

Seminar on Intellectual Property and Private International Law

Organized by
the World Intellectual Property Organization (WIPO)
and
the International Law Association (ILA)
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The American Law Institute

Project on Intellectual Property: Principles
Governing Jurisdiction, Choice of Law, and
Judgments in Transnational Disputes
(2008)

Reporters

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Goals

- Streamline litigation
 - improve enforcement and bring finality to multinational disputes
 - preserve the resources of the parties and the judiciary
 - eliminate fears of redundant or inadequate liability
 - avoid inconsistent judgments
- Deal with issues raised by the Internet
 - remote access
 - ubiquitous dissemination
 - divided infringement
- Aspirational (not the law of the United States)
 - co-reporters and advisors were multinational
- Credible: preserve constitutive values
 - procedural due process
 - substantive commitments, e.g. those embedded in intellectual property law
- Initiate discussion on applicable law for transnational cases



Features

1. Scope
2. Jurisdiction:
 - personal
 - subject matter
 - coordination
3. Coordination of disputes:
 - cooperation
 - consolidation
4. Applicable law:
 - infringement
 - ownership
5. Enforcement:
 - recognition
 - remedies



Scope: §102(1)

1. Rights

a. Unregistered rights

- copyright and neighboring rights
- trade secrets
- unregistered trademarks

b. Registered rights

- patents (infringement; validity is a problem)
- registered trademarks
- geographic indications
- domain names (in trademark disputes)

2. Limit: transnational civil dispute

a. Claim or defense under the IP law of another State

b. Claim arising out of activities outside the forum State



Jurisdiction: Personal, §§ 201-206

1. General jurisdiction

- a. Defendant's residence (§ 201)
- b. Defendant's appearance (§ 203)

2. Specific jurisdiction

- a. Forum selection clause (§ 202)
 - with reasonableness safeguards for standard form agreements
- b. A defendant may be sued at the place where rights controlled by an agreement are in issue (§ 205)



Jurisdiction: Personal, §§ 201-206 (cont'd)

2. Specific jurisdiction (cont'd):

c. Infringement (§ 204):

1. A person may be sued in any State in which that person 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 within the State that initiates or furthers the alleged infringement, **wherever the injuries occur**.

2. A person may be sued in any State in which that person's activities give rise to an infringement claim, if that person **directed** those activities to that State.

The court's jurisdiction extends to claims respecting **injuries occurring in that State**.

3. Special rule for persons who cannot be sued in a WTO member



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Jurisdiction: Personal, §§ 201-206 (cont'd)

2. Specific jurisdiction (cont'd):

d. Multiple parties (§ 206):

All defendants may be joined at the residence of one defendant if there is a risk of **inconsistent judgments** and

- there is a substantial connection between the state's IPRs and the dispute or
- there is no forum more closely connected to the entire dispute

The suit can encompass the **full geographic range** of the harm



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Jurisdiction: Subject Matter, §§ 211-14

Principles:

- Where possible, parties should present court with all transactionally related claims
 - BUT: no compulsory joinder
- Declaratory judgment actions are generally permitted
- Exception: validity of registered rights
 - claims regarding the validity of a single registered right should be heard where the right is registered
 - claims involving the validity of multiple registered rights may be heard where the defendant is resident, but the judgment is valid only inter se
- Every court has power to award local provisional or protective measures; may aid the court that is hearing the case
- The court with power over the case as a whole may order trans-border provisional relief



Jurisdiction: Coordination Authority, §§ 221-23

1. In general, the court first seized with a claim in the transaction or series of transactions has “coordination authority” over the entire dispute

- exception for declaratory judgment actions (torpedo problem)

2. The coordination court determines:

- whether to coordinate
- how to coordinate (consolidation vs. cooperation)
- if consolidation, where (in which court)
- if cooperation, the structure of the litigation



Applicable Law: territoriality with exceptions

1. Infringement: in general, principle of territoriality (§ 301):

On issues of existence, validity, duration, attributes, infringement and remedies:

- registered rights: the law of the state of registration
- other IP rights: where protection is sought—i.e. the infringing act has or will have an impact
- unfair competition: the law of the state where which the act giving rise to the damage occurred



Applicable Law, cont'd

Exception: Ubiquitous infringement and the laws of multiple States are pleaded (§ 321):

- on the issues of existence, validity, duration, attributes, infringement, and remedies, the law(s) of the State(s) with close connections to the dispute, as determined by:

- the residence of the parties
- the relationship between the parties
- the location of their activities and investments
- the principal markets for the work

- if a party proves that particular State laws differ from those chosen, the court must take into account such differences in determining the scope of liability and remedies.



Applicable Law, cont'd

2. Ownership (§§ 311-15):

a. Initial title:

- registered rights: the law of the country of registration.
- nonregistered trademarks: the law of each country where the mark acts as a symbol
- other rights (derogation from territoriality): the law of the creator's residence when the work was created
 - if the subject matter is not protected under that law, then the law of the first place of exploitation where the subject matter is protected (the Prince William problem)



Applicable Law, cont'd

b. Transferability (whether the right can be transferred)(§ 314), territoriality:

- the law of each state for which the rights are transferred determines whether they can be transferred

c. Transfers (whether the right was transferred)(§ 315):

- the law designated in the contract (with reasonableness safeguards for standard form agreements)
- if no designation, the law of the state most closely connected to the transfer

d. Residual rules, §§ 322-323

- ordre public (public policy of the forum)
- mandatory rules (including mandatory rules of foreign States whose laws apply)



Enforcement, Recognition, and Remedies

General principles (§ 401-412):

