

Advisory Committee on Enforcement

Twelfth Session

Geneva, September 4 to 6, 2017

THE INTERSECTION BETWEEN INTELLECTUAL PROPERTY LAW AND PRIVATE INTERNATIONAL LAW – EXECUTIVE SUMMARY OF THE DRAFT GUIDE*

*prepared by Dr. Annabelle Bennett, former Judge, Federal Court of Australia, Sydney, Australia, and Mr. Sam Granata, Judge, Court of Appeal, Antwerp, Belgium, and Benelux Court of Justice, Luxembourg***

ABSTRACT

The objective of the Guide on the Intersection between Intellectual Property Law and Private International Law, to be published by the Hague Conference on Private International Law and the World Intellectual Property Organization (WIPO), is to provide members of the judiciary and the wider circle of legal practitioners with an overview of how private international law may apply in intellectual property disputes. This draft Guide is written in a plain-language, user-friendly and simplified format. It should be considered as a stepping-stone that will help users resolve cross-border intellectual property law issues. It does not advocate any particular approach to substantive issues of law; rather, by highlighting the main issues in this complex area, it aims to assist judges and lawyers in many different countries make informed decisions.

* This document is an executive summary of the draft Guide on the Intersection between Intellectual Property Law and Private International Law, to be published by the Hague Conference on Private International Law (HCCH) and the World Intellectual Property Organization (WIPO). The draft Guide is available (in English) at http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=382036.

** The views expressed in this document are those of the authors and not necessarily those of the Secretariat or of the Member States of WIPO.

I. WHEN DOES PRIVATE INTERNATIONAL LAW MEET INTELLECTUAL PROPERTY LAW?

1. The objective of the Guide on the Intersection between Intellectual Property Law and Private International Law, to be published by the Hague Conference on Private International Law (HCCH) and the World Intellectual Property Organization (WIPO), is to provide members of the judiciary and the wider circle of legal practitioners with an over view of how private international law (PIL) may apply in intellectual property (IP) disputes. The draft Guide is written in a plain-language, user-friendly and simplified format. It should be considered as a stepping-stone guiding its users that will help users to resolve cross-border IP law issues. It does not advocate any particular approach to substantive issues of law; rather, by highlighting the main issues in this complex area, it aims to assist judges and lawyers in many different countries make informed decisions.

2. Parties may resort to different mechanisms to resolve IP disputes, including court adjudication, IP administrative procedures, and alternative dispute resolution (ADR) procedures. If a court is the agreed choice, and parties, IP rights or activities in foreign States are involved, this may raise PIL issues, such as contested views as to the competence of the court, the correct law of the foreign State and how it should be applied, and the recognition and enforcement of foreign judgments. The manner in which these issues are addressed in transnational IP disputes will improve IP enforcement, contribute to predictability and finality of court proceedings, avoid concerns of redundant or inadequate liability, preserve the public resources of the courts as well as the private resources of the parties, and ultimately facilitate the sound administration of justice.

3. There are specificities of IP and IP law (IPL) that give rise to IP-specific concerns in PIL. While IP has global mobility, its protection is territorial: the scope of IP protection is determined by national or regional IPLs. In addition, a number of IP rights come into existence through formalities, such as registration or grant, that involve public administrative authorities. This feature of IP, which links it closely to the sovereignty or public policy space of the State granting protection, accentuates the territoriality of IP and IPL.

4. The inherent territorial nature of IPL, combined with the thriving economical processes of globalization, digitalization, and the easy means of dissemination which promote cross-border IP activity, lead to legal practitioners being confronted on a day-to-day basis with issues where IPL meets PIL. Bringing predictability and finality to multi-State disputes is increasingly challenging, and courts are grappling to determine connecting factors in cross-border activities.

5. The essence of applying PIL in IP disputes is to distinguish cross-border elements in the dispute. The cross-border elements may typically involve the foreign location of one or both parties; the protected IP right; the IPL infringing activity; or the effect of, or damage caused by, the complained activity.

6. The following examples demonstrate PIL issues that may arise in IP disputes.

- Non-Contractual IP Infringement Dispute: Party A owns the copyright in a film script in States X and Y. In State Z, the term of copyright protection has expired and the work is in the public domain. Party B, resident in State Z, distributes the film through the internet via a server in State Z, making it accessible worldwide, including in States X and Y. Party A initiates proceedings in State X where it is resident and where it owns a valid copyright, and claims damages for infringement in States X, Y and Z.

- Contractual IP Dispute and Questions of IP Validity: Parties A and B, resident in States X and Y respectively, enter into a licence agreement regarding the distribution of the goods produced using a technology patented by Party A in States X and Y. The licence is governed by the law of State X. A dispute over an alleged breach of the licence arises and Party A initiates a court proceeding in State X where it is habitually resident, claiming patent infringement by Party B in States X and Y. Party B counter-claims that Party A's patents in both States are invalid.

