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DRAFT CONVENTION ON JURISDICTION AND RECOGNITION OF JUDGMENTS  
IN INTELLECTUAL PROPERTY MATTERS

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## INTRODUCTION

The proposed Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters is currently drafted to cover most fields of private litigation, including intellectual property. However, as those following the Hague process are aware, the Convention has run into considerable difficulties. There is currently reason to be concerned that it may not be promulgated at all, or that if it is promulgated, that it will be reduced in scope and cover only select areas of litigation, likely not to include intellectual property. This proposal is meant to spur the intellectual property bar to consider whether it would be desirable to create a regime for international enforcement of intellectual property law in the event that efforts at the Hague do not come to fruition in a manner that covers disputes in this area. A second question is whether, even if proceedings at the Hague do go forward, an instrument aimed exclusively at intellectual property matters would have advantages over a convention of more general scope. Such a convention could be adopted under the auspices of the World Intellectual Property Organization (WIPO) or through the World Trade Organization (WTO).

There are several reasons to believe that an instrument drafted specifically for intellectual property disputes would be particularly advantageous. First, as it stands, the proposed Hague Convention is mainly aimed at facilitating the enforcement of judgments; it includes features that would also make the adjudication of multinational disputes more efficient, but that is not its primary goal. Yet, for intellectual property disputes, efficiency should be a principal target. Modern distribution methods, particularly satellite and Internet transmissions, make it increasingly likely that intellectual property rights will be infringed simultaneously in more than one territory. The ability to consolidate actions in one court, with the expectation that the judgment of that court will be recognized in all convention States, would reduce costs for all sides, conserve judicial resources on an international basis, and promote consistent outcomes.

Second, a convention drafted for intellectual property disputes would be able to take account of issues uniquely raised by the intangibility of the rights in issue. For example, where a general convention's jurisdiction provisions speak generally of "acts," "omissions," and their foreseeability, an instrument on intellectual property disputes can be geared specifically to the events that comprise infringement. Where a general convention may be concerned with curtailing *forum* shopping by potential plaintiffs, an intellectual property agreement can also consider the ability of a potential defendant to gain litigation advantages through the choice of the location of the activities that give rise to infringement. In certain situations, the propriety of expanding jurisdiction depends on the possibility of inconsistent outcomes; a convention tailored to intellectual property can specify what that term means in the context of public goods.

An instrument for intellectual property litigation can also deal specially with matters of unique concern to the creative community. Thus, the circumstances where trans-border injunctions are permissible can be specified with particularity and include consideration of cultural, health and safety issues; provisions on contract disputes can be tailored to deal with arbitral agreements, which are especially popular in intellectual property, and with mass market contracts, which are especially troubling.

Most important, the convention can be confined to rights covered by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and open to signature only to

countries that have joined the WTO. Since these are countries that have agreed to enforce intellectual property law and are subject to dispute resolution proceedings if they fail to do so, these limitations would reduce the fear, sometimes expressed in connection with the draft Hague Convention, that the courts of certain countries will be utilized to disrupt the delicate balance that other nations have struck between intellectual property users and owners. And although dispute resolution under the WTO cannot provide litigants with a substitute for a centralized and authoritative appellate body (such as the US Supreme Court or the European Court of Justice), it can provide institutional mechanisms (such as dispute resolution panels, the Dispute Settlement Board, and the Council for TRIPS) for examining intellectual property law as it develops through consolidated adjudication of multinational disputes.

## EXECUTIVE SUMMARY

This proposal is adapted from the October 30, 1999 text of the Hague Conference Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters. Like the proposed Hague Convention, the right to enforce a judgment in member States depends on whether the court issuing the judgment enjoyed an approved basis of jurisdiction over the litigants. However, alterations have been made to better tailor the convention to intangible rights and to the needs of the creative community. The principal areas where changes have been made are as follows:

### Scope

The convention would be open only to TRIPS implementers and, with two possible exceptions, would cover the same rights covered by the TRIPS Agreement.

The first exception is patent litigation, where the expertise required for accurate decision making, coupled with the low incidence of simultaneous multinational infringements, makes the benefits of the convention unlikely to outweigh the costs. Although this draft demonstrates [in brackets] how patent litigation could be treated to minimize costs, it takes the position that patent disputes should remain outside the convention, leaving international concepts concerning consolidation of worldwide disputes and enforcement of foreign judgments to develop on their own.

The second possible exception is disputes over domain names, which are not yet clearly fully protected by TRIPS. Because domain name disputes raise many of the same problems as other intellectual property, they could usefully be included in this convention.

### Jurisdiction

Unlike the Brussels Convention, which attempts to use personal jurisdiction as a way to identify one *forum* as the single most appropriate location for the resolution of a particular dispute, and unlike the Hague Convention, which uses personal jurisdiction to create a narrow range of appropriate choices, this convention identifies a fairly wide set of *fora* with adjudicatory authority over the parties. In part, this is a consequence of the commitment to consolidation. The parties' choices need not be narrowed if all courts seized with parallel litigation will, ultimately, cooperate with one another and with the parties to find the best place to adjudicate the entire dispute. Conversely, the courts and parties can select a better *forum* (in terms of convenience for the parties and witnesses, expertise of the decision maker,

and relationship to the dispute) if there are several courts with power over all the parties. In part, this decision also emanates from the view that *forum* shopping in intellectual property disputes cannot, in any event, be controlled through personal jurisdiction rules: intangible rights and infringements can be reified in too many locations to make personal jurisdiction an effective limit on potential *fora*.

Like the proposed Hague Convention, this is a “mixed” convention. It describes bases of jurisdiction that are predicates to enforcement in all member States and it describes bases of jurisdiction that are prohibited in cases involving foreign habitual residents of member States. It leaves member States free to decide for themselves the conditions under which judgments predicated on other bases of jurisdiction are enforceable.

### Contract disputes

Because arbitration is now a common way to resolve intellectual property disputes, this proposal makes clear that arbitral agreements are enforceable on the same terms as choice-of-*forum* agreements. However, because mass market contracts (sometimes called “shrinkwrap” or “click through” agreements) are also becoming increasingly common, the enforceability of any contract provision affecting the place of dispute resolution is subject to a requirement of negotiation or, in nonnegotiated contracts, reasonableness.

### Consolidation

The central insight animating this proposal is that efficient adjudication of intellectual property disputes is a benefit—to the parties, to the nations whose judicial resources would otherwise be redundantly utilized, and to the development of sound intellectual property law. Both US and European laws have mechanisms to promote consolidation, and the techniques of both systems are invoked here:

(a) The multiple-defendant and third-party provisions of the proposed Hague Convention are utilized to expand the number of courts with adjudicatory power over all the defendants. These provisions have, however, been altered to make them compatible with the US conception of due process;

(b) The *lis pendens* provision of the proposed Hague Convention has been utilized to automatically consolidate before a court first seized with a coercive action, all transactionally related claims arising from a single territory’s intellectual property rights;

(c) For cases where parallel litigation is ongoing in several territories, the consolidation provision of the Brussels Convention has been adapted to encourage all of the courts seized with parts of a multinational dispute to cooperate with one another and with the parties to choose a *forum* for centralized dispute resolution;

(d) Consolidation is further promoted by giving each court unilateral power under a US-style *forum non conveniens* doctrine to suspend proceedings in favor of a more appropriate *forum*. At the same time, this doctrine is limited to prevent courts from dismissing causes of action simply because they are based on foreign law;

(e) The proposal allows parties to promote complete resolution of their disputes by permitting them to assert transactionally related counterclaims, including counterclaims for

declarations of rights. The proposal could go further and use US-style *res judicata* law to require the parties to assert transactionally related claims (under penalty of claim and issue preclusion), but does not do so out of deference to the less aggressive nature of *res judicata* law in other parts of the world.