- In order to be recognized, the judgment must be final and not stayed where rendered
- The preclusive effect of a judgment is no greater than its preclusive effect where rendered
- Both damage and injunctive relief are enforceable. However, the parties cannot do indirectly that which they cannot do directly.
 - the enforcing court need not award noncompensatory damages or injunctive relief if it would not have awarded them as the rendering court, but if declines to enter injunction must grant monetary relief in lieu of the injunction
- Remedies are severable from the right of action
- Safety valve for fundamental public policies of enforcement court

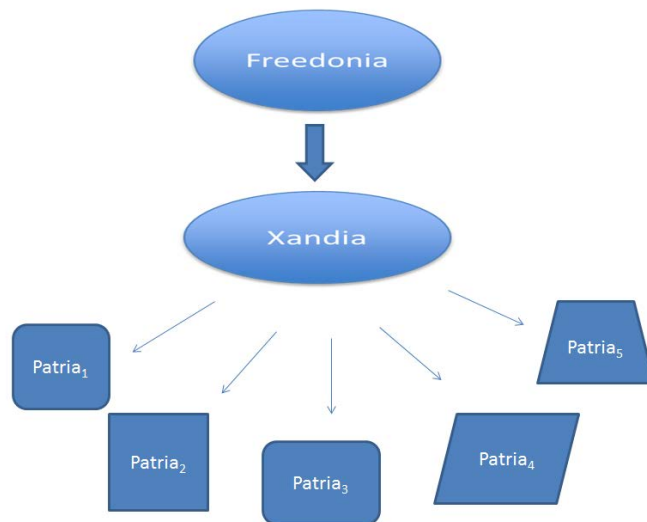


Example

E-pod is headquartered in Freedonia; its servers are located in Xandia. Its English language website offers music downloading services worldwide and it accepts credit-card payments in multiple currencies.

E-pod has not, however, obtained **copyright** licenses from the authors, performers, or producers of the works it makes available.

The one-click checkout system E-pod's website employs may infringe **patents** registered in various countries (Patria₁, Patria₂, etc). Finally, E-pod has received a cease-and-desist letter from Apple Inc., which holds worldwide **trademark** rights in iPod for online music-delivery services.



Example, cont'd

1. Scope: this is a transnational case so the Principles would apply

2. Jurisdiction:

a. Personal Jurisdiction

- In Freedonia, there is general jurisdiction over all world wide claims (defendant's residence)
- In Xandia, there is specific jurisdiction, but it covers all worldwide claims attributable to the activities in Xandia (substantially acted)
- In Patrias, there is specific jurisdiction limited to local acts (if directed)

b. Subject matter jurisdiction (e.g. in Freedonia)

- Copyright and unregistered trademark rights: all can be asserted
- Foreign patent and trademark rights: can be decided only *inter se*

c. Coordination (e.g. if suits are brought in several Patrias)

- the first court seized would determine if the case should be consolidated in one court (and choose the court) or coordinated (and how coordination would proceed)



Example, cont'd

3. Applicable law

- Patent and registered rights: law of the country of registration
- Unregistered trademarks: law of each country where the mark is distinctive
- Copyright: law of each country of infringement

Exception: if the infringement is ubiquitous, the law(s) of the State(s) with close connections to the dispute

- Freedonia or Xandian law could apply (if not IP “havens”)
- Either party could prove that the laws of other states of download differ

4. Enforcement: if the case had been brought in a State with jurisdiction over the entire dispute (e.g. Freedonia or Xandia):

- If the Principles were followed, other courts should enforce and recognize the judgment
- Monetary relief: up to the amount each state would have awarded
- Injunctive relief: if not available in jurisdiction of enforcement, that jurisdiction should award damages in lieu of injunctive relief



The CLIP Principles
of the European Max Planck Group on
Conflict of Laws in Intellectual Property

Josef Drexl



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History

- Initiative of **two Max Planck Institutes**
 - for Comparative and International Private Law (Hamburg)
 - for Intellectual Property and Competition Law (now: Innovation and Competition; Munich)
- Also colleagues from the **Netherlands, the UK, Spain, France, Estonia**
- **7 years** of preparatory work and **18 meetings**
- Official date: **1 December 2011**
- Published with **Comments and Notes** by **OUP 2013**



Reasons

- Growing importance due to **online exploitation – multi-State and worldwide infringements**
- Incentives from the **ALI Project**
 - ➔ **CLIP** as a **European response**
- Development of **international and European law**
 - Hague Conference and jurisdiction
 - Brussels I, Rome I and Rome II in the EU
 - UNCITRAL Supplement on Security Rights in IP (2011)
- Increasing number of **court cases**



Objectives

Four Dimensions	Objectives	Addressees
Existing law	Interpreting and supplementing existing laws on the national, regional and international level	Court, arbitration tribunals
Future law	A ' model law ' for the national, regional and international level	Legislatures, states, international organizations
Existing/future law	'General principles of private international law in IP'	Courts, arbitration tribunals
Transactions	Assisting private parties in shaping their legal relationships	Private parties



Structure

Part 1: Purpose and Scope

Part 2: Jurisdiction

Part 3: Applicable Law

Part 4: Recognition and Enforcement

→ CLIP Principles strive for “**Completeness**”



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Policy Considerations

- **Internationally usable**
 - but: building on **European legal traditions**;
giving weight to **European solutions**;
no restatement of EU law
 - even: proposing **reform of EU law** where needed
- Striking a balance between
what is **internationally acceptable** and
progressive solutions for new problems
- Striking a balance between
considerations of **private international law** and
the **interests involved in IP**



Progressive Solutions and New Topics!