7. In these cases, the court will first decide whether it has judicial competence over the dispute, and, if so, what is the scope of the disputed matter that falls under its competence. In the first example, does the court have jurisdiction in relation to infringement in States X, Y and Z or only that in State X? In the second example, does the court in State X have jurisdiction to rule on Party B's counter-claim of patent invalidity in States X and Y?

8. Once the court decides that it is competent to decide the dispute, it will be necessary to determine the laws that it will apply to the dispute. In these examples, which laws will the court in State X apply? The laws of X, Y and Z or only that of X?

9. Once a case has been decided by the competent court applying the applicable law, the issue arises regarding the recognition and enforcement of such judgement abroad. In the first example, if the court in State X determines that infringement took place in States X and Y, and orders damages to be paid by Party B whose assets are in State Z, will the court in State Z recognize and enforcement that judgment?

II. HOW IS THE INTERSECTION BETWEEN PRIVATE INTERNATIONAL LAW AND INTELLECTUAL PROPERTY REGULATED UNDER VARIOUS LEGAL FRAMEWORKS

A. PIL RULES GOVERNING IP RELATIONSHIPS

10. Several PIL instruments touch upon cross-border IP litigation. The HCCH has recently addressed the intersection between IP and PIL, in the Hague Convention on Choice of Court Agreements and the Hague Principles on Choice of Law in International Commercial Contracts¹.

11. A number of regional instruments have been concluded among States sharing a common legal tradition or geographic proximity, with different treatment of IP. Some instruments do not contain any specific rules for IP disputes so their general PIL rules apply to IP disputes. On the other hand, some regional instruments provide specific PIL rules for IP disputes. For example, in the European Union (EU), the Brussels *Ibis* Regulation² and the Rome I³ and the Rome II⁴ Regulations, specifically address the intersection between PIL and IP.

¹ See WIPO/ACE/12/8 "The Work of The Hague Conference on Private International Law in Relation to the Cross-Border Enforcement of Intellectual Property Rights" available at http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=374156.

² Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast).

³ Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations.

⁴ 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.

B. PIL RULES IN IP INSTRUMENTS

12. The international IP system aims to facilitate IP protection across borders, by combining multiple approaches. These include affirmation of the territorial nature of IP rights, harmonization of national IP laws through the establishment of minimum standards, and granting foreign IP owners treatment as favorable as that accorded to its nationals.

13. Provisions explicitly addressing PIL issues are, however, rare. Article 5(2) of the Berne Convention on the Protection of Literary and Artistic Works provides that “the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed” (*lex loci protectionis*). Similar provisions are found in the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations and the Beijing Treaty on Audiovisual Performances.

III. WHICH COURT IS COMPETENT TO DECIDE THE DISPUTE?

14. Whether a court is competent to decide an IP dispute will be decided according to the PIL laws of the State where the court is located, which may also be impacted by international or regional PIL or IP instruments. It is possible that courts in more than one State have jurisdiction to decide a dispute, which in practice allows the claimant to select a court.

A. BASIS OF JURISDICTION

a) Defendant domiciled in the jurisdiction

15. A common approach is that the court of the State in which the defendant is domiciled will have jurisdiction over that defendant.

16. As actors in IP value chains become more numerous, disputes involving multiple defendants located in different States become more frequent. When there are multiple defendants involved in IP disputes, there may be options to sue a defendant in the courts for the place where one of them is domiciled.

b) Defendant not-domiciled in the jurisdiction

17. If a party is domiciled or located outside the State, a set of rules must be followed to serve that party validly. To serve the defendant outside the State and bring the defendant within the jurisdiction of the court, there must be a sufficient connection between the dispute and the State. For example, it would generally be seen as inappropriate for a court in one State to decide a dispute that is entirely unrelated to that State.

18. In general terms, connecting factors, as may be provided for in the rules of court, might include proceedings that:

- are based on a cause of action arising in the State;
- are based on a breach of contract in the State or a contract made in or governed by the law of the State;
- involve a contravention of legislation of that State;
- involve property in that State;
- involve a tortious act committed in, or tortious damage suffered, in that State.

