRIPS Agreement obliges States to act in an expeditious way when dealing with domestic IPRs enforcement issues. At the recognition and enforcement level, certain provisions of international conventions impose on contracting states an obligation to use in the field of the convention concerned the most rapid procedure established in the requested State and, if necessary, to speed up existing procedures. A similar provision may be found in Art. 30 of the Hague Draft Convention, which will be referred to in paragraph Q.IV. In the EU/EFTA system the Pocar Report on the Lugano Convention rule related to the enforcement of foreign judgments (Art. 43) states that although the review of whether there are any grounds to reject the application for enforceability may take some

time, the "free movement of judgments should not be hindered by obstacles such as delays in proceedings for enforcement."<sup>296</sup>

## IV. Discussion

**190** Even in the absence of a specific provision on the point, all Principles lead to the same result of making the requested court act expeditiously, as explicitly established by the CLIP Principles, and in a simpler way, by the Joint Korean and Japanese Proposal. Furthermore, the 2001 Hague Draft Convention supports the approach taken by the Joint Korean and Japanese Proposal and the CLIP Principles by saying in Art. 30 that "the court addressed shall act [in accordance with the most rapid procedure available under local law] [expeditiously]." The Report to this Convention also states that where it is appropriate, Article 30 may require courts to speed up existing procedures, obliging member States "to use, for the purposes of recognition, declarations of enforceability and enforcement the most rapid procedure they possess in their national law and, where appropriate to speed up existing procedures."<sup>297</sup>

## R. Recognition and enforcement procedures

### I. Differences

**191** The CLIP Principles (at Articles 4:702 and 4:703) and the Joint Korean and Japanese Proposal (at Article 409(1)) refer to the law of the requested State to rule the recognition and enforcement procedures. However, the rules of the CLIP Principles are much more specific on the point. In fact, the CLIP Principles render it clear that the recognition of foreign judgments shall be rendered without any special procedure, e.g. automatic recognition. Yet, the literature commenting on the CLIP Principles acknowledges that in specific cases a party may want to obtain a formal declaration of recognition or non-recognition and that "litigation in one country of activities carried out through ubiquitous media makes this possibility more significant than ever before."<sup>298</sup> As an example this literature refers to the case where a party defeated in a foreign country is interested in obtaining a decision declaring that the foreign judgment cannot be recognized or enforced in the forum state, as happened in the *Yahoo! Inc. and La Ligue contre le racismisme et l'antisémitisme* cases, although the case was not concerned with the exploitation of IP rights.<sup>299</sup> As far as the enforcement of foreign judgments is concerned the CLIP Principles and their commenting literature clarify that "the possibility of enforcing a foreign judgment follows from the declaration of en-



forceability (recognition) of the relevant judgment. The basic criterion is that once the foreign judgment becomes enforceable in the requested state it has to be treated as a judgment of the requested state and hence the law of the enforcing country applies to the execution process.”<sup>300</sup> Yet, certain problems might arise in relation to the enforcement of non-monetary judgments or injunctions, which shall be enforced on the basis of the law of the requested State under the CLIP Principles. In summary, the literature commenting on those principles makes it clear that “under Article 4:703(3) CLIP Principles, all these issues are left to the legislation of the enforcing country and no specific provisions have been adopted. Therefore, the procedural law of the enforcing country determines issues such as the following: organs of enforcement, including the judicial or administrative nature of enforcement; modes of enforcement of money and non-money judgments; methods of coercion (such as a levy on assets or garnishment); the possibility of the cumulative employment of several types of monetary enforcement; the relevant time for the conversion of the foreign currency in which the judgment was expressed into the domestic currency; sanctions against non-compliance with enforceability; the consequences of irregular enforcement; and the level of intervention by the courts as an ultimate guarantee of legality.”<sup>301</sup> The ALI Principles and the Transparency Proposal lack rules on the point. Yet, the Transparency Proposal reaches the same result as the CLIP Principles and the Joint Korean and Japanese Proposal. In fact, the commentary to the Transparency Proposal clarifies that this Proposal is “based on some fundamental principles prerequisite for Article 118 of the Code of Civil Procedure and Article 24 of the Civil Execution Act. They are as follows: [...] (ii) the recognition of foreign judgments without any special procedure, i.e. automatic recognition (see Art. 118 of the Code of Civil Procedure); and (iii) an action seeking an execution judgment for foreign judgments (Art. 24 (1) of the Civil Execution Act). Although [the Transparency Proposal] [...] includes no provisions setting forth these principles, it presupposes them as a matter of course.”<sup>302</sup>

**192** Also the 2001 Hague Draft Convention provides that the law of the State addressed governs in this regard, and the Report to this Draft Convention refers to the automatic recognition cases, as is highlighted below in paragraph R.IV.

**193** With respect to the recognition and enforcement of injunctions see also the paragraphs related to the effects of judgments (E.), to public policy (M.), and to severability (G.).

## II. Rationale

**194** The procedures for recognizing and enforcing a foreign judgment may differ, given the differences between the two judicial concepts. Professor Pedro de Miguel Asensio provides an explanation of their differences in his analysis of the CLIP Principles: while the conditions for denying recognition or enforcement of a judgment are the same, “the only additional requirement is that in order to be enforceable, a judgment must be enforceable in the state of origin. Although a judgment cannot be enforced unless it is previously recognized, recognition has significance outside the enforcement context because a foreign judgment also must be recognized in order to be given preclusive effect or to produce in the requested state its so-called dispositive effects regarding the creation, modification, or termination of a legal relationship or situation.”<sup>303</sup> By contrast, “enforcement means that the courts of the destination country will take the necessary steps to give one party the relief granted to it by the foreign judgment, having recourse to public coercive force when needed.”<sup>304</sup> Finally, another distinction is to be made between enforcement and declaration of enforceability. In fact, “the possibility to enforce a foreign judgment normally requires a previous declaration of enforceability by the courts of the enforcing country. In particular, the grant of enforceability is typically subject in the different systems to a specific procedure, usually referred to as *exequatur* in some European and Latin American countries and registration in some common law countries.”<sup>305</sup>

**195** According to Professor de Miguel, the differences with respect to the recognition and enforcement procedure under the CLIP Principles are in line with the prevailing international approach.<sup>306</sup> As such, the CLIP Principles provide for “automatic recognition,” meaning that foreign judgments may be recognized without any special procedure, or more precisely, “foreign judgments may take effect *ipso iure* whenever recognition is invoked as an incidental question or as a main question before a competent authority of the recognizing country.”<sup>307</sup> By contrast, the enforcement of a foreign judgment may be subject to special procedures.<sup>308</sup> Article 4:703 provides that the law of the requested state determines the methods by which a foreign judgment can be declared enforceable. The principle that the declaration of enforceability and enforcement shall be regulated by the law of the requested country posed is in line with the international, EU and national tendencies related to enforcement of foreign judgments.<sup>309</sup> The Joint Korean and Japanese Proposal also adopts this approach even though the related rules and comments are much simpler than the ones of the CLIP Principles. The Transparency Proposal does not encompass rules on the point, but addresses the is-

sue also in a simple way in the Commentaries, referring to the Japanese internal system. Yet, all sets of Principles seem to lead to the same results.

### III. International Context

**196** At the international level, the approach that the law of the requested court applies with respect to the procedures for declaration of enforceability and the enforcement of foreign judgments is adopted by various Conventions, as it is also emphasised by the Report to Art.30 of the Hague Draft Convention, which adopts the same approach as will be examined in paragraph R.IV. At the European level, the distinction between recognition, declaration of enforceability, and enforcement of a judgment is posed by Art. 33 of the Brussels I Regulation and of the Lugano Convention. The Brussels system is based on the mutual trust between member States and therefore on the automatic recognition of judgments rendered by the courts of the EU/EFTA member States. The characteristics of this system are well highlighted by the Explanatory Report to the Lugano Convention by Professor Pocar, who states that the rules for recognition and enforcement are intended to limit the intervention of the State, so that the “declaration of enforceability of a judgment can be reduced to little more than a formality.”<sup>310</sup> Furthermore, the Explanatory Report establishes that member states should always declare a judgment from another member state as *prima facie* enforceable, without any inquiry. Only if a party to the proceedings challenges the declaration of enforceability will the Court of the requested State examine the judgment more closely, and the burden is on the objecting party.<sup>311</sup> Finally, the Pocar Report states that, if the proper formalities have been complied with, Article 41 requires the requested Court to declare the judgment enforceable “immediately.”<sup>312</sup> In relation to the Brussels system, it is also notable that with regard to non-monetary judgments, although not specifically in the IP field, the ECJ in the *Realchemie* case clarified that the recognition and enforcement rules of the Brussels system apply to the non-monetary judgments, and other relevant decisions reached the same result with respect to non-monetary injunctions related to EU IPRs.<sup>313</sup> In the EU the recasting process of the Brussels Regulation will address the recognition and enforcement procedures given by non EU/EFTA member States and will abolish the *exequatur* proceeding. This is said to be “one of the great achievements of the new text.” In connection with IP the impact of the *exequatur*’s abolishment is “especially remarkable.” First “, a permanent injunction by any Member State Court (however unlikely in actual practice under the circumstances indicated in § 3) is automatically enforceable in all other Member States without need for a declaration of enforceability.”<sup>314</sup> Second,

under Art. 49 of the Brussels Regulation, the judgment rendered in a Member State that orders the payment by way of penalty is enforceable in a different Member State but only if and to the extent such a payment has been finally determined by the Court of the rendered Member State. This has been criticized in the following way: “if the permanent injunction issued by the Court of the Member State of origin is not respected in a different Member State, the right holder has to go back and forth between Courts several times before he sees the money. If I get it right, non compliance with the permanent injunction in the Member State of enforcement must be proved to the satisfaction of the Court of the same; an application for the ‘final determination’ has then to be submitted to the Court of the Member State of origin; finally the determination of this latter Court has to be brought back to the Court of the Member State of enforcement, to obtain the *exequatur* and finally to be enforced.”<sup>315</sup> However, with the Draft Proposal “these four separate steps are folded into one just by combining Art. 38(2) and 67,” and this is defined as a true “achievement.”<sup>316</sup>

**197** At the national level the distinction between recognition, declaration of enforceability, and enforcement of a judgment is posed by Art. 118 of the Japanese Code of Civil Procedure (recognition) in connection with Art. 24 of the Japanese Civil Execution Act (declaration of enforceability)<sup>317</sup> and by other rules such as Arts. 64-67 of the Italian PIL Statute.

### IV. Discussion

**198** The CLIP Principles, the Transparency Proposal (according to their commentary) and the Joint Korean and Japanese Proposal lead to the same result of making the requested court apply its law to the recognition, enforcement, and declaration of enforceability issues. Furthermore, the CLIP Principles and the Joint Korean and Japanese Proposal approach are in line with Art. 30 of the Hague Draft Convention. It is emphasised also by the Report to this Draft Convention, according to which, “the *renvoi* to national law corresponds to the current practice of international Conventions on enforcement of judgments, and was unhesitatingly adopted by the Special Commission, which felt it would be difficult to devise a simplified uniform procedure for obtaining a declaration of enforceability in a worldwide Convention. The only common indicator is the requirement for the court addressed to act expeditiously,”<sup>318</sup> as was discussed at paragraph Q.

**199** Furthermore, the same Art. 30 of this Hague Draft Convention adopts the distinction among “recognition, declaration of enforceability [...] and the enforcement of the judgment,” and the Report to this rule acknowledges the possibility of establishing

a system of automatic recognition by stating that “where no procedure is required for the recognition of foreign judgments, it may take place automatically without intervention by a judicial or other authority.”<sup>319</sup> However, the academic projects considered do not include a rule such as the one inserted in Art. 30 of the Hague Draft Convention according to which, “[The law of the State addressed must provide for the possibility to appeal against the declaration of enforceability or registration for enforcement].”

- 200** Finally, it is regrettable that the ALI Principles do not provide for similar rules. The absence of a clear rule in this respect in the Transparency Proposal could be an issue for those who might not be aware of its relevant commentary recalling the Japanese internal rules on the recognition and enforcement at stake as a general grounding principle of the Proposal.<sup>320</sup>

## S. Settlements

### I. Differences

- 201** The ALI Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal lack rules on the point. In addition, the commentary to the Transparency Proposal makes it clear that “the Transparency proposal does not [...] allow for the recognition and enforcement of settlements.” In contrast, the CLIP Principles explicitly specify that the term “judgment” also encompasses settlements to which a court has given its authority. The approach taken by the CLIP Principles is supported by the 2001 Hague Draft Convention, as is outlined below in paragraph S.IV.

### II. Rationale

- 202** The rationale of allowing the recognition and enforcement of judicial settlements is the willingness to favor solving international disputes by agreement. This provision is in line with the Hague Draft Convention and other similar rules at the international and EU level. In contrast, the commentary to the Transparency Proposal adopts the view that such an approach is “quite liberal and may potentially be abused.”<sup>321</sup> Yet, the same commentary does not exclude that in the future, recognition and enforcement of settlements could be established under the Transparency Proposal as well, even though it is necessary “to think about how such abuse can be avoided.”<sup>322</sup>

## III. International Context

- 203** At the international level, Article 2 of The Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters of 1971 as well as Art. 12 of The Hague Convention on Choice of Court Agreements of 2005 can be mentioned among the provisions on the recognition and enforcement of judicial settlements.<sup>323</sup> Also, Article 36 of the Hague Draft Convention includes a definition of settlements,<sup>324</sup> as will be referred to in paragraph S.IV.

- 204** At the EU level, Art. 58 of the Brussels I Regulation<sup>325</sup> and of the Lugano Convention of 2007, and Art. 2.d of the Draft Proposal for a Recasting of the Brussels I Regulation can be mentioned among the provisions on the recognition and enforcement of judicial settlements. Particularly, the Pocar Report to the Lugano Convention makes references to its “preamble [which] states that the aim of the Convention is to strengthen in the territories of the contracting parties the legal protection of persons therein established, and for this purpose to determine the international jurisdiction of the courts, to facilitate the recognition of judgments, authentic instruments and court settlements, and to introduce an expeditious procedure for securing their enforcement.”<sup>326</sup>

## IV. Discussion

- 205** Because the facilitation of cross-border enforcement of judicial settlements can favor their potentiality to solve international disputes by agreement also in the context of cross-border litigation on IPRs, it may be regrettable that the ALI Principles, the Transparency Proposal and the Joint Korean and Japanese Proposal lack rules on the recognition and enforcement of settlements. In contrast, such a rule is present in the CLIP Principles and even though it is criticized by the commentary to the Transparency Proposal as being too liberal and therefore subject to potential abuses,<sup>327</sup> the CLIP Principles’ relevant rule is in line with the recognition and enforcement of “in-court settlements”<sup>328</sup> established by Art. 36 of the Hague Draft Convention and other similar norms at the international and EU level.

## T. Conclusions

- 206** The comparison just exposed demonstrates that in practice, all four sets of Principles lead to similar results allowing for the recognition and enforcement of judgments defined in a broad and flexible way, inclusive of non-final judgments, as well as of provisional measures. This similarity among the principles at stake is grounded on the great need, par-



ticularly in connection with IPRs, for the effective protection of a rights holder from an infringement, and is a natural consequence of the favor shown towards the consolidation of claims provided for by all four sets of Principles. Thus, such need grounds, for instance, the understanding by all four sets of Principles of the public policy exception as a last resort mechanism to deny recognition and enforcement of foreign judgments; the favor by the same principles for the (partial) recognition and enforcement of foreign judgments imposing punitive damages; and the approach adopted by all sets of Principles favoring the recognition and enforcement of foreign decisions in disputes in which not only the infringement of rights registered in countries other than the adjudicating country is addressed, or the first entitlement and ownership of the same right, but also when their validity or registration is raised incidentally and sometimes even principally (ALI Principles, Transparency Proposal). They do limit, however, the validity of the effects of the recognition and enforcement of the decisions to the parties of the proceeding.

207 In light of these conclusions, the comparison explains that despite certain minor differences among the rules on recognition and enforcement of the four sets of academic Principles, in the majority of cases, further studies and the work of the ILA Committee could help in overcoming these differences and achieving common results which could eventually be codified in a future ILA Resolution.