(1) Ubiquitous infringement (Art. 3:603)

- **Objective:** application of a single law in cases of ubiquitous infringement **in the interest of right-holders** in deviation from the country-of-destination principle
- Also known in ALI Principles; but CLIP more conservative

(2) Secondary infringement (Art. 3:604)

- **Objective:** application of a single law, that can be determined prior to the direct infringement, **in the interest of service providers**
- No ubiquitous infringement required
- Not addressed by other projects

(3) Security rights in IP (Art. 3:801-3:802)

- **Objective:** promoting securitization of IP through legal certainty; striking a balance between the interests of contracting parties and third parties
- Not addressed by other projects



Is CLIP too traditional?

The case of **initial ownership**

- **CLIP Principles** apply the country-of-protection rule without any exception (not even for employment contracts)
- **ALI Principles** and the **Joint Japanese-Korean Proposal** apply the universality for unregistered rights and for the case of preexisting relationships

But: Comments show **room for compromise**

- **No uniform position** within CLIP group
- A case on **how to balance conflicting interests**, rather than ideology; same results could be achieved through **contract interpretation**
- Different solution possible in an **international agreement**



Impact

(1) Reform of the Brussels I Regulation

“Hess Report” (2007) on the working of Brussels I follows the critique of the CLIP group on CJEU in the two patent cases of *GAT v. LuK*

(2) AG Trstenjak (2011) in C-145/10 *Painer*: Actions against multiple defendants

- ➔ Citing CLIP (Art. 2:206) as support of her critique on the CJEU in *Roche Nederland* – Consolidation of proceedings in cases of concerted action by a group of undertakings despite application of different national laws
- ➔ **CJEU**: Application of the same national law as **only “one” factor for irreconcilable judgments**

(3) *Lucasfilm v. Ainsworth* (UK Supreme Court 2011)

- Permissibility of actions for copyright infringement in the US against a defendant in the UK, thereby rejecting the holding of the CA
- *Jacob LJ* cites both ALI and CLIP as the modern approach



Transparency Project (2004-2009): Cross-border IP disputes and Japan

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What is the Transparency Project?

<http://www.tomeika.jur.kyushu-u.ac.jp/>

Information in important fields of Japanese business law – corporate law, commercial law, IP law, finance law, insolvency law, private international law etc.



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Some cases

- Card Reader Case (Jap. Supreme Court, Sep.26, 2002): law applicable to infringement of US-patent and injunction
- Nippon Steel and Sumitomo Metal vs. Posco (pending at Tokyo District Court): jurisdiction over foreign defendant on know-how infringement



- *Lege ferenda* for the reform of Japanese law

No IP-related provision of jurisdiction or choice of law in Japanese law until 2011

Provisions on international jurisdiction in Jap. CCP since 2011;

Scope –jurisdiction of Jap. Courts only

No IP specific jurisdiction or choice of law rules, except Art. 3-5 (3) of JCCP: existence or validity of in-Japan-registered IP -- exclusive jurisdiction of Jap. Courts



- Other three projects – internationally applicable Principles

Cf. Proposals of the Transparency Project – *lege ferenda* with domestic scope, but global considerations

→ no provision on co-operation between foreign and Japanese courts



- Scope
- Jurisdiction
 - joinder instead of consolidation of claims (Art.110)
- Coordination of proceedings (lis pendence)
- Applicable law
- Recognition and Enforcement of Foreign Judgments



- Art. 302: Ubiquitous infringement

Cf.

ALI 321 (close connection)

CLIP 3:603 (the closest connection)

Choice by the claimant

Habitual residence of the victim

Habitual residence of the infringer

The place of maximized results of exploitation



*Intellectual Property in the Global Arena –
Jurisdiction, Applicable Law, and the recognition
of Judgments in Europe, Japan and the US,*
eds. by Axel Metzger, Juergen Basedow,
Toshiyuki Kono (Mohr Siebeck 2010) pp.394-402.



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Principles of Private International Law on Intellectual Property Rights (Japan-Korean Principles)

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Purpose and Scope

I. Purpose (Art. 101 (1) and its explanatory notes)

To create a model law which can provide influence over legislation in East Asian countries

- Considering that most East Asian countries have civil law tradition and allow less room for judicial discretion than common law countries.

To restate and confirm rules which are commonly and internationally agreeable

- Taking into account ALI Principles, CLIP Principles and other pre-existing projects, and current relevant legal regimes in East Asian countries



Purpose and Scope

To provide a set of guidelines for judicial interpretation and a supplemental source of laws for issues which are not covered by statutes

- The Principles of Private International Law on Intellectual Property Rights (Joint Proposal Drafted by Members of the Private International Law Association of Japan and Korea) was inspired by the wordings of ALI Principles and CLIP Principles.
- Japan-Korean Principles focus on intellectual property rights rather than intellectual property.



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Purpose and Scope

II. Scope (Art. 101 (2))

“These Principles apply to any transnational civil disputes that involve the existence, effect, validity, infringement, and contract of intellectual property rights.”

- Applicable to the issues of intellectual property rights, including existence, infringements and contracts of those rights as well as disputes arising out of them.
- Applicable to the conclusion of license agreements that are not necessarily accompanied by IP rights-related disputes.
- Covering the non-disputed conclusion of licensing issues.