19. It is a common approach that there are exceptions to the personal jurisdiction of the court. These may include: title to foreign property; foreign State immunity; and diplomatic immunity. Title or validity of immovable property (which may include IP rights) may also be an exception, on the basis that it is a right created by a foreign State. The court may therefore not have jurisdiction to decide the claims of title or rights to foreign IP.

c) Choice of court agreements

20. Parties to a contract may have already agreed as to where a dispute arising under the contract should be decided. These are known as choice of court, choice of jurisdiction or choice of forum clauses. However, a choice of court agreement may not have any effect on the jurisdiction over the registration or validity of IP rights as this is a matter over which courts have exclusive jurisdiction.

d) Specificities in IP cases

21. Whether a connecting factor exists may depend upon the relevant legislation. The court should first establish whether an IP statute contains relevant provisions to determine territorial jurisdiction. The factors connecting the court and the dispute for jurisdictional determination may overlap to some extent with the factors determining issues of substantive IPL, such as whether infringement took place.

22. Links may be asserted with courts:

- where the person infringing is physically located;
- where the damage occurs, which may be the location of the copyright owner;
- where persons can receive or view the copyright work;
- where the target audience for the website is located;
- where the technical process making the copyright work visible on the internet was activated; or
- where the data is physically located (the location of the server).

23. Whether jurisdiction is conferred on a particular court in such cases will largely depend on how broadly or strictly the connecting factors are interpreted and applied. The analysis is not always straightforward. The nature of IP rights will prompt different jurisdictional analysis. Whereas accessibility of a protected work may (depending on the law of that State) suffice to confer jurisdiction in online copyright infringement cases, for trade mark cases, mere accessibility may not be sufficient and stronger connecting factors, such as “targeting” the territorial jurisdiction may be required.

24. *Jurisdiction over validity or registration:* In IP, it is generally accepted that the validity and registration of IP rights are an “exclusive” matter for the courts of the State in which registration has taken place or is sought, regardless of the domicile of the parties in the proceeding or any connecting factors with other States. This is because registered IP rights are territorial rights, granting the owner certain rights only in the jurisdiction in which the IP has been registered.

25. In the case of unregistered IP rights, such as copyright, which are also territorial but do not require any public administrative act for the right to be exercised, courts may be more open to deciding on foreign IP infringement claims, especially when the validity of the IP rights are not challenged. Such rights may also raise ownership issues and jurisdiction will be determined under general rules conferring jurisdiction.

26. *Jurisdiction over contract.* In IP contractual disputes, the defendant may *inter alia* be sued at the place of performance of the obligation in question. The intersection between contractual disputes and issues concerning validity or registration of IP rights over which courts have exclusive jurisdiction is a complex and developing area of the law and decisions are being made on a case by case basis.

B. IS THE COURT NOT AN APPROPRIATE FORUM? (FORUM NON CONVENIENS)

27. In some jurisdictions, even if a court is competent to hear a dispute, the court may nevertheless decline to hear the dispute on the basis that the court is a clearly inappropriate forum.

28. The court may decide to stay the proceeding permanently or for a specified time. The test to be applied is determined by the national law and may be, for example:

- Is the court a “clearly inappropriate forum”?
- Are the proceedings oppressive or vexatious, or an abuse of process?
- Is another court the “natural forum”, or a “more appropriate forum”?

29. Considerations that will be relevant include:

- whether there are parallel proceedings on foot;
- whether relief is available in a foreign court;
- which law governs the dispute; and
- the location of the parties, witnesses and damage.

IV. WHICH LAWS DOES THE COURT APPLY?

30. The second issue the court faces in cross-border IP cases is determining the law applicable to the case.

31. When a court with jurisdiction to decide the dispute is confronted with a foreign element, the court will have to go through a *multiple step process* to determine the law applicable to that part of the case. Determining the applicable law boils down to making a choice between different bodies of law.

32. *Translating the factual situation to a legal question:* An initial step is to translate the presented factual situation into plain legal questions. Deducing the specific legal questions of a claim and counter-claim may seem straightforward but it is not uncommon that parties overlook preliminary issues which need to be answered before deciding on the claims/counter-claims as such.

33. *Choice of law characterization:* This step may have already been covered in the court’s assessment of its competence to deal with a case. However, the court should, once again, clearly identify the underlying legal issues, in more legalistic terms and allocate the legal question to an established choice of law category. It is very likely that the legal question will be capable of being characterized under a separate and distinct choice of law category which in the next step of the process may lead to a corresponding distinct choice of law rule. Characterization may require a fragmentation of each legal question into separate issues governed by different rules on the applicable law.

34. *Overriding mandatory rules and identification of choice of law rules:* In general, overriding mandatory rules can be identified as rules of such political, social or economic importance or of significance public policy that they cannot be set aside despite the international nature of the dispute.

35. In the absence of overriding mandatory provisions, the applicable law will be determined according to choice of law. Choice of law rules regulate the applicable law issue but not the legal question as such.

36. Choice of law rules make use of connecting factors. Connecting factors are an essential element in the choice of law rules directing the court to the applicable law.