- 1 Pedro de Miguel Asensio, 'Recognition and Enforcement of Judgments in Intellectual Property Litigation: The CLIP Principles' in Jürgen Basedow, Toshiyuki Kono and Axel Metzger (eds), *Intellectual Property in the Global Arena* (Tübingen, Mohr Siebeck 2010) p. 245.
- 2 De Miguel Asensio, (n 1), p. 246.
- 3 De Miguel Asensio, (n 1), p. 250.
- 4 American Law Institute, (Philadelphia, 2007), 266, on which see De Miguel Asensio, (n 1), p. 245.
- 5 Toshiyuki Kono, Nozomi Tada, and Miho Shin, 'Recognition and Enforcement of Foreign Judgments Relating to IP Rights and Unfair Competition' in Basedow, Kono and Metzger, (n 1), p. 329.
- 6 De Miguel Asensio, (n 1), p. 246.
- 7 De Miguel Asensio, (n 1), p. 246.
- 8 De Miguel Asensio, (n 1), p. 246.
- 9 Kono, Tada, Shin, (n 5), p. 330.
- 10 Kono, Tada, Shin, (n 5), p. 329.
- 11 Marketa Trimble Landova, 'When Foreigners Infringe Patents: an Empirical Look at the Involvement of Foreign Defendants in Patent Litigation in the U.S.' (2011) 27 Santa Clara Computer and High Technology Law Journal 500. See also Pedro de Miguel Asensio, 'Cross-border Adjudication of Intellectual Property Rights and Competition between Jurisdictions' (2007) 41 AIDA 107.
- 12 See Trimble Landova, 'The Future of Cybertravel: Legal Implications of the Evasion of Geolocation' (2012) 22 Ford. Intell. Prop. Media & Ent. L.J. (forthcoming), with specific reference to the TRIPS agreement, as well as to the EU enforcement Directive 2004/48/EC and the Anti-Counterfeiting Trade Agreement.
- 13 Trimble Landova, (n 11).
- 14 The Brussels I Regulation is undergoing a recasting process. See Commission, 'Proposal for a Regulation of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters' COM (2010) 748 final, available at <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52010PC0748:EN:HTML>>.
- 15 <http://www.gedip-egpil.eu/documents/gedip-documents-35EN.htm>. See also the Le règlement « Bruxelles I » et les décisions judiciaires rendues dans des Etats non membres de l'Union européenne, notice explicative (Copenhagen, 17-19 septembre 2010), available at [http://www.gedip-egpil.eu/gedip\\_documents.html](http://www.gedip-egpil.eu/gedip_documents.html).
- 16 De Miguel Asensio, (n 1), p. 246.
- 17 De Miguel Asensio, (n 1), pp. 246-247.
- 18 De Miguel Asensio, (n 1), p. 247. Further references in Kono, Tada, Shin, (n 5), p. 330, fnt. 120.
- 19 De Miguel Asensio, (n 1), p. 246.
- 20 De Miguel Asensio, (n 1), p. 246.
- 21 Kono, Tada, Shin, (n 5), p. 329.
- 22 Kono, Tada, Shin, (n 5), p. 330.
- 23 Kono, Tada, Shin, (n 5), p. 329.
- 24 Kono, Tada, Shin, (n 5), p. 329.
- 25 Kono, Tada, Shin, (n 5), p. 330 and especially fnt. 120.
- 26 Kono, Tada, Shin, (n 5), p. 330.
- 27 Kono, Tada, Shin, (n 5), p. 330.
- 28 De Miguel Asensio, (n 1), p. 251.
- 29 De Miguel Asensio, (n 1), p. 266. See also Costanza Honorati, 'Il riconoscimento delle decisioni in materia di proprietà intellettuale', in Andrea Giussani (ed.), *Processo industriale*, forthcoming with Giuffrè, 2012 para 5.
- 30 De Miguel Asensio, (n 1), p. 252.
- 31 Kono, Tada, and Shin, (n 5), p. 302, fnt. 26.
- 32 Ibid.
- 33 Kono, Tada, Shin, (n 5), p. 303.
- 34 De Miguel Asensio, (n 1), p. 251.
- 35 Kono, Tada, Shin, (n 5), p. 302, fnt. 26.
- 36 De Miguel Asensio, (n 1), p. 251.
- 37 De Miguel Asensio, (n 1), p. 252, with particular regard to the need to recognise also non-monetary judgments in the IP field.
- 38 American Law Institute, (n 4), p. 271.
- 39 Commentary on Principles of Private International Law on Intellectual Property Rights, (Joint Korean and Japanese Proposal Drafted by Members of the Private International Law Association of Korea and Japan (Joint University Global COE Project)), October 14, 2010, p. 44.
- 40 Kono, Tada, Shin, (n 5), p. 302.
- 41 See the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2007] OJ L339/3 (Lugano Convention) and Explanatory Report by Professor Fausto Pocar (*Chair of International Law at the University of Milan*) [2009] OJ C 319/36, para 130.
- 42 See ECJ, 18 October 2011 (reference for a preliminary ruling from the Hoge Raad der Nederlanden - Netherlands) - *Realchemie Nederland BV v. Bayer CropScience AG* (Case C-406/09), conclusions. On this case see Honorati, (n 29), para 5.
- 43 See ECJ 12 April 2011 (reference for a preliminary ruling from the Cour de cassation - France) - *DHL Express France SAS, formerly DHL International SA v. Chronopost SA* (Case C-235/09), ac-

cording to which “Article 98(1), second sentence, of Regulation No 40/94, as amended by Regulation No 3288/94, must be interpreted as meaning that a coercive measure, such as a periodic penalty payment, ordered by a Community trade mark court by application of its national law, in order to ensure compliance with a prohibition against further infringement or threatened infringement which it has issued, has effect in Member States to which the territorial scope of such a prohibition extends other than the Member State of that court, under the conditions laid down, in Chapter III of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, with regard to the recognition and enforcement of judgments. Where the national law of one of those other Member States does not contain a coercive measure similar to that ordered by the Community trade mark court, the objective pursued by that measure must be attained by the competent court of that other Member State by having recourse to the relevant provisions of its national law which are such as to ensure that the prohibition is complied with in an equivalent manner.” On this case see Honorati C., (n 29), para 5.

- 44 Honorati, (n 29), para 5.
- 45 Kono, Tada, Shin, (n 5), p. 298.
- 46 De Miguel Asensio, (n 1), p. 266.
- 47 De Miguel Asensio, (n 1), p. 252, and there further references.
- 48 Joint University Global COE Project, (n 39), p. 45.
- 49 Kono, Tada, Shin, (n 5), p. 302.
- 50 See American Law Institute, (n 4), p. 269; Kono, Tada, Shin, (n 5), p. 300 particularly at fn. 21; Joint University Global COE Project, (n 39), p. 41; De Miguel Asensio, (n 1), p. 267.
- 51 De Miguel Asensio, (n 1), p. 269.
- 52 As such, Kono, Tada, Shin, (n 5), p. 304 and p. 306.
- 53 Joint University Global COE Project, (n 39), p. 41.
- 54 De Miguel Asensio, (n 1), p. 269.
- 55 Kono, Tada, Shin, (n 5), p. 301, fn. 24.
- 56 De Miguel Asensio, (n 1), p. 268.
- 57 Maurizio Maresca, Sub artt.64-66 l. d.i.pr., in Stefania Bariatti (ed.), *Commentario alla legge di riforma del sistema italiano di diritto internazionale privato*, in *Le nuove leggi civili commentate* 1996, 1475 ff.
- 58 Kono, Tada, Shin, (n 5), 297 ff.
- 59 Kono, Tada, Shin, (n 5), p. 299.
- 60 See Christian Heinze, ‘Choice of Court Agreements, Coordination of Proceedings and Provisional Measures in the Reform of the Brussels I Regulation,’ in *RabelsZ* 2011, pp. 611 et seq., in favor even though highlighting certain risks. Contra see Honorati, (n 29).
- 61 De Miguel Asensio, (n 1), p. 253; American Law Institute, (n 4), p. 266.
- 62 De Miguel Asensio, (n 1), p. 253.
- 63 Kono, Tada, Shin, (n 5), p. 303.
- 64 American Law Institute, (n 4), p. 270.
- 65 American Law Institute, (n 4), p. 266
- 66 De Miguel Asensio, (n 1), p. 254.
- 67 De Miguel Asensio, (n 1), p. 258.
- 68 De Miguel Asensio, (n 1), p. 258, fn.64.
- 69 De Miguel Asensio, (n 1), p. 263.
- 70 De Miguel Asensio, (n 1), pp. 261-262.
- 71 De Miguel Asensio, (n 1), p. 253.
- 72 See also the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2007] OJ L339/3 (Lugano Convention) and Explanatory Report by Professor Fausto Pocar (n. 41), at para 142, p. 40.
- 73 De Miguel Asensio, (n 1), p. 255, referring to the Jenard Report and the relevant ECJ case law.
- 74 De Miguel Asensio, (n 1), p. 255.
- 75 De Miguel Asensio, (n 1), p. 255.
- 76 De Miguel Asensio, (n 1), p. 255.
- 77 De Miguel Asensio, (n 1), p. 256.
- 78 De Miguel Asensio, (n 1), p. 267.
- 79 See Consolo, *Il ruolo del giudicato formale quale requisito per il riconoscimento delle sentenze straniere*, in *Rivista di diritto processuale* 1990, 1074.
- 80 Joint University Global COE Project, (n 39), p. 46.
- 81 Ibid.
- 82 The Hague Preliminary Draft Convention on Jurisdiction and the Effects of Judgments in Civil and Commercial Matters (adopted on 30 October 1999), with an explanatory report by Peter Nygh and Fausto Pocar, ‘Preliminary Document No. 11’ in Fausto Pocar and Costanza Honorati (eds), *The Hague Preliminary Draft Convention on Jurisdiction and Judgments: Proceedings of the Round Table held at Milan University on 15 November 2003* (Milan, Wolters Kluwer 2005) 296.
- 83 De Miguel Asensio, (n 1), p. 253.
- 84 American Law Institute, (n 4), p. 269.
- 85 Jurčys P and Vande Walle S, ‘Summary of Comments and Discussion on Recognition and Enforcement’ in Basedow J, Kono T and Metzger A (eds), (n 1), p.343.
- 86 American Law Institute, (n 4), p. 269.
- 87 Kono, Tada, Shin, (n 5), p. 336.
- 88 Jurčys, Walle, (n 85), p. 343.
- 89 De Miguel Asensio, (n 1), p. 268.
- 90 Pocar, (n 41), p. 39.
- 91 Kono, Tada, Shin, (n 5), p. 338.
- 92 Joint University Global COE Project, (n 39), p. 46.
- 93 Pocar, (n 41), p. 46.
- 94 Ibid.
- 95 Joint University Global COE Project, (n 39), p. 46.
- 96 See Kono, Tada, Shin, (n 5), p. 310.
- 97 De Miguel Asensio, (n 1), p. 274, referring to relevant case-law adopting the same approach.
- 98 Kono, Tada, Shin, (n 5), p. 310, with respect to a prior version of the proposal, though.
- 99 Joint University Global COE Project, (n 39), p. 44.
- 100 De Miguel Asensio, (n 1), p. 274.
- 101 De Miguel Asensio, (n 1), p. 274.
- 102 De Miguel Asensio, (n 1), p. 274 according to whom: “The approach underlying Article 4:201 is flexible and commands the authorities of the country where recognition is sought to assess the circumstances under which the rendering court assumed jurisdiction.”
- 103 Kono, Tada, Shin, (n 5), p. 312.
- 104 American Law Institute, (n 4), p. 271.
- 105 De Miguel Asensio, (n 1), p. 273, fn. 109.
- 106 Pocar, (n 41), p. 39.
- 107 De Miguel Asensio, (n 1), p. 273 fn. 110 referring to Italy: 64.1.a of the PIL Statute; Venezuela: 53.4 Act PIL.
- 108 De Miguel Asensio, (n 1), p. 274.
- 109 Kono, Tada, Shin, (n 5), p. 308.
- 110 Kono, Tada, Shin, (n 5), p. 308.
- 111 Nygh, Pocar, (n 84), p. 301.

- 112 De Miguel Asensio, (n 1), p. 273, fnt. 109.
- 113 Kono, Tada Shin, (n 5), p. 322.
- 114 Kono, Tada, Shin, (n 5), p. 322.
- 115 Kono, Tada, Shin, (n 5), p. 323.
- 116 De Miguel Asensio, (n 1), p. 277.
- 117 De Miguel Asensio, (n 1), p. 278.
- 118 De Miguel Asensio, (n 1), p. 276.
- 119 De Miguel Asensio, (n 1), p. 276.
- 120 American Law Institute, (n 4), p. 300.
- 121 De Miguel Asensio, (n 1), p. 278.
- 122 De Miguel Asensio, (n 1), p. 278.
- 123 See the references in De Miguel Asensio, (n 1), p. 277 referring to a “trend” in this respect. See also Honorati, (n 29), para 3 advocating in favor of this result.
- 124 Honorati, (n 29), para 3.
- 125 Honorati, (n 29), para 3.
- 126 See Cassazione n. 24859/2006, on which see Borghesi, *Gli effetti ultra partes delle pronunce in materia di proprietà industriale*, in Giussani (Ed.), (n 29).
- 127 As illustrated by Article 111(2) of the Swiss Federal Act of Private International Law of 1987, and Article 95 Belgian Code of Private International Law of 2004.
- 128 By contrast, “other countries are more favorable to the possibility of a retrial of a previous infringement dispute based on the later invalidation of the relevant patent, and consider that the retroactive effect of a revocation or a decision on invalidity allows for a reopening of past infringement proceedings,” see Christopher Heath, ‘Wrongful Patent Enforcement – Threats and Post-Infringement Invalidity in Comparative Perspective’ (2008) 39(3) IIC 307-323, p. 316.
- 129 Ibid. 318; Kono, Tada, Shin, (n 5), p. 323.
- 130 Peter Nicolas, ‘The Use of Preclusion Doctrine, Antisuit Injunctions, and Forum Non Conveniens Dismissals in Transnational Intellectual Property Litigation’ (1999) 40 Va J. Int’l L. 374, quoting relevant US judgments on the point among which is the case *Vas-Cath Inc. Mahurkar* 745 F. Supp. 517, 525 (N.D. Ill. 1990). The para of this judgment recalling the rationale for applying collateral estoppel warrants full quotation: “conservation of resources is the principal objective of the law of preclusion, and that is a vital objective when costs are high, the more so when similar patents have been secured in many of the industrial countries. Patent litigation should not be allowed to become a war of attrition, in which after the conclusion of one battle parties move on to another and duplicate the engagement,” *ibid.* 525.
- 131 See the references to those cases in Nicolas, (n 130) p. 374 and p. 365.
- 132 See Nicolas, (n 130), p. 374.
- 133 Kono, Tada, Shin, (n 5), p. 323.
- 134 Joint University Global COE Project, (n 39), p. 45.
- 135 Joint University Global COE Project, (n 39), p. 45.
- 136 De Miguel Asensio, (n 1), pp. 279-280.
- 137 De Miguel Asensio, (n 1), p. 279.
- 138 American Law Institute, (n 4), p. 288.
- 139 De Miguel Asensio, (n 1), p. 280.
- 140 Jurčys, Walle, (n 85), p. 344.
- 141 De Miguel Asensio, (n 1), p. 280.
- 142 Joint University Global COE Project, (n 39), p. 45.
- 143 American Law Institute, (n 4), p. 288.
- 144 Joint University Global COE Project, (n 39), p. 45.
- 145 De Miguel Asensio, (n 1), p. 280, fnt. 126.
- 146 De Miguel Asensio, (n 1), p. 279.
- 147 De Miguel Asensio, (n 1), p. 279.
- 148 De Miguel Asensio, (n 1), p. 279.
- 149 De Miguel Asensio, (n 1), p. 279, according to whom: “it can be noted that although Article 50(2) TRIPS Agreement establishes that courts shall have the authority to adopt provisional measures *inaudita altera parte* where appropriate, it does not impose on member states an obligation to recognize foreign decisions adopted under these circumstances. Given the paramount importance of ensuring adequate protection to the rights of the defendant, it seems justified to exclude enforcement of those foreign provisional measures in an instrument such as the CLIP Principles. However, if the measure is confirmed after the defendant has been served with the judgment and been given the opportunity to appear and seek its discharge in due time, it may be enforceable abroad.”
- 150 De Miguel Asensio, (n 1), p. 279, fnt. 125.
- 151 De Miguel Asensio, (n 1), p. 279, fnt. 125.
- 152 Pocar, (n 41), p. 39, para 139.
- 153 De Miguel Asensio, (n 1), p. 279.
- 154 De Miguel Asensio, (n 1), p. 270.
- 155 Joint University Global COE Project, (n 39), p. 48.
- 156 De Miguel Asensio, (n 1), p. 269.
- 157 See paragraph C.
- 158 De Miguel Asensio, (n 1), p. 270.
- 159 Kono, Tada, Shin, (n 5), p. 333.
- 160 Joint University Global COE Project, (n 39), p. 49.
- 161 Above two quotes from Kono, Tada, Shin, (n 5), p. 334.
- 162 De Miguel Asensio, (n 1), p. 269.
- 163 De Miguel Asensio, (n 1), p. 270, fnt. 98.
- 164 Marco Ricolfi, ‘The Recasting of Brussels I Regulation in an IP lawyer’s perspective’, forthcoming in *Giurisprudenza commerciale*,” para 4.
- 165 Ricolfi, (n 164), para 4.
- 166 De Miguel Asensio, (n 1), p. 270.
- 167 See Christian Heinze, *Choice of Court Agreements, Coordination of Proceedings and Provisional Measures in the Reform of the Brussels I Regulation*, in *RabelsZ* 2011, (Mohr Siebeck), p. 615.
- 168 Heinze, (n 167), p. 615. See also the literature according to which this limitation is to be criticized “for obstructing an expedient remedy for the creditor, which reveals the limitation of current international civil provisional remedy law,” see the references to the view of Shunichiro Nakano recalled in Joint University Global COE Project, (n 39), p. 49.
- 169 See Kono, Tada, Shin, (n 5), p. 331.
- 170 See Heinze, (n 167), p. 614, with regard to the Brussels I Regulation recasting, who however acknowledges the merit of this limitation posed by the Proposal to recast the Brussels I Regulation in providing for “a welcome clarification”. In critical terms with respect to the limitation at stake see Honorati, (n 29).
- 171 See para M.III.
- 172 See para M.III.
- 173 See De Miguel Asensio, (n 1), p. 282.
- 174 De Miguel Asensio, (n 1), p. 292.
- 175 American Law Institute, (n 4), p. 285.
- 176 See Joint University Global COE Project, (n 39), p. 44 and also Kono, Tada, Shin, (n 5), p. 317.
- 177 De Miguel Asensio, (n 1), p. 282. See also Article 27(2) of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, (signed in Marrakesh,