### Remedies

This proposal makes clear that the monetary and injunctive awards rendered by courts with proper authority over the parties must be recognized by all member States. There are a few exceptions. Compensatory relief must always be recognized, even if based on statutory amounts rather than proof of actual damages. However, exemplary and punitive awards are recognized only to the extent recognized by the enforcing jurisdiction. Both permanent and preliminary injunctions must generally be recognized. However, courts may decline to enforce injunctions where its territory's health, safety, or fundamental cultural policies are at stake, but only if damages would afford effective relief in that territory. Courts other than the one where the action is pending are also able to order enforceable preliminary injunctive relief, but such relief must be limited to the territory of the court and to its territorial rights.

### Choice of law

One reason that segments of the intellectual property bar have been opposed to the draft Hague Convention is that they fear that the territorial nature of intellectual property law will be lost. Because this notion is mainly based on the risk that a court will apply the wrong law to a dispute (this is most often expressed as the court will apply *forum* law to foreign activities), consideration was given to incorporating choice of law rules into the draft convention, and to making enforcement turn on both an appropriate basis of personal jurisdiction and an application of appropriate law. The problem with this approach is that it could lead, in essence, to relitigation of every case in the enforcing court. Further, in the absence of a centralized court of appeals (such as the US Supreme Court or the European Court of Justice), there would be no way to elaborate authoritatively on the (necessarily) general rules promulgated by the convention. Nonetheless, because the use of inappropriate law is a special danger in intellectual property litigation, consideration is being given to adding a new ground for nonrecognition to those listed in the draft Hague Convention. This provision would permit a court where recognition is sought to deny enforcement when the rendering court's choice of law was arbitrary or unreasonable. *Indicia* of arbitrariness and unreasonableness would be worked out in commentary.

The text of the proposed convention is immediately below. It is followed by draft comments, as we have them to date. These comments are not complete, but provide some sense of the approach we are taking.

## DRAFT CONVENTION

### Preliminary Matters: Coverage

- This is a draft convention on jurisdiction and recognition of judgments.

- Countries eligible to join the convention are WTO members (or WTO members who have [fully] implemented their TRIPS obligations). The convention might itself be an appendix to TRIPS.
- Because arbitration is likely to become increasingly important in I.P. matters, signatories to this convention must also be members of the New York Convention on Arbitral Awards.
- Subject matter covered: registered and non registered intellectual property rights, including: [patent,] copyright and neighboring rights, trademark, and other intellectual property rights covered by TRIPS and its successor agreements. [domain names?]

### Initial Comment on Coverage

This is a proposed convention on jurisdiction and recognition of judgments in intellectual property cases. The digital networked environment is increasingly making multiterritorial simultaneous communication of works of authorship, trade symbols, and other intellectual property, a common phenomenon. The likelihood of multiterritorial infringements increases accordingly. In this environment, the practical importance of adjudicating a multiterritorial claim in a single *forum* should be readily apparent. Indeed, without consolidation of claims and recognition of judgments, effective enforcement of intellectual property rights, and by the same token, effective defenses to those claims, may be illusory for all but the most wealthy litigants.

In our discussions with colleagues in the intellectual property bar and professorate, it was suggested that facilitating consolidation of claims and recognition of judgments will result in greater enforcement of intellectual property rights. The implication of the observation was that greater enforcement is a negative, in that, particularly for remote (and perhaps less affluent) jurisdictions, tolerance of infringements may be desirable. We believe this reaction is misguided. First, this proposed convention is open only to WTO members who have implemented the TRIPS Agreement. Like TRIPS, the obligations of least-developed countries can be minimized. Second, greater consolidation has benefits for both sides because it preserves litigation resources and reduces opportunities for harassment. The recent example of the litigation between a large computer software developer, Computer Associates, and a much smaller competitor, Altai,<sup>1</sup> illustrates the point. Computer Associates (CA) initiated a suit in New York for infringement of the copyright on a computer program. After losing, CA brought another action, arising out of substantially the same transaction or occurrence, in France. Altai was obliged to defend in both places, the Second Circuit having refused to enjoin the parties from pursuing the French claim on *res judicata* grounds. The court reasoned that French law applied to that claim, making it different from the one asserted in the US. The court also observed that one of the parties to the French action would not have been subject to personal jurisdiction in New York, even had CA pleaded the French copyright infringement as part of its action in the European Districts New York (E.D.N.Y.) Under our approach, CA could have consolidated both claims in the New York federal court, because we would provide for personal jurisdiction over nonresident defendants when there is a

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Computer Associates, Inc. v. Altai, Inc., 126 F.3d 365 (2d Cir. 1997).



substantial connection between the *forum* State's intellectual property rights and the dispute involving that defendant, or when the *forum* State is the only one in which all claims could be consolidated (see Art. 10). Moreover, even had CA wished to retain the option of pursuing Altai in more than one *forum*, under our approach, Altai could have raised the alleged French infringement as a declaratory judgment in the US proceeding (*forum non conveniens* no longer being available as grounds for dismissal in this instance) (see Arts. 8, 13).

The text of this proposed convention was largely inspired by the October 1999 draft Hague Convention on Jurisdiction and Judgments, which contains general provisions regarding adjudication of tort and contract claims. Although intellectual property infringement is a tort, and therefore could come within the general scope of the Hague project, we nonetheless concluded that a separate convention, specifically focused on intellectual property rights, could be desirable. In part, intellectual property disputes present special problems. For example, localizing torts involving intangible rights can be difficult; mass market licenses may pose problems different from those encountered in consumer contracts generally; arbitration is playing an increasingly important role in the resolution of intellectual property disputes. In part, we have determined that some of the rules proposed in the Hague draft, particularly those regarding consolidation of claims, and multiple defendants, were not always well-tailored to intellectual property disputes. We therefore have in these instances substantially departed from the 1999 Hague draft. Similarly, we have adjusted or refined several of the proposed Hague provisions specifically to address the commission of infringement over digital networks.

We initially determined to include registered rights, particularly patents, because we did not think their peculiarities were insuperable. We perceived the main objections to covering registered rights, with respect to validity as well as to infringement to be: "act of State" concerns that foreign courts should not upset another State's official acts; the technical (as opposed to legal analytical) incompetence of general jurisdiction judges to address patent cases; and the fear that some *fora* might be "information havens," over-eager to invalidate patents on a world-wide basis. As to Act of State, we have concluded that this is a red herring: if a State signs onto the convention, the State is agreeing to permit foreign courts to examine its Acts. With regard to "information havens," this concern may be alleviated by limiting signatory States to TRIPS implementers. In addition, limitations on declaratory judgment actions in patent cases should also reduce concerns about *forum* manipulation.

Further discussion with members of the patent bar, however, has made us less sanguine about the inclusion of patents within the scope of this convention. Patents are more territorially grounded than other intellectual property subject matter: apart from software and business methods, most patent infringements seem unlikely to occur by means of the Internet. So long as State-by-State adjudication of rights remains viable, the major advantages of an international convention on enforcement of intellectual property judgments are not likely to accrue.

At the same time, the costs of including patents in this convention are high. Aside from the loss of bases of jurisdiction on which patent practitioners now depend, treating patents equivalently to copyrights and trademarks would result in situations where the court of one country would adjudicate the patent rights of other countries. Practitioners feel this to be a problem because patent cases can involve technically difficult facts and laws that present a greater range of substantive differences than copyright or trademark laws. Thus, these cases may require a high level of judicial expertise. Indeed, practitioners note that there are places where validity can only be adjudicated in an expert agency—it would be paradoxical to permit

foreign courts to entertain cases that could not be heard in the local courts of the country where the right in question was registered. In addition, patent experts note that the factual questions underlying patent validity mean that differences in discovery opportunities can result in significant differences in outcomes.