37. For specific issues, the following choice of law rules might apply:

- Regarding the *ownership and transferability* of an IP right, a distinction may be made between registered and non-registered rights. In the case of non-registered rights (e.g. copyright) two choice of law rules can apply: the law of the creator's "principal home"; or, where the work was created under a contractual relationship, the law which applies to the contract. There are also two choice of law rules that can be applied to registered rights: the law applicable to the contract where a registered work was developed under a contractual relationship; or the law of the State of the registration.
- Regarding *contractual* issues, the principle of party autonomy should prevail.
- Regarding the use of *IP as a security right*, the choice of law rules are more complex and diverse. The Model Law developed by the United Nations Commission on International Trade Law (UNCITRAL) distinguishes the choice of law rules in both proprietary and contractual aspects of a security right in IP.

38. *Parties' choice of law:* Often, parties agree on the law to be applied to the dispute. If parties agree on the applicable law, the court should apply this law, except in cases where party autonomy is limited, in particular by the operation of overriding mandatory rules. The extent to which parties are able to agree upon the law to be applied may vary between jurisdictions. For example, issues of validity regarding a national trademark registration are typically governed by the law of the State of registration. Parties will thus not be entitled to choose a different law with regard to the validity question.

39. *Application of the applicable law:* The above multiple-step-process determines the law applicable to the dispute.

40. The court may be confronted with different problems when applying the *multiple step process*. The most important issue is the *renvoi*. It is not uncommon when applying the *multiple step process* that the applicable (foreign) law refers the judge back to the law of the forum. In such a situation the court may find itself in a vicious circle. The theory of *renvoi* aims at breaking this circle and dictating that the court should halt its search for the applicable law after the first *renvoi*.

41. A deviation to the *multiple step process* is the exception of public policy. In the event of such an exception, IPL will allow the court to set aside the law applicable pursuant to the choice of law rules.

V. HOW CAN A JUDGMENT BE RECOGNIZED AND ENFORCED IN ANOTHER STATE?

42. Where a court has decided that it has jurisdiction and has decided a dispute according to the applicable law, a further question may arise as to whether and how that decision can be recognized and enforced in another State. This will frequently arise where the defendant, against whom a judgment has been ordered, is located in another State or has assets located in another State.

43. The general principle of the recognition is that there should not be relitigation of the same issue between the same parties. If it can be demonstrated that the two States apply different laws to the issue, that may be a reason for not recognizing the foreign judgment in certain jurisdictions. Otherwise, international comity and the general principle outlined above would lead to recognition of the foreign judgment.

44. Enforcement takes the recognition a step further in that the judgment of a foreign court will have the same effect in the State where it is to be enforced as in the State where it was decided.

45. The procedure for the recognition and enforcement of a foreign judgment is governed by the law of the requested State. The court addressed does not examine whether a foreign decision had merit or was a correct application of legal principles.

46. A court will generally only recognize and enforce a foreign judgment if certain conditions are met: the court of origin exercised "international jurisdiction"; the decision was final and conclusive; the decision was on the merits; the parties must be identical. In certain jurisdictions, the judgment must have also awarded damages for a fixed sum.

47. The law of the requested State may provide specifically for the enforcement of judgments of courts of certain countries either through the statutory approach setting out a system for the registration of judgments of certain courts of a limited number of foreign States; or through the reciprocity approach where the court of the State addressed verifies whether reciprocity treatment is granted by the State of origin.

48. The grounds on which registration of a foreign decision may be set aside and the grounds on which a court will refuse to recognize or enforce a foreign judgment at general law are similar. They may include the following:

- the judgment made was obtained by fraud;
- the defendant was not given natural justice/due process/fair trial in the proceeding;
- to enforce the judgment would be contrary to public policy;
- the dispute has already been adjudicated differently in another State or in the requested State, giving rise to incompatible judgments; and
- the defendant is a foreign State, unless the original dispute arose from an act that was outside the exercise of its public powers.

49. Other laws of the State may allow the court to refuse enforcement in other circumstances.

VI. ISSUES RELATING TO ADMINISTRATIVE OR JUDICIAL COOPERATION

50. In cross-border civil or commercial transactions or disputes, difficulties can be encountered if the defendant is domiciled or the evidence is located outside the State where the proceedings are initiated; if a foreign State issues the necessary public documents; or if parallel proceedings arising out of the same dispute are initiated in different States. This is due to the fact that each State has its own legal and administrative systems. The HCCH develops Conventions with the aim of facilitating cooperation through different mechanisms. These Conventions allow national administrative bodies and courts to, among other things, collect evidence abroad, admit foreign public documents and transmit documents for service abroad more efficiently⁵.

[End of document]

⁵ See WIPO/ACE/12/8 for further information.