Working Group

Japan (7 persons)

- Prof. Shoichi Kidana (former Professor, Graduate School of Law, Waseda University)
- The late Prof. Hiroshi Matsuoka (Professor emeritus of Osaka University; a former President of Private International Law Association of Japan)
- Prof. Satoshi Watanabe (Professor emeritus of Osaka University; Professor of Ritsumeikan University)
- Prof. Yoshiaki Sakurada (Professor emeritus of Kyoto University; a former President of Private International Law of Japan; Professor of Kohnan University)
- Prof. Masato Dougauchi (Professor of Waseda University)
- Prof. Yoshiaki Nomura (Professor of Osaka University)
- Prof. Syunichiro Nakano (Professor of Kobe University)

Korea (6 persons)

- Mr. Kong-Woong Choe, Esq. (President emeritus of the Korean Private International Law Association, Attorney at Law of Yoon & Yang)
- Prof. Kyung-Han Sohn (President of the Korean Private International Law Association; Professor at Sungkyungwan University School of Law)
- Prof. Kwang Hyun Suk (Vice President of KOPIA; Professor at Seoul National University School of Law)
- Hon. Seong Ho Lee (President, Seoul Central District Court)
- Hon. Tae Ak Rho (Vice President of KOPIA; Chief Judge, Suwon District Court)
- Prof. Gyooho Lee (Director of KOPIA, Chung-Ang University School of Law)



History of Japan-Korean Principles

- Feb. 2004: Commencement
- Dec. 2006: Public Symposium held at Waseda University
- Korean Proposals: 2006 version, 2008 version, 2009 version
- Japanese Proposals: March 2009
- Sep. 2009: Seminar at Chung-Ang University of Korea
- Sept. 2010: Seminar at Seoul National University of Korea
- October 24, 2010 : Joint Japan-Korean Proposal was drafted
- Jan. 29 and 30, 2011: Explained and discussed at a public symposium held at Waseda University International Conference Center



General Provisions

Intellectual property rights (Art. 102 (2))

- “the rights created over the intangible property derived from human being’s creative activities, including invention, device, new plant variety, industrial design, works and trademarks of commodity as well as service.”
- IP rights under Japan-Korean Principles **are not limited to exclusive rights.**

Registered and non-registered intellectual property rights (Art. 102 (3))

- Registered intellectual property right means the intellectual property right that is not valid unless and until registered or deposited.

State (Art. 102 (4))

- State: “A territory with an independent legislative and judicial body rather than a sovereign state in the sense of international law”
- E.g.: **North Korea, Taiwan, Hong Kong, and Macao** are considered as “States.”



General Provisions

State of Registration (Art. 102(5))

- “the state where intellectual property rights are registered or deposited or where those rights are deemed to have been registered or deposited under the international convention or domestic law.”
- *Lex protectionis* is the superordinate concept of the state of registration

Habitual residence (Art. 102 (6))

- **Re natural person:** “the place where the party concerned habitually resides for a rather long time, including his or her principal office or place of business”
- **Re corporation or any other legal person:** “the place where the head office of a corporation or any other legal person is located, and the place under the law of which that corporation or legal person is established.”

Enforcement (Art. 102 (7))

- Enforcement: “the use of intellectual property rights, such as utilization of patented inventions, utility devices, new plant varieties, industrial designs, trademarks, copyrights, and other similar rights”
-



General Provisions

- Art. 103: Application of foreign laws and international [judicial] jurisdiction

Art. 103 (1): “The forum court, which has international judicial(sic) jurisdiction under these Principles, can not apply any other substantive law that is applicable under these Principles.”

- Self-evident provision, but **necessary to be applied to East Asian States.**

Art. 103 (2): “The forum court, which has international judicial(sic) jurisdiction under these Principles, must not dismiss proceedings or reject claims merely because the case arises from foreign matters.”

- Meaningful in terms of ***forum non conveniens* and exclusive jurisdiction**



International Jurisdiction

Art. 207: Objective consolidation

(1) In the case that the plaintiff has more than one claim against the same defendant, the court that has international judicial (sic) jurisdiction over one of those claims may have international judicial(sic) jurisdiction over one of those claims may have international judicial (sic) jurisdiction over any other claim that closely connects with the former. However, subject to the international judicial (sic) jurisdiction derived from the provision of Article 203 (2), **any claim arising out of transaction or infringement occurring in any state other than the forum state may not be consolidated.**

- Taking into account Ultra-man case(2nd Division, Supreme Court of Japan, July 24, 2002, Civil Cases Report, Number 4, Vol. 44, p. 727) and Amended Civil Procedure Code in Japan, and a Korean court decision (Judgment rendered by the Incheon District Court on July 24, 2003)

Art. 207: Objective consolidation

(2) The consolidation of claims subject to the preceding paragraph shall not be contrary to Article 209.

- Any dispute arising out of acquisition and validity of IPRs is exclusively resolved in the state of registration.



International Jurisdiction

Art. 211: Consideration of “special circumstances”

The court that has international judicial (sic) jurisdiction under the provisions of Article 201-208 and the preceding Article, 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.

- Pivotal Deal-breaker

Special circumstances (Japanese Group) vs. Substantial connection test (Korean Group)

Strong debate between Korean and Japanese Groups.

→ Due to the debate on this issue, they nearly failed to come up with Joint Proposal.



International Jurisdiction

The Korean Preliminary Draft (Art. 201, Dec. 11th, 2006; Article 8, March 26, 2009)

- “the state which has no substantial connection with either the parties or the case in dispute” shall not have jurisdiction.
- Cf. the Korean Private International Act of 2001 adopts substantial connection test to decide international jurisdiction (Art. 2(1) of the Korean Private International Act)

Japanese Group

Japanese Preliminary Draft of 2008 (Dec. 15, 2008)

- Relying on the Japanese case law rendered on basis of special circumstances doctrine



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International Jurisdiction

Article 212: Prohibited bases for jurisdiction

For the purpose of these Principles, the court must not exercise international judicial(sic) jurisdiction solely on the basis of one or more of the following:

- (i) The nationality or habitual residence of the plaintiff in the forum state;
- (ii) The nationality of the defendant in the forum state;
- (iii) The temporary presence of defendant or service of writ upon the defendant;
- (iv) The performance of the formalities necessary to enter into a contract.