Practitioners were equally dissatisfied with the concept of making patent actions exclusive to the *forum* where the patent right was registered, *per* Article 12 of the proposed Hague Convention. Their concern is that this would freeze the law and prevent the development of methods for consolidating worldwide patent actions. Given the need for foreign enforcement that will arise in connection with patented products that can be distributed on the Internet, simply excluding patents from the scope of the convention seems the wiser course because it does not oblige consolidation, but it does not prevent it either.

As noted above, we had considered treating patents equivalent to other intellectual property rights and then dealing with the special problems they present through specific provisions. For example, the technical incompetence issue might be addressed by limiting the consolidation of foreign patent actions to those States that have specialized technically competent jurisdictions, like the US Court of Appeals for the Federal Circuit, and similar courts in other jurisdictions. The draft as written brackets references to these alternatives for patent actions.

Finally, because the subject matter of this draft convention tracks TRIPS subject matter (with the possible exception of patents), some areas of intellectual property law, both traditional and emerging, would currently remain uncovered. With respect to traditional rights, TRIPS excludes moral rights (although some moral rights interests may still be advanced, at least in part, by means of economic right analogues, such as the derivative works right under copyright). With respect to emerging rights, TRIPS does not now clearly cover domain names, although some of the issues domain names present may come within the scope of TRIPS provisions on trademarks and dilution.

The following text is adapted from the October 30, 1999 text of the Hague Conference Draft Convention on Jurisdiction and Foreign Judgments In Civil and Commercial Matters. New or altered material appears in brackets or in *italics*. The analogue sections of the Hague Convention are also denoted in brackets (e.g: [HC 14] denotes Art. 14 of the October 30 Hague Draft).

## CHAPTER I: SCOPE OF THE CONVENTION

### Article 1 [HC 1]: Substantive Scope

1. The Convention applies to copyright, neighboring rights, [patents,] trademarks, and other intellectual property rights covered by the Agreement on Trade Related Aspects of Intellectual Property, and its successor Agreements.
2. A dispute is not excluded from the scope of the Convention by the mere fact that a government, a governmental agency or any other person acting for the State is a party thereto.

3. Nothing in this Convention affects the privileges and immunities of sovereign States or of entities of sovereign States, or of international Organizations.

#### Article 2 [HC 2]: Territorial Scope

1. A State is eligible to become a Contracting State if it is a member of the World Trade Organization, and has [fully] implemented the TRIPS Agreement, and is also a member of the New York Convention on Arbitral Awards.

2. The provisions of Chapter II shall apply in the courts of a Contracting State unless all the parties are habitually resident in that State. However, even if all the parties are habitually resident in that State.

(a) Article 4 shall apply if they have agreed that a court or courts of another Contracting State have jurisdiction to determine the dispute;

(b) [Article 8, regarding exclusive jurisdiction over declaratory judgment actions concerning patent validity, shall apply;]

(c) Articles 12 and 14 [HC 21 and 22] shall apply where the court is required to determine whether to decline jurisdiction or suspend its proceedings on the grounds that the dispute ought to be determined in the courts of another Contracting State.

3. The provisions of Chapter III apply to the recognition and enforcement in a Contracting State of a judgment rendered in another Contracting State.

### CHAPTER II: JURISDICTION

#### Article 3 [HC 3]: Defendant's *Forum*

1. Subject to the provisions of the Convention, a defendant may be sued in the courts of the State where that defendant is habitually resident.

2. For the purposes of the Convention, an entity or person other than a natural person shall be considered to be habitually resident 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.

#### Article 4 [HC 4]: Choice of Court

1. If the parties have agreed that a court or courts of a Contracting State or an arbitral *forum* shall have jurisdiction to settle any dispute which has arisen or may arise in connection

with a particular legal relationship, that court or those courts shall have jurisdiction, and that tribunal shall have jurisdiction, and its jurisdiction shall be exclusive unless the parties have agreed otherwise. Where an agreement having exclusive effect designates a court or courts of a non-Contracting State, or an arbitral *forum*, the courts in Contracting States shall decline jurisdiction or suspend proceedings unless the court or courts chosen have themselves declined jurisdiction.

2. An agreement within the meaning of paragraph 1 shall be valid as to form, if it was entered into or confirmed:

(a) in writing;

(b) by any other means of communication which renders information accessible so as to be usable for subsequent reference;

(c) in accordance with a usage which is regularly observed by the parties;

(d) in accordance with a usage of which the parties were or ought to have been aware and which is regularly observed by parties to contracts of the same nature in the particular trade or commerce concerned.

3. In non negotiated contracts, an agreement within the meaning of paragraph 1 shall be valid if the designated Contracting State or arbitral *forum* is reasonable in light of:

(a) the location of the non contract-drafting party;

(b) the availability of online dispute resolution or other forms of virtual representation;

(c) the resources of the parties;

(d) the sophistication of the parties;

(e) the substantiality of the connection between the designated *forum*, and the parties or the substance of the dispute;

(f) for registered rights, the expertise of the designated *forum* in adjudicating disputes of this type.

If the *forum* finds that the non negotiated contract is invalid, then the contract shall not be considered an “agreement” within the meaning of Art. 2 of the New York Convention on Arbitral Awards.

#### Article 5 [HC 5]: Appearance by the Defendant

1. [Subject to Article 8 [HC 12], ] 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 defense on the merits.

Article 6 [based on HC 10]: Infringement Actions

1. A plaintiff may bring an infringement action in the courts of:

(a) any State where defendant substantially acted (including preparatory acts) in furtherance of the alleged infringement; or

(b) any State to which the alleged infringement was intentionally directed, including those States for which defendant took no substantial measures to deflect the communication of the infringement to that State; or

(c) any State in which the infringement foreseeably occurred, including those States for which defendant took no substantial measures to deflect the communication of the infringement to that State.

2. If an action is brought in the courts of a State only on the basis of the intentional direction of the infringement to that State, then those courts shall have jurisdiction only in respect of the injury arising out of unauthorized use occurring in that State, unless the injured person has his habitual residence or principal place of business in that State.

3. If an action is brought in the courts of a State only on the basis of the occurrence of the infringement in that State, then those courts shall have jurisdiction only in respect of the injury arising out of unauthorized use occurring in that State.

Article 7: Agreements Pertaining to Intellectual Property Rights

1. An action to enforce an agreement pertaining to intellectual property may be brought in any country whose rights are covered by the agreement.

2. Notwithstanding the above [Art 7 paragraph 1], where more than one country's rights are covered by the agreement, the action may be brought in the country with the most significant relationship to the contract. In particular, the court should take into account:

(a) the residence of the parties;

(b) the country in which the intellectual property was developed;

(c) the country in which the principal obligation under the contract is to be performed.

3. In non negotiated contracts, the court should also consider the factors listed in Article 4 3.

Article 8 [8.2 based in part on HC 12.3]: Declaratory Judgments

1. Actions for a declaration of rights may be brought on the same terms as an action seeking substantive relief.

2. [However, in proceedings which have as their object the obtaining of a declaration of the invalidity or nullity of a registration of patents, the courts of the Contracting State in

which the deposit or registration has been applied for, has taken place or, under the terms of an international convention, is deemed to have taken place, have exclusive jurisdiction. The issue of invalidity of a patent may be adjudicated in an infringement action brought pursuant to the rules of this Convention.]

#### Article 9 [HC 15]: Counter-Claims

A court which has jurisdiction to determine a claim under the provisions of the Convention shall also have jurisdiction to determine a counter-claim arising out of the transaction or series of transactions or occurrence on which the original claim is based, irrespective of the territorial source of the rights at issue.

#### Article 10 [HC14]: Multiple Defendants

1. A plaintiff bringing an 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 not habitually resident in that State if:

(a) the claims against the defendant habitually resident in that State and the other defendants are so closely connected that they should be adjudicated together to avoid a risk of inconsistent judgments; and

(b) as to each defendant not habitually resident in that State, there is a substantial connection between that State's intellectual property rights and the dispute involving that defendant; or

(c) as between the States in which the other defendants are habitually resident, and the *forum*, the *forum* is the most closely related to the entire dispute, and there is no other *forum* in which the entire dispute could be adjudicated.

