

When Private International Law Meets Intellectual Property Law A Guide for Judges



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When Private International Law Meets Intellectual Property Law

A Guide for Judges

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Foreword

Intellectual property rights apply within territorial boundaries, but increasingly they are confronted with the reality of modern commerce, in which market transactions accommodate a host of different cross-border entities and activities. Value chains have become global, permeated by the movement of intangible capital such as intellectual property-protected technology, design, branding, and literary and artistic works.

Private international law, which concerns relations between private parties across national borders, becomes more relevant when facing the challenges unearthed by the heightened mobility of intellectual property and the globalized nature of commercial dealings. This intersection between intellectual property and private international law has naturally drawn considerable academic and judicial attention, as it raises important questions as to which court has jurisdiction to adjudicate cross-border disputes on intellectual property, which law is to be applied, and whether foreign intellectual property-related judgments can be recognized and enforced.

As international organizations concerned, respectively, with private international law and intellectual property, the Hague Conference on Private International Law and the World Intellectual Property Organization jointly

recognized the need to address the intersection of private international law and intellectual property. The product of our partnership is this Guide, intended as a practical means of supporting the work of judges and lawyers around the world.

This Guide is a pragmatic tool, written by judges, for judges. Experts who specialize in one of the two fields of law will gain a reliable overview of how these fields intertwine. The Guide does not claim to offer an exhaustive treatment of the law in all areas, but rather elucidate the operation of private international law in intellectual property matters with illustrative references to selected international and regional instruments and national laws. It is our hope that readers will be better placed to apply the laws of their own jurisdiction, supported by an awareness of key issues concerning jurisdiction of the courts, applicable law, the recognition and enforcement of judgments, and judicial cooperation in cross-border intellectual property disputes.

We are grateful to The Honorable Dr. Annabelle Bennett and The Honorable Judge Sam Granata for authoring the Guide, and are confident that the Guide will assist judges and lawyers in the resolution of cross-border intellectual property disputes.

Christophe Bernasconi
Secretary General
Hague Conference
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Francis Gurry
Director General
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Dr. Bennett has also served as President of the Copyright Tribunal of Australia, Chair of the National Health and Medical Research Council and a Presidential Member of the Administrative Appeals Tribunal. Her current appointments include Chancellor of Bond University, President of the New South Wales Anti-Discrimination Board, an Arbitrator of the Court of Arbitration for Sport, Chair of Landservices SA, Chair of the Advisory Board of Judges to WIPO, Chair of the Australian Nuclear Science and Technology Organisation, a member of Garvan Institute for Medical Research, a member of Chief Executive Women, and a member of the Advisory Board of the Faculty of Law at the Chinese University of Hong Kong. Dr. Bennett has a PhD in Biochemistry as well as a degree in Law and Honorary Doctorates from UNSW and the Australian National University.

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Mr. Sam Granata is a Judge at the Court of Appeal of Antwerp, Belgium, and at the Benelux Court of Justice, and is an external member of the Enlarged Board of Appeal of the European Patent Office as well as a member of the Legal Framework Group of the Unified Patent Court (UPC) (Subgroup 1: Rules of Procedures of the Court and Subgroup 6: Rules on Mediation and Arbitration), a member of the *Conseil Benelux de la Propriété Intellectuelle* and a member of the Belgian Board for Intellectual Property Rights in the industrial property section.

Mr. Granata obtained a Master of Law from the Catholic University of Louvain, Belgium, a Master in Intellectual Property Law from the Franklin Pierce Law Center (now the University of New Hampshire, United States of America) and a Master of Arts in Interactive Multimedia from the University of London (United Kingdom). He is a published author on intellectual property issues and recently co-authored a book on the Unified Patent and the Unified Patent Court, focusing on the draft rules and procedures of the UPC.

About HCCH and WIPO

Hague Conference on Private International Law (HCCH)

The HCCH is an intergovernmental organization, the origin of which dates back to 1893. Its mandate is “the progressive unification of the rules of private international law” at the global level. It is the permanent world organization for cross-border cooperation in civil and commercial matters, with over 80 Members across the globe and approximately 70 more States that are not Members but party to one or more Conventions – a total of 152 States “connected” to its work.

The HCCH fulfills its mandate by developing Conventions (treaties) and other instruments in three principal areas: international child protection and family law; international civil procedure; and international commercial and financial law. These instruments achieve very practical outcomes, directly impacting and benefiting individuals (both adults and children) as well as commercial operators and investors.

The work of the HCCH is therefore highly relevant to matters of intellectual property, as these instruments facilitate, through the legal certainty and predictability they establish, international IP transactions, the enforcement of IP rights and the resolution of IP disputes, ultimately providing effective private international law solutions to the international legal framework.

World Intellectual Property Organization (WIPO)

WIPO is the global forum for intellectual property services, policy, information and cooperation. It is a self-funding agency of the United Nations with 193 Member States.

WIPO’s mission is to lead the development of a balanced and effective international intellectual property system that enables innovation and creativity for the benefit of all. WIPO’s mandate, governing bodies and procedures are set out in the WIPO Convention, which established WIPO in 1967.

WIPO helps governments, businesses and society realize the benefits of IP. WIPO provides:

- a policy forum to shape balanced international IP rules for a changing world;
- global services to protect IP across borders and to resolve disputes;
- technical infrastructure to connect IP systems and share knowledge;
- cooperation and capacity-building programs to enable all countries to use IP for economic, social and cultural development; and
- a world reference source of IP information.

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The United Nations Commission on International Trade (UNCITRAL) provided valuable input to this Guide.

I. When does private international law meet intellectual property law?

The objective of this Guide is to give judges and legal practitioners an overview of how private international law (PIL) may apply in intellectual property (IP) disputes. Conscious of this being a complex subject, the Guide is designed to be as user-friendly as possible. It is written in straightforward language and includes diagrams to help explain key concepts that may find application in many States.

It also includes examples – both hypothetical examples of possible disputes where PIL and IP might interact and real-life examples of national, regional and international laws that may be relevant in such disputes. The real-life examples of laws are drawn mainly from those jurisdictions that the authors know best, namely Australia, Belgium and the European Union. They are purely illustrative: this short introductory Guide does not offer a comprehensive overview of all relevant laws, and each reader should complement it with more detailed study of the law relevant to their jurisdiction.

The Guide should be considered as a stepping-stone that will help judges and lawyers when they are resolving cross-border IP law issues. It does not advocate any particular approach to substantive issues of law or provide any solutions in individual cases; rather, by highlighting the main issues in this complex area, it aims to assist judges and lawyers in many different States to make informed decisions.

A. IP law and PIL

IP law and PIL are two separate and distinct fields of law.

Intellectual property law refers to the law regulating rights and obligations in relation to creations of the mind. IP can be divided into two main categories: industrial property, which includes patents, trademarks, industrial designs and geographical indications, and copyright and related rights.

Private international law, also known as “conflict of laws” in certain jurisdictions, refers to the law regulating private relationships across national borders, or in other words involving a foreign element. PIL deals with three main issues: the jurisdiction of a court to deal with the case (international jurisdiction), the law applicable to the case, and the recognition and enforcement of foreign judgments. Administrative and judicial cooperation relating to these issues are also covered by PIL.

States provide civil, criminal and administrative remedies in IP disputes. Since PIL only deals with private relations (i.e., between persons, companies, corporations and other such legal entities), criminal and administrative actions are generally speaking not part of PIL. However, in some jurisdictions civil or commercial claims may be part of criminal proceedings and the criminal court may be obliged to decide on the civil or commercial issues during the criminal proceedings. In such cases, the criminal court should apply PIL to decide on civil or commercial claims.

Parties may resort to different dispute resolution mechanisms, including court adjudication, IP administrative procedures and alternative dispute resolution (ADR) procedures such as arbitration, mediation and conciliation. If a dispute is brought before a court, and parties, IP rights or activities based in foreign States are involved, this may raise PIL issues, such as contested views as to the competence of the court, the law applicable to the dispute, and the recognition and enforcement of foreign judgments. The manner in which these issues are addressed by courts in cross-border IP disputes can contribute to enhanced IP enforcement, improve the predictability and finality of court proceedings, avoid concerns about redundant or inadequate liability, preserve the public resources of the courts as well as the private resources of the parties, and ultimately facilitate the sound administration of justice.