- Morocco, 15 April 1994) available at <[http://www.wto.org/english/docs\\_e/legal\\_e/legal\\_e.htm](http://www.wto.org/english/docs_e/legal_e/legal_e.htm)>, permitting a State to exclude otherwise patentable subject matter from the scope of protection when: necessary to protect *ordre public* or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment. Similarly, Article 31(b) of the TRIPS Agreement contemplates that efforts to obtain authorization for certain usages can be waived in the case of “national emergenc[ies]” or “extreme urgency.” See the American Law Institute, (n 4), p. 286.
- 178 De Miguel Asensio, (n 1), p. 282. See the ECJ judgment in Case C-34/10 *Oliver Brüstle v. Greenpeace eV* [2011], according to which “the exclusion from patentability concerning the use of human embryos for industrial or commercial purposes set out in Article 6(2)(c) of Directive 98/44 also covers the use of human embryos for purposes of scientific research, only use for therapeutic or diagnostic purposes which are applied to the human embryo and are useful to it being patentable.”
- 179 De Miguel Asensio, (n 1), p. 282.
- 180 See De Miguel Asensio, (n 1) p. 282. See also the Judgment of the ECJ, 16/02/2012, *Sabam*, Case C-360/10 according to which “the Directives 2000/31/EC on electronic commerce, 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society; and 2004/48/EC on the enforcement of intellectual property rights, “read together and construed in the light of the requirements stemming from the protection of the applicable fundamental rights, must be interpreted as precluding a national court from issuing an injunction against a hosting service provider which requires it to install a system for filtering: - information which is stored on its servers by its service users; - which applies indiscriminately to all of those users; - as a preventative measure; - exclusively at its expense; and - for an unlimited period, which is capable of identifying electronic files containing musical, cinematographic or audio-visual work in respect of which the applicant for the injunction claims to hold intellectual property rights, with a view to preventing those works from being made available to the public in breach of copyright.” In the same terms see also ECJ 24 November 2011, *Scarlet Extended SA v. Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, Case C-70/10). On those cases see De Miguel Asensio, *Imponer a las redes sociales una supervisión de amplio alcance de sus contenidos para proteger la propiedad intelectual también es contrario al Derecho de la UE*, posted in his blog on 16 February 2012 and available at <http://pedrodemiguelasensio.blogspot.com/2012/02/imponer-las-redes-sociales-una.html>.
- 181 Kono, Tada, Shin, (n 5), p. 324.
- 182 De Miguel Asensio, (n 1), p. 292.
- 183 De Miguel Asensio, (n 1), p. 286.
- 184 See De Miguel Asensio, (n 1), p. 287, referring to the ECJ Judgments of *Krombach*, paras 38-39; Case C-341/04 *Eurofood IFSC Ltd* [2006] ECR I-3854 para 65; and Case C-394/07 *Marco Gambazzi v. DaimlerChrysler Canada Inc.* [2009] ECR I-2563 para 28.
- 185 Kono, Tada, Shin, (n 5), p. 325.
- 186 Kono, Tada, Shin, (n 5), p. 322.
- 187 Kono, Tada, Shin, (n 5), p. 322.
- 188 Kono, Tada, Shin, (n 5), p. 323.
- 189 Kono, Tada, Shin, (n 5), p. 320. See the following remarks also.
- 190 Kono, Tada, Shin, (n 5), p. 320.
- 191 Ibid.
- 192 Ibid.
- 193 Etienne Pataut, *Principe de souveraineté et conflits de juridictions Étude de droit international privé, préface par Paul Lagarde* (Paris, LGDJ 1999), para 665.
- 194 Kono, Tada, Shin (n 5), p. 320.
- 195 Ibid., p. 322.
- 196 Jurčys, Walle S, (n 85), p. 342.
- 197 American Law Institute, (n 4), p. 277.
- 198 American Law Institute, (n 4), pp. 281-282.
- 199 Jurčys, Walle, (n 85), p. 342.
- 200 Kono, Tada, Shin (n 5), p. 324.
- 201 Jurčys, Walle, (n 85), p. 344.
- 202 Jurčys, Walle, (n 85), p. 342.
- 203 American Law Institute, (n 4), p. 277.
- 204 Ibid., p. 285.
- 205 See also American Law Institute, (n 4), p. 275, according to which “a question may arise as to whether a State that has jury trials should consider their unavailability in the rendering court to be ‘incompatible with fundamental principles of fairness.’ As most States do not afford civil jury trials, it is unlikely that, as a matter of international norms, unavailability of a jury trial would violate fundamental principles. Moreover, even in States where jury trials are common, they may be regarded as necessary only for adjudication in courts where they are expressly required.”
- 206 De Miguel Asensio, (n 1), p. 288. See also American Law Institute, (n 4), p. 275, according to which “the availability of discovery could also raise difficult questions. If the State addressed has discovery rules that are more liberal than the State where the trial was conducted, important procedural opportunities would appear to have been lacking. However, before enforcement is denied on this ground, the enforcement court must consider whether there were issues in the case that required more discovery than was available, whether other courts could have provided that discovery in aid of the court entertaining the case, and whether the lack of discovery amounted to a violation of *fundamental* principles of procedure.”
- 207 Kono, Tada, Shin, (n 5), p. 325.
- 208 De Miguel Asensio, (n 1), p. 280.
- 209 Kono, Tada, Shin, (n 5), pp. 318-319.
- 210 See Marta Pertegás Sender, *Cross-Border Enforcement of Patent Rights: An Analysis of the Interface Between Intellectual Property and Private International Law* (Oxford, OUP 2002) p. 197; Nerina Boschiero, ‘Beni immateriali (diritto internazionale privato e processuale)’ *Enciclopedia del diritto* and available at <[http://www.dirppie.unimi.it/lezioni/0910/commercio\\_inetrnazionale\\_aa\\_0910/privato/boschiero\\_voce\\_beni\\_immateriali.pdf](http://www.dirppie.unimi.it/lezioni/0910/commercio_inetrnazionale_aa_0910/privato/boschiero_voce_beni_immateriali.pdf)>, p. 115; Marketa Trimble Landova, ‘Public Policy Exception to Recognition and Enforcement of Judgments in cases of Copyright Infringement’ (2009) 40 IIC 654; De Miguel Asensio, (n 1), p. 239; Kono, Tada, Shin, (n 5) p. 293; Trimble Landova, (n 11) p. 499. See also the judgments referred to in Toshiyuki Kono and Paulius Jurčys, ‘XVIIIth International Congress on Comparative Law, Intellectual Property and Private International Law’ (provisional draft of the general report) (July 2010) in Toshiyuki Kono (ed), *Intellectual Property and Private International Law* § II(4) (forthcoming, Hart Publishing), part IV; and the following national reports on *Jurisdiction and Applicable Law in Matters of Intellectual Property* (forthcoming) *ibid.*; Marie-Christine Janssens, ‘The Relationship between Intellectual Property Law and International Private Law viewed from a Belgian Perspective,’ § I(II)(2)(1)(3); Joost Blom, ‘Report for Canada (including Quebec),’ subsection II(A); Ivana Kunda, ‘Report for Croatia,’ subsection I(B); Marie-Elodie Ancel, ‘Report for France,’ subsection I(ii); Axel Metzger, ‘Report for Germany,’ subsection I(2)(a)(1); Vandana Singh, ‘Report for India,’ subsection I(2); Nerina Boschiero and Benedetta Ubertazzi, ‘Report for Italy,’ subsection II. Case 2, available at (2010) 16 Cardozo Electronic Law Bulletin 291 (<<http://www.unipa.it/scienze/politiche/files/Italian%20National%20Reports%20to%20Washington%202010.pdf>>); Dai Yokomizo, ‘Report for Japan,’ subsection 1(1)(2); Alexandre Dias Pereira, ‘Report for

- Portugal,' subsection I(B)(2)(2); Damjan Možina, 'Report for Slovenia,' subsection I(II)(1); Pedro de Miguel Asensio, 'Report for Spain,' subsection 1(2)(1)-(3); Amélie Charbon, 'Report for Switzerland,' subsection I(1); Dick van Engelen, 'Report for The Netherlands,' subsection 3(6).
- 211 De Miguel Asensio, (n 1), p. 280, for references. See the literature just referred to and also Nerina Boschiero, 'L'ordine pubblico processuale comunitario ed europeo' in Patrizia De Cesari and Marco Frigessi di Rattalma (eds), *La tutela transnazionale del credito* (Torino, Giappichelli 2007) p. 193. As for the relevant case-law, see the ECJ judgments: Case C-7/98 *Dieter Krombach v André Bamberski* [2000] ECR I-1935 para 37; Case C-38/98 *Régie Nationales des Usines Renault SA v. Maxicar SpA* [2000] ECR I-1935; and Case C-420/07 *Meletis Apostolides v. David Charles Orams and Linda Elizabeth Orams* [2009] ECR I-3571 para 59. See 'ALI/UNIDROIT Principles of Transnational Civil Procedure of 2004' [2004-4] *Uniform Law Review* 758. Finally see Article 56-6 of the 'Resolution on Le règlement « Bruxelles I » et les décisions judiciaires rendues dans des Etats non membres de l'Union européenne' adopted by the European Group for Private International Law (GEDIP) at Copenhagen (17 - 19 September 2010) available at <[http://www.gedip-egpil.eu/gedip\\_documents.html](http://www.gedip-egpil.eu/gedip_documents.html)>. According to this rule "une décision n'est pas reconnue si la reconnaissance est manifestement incompatible avec l'ordre public substantiel ou procédural de l'Etat membre requis ou de l'Union européenne, en particulier si cette décision résulte d'un manquement aux principes qui régissent le droit au procès équitable ou résulte d'une fraude commise dans la procédure."
- 212 De Miguel Asensio, (n 1), p. 280.
- 213 See Ubertazzi B., *Exclusive Jurisdiction in Intellectual Property*, Mohr Siebeck, 2012, para 40. See De Miguel Asensio, (n 1), p. 281.
- 214 Ibid.
- 215 De Miguel Asensio, (n 1), p. 282. On the balance between IPRs and other fundamental human rights see Ubertazzi B., (n 213), para 12.
- 216 *Sarl Louis Feraud International v. Viewfinder, Inc.* 406 F. Supp. 2d. p. 274, p. 281 (S.D.N.Y. 2005).
- 217 *Sarl Louis Feraud*, (n 216), 281. On this case see De Miguel Asensio, (n 1), p. 282.
- 218 Ibid.
- 219 Ibid.
- 220 *Renault v. Maxicar*, (n 211). On this case see De Miguel Asensio, (n 1), p. 282.
- 221 *Renault v. Maxicar*, (n 211) para 15.
- 222 Ibid., para 30.
- 223 Ibid., para 31.
- 224 Ibid., para 33.
- 225 Ibid., conclusions.
- 226 See Honorati, (n 29), para 3.
- 227 Pocar, (n 41), p. 37, para 133.
- 228 Kono, Tada, Shin, (n 5), p. 325.
- 229 Joint University Global COE Project, (n 39), p. 51.
- 230 De Miguel Asensio, (n 1), 285; American Law Institute, (n 4), pp. 292-293.
- 231 American Law Institute, (n 4), p. 292.
- 232 De Miguel Asensio, (n 1), p. 283 and there referring in details to the differences at stake. See also American Law Institute, (n 4), p. 291 according to which "a major difference between jurisdictions is the approach to punitive damages. In some States, these are considered necessary to deter infringement, and awarded as punishment in an amount that reflects the defendant's ability to pay or by applying a multiple to the proven damages. In other places, different approaches are taken to deterrence. Section 411 accommodates this disparity by relieving the court where enforcement is sought of the obligation to award non compensatory damages in an amount greater than that which would have been awarded under its domestic law."
- 233 De Miguel Asensio, (n 1), p. 285.
- 234 De Miguel Asensio, (n 1), p. 285.
- 235 See Honorati, (n 29), para 4.
- 236 De Miguel Asensio, (n 1), p. 284. Kono, Tada, Shin, (n 5), p. 316, with respect to Japan.
- 237 With respect to the Italian Supreme Court decision see Marco Lopez de Gonzalo, 'Punitive damages e ordine pubblico,' in *Riv. dir. int. priv. proc.* 2008, p. 77; Honorati, (n 29), para 4.
- 238 De Miguel Asensio, (n 1), p. 284.
- 239 Kono, Tada, Shin, (n 5), p. 325.
- 240 De Miguel Asensio, (n 1), p. 284, for references.
- 241 De Miguel Asensio, (n 1), pp. 284-285.
- 242 Nygh, Pocar, (n 82), p. 314.
- 243 Ibid., p. 315.
- 244 Ibid., p. 316.
- 245 See para 14.2.
- 246 De Miguel Asensio, (n 1), p. 289.
- 247 See para O.II.
- 248 De Miguel Asensio, (n 1), p. 289.
- 249 Joint University Global COE Project, (n 39), p. 44.
- 250 Yet, the commentary is silent on the point.
- 251 See para O.IV.
- 252 Kono, Tada, Shin, (n 5), pp. 313-314
- 253 De Miguel Asensio, (n 1), p. 289.
- 254 Kono, Tada, Shin, (n 5), pp. 313-314.
- 255 De Miguel Asensio, (n 1), p. 289.
- 256 De Miguel Asensio, (n 1), pp. 290-291.
- 257 Joint University Global COE Project, (n 39), p. 50 according to which "this Article is formulated by reference to paragraphs 2 and 4, Article 4:501, the CLIP Principles by the EMPG."
- 258 Joint University Global COE Project, (n 39), p. 49 according to which this rule "could be handled by the interpretation of public policy [...]. Nevertheless, these Principles, following the CLIP Principles by the EMPG, incorporate this Article and reaffirm the particular case in which public policy applies."
- 259 De Miguel Asensio, (n 1), p. 291.
- 260 Joint University Global COE Project, (n 39), p. 49 according to which this rule "could be handled by the interpretation of public policy [...]. Nevertheless, these Principles, following the CLIP Principles by the EMPG, incorporate this Article and reaffirm the particular case in which public policy applies."
- 261 Kono, Tada, Shin, (n 5), p. 314.
- 262 See para O.III.
- 263 De Miguel Asensio, (n 1), p. 289.
- 264 Kono, Tada, Shin, (n 5), p. 314.
- 265 American Law Institute, (n 4), p. 283.
- 266 De Miguel Asensio, (n 1), p. 290 fn. 165.
- 267 Kono, Tada, Shin, (n 5), p. 327.
- 268 De Miguel Asensio, (n 1), p. 291 referring to the Brussels Regulation and fn. 167 referring to other international relevant rule.
- 269 Kono, Tada, Shin, (n 5), p. 327.
- 270 De Miguel Asensio, (n 1), p. 289. See also Nygh, Pocar, (n 82) p. 209, p. 308 for other references.
- 271 Pocar, (n 41), p. 37, para 134.