2. Paragraph 1 shall not apply to a codefendant invoking an exclusive choice of court clause agreed with the plaintiff and conforming with Article 4.

#### Article 11 [HC 16]: Third Party Claims

1. A court which has jurisdiction to determine a claim under the provisions of the Convention shall also have jurisdiction to determine a claim by a defendant against a third party for indemnity or contribution in respect of the claim against that defendant to the extent that such an action is permitted by national law, provided that there is a substantial connection between that State's intellectual property rights and the dispute involving that third party.

2. Paragraph 1 shall not apply to a third party invoking an exclusive choice of court clause agreed with the defendant and conforming with Article 4.

#### Article 12 [HC 21]: *Lis Pendens*

1. When the same parties are engaged in proceedings in courts of different Contracting States, the court second seized shall suspend the proceedings if the court first seized has jurisdiction and is expected to render a judgment capable of being recognized under the Convention in the State of the court second seized, irrespective of the relief sought, when:

- (a) the claims arise from a single territory's intellectual property rights; and
  - (b) the claims arise out of the same transaction or series of transactions or occurrence.
2. Paragraph 1 does not apply if the court second seized has exclusive jurisdiction under Article 4.
3. The court second seized shall decline jurisdiction as soon as it is presented with a judgment rendered by the court first seized that complies with the requirements for recognition or enforcement under the Convention.
4. Upon application of a party, the court second seized may proceed with the case if the plaintiff in the court first seized has failed to take the necessary steps to bring the proceedings to a decision on the merits or if that court has not rendered such a decision within a reasonable time.
5. If in the action before the court first seized, the plaintiff seeks a determination that it has no obligation to the defendant, and if an action seeking substantive relief is brought in the court second seized:
  - (a) the provisions of paragraphs 1 to 4 above shall not apply to the court second seized, unless the declaratory judgment plaintiff has advanced its claim as part of an action initiated before the court first seized by the declaratory judgment defendant; and
  - (b) the court first seized shall suspend the proceedings at the request of a party if the court second seized is expected to render a decision capable of being recognized under the Convention.
6. The provisions of the preceding paragraphs apply to the court second seized even in a case where the jurisdiction of that court is based on the national law of that State in accordance with Article 15 [HC 17].
7. For the purpose of this Article, a court shall be deemed to be seized:
  - (a) when the document instituting the proceedings or an equivalent document is lodged with the court; or
  - (b) if such document has to be served before being lodged with the court, when it is received by the authority responsible for service or served on the defendant.

#### Article 13 [adapted fr. Brussels Conv. Art. 22]: Consolidation of Territorial Claims

1. Upon the motion of a party, or sua sponte, a court should consider the advantages of worldwide resolution of the dispute among the parties through consolidation of related pending actions, and through inviting the parties to assert all intellectual property claims related to the action in a single *forum*.
2. For the purposes of this Article, actions are deemed to be related where, irrespective of the territorial source of the rights and the relief sought, the claims arise out of the same transaction or series of transactions or occurrence.

3. In deciding whether and how to consolidate the action, the court should consult with the parties and with other courts in which related actions are pending, and together they should consider:

(a) which court has jurisdiction over the greatest number of parties with claims relating to the action;

(b) in general, whether consolidating would promote efficiency and conserve judicial resources and the resources of the parties;

(c) whether or not inconsistent judgments would result if multiple courts adjudicated the related claims;

(d) [in a patent case, the relative expertise of the judicial systems in which the cases are pending.]

4. The issue of consolidation must be raised no later than at the time of the first defense on the merits.

5. If there is no consolidation of related actions, the judgment in one action shall not be preclusive of the other.

#### Article 14 [HC 22]: Exceptional Circumstances for Declining Jurisdiction

1. In exceptional circumstances, when the jurisdiction of the court seized is not founded on an exclusive choice of court agreement valid under Article 4, [or on Article 8] the court may, on application by a party, suspend its proceedings if in that case a court of another State has jurisdiction and is clearly more appropriate to resolve the dispute. Such application must be made no later than at the time of the first defense on the merits.

2. The court shall take into account, in particular:

(a) whether the Contracting State in which the court seized is located has the most significant relationship to the parties or the claims;

(b) the capacity of the court to adjudicate all the territorial rights put into issue;

(c) any inconvenience to the parties in view of their habitual residence;

(d) the nature and location of the evidence, including documents and witnesses, and the procedures for obtaining such evidence;

(e) applicable limitation or prescription periods;

(f) the possibility of obtaining recognition and enforcement of any decision on the merits;

(g) [in patent cases, the expertise of the judicial system of the Contracting State in which the court seized is located.]



3. In deciding whether to suspend the proceedings, a court shall not discriminate on the basis of the nationality or habitual residence of the parties.
4. If the court decides to suspend its proceedings under paragraph 1, it may order the defendant to provide security sufficient to satisfy any decision of the other court on the merits. However, it shall make such an order if the other court has jurisdiction only under Article 15 [HC 17], unless the defendant establishes that sufficient assets exist in the State of that other court or in another State where the court's decision could be enforced.
5. When the court has suspended its proceedings under paragraph 1:
  - (a) it shall decline to exercise jurisdiction if the court of the other State exercises jurisdiction, or if the plaintiff does not bring the proceedings in that State within the time specified by the court; or
  - (b) it shall proceed with the case if the court of the other State decides not to exercise jurisdiction.

#### Article 15 [HC 17]: Jurisdiction Based on National Law

Subject to Articles 4, 5, [8 ] and 19 [HC 13], the Convention does not prevent the application by Contracting States of rules of jurisdiction under national law, provided that this is not prohibited under Article 16 [HC 18].

#### Article 16 [HC 18]: Prohibited Grounds of Jurisdiction

Jurisdiction shall not be exercised by the courts of a Contracting State on the basis solely of one or more of the following:

- (a) the presence or the seizure in that State of tangible property belonging to the defendant, except where the dispute is directly related to that property;
- (b) the presence or the seizure in that State of intellectual property belonging to the defendant, except where the dispute is directly related to that intellectual property;
- (c) the nationality of the plaintiff;
- (d) the nationality of the defendant;
- (e) the domicile, habitual or temporary residence, or presence of the plaintiff in that State;
- (f) the carrying on of commercial or other activities by the defendant in that State, except where the dispute is directly related to those activities;
- (g) the service of a writ upon the defendant in that State;
- (h) the temporary residence or presence of the defendant in that State;
- (i) the signing in that State of the contract from which the dispute arises.

Article 17 [HC 19]: Authority of the Court Seized

Where the defendant does not enter an appearance, the court shall verify whether Article 16 [HC 18] prohibits it from exercising jurisdiction if:

- (a) national law so requires; or
- (b) the plaintiff so requests.

Article 18 [HC 20]: Stay of Proceedings

1. The court shall stay the proceedings so long as it is not established that the document which instituted the proceedings or an equivalent document, including the essential elements of the claim, was notified to the defendant in sufficient time and in such a way as to enable him to arrange for his defense, or that all necessary steps have been taken to that effect.
2. Paragraph 1 shall not affect the use of international instruments concerning the service abroad of judicial and extrajudicial documents in civil or commercial matters, in accordance with the law of the *forum*.
3. Paragraph 1 shall not apply, in case of urgency, to any provisional or protective measures.