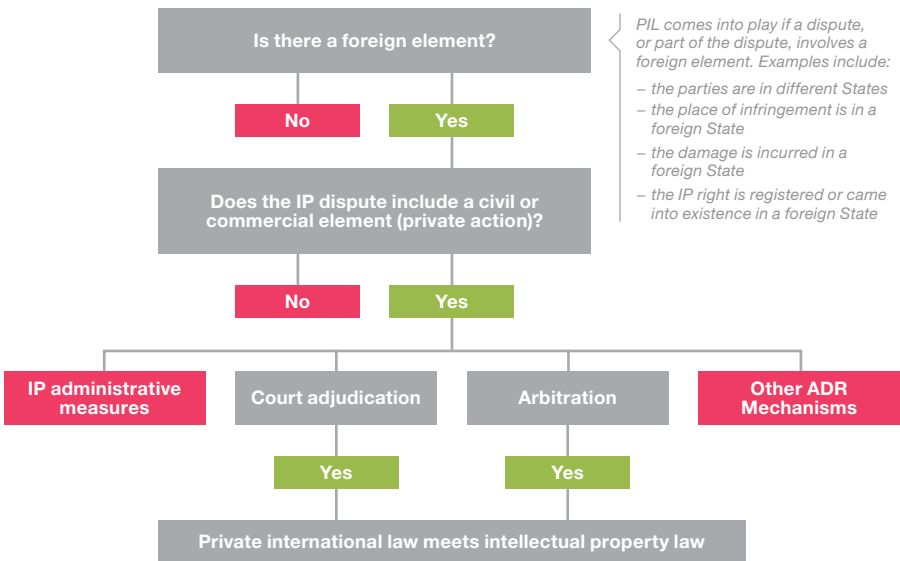
The complex issues involved in an IP proceeding – for example validity, ownership, infringement and contractual elements that span multiple

jurisdictions – may lead the parties to choose arbitration or other ADR mechanisms which allow multijurisdictional disputes to be resolved in one single proceeding, thereby minimizing jurisdictional or applicable law hurdles, and which may result in internationally enforceable awards.¹

This Guide will address the intersection of IP and PIL in court proceedings.

Figure 1

When does private international law meet intellectual property law?



B. The intersection between IP and PIL

There are IP-specific concerns in PIL. On the one hand, IP is intangible and globally mobile, effortlessly transcending territorial boundaries, in particular in the increasingly online world. On the other hand, IP protection is territorial: the scope of IP protection is determined by national or regional IP laws. In addition, a number of IP rights come into existence through formalities, such as registration or grant, that involve public administrative authorities. This feature of IP, which links it closely to the sovereignty or public policy space of the State granting protection, accentuates the territoriality of IP and IP law.

The inherent territorial nature of IP, combined with globalization, digitization and the easy means of dissemination which promote cross-border IP activity, has led to legal practitioners being frequently confronted with issues where IP meets PIL. Bringing predictability and finality in multi-State disputes is increasingly challenging, and courts are grappling to determine connecting factors in cross-border activities. Online activities, in particular, result in immediate, remote and global access, raising the possibility of instantaneous IP infringement all over the world.

These developments have brought an important player into the spotlight: the intermediary. In a physical world this could be the agent or transporter of goods; in an Internet environment, it could be the company owning the server or the service provider giving access to allegedly infringing material. A vast number of legal issues in the IP and PIL field are related to the rights and obligations of such intermediaries.

The essence of applying PIL in IP disputes is to distinguish foreign elements in the dispute. The foreign elements may typically involve the foreign location of: one or both parties; the protected IP right; the IP-infringing activity; or the effect of or damage caused by the infringing activity. The nature of the protected IP right – in particular, whether it is a right that comes into existence through formalities that involve public administrative authorities such as registration or grant (e.g., patents, registered trademarks or registered industrial designs) or whether it is a right whose enjoyment and exercise are not subject to any formality (e.g., copyright, unregistered trademarks or unregistered industrial designs) – will influence the PIL considerations.

Examples of PIL issues arising in IP disputes

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

Example 1: Non-contractual IP infringement dispute

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

Example 2: Contractual IP dispute and questions of IP validity

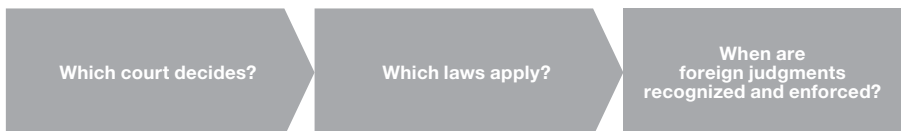
Parties A and B, resident in States X and Y respectively, enter into a license agreement regarding the distribution of the goods produced using a technology patented by Party A in States X and Y. The license is governed by the law of State X. A dispute over an alleged breach of the license arises and Party A initiates a court proceeding in State X, where it is habitually resident. Instead of, or as well as, bringing claims under the licensing agreement, Party A claims patent infringement by Party B in States X and Y. Party B counterclaims that Party A's patents in both States are invalid.

In these cases, the court will first decide whether it has judicial competence over the dispute, and, if it decides that it does, it will then determine the scope of the disputed matter that falls within its competence. In Example 1, does the court have **jurisdiction** in relation to infringement in States X, Y and Z, or only that in State X? In Example 2, does the court in State X have jurisdiction to rule on Party B's counterclaim of patent invalidity in States X and Y? These issues are addressed in Chapter III of this Guide.

If a court decides that it is competent to decide the dispute, it will be necessary to determine **the laws that it will apply** to the dispute. In Example 1, which laws will the court in State X apply – the laws of X, Y and Z or only that of X? These issues are addressed in Chapter IV of this Guide.

Once a case has been decided by the competent court applying the applicable law, the issue arises of the **recognition and enforcement** of the judgment abroad. In Example 1, if the court in State X determines that infringement took place in States X and Y and orders damages to be paid by Party B whose assets are in State Z, can the court in State Z recognize and enforce that judgment, and will it do so? These issues are addressed in Chapter V.

Figure 2
Sequence of PIL issues to consider



This Guide is not intended to be an exhaustive discussion of all of the factors that may be taken into account by a court in relation to IP and PIL. Jurisdiction and certain factors, such as connecting factors, will likely be the subject of statute, regulation, common law rules or rules of court to a greater or lesser degree in different States. It will be necessary to ascertain any such provisions and then consider any further factors relevant to the decision to be made.

The Guide is not intended to cover every possible situation; rather it highlights some of the issues that may be encountered. It points to existing international agreements that may affect different jurisdictions, and to national provisions that may be used to apply the principles contained therein if permissible in a specific jurisdiction. Further, the Guide indicates some of the complexities in this area which may arise and which have not yet, as at time of writing, been resolved.

II. How is the intersection between private international law and intellectual property regulated under various legal frameworks?

While there is no established comprehensive PIL regime for IP at the international level, there are international and regional PIL instruments that apply to IP, and IP instruments that make reference to PIL issues.

This chapter provides an overview of PIL rules governing IP relationships, and PIL rules in IP instruments, with reference to international and regional treaties.

A. PIL rules governing IP relationships

1. International instruments

Several international PIL instruments touch upon cross-border IP litigation. The Hague Conference on Private International Law (HCCH) has addressed the intersection between IP and PIL in the HCCH Convention on Choice of Court Agreements and the HCCH Principles on Choice of Law in International Commercial Contracts.

While not all States are parties to these PIL instruments, and may therefore not be bound by them, they may provide useful guidelines.

The **HCCH Convention of 30 June 2005 on Choice of Court Agreements (HCCH Choice of Court Convention)** aims to ensure the effectiveness of choice of court agreements between parties to international commercial transactions as well as the enforceability of judgments resulting from such agreements. The Convention applies to exclusive choice of court agreements concluded in civil or commercial matters and provides a sophisticated IP regime, as described in part III.C.3 of this Guide.