- Under this Article, the substantial connection test supported by the Korean Group was employed (Explanatory notes of Art. 212).
- This Principles enumerate the typical circumstances under which the forum state is not substantially related to the dispute, listing them as negative grounds for jurisdiction



Choice of Law

Relationship between *lex loci protectionis* and the state of registration

Art. 301: General principles on applicable law

(1) All matters concerning an intellectual property right as such, including its existence, validity, content, and revocation, shall be governed by *lex protectionis* otherwise provided by these Principles.

(2) Subject to the preceding paragraph, *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 presumed 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 state belongs or the local law of that state.

- Para. (1): Default rule == *lex protectionis*
- Para. (2) defines *lex protectionis*. → Japan-Korean Principles state the state of registration as an example of the state of protection



Choice of Law

Article 302: Agreement on applicable law

(1) The parties may at any time designate a law that will govern all or part of their dispute. However, where that agreement on applicable law is concerned with the matters of an intellectual property right as such, including its existence, validity, revocation, and transferability, that agreement affects only the contracting parties.

(2) The parties' agreement on applicable law may not affect the vested rights of third parties.

(3) The law designated by the parties governs the existence and validity of the parties' agreement on applicable law

- Art. 302 respects the party autonomy as much as possible, taking into account the current development of rules which have yet to be established for the protection of IPRs in East Asian countries.



Choice of Law

Art. 308: Initial Ownership

- (1) Initial ownership of intellectual property rights is governed by the law of the state for which protection is sought.
- (2) Initial ownership of a copyrighted work is governed by the law of the state in which the copyrighted work is initially created. If the law of this state is not clear, the applicable law is assumed to be the law of the creator's habitual residence at the time of creation. If there is more than one creator, the applicable law is assumed to be the law of a creator's habitual residence at the time of the creation, as designated by agreement between or among the creators. In the absence of such an agreement, the applicable law is assumed to be the law of the state in which the majority of the creators habitually reside at the time of the creation.
- (3) If the applicable law under paragraph (2) does not extend protection to intellectual property, then the initial ownership is governed by the law of the state in which the subject matter is first exploited and protected.
- (4) If the intellectual property right was vested pursuant to an employment or any other preexisting relationship, the applicable law is the law governing that contract or relationship.



Choice of Law

- Para. (1): Default rule → *lex loci protectionis*
- Para. (2): the law governing the initial ownership to copyrights.
- Para. (3): A supplemental rule applicable to non-registered IP. → the law of the state in which the subject matter is first exploited and protected
- Para. (4): initial ownership to patents and copyrights in cases of employees' inventions or works and those created arising from other pre-existing relationships. ⇒ the law governing that contract or relationship



Recognition and Enforcement of Foreign Judgments

Art. 403: Injunctions and other remedies

A foreign injunctive relief and other remedies, including the case of infringement, seizure and destruction of infringing articles, and the means of their manufacture or reproduction, may be recognized or enforced as long as equitable measures are available under the same condition in the state in which the requested court lies.

- Cf. Section 412 (1) of ALI Principles
- Article 403 simply prescribes that foreign judgments ordering injunction or destruction can be subject to recognition or enforcement under Art. 401, which states grounds under which foreign judgments are not to be recognised or enforced.



Recognition and Enforcement of Foreign Judgments

Art. 406: Foreign judgment inconsistent with the local judgment or another

A foreign judgment shall not be recognized or enforced if:

- (1) It is inconsistent with the prior local judgment of the judicial body in a state in which the recognition or enforcement is requested on the same cause of action between the same parties;
- (2) It is inconsistent with another judgment on the same cause of action between the same parties, which was earlier rendered and capable of being recognized and enforced under these Principles; and
- (3) The requested court is the court first seized to deal with the same cause of action between the same parties.

- Cf. Article 4:501 (3) of the CLIP Principles
- To reaffirm the particular case in which public policy applies.



Recognition and Enforcement of Foreign Judgments

Article 407: Punitive damages

A foreign judgment, which awards punitive damages or similar monetary relief manifestly exceeding compensatory damages, shall not be recognized or enforced beyond the amount of compensatory damages

- This issue can be handled by interpretation of Article 401.
- Article 403(3) of the Korean Preliminary Draft of 2006 involves application of public policy in the case of foreign damages awards.



Conclusion

- Viability of Japan-Korean Principles
 - Some analyzes a Korean case, taking into account these Principles
 - These Principles were taken into account to amend the Korean Civil Procedure Act in 2014
(Some practitioners inquired whether Article 217 bis is different from public policy requirement under Art. 217 (1) 3).



Conclusion

- In terms of a choice of law rule on initial ownership of intellectual property rights arising from an employment relationship, some scholarly opinions in Korea appear to favor the law applicable to the employment relationship

(Dong-Won Kim, *Governing applicable to overseas patent rights of work-for-hire invention*, Law & Technology, Vol. 10, No. 1, p. 28 (2014) (Citing Judgment rendered by Seoul High Court on December 8, 2011 (Case No. 2011 Na 20210), which held that the grant of a free non-exclusive license to an employer by operation of law would be governed by the law applicable to the employment relationship)



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Conclusion

The Korean Civil Procedure Act was amended on May 20, 2014

[Act No. 12588, amended on May 20, 2014, effective on May 20, 2014.]