Article 19 [HC13]: Provisional and Protective Measures

1. The court where the action is properly pending under the rules of this Convention has jurisdiction to determine the merits of the case has jurisdiction to order any provisional or protective measures, including trans-border injunctions.
2. The courts of a State in which intellectual or tangible property is located have jurisdiction to order any provisional or protective measures in respect of that property.
3. Courts in other Contracting States not having jurisdiction under paragraphs 1 or 2 may order provisional or protective measures, provided that:
  - (a) their enforcement is limited to the territory of that State; and
  - (b) their purpose is to protect on an interim basis a claim on the merits which is pending or to be brought by the requesting party.

## CHAPTER III: RECOGNITION AND ENFORCEMENT

Article 20 [HC 23]: Definition of “Judgment”

For the purposes of this Chapter, “judgment” means:

- (a) 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 enforced under the Convention;

(b) decisions ordering provisional or protective measures in accordance with Article 19 [HC 13], paragraph 1.

#### Article 21 [HC 24]: Judgments Excluded from Chapter III

This Chapter shall not apply to judgments based on a ground of jurisdiction provided for by national law in accordance with Article 15 [HC 17].

#### Article 22 [HC 25]: Judgments to be Recognized or Enforced

1. A judgment based on a ground of jurisdiction provided for in Articles 3 to 8 or 19 [HC 3 to 13], or which is consistent with any such ground, shall be recognised or enforced under this Chapter.
2. In order to be recognized, a judgment referred to in paragraph 1 must have the effect of *res judicata* 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.
4. However, recognition or enforcement may be postponed 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.

#### Article 23 [HC 26]: Judgments not to be Recognized or Enforced

A judgment based on a ground of jurisdiction which conflicts with Articles 4, 5, 7 [ , or 8], or whose application is prohibited by virtue of Article 16 [HC 18], shall not be recognised or enforced.

#### Article 24 [HC 27]: 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 14 [HC 22].

#### Article 25 [HC 28]: Grounds for Refusal of Recognition or Enforcement

1. Recognition or enforcement of a judgment may be refused if:
  - (a) proceedings between the same parties and having the same subject matter are pending before a court of the State addressed, if first seized in accordance with [?][HC 12];
  - (b) the judgment is inconsistent with the judgment of the court first seized;

(c) the judgment results from proceedings 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;

(d) the document which instituted the proceedings or an equivalent document, including the essential elements of the claim, was not notified to the defendant in sufficient time and in such a way as to enable him to arrange for his defense;

(e) the judgment was obtained by fraud in connection with a matter of procedure;

(f) recognition or enforcement would be manifestly incompatible with the public policy of the State addressed;

(g) [where the rendering court's choice of law was arbitrary or unreasonable, for example, where it applied a law lacking sufficient significant relationship to the dispute.]

2. 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.

#### Article 26 [HC 29]: Documents to be Produced

1. The party seeking recognition or applying for enforcement shall produce:

(a) a complete and certified copy of the judgment;

(b) if the judgment was rendered by default, the original or a certified copy of a document establishing that the document which instituted the proceedings or an equivalent document was notified to the defaulting party;

(c) all documents required to establish that the judgment is *res judicata* in the State of origin or, as the case may be, is enforceable in that State;

(d) if the court addressed so requires, a translation of the documents referred to above, made by a person qualified to do so.

2. No legalization or similar formality may be required.

3. If the terms of the judgment do not permit the court addressed to verify whether the conditions of this Chapter have been complied with, that court may require the production of any other necessary documents.

#### Article 27 [HC 30]: Procedure

The procedure for recognition, declaration of enforceability or registration for enforcement, and the enforcement of the judgment, are governed by the law of the State addressed so far as the Convention does not provide otherwise. The court addressed shall act expeditiously.

Article 28 [HC 31]: Costs of Proceedings

No security, bond or deposit, however described, to guarantee the payment of costs or expenses shall be required by reason only that the applicant is a national of, or has its habitual residence in, another Contracting State.

Article 29 [HC 32]: Legal Aid

Natural persons habitually resident in a Contracting State shall be entitled, in proceedings for recognition or enforcement, to legal aid under the same conditions as apply to persons habitually resident in the requested State.

Article 30 [HC 33]: Damages

1. In so far as a judgment awards non-compensatory, including exemplary or punitive, damages, it shall be recognized at least to the extent that similar or comparable damages could have been awarded in the State addressed. This rule does not apply to damages that are intended to compensate the plaintiff but without requiring proof of actual damages.

(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 may be limited to a lesser amount.

(b) In no event shall the court addressed recognize 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.

2. 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, not otherwise covered by statutory provisions relating to award of attorneys fees.

Article 31: Injunctions

In the ordinary course, injunctive relief is available; nonetheless courts may decline to enjoin activities within their territories if:

- (a) health and safety are at issue, or
- (b) the judgment conflicts with fundamental cultural policies in the rendering State;  
and
- (c) damages would afford an effective remedy for that territory.

Article 32 [HC 34]: Severability

If the judgment contains elements which are severable, one or more of them may be separately recognized, declared enforceable, registered for enforcement, or enforced.

Article 33 [HC35]: Authentic Instruments

1. Each Contracting State may declare that it will enforce, subject to reciprocity, authentic instruments formally drawn up or registered and enforceable in another Contracting State.
2. The authentic instrument must have been authenticated by a public authority or a delegate of a public authority and the authentication must relate to both the signature and the content of the document.

Article 34 [HC36]: Settlements

Settlements to which a court has given its authority shall be recognized, declared enforceable or registered for enforcement in the State addressed under the same conditions as judgments falling within the Convention, so far as those conditions apply to settlements.

## DRAFT COMMENTARY (IN PROGRESS)

These comments, which are in progress and do not yet cover all sections, address provisions that are new to this I.P.-specific jurisdiction and judgments convention. To the extent that we have adopted language from the more general draft Hague Convention convention, we also adopt (but do not here repeat) the Commentary on those provisions by Professor Catherine Kessedjian, and by Fausto Pocar and Peter Nygh.

Article 1: Substantive Scope

See Introductory Note on coverage.

Article 2: Territorial Scope

Membership in this convention is limited to WTO member States who have fully implemented the TRIPS Agreement, in order to ensure some substantive harmonization of I.P. norms, and thus avoid a *forum*-shopping “race to the bottom,” to the least protective jurisdiction.

This convention also requires membership in the New York Convention on Arbitral Awards because arbitration of intellectual property claims is likely to grow in importance, particularly with the advent of online arbitration opportunities. We believe the selection of an arbitral *forums*, and their determinations, should be enforceable between the parties.

Article 3.2: Defendant’s *Forum*

We had considered adding a last definition for habitual residence: “where the defendant has an effective business establishment, when that State is also the State of plaintiff’s habitual residence.” This definition would have attempted a compromise between traditional concepts of habitual residence, and the US “doing business” basis of general jurisdiction. (“Doing business” as applied by US courts, is a prohibited ground of jurisdiction under this draft convention, see Art. 16.) We concluded, however, that the additional definition (in effect, “doing business, plus”) was not necessary in light of Art. 6 2, which recognizes a broad

geographic scope of jurisdiction when the *forum* is plaintiff's residence, and when the infringing acts were intentionally directed toward the *forum*. See discussion, *infra*.

#### Article 4: Choice of Court

This provision adds two features to the Hague draft. First, recognizing the growing importance of resolution of intellectual disputes through arbitration, we include contractual choice of an arbitral *forum*. Second, recognizing that the choice of *forum* may in fact be unilateral when the contract is a mass market form contract, we attempt to provide several safeguards toward ensuring the reasonableness of the contractual *forum*, as well as its relationship to the parties or the dispute. Subsection 4 3(f), concerning registered rights, does not appear in brackets, despite the bracketing of patents in general. We have left the provision intact because it may apply to other registered rights, such as designs and trademarks.