2. Regional instruments

A number of regional instruments have been concluded among States sharing a common legal tradition or geographic proximity. These instruments treat IP differently. Some do not contain any specific rules for IP disputes so their general PIL rules apply to IP disputes. The Minsk Convention,² the Montevideo Convention,³ the Las Leñas Protocol,⁴ the Protocol of Ouro Preto on Preventive Measures,⁵ the Inter-American Convention on the Extraterritorial Validity of Foreign Judgments and Arbitral Awards,⁶ the Arab League Judgments Convention⁷ and the Riyadh Convention⁸ fall into this category.

On the other hand, some regional instruments provide specific PIL rules for IP disputes. For example, **in the European Union (EU)**, the Brussels Ia Regulation,⁹ the Rome I Regulation¹⁰ and the Rome II Regulation,¹¹ specifically address the intersection between PIL and IP.

The **Brussels Ia Regulation** is the most recent instrument of the Brussels Regime. It aims to facilitate the free circulation of judgments and sets out uniform rules of international jurisdiction for most civil and commercial disputes heard by courts within the EU. While certain disputes are subject to exclusive jurisdiction, parties may agree on a chosen court in other

cases. The Regulation also sets out which other jurisdiction rules apply by default. The general rule determines that the defendant shall be sued in the Member State where he or she is domiciled, regardless of nationality. To facilitate the sound administration of justice, the Brussels *Ia* Regulation prescribes specific rules under which the defendant may also be sued in the courts of another Member State, discussed in part III.C.

The **Rome I Regulation** deals with the law applicable to contractual obligations in civil and commercial matters which have a foreign element. The parties' freedom to choose the applicable law is one of the key principles of the Regulation. In the absence of a choice of law, the applicable law rules take into account the particular type of contract. The applicable law is typically the law of the State in which the party who is required to effect the contract's "characteristic performance" has his or her habitual residence, except where the contract is more closely connected to another State or it is not possible to identify the contract's "characteristic performance."

The **Rome II Regulation** deals with the law applicable to non-contractual obligations in civil and commercial matters which have a foreign element. It includes specific rules for the infringement of IP rights, discussed in part IV.B of this Guide.

B. PIL rules in IP instruments

1. PIL rules in IP treaties

The international IP system aims to facilitate IP protection across borders by combining multiple approaches. These include affirmation of the territorial nature of IP rights, harmonization of national IP laws through the establishment of minimum standards, and granting equal treatment to IP owners whether they be national or foreign.

The **territoriality of IP rights** is underscored in international IP treaties through the principle of **independence of rights**. The Paris Convention for the Protection of Industrial Property provides for the mutual independence of patents and trademarks, establishing that patents obtained for the same invention in multiple countries are independent of each other (Article *4bis*) and that trademarks registered in a State are independent of those registered in other States (Article 6). These IP rights, once granted, remain independent and unaffected by the fate of registrations of the same subject matter in other States, and operate within the territorial boundaries of local protection.

Exceptions are supranational, unitary IP rights created through regional agreements, discussed in part II.B.2 below. In the case of copyright, the Berne Convention for the Protection of Literary and Artistic Works equally sets out the independence of copyright in terms of both enjoyment and exercise, distinct from the existence of copyright protection for the same work in other States, including the State of origin of the work (Article 5(2)).

A number of international IP treaties introduce **substantive minimum standards** and achieve **substantive harmonization** by reducing the differences that exist between national IP laws. These include the 15 IP protection treaties administered by WIPO as well as the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS Agreement). In addition, the WIPO Joint Recommendation Concerning Protection of Marks, and Other Industrial Property Rights in Signs on the Internet (Joint Recommendation; 2001), an instrument aiming to facilitate progressive development of IP law, addresses the manner in which a domestic IP law would apply to cross-border acts on the Internet, providing a link between the Internet and territorial national laws. In doing so, the Joint Recommendation, while specifically excluding choice of law issues, bears some similarity with PIL approaches in seeking connecting factors that link an activity with a State (see part III.C.2 below).

The principle of **national treatment** is enshrined in international IP treaties (Article 2(1) of the Paris Convention, Article 5(1) of the Berne Convention and Article 3 of the TRIPS Agreement), and calls for foreign nationals to enjoy the same treatment as that enjoyed by domestic nationals, implying a uniform, non-discriminatory application of domestic IP laws to domestic and foreign nationals. For example, if the copyright in a work by a Senegalese author, published for the first time in Côte d'Ivoire, is infringed in France, the author must be treated in France as if the work were one made by a French author and published in France. The national treatment principle is also often included in bilateral or multilateral free trade agreements, where IP is dealt with.

As set out above, international IP treaties address relationships with foreign elements across different legal jurisdictions, providing guidance on how cross-border issues should be addressed. Provisions explicitly addressing issues of jurisdiction, applicable law and recognition and enforcement of foreign judgments are, however, rare.

The above-mentioned national treatment principle may be interpreted as announcing, in addition to non-discrimination, a conflict of laws rule.

This interpretation, however, is not universal. Similarly, there are also discussions whether or not Article 5(2) of the Berne Convention, which provides that “the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed”, may be interpreted as a conflict of laws rule, i.e. *lex loci protectionis*. Similar provisions are found in the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Article 7) and the Beijing Treaty on Audiovisual Performances (Article 5). The Berne Convention also addresses ownership of copyright in cinematographic works, designating the applicable law as the law “in the country where protection is claimed” (Article 14*bis*).

Applying a territorial approach to online activities such as simultaneous infringements through the Internet presents challenges, and the concept of “the country where protection is claimed” may acquire or require a distinct meaning. One example of an effort to provide such a specific meaning is the EU Satellite Broadcasting and Cable Retransmission Directive,¹² which characterizes the “country where protection is sought” as the country from which a multiterritorial communication originates, and establishes that the rights of copyright holders are exclusively determined by the law of the EU Member State from which a signal is transmitted up to a satellite (Article 1(2)(b)).

2. PIL rules in international or regional IP registration systems

Regional IP harmonization has been achieved by a number of regional organizations, including the EU, the African Regional Intellectual Property Organization (ARIPO), the African Intellectual Property Organization (OAPI), the Southern Common Market (Mercosur) and the Andean Community.

There are also regional courts that address IP issues. In the EU, the Court of Justice of the European Union (CJEU) provides guidance on EU Regulations and Directives, including those relating to IP, and receives appeals against decisions of the European Union Intellectual Property Office (EUIPO) regarding unitary EU IP rights. Similarly, in the Andean Community, which comprises the four South American countries of Bolivia, Colombia, Ecuador and Peru, the Court of Justice of the Andean Community interprets the laws and regulations of the Andean Community, including those relating to IP. The Andean Court is one of the most active international courts, issuing more than 4,000 rulings to date, over 90 percent of which relate to IP. Most of the Andean Court’s preliminary rulings originate from challenges to a

national IP agency's decision to grant or deny an application to register an IP right, but the Court has also addressed cases challenging national laws as a violation of Andean IP rules.

In most cases, IP rights are obtained through national processes in each country for which protection is sought, and as seen above, these national rights are mutually independent. Some IP rights, however, come into existence through international or regional IP instruments that facilitate protection across borders or that grant IP rights transcending borders. These instruments either result in the obtainment of a bundle of national and regional territorial rights through a single international or regional application, or grant unitary, "supranational" rights through one registration.

Instruments facilitating the obtainment of a **bundle of rights** include the WIPO administered Patent Cooperation Treaty (PCT; patents), Madrid (trademarks), Hague (designs) and Lisbon (appellations of origin) Systems as well as regional instruments such as the Harare Protocol on Patents and Industrial Designs, the Banjul Protocol on Marks and the Arusha Protocol for the Protection of New Varieties of Plants administered by ARIPO, the European Patent Convention (EPC) established in the framework of the European Patent Organization (EPO), and the Eurasian Patent Convention of the Eurasian Patent Organization (EAPO). Typically, once granted these rights are subject to national (or regional) laws and national (or regional) enforcement procedures.

Instruments granting **supranational, unitary IP rights** include those governing the European Union (EU) trademarks and Community design rights, the (future) unitary patent granted under the EPC, the Bangui Agreement administered by OAPI, and the Gulf Cooperation Council (GCC) patent system. These instruments may contain specific rules of jurisdiction establishing a separate and distinct court system, designating national courts with specific competences or relying on national courts to apply general private international law principles.