Article 217 (Recognition of a Foreign Judgment) (1) a final foreign judgment or a foreign adjudication which has same preclusive effect as a foreign judgment (hereinafter "a final foreign judgment") will be recognized if the requirements of all of the following paragraphs are met:

1. That an international jurisdiction of such foreign court is recognized in the principles of an international jurisdiction pursuant to the Acts and subordinate statutes of the Republic of Korea, or to the treaties;
2. That a defeated defendant received, pursuant to a lawful method, a service of a summons or a document equivalent thereto, and a notice of date or an order, with a time leeway sufficient to defend (excluding the case pursuant to a service by public notice or similar service), or that he responded to the lawsuit even without being served;
3. That such final judgment does not violate good morals and other social orders of the Republic of Korea in the light of its contents and procedure;
4. That there exists a mutual guarantee or that the requirements for recognition of a final foreign judgment in the Republic of Korea and the State of origin are not strikingly out of balance and substantially identical to each other in their material aspects.

(2) a Korean court must make an ex officio examination as to whether the requirements prescribed in Paragraph 1 are met.



Conclusion

Article 217 bis (Recognition of a Final Foreign Judgment Awarding Damages)

(1) a Korean court can not recognize all or a part of a final foreign judgment awarding damages when it will result in the outcome which strikingly contravenes the essential orders of the Acts of the Republic of Korea and of the treaties acceded to by the Republic of Korea.

(2) when a Korean court examines the requirement prescribed under paragraph 1, it must 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.



Conclusion

Also, in line with the amendment of the Korean Civil Procedure Act, the Civil Enforcement Act was revised on May 20, 2014.

Art. 27 of the Civil Enforcement Act amended in 2014 prescribes that:

(1) An enforcement judgment shall be made without making any examination as to whether the judgment is right or wrong.

(2) A lawsuit seeking an enforcement judgment shall be dismissed if it falls under any of the following subparagraphs:

1. When it has not been proved that the judgment or other adjudication of a foreign court (hereinafter “foreign judgment”) has become final and conclusive; and
2. When the foreign judgment fails to fulfill the conditions under Article 217 of the Civil Procedure Act.

Act No. 12587, amended on May 20, 2014, effective on May 20, 2014.



The Mission of the ILA Committee on Intellectual Property and Private International Law

Toshiyuki Kono
Kyushu University
Japan



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Territoriality \leftrightarrow Market

The enforcement of IP rights in the global context of the information society

New challenges with respect to traditional models of adjudicating international disputes



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- Need for a project, which deals with IP enforcement issues on global scale
- Further international cooperation desirable

→ ILA Guidelines for jurisdiction, choice of law and recognition of foreign judgments (2016?)



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Jurisdiction: Overview

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Jurisdiction Guidelines

- Guideline: Often used for ILA Resolutions
- Not as normative and detailed as older sets of principles
- Guidelines allow a flexible drafting
- Jurisdiction subcommittee started with uncontroversial issues but has entered more controversial questions



Structure

JURISDICTION

Basic Forum

1. Defendant's Forum

Alternative Fora

2. Contracts

3. [Ubiquitous] Infringements

4. Consolidation

5. Title and Ownership

Other Fora

6. Choice of Court

7. Submission and appearance

8. Validity claims and related disputes

9. Declaratory Actions

10. Provisional and Protective Measures

Coordination and Cooperation

11. Parallel Proceedings

12. Obligations of other Courts

13. Insufficient Grounds for Jurisdiction



1. Defendant's Forum

(1) Defendant should be subject to jurisdiction to the courts of the State in which the defendant is habitually resident.

(2) Subject to the specific rules on validity claims and related disputes, the courts of the State of the defendant's habitual residence should be competent to decide upon territorially unrestricted claims related to intellectual property rights.

→ Uncontroversial in the Committee, but see *Voda v. Cordis*, 476 F.3d 887, 916 (Fed. Cir. 2007)



8. Insufficient Grounds for Jurisdiction

Insufficient grounds for exercising jurisdiction include:

- a) the presence of (any) assets [, physical or intellectual property, or a claim] of the defendant in a State, except when the dispute is directly related to that asset;
- b) the nationality of the plaintiff or the defendant;
- c) the mere presence of the plaintiff or of the defendant in that State;

...



...

- d) the mere conduct of commercial or other activities by the defendant in that State, except when the dispute is related to those activities;
- e) the service of a writ upon the defendant in that State; or
- f) the completion in that State of the formalities necessary to execute an agreement.



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Jurisdiction: Exclusive Jurisdiction

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Jurisdiction Guidelines

Exclusive (Subject Matter) Jurisdiction Rules

Disputes “related” to proprietary issues of IPRs (existence, validity, infringement, ownership, transferability) can be litigated **just before the courts of the State of registration**: for registered IPRs; or of the State that recognises the IPR: for unregistered IPRs



Jurisdiction Guidelines

All sets of principles (ALI, CLIP, Transparency, Joint Korean-Japanese) **overcome exclusive jurisdiction** in cases related to

- a) unregistered IPRs
- b) registered IPRs infringement issues
- c) registered IPRs validity issues incidentally raised

Thus, those issues can be brought before a court of a State other than that of registration. Yet, a judgment on **validity** would have *inter partes effect*.



Jurisdiction Guidelines

In addition, under certain conditions ALI and Transparency overcome exclusive jurisdiction in relation to registered IPRs **validity issues principally raised:**

those issues can be brought before courts of a State other than that of registration. Yet, a judgment on **validity** would have ***inter partes*** effect.



Jurisdiction Guidelines

ILA Committee “guideline” on “validity”:

- 1) In proceedings which have as their **main object** the grant, registration, validity, abandonment, or revocation of **a** registered intellectual property right the court of the State of registration shall have **exclusive jurisdiction**.
- 2) Any other court having jurisdiction may decide on these matters when they arise in proceedings other than those referred to in paragraph 1. However, the resulting decision shall be binding between the parties only.