#### Article 6.1(b): Infringement Actions

This provision, inspired by Art. 10 of the draft Hague Convention, adjusts to the intellectual property context that draft's Art. 10 4 innovation, which gives the *forum* of plaintiff's residence general territorial competence when the injury foreseeably occurred there. We have limited competence to injury arising in plaintiff's residence when the connection between the injury and the *forum* is merely the impact of the injury, when the defendant did not intentionally direct the infringement to that State. By contrast, any State to which the alleged infringement was intentionally directed, will be competent to adjudicate not only claims arising from *forum* impact, but also from impacts in other jurisdictions. By "intentionally directed, including those States for which defendant took no substantial measures to deflect the communication of the infringement to that State," we mean that the defendant sought to communicate the infringing content to that State, or at least did not turn away customers who responded to the availability of the communication in that State. By "deflect the communication," we mean efforts to screen out access from particular jurisdictions, for example, by requiring users to identify their country of residence, and excluding users from countries to which the defendant does not wish to communicate.<sup>2</sup>

#### Article 9: Counter-Claims

Although the general approach of this draft Convention strongly favors consolidation of claims (see commentary to Arts. 10 to 14), we do not impose rules of *res judicata* through a rule of compulsory counter claims. We do, however, provide that defendants may present counterclaims, including those arising under foreign laws (see also Art. 8 on declaratory judgments). As a result, parties who wish to resolve all their claims in a single *forum* may do so, but they cannot use *res judicata* law to curtail other parties' abilities to preserve their claims.

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Cf. Torsten Bettinger & Dorothee Thum, Territorial Trademark Rights in the Global Village—International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet—Part Two, 31(3) IIC 285 (2000).

Articles 10–14: Consolidation: Multiple Defendants; Third Party Claims; *Lis Pendens*; Consolidation; Exceptional Circumstances for Declining Jurisdiction

One difference between the Brussels/Lugano Conventions and the proposed Hague Convention is that the former allow courts other than the one first seized to suspend proceedings when related claims are pending in several *fora*.<sup>3</sup> Hague lacks an analogue to this consolidation provision. There is scant discussion of this omission in the Reports issued in conjunction with the draft Hague Convention. One can, however, speculate that such a provision was omitted because consolidation has not proved popular in European practice.<sup>4</sup> According to one commentator, Europeans tend to view “a civil proceeding more as an efficient adjudication of the plaintiff’s claim than as an equitable resolution of a dispute or, as in the United States, of an entire ‘transaction or occurrence.’”<sup>5</sup>

Nonetheless, we take the view that one of the main reasons to promote an international convention on enforcement of intellectual property judgments lies in its potential for consolidating litigation. Rights in intangible works can easily be distributed and utilized around the globe, especially when they are embedded in products (such as digitized text files) that are themselves intangible. Because multiple infringements in multiple jurisdictions can result from such distributions, the ability to consolidate actions in one *forum* would save significant resources not only for the parties, but also for the international judicial system as a whole.

Equally important, consolidation provides a way to avoid inconsistent results. Because intellectual property law is not harmonized among Contracting States, certain differences in outcomes are inevitable, even when parallel rights are at issue. For example, an invention may be held patentable in one set of countries and not protectable in others. So long as the right at issue can be exploited only by embedding the knowledge in products, there will be few problems associated with this apparent inconsistency: people who make, use, sell, offer for sale, or import product in a country where it is patented will need authorization, even though the same usage could take place without permission elsewhere. However, there are cases where differing outcomes are not tolerable. Thus, so long as the Internet remains geographically unsegmented, multiple ownership of a trademark used on the Internet will likely confuse consumers and damage the integrity of the mark. Similarly, a decision by one State’s court to permit the streaming of copyrighted material will undermine (or be

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<sup>3</sup> Thus, Art. 22 of the Brussels/Lugano Convention provides:

Where related actions are brought in the courts of different Contracting States, any court other than the court first seized may, while the actions are pending at first instance, stay its proceedings.  
A court other than the court first seized may also, on the application of one of the parties, decline jurisdiction if the law of that court permits the consolidation of related actions and the court first seized has jurisdiction over both actions.  
For the purposes of this Article, actions are deemed to be related where they 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.

<sup>4</sup> See Stephen B. Burbank, *Jurisdictional Equilibration, the Proposed Hague Convention and Progress in Domestic Law*, (forthcoming), citing Samuel P. Baumgartner, *Related Actions*, ZZPInt 3 at 207-210 (1998).

<sup>5</sup> Baumgartner, *supra* note 4, at 210 (footnotes omitted). This view may be changing among continental jurists, see, e.g., *Coin Controls Ltd. v. Suzo Int’l (U.K.) Ltd.*, [1997] F.S.R. 660, 678-79 (noting also that absent challenges to patent validity, patent claims derived from the same European Patent Office prosecution should be treated as related, if not the same, see *id.* at 673). Cf. *Expandable Grafts Partnership v. Boston Scientific, B.V.*, [1999] F.S.R. 352 (Hof (den Haag)), at ¶ 19 (consolidating cases when the defendants are part of the same group of companies).



undermined) if another State enjoins it as infringement. In such cases, it would be useful for one court to hear the entire worldwide dispute, and to find a resolution that can accommodate all interests at issue.<sup>6</sup> No one jurisdiction is likely to write law that expressly deals with multinational disputes; consolidated litigation provides an important way for this law to evolve.<sup>7</sup>

The ability to consolidate related world actions also furthers the goals of the TRIPS Agreement. While it is true that every member State is required to protect intellectual property rights,<sup>8</sup> the Agreement has a much looser standard regarding enforcement: countries are not required to treat intellectual property cases any differently from the way they “enforce their laws in general.”<sup>9</sup> In countries where courts are backlogged, rights holders may find that they cannot quickly end infringement. But if these claims could be joined to a suit pending in a court capable of acting quickly, then the effects of overburdened litigation systems will be attenuated.

Both the US and EU have ways to avoid a multiplicity of suits over the same issues, but in both places, current practice makes complete consolidation rather difficult. On the one hand, the Brussels/Lugano Convention avoids parallel litigation on identical causes of action through the *lis pendens* doctrine. Furthermore, it permits the court of a State where one defendant is habitually resident to avoid the risk of inconsistent judgments by asserting jurisdiction over other defendants, so long as there is a connection between the *forum* State and the dispute.<sup>10</sup> The presence of a habitually resident defendant and connection between the State and the dispute also permits the assertion of adjudicatory authority over third party defendants for contribution and indemnification under local law.<sup>11</sup>

Despite these provisions, consolidation cannot always be achieved in Europe for several reasons. First, Brussels/Lugano operates on the “assumption that there exists a fundamental jurisdiction based on the domicile of the defendant with the result that all other jurisdictions must be seen as exceptions which must be narrowly interpreted.”<sup>12</sup> Second, it remits claims concerning the validity of a registered right to the country where the right is registered.<sup>13</sup> The combined effect of these two principles is that there may be no member State able to entertain all aspects of a multinational infringement case. In addition, the absence of a robustly functioning doctrine of *forum non conveniens* means that even if there is a court with power

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<sup>6</sup> Finding this outcome is a matter of the selection of an appropriate law to govern the entire transaction; this issue will be discussed in later drafts.

<sup>7</sup> See generally, Graeme B. Dinwoodie, A New Copyright Order: Why National Courts Should Create Global Norms, 149 U. Pa. L. Rev. 469 (2000) (forthcoming).

<sup>8</sup> TRIPS Agreement, Art. 9.

<sup>9</sup> Id. Art. 41(5).

<sup>10</sup> Hague Convention, Art. 14.

<sup>11</sup> Id. Art. 16.

<sup>12</sup> Peter Nygh and Fausto Pocar, Report of the Special Commission on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, at p. (30?), available on the Internet at <http://www.hcch.net>.

<sup>13</sup> Brussels/Lugano Conventions, Art. 16(4).

to consider the entire case, it may be difficult to bring suits involving related causes of action to that *forum*.