For example, while European patents under the EPC are enforced at the national level, a Unitary Patent Protection (UPP) system, building on the EPC through EU Regulations 1257/2012 and 1260/2012, will make it possible to acquire unitary effect for a European patent in up to 25 EU Member States (i.e. those which have so far signed the Agreement on a Unified Patent Court (UPC)). This Agreement establishes a court system consisting of a Court of First Instance, a Court of Appeal and a Registry which are separate from national court systems. The UPC will, as a general rule, have

exclusive competence in civil litigation on matters related to European patents with unitary effect, classical European patents, supplementary protection certificates issued for a product covered by such a patent, and European patent applications.

In the European Union, unitary trademarks valid throughout the EU have been established through the EU Trademark Regulation (EUTMR), which has its own jurisdictional regime. The EUTMR does not establish a separate court system, but for infringement actions it grants international jurisdiction to certain specified courts, EU trademark courts, which are national courts functioning as EU courts in the adjudication of disputes involving unitary EU trademark rights. Analogous provisions are present in the Community Design Regulation.

OAPI rights, while deriving from a uniform administrative system, are enforced in national civil and criminal courts which apply the legislation of each of the Member States in which they have effect. For patents, the Bangui Agreement specifies jurisdiction, stating that the owner of the patent has the right to institute legal proceedings before the court of the place of the infringement.

C. Soft law initiatives

There are also non-binding instruments dealing with IP and PIL, for example, the **2015 HCCH Principles on Choice of Law in International Commercial Contracts (HCCH Principles)**. The Principles provide a comprehensive blueprint to guide users in creating, reforming or interpreting choice of law regimes at the national, regional or international level. They endorse party autonomy by giving practical effect to the choice made by parties to a commercial transaction as to the law governing their contractual relationships. They are relevant to international contracts concerning IP rights, such as IP licensing contracts and IP transfer contracts, which often contain the parties' choice of applicable law.

Various soft law initiatives regarding the interface between PIL and IP have proposed *de lege ferenda* normative frameworks for the adjudication of cross-border IP disputes or have aimed to guide relevant legal processes. They include the American Law Institute (ALI) Intellectual Property Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes of 2008; the European Max Planck Group's Principles on Conflict of Laws in Intellectual Property (CLIP) of 2011;

the Transparency of Japanese Law Project's Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property of 2009; and the Joint Proposal on the Principles of Private International Law on Intellectual Property Rights of 2010, which was drafted by Members of the Private International Law Association of the Republic of Korea and Japan. The International Law Association (ILA) Intellectual Property and Private International Law Committee is currently working to produce its Guidelines on Intellectual Property in Private International Law.

III. Which court is competent to decide the dispute?

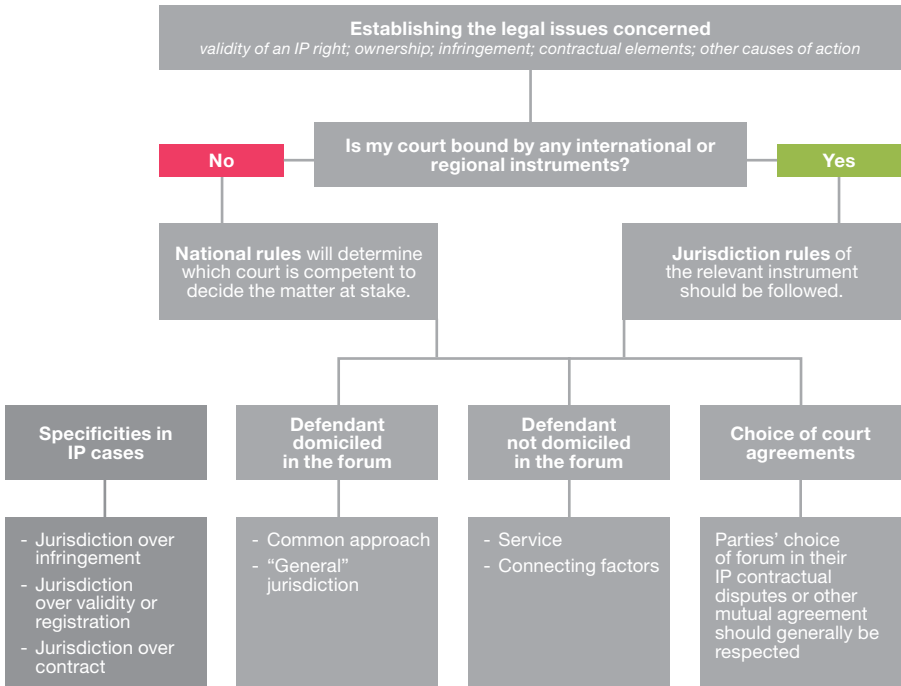
The court where the proceedings are commenced must first decide whether that court is an appropriate place for the determination of the proceedings. That requires consideration of what connection the parties, the subject matter and the relief sought have with that State.

Whether a court is competent to decide an IP dispute – in other words, whether it has jurisdiction over the dispute – will be decided according to the PIL rules of the State where the court is located, which may also be impacted by international or regional PIL or IP instruments. It is possible that courts in more than one State have jurisdiction to decide a dispute, which in practice allows the claimant to select a court (sometimes referred to as “forum shopping”).

The question whether a court has jurisdiction to decide a dispute is separate from the question of which law the court will apply to that dispute. For example, a court in State X may have jurisdiction to decide an IP contractual dispute, while the law that applies to the determination of that dispute may be that of State Y. This issue of applicable law is discussed in part IV of this Guide.

Figure 3

Which court is competent to decide the dispute?



A. Establishing the legal issues concerned

The first step for the court will be to consider and characterize the nature of the proceeding, the dispute and the relief sought. This is particularly important as different characterizations may lead to the application of different PIL rules or indicate a different law applicable to the dispute.

IP disputes may involve, for example: the existence or validity of an IP right; ownership of an IP right; infringement of an IP right; contractual elements; and other causes of action based on specific statutes dealing with unfair competition or with the tort of passing off. These may overlap and present challenges to the characterization of the proceeding. Increasingly, parties are looking to competition law, in particular where patents are essential to a standard (e.g., in telecommunications).

The relief that is sought may vary and may include monetary relief, a declaration of validity or invalidity of an IP right, an injunction to prevent or restrain infringement, or the assignment of IP rights.

B. Determining whether the legal issue can be decided by the court

It is relatively straightforward to establish jurisdiction for disputes that are national, for example where the issue is one of validity of a local IP right, or infringement where the alleged infringing act and the defendant are in the jurisdiction.

A more complicated question arises where a dispute is connected with more than one State, such as where the defendant is located in a foreign State.

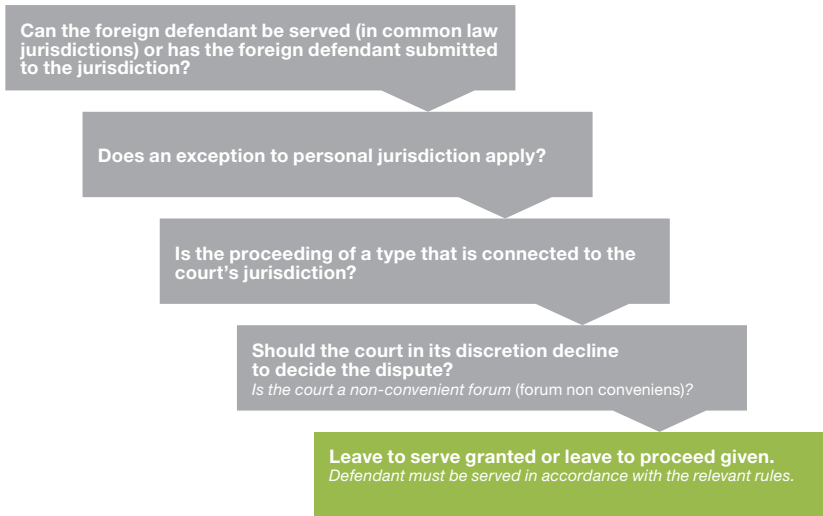
C. Basis of jurisdiction

In many common law jurisdictional structures, “**personal jurisdiction**,” which concerns the power of the court to render a decision binding upon the parties involved in the litigation, requires that the defendant has sufficient contact with the place where the court is located. “**Subject matter jurisdiction**,” which refers to the power of a court to decide in a matter depending on the nature of the claim or controversy brought before that court, requires that a court has jurisdiction over the legal issues in dispute. Both personal jurisdiction and subject matter jurisdiction are required for a court in a common law State to exercise jurisdiction over the dispute.