- 272 Pocar, (n 41), p. 37, para 135.
- 273 Pocar, (n 41), p. 38, para 136.
- 274 De Miguel Asensio, (n 1), p. 290 fnt. 165 for the references.
- 275 Kono, Tada, Shin, (n 5), pp. 325-326.
- 276 De Miguel Asensio, (n 1), p. 291 fnt. 167 for references.
- 277 Pocar (n 41), p. 39, para 138.
- 278 Kono, Tada, Shin, (n 5), pp. 325-326.
- 279 De Miguel Asensio, (n 1), p. 289.
- 280 Nygh, Pocar, (n 82), p. 303.
- 281 Nygh, Pocar, (n 82), p. 307.
- 282 Nygh, Pocar, (n 82), p. 304.
- 283 Nygh, Pocar, (n 82), p. 304.
- 284 De Miguel Asensio, (n 1), p. 261.
- 285 Kono, Tada, Shin, (n 5), p. 296.
- 286 See Joint University Global COE Project, (n 39), p. 45 according to which “the final ALI Principles delete the exclusion of substantive review.”
- 287 De Miguel Asensio, (n 1), p. 261.
- 288 Joint University Global COE Project, (n 39), p. 45 according to which “it is generally accepted that substantive review shall be excluded, so paragraph (2) has thus been written into these Principles to reaffirm that accepted point of view.”
- 289 De Miguel Asensio, (n 1), p. 261 fnt. 75, for references. See Kono, Tada, Shin, (n 5), p. 296 with regard to the relevant Japanese national rule in this respect.
- 290 Kono, Tada, Shin, (n 5), p. 296. See supra, para 15.1.
- 291 Nygh, Pocar, (n 82), p. 310.
- 292 Joint University Global COE Project, (n 39), p. 52.
- 293 De Miguel Asensio, (n 1), p. 265.
- 294 De Miguel Asensio, (n 1), p. 265.
- 295 Joint University Global COE Project, (n 39), p. 52. See also supra.
- 296 Pocar, (n 41), p. 44.
- 297 Nygh, Pocar, (n 82), p. 312.
- 298 De Miguel Asensio, (n 1), p. 265 for references.
- 299 De Miguel Asensio, (n 1), p. 265 for references.
- 300 De Miguel Asensio, (n 1), p. 266.
- 301 De Miguel Asensio, (n 1), p. 266.
- 302 Kono, Tada, Shin, (n 5), p. 296.
- 303 De Miguel Asensio, (n 1), p. 263.
- 304 De Miguel Asensio, (n 1), p. 263.
- 305 De Miguel Asensio, (n 1), p. 263.
- 306 De Miguel Asensio, (n 1), p. 263.
- 307 De Miguel Asensio, (n 1), p. 264.
- 308 De Miguel Asensio, (n 1), p. 264.
- 309 De Miguel Asensio, (n 1), p. 265.
- 310 Pocar, (n 41), p. 36.
- 311 Ibid.
- 312 Pocar, (n 41), p. 41, para 148.
- 313 See ECJ 12 April 2011 (reference for a preliminary ruling from the Cour de cassation - France) - DHL on which see Honorati, (n 29), para 5.
- 314 Ricolfi, (n 164).
- 315 Ricolfi, (n 164).
- 316 Ricolfi, (n 164).
- 317 Kono, Tada, Shin, (n 5), p. 296.
- 318 Nygh, Pocar, (n 41), p. 312
- 319 Nygh, Pocar, (n 41), p. 312.
- 320 Kono, Tada, Shin, (n 5), p. 296. See supra, para R.I.
- 321 Jurčys, Walle, (n 85), p. 342.
- 322 Ibid.
- 323 De Miguel Asensio, (n 1), p. 251 fnt. 43; Kono, Tada, Shin, (n 5), p. 301 fnt. 23.
- 324 De Miguel Asensio, (n 1), p. 251 fnt. 43.
- 325 De Miguel Asensio, (n 1), p. 251 fnt. 43; Kono, Tada, Shin, (n 5), p. 301 fnt. 23.
- 326 Pocar, (n 41), p. 4.
- 327 Jurčys, Walle, (n 85) p. 342
- 328 Nygh, Pocar, (n 85), p. 319.



# Internet Intermediaries and the Law Applicable to Intellectual Property Infringements

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**Abstract:** The coordination between territoriality restricted intellectual property rights and the potential global reach of Internet activities has been the focus of significant attention in recent years. The liability of Internet intermediaries offering potentially global services that may facilitate infringements of intellectual property rights by others in multiple countries poses a particular challenge in that regard.

At a substantive law level, significant differences remain between jurisdictions regarding secondary liability for intellectual property rights infringements and safe harbor provisions for Internet intermediaries. The present article discusses the conflict of laws aspects of the liability of Internet intermediaries in light of the recent international efforts to adopt soft law provisions on intellectual property and private international law.

**Keywords:** Intellectual Property, Internet, Intermediaries, Secondary Liability, Safe Harbors, Conflict of Laws.

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## A. Introduction

1 The concept of Internet intermediaries is broad, comprising providers of many different activities, facilities and services that enable others to take full advantage of the Internet and information society services. Intermediaries provide access to communication networks, services related to the transmission of information in such networks, hosting services (including cloud-based services, social networking sites, auction sites, blogging sites and other platforms that enable users to post contents), hyperlinks and search engines, and more. To the extent that the activities, facilities and services provided by intermediaries may result in infringements of intellectual property (IP) and may especially support or facilitate infringements by others, the liability of Internet intermediaries, the determination

of under what circumstances they may be held liable in connection with the activities of the users of their services and the possibility to bring claims against the intermediaries themselves, has become a crucial issue for the protection of IP on the Internet. In this context the relevant activities enabling IP infringements may also include the distribution of tools such as software that may be used to carry out allegedly infringing activities in particular with regard to peer-to-peer file sharing or the circumvention of technical protection measures.

2 Current developments regarding IP infringement disputes in the Internet illustrate the importance of claims against intermediaries.<sup>1</sup> Even in situations in which intermediaries may not be held liable as direct nor secondary infringers they may be required by a court or authority to terminate or prevent an

infringement, and intermediaries may also play a decisive role in implementing procedures for the removal or disabling of access to infringing content.<sup>2</sup> In practice, IP rightholders may have a particular interest in bringing claims against Internet intermediaries. Among the reasons for such an interest are that intermediaries are in a position to block access to the damaging content,<sup>3</sup> remove it from their services,<sup>4</sup> and prevent the infringement in the future.<sup>5</sup> Additionally, intermediaries have information that can locate direct infringers, in particular when such infringers are users of their services. If damages are sought by the rightholder, the fact that intermediaries usually have more financial means than individual users becomes very relevant, and it is much more cost efficient to sue an intermediary than a multiplicity of alleged individual infringers who may be scattered around the world.

- 3 In sharp contrast with the evolution of Internet law in most major industrialized countries that have adopted specific provisions regarding the (non) liability of Internet intermediaries, the position of intermediaries has not been the subject of a similar attention from the perspective of private international law.<sup>6</sup> However, the activities and services of those intermediaries having a potentially global reach or impact pose particular challenges from the perspective of private international law.<sup>7</sup> Therefore, this area seems of special interest when discussing how private international law should evolve in order to more efficiently adjudicate disputes arising out of situations involving the cross-border use of IP protected content. In this context the Committee of Intellectual Property and Private International Law of the International Law Association has singled out the particular interest of this topic. This paper focuses on choice of law considerations regarding alleged infringements carried out through the Internet and the position of intermediaries.

## B. Comparative perspectives

- 4 From a substantive law perspective it is remarkable that significant differences exist concerning to what extent Internet intermediaries are to be held liable for the activities of third parties. Only some jurisdictions recognize secondary liability for IP rights infringement and even among those jurisdictions different approaches prevail as to the conditions to impose with such liability. Indeed, substantive law standards differ in this regard from country to country and significant uncertainty remains over international standards for secondary liability and the delimitation between direct and indirect infringement.<sup>8</sup> Moreover, through the expansion of the Internet, many jurisdictions have witnessed the adoption of specific provisions regarding the immunity or limited liability of Internet intermediaries. In the

EU, Articles 12 to 15 of the Directive on electronic commerce basically establish that certain situations cannot give rise to intermediaries' liability since the main purpose of those provisions is to restrict the situations in which intermediaries may be held liable pursuant to the applicable national law.<sup>9</sup> The two basic international models are the U.S. Digital Millennium Copyright Act (DMCA)<sup>10</sup> and the EU Directive. Both encompass important similarities since the Directive used the DMCA as a reference on this issue.

- 5 It is noteworthy that these two basic regimes have influenced the adoption of similar provisions in a number of jurisdictions, and provisions on immunities for Internet intermediaries have even been included in free trade agreements' intellectual property chapters concluded by the US and the EU. However, many countries lack specific provisions on the liability of intermediaries,<sup>11</sup> and differences remain regarding the complex issue of secondary liability and safe harbor immunities even between jurisdictions that have rules that were partly based on common foundations.<sup>12</sup> Both the EU E-Commerce Directive and the U.S. DMCA are intended to exclude liability for intermediaries unless they have actual knowledge of facts or circumstances indicating illegal activity and failed to react. However, in the U.S., "safe harbor" provisions on intermediary liability do not have a horizontal nature,<sup>13</sup> contrary to the situation in the EU where the rules cover both civil and criminal liability regardless of the subject matter concerned. Although the provisions of the DMCA and those of the E-Commerce Directive present significant similarities, substantive differences remain, in particular, due to the DMCA's more detailed provisions, such as those regarding the system of notice-and-takedown.
- 6 Additionally, this is an evolving subject in which a significant level of uncertainty remains in the interpretation of substantive law. For instance, technological evolution and transformation of business models have influenced a shift in some jurisdictions, favoring a more active-preventive approach.<sup>14</sup> The areas most affected by such uncertainties include the application of the liability exemptions to linking sites and search engines, the level of knowledge to establish liability, whether certain services based on the distribution of user-generated content may require a certain level of prior monitoring or the interaction between the immunities and the obligations imposed on intermediaries under the various models for graduated response.<sup>15</sup> In particular within the EU, further clarification seems to be required as to the activities and providers covered and the material conditions necessary to benefit from the exemptions set out in the E-Commerce Directive's Articles 12 to 14; the implementation of notice and take down procedures; and implications of Article 15 that prevents Member States from imposing a monitoring obligation of a general nature.<sup>16</sup> This is

also an area in which the scope of enforcement of IP rights must especially be balanced against the protection of other fundamental rights, and hence basic values and policies that are part of national (or European) public policy may become determinative. The case law of the ECJ<sup>17</sup> illustrates to what extent injunctions imposed on intermediaries – such as those resulting in preventive monitoring, content filtering or website blocking and those implementing models for graduated response that may restrict users access to the Internet<sup>18</sup> – may infringe the fundamental freedom to conduct a business enjoyed by intermediaries and may also violate some fundamental rights of the users, namely their right to protection of their personal data<sup>19</sup> and their freedom to receive or convey information.

- 7 In order to achieve a high level of simplification facilitating intermediaries to operate in a global marketplace and all other stakeholders to better protect their rights or avoid liabilities, a substantial legal approach based on an international consensus at the substantive level seems to guarantee the required level of simplification better than an approach that establishes common private international law rules.<sup>20</sup> A harmonized and predictable international legal framework would favor the development of global markets for the use of digital content. The increasing reliance by governments on intermediaries to ensure law enforcement online is an additional factor when advocating further international coordination to overcome the difficulties posed to intermediaries under multiple conflicting laws.<sup>21</sup> Therefore the issue arises as to what extent the preferable option should be to draft model substantive law provisions, covering the elements of indirect Internet intermediary liability and the exceptions to such liability. The development of balanced, model substantive provisions could have a significant harmonizing effect at the international level in light of the absence of specific regulations in many countries and the need for further clarification in others (such as in connection with the E-Commerce Directive). In fact, efforts to develop international substantive standards by private organizations involving stakeholders started long ago.<sup>22</sup>

- 8 However the interest and potential benefits of developing common substantive standards for secondary liability contrast sharply with the almost complete lack of progress in this field by the international organizations active in creating uniform provisions regarding intellectual property (such as WIPO and WTO) or electronic commerce (UNCITRAL).<sup>23</sup> Substantive harmonization concerning the liability of Internet intermediaries have been the focus of particular attention in the recent negotiations leading to the conclusion of the Anti-Counterfeiting Trade Agreement (ACTA).<sup>24</sup> The draft of the Agreement made public in April 2010<sup>25</sup> contained in Article 2.18 paragraph 3 two alternative texts on li-

ability limitations benefiting online service providers that were inspired by the basic features of the DMCA and the E-Commerce Directive, although not without some changes.<sup>26</sup> Nevertheless, the final text of the Agreement, even if remaining very much focused on fighting infringement in the digital environment, does not include liability exemption provisions for Internet intermediaries.

- 9 Given the particular difficulties posed by the creation of differing substantive international standards on secondary liability and the absence of international consensus as far as regulatory details are concerned, conflict of laws provisions should be of paramount importance when trying to improve predictability and legal certainty. Moreover, given the complexity of this subject, international harmonization of basic principles would not mean full unification of legal systems so applicable law issues will continue to play a significant role. Although international jurisdiction falls outside the scope of this paper, the increasing trend to allow the consolidation of multistate infringement claims before a single court<sup>27</sup> reinforces the practical importance of applicable law issues regarding Internet intermediaries. The extraterritorial effect of measures against intermediaries and the enforcement of such measures abroad are also of particular interest here. The use of ubiquitous media creates uncertainties as to the scope of actions against IP infringements, for example, concerning damages or the scope of injunctions ordering a party to desist. Coexistence in the Internet between different national IP rights can only be achieved if injunctions are limited within the scope of the jurisdiction of the rendering court and to what is necessary to exclude significant negative commercial effects on the territories covered by the infringed IP rights.

### C. Applicable law to the liability of Internet intermediaries: general rule on indirect or secondary liability

- 10 From a comparative perspective, it has become generally accepted that the law applicable to indirect or secondary liability is the law that governs the main infringement. Potential liability of intermediaries linked to the activities of the users of their services, for instance with respect to the information stored in their servers and services, can be considered an issue concerning the determination of persons who may be held liable for acts performed by another person. In the EU, under the Rome II Regulation<sup>28</sup>, the law applicable to a non-contractual obligation arising from an infringement of an IP right in accordance with Article 8(1) also governs the determination of persons who may be held liable for



acts performed by them - Article 15(a) - and liability for the acts of another person - Article 15(d).<sup>29</sup> Article 15 reflects a trend to favor the application of the same law to all issues related to a non-contractual obligation to promote legal certainty and uniformity, which are basic goals of EU instruments in the field of private international law. Therefore, with regard to a non-contractual obligation arising from an infringement of an IP right the law of the country for which protection is claimed is determinative to establish both direct and indirect or secondary liability under the Rome II regime.<sup>30</sup> In the absence of specific provisions, the law of the country for which protection is claimed applies to determine the liability of Internet service providers arising from an infringement of an intellectual property right including the limitations or exemptions from liability for Internet intermediaries.<sup>31</sup> Furthermore, according to Article 15(d) Rome II Regulation the law applicable to the infringement governs “the measures which a court may take to prevent or terminate injury or damage” although “within the limits of powers conferred on the court by its procedural law.” Delimitation between the scope of application of the law applicable to the infringement and the procedural law of the *lex fori*<sup>32</sup> may raise particular difficulties with regard to the measures that can be adopted against intermediaries.

- 11 In the U.S., a similar trend may be identified with regard to the law applicable to secondary liability as illustrated by the ALI Principles’ approach. Under § 301, the law that governs the determination of infringement not only establishes direct infringement but also determines to what extent activities facilitating infringement may be regarded as infringement.<sup>33</sup> Therefore, a court should apply the laws of each jurisdiction in which infringements are alleged – in conjunction with § 321, which applies to ubiquitous infringements – regardless of the fact that in some countries the relevant activities may be considered direct infringement, while in others they are considered secondary infringement.<sup>34</sup>
- 12 Recourse to the *lex loci protectionis* to determine what law applies to the liability of Internet intermediaries may pose special difficulties particularly in those situations in which intermediaries offer their online services globally. The coordination between the system of territorially limited intellectual property rights and the ubiquitous reach of the Internet demands a reassessment of principles that may lead to the application of a multiplicity of national laws to Internet activities.<sup>35</sup> The *lex loci protectionis* rule leads usually to the distributive application of a plurality of laws with respect to activities performed through the Internet even if applied in light of the so-called principle of proportionality<sup>36</sup> to achieve a reasonable balance between the territoriality of IP rights and the Internet’s global reach. The law of each protecting country applies inasmuch as the activity al-

legedly infringes IP rights in its territory.<sup>37</sup> As a result of the Internet’s global reach, to the extent that from the design and functioning of a web site do not result that its addressees are limited to certain markets, the finding may prevail in many situations that the site produces substantial effects in a significant number of countries. Due to the contrast between the territorial fragmentation resulting from the *lex loci protectionis* approach and the global offering by many intermediaries of services provided to users in numerous countries around the world, a special risk has been identified that intermediaries may have to bear excessive legal uncertainties regarding their liability.<sup>38</sup>

- 13 With a view to control legal risks, intermediaries may be forced to adapt their business models to reduce the exposure to liability in the light of the multiple applicable laws, for instance when assessing to what extent they have a duty to act to prevent or stop illegal activities, and whether they are required to implement prior filtering with respect to certain illegal contents in addition to notice and takedown procedures. Therefore, subjecting the liability of intermediaries to the laws of each country of protection has been criticized as a potential source of unfair and unpredictable results.<sup>39</sup> In this context the idea has been advocated of establishing a special choice of law rule providing an exception to the *lex loci protectionis* with regard to the provision of services that enable service recipients to carry out infringing activities but are clearly detached from the service provider, in particular, in cases in which a third party uses the services of Internet intermediaries to infringe IP.