In the US, the possibilities for consolidation are in some ways better. Since there is no hierarchy among courts, there is often a range of locations where a dispute could be adjudicated. Because the parties to an action are forced by joinder rules, *res judicata* law, and related doctrines to assert all transactionally related claims,<sup>14</sup> the full range of issues requiring adjudication will be aired in a judicial proceeding somewhere. The courts seized then have an array of transfer tools to bring related parts of the dispute together, at least for some purposes.<sup>15</sup>

In certain ways, however, the situation in the US is worse than in Europe. *Lis pendens* as a doctrine is not known. Although both State and federal courts can control parallel litigation by staying or enjoining second-filed proceedings, they are not under a clear obligation to do so. Moreover, these are circumstances where these doctrines are not available.<sup>16</sup> Most important, the power of US courts to fully consolidate multijurisdictional disputes appears to be heavily constrained by due process concerns. Thus, it is said that, in every case, there needs to be a volitional relationship between every defendant and the *forum* State.<sup>17</sup> As a result, there may be situations where all relevant parties cannot be joined in a single action.

Our proposal takes advantage of pro-consolidation features in both systems, and does so in a manner that should not raise constitutional objections in the US. One important part of promoting consolidation is the removal of constraints, such as those found in Art. 12 (4) of the draft Hague Convention and Art. 16 (4) of Brussels/Lugano, on adjudicating registered rights cases outside the jurisdiction where the rights are registered. But the main consolidation features are Arts. 10 to 14, which are intended to operate as follows:

#### Article 10: Multiple Defendants

Like Art. 14 of the draft Hague Convention, this proposal empowers any jurisdiction in which one defendant is habitually resident to hear claims involving other defendants when the *forum* has an interest in the dispute and there is a risk of inconsistent judgments. The commentary of the Nygh & Pocar Report on the operation of this provision and on why limitations were placed on the joinder of multiple defendants is relevant here, with two caveats.

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<sup>14</sup> See Fed.R.Civ.P. 13 (recognizing certain counterclaims as compulsory); *Marrese v. American Academy of Orthopaedic Surgeons*, 470 U.S. 373 (1985)(claim preclusion).

<sup>15</sup> Within the federal system, these include 28 U.S.C. §§ 1404, 1406, 1407; State-to-State transfers can be achieved through the doctrine of *forum non conveniens*, see, e.g., *Piper Aircraft Co. v. Reyno*, 454 U.S. 235 (1981).

<sup>16</sup> See Burbank, *supra* note 4, at [around n. 48]. Citing *Landis v. North American Co.*, 299 U.S. 248 (1936) (stay); *National Equipment Rental, Ltd. v. Fowler*, 287 F.2d 43 (2d Cir. 1961) (injunction), Burbank notes that in effect, a *lis pendens* doctrine operates among federal courts. However, the abstention doctrine that the Supreme Court articulated in *Colorado River Water Conservation Dist. v. United States*, 424 U.S. 800 (1976), combined with the Anti-Injunction Act, 28 U.S.C. § 2283, prevent federal courts from dealing with parallel State court litigation.

<sup>17</sup> See, e.g., *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102 (1987); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980); *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984).

## 1. Inconsistent judgments

The meaning of inconsistency in the intellectual property context requires elaboration. In the Hague commentary, the term sometimes means that two courts find the facts of the case differently. In other places, it means the parties are subject to inconsistent obligations (for example, one judgment requires a debt be paid, the other relieves the defendant of the obligation to pay). In the US, inconsistency is sometimes defined even more stringently: two judgments are inconsistent only when it is impossible for the parties to conform to both.<sup>18</sup>

The proposed convention would adopt all of these views of inconsistency. However, it would go further because we believe that none of these approaches fully responds to the need for consolidation in intellectual property cases. Consider as an example, the facts of *Twentieth Century Fox v. iCraveTV*,<sup>19</sup> where television signals from the United States and Canada were picked up in Canada, and then streamed without authorization onto the Internet. Because the defendants had contacts in the US while the activity took place in Canada, suit for copyright infringement could be brought in both countries. Both countries might rely on the same facts, but because of differences in law, each could reach different results on the question whether the activity is infringing. The United States could decide the activity is actionable while a court in Canada could decide that the copyright holder's interests were exhausted by the first transmission of the work, or that the activity is protected under Canada's version of the fair use doctrine. Are the outcomes inconsistent? Both courts relied on the same facts, so there would be no inconsistency in fact finding. There is an obligation to pay only for retransmission into the United States, so there would be no inconsistency in obligations. Furthermore, it is possible for the defendants to conform to both US law and Canadian law by acquiring permission to stream. Nonetheless, the differing outcomes are problematic. So long as effective barriers to Internet sites cannot be erected, adhering to US insistence on authorization raises costs or reduces access in Canada, and thus trumps Canadian information policy. Of course, the defendants might be able to stay out of the United States and avoid the effect of its judgment, but then the Canadian outcome would trump US policy.<sup>20</sup>

Because one of the main benefits of consolidation is that it would permit a court to consider these sorts of differences among national rules and find ways to reconcile national interests, this is the kind of problem that should trigger the joinder power. Thus, for purposes of the proposed convention, the risk of "inconsistent judgments" should include the situation in which the laws of the places with potential power over the case are such that one judgment would undermine the law and policy of the other.

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<sup>18</sup> See, e.g., *Indianapolis Colts v. Mayor and City Council of Baltimore*, 733 F.2d 484, 486 (7th Cir. 1984)(interpleader case).

<sup>19</sup> *Twentieth Century Fox Film Corp. v. iCraveTV*, No. 00-121 and 00-120, 2000 U.S. Dist. LEXIS 1013, at \*1 (W.D.Pa. Jan 28, 2000). <http://pub.bna.com/ptcj/00121a.htm>. See also *Copyright Infringement: NFL v. TVRadioNow Corp.*, 6 Intell. Prop. Litig. Rep. 4 (Feb. 9, 2000).

<sup>20</sup> For further discussion, see Rochelle C. Dreyfuss, *An Alert to the Intellectual Property Bar: The Hague Judgments Convention*, \_ Ill. L. Rev. \_ (2001)(forthcoming; available from author).

## 2. Due process

As noted above, a traditional US analysis of personal jurisdiction would prevent a court from exercising jurisdiction over defendants whose contacts with the *forum* are only those of Art. 14 of the proposed Hague Convention. This is because the relationship that is necessary under Art. 14 is the one between the *forum* and the dispute, not the one between the *forum* and the defendant, as per US standards. To allow the US to join this aspect of the proposal, Art. 10 proposes two different relationships as the basis for asserting jurisdiction.

(a) Subpart b. Defendants subject to jurisdiction under subpart b are those seeking to utilize intellectual property recognized under *forum* law. Although utilization of protected material does not create a strong connection to the *forum*, it is a voluntary connection that provides the defendant with benefits; it should be enough to impose upon the defendant reciprocal obligations to defend actions arising out of that activity in the *forum*. And although it is not entirely clear how much the interests of the *forum* or of the judicial system matter when determining whether the defendant's due process rights have been violated, the State's interest in maintaining the value of its intellectual property rights, and the judicial system's interest in avoiding inconsistent outcomes may be enough to tip the balance in favor of permitting the exercise of jurisdiction.<sup>21</sup> Further, to the extent that power over non-US defendants is governed by international standards of reasonableness rather than due process,<sup>22</sup> European reliance on this sort of a basis for asserting jurisdiction should also militate in favor of allowing a court to exercise jurisdiction in cases falling under this subpart.