In the EU, under the Brussels regime, jurisdiction may be based on “**general jurisdiction**” (the defendant’s domicile), “**special jurisdiction**” (e.g., for matters relating to contract or tort) and “**exclusive jurisdiction**” (e.g., for matters relating to validity of registered IP rights).

The following section describes the commonalities and specificities of these jurisdictional approaches.

Figure 4
Determining the basis of jurisdiction (under common law)



1. Defendant domiciled in the forum

A common approach is that the court of the State in which the defendant is domiciled will have jurisdiction over that defendant, including with respect to facts occurring outside that State. PIL questions frequently require determination of a party's "domicile," "residence" or "habitual residence," which essentially focuses on a person's "**principal home**". The question of where a person is "at home" is generally determined according to the law of the State in which the action is brought (*lex fori*). For example, Brussels Ia Regulation Article 4 confers "**general jurisdiction**" to the courts of the Member State where the defendant is domiciled, which will have jurisdiction to grant remedies in all relevant territories including for the harm outside the forum. In Australia, this is a connecting factor; see part III.C.2 below.

As actors in IP value chains become more numerous, disputes involving **multiple defendants** located in different States become more frequent. When there are multiple defendants involved in IP disputes (for instance, subsidiaries of the same multinational pharmaceutical company), there may be an option for defendants to be sued in the courts of the place where

any one of them is domiciled. In an IP dispute arising out of the operations of a **branch, agency or other establishment** (for instance, the local agent of a foreign publisher), the defendant may be sued, by virtue of national law or treaty law, in the courts of the place where the branch, agency or other establishment is situated.

In the EU, Brussels Ia Regulation Article 8(1) provides such a possibility when “the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings.” The CJEU introduced the twin requirements of “same situation of law and fact” in order to determine whether there is a risk of irreconcilable judgments. This rules out the consolidation of multiple defendants in disputes involving parallel IP rights registered in different States.¹³

2. Defendant not domiciled in the forum

Service

Unlike in civil law countries, in common law countries service plays an important role in establishing the court’s jurisdiction. Generally, **in common law countries** personal jurisdiction means that the court has jurisdiction over a defendant in a personal action. Service is required even if the defendant is domiciled in the forum; however, the practicalities and rules for service are more complicated for a defendant not domiciled in the forum. The court will have personal jurisdiction over a defendant not domiciled in the forum only if:

- (a) the party has been validly “served” (including deemed or substituted service), meaning that they have been properly and formally notified of the proceeding in accordance with the rules of service in that court; or
- (b) the party submits to the court’s jurisdiction.

Using Australia as an example, the specific rules that apply to service on a foreign person are set out in the rules of each court. The rules of court are the set of procedural rules issued by the court which govern the conduct before the court, and which have force as a statutory instrument. The rules may allow for service in accordance with international conventions.

If a party is domiciled or located outside the forum State, a set of rules must be followed to serve that party validly. Those rules may apply or be

III. Which court is competent to decide the dispute?

governed by international or regional treaties, for example the **Convention of 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters** (the HCCH Service Convention; see part VI.C) and in the EU, the Service of Documents Regulation,¹⁴ and may provide multiple options for serving the defendant.

Connecting factors

Service alone may not suffice to obtain jurisdiction over the defendant. In order to bring the defendant within the jurisdiction of the court, there must be a sufficient connection between the dispute and the State. For example, it would generally be seen as inappropriate for a court in one State to decide a dispute that is entirely unrelated to that State.

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

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

In common law countries such as Australia, the existence of a “connecting factor” may be necessary to establish personal jurisdiction by way of service on the defendant outside the jurisdiction. In such case, the rules of court or common law rules may provide for the connecting factors.

In the EU, Brussels Ia Regulation Recital 16 provides that in addition to the defendant’s domicile, there should be alternative grounds of **jurisdiction based on a close connection** between the court and the action or in order to facilitate the sound administration of justice. The existence of a close connection should ensure legal certainty and avoid the possibility of the defendant being sued in a court of a Member State which they could not reasonably have foreseen. Article 7 provides for the grounds for such special jurisdiction in matters including contract and tort.

Exceptions

It is a common approach that there are exceptions to the personal jurisdiction of the court. These may include:

- title to foreign property;
- foreign State immunity; and
- diplomatic immunity.

Title or validity of immovable property may be an exception, on the basis that it is a right created by a foreign State. Similarly, the court may not have jurisdiction to decide claims of title or rights to foreign IP. However, a question may arise as to whether this exception only applies to registered rights (such as patents or trademarks) or whether it applies to rights that exist automatically (such as copyright). In addition, a court may be willing to decide a question of title or validity when that question arises incidentally in an action over which the court has jurisdiction, such as a contractual dispute (preliminary question); see part III.C.4.

3. Choice of court agreements

Parties to a contract may agree on where a dispute arising under the contract should be decided, before or after a dispute has arisen. These are known as choice of court, choice of jurisdiction or choice of forum clauses. This is separate and distinct from a choice of law clause, meaning a clause in which parties decide the substantive law that governs the contract. Parties may decide:

- that the dispute may be heard in a particular court (non-exclusive clause); or
- that the dispute must be brought exclusively in one court (exclusive clause).

A non-exclusive choice of court clause may establish a connecting factor or may influence the court's discretion. Generally, an exclusive choice of court clause should be enforced unless there are good reasons for not doing so. Grounds for not enforcing such a clause may include public policy grounds.

However, a choice of court agreement may not have any effect on the jurisdiction over the registration or validity of an IP right when certain courts have exclusive jurisdiction over that right; see part III.C.4.

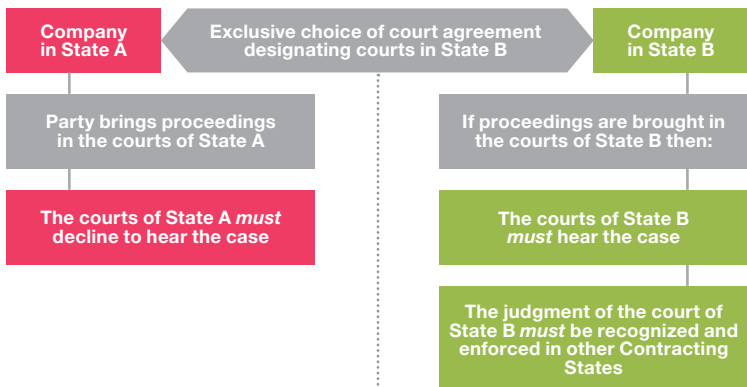
The **HCCH Choice of Court Convention** deals with the effectiveness of exclusive choice of court agreements. It is based on three key obligations: 1) the chosen court must hear the dispute, unless the agreement is null and void as to its substantive validity under the law of the State of the chosen court; 2) any non-chosen court must suspend or dismiss proceedings to which an

III. Which court is competent to decide the dispute?

exclusive choice of court agreement applies; and 3) a judgment given by the chosen court must be recognized and enforced in other Contracting Parties. With regard to IP cases, the HCCH Choice of Court Convention distinguishes between copyright and related rights on one hand and other IP rights on the other, and deals with them differently. Copyright and related rights are fully within the scope of the Convention, even when the validity of such rights is challenged. It should however be noted that a judgment on this issue has only effect inter partes.

On the other hand, the validity and infringement of IP rights other than copyright and related rights are matters excluded from the scope of the Convention, if raised as an object of proceedings. This exclusion is subject to one important exception: when infringement proceedings are brought or could have been brought for breach of contract between the parties, the proceedings are covered by the Convention. This is so even where an infringement is brought in tort rather than in contract. Furthermore, the Convention does not apply to proceedings for revocation or for a declaration of invalidity of IP rights that require registration. When the validity of such a right is raised as a preliminary question, for example as a defense in proceedings for the payment of royalties, the Convention continues to apply to the main claim (payment of royalties). However, the preliminary ruling on validity will not be recognized or enforced under the Convention, and if the preliminary ruling on validity is inconsistent with a judgment or a decision of a competent authority on the validity of the right concerned given in the State under whose law the IP right arose, the judgment on the main claim (which relied on the preliminary ruling on validity) may be refused for the purposes of enforcement.