## D. The search for a single law: Article 3:604 CLIP Principles

- 14 Article 3:604 CLIP Principles introduces an innovative and detailed provision aimed at enabling the application of a single law in those situations. This approach is linked to the view that the traditional mosaic requiring intermediaries to adapt their global services to many different national laws may result in excessive territorialisation of the Internet and cause excessive costs to such intermediaries whose activities benefit from specific exemptions from liability at the substantive law level in many jurisdictions.<sup>40</sup> Furthermore, a so-called autonomous tort approach to determine the law applicable to secondary liability has been proposed as a means to better reflect the specific policies involved in the regulation of contributory infringement claims, such as the development of new business models and technological innovation.<sup>41</sup> User privacy, access to information, and freedom of expression seem also of particular significance in this regard. The rationale for derogating the application of the

law of the protecting country in these situations is connected to the idea that since intermediaries may not be aware of the acts committed and the contents disseminated by the users of their global services, it may be inappropriate to subject their liability to the law of each protecting country in circumstances in which it could become excessively burdensome or even impossible for them to identify the requirements of all the laws that might apply.<sup>42</sup> Application of one single law would provide a secure and stable legal framework to intermediaries offering neutral services at global scale. Article 3:604 CLIP Principles can be deemed as favoring, in principle, the position and interests of Internet intermediaries since it facilitates the efficient operation of their services to the extent that their activities would not be governed by a large number of different laws depending on the location of the main infringements. Nevertheless, the single applicable law by virtue of that provision may be the law of a State which is not particularly favorable to the interests of the intermediary involved. The search for legal certainty in this context is also intended to benefit persons seeking redress from intermediaries, since it favors the determination of the legal system that governs the intermediary's liability if proceedings are brought against the intermediary.<sup>43</sup>

- 15 Although Article 3:604(1) CLIP Principles reaffirms the basic rule by establishing that “the law applicable to liability based upon acts or conduct that induce, contribute to or further an infringement is the same as the law applicable to that infringement”, under Article 3:604(2) one single law may be applied to certain types of secondary infringements in the case of providers of facilities or services “that are capable of being used for infringing and non-infringing purposes by a multitude of users without intervention of the person offering or rendering the facilities or services in relation to the individual acts resulting in infringement.” Only neutral and fully automated processes or services in which the provider exercises no control over the alleged direct infringer's specific activities are covered by this exceptional provision. Additionally, Article 3:604(3) establishes a unique minimum substantive standard. The single law determined in accordance with paragraph 2 is only applicable if it provides, at least, liability for failure to react in case of actual knowledge of a primary infringement or, in the case of a manifest infringement and liability, for active inducement. The exceptional provision of paragraph 2 leading to the application of a single law does not cover claims relating to information on the identity and the activities of primary infringers, since the inclusion of a specific rule on the law applicable to the intermediary liability should not undermine the possibility of proceeding against the direct infringer under the respective *lex loci protectionis*.<sup>44</sup>

## E. Concerns raised by a special single law approach with regard to intermediaries

- 16 Article 3:604 (1) CLIP Principles represents an innovation both with regard to current Private International Law within the EU and with respect to other proposals since the ALI Principles, the Transparency Project and the Joint Korean Japanese Principles have not created specific choice of law provisions for indirect or secondary liability or to address the law applicable to exclusions and limitations of intermediary liability. Given the truly innovative nature of Article 3:604(1) and the evolving nature of its subject matter, a number of issues seem to deserve special attention when discussing how to proceed with the creation of international standards on intermediary liability that deviate from the traditional *lex loci protectionis* principle.
- 17 The distinction between secondary or indirect liability and direct infringement may be uncertain in many situations since characterization of certain conducts – such as preparatory acts – as direct or contributory infringements may vary significantly among States.<sup>45</sup> Furthermore, under substantive law, secondary liability is in many jurisdictions inextricably linked to direct infringement. In these circumstances recourse to a specific conflict of laws provision restricted to the liability of intermediaries may result in the introduction of additional uncertainty and complexity when compared to the general criterion leading to the application of the *lex loci protectionis* both to direct and secondary liability. Such risk becomes particularly clear with regard to situations in which a defendant is sued both under direct and secondary liability. Moreover, a deviation from the general rule that the law applicable to the liability covers also the issue of determining who may be held liable and the extent of their liability may raise additional doubts if limited to IP infringements from the perspective of those jurisdictions having horizontal provisions – not limited to IP infringements – on the intermediary liability (such as Arts. 12 to 14 of the E-Commerce Directive).
- 18 A specific conflict of laws rule for intermediaries could also pose very complex characterization issues with regard to the determination of its beneficiaries. In particular, applicability of the specific rule established in Article 3:604(2) CLIP Principles is limited to situations in which intermediaries provide facilities or services that users use to infringe “without intervention of the person offering or rendering the facilities or services in relation to the individual acts resulting in infringement.” Classification of a situation as falling or not within that category may be particularly difficult and hence add complexity to how the choice of law rules function. The evolution of the Internet has led to a situation in which identifying cer-

tain providers as merely passive or neutral intermediaries – such as those covered by the mere conduit provision or the traditional ISPs acting as hosting providers – has become more complex particularly in the light of the boom of user-generated content sites and other innovative services.<sup>46</sup> From the substantive law perspective, it is noteworthy the difficulties found in practice to determine the extent that information society providers qualify as hosting providers covered by the liability limitation established in E-Commerce Directive's Article 14<sup>47</sup> and the national laws implementing that provision.<sup>48</sup> The need to carry out a similar delimitation task as a prerequisite to apply a special conflict of laws rule on intermediary liability seems to be a factor of complexity and uncertainty.

- 19 Additional difficulties may arise when establishing and applying connecting factors intended to determine a single applicable law to multistate infringements.<sup>49</sup> The connecting factor used in Article 3:604(2) CLIP Principles is intended to lead typically to the law having the closest connection with the infringement-enabling activities. It refers to the law of the State where the centre of gravity of the activities of the provider relating to those facilities or services is located. In order to determine where the "centre of gravity" of the service provider pleading for the application of one single law is located, Article 3:604(2) does not establish a closed list of factors but favors an approach that allows courts to consider all circumstances of the case. Such an approach seems respectful with the principle of proximity but may pose difficulties from the perspective of legal certainty and uniform application of the provision.
- 20 Although some intermediaries provide their services and facilities on a global scale it is not rare that even in those situations the possible liability of the intermediary or the possibility to require the intermediary to terminate or prevent an infringement appear closely connected to conducts of their users that only have an impact on a geographically limited area. For instance, users tend to make use of global hosting services – such as social networks – to post and make available contents that in practice may have substantial repercussion in a limited number of jurisdictions (not rarely, in only one) and in those circumstances non-application of the *lex loci protectionis* with regard to intermediary liability, even if the service used is provided at a global level, may raise special concerns. To assess possible risks the following situation may be considered.
- 21 In a user-generated content service site based in the U.S. a user uploads illegally some parts of a Danish film. A claim is brought before the Danish courts by the rightholder requiring the intermediary to remove the content. A significant number of users in Denmark have downloaded the film by using the service since it is very popular in Denmark. Although

the service is very popular also in sixty other countries no one in those other countries is interested in that film. A key issue to determine if the service provider may be held liable with respect to the infringement of copyright in Denmark is the standard of diligence applicable to establish if the provider is aware of the infringement (or had knowledge of the activity or information in the terms of Article 14 of the E-Commerce Directive). Additionally, under Article 14, the limitation of liability does not prevent courts from ordering the intermediary to remove the infringing content. In this context the question may arise: Should the Danish court in such a case disregard Danish law (*lex loci protectionis*) implementing Article 14 of the e-Commerce Directive and apply the law of the centre of gravity to determine the relevant standard of diligence applicable to that provider with respect to the copyright infringement in Denmark? It can be noted that the service is "very popular" in Denmark and the service provider benefits from it (because in practice Denmark will be a relevant market for his advertising services) and it is not rare that users use the service to post content addressed to Danish Internet users. In cases such as this, it can be argued that the appropriate approach would be to subject the liability of the intermediary and the possibility to adopt measures against him referred to Denmark not to the law of the country of the centre of gravity, but to Danish law (law of the country of protection) even if the service concerned is provided at a global level from the place where such centre of gravity is located.

- 22 The illustration shows that alleged IP infringements resulting from the use of intermediary services may produce significant effects only in a limited number of countries regardless of the global reach of the intermediary services used, such as the platform where the file is uploaded and made available to third parties by the alleged infringer. In these situations, the idea of subjecting intermediary liability, or in general secondary liability claims, to a law other than the law of the country of protection that governs the infringement seems hard to accept from the perspective of the affected country to the extent that it would exclude the liability of a person liable for the infringement under the law of protection, or it would exclude the possibility to order an intermediary to terminate or prevent an infringement even if he is subject to such orders under the law of protection in those situations where he is not directly liable under such law.<sup>50</sup>

## F. Significance of the special rules on the law applicable to so-called ubiquitous infringements

- 23 In the light of the content of both the ALI Principles and the CLIP Principles the interaction bet-



ween the specific provisions on secondary infringements and the rules on ubiquitous infringements deserves special attention in this context. Article 3:604(2) CLIP Principles have a similar structure to Article 3:603 CLIP Principles on ubiquitous infringement and both provisions share some goals although they may be influenced by different policy considerations. Both provisions allow courts to derogate the general *lex loci protectionis* rule in order to replace the application of a multitude of laws by the law of closest connection. However, they have different scopes since Article 3:604(2) also applies to conduct which is not ubiquitous in coherence with its intended aim of increasing legal certainty for service providers acting on an international (not necessarily ubiquitous) scale. Additionally, the specific provision on ubiquitous infringement of Article 3:603 has a restrictive scope of application since it only covers transmissions that arguably lead to infringement in each State where the signals by which the content is communicated can be received. In fact a common feature to all four projects formulating soft law principles on Intellectual Property and Private International Law in recent years is the proposal of a special conflict of laws rule for so-called ubiquitous infringements, but only the CLIP Principles envisage a specific conflicts of laws rules on secondary liability. In particular, exceptional provisions making the application of a single law to IP infringements possible in certain ubiquitous situations are advocated by the ALI (§ 321), the European Max Planck CLIP Group (Article 3:603)<sup>51</sup> and also by the Japanese Transparency Project (Article 302) and the Joint Japanese Korean Principles (Art. 306). All four proposals for a special conflict of laws provision for ubiquitous infringement are based on the idea that although such infringements are multinational, it is appropriate to single out one or several countries having the closest connection with the infringement in order to avoid the complexity resulting from the distributive application of the law of each country for which protection is claimed.

- 24 Indeed, § 321 ALI Principles includes certain exceptions to the normal application of the basic conflict of laws rules on IP infringements. Those basic rules are established in § 301, which is founded on territoriality and requires the competent court to apply the laws of each affected State to the part of the infringement that take place within each State's borders. As an exception, § 321 allows the competent court to apply in cases of ubiquitous infringements of IP rights only the law or laws of the State or States with close connections to the dispute. Additionally that provision lists several factors that may be relevant to determine the close connection: residence of the parties; the place where the parties' relationship is centered; the extent of the activities and the investment of the parties; and the principal markets toward which the parties directed their activities.<sup>52</sup> The inclusion in the CLIP Principles of a special pro-

vision on the law applicable to secondary liability, in contrast with the situation in the ALI Principles, seems influenced by the fact that under the CLIP Principles the exceptional provision on ubiquitous infringement that allows courts to derogate from the general *lex loci protectionis* rule has a much more restrictive scope of application than the similar ALI Principles provision. Also, Article 306 of the Joint Japanese-Korean Principles that covers infringements that occur "in unspecific and multiple states" and Article 302(1) of the Transparency Proposal on ubiquitous infringements, have a broader scope of application than Article 3:603 CLIP Principles. Article 3:603 only applies if the alleged infringement itself is ubiquitous. For an infringement to qualify as ubiquitous it is required under Article 3:603 that the transmission of content through a ubiquitous medium such as the Internet must arguably lead to infringement in each State where the signals can be received. Such a strict understanding of the notion of ubiquitous infringement in the CLIP Principles reflects the option for a model more respectful to the territorial character of IP rights and the arguments against a hasty abandonment of territoriality.<sup>53</sup> Such an approach restricts in practice the application of Article 3:603 to copyright and related rights and only exceptionally to trademarks.<sup>54</sup> Hence many situations of multistate infringements covered by § 321(2) ALI Principles are left outside Article 3:603 CLIP Principles.

- 25 The factors used to determine the single applicable law in § 321(2) seem to be more flexible, less predictable and more in favor of the rightholder than the CLIP Principles. As already noted, the relevant provision of the ALI Principles that establish the country or countries with close connections to the dispute refers to the residence or business activities of both parties but also to the investment of the parties and the principal markets. By contrast, under Article 3:603(2), the location of the alleged infringer receives special attention as a relevant factor.<sup>55</sup> In practice, the tendency of courts to apply forum law may facilitate a finding that the law with the closest connection is forum law. Article 306 of the Joint Japanese-Korean Principles uses similar factors than those referred to in Article 3:603 to determine "the state that has the closest connection" with regard to infringements that occur "in unspecific and multiple states." The Japanese Transparency Proposal adopts a different approach to determine the single law applicable to ubiquitous infringement. According to Article 302(1), ubiquitous infringements "shall be the law of the place where the results of the exploitation of intellectual property are or are to be maximized," that is to be determined by regarding to the quantity of exploitation.<sup>56</sup>
- 26 Even without the inclusion of a special provision that deals with the law applicable to secondary infringement or the position of Internet intermediaries, the

ALI Principles, as well as the Transparency Proposal and the Joint Japanese-Korean Principles may also lead to the application of a single law with regard to the secondary liability arising out of the multistate activities of Internet intermediaries. Application of a single law (or a small group of laws) to the activities of intermediaries may result from § 321 ALI Principles on ubiquitous infringement, which has a broader scope of application than the CLIP Principles' provision on ubiquitous infringement.<sup>57</sup> Notwithstanding this, concerns have been raised about the need to supplement the list of connecting factors contained in § 321 to better accommodate secondary infringement claims.<sup>58</sup> However this approach raises, in some aspects, similar concerns as those posed by Article 3:604(2) CLIP Principles, such as the possible uncertainties related to the interpretation of the connecting factor.<sup>59</sup> Regardless, the reference to "the State or States with close connections to the dispute" as a connecting factor in § 321 ALI Principles provides the opportunity to establish that the laws of more than one State are applicable. Such an approach could be appropriate to deal with activities carried out through the Internet that produce significant effects in a number of countries, to the extent that it allows for the distributive application of all those laws.

- 27 In sum, as far as the secondary or indirect liability of Internet intermediaries for IP infringements is concerned, the proposed model rules offer two different approaches. One is based on the adoption of a special conflict of laws rule with regard to the liability resulting from certain activities of those intermediaries. Such a rule leads to the application of a single law and avoids intermediaries being subject to a multitude of laws. The other approach seems more aligned with the traditional view that the law applicable to the infringement also governs the determination of the persons to be liable, both directly and indirectly, including secondary liability. Under such a model no special rule for intermediaries is proposed. However, under this second approach Internet intermediaries providing their services or facilities in many countries may also not be subject to the general *lex loci protectionis* principle and mosaic rule. Internet intermediaries are also subject to the provision on the law applicable to ubiquitous infringement that has a broad scope of application. This second approach is influenced by the broader derogation of the basic *lex loci protectionis* rule resulting from the ubiquitous infringements provision. The implementation of such a rule in future international or national legislative instruments may be controversial given the close connection between the *lex loci protectionis* rule and the principle of territoriality of IP rights and its implications for legal sovereignty.<sup>60</sup> On the other hand, the approach based on drafting a special choice-of-law provision with regard to intermediaries may raise doubts in connection with the rationale and additional uncertainties

linked with having recourse to different conflict of laws rules for primary and secondary liability. However, it could also generate concerns to the extent that it would amount to a broad derogation of the *lex loci protectionis* rule with respect to secondary liability for IP infringements.

- 28 The basic rationale underlying a special conflict of laws rule concerning secondary liability for Internet IP infringements is simplification. Its goal is to avoid the difficulties arising out of the simultaneous application of a plurality of laws to globally-provided services. In this context an assessment of the interaction between the global scope of certain services provided by intermediaries and the expansion of technologies that enable the adoption of reliable territorial restrictions<sup>61</sup> and the implementation of territorially restricted injunctions seems to be of great practical importance. Geo-location of users is also of great relevance for Internet intermediaries to earn advertising revenues. Advertising is typically adapted to the place from where the user accesses the service. To the extent that global intermediaries may also adapt their services to comply with the different legal standards of the different territories (as illustrated, for instance, by the policies implemented by global microblogging sites that allow them to remove or block content only for specific jurisdictions), the idea that in connection with IP infringements *lex loci protectionis* should be especially abandoned with respect to the provision of intermediary services should perhaps be revisited, in particular in light of the idea that such services are used frequently to post and make available contents that in practice may have substantial repercussion in a limited number of jurisdictions (not rarely, only one). It seems that in those circumstances the burden of complying with local laws as a consequence of providing services offered to all those jurisdictions should not be overemphasized with regard to intermediaries to the extent that they have the means to implement technologies that enable territorial restrictions, and if needed they can design and provide a service to have substantial effects only in certain countries.

## G. Conclusion

- 29 The liability of Internet intermediaries has been identified as an area that requires specific substantive laws as illustrated, among others, by the safe harbor provisions of the DMCA in the U.S. and the limitations of the E-Commerce Directive in the EU. However, in this area significant divergences remain between legal systems, and applicable law issues have become of great practical importance in particular when multistate infringement claims are consolidated before a single court. Given the multinational and even global scope of the activities of in-

intermediaries, concerns have been raised about the burden and unpredictability of subjecting the intermediary liability to the law of each country of protection, which results from the general approach that the law applicable to indirect or secondary liability is the law that governs the main infringement. Article 3:604(1) CLIP Principles contains an innovative provision derogating from such an approach in some cases to favor the application of a single law to the activities of Internet intermediaries. A number of issues concerning a provision like that could require further discussion on things such as the scope of the beneficiaries and the determination of the connecting factor that makes possible the application of a single law. Under the ALI and other sets of Principles, recourse to a single law with regard to Internet intermediaries can also be the result of the application of the specific provisions on ubiquitous infringement without abandoning the traditional view that the law applicable to the infringement also governs secondary liability. The assessment of the interaction between a specific provision on secondary infringements and the rules on ubiquitous infringements in the light of the applicability of the latter to the activities of intermediaries is necessary to determine if a new proposal would be appropriate and what approach should be taken among the possible alternatives. Beyond conflict of laws, another option to improve legal certainty would be the creation of model substantive law provisions in this field that could contribute to international harmonization in an area where such a development seems especially necessary. Nevertheless, experience shows that uniformity at a substantive law level is harder to achieve than in the field of private international law and that international harmonization covering some basic principles in this area would not mean full unification of legal systems, and hence the need to determine the applicable law would remain.