Jurisdiction Guidelines

ILA Committee **overcomes exclusive jurisdiction** in cases related to

- a) unregistered IPRs
- b) registered IPRs infringement issues
- c) registered IPRs validity issues incidentally raised

Thus, those issues can be brought before a court of a State other than that of registration. Yet, a judgment on **validity** would have *inter partes effect*.

Exclusive jurisdiction: validity issues principally raised of “a registered IPR”: related to **more than one IPRs** (?)



Applicable Law: Introduction

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Selected controversial issues

- Building on the results of the previous projects the Committee has focused its attention on drafting Guidelines on certain issues:
 - Initial ownership
 - Contracts
 - Infringement, with particular attention to “ubiquitous infringement” and liability of Internet intermediaries



Other relevant issues

- Scope of lex loci protectionis (and the role of lex fori/ lex contractus)
- Transferability
- Security rights
- Mandatory rules
- Public policy
- Exclusion of renvoi



Applicable Law: Contracts

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Freedom of choice

Provision #1

Parties may choose the law governing their contractual relationship.



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Absence of choice

Provision #2

"Single-state" Contracts

- Contracts related to IP rights protected in one State only
- Lex loci protectionis
- Exception



Absence of choice

Provision #2

"Multi-state" Contracts

- Contracts related to IP rights protected in more than one State
- Law with the closest connection
- Possible indicators: parties residence; residence of the characteristic performer; residence of a party in one of the States in which the IP rights are protected



Other relevant issues

- Respective material scopes of lex contractus and lex protectionis
- Formal validity?
- Employment contracts?
- Compulsory licences?
- Consumer contracts?
- Internationally mandatory rules?



Applicable Law: Infringement

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Main rule

- Lex loci protectionis
 - Territoriality principle
 - Source: 1886 Berne Convention art 5(2); EU Rome II Regulation art 8(1)
 - Scope: all issues related to a right as such; infringement and remedies (?)



Ubiquitous infringements

- World-wide infringement is subject to a single (or several) state law(s)
- Law(s) with the close connection
 - Exemplary connecting factors: place of harm; parties' residence; place of substantial activities
 - Exception



[Party autonomy]

- After infringement occurs, parties may choose law applicable to the infringement
 - IP-related issues are excluded; no third party effects
- Different: EU Rome II Regulation art. 8(3)



Applicable law

Initial ownership

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'Territorial' multiple law approach

Drawbacks

- Limping legal relationships parties involved in creation/production IP
- Uncertainty about ownership increases transaction costs & reduces value of IP as assets
- Undue burden on 'weaker' creating parties (notably natural persons such as employees)

Partial fixes

- Single law conflict rule for unregistered IPRs
- Accessory allocation to law of pre-existing legal relationship (e.g. employment contract, production contract)
- Allow measure of party autonomy



Models suggested

- Accessory allocation right to claim (co)ownership if creation based in contractual relation: contract statute.
- Main rule registered IP: law of country of protection (presumed to be: country of registration)

Single law+

- Non-registered IPRs: law of country with closest connection to creation/production subject matter (presumed to be: habitual residence creator)
- Allowed: choice of law by co-creators

Multiple law+

- Lex protectionis for non-registered IPRs



Recognition and Enforcement of Foreign Judgments

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Recognition and Enforcement

1. The Object of the Recognition and Enforcement
2. The Effect of a Recognized Judgment
3. Grounds for Non-Recognition
4. Partial and Limited Recognition
and Enforcement



1. The Object of the Recognition and Enforcement

- Definition of a judgment
- Definition of a final judgment
- A stay of a judgment
- A judgment subject to an appeal



2. The Effect of a Recognized Judgment

- “No greater” than in the country of the rendering court
- Territorial scope of injunctive relief
- No review as to the merits



3. Grounds for Non-Recognition

- Mandatory grounds for non-recognition
 - Default judgment, no opportunity to defend
 - A prior domestic judgment
 - A different prior foreign judgment
 - Due process
 - Want of jurisdiction
- Public policy exception
- Findings of fact re jurisdiction



4. Partial and Limited Recognition and Enforcement

- Severability
- Exemplary or punitive damages
- Adaptation of remedies
- Decision concerning validity of a registered IP right



IP AND ARBITRATION

Prof. Dr. Dário Moura Vicente

University of Lisbon

Geneva, 15 January 2015



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The Problem Defined

- **Advantages of arbitration** as an alternative to court litigation of IP disputes: (i) Concentration of proceedings in disputes arising from cross-border exploitation of IP rights; (ii) Avoids parallel litigation before national courts and inconsistent decisions; (iii) Confidentiality and greater expediency of proceedings; (iv) Neutrality and expertise of adjudicators; (v) Extended cross-border enforceability of awards.
- **IP rights are however still mostly monopolies granted by States** that affect competition within the territory of the country that awards them. Hence, jurisdiction over IP disputes is often reserved to State courts.
- **Are IP disputes arbitrable?**



Basic Approaches (Registered Rights) - I

- **No arbitrability**

South Africa, article 18(1) of the Patent Act:

«Save as is otherwise provided in this Act, no tribunal other than the commissioner shall have jurisdiction in the first instance to hear and decide any proceedings, other than criminal proceedings, relating to any matter under this Act.»



Basic Approaches (Registered Rights) - II

- **Arbitrability with limitations**

Germany, § 65(1) of the Patent Act:

«A Patent Court is established as an autonomous and independent federal court to hear appeals from decisions of the Examining Sections or Patent Divisions of the Patent Office and to decide actions for declaration of nullity of patents and in compulsory license proceedings (Sections 81, 85 and 85a). It has its seat at the seat of the Patent Office. It is designated the “Federal Patent Court”.»

Jurisdiction of the Court generally held to be **exclusive**. Hence, **no arbitrability of validity issues** raised as a defence in infringement or breach of licence disputes (*bifurcation system*).