Figure 5
Operation of the HCCH Choice of Court Convention



Similarly, under the **Brussels Regime**, where parties agree on a choice of court clause, the chosen court shall settle their IP dispute, unless the agreement is null and void as to its substantive validity under the law of the Member State of the chosen court. Party autonomy does not extend to the registration or validity of patents, trademarks, designs or other similar rights required to be deposited or registered, which, as explained below, fall under an exclusive jurisdiction rule. Where connecting factors are taken into account, as in Australia, the agreement on a choice of court clause would be such a connecting factor.

4. Specificities in IP cases

Whether a connecting factor exists may depend upon the relevant legislation, or the common law. IP legislation may state that it is an infringement of that statute only if an act occurs within a specific territory. The court should first establish whether an IP statute contains relevant provisions to determine territorial jurisdiction. The factors connecting the court and the dispute for jurisdictional determination may overlap to some extent with the factors determining issues of substantive IP law, such as whether and where infringement took place. In the online context, for example, whether a court has jurisdiction to determine a dispute relating to trademark infringement may be influenced *inter alia* by whether there has been a preliminary finding of infringement of a registered trademark in that jurisdiction, which may raise the question whether persons in that jurisdiction have been targeted. This will also be a relevant factor for determining the applicable law. The determination of jurisdiction and the applicable law are, however, distinct for the purposes of legal analysis.

Jurisdiction over infringement

Jurisdiction over IP infringement is generally governed by the principles applicable to tort jurisdiction.

In common law jurisdictions, the question whether a tort has occurred in the jurisdiction is one of the questions relevant to establishing a connecting factor for the purposes of establishing personal jurisdiction or service on a defendant outside the jurisdiction. Jurisdiction to hear a claim of infringement of an IP right is conferred on the courts of the State in which the IP right is protected. In general, claims for IP infringement occurring within a State cannot be brought on the basis of IP rights protected in foreign States.

III. Which court is competent to decide the dispute?

In the EU, Brussels Ia Regulation Article 7(2) provides that in matters relating to tort, delict or quasi-delict, a person domiciled in another Member State may be sued in the courts of the place where the harmful event occurred or may occur. The CJEU has interpreted this as meaning “both the place where the damage occurred and the place of the event giving rise to it.”

In the increasingly online world, determining whether an IP right has been infringed in a State may not be straightforward. For example, there are a number of possibilities in relation to the location of online activities. These include:

- the location of the actor;
- the location of the uploading or downloading server;
- the location of the person on the receiving end of the action (such as a communication);
- the location or locations at which the online action is targeted; or
- both the upload and download locations.

Determining which test for the location of an online activity should apply is a relatively new area of law, and the tests applied may vary between jurisdictions. Importantly, differences may derive from the nature of the cause of action at issue. For example, the essence of one cause of action may be damage to the right holder, while the essence of another may be a monopoly over certain types of action.

Example: Distribution through the Internet of a copyrighted work

A copyrighted work is distributed through the Internet via a server located in State X, where the copyright has lapsed. The work is accessible worldwide, including in States where the copyright protection subsists. The copyright owner initiates proceedings in State Y where he still owns a valid copyright.

To establish a connecting factor, links may be asserted with courts:

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

Whether jurisdiction is conferred on a particular court in such cases will largely depend on how broadly or strictly the connecting factors are interpreted and applied. The analysis is not always straightforward.

For example, “where persons can receive or view the copyright work” (or in other words, where the copyright work is simply accessible) in an online context may be any place in the world where Internet access is technically possible. As noted above, the CJEU has interpreted “the place where the harmful event occurred” to cover both the place where the damage occurred and the place of the event giving rise to it. Thus, in the above example, a court in State Y would have jurisdiction in respect of an infringement of copyright resulting from the placing of the protected work online on a website accessible in the territorial jurisdiction of State Y. In such an event, in general, on the basis of the principle of territoriality of IP rights, that court would have jurisdiction to rule only on the damage caused in that territorial jurisdiction.¹⁵

On the other hand, courts of other jurisdictions may reject mere accessibility as a sufficient connection and require closer links to the forum, such as targeting or actual harm. “Where the target audience for the website is located” is an alternative approach to “where persons can receive or view the copyright work.” This would mean that copyright is infringed only in the particular countries targeted by a website, rather than in every country in which the website is accessible.

Courts of yet other jurisdictions may find that the infringement occurs in multiple places. For example, a court may find that the infringement occurs both in the country where the offending material was uploaded and in the country where it was downloaded. The Supreme Court of Canada has held that online copyright infringement can occur at both the place of upload and the place of download.¹⁶

The nature of the IP right will prompt different jurisdictional analysis. In **the EU**, whereas accessibility of a protected work may (depending on the law of the State) suffice to confer jurisdiction in copyright infringement cases, for trademark cases mere accessibility may not be sufficient and stronger connecting factors such as “targeting” the territorial jurisdiction may be required.

In the copyright example above, courts in State X would also have jurisdiction, because it is where the defendant is resident, and also because it is the place of the event giving rise to the infringement, namely where

the technical process that made the contested work accessible on the Internet was activated.¹⁷ The latter will in general coincide with the defendant's location.

As can be seen from the above discussion, in deciding whether there should be service out of State, or – in civil law jurisdictions – whether it may assume jurisdiction, the court may well need to consider the alleged IP infringement, and may thus in effect make a preliminary finding as to whether there has been infringement within the State. In other words, it may be necessary to make what may amount to a preliminary finding as to whether there has been an infringement of an IP right within the State in order to determine whether the court has jurisdiction over the cause of action.

Provisional measures used prior to or during a trial, are of particular importance in IP litigation, and may take the form of interim injunctions or performance, conservatory or evidence orders. Generally, a court having jurisdictional competence on the substance of a case will have competence to order provisional measures. In addition, jurisdictional competence for provisional measures may be based on the place of enforcement of the measure or when available under the laws of the State of the seized court, and may not necessarily accord with the court having jurisdiction over the IP infringement. For example, in some countries, such as Belgium and France, courts may grant orders to preserve evidence to be executed within their territory, in order to allow an IP owner to proceed with an infringement dispute in a different State. Provisional measures may be requested in ex parte proceedings, where the same test for jurisdictional competence will apply. Nevertheless, as the defendant cannot argue an exception regarding the jurisdictional competence of the seized court, the court should be even more active in its examination of its competence. (A more detailed examination of interlocutory measures, including injunctions and orders for preservation for example, are beyond the scope of this Guide.)

Jurisdiction over validity, grant or registration

Example: IP ownership dispute

A patent has been granted in State X in the name of multinational company A, which has its headquarters in State Y. The employee who actually invented the patented product alleges that the patent should be registered under her name as she developed the product in State Z.

In IP, it is generally accepted that the validity and registration of IP rights are an “exclusive” matter for the courts of the State in which registration has taken place or is sought, regardless of the domicile of the parties in the proceeding or any connecting factors with other States. This is because registered IP rights are territorial rights, limited to the territory in which the IP has been registered, with attendant public interest. Exclusive jurisdiction means that only the courts of one particular State can decide a dispute, regardless of the domicile of the parties in the proceeding.

In the case of unregistered IP rights, such as copyright, which are also territorial but do not require any public administrative act for the right to be exercised, courts may be more open to deciding on foreign IP infringement claims, especially when the validity of the IP right is not challenged. Such rights may also raise ownership issues, and jurisdiction will be determined under general rules conferring jurisdiction.¹⁸

The exclusive jurisdiction may give a court jurisdiction to hear the dispute or, alternatively, may provide a reason for another court outside the exclusive jurisdiction to decline to hear the case.