- 1 For instance, in the EU see ECJ Judgments of 23 March 2010, *Google France and Google*, C-236/08 to C-238/08 and 12 July 2011, *L'Oréal*, C-324/09; and in the U.S., see *Viacom International v. YouTube Inc* 2010 WL 2532404 (S.D.N.Y. June 23, 2010) and *Tiffany (NJ) Inc v. eBay*, 576 F. Supp. 2d 463, 484 (S.D.N.Y. 2008).
- 2 See Articles 12(3), 13(2) and 14(3) Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce) (OJ 2000 L 178, p. 1); and Article 8(3) Directive 2001/29/EC of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2001 L 167, p. 10) ("Member States shall ensure that right holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right"); and Article 11 Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45).
- 3 For an example of an order imposing on an Internet service provider the adoption of certain technical means to block or attempt to block access by its customers to a website infringing copyright and "to any IP address or URL whose sole or predominant purpose is to enable or facilitate access to the website," see England and Wales High Court (Chancery Divi-

sion), *Twentieth Century Fox Film Corp & Ors v British Telecommunications Plc* [2011] EWHC 1981 (Ch) (28 July 2011) and [2011] EWHC 2714 (Ch) (26 October 2011).

- 4 Concerning the liability of a search engine in connection with its duty to remove certain photographs that infringe IP rights, see in France *Arrêt n. 827 of 12 July 2012 Cour de cassation - Première chambre civile*, available at <[http://www.courdecassation.fr/jurisprudence\\_2/premiere\\_chambre\\_civile\\_568/827\\_12\\_23881.html](http://www.courdecassation.fr/jurisprudence_2/premiere_chambre_civile_568/827_12_23881.html)>. Dismissing a lawsuit against Google for copyright infringement allegedly resulting from copies made in the functioning of the search engine, see in Spain Judgment of the *Tribunal Supremo* 172/2012, of 3 April 2012 (LA LEY JURIS: 4536122/2012).
- 5 Regarding the obligation of Google to prevent future infringements in case of clear rights infringements, see German Federal Supreme Court (2010) GRUR, 628 note 39 - *Vorschaubilder*.
- 6 R. Kojima, R. Shimanami and M. Nagata, "Applicable Law to Exploitation of Intellectual Property Rights in the Transparency Proposal," 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*, Tübingen, Mohr Siebeck, 2010, pp. 179-228, at, pp. 196-198.
- 7 J.J. Fawcett and P. Torremans, *Intellectual Property and Private International Law*, 2<sup>nd</sup> ed., 2011, Oxford, OUP, p. 920.
- 8 L.J. Oswald, "International Issues in Secondary Liability for Intellectual Property Rights Infringement," *American Business Law Journal*, vol. 45, 2008, pp. 247-282, pp. 248-251.
- 9 See G. Spindler y M. Leistner, "Secondary Copyright Infringement - New Perspectives in Germany and Europe," *IIC*, vol. 37, 2006, pp. 788-821; M. Peguera Poch, *La exclusión de responsabilidad de los intermediarios en Internet*, Granada, Comares, 2007; and P.A. De Miguel Asensio, *Derecho privado de Internet*, 4<sup>th</sup> ed., 2012, Navarra, Civitas, pp. 224-230.
- 10 17 U.S.C. § 512 (2000).
- 11 And even among the industrialized countries; for instance, see R.H. Weber, "Internet Service Provider Liability The Swiss Perspective," *JIPITEC*, vol. 1, 2010, pp. 145-150.
- 12 For a comparative overview see the WIPO Study by D. Seng, "Comparative Analysis of the National Approaches to the Liability of Internet Intermediaries," <[http://www.wipo.int/copyright/en/internet\\_intermediaries/index.html](http://www.wipo.int/copyright/en/internet_intermediaries/index.html)>.
- 13 In favour of a standardization of the existing "patchwork of safe harbors," see M.A. Lemley, "Rationalizing Internet Safe Harbors," 6 *J. on Telecomm. & High Tech. L.*, 2007-2008, pp. 101-119, p. 107.
- 14 J. De Beer and C.D. Clemmer, "Global Trends in Online Copyright Enforcement: A Non-Neutral Role for Network Intermediaries," 49 *Jurimetrics*, 2009, pp. 375-409.
- 15 See the WIPO Study by L. Edwards, "Role and Responsibility of Internet Intermediaries in the Field of Copyright and Related Rights," <[http://www.wipo.int/export/sites/www/copyright/en/doc/role\\_and\\_responsibility\\_of\\_the\\_internet\\_intermediaries\\_final.pdf](http://www.wipo.int/export/sites/www/copyright/en/doc/role_and_responsibility_of_the_internet_intermediaries_final.pdf)>, especially secs. III, IV and VII.
- 16 On how the regulatory uncertainty remains in the EU concerning the position of Internet intermediaries under the provisions of the E-Commerce Directive, see section 3.4, entitled "Need for further clarification on the intermediaries regime of the E-Commerce Directive," in Commission Staff Working Document, "Online services, including e-commerce, in the Single Market," accompanying the Communication from the Commission, "A coherent framework to boost confidence in the Digital Single Market of e-commerce and other online services," {COM(2011) 942}, {SEC(2011) 1640}, available at <[http://ec.europa.eu/internal\\_market/e-commerce/docs/communication2012/SEC2011\\_1641\\_en.pdf](http://ec.europa.eu/internal_market/e-commerce/docs/communication2012/SEC2011_1641_en.pdf)>.
- 17 See ECJ Judgment of 24 November 2011, C-70/10, *Scarlet Extended* with regard to the position of Internet access provid-



- ers, and ECJ Judgment of 16 February 2012, C-360/10, SABAM in connection to providers of hosting service (in particular, an online social networking platform). See ECJ Judgment of 19 April 2012, C-461/10, *Bonnier Audio and others*.
- 18 On the problematic nature of those mechanisms from an EU data protection perspective, see "Opinion of the European Data Protection Supervisor on the proposal for a Council Decision on the Conclusion of the Anti-Counterfeiting Trade Agreement" of 24 April 2012, <<http://www.edps.europa.eu>>.
  - 19 In the UK finding that the graduated response system to fight copyright infringements in the Internet that the Digital Economy Act 2010 inserted into the Communications Act 2003 does not breach EU Data Protection Law, see Judgment of 6 March 2012 England and Wales Court of Appeal (Civil Division) *British Telecommunications Plc, R (on the application of) v, BPI (British Recorded Music Industry) Ltd & Ors* [2012] EWCA Civ 232.
  - 20 G. Dinwoodie, R. Dreyfuss and A. Kur, 'The Law Applicable to Secondary Liability in Intellectual Property Cases,' *Journal of International Law and Politics*, vol. 42, 2009, pp. 201-235, pp. 233-234.
  - 21 M. MacCarthy, "What Payment Intermediaries Are Doing About Online Liability and Why It Matters," 25 *Berkeley Tech. L.J.*, 2010, pp. 1037-1120, at p. 1116.
  - 22 As a pioneer example, see Global Business Dialogue on Electronic Commerce, "Recommendations presented by the IPR Working Group on Notice and Takedown Procedures," (September 2000), <<http://www.gbd-e.org>>.
  - 23 For instance, in contrast with the approach adopted by the EU Directive 2000/31 on electronic commerce, the instruments on electronic commerce adopted by UNCITRAL, such as the 2005 United Nations Convention on the Use of Electronic Communications in International Contracts (that will enter into force on 1 March 2013 <<http://www.uncitral.org>>), do not address the liability of Internet intermediaries.
  - 24 The text of the Anti-Counterfeiting Trade Agreement initialled on 25 November 2010 between the European Union and its Member States, Australia, Canada, Japan, the Republic of Korea, the United Mexican States, the Kingdom of Morocco, New Zealand, the Republic of Singapore, the Swiss Confederation and the United States of America may be found in the Proposal for a Council Decision on the conclusion of the Agreement of 24 June 2011, COM(2011) 380 final.
  - 25 The Draft of April 2010 is available at [http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc\\_146029.pdf](http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146029.pdf).
  - 26 M. E. Kaminski, An Overview and the Evolution of the Anti-Counterfeiting Trade Agreement, 21 *Alb. L.J. Sci. & Tech.*, 2011, pp. 385-444, at pp. 438-440.
  - 27 This is a common feature of all four sets of principles on cross-border intellectual property litigation drafted in recent years: American Law Institute Principles Governing Jurisdiction, Choice of Law, and Judgments in Intellectual Property in Transnational Disputes, American Law Institute Publishers, St Paul, 2008 (ALI Principles); Principles on Conflict of laws in Intellectual Property prepared by the European Max Planck Group on Conflict of laws in Intellectual Property of 2011 (CLIP Principles) <[www.cl-ip.eu](http://www.cl-ip.eu)>; Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property of 2009 (Japanese Transparency Proposal), included as Annex III to J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual Property in the Global Arena*, Tübingen, Mohr Siebeck, 2010, pp. 394-402; and Principles of Private International Law on Intellectual Property Rights, Joint Proposal Drafted by Members of the Private International Law Association of Korea and Japan of 2010 (Joint Korean Japanese Principles), see *The Quarterly Review of Corporation Law and Society*, 2011, pp. 112-163.
  - 28 Regulation (EC) No 864/2007 of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) (OJ 2007 L 199, p. 40).
  - 29 Concerning the broad scope of Article 15(g) see A. Dickinson, *The Rome II Regulation (The Law Applicable to Non-contractual Obligations)*, Oxford, OUP, 2008, p. 587.
  - 30 See G. Spindler y M. Leistner, "Secondary...", *cit.*, p.816; P.A. De Miguel Asensio, *Derecho...*, pp. 270-273; A. Metzger, "Germany," T. Kono (ed.), *Intellectual Property and Private International Law (Comparative Perspectives)*, Oxford, Hart, 2012, pp. 581-617, p. 611; N. Boschiero and B. Ubertazzi, "Italy," T. Kono (ed.), *Intellectual cit.*, pp. 707-762, at p. 750; C. Wadlow, "United Kingdom" T. Kono (ed.), *Intellectual cit.*, pp. 1061-1102, pp.1091-1092 (noting that secondary liability based not on IP legislation but on general principles of law to the extent that it relates to an IP infringement seems to be also covered by Article 8.1 Rome II Regulation); and J.B. Nordemann, "Liability for Copyright Infringements on the Internet: Host Providers (Content Providers) - The German Approach" 2 (2011) *JIPITEC*, pp. 37-49, at p. 39. A similar approach prevails in cases in which courts have recourse to Article 5.2 of the Berne Convention as the relevant conflict rule establishing the *lex loci protectionis* principle. In this connection, on the application in France of the law of the country of protection on both the direct infringement and the liability of a search engine provider in connection with the alleged infringement of certain rights in photographs, see Arrêt n. 827 of 12 July 2012 (11-15.165 ; 11-15.188) - *Cour de cassation - Première chambre civile*, available at <[http://www.courdecassation.fr/jurisprudence\\_2/premiere\\_chambre\\_civile\\_568/827\\_12\\_23881.html](http://www.courdecassation.fr/jurisprudence_2/premiere_chambre_civile_568/827_12_23881.html)>.
  - 31 J. Drexel, "Internationales Immaterialgüterrecht," *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, 5th ed, Bd. 11, Munich, C.H. Beck, 2010, pp. 1344-1491, at pp. 1448-1449.
  - 32 D. Moura Vicente, "La propriété intellectuelle en droit international privé," *R. des C.*, vol. 335, 2008, pp. 105-504, at pp. 375-379.
  - 33 § 301 ALI Principles, comment h.
  - 34 See ALI Principles, Illustrative Overview in "Introductory Note to Part III."
  - 35 See, e.g., A.P. Reindl, "Choosing Law in Cyberspace: Copyright Conflicts on Global Networks," 19 *Mich. J. Int'l L.*, 1997-1998, pp. 799-871; and A. Ohly, "Choice of Law in the Digital Environment - Problems and Possible Solutions," in J. Drexel and A. Kur (eds.), *Intellectual Property and Private International Law*, Oxford, Hart, 2005, pp. 241 et seq.
  - 36 In line with the 2001 WIPO Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (<[http://www.wipo.int/about-ip/en/development\\_iplaw/pub845.htm](http://www.wipo.int/about-ip/en/development_iplaw/pub845.htm)>), the mere accessibility of a website in a country does not support a finding that the site produces in that country the significant market impact required to find infringement as a result of the activities carried out through Internet, A. Kur "Die WIPO-Empfehlungen zur Benutzung von Marken im Internet," *GRURInt*, 2001, pp. 961- 964.
  - 37 P. A. De Miguel Asensio, "The Private International Law of Intellectual Property and of Unfair Commercial Practices: Coherence or Divergence?," S. Leible and A. Ohly (eds.), *Intellectual Property and Private International Law*, Tübingen, Mohr Siebeck, 2009, pp. 137-190, p. 178. See ECJ Judgment of 18 October 2012, C-173/11, *Football Dataco*, para. 39.
  - 38 G. Dinwoodie, R. Dreyfuss and A. Kur, 'The Law Applicable...', *cit.*, pp. 205-209.
  - 39 Y. Nishitani, "Copyright Infringement on the Internet and Service Provider's Liability - A Japanese Approach from a Comparative Perspective," A. Schulz (ed.), *Legal Aspects of an E-Commerce Transaction*, Munich, 2006, pp. 41-53, pp. 52-53.

- 40 A. Kur, "Article 3:604 CLIP Principles," *Conflict of laws in Intellectual Property: The CLIP Principles and Commentary*, Oxford, OUP, forthcoming.
- 41 G. Dinwoodie, R. Dreyfuss and A. Kur, "The Law Applicable...", *cit.*, pp. 216-217.
- 42 R. Kojima, R. Shimanami and M. Nagata, "Applicable...", *cit.*, at p. 197.
- 43 A. Kur, "Article 3:604 CLIP Principles," *Conflict... cit.*, C17.
- 44 A. Kur, "Article 3:604 CLIP Principles," *Conflict... cit.*, C22.
- 45 L.J. Oswald, "International...", *cit.*, pp. 266-274.
- 46 L. Edwards, "The Fall and Rise of Intermediary Liability Online," L. Edwards and C. Waelde (eds.), *Law and the Internet*, 3rd ed., 2009, Oxford, Hart, pp. 47-88, at pp. 67-69.
- 47 For instance, see ECJ Judgment of 12 July 2011, C-324/09 *L'Oréal*, paras. 106-116.
- 48 With regard to the situation in Germany and Spain, see H. Hoffmann, "§ 10 TMG," G. Spindler/F. Schuster, *Recht der elektronischen Medien*, 2<sup>nd</sup> ed., Munich, C.H.Beck, 2011, pp. 1526-1536; and M. Peguera, "Internet Service Providers' Liability in Spain (Recent Case Law and Future Perspectives)," *JIPITEC*, vol. 1, 2010, pp. 151-171.
- 49 Discussing the recourse to the habitual residence of the intermediary as a connecting factor and the concern that intermediaries could intentionally locate their habitual residence in countries with a low level of protection, see R. Kojima, R. Shimanami and M. Nagata, "Applicable...", *cit.*, at p. 197. Such a concern is addressed in the CLIP Principles by introducing in Article 3:604(3) a common substantive threshold.
- 50 In fact in such situations application of the *lex loci protectionis* with regard to the Internet intermediary seems almost subconscious, see again in France *Arrêt n. 827 of 12 July 2012 Cour de cassation - Première chambre civile*.
- 51 For a detailed comparison between § 321 ALI Principles and Article 3:603 CLIP Principles, see R. Matulionytė, *Law Applicable to Copyright (A Comparison of the ALI and CLIP Proposals)*, Cheltenham, Edward Elgar, 2011, pp. 166-202.
- 52 Furthermore, § 321(2) allows a party to prove that with respect to particular States covered by the action, if the solution provided by any of those States' laws differs from that of the law applicable to the case as a whole given its close connection to the dispute, such difference shall be taken into account by the competent court when determining the scope of liability and remedies. A similar safeguard may be found in Article 3:603.
- 53 A. Metzger, "Applicable Law under the CLIP Principles: A Pragmatic Revaluation of Territoriality," J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual...cit.*, pp. 174-175; and E. Treppoz, "Un autre regard : étude comparée des Principes de l'American Law Institute et du Max Planck Institut sur le droit international privé et la propriété intellectuelle," *Droit international privé et propriété intellectuelle (Nouveau cadre Nouvelles stratégies)*, Rueil-Malmaison, Lamy, 2010, pp. 271-301, p. 299.
- 54 A. Kur, "Article 3:603 CLIP Principles," *Conflict..., cit.*, C9.
- 55 According to Article 3:603(2) CLIP Principles "In determining which State has the closest connection with the infringement, the court shall take all the relevant factors into account, in particular the following:(a) the infringer's habitual residence;(b) the infringer's principal place of business;(c) the place where substantial activities in furtherance of the infringement in its entirety have been carried out;(d) the place where the harm caused by the infringement is substantial in relation to the infringement in its entirety."
- 56 R. Kojima, R. Shimanami and M. Nagata, "Applicable...", *cit.*, at p. 197.
- 57 A. Kur and B. Ubertazzi, "The ALI Principles and the CLIP Project - a Comparison," in S. Bariatti (ed.), *Litigating Intellectual Property Rights Disputes Cross-Border: EU Regulations, ALI Principles, CLIP Project*, Milán, CEDAM, 2010, pp. 89-147, p. 127.
- 58 G. Dinwoodie, R. Dreyfuss and A. Kur, "The Law Applicable...", *cit.*, pp. 214-216.
- 59 D. Yokomizo, "Intellectual Property Infringement on the Internet and Conflict-of-laws," *AIPPI Journal*, May 2011, pp. 104-114, p. 109.
- 60 A. Kur, "Article 3:603 CLIP Principles," *Conflict..., op. cit.*, C6.
- 61 M. Trimble Landova, "The Future of Cybertravel: Legal Implications of the Evasion of Geolocation," *22 Ford. Intell. Prop. Media & Ent. L.J.*, 2012, pp.567-657, p. 586.