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Basic Approaches (Registered Rights) - III

- **Arbitrability with limitations**

France, Cour d'appel de Paris, 28 February 2008, Société Liv Hidravlika D.O.O v. S.A. Diebolt:

«[T]he issue of the validity of a patent debated incidentally on the occasion of a contractual dispute, may, as the arbitrator holds, be submitted to him, although the invalidity eventually determined shall not, just as if it were decided by a judge, have the force of *res judicata*, since it is not contained in the holding of the case, [...] it shall only bind the parties.»

Arbitrability of validity issues, but the arbitral award only has ***inter partes*** effect.



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Basic Approaches (Registered Rights) - IV

- **Arbitrability with limitations**

USA, section 294 of the *Patent Act*:

«a) A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to the patent validity or infringement arising under the contract. In the absence of such a provision, the parties to an existing patent validity or infringement dispute may agree in writing to settle such dispute by arbitration. Any such provision or agreement shall be valid, irrevocable, and enforceable, except for any grounds that exist at law or in equity for revocation of a contract.»

«c) An award by an arbitrator shall be final and binding between the parties to the arbitration but shall have no force or effect on any other persons.»



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Basic Approaches (Registered Rights) - V

- **Full arbitrability**

Belgium, article 51(1) of the Patent Law of 1984:

«If a patent is totally or partly annulled by a judgment, a ruling or an arbitral award, the annulment decision shall have the force of *res judicata* in regard of everyone, subject to a third party's opposition. Annulment decisions that have acquired the force of *res judicata* shall be registered.»



Basic Approaches (Registered Rights) - VI

- **Mandatory arbitration**

Portugal, Law no. 62/2011 of 14.12.2011, article 2:

«Disputes arising from the exercise of industrial property rights, including injunctions, regarding reference medicines and generic medicines, regardless of whether process patents, product patents or patents of use or supplementary protection certificates are at issue, are subject to mandatory arbitration, institutional or non-institutional.»



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Basic Approaches (Unregistered Rights) - I

- **No arbitrability of claims concerning moral rights**
 - ***Droit d'auteur* systems:** moral rights incapable of being transmitted or waived. In principle, disputes concerning such rights are not arbitrable in systems where only rights of which a party may dispose by way of settlement may be arbitrated (e.g. France).
 - However, even in those systems certain transactions are allowed in regard of moral rights, as, e.g., a consent to the modification of a work. Disputes arising from such transactions are thus arbitrable (Supreme Court of Canada, *Desputeaux v. Éditions Chouette*, 2003).



Basic Approaches (Unregistered Rights) - II

- **Arbitrability of claims concerning patrimonial rights**

France, article L 331-1 of the Code of Intellectual Property:

«Civil actions and claims related to literary and artistic property, including those also concerning a related issue of unfair competition, are exclusively submitted to courts of great instance, to be determined by means of regulations [...]. The preceding provisions do not prevent recourse to arbitration in the conditions set forth in articles 2059 and 2060 of the civil code.»

Disputes concerning authors' rights of reproduction, broadcasting and distribution of their works are thus arbitrable: no reason of public interest prevents arbitration in their respect. But *droit de suite*, being a non-waivable patrimonial right, is not arbitrable.



Basic Approaches (Unregistered Rights) - III

- **Arbitration as default dispute resolution mechanism**

Quebec, article 37(1) of the *Act Respecting the Professional Status of Artists* states, with regard to contracts between an artist and a promoter:

«In the absence of an express renunciation, every dispute arising from the interpretation of the contract shall be submitted to an arbitrator at the request of one of the parties.»



Basic Approaches (Unregistered Rights) - IV

- **Mandatory arbitration**

Portugal, Law no. 82/2001, of 3 August 2011:
Created a Mediation and Arbitration Commission to which disputes related to (i) remuneration rights for the public lending of copies of protected works; (ii) transmission by cable of protected works and performances; (iii) compensation of reproductions for private use; and (iv) technological measures that restrict free use of protected works, have been mandatorily submitted by specific statutes.



The Role of Private International Law - I

- **Basic trend** towards the liberalization of IP arbitration.
- **Significant differences remain between national legal systems** regarding the arbitrability of validity issues.
- **This is a source of uncertainty** as to the enforceability of arbitral awards on IP disputes.
- **There is a need for uniform conflict of laws rules** (even if only soft law rules) on the issue of arbitrability of IP disputes.
- **No need for an entire set of conflict rules** applicable to the substance of the dispute in arbitration proceedings concerning IP disputes.



The Role of Private International Law - II

- **What law(s) should apply to arbitrability?**

The *lex arbitri*

- If the issue of the arbitrability of claims (as well as of exceptions and counterclaims) concerning IP rights that have allegedly been infringed is raised before an Arbitral Tribunal, it should be governed by the *lex arbitri* (i.e., the law governing the arbitration).
- This is the solution that best ensures the *enforceability of the arbitral award* in the country of the seat of the Tribunal.



The Role of Private International Law - III

The *lex protectionis*

- If, however, the *lex arbitri* is not the same as the *lex protectionis* (i.e., the law of the country for the territory of which protection of the disputed rights is sought), the Tribunal should, in order to safeguard the enforceability of its award, cumulatively apply the *lex protectionis* to the issue of the arbitrability of the validity of those rights.
- E.g., an arbitrator sitting in Belgium may decide, with *inter partes* effects, the claimed invalidity of a French patent raised as a defence by the Respondent, but should refrain from doing so in regard of a German patent, in spite of the liberalism of Belgian law in this respect. Otherwise, the enforcement of the award in Germany could be refused on the basis of article V(2)(a) New York Convention.



THANK YOU!



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