The territorial nature of IP rights is generally respected. In **the EU**, the Brussels Ia Regulation contains an exclusive jurisdiction rule for proceedings relating to the registration or validity of patents, trademarks, designs or other similar rights required to be deposited or registered. In those cases, the defendant can be sued only in the courts of the Member State in which the deposit or registration has been applied for, has taken place or is deemed to have taken place. Other courts than those specified in the provision cannot deal with registration or validity matters. This exclusive jurisdiction rule applies regardless of whether the registration or validity issues are raised by an action or as a defense.¹⁹ In **Australia**, such exclusive jurisdiction, which relates to validity and infringement issues, is provided in IP statutes.

Jurisdiction over contract

In the context of IP contractual disputes, the defendant may *inter alia* be sued at the place of performance of the obligation in question. Parties may have stipulated the place of performance in their contract, failing which the place of performance is, under Brussels Ia Regulation Article 7(1)(b), “in the case of the provision of services, the place in a Member State where, under the contract, the services were provided or should have been provided.” If the dispute concerns IP infringement, the defendant may be sued in the courts of the place where the harmful event occurred or may occur.

III. Which court is competent to decide the dispute?

The intersection between contractual disputes and issues concerning validity or registration of IP rights over which courts have exclusive jurisdiction is a complex and developing area of the law, and decisions are being made on case-by-case basis.

Example 1: Transfer of trademark rights covering different States

A trademark is registered by Party A in States X, Y and Z and transferred to Party B, a company having its main place of business in State W. Party B, the registered trademark owner, initiates court proceedings in State X claiming trademark infringement. The alleged infringer, Party C, having its residence in State Y, claims that the transfer from Party A to Party B is invalid.

Example 2: Dispute arising out of a patent license agreement and question of patent validity

Party A and Party B entered into a license agreement covering a portfolio of patents. Over time those patents expired, except for one patent in State Y. Party A initiates proceedings in State X, claiming that it no longer has to continue paying royalties to Party B. Party B argues that the dispute is outside the jurisdiction of State X, as it concerns the validity of a patent in State Y. Party A argues that the dispute does not concern the question of validity but rather the scope of the patent, which the parties had agreed should be determined by the court of State X.²⁰

D. Is the court not an appropriate forum?

Forum non conveniens

In some jurisdictions, in particular common law countries, even if a court is competent to hear a dispute, it may nevertheless decline to hear it on the basis that it is clearly an inappropriate forum.

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

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

Considerations that will be relevant include:

- whether there are parallel proceedings on foot – simultaneous proceedings might give rise to undesirable outcomes such as inconsistent judgments;
- whether relief is available in a foreign court;
- which law governs the dispute; and
- the location of the parties, witnesses and damage.

Note that most civil law systems, including the EU (*Brussels Ia Regulation*), do not adopt the *forum non conveniens* doctrine; instead, they rely on statute that fits the limits of international jurisdiction or, alternatively, address international jurisdiction mirroring their internal rules.

E. Which court within a State has jurisdiction to decide the dispute?

Whether a court is competent to hear a dispute may not be only a PIL question, but also a question of which courts within a State are competent to hear the dispute. A State may have multiple courts, not all of which have the same jurisdiction to decide disputes or grant remedies.

It is important to consider both the IP statute and any statute that governs the jurisdiction of the court to determine which court has jurisdiction to decide the dispute. IP statutes generally confer jurisdiction on particular courts. Some issues, such as validity and registration, may only be able to be determined by specified courts. National laws or practice may govern the determination of associated issues. If the specified court is unable to determine all associated issues, it will be necessary to determine and separate the issues early in the proceedings. Where the issues that arise are not questions that must be decided by a specified court and the court has general jurisdiction, all matters can be dealt with in a single action.

Some States may have conferred jurisdiction on specialized IP courts. Some States may have conferred jurisdiction in IP cases on more than one class of court, for example federal and state or provincial courts. Depending on the laws of the State, discretionary factors may be applied to determine which is the appropriate court to decide the case.

IV. Which laws does the court apply?

Having determined jurisdiction, the next issue the court faces in cross-border IP cases is determining the law applicable to the case: which State's substantive law is to be applied by the court hearing the case? Determining the applicable law boils down to choosing between different bodies of law, which involves a consideration of the national law of the court (particularly mandatory rules), PIL principles and the parties' own choice of law.

This chapter identifies the points of consideration for a court when making this determination. Although it attempts to offer a neutral approach to the issue, courts should be aware that national rules may interact with this process. It should also be noted that some steps in this process may overlap with points considered in determining jurisdiction. The guidelines provided here apply to issues related to substance; if the subject matter is merely procedural, the court will apply the law of the forum (i.e., its procedural law).

A. The framework

The globalization of trade, digitization (including of the means of dissemination) and the use of intermediaries related to these developments raise complex questions regarding the applicable law.

When a court with jurisdiction to decide the dispute is confronted with a foreign element, the court will have to go through a **multiple-step process** to determine the law applicable to that part of the case.

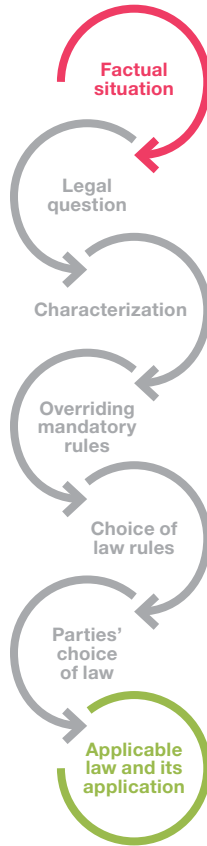
B. The process of determining the applicable law – a multiple-step process

Chapter II sets out a number of international and regional instruments that provide some uniform applicable law rules for IP disputes. Endeavors to provide uniform rules may in time lead to the adoption of new international rules on the law applicable to IP disputes, but there is not as yet any comprehensive international treaty in place in this regard.

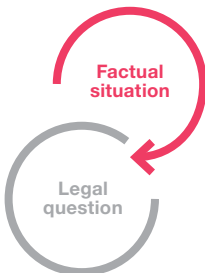
This chapter will aim to outline a **rational approach** to dealing with cases. This should, where possible, remain disconnected from national reasoning. In other words, this chapter intends to provide a neutral analytical approach or method which judges and practitioners in many different States may use. However, courts should be aware that this approach may be made inapplicable or limited by specific national rules relevant to their jurisdiction.

The chapter provides a **hands-on approach** that a court may apply in its search for the applicable law to the case. It should be noted, however, that this practical approach may deviate from the approach found in more theoretical textbooks on the subject. Furthermore, while the approach is potentially relevant to, and can be applied in, any field of law, the discussion here will only focus on its application to IP law.

Figure 6
The multiple-step approach for deciding which law to apply



Step 1: Translating the factual situation into legal questions



An initial step is to translate the presented factual situation into **plain legal questions**.

It is important that a court identifies all legal questions to be answered.

IV. Which laws does the court apply?

Deducing the specific legal questions of a claim and counterclaim may seem straightforward but it is not uncommon that in sketching the concrete factual framework specific to the case, parties overlook preliminary issues which need to be answered before deciding on the claims/counterclaims as such.

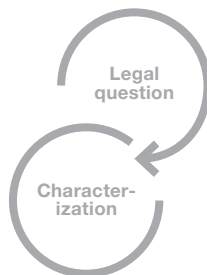
Example

Parties introduce a software dispute where an employer has allegedly “stolen” an idea from an employee employed abroad. The employer asserts that the work was created during “working hours” by the employee while working for the employer. The essential preliminary question, whether what has been taken is an idea (which is not protected IP) or the expression of an idea (which is), is not raised by the parties.

The following legal questions can be identified:

- Is the expression of the idea in the given format protectable?
- What is the relevant copyright subject matter?
- What is the legal relationship between the parties?
- Who owns the initial title?
- Was the title transferred rightfully?

Step 2: Characterization



This step may have already been covered in the court’s assessment of its competence to deal with a case. However, the court should once again clearly identify the underlying legal issues and allocate each legal question to an established choice of law category. In practice, the difference in characterization between applicable law and jurisdiction may be a grey area, with the basis for identifying jurisdiction overlapping with the issue of which law to apply.