# Transnational Law for Transnational Communities

## The Emergence of a Lex Mercatoria (or Lex Informatica) for International Creative Communities.

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**Abstract:** Open Source Communities and content-oriented projects (Creative Commons etc.) have reached a new level of economic and cultural significance in some areas of the Internet ecosystem. These communities have developed their own set of legal rules covering licensing issues, intellectual property management, project governance rules etc.

Typical Open Source licenses and project rules are written without any reference to national law. This paper considers the question whether these license contracts and other legal rules are to be qualified as a lex mercatoria (or lex informatica) of these communities.

**Keywords:** Open Source Software, Creative Commons, Private International Law, Choice of Law, Lex Mercatoria

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### A. Free and Open Source, Creative Commons: An alternative model for innovation and creativity

this time, today's leading software industry players, such as Microsoft, SAP, Oracle and Adobe, developed the business model of standardized closed source software products.<sup>1</sup>

1 Free and open source communities (the terms are used synonymously in this paper) have their historical roots in the 1980s when software began to be marketed as an independent commercial good on the IT markets. Before that time, software was mostly given away for free to hardware customers as an add-on and accompanied by the source codes. The source codes enabled customers to debug and modify the software according to their needs. With the advent of mass-market personal computers in the 1980s, IT companies started to sell or license software as a product independent from the hardware and to provide their customers only with closed source versions of their programs. During

2 For programmers interested in analysing and modifying software – 'hackers' as they were called at the time<sup>2</sup> – this new era of closed software was felt as a threat to their way of working with software. Therefore, some first small projects, the most prominent being Richard Stallman's GNU project founded in the US, started to create free software programs that would be available for everybody interested in object and source code form.<sup>3</sup> The GNU project developed faster than anybody could have expected. The most important step in the development of the project was the contribution of an operating system kernel called 'Linux' provided by the Finnish student Linus Torvalds in 1991.<sup>4</sup>



Together with the already existing GNU modules, the GNU/Linux operating system has been stable since the early 1990s. Today Linux is used on a worldwide basis, especially in the markets for smart phones ('Android' is a Linux derivative), on servers and in the embedded sector, e.g. as a control systems for machines etc.

- 3 Linux undoubtedly is the most prominent free software. However, there are many more comparable projects. Some evolved (like GNU/Linux) as bottom-up projects of hobby programmers or freelancers that started with a few lines of code. Samba is another example of this type of project.<sup>5</sup> Others projects are driven by commercial software companies that earn their money by services and customizing. The database program MySQL is an important project of this type.<sup>6</sup> Still other projects use pre-existing commercial software, which was no longer competitive in the classical development model, as the basis of an open source project. The most prominent example is the web browser Mozilla Firefox.<sup>7</sup> Another type of open source project is represented by the web server Apache, which was originally built on publicly funded code provided by the National Center for Supercomputing Applications at the University of Illinois. Since the 1990s, the Apache project has completely replaced the NCSA code.<sup>8</sup>
- 4 Despite the differences in the origins and goals of these and other open source projects, all projects use free or open source licenses for the organization of their communities. According to these licenses – the most prominent of which is the GNU General Public License<sup>9</sup> used for GNU/Linux and many other free software projects – users may acquire the right to use, copy, modify and distribute the licensed software. However, these rights are linked to licensee obligations. All open source licenses oblige the licensee to give a copy of the license text to the recipients of the program. Also, all notices in the source code that refer to the applicable open source license, all copyright notices, and disclaimers of warranty and liability must be duplicated when the programs are copied. These common features of open source licenses have been compiled in widely accepted definitions of 'open source' or 'free software' licenses that provide lists of more or less identical criteria.<sup>10</sup> Community organizations like the Free Software Foundation and the Open Source Initiative 'officially' recognize licenses as being 'free' or 'open source'. Therefore the delimitation of the license model is clearer than it may appear at first glance.
- 5 Simple open source licenses – for example, the so-called BSD licenses<sup>11</sup> – are liberal in the sense that they do not provide more extensive obligations for the licensees. Other licenses, like the GNU General Public License, provide the additional duty for

licensees to distribute modified versions of the program only under the terms of the applicable open source license. These so-called 'copyleft' provisions limit the licensee's freedom to commercialize derivative versions of pre-existing free software.<sup>12</sup> However, the concept of 'copyleft' guarantees that those who have profited from the free software community must pay back to a certain extent.

- 6 The success of the open source development and distribution model has triggered the development of comparable communities in other sectors of media and culture. The most prominent initiative is Creative Commons, which was founded in 2001 mainly by US law professors.<sup>13</sup> Creative Commons provides standardized license contracts that may be used by authors of copyright-protected works to disseminate their contents under a liberal license regime which allows users to redistribute the contents. Some of the licenses allow for commercial use and modifications, while others are more restrictive.<sup>14</sup> With an open source software license, the users are under the obligation to duplicate the license terms and disclaimers. Some creative commons licenses contain a 'share-alike' clause comparable to the 'copyleft' provisions of open source software licenses. A second well-known 'open content' initiative is Wikipedia, an online encyclopaedia written by a worldwide community of authors who distribute and modify the articles of the encyclopaedia in accordance with the GNU Free Documentation License and a Creative Commons share-alike license.<sup>15</sup>

## B. The specific issues of creative communities in private international law

- 7 The interesting issue of open source and open content licenses for international lawyers is the international composition of the projects. Many of the communities are literally spread around the world with programmers (or authors) situated in the US, Europe, East Asia and other regions of the world.<sup>16</sup> Typically, the exclusive rights in the works (or parts of the works) remain with the authors contributing to the project (or with the employer).<sup>17</sup> As a consequence, each user of an open source program who is interested in redistributing the software (and therefore is in need of a license) must conclude a license contract, according to the terms of the applicable open source license, with a number of licensors situated in a number of different jurisdictions.<sup>18</sup> In fact, having concluded 'a' license contract to use a free software program technically means that the licensee has concluded a multitude of license contracts. This raises the question of which law shall be applicable to these license contracts.

- 8 For a court situated in the European Union, Article 4 Rome I Regulation<sup>19</sup> would govern the question of which law shall apply to a license contract if the parties have not chosen the applicable law. Article 4(1) provides specific rules for a variety of contracts but not for contracts concerning intellectual property rights. For contracts not covered by Article 4(1), Article 4(2) refers to the characteristic performance test, i.e. 'the contract shall be governed by the law of the country where the party required to effect the characteristic performance of the contract has his habitual residence'. Courts may deviate from 4(1) and 4(2) if the contract is 'manifestly more closely connected' with another country (see 4(3)). A court may also apply the closest connection test if the applicable law cannot be determined under 4(1) and 4(2) (see 4(4)). The ECJ has not yet decided on the applicable law to license contracts. There is also no reported national case law of the EU Member States' Supreme Courts, since the Regulation applies only to contracts concluded after 17 December 2009. Following the 'pre-Rome I' rules of some EU jurisdictions and the current Swiss law, the law of the licensor would govern a license contract. This solution was applied in a patent case by the German Bundesgerichtshof in a decision of 2009 ('*Sektionaltor*').<sup>20</sup> It was also supported in a copyright case by the Austrian Oberster Gerichtshof of 2009 ('*F.-Privatstiftung*')<sup>21</sup> and in a trademark decision by the Swiss Bundesgericht of 1975 (*Togal/Togal*).<sup>22</sup> The Swiss legislator adopted the same approach as a general rule in Article 122 Bundesgesetz über das internationale Privatrecht of 1987 (Federal Act on Private International Law). According to Article 122, all intellectual property contracts shall be governed by the law of the state of habitual residence of the right holder. However, Article 122 is not without exceptions. If the contract has a closer connection to another state, in particular to the state of residence of the transferee or licensee, the law of that state shall apply.<sup>23</sup> The application of the law of the licensor is also suggested as a basic presumption or fall-back provision by the currently discussed international collections of soft law principles and reform proposals on the subject (see § 315 para. 2 ALI Principles,<sup>24</sup> Art. 3:502 para. 3 CLIP Principles<sup>25</sup> and Art. 306 para. 2 Transparency Proposal<sup>26</sup>). As a result of this solution, the laws of different jurisdictions would be applicable for a piece of software that appears for the licensee as one homogeneous product.<sup>27</sup>

#### Illustration:

A produces printing machines for large-scale printing industries. The machines are controlled by an embedded GNU/Linux operating system. A produces 100 of these machines with the embedded software per year. A wants to know whether the authors of the software may be held liable for bugs. Under the assumption that the law of the licensor is applicable for all contractual issues, A must apply

for each portion of the code the law of the habitual residence of the respective author.

- 9 Another solution would be to apply the law of the licensee. The Austrian Bundesgesetz über das internationale Privatrecht of 1978 (Federal Act on Private International Law), before the enactment of the Rome I Regulation, pointed in Article 43 to the law of the habitual residence of the licensee for all multi-state license contracts irrespective of the rights and duties of the parties. A similar rule was provided for in section 25(c) of the former Hungarian Act on Private International Law of 1979. German and French courts also applied the law of the licensee to publishing contracts.<sup>28</sup> The application of the law of the licensee has also been suggested as a basic presumption by Article 307 para. 2 of the recent joint Japanese-Korean proposal for law reform.<sup>29</sup> Under this solution, the user of an open source program could rely on the applicability of one single law when using the program. However, this approach would shift the uncertainty to the side of the licensor because it would now be the licensor's burden to apply a multitude of applicable laws if the user community is international.
- 10 A third solution would be to apply the law of the protecting country as *lex contractus*. This solution was applied by the Oberlandesgericht Düsseldorf in 1961 in the case of an exclusive patent license granted by a French right holder to a German licensee as part of a cross-license agreement.<sup>30</sup> Applying the *lex loci protectionis* was also supported by Article 43 of the former Austrian Bundesgesetz über das internationale Privatrecht of 1978 (Federal Act on Private International Law) for single-state licenses. Article 306 of the Transparency Proposal follows the same approach. The law of the protecting country is used as the primary fall-back provision in Article 3:502(3) CLIP Principles for single-state licenses. It also has some support in scholarly writing.<sup>31</sup> This approach would foster legal certainty for users because they could rely on their national law when making use of the software or contents. Also, this approach would prevent *dépeçage* between the contractual issues of the license contracts and the intellectual property aspects. But the approach has the disadvantage inherent to all 'mosaic' theories in private international law. Applying multiple territorial laws to ubiquitous legal relationships significantly raises the complexity for the right holder. Applying a territorial approach to internationally used licensed contracts may also have the effect of a race to the top with regard to the legal restrictions on freedom of contract: If, for example, a licensor wants to exclude the liability for mistakes in an open source program, the licensor will have the choice of either using the most restrictive contract law regime or taking the risk that the waiver will be unenforceable in certain jurisdictions.

- 11 Some open source licenses try to evade this problem by explicit choice-of-law clauses. An example of such a clause may be found in Section 11 Mozilla Public License Version 1.1 ('This License shall be governed by California law provisions (except to the extent applicable law, if any, provides otherwise), excluding its conflict-of-law provisions.').<sup>32</sup> Such clauses are acceptable for an open source community if all or at least most contributors are residents of one jurisdiction. However, for a truly international community of programmers it will hardly be acceptable to regulate their legal relationships in accordance with the law of the habitual residence of one part of their community. Also, it may well be the case that both the licensor and the licensee are not residents of the state of the chosen law but are both residents of another state. Here, it may be that the conflict-of-law rules of their home jurisdictions will not accept their choice or, as is the case for Article 3(3) Rome I Regulation, apply the internally mandatory provisions of the jurisdiction of their common residence state. Against this background it is not surprising that open source licenses rarely contain classical choice-of-law clauses referring to the law of one country. The recently published revised Mozilla Public License Version 2.0<sup>33</sup> refers to the law of the state of the defendant's principal place of business.
- 12 Another strategy for the international usability of open source or open content licenses is the creation of national versions of the licenses that comply with the requirements of specific jurisdictions. The most advanced project following this policy is Creative Commons International.<sup>34</sup> Creative Commons has created national license versions for more than 50 jurisdictions. These 'ported licenses' are based on the international ('unported') license suite, but they differ in that they have been modified to reflect local legal requirements and to comply with the local language. Some of the ported license versions comprise a choice-of-law clause referring to the law of the given jurisdiction.<sup>35</sup> Besides these national license versions, Creative Commons provides an 'unported version' which may be used for jurisdictions without a 'ported' version. The 'unported' licenses are without a choice-of-law clause. Although it may look helpful at first sight to have locally adapted versions of the licenses, using these national license versions may even worsen the legal difficulties of creative communities (see the following illustration).<sup>36</sup> Also, the legal costs of such a solution are extremely high and may hardly be borne by typical non-profit communities.

#### Illustration:

A is a historian at the university of Bucharest. He has created a database of Jewish cemeteries in Central and East Europe consisting of some hundred entries with maps, photographs and descriptions in different languages. A

wants to share the database with other interested researchers in Romania and abroad. After visiting [www.creativecommons.org](http://www.creativecommons.org), he chooses the Creative Commons Attribution-ShareAlike Version 3 Romania. The license text is in the Romanian language. According to Section 8 lit. f) Romanian law is applicable. B from Berlin finds the database on the Internet. He makes a number of important entries on cemeteries in Germany and wants to make this modified version available on his private website. Unfortunately, B does not read Romanian. In this case, B would be worse off as compared to the use of the 'unported' license version because he would have to translate the license terms before reading them. It could even be that under German contract law, standard terms in languages which may not be expected to be understandable for contracting parties may be unenforceable, especially in the case of consumers.

- 13 The most important open source licenses, especially the GNU General Public License Version 2.0 which is used for more than 40% of all free software in the market,<sup>37</sup> do not contain choice-of-law clauses. The GPL and most other open source licenses follow a strategy of generic license terms. The idea behind this strategy is to use a terminology that is as close as possible to the international treaties in the field and, for subjects which are not covered by international treaties, as neutral as possible, i.e. to define the used terms and to avoid terminology that is clearly bound to a specific jurisdiction. This drafting technique aims to facilitate the worldwide acceptance of the licenses, irrespective of the applicable law in a given jurisdiction. The most advanced license following this strategy is the GNU General Public License Version 3, which was published in 2007.<sup>38</sup> The GPLv3 uses artificial terms and definitions instead of the commonly used terminology to avoid any hasty association with national categories; for example, it uses the term 'convey' instead of distribute or make available. A similar strategy has been chosen for the Creative Commons 'unported' licenses, which are not designed for one specific jurisdiction. Section 8 lit. f) of the Creative Commons Attribution-ShareAlike Unported 3.0 even explains the strategy explicitly: 'The rights granted under, and the subject matter referenced, in this License were drafted utilizing the terminology of the Berne Convention for the Protection of Literary and Artistic Works (as amended on September 28, 1979), the Rome Convention of 1961, the WIPO Copyright Treaty of 1996, the WIPO Performances and Phonograms Treaty of 1996 and the Universal Copyright Convention (as revised on July 24, 1971).'