(b) Subpart c. There may be situations where the commercial benefit of activity in one territory is dependent on parallel acts in other territories. In such cases, there will be few participants with contacts with all of the places where infringement takes place, but the enterprise as a whole necessarily contemplates such contact. This provision is intended to enable a court to fully resolve disputes arising from these "hub and spoke" situations. Admittedly, contact between the *forum* and certain defendants will be extremely attenuated. Nonetheless, it should be considered sufficient, even in the US. While the Supreme Court has never expressly approved a concept of "personal jurisdiction by necessity," the Court has allowed the limits of due process to be stretched when there would otherwise be no *forum* in which the dispute could be adjudicated and where there is some contact between the defendant and the *forum*.<sup>23</sup> Here, the defendant will have affiliated himself with an enterprise deriving benefits from the *forum*'s intellectual property law, and with a party who is a *forum* resident. Again, to the extent that jurisdiction over aliens is determined by international standards of reasonableness rather than by domestic concepts of due process, the fact that defendants in this situation would be subject to jurisdiction under European law should be relevant.

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<sup>21</sup> See, e.g., *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306 (1950).

<sup>22</sup> See *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102 (1987).

<sup>23</sup> Compare *Atkinson v. Superior Court*, 49 Cal.2d 338, 316 P.2d 960 (1957) with *Hanson v. Denckla*, 357 U.S. 235 (1958). Note that there is national service of process in interpleader actions, 28 U.S.C. § 2361.

### Article 11: Third Party Claims

This provision is taken from Art. 16 of the draft Hague Convention and is adapted to make clear that third parties can be summoned to the jurisdiction only when they have entered into a relationship regarding the intellectual property of the *forum*, thus making the assertion of jurisdiction over them reasonable. The comments of the Nygh & Pocar Report, along with the commentary above on subsection b of Art. 10, are relevant.

### Article 12: *Lis Pendens*

As Americans, we are comfortable giving courts discretion to decide which *forum* is most appropriate to hear a case. However, we acknowledge the profound disagreement on this issue in Europe, and have therefore chosen to follow the lead of the proposed Hague Convention to a limited extent. Thus, the *lis pendens* provision sets up a presumption in favor of the *forum* first seized. It requires the consolidation of claims under one territory's intellectual property law that are transactionally related to the main claim. However, in situations where parallel litigation is going on in several *fora*, and strong benefits could be obtained through consolidation, we would give courts American-style power to use discretion—informed by the parties—to find a *forum* well suited to resolve the entire dispute.

The *lis pendens* provision is adapted from Art. 21 of the draft Hague Convention. The comments of the Nygh & Pocar Report are relevant, with the following caveats:

#### 1. Scope of required consolidation

The proposed Hague Convention uses the term “cause of action,” which the Nygh & Pocar Report rightly points out can be confusing. We substitute a scope term which may be no broader (given the Report's expansive definition), but which we consider easier to interpret. Any claim arising under a single territory's intellectual property right that is created through the defendant's alleged activity must be brought to the court first seized.

#### 2. Registered rights

Because the draft Hague Convention assigns exclusive jurisdiction over registered rights cases to the State where the rights are registered, certain intellectual property claims cannot be consolidated in the *forum* first seized. To the extent that this proposal subsumes registered rights, it facilitates a higher degree of consolidation.

#### 3. Negating the presumption

The draft Hague Convention rebuts the presumption in favor of the court first seized in two ways: through the *forum non conveniens* doctrine (Art. 22), which puts several courts into play as the target of transfer, and through Art. 21 (7), which provides limited circumstances to transfer to the court second seized. Since we create more liberal rules on transfer, we do not see the need for a second way to rebut the presumption.

### Article 13: Consolidation

This article is taken from Art. 22 of the Brussels Convention. It facilitates centralized adjudication of a multinational dispute through, essentially, transfer of parallel actions to a

single *forum*. Although the *lis pendens* provision could be expanded to centralize the dispute in the court first seized with the action, thereby limiting judicial discretion in accordance with (what we perceive to be) the preferred approach outside the United States, we rejected that solution. It would give the first plaintiff too much control over the litigation. More important, it would sometimes situate litigation in a court ill suited to the task of dealing with complex matters or in a court far removed from the center of gravity of the dispute. This provision gives the courts in which related actions are pending and the parties power to decide the best place to adjudicate the case, and provides guidance on how that choice should be made. In general, cases would be consolidated only when there is a risk of inconsistent judgments (as previously defined) and efficiencies will be obtained.

Article 14: Exceptional Circumstances to Decline Jurisdiction (*forum non conveniens*)

The final way to rebut the presumption in favor of the *forum* first seized is through the *forum non conveniens* doctrine. As in Art. 22 of the Hague draft, a court's power to unilaterally refuse to exercise jurisdiction is highly circumscribed: the circumstances must be "exceptional" and the other *forum* must be *clearly* more appropriate. This provision does, however, add two new grounds to the factors taken into account: the relationship between the court and the dispute, and the court's capacity to adjudicate all the rights that have been put into issue. As noted, we would be comfortable giving the court first seized US-style discretion. But we do not believe we need to enter into this controversy because most of the cases where declining jurisdiction would be desirable should be taken care of by the consolidation provision. Moreover, since consolidation of worldwide claims is a key motivator for this proposal, we would not want courts to feel free to dismiss foreign causes of action solely on the ground that they are foreign.<sup>24</sup>

Article 25.1(g): Grounds for Refusal of Recognition or Enforcement: Choice of Law

While this is not a choice of law convention, the *forum's* choice of law rules are likely to influence what *forum* the parties choose. We therefore believe the issue of applicable law would need to be confronted, at least indirectly, at some point. By making arbitrary and unreasonable choice of law a ground for nonrecognition, we hope to supply an incentive to courts to apply reasonable choice of law rules, and to reduce the fear that the territoriality of intellectual property rights will be lost. The text of the draft simply suggests that laws lacking a significant relationship to the controversy are likely to be deemed unreasonable if applied. To elaborate further, we believe it is possible to identify what might constitute a significant relationship, or its absence. In the case of registered rights, we believe that countries other than those in which the right was registered may have a significant relationship to the claim depending on the facts of the case; failure to apply the law of the country in which an intellectual property right was registered should not of itself furnish a ground for non recognition of the judgment, except in cases involving nullification of the registered right.

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<sup>24</sup> See, e.g., *Murray v. British Broad. Corp.*, 81 F.3d 287 (2d Cir. 1996).

In general, we propose the following considerations toward effecting a reasonable choice of law in the digital distribution context, which we believe would be the major source of cases under a convention such as this one:<sup>25</sup>

1. The law applicable to the entirety of a defendant's alleged Internet infringement is determined as follows:

(a) If the allegedly infringing content is found on a website, the law of the country in which the operator of the website has its residence or principal place of business, so long as this country's domestic copyright law is consistent with TRIPS norms; or

(b) If the allegedly infringing content is not found on a website, the law of the country of the residence or principal place of business of the person or entity that initiated the communication, so long as this country's domestic copyright law is consistent with TRIPS norms.

2. If the law of the country identified in # 1 does not conform to TRIPS norms, then the law applicable to the entirety of the defendant's alleged Internet infringement is the law of the country in which the server that hosts the alleged infringing content is located, so long as this country's domestic copyright law is consistent with TRIPS norms.

3. Notwithstanding # 1 and # 2, if a third country is shown to have a more significant relationship with the controversy—for example, if a third country is shown to have been the principal target of the infringing communication—then the law applicable to the entirety of the defendant's alleged Internet infringement is the law of that third country, so long as this country's domestic copyright law is consistent with TRIPS norms.

4. In the absence of a TRIPS-compliant country having a significant relationship with the controversy, then the law applicable to the entirety of the defendant's alleged Internet infringement is the law of the *forum*, so long as the *forum* is a member of TRIPS.

5. In fashioning remedies, the court may take into account the extent to which, for particular countries in which acts alleged to be infringements occurred, the domestic law is substantially either more or less protective than the copyright or related rights law of the law chosen in accordance with ## 1 to 4.

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<sup>25</sup> These considerations are taken from Jane C. Ginsburg, Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks -- 2000 Update (WIPO 2001).