## C. Applying community principles as a *lex mercatoria*

- 14 Regular private international law principles are based on the idea that international legal relationships should be governed by the law of a state (or the law of several states) to which the parties involved and



the facts of the case have the closest connection. But this approach, as has been shown, leads to unsatisfactory results in the case of international open source or free content communities. A more tailor-made solution reflecting the specific needs of open source communities could be based on the theory of *lex mercatoria*. The traditional *lex mercatoria* theory is based on the idea that the international community of traders has developed over time a body of internationally customary rules independent from the law of specific states.<sup>39</sup> According to the classical narrative, the old *lex mercatoria* was unwritten law developed and applied by the medieval courts of admiralty. Modern theories of *lex mercatoria* refer to the UNIDROIT Principles for International Commercial Contracts, to the body of rules developed in international arbitration awards and to international contractual practice as sources for a new unwritten non-state law of international commerce.<sup>40</sup>

- 15 It is this last prong of *lex mercatoria*, the international contractual practice, which could serve as a theoretical link between open source communities and *lex mercatoria*. Developers working together in international programming communities are not just international by composition. They are also characterized by a high level of social homogeneity. Linux kernel programmers are freelancers or employed programmers interested in a high-quality software available for everybody. Some of these programmers are driven by commercial intentions, especially if it is their business model to provide services for industry Linux users. Others may contribute to the project for altruistic reasons. But these differences in motivations and strategic goals have not destroyed the common understanding of how open source or free software should be developed and distributed. This common understanding is expressed in the already-mentioned definitions of free or open source software which describe the basic principles of the communities. An even more concrete expression of these community-wide principles are the common features of the different open source licenses. Although there are more than 100 open source licenses currently used in the market,<sup>41</sup> the basic features of these licenses follow the same pattern. Against this background, one could argue that open source communities have developed a body of independent rules of law that are accepted in the community. These rules are not just social norms. They are enforced in practice, from time to time in state courts but more often in out-of-court settlements.<sup>42</sup>
- 16 What would be the practical consequence of detaching the legal rules of open source or free content communities from any state law? As a starting point, one should be very clear about the fact that any *lex mercatoria* approach may only be applicable in those areas of law where the parties are free to choose the applicable law. Therefore, the intellectual property issues of the license contracts – especially questions such as eligibility for copyright protection, scope of protection, limitations and exceptions under copyright law, and initial ownership – may not be subject to a *lex mercatoria* approach.<sup>43</sup> Also, internationally mandatory provisions could not be bypassed. However, there would still be an important list of legal issues of a contractual nature that could be governed by the autonomous community standards of open source or content communities, including formation and validity of license contracts (or unilateral instruments); language requirements under contract law, especially for standard terms and conditions; interpretation; warranty and liability; and breach of contract and remedies.
- 17 Allowing the choice of a specific *lex mercatoria* for open source or free content communities would raise the additional question of how explicit this choice must be or whether the community principles may also be applied in the absence of a choice of law. For arbitrators it may be a possible approach to apply community principles without an explicit or implicit choice made by the parties.<sup>44</sup> For state courts such an approach will hardly be acceptable, at least if private international law provisions like Article 4 Rome I Regulation ('the law of the state') are applied. One possible solution could be to interpret the drafting approach behind the generic license terms as an implied choice of the community principles. Such an approach would reflect the intention of the parties to avoid the application of the law of any specific jurisdiction.
- 18 Under the approach described, the yardstick for the interpretation, gap-filling and – even more problematic – the review of specific clauses of the license contracts would be the body of common principles followed by all open source or free content licenses. The arbitration tribunal or court would have the task of checking several licenses in the field and applying their common features as the 'golden mean' of the respective license model. One example for this approach could be the 'termination clause' which is used in the more comprehensive licenses. Under these provisions, the license grant to a specific licensee is automatically terminated in case of non-compliance with the license terms. Provisions of this type may be found in Section 8 GPL Version 3,<sup>45</sup> Section 8 Mozilla Public License Version 2.0,<sup>46</sup> Section 7 Common Public License<sup>47</sup> etc. The less elaborated and simpler licenses, such as the BSD licenses,<sup>48</sup> do not provide explicit rules on the consequences of a breach of the license terms by a licensee. Here, it would be an appropriate solution to apply the common features of the termination clauses in other open source licenses as a gap-filling tool.

- 19 As a matter of fact, open source license only regulate the core rights and duties of the parties involved and are inevitably incomplete bodies of contract rules. For general questions of contract law not addressed in open source licenses – such as authority of agents, third-party rights, calculation of damages etc. – the UNIDROIT Principles for International Commercial Contracts could be applied.<sup>49</sup> The UNIDROIT Principles are currently available in version 3 of 2010. Version 3 comprises 211 detailed articles on the main questions of contract law and the law of obligations. The Principles have been drafted under the auspices of the UNIDROIT Institute in Rome since the early 1980s by a group of academics from different jurisdictions.<sup>50</sup> According to the preamble, the UNIDROIT Principles may be applied ‘when the parties have agreed that their contract be governed by general principles of law, the *lex mercatoria* or the like’. If one agrees that the license contracts used by transnational creative communities should be governed by a specific type of *lex mercatoria*, the UNIDROIT Principles could serve as a subsidiary source of law for all questions not covered by the specific license in question and not covered by typical free software or content license.

#### Illustration:

X is distributing tax calculation programs for business customers. He uses the ‘Randomfunc’ system library for some of the basic functions of the programs. The library was written by programmers A, B and C who are residents of the US, Canada and Brazil. The library is licensed under the terms of the GNU GPL Version 2. Under Section 2 b) GPL 2, modified versions of licensed programs may only be distributed under the terms of the GPL. Under Section 3 b), any person distributing a licensed program must ‘give any third party a complete machine-readable copy of the corresponding source code’. X modifies the library and adds some new functions, i.e. for the calculation of different currencies. He distributes the modified library as part of ‘his’ program without giving any notice of the use of GPL software to his customers. Also, the software is distributed on a binary-only basis without the source codes. Y, who is also in the business of tax calculation software, buys a copy of X’s software. After reverse engineering the program, he believes that X has used a modified version of the ‘Randomfunc’ system library. He gives notice to A, B and C about the license violation. Unfortunately, A, B and C are reluctant to enforce the license terms against X because they cannot reach an agreement about the potential legal costs of such an attempt. Finally, Y contacts X directly and solicits the source codes of the modified library referring to Sections 2 b) and 3 b) GPL Version 2. X answers that the GPL Version 2 is not an enforceable contract due to the lack of ‘consideration’. Also he rejects any third-party rights which Y may enforce directly against X with the argument that under the privity doctrine of his jurisdiction, third parties are excluded from any contractual claims. In this case, it would be a sensible approach to refer to Article 2.1.1, 3.1.2 UNIDROIT Principles, which reject any consideration requirement for the formation of a valid contract. The UNIDROIT Principles could also be useful to solve the question of third-party rights. Under Arti-

cle 5.2.1 UNIDROIT Principles, the ‘existence and content of the beneficiary’s right against the promisor are determined by the agreement of the parties and are subject to any conditions or other limitations under the agreement’. Hence, the parties to a contract may allow for direct claims of third parties against the promisor. This intention must not be expressed explicitly.<sup>51</sup> However, it is a question of contract interpretation whether Section 3 b) may be construed as creating a right for third parties to claim directly for the disclosure of the sources of a GPL program.<sup>52</sup>

## D. Conclusion

- 20 The question of whether a *lex mercatoria* approach is advisable for open source and other creative communities depends primarily on the evaluation of the practical difficulties caused by traditional private international law principles. It has been argued in this paper that the specific characteristics of open source communities require the elaboration of a novel and tailor-made regime of conflict rules. One possible solution could be to apply the free software community principles as governing contract law and to detach the formation, validity, warranty and liability, third-party rights and other contractual issues from any given state law. The theory of *lex mercatoria* could serve as a theoretical basis for such an approach. Interpretation, gap-filling and review of the contract could be effected by reference to the UNIDROIT Principles.

- 1 See Grassmuck, Freie Software zwischen Privat- und Gemeineigentum, Bonn 2002, p. 202-210.
- 2 See Levy, Hackers: Heroes of the Computer Revolution, New York 1994, passim.
- 3 See the initial announcement of Richard Stallmann of 27.9.1983, <<http://www.gnu.org/gnu/initial-announcement.en.html>>.
- 4 See Torvalds, Just for Fun: The Story of an Accidental Revolution, New York 2002.
- 5 See <<http://www.samba.org>>.
- 6 MySQL was originally developed by a Swedish software company and later acquired by SUN. Today, Oracle has the exclusive rights; see <<http://en.wikipedia.org/wiki/MySQL>>.
- 7 See <<http://www.mozilla.org/about/history.html>>.
- 8 See <[http://httpd.apache.org/ABOUT\\_APACHE.html](http://httpd.apache.org/ABOUT_APACHE.html)>.
- 9 See <<http://www.gnu.org/licenses/gpl-3.0.en.html>>.
- 10 See <<http://www.opensource.org/osd.html>>, <<http://www.gnu.org/philosophy/free-sw.html>>.
- 11 See <<http://www.de.freebsd.org/copyright/license.html>>.
- 12 See Section 5(c) GNU GPL Version 3.0.
- 13 See <<http://creativecommons.org/about/history>>.
- 14 See <<http://creativecommons.org/licenses>>.
- 15 See <[http://wikimediafoundation.org/wiki/Terms\\_of\\_use](http://wikimediafoundation.org/wiki/Terms_of_use)>.
- 16 See e.g. the statistics for the Linux distribution Debian at <<http://www.perrier.eu.org/weblog/2010/08/07#develop-countries-2010>>. The statistic consists of a list of 873 active developers in 2011, originating from 53 jurisdictions.
- 17 Some projects use contributory agreements to collect the copyrights in contributions for a centralized license and enforcement policy; see Jaeger/Metzger, Open Source Software<sup>3</sup> (2011),

- N° 150; Wielsch, Governance of Massive Multiauthor Collaboration - Linux, Wikipedia, and Other Networks: Governed by Bilateral Contracts, Partnerships, or Something in Between?, 1 (2010) JIPITEC 96. See also the project 'Harmony Agreements' at <<http://harmonyagreements.org/>>.
- 18 There is some controversy among US legal scholars over whether the licenses should be interpreted as bilateral contracts or as unilateral license grants. For an interpretation as a contract under US law, see Azzi, 2010 U. Ill. L. Rev. 1271, 1283 seq.; Gomulkiewicz, How Copyleft Uses License Rights to Succeed in the Open Source Software Revolution and the Implications for Article 2b, 36 Houston L. Rev. 179, 189 seq. (1990); McGowan, Legal Implications of Open-Source Software, 2001 U. Ill. L. Rev. 241, 289 seq.; Wacha, Taking the Case: Is the GPL Enforceable?, 21 Santa Clara Computer & High Tech L.J. 451, 456, 473 seq. (2005). For a unilateral license, see Moglen, Enforcing the GPL I, <<http://moglen.law.columbia.edu/publications/lu-12.html>>; Kumar, Enforcing the GNU GPL, 2006 U. Ill. J.L. Tech. & Pol'y 1. In Germany, the majority opinion characterizes open source licenses as bilateral contracts; see Jaeger/Metzger (supra fn. 17), N° 171 seq. for further references.
  - 19 Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) [2008] OJ L 177/6.
  - 20 German Bundesgerichtshof, 15 September 2009, X ZR 115/05 – 'Sektionaltor', [2010] GRUR Int 334.
  - 21 Austrian Oberster Gerichtshof, 8 September 2009, 4 Ob 90/09b – 'F.-Privatstiftung', [2010] JBl 253.
  - 22 Swiss Bundesgericht, 22 April 1975 – *Togal/Togal*, 110 II BGE 293.
  - 23 Vischer et al., Internationales Privatrecht (2000), 281-83.
  - 24 American Law Institute's 'Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes' of 2007 (ALI Principles).
  - 25 European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP), Principles on Conflict of Laws in Intellectual Property of 2011, <<http://www.cl-ip.eu/en/pub/home.cfm>>.
  - 26 Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property, October 2009, in Jürgen Basedow/Toshiyuki Kono/Axel Metzger (eds.), Intellectual Property in the Global Arena - Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US (2010), 394-402.
  - 27 For the application of law of the licensor in the case of the GNU Free Documentation License see Rosenkranz, Open Contents – Eine Untersuchung der Rechtsfragen beim Einsatz „freier“ Urheberrechtslizenzmodelle (2011), 212-216.
  - 28 See German Bundesgerichtshof, 29 March 2001, I ZR 182/98 – 'Lepo Sumera', [2001] GRUR 1134 and Cour d'Appel de Paris, 2 June 1999, [1/2000] RIDA 302.
  - 29 Members of the Private International Law Association of Korea and Japan, Principles of Private International Law on Intellectual Property Rights, The (Waseda) Quarterly Review of Corporation and Law and Society 2011, 112, 141.
  - 30 Oberlandesgericht Düsseldorf, 4 August 1961, 2 U 66/61 – 'Tubenverschluss', [1962] GRUR Ausl 256.
  - 31 *Torremans*, Licenses and Assignments of Intellectual Property Rights under the Rome I Regulation, (2008) 4 Journal of Private International Law, 397, 412-15 (with further references to older literature).
  - 32 <<http://www.mozilla.org/MPL/1.1/>>.
  - 33 <<http://www.mozilla.org/MPL/2.0/>>.
  - 34 See Maracke, Creative Commons International: The International License Porting Project – Origins, Experiences, and Challenges, 1 JIPITEC 4 (2010).
  - 35 See e.g. the latest license versions for Austria, Germany, Romania, Switzerland and UK: England and Wales. By contrast, the license versions for France, Netherlands, Poland and Spain do not comprise a choice of law. For a positive evaluation of choice-of-law clauses in Creative Commons licenses, see Rosenkranz (supra note 27), 209-212 and 230 ('Mit der Rechtswahl in den Lizenzen wird somit weitgehende Rechtssicherheit gewährleistet.').
  - 36 Creative Commons is currently preparing a new version of the license suite. One of the issues of discussion is internationalization and the future of the 'porting project'; see <<http://wiki.creativecommons.org/4.0>>.
  - 37 See the statistics at <<http://www.blackduck.com>>.
  - 38 See the GPL3 Process Definition of 15.1.2006, <<http://gplv3.fsf.org/gpl3-process.pdf>>, which formulates the goals behind the new license version, inter alia the goal to create a truly global license (p. 1).
  - 39 On the medieval roots of *lex mercatoria*, see *Trakman*, The Law Merchant: The Evolution of Commercial Law (1983), 7 ff.; *Jansen/Michaels*, Private Law and the State, *RabelsZ* 71 (2007), 345, 368.
  - 40 The 'new law merchant' has been discussed since the 1960s. See *Fouchard*, L'Arbitrage commercial international (1965), 423 ff.; *Fragistas*, Arbitrage étranger et arbitrage international en droit privé, *RCDIP* 1960, 1 ff.; *Goldman*, Frontières du droit et *lex mercatoria*, *APD* 9 (1964), 177 ff.; *Kahn*, La vente commerciale internationale (1964), 365 ff. From the more recent literature, see *Berger*, Formalisierte oder „schleichende“ Kodifizierung des transnationalen Wirtschaftsrechts (1996); *de Ly*, De *lex mercatoria* (1989); *Osman*, Les principes généraux de la *lex mercatoria* (1992); *Fernández Rozas*, *Ius Mercatorum* (2003).
  - 41 See the list of licenses at <<http://www.ifross.org>>.
  - 42 For the US, see *Jacobsen/Katzer*, 535 F.3d 1373 (Fed. Circuit 2008); for Germany, see Landgericht München, 19.5.2004, *MMR* 2004, 693 – *Welte/Sitecom*; for France, see Cour d'Appel de Paris, 16.9.2009, N° 01/24298 – *AFPA/Edu4*, <<http://fsf-france.org/news/arret-ca-paris-16.9.2009.pdf>>. For the practice of out-of-court settlements, see *Jaeger*, Enforcement of the GNU GPL in Germany and Europe, 1 JIPITEC 34 (2010); *Moglen*, Enforcing the GPL I and II, <<http://moglen.law.columbia.edu/publications/lu-12.html>> and <<http://moglen.law.columbia.edu/publications/lu-13.html>>.
  - 43 This restriction could be challenged if one accepts the emergence of a *lex mercatoria* in the area of intellectual property law. Compare *Dinwoodie*, A New Copyright Order: Why Courts Should Create Global Norms, 149 U. Pa. L. Rev. 469, 545 ff. (2000); *Fischer-Lescano/Teubner*, Regimekollisionen: Zur Fragmentierung des globalen Rechts (2006), 66 ff.
  - 44 See Art. 28 UNCITRAL Model Law on International Commercial Arbitration 2006.
  - 45 <<http://www.gnu.org/copyleft/gpl.html>>.
  - 46 Supra fn. 33.
  - 47 <<http://www.eclipse.org/legal/cpl-v10.html>>.
  - 48 <<http://www.freebsd.org/copyright/freebsd-license.html>>.
  - 49 The Principles are available online at <<http://www.unidroit.org/english/principles/contracts/main.htm>>. A short commentary on the Principles was published by UNIDROIT in book form in 2010; see *International Institute for the Unification of Private Law* (ed.), UNIDROIT Principles for International Commercial Contracts (2010). Case law on the Principles is collected in a database at <<http://www.unilex.info/>>.
  - 50 On the drafting history and background, see *Bonell*, An International Restatement of Law (2005), 27 et seq.
  - 51 See UNIDROIT Principles (2010), Comment to Art. 5.2.1, p. 161.
  - 52 The Cour d'Appel de Paris accepted such a claim under French contract law in a decision of 16.9.2009, N° 01/24298 – *AFPA/*



Edu4, <<http://fsffrance.org/news/arret-ca-paris-16.9.2009.pdf>>.

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