It is very likely that the legal question will be capable of being characterized under a separate and distinct choice of law category which may lead to a corresponding distinct choice of law rule in the next step of the process. Legal questions in IP cases may fall within various choice of law categories:

- validity
- ownership and transferability of rights
- contract
- tort (which may include infringement of an IP right)
- secured interest.

When identifying the legal issues underlying the legal question(s), the problem will arise as to which body of law should be applied.

The appropriate approach will depend on the national body of law of the court.

Example

The format of the expressed idea may be part of a different legal field in different jurisdictions (e.g., a database may be covered by copyright in one country and a *sui generis* protective regulatory framework in another country).

The process of identifying and characterizing the legal issue may be approached in various ways:

- *Lex fori* – the law of the forum. For this approach the court will apply its own national law to identify the legal issue. It should be noted that this approach is most commonly applied.
- *Lex causae* – the law applicable to the substance. For this approach the judge will have to apply the actual body of law applicable to the legal question, which could be a foreign law. This approach implies a preliminary determination of the applicable law.
- *Autonomous characterization by regional or international rules.* It is possible that regional or international rules require an independent characterization which takes into account their regional or international nature.

Characterization may require a fragmentation of each legal question into separate issues governed by different rules on the applicable law. Thus, the first step of translating the factual situation into legal questions, which could be raised as a preliminary issue, plays an important role in the characterization process.

IV. Which laws does the court apply?

Example

With regard to the alleged infringement by the employer of the employee's IP right, the following preliminary questions may have to be resolved before the main legal question of alleged infringement is decided:

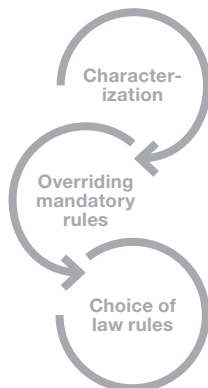
Preliminary issues

Characterization of the relationship between the parties	Employment law
Separate agreement between the parties?	Contractual law
Protection of the subject matter?	Copyright law
Conditions of transferability of the copyright	Copyright law

Main legal issues

Infringement of the copyright?	Copyright law
What damages should be awarded?	General law (absent specific provision in the applicable copyright law)

Step 3: Overriding mandatory rules and identification of choice of law rules



In general, **overriding mandatory rules** can be identified as rules of such political, social or economic importance or significance to the public interest that they cannot be set aside despite the international nature of the dispute. The sources of overriding mandatory rules are varied. They can be identified as such in a statute, but sometimes their status as mandatory rules stems from court interpretation.

Overriding mandatory rules override choice of law rules and require the rules to be applied irrespective of the law that would otherwise be applicable. In the absence of overriding mandatory rules, the applicable law will be determined according to choice of law rules.

Choice of law rules regulate the applicable law issue but not the legal questions as such. They will direct the judge to the applicable law to be used to resolve the identified legal questions and as such decide on the claims and counterclaims made.

Choice of law rules again make use of **connecting factors** as an essential element directing the court to the applicable law. These connecting factors can be either legal or factual.

Some general guidelines are presented below, but bear in mind that these guidelines may not always apply and that national IP law and/or international/regional rules of law may indicate a different connecting factor. The connecting factors identified below are merely illustrations.

In the EU, the main connecting factor in IP law, particularly in an IP infringement case, is the territory for which protection is claimed (*lex loci protectionis*).

Example

Should an Austrian copyright holder initiate an infringement case in France regarding an infringement which took place in France, the applicable law to be applied on the conditions of the infringement will be French copyright law on the basis of Article 8.1 of the Rome II Regulation (“The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed”).

In common law countries, the court will usually apply the *lex loci delicti* – the law of the place where the wrong was committed – in IP infringement cases. This is the same rule that is applied by Australian courts for determining the choice of law for a tort. In the case of an IP action, this will mean that the law that is chosen is the law of the place where infringement occurred. Applying the *lex loci delicti* to the example in the previous paragraph would also result in the application of French copyright law. Although *lex loci protectionis* and *lex loci delicti* are different from a doctrinal point of view, the practical outcome of the two approaches is largely similar.

IV. Which laws does the court apply?

For specific issues, other choice of law rules might apply:

- Regarding the **ownership and transferability** of an IP right, a distinction may be made between registered and non-registered rights. In the case of non-registered rights (e.g., copyright) two choice of law rules can apply: the law of the creator's "principal home" or, where the work was created under a contractual relationship, the law that applies to the contract. There are also two choice of law rules that can be applied to registered rights: the law applicable to the contract where a registered work was developed under a contractual relationship or the law of the State of registration. As for the validity of registered rights, it is the law of the State of grant or registration that should apply. In a number of countries, *lex loci protectionis* will be applied not only to infringement but also to ownership.
- Regarding **contractual issues**, the principle of party autonomy should prevail (see part IV.B.4 below).
- Regarding the use of **IP as a security right**, the choice of law rules are more complex and diverse.

Example: A secured interest in IP

Party A, a pharmaceutical company located in State X, borrows money from Party B, a financial institution located in State Y, and uses its patent portfolio as collateral. The agreement is concluded in State Z. When Party A fails to meet its loan obligations, Party B seeks to foreclose on the collateral. Party A argues that Party B failed to properly perfect its security interest in the collateral and therefore should not be entitled to foreclose on the collateral. Which law governs the creation and enforcement of the security right?

The **Model Law on Secured Transactions** developed by the United Nations Commission on International Trade Law (UNCITRAL)²¹ provides different choice of law rules for the proprietary aspects of a security right in IP and for the contractual aspects.

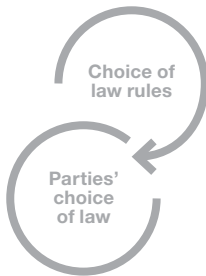
For the proprietary aspects, Article 99 of the Model Law provides that the law of the State in which the IP is protected governs the creation, effectiveness against third parties and priority of a security right in IP. The article also provides an alternative way to create a security right in IP and make it effective against certain third parties, according to which the secured creditor may also rely for these purposes on the law of the State in which the grantor is located.²² Enforcement of a security

right in IP is also governed by the law of the State in which the grantor is located.

The Supplement on Security Rights in Intellectual Property developed by UNCITRAL discusses various options and their comparative advantages and disadvantages.²³ The options include: (1) applying the law of the grantor's location; (2) applying the law of the State in which the IP is protected (*lex protectionis* or *lex loci protectionis*) to a security interest in IP; or (3) based on a combination of the first two options, referring some issues to the law of the grantor's location and other issues to the law of the State in which the IP right is protected.

For the contractual aspects, Article 84 of the Model Law provides that the parties to a security agreement (the grantor and the secured creditor) are free to choose the law applicable to their mutual rights and obligations arising from their security agreement. If the parties do include a choice of law clause in their contract, then as a general rule that will be the law that is applied. The property aspects of a security agreement are, however, outside the scope of freedom of contract.

Step 4: Parties' choice of law



Often parties agree on the law to be applied to the dispute. This agreement could be based on an existing contractual understanding (*ante-factum*) or on an agreement reached between the parties after the issue in dispute occurred, before or after legal proceedings were initiated (*post-factum*).

If parties agree on the applicable law, the court should apply this law, except in cases where party autonomy is limited, in particular by the operation of overriding mandatory rules. The extent to which parties are able to agree upon the law to be applied may vary between jurisdictions.

IV. Which laws does the court apply?

Example

Given the territorial nature of IP rights, issues of validity regarding a national trademark registration are typically governed by the law of the State of registration. Parties will thus not be entitled to choose a different law with regard to validity.

In this context, to decide whether the parties' choice of law clause or agreement is valid, a judge may need to apply the law of the country of registration. If the country of registration prescribes that its own law must apply, parties are prohibited from agreeing on a different set of rules. The judge may already have decided this issue at an earlier step in the multiple-step process, in considering whether overriding mandatory rules apply.

If, in a contractual relationship, a party contests a choice of law clause, the court should investigate whether that clause is valid between the parties, particularly within the context of the specific IP issue to be decided upon. To answer that question, the court will have to refer to the applicable law of the contract, unless the choice of law clause at issue specifies a different applicable law.

Example: Bad faith registration in different trademark registers

A trademark has been registered in States X and Y. A resident of State Y alleges that this registration is in bad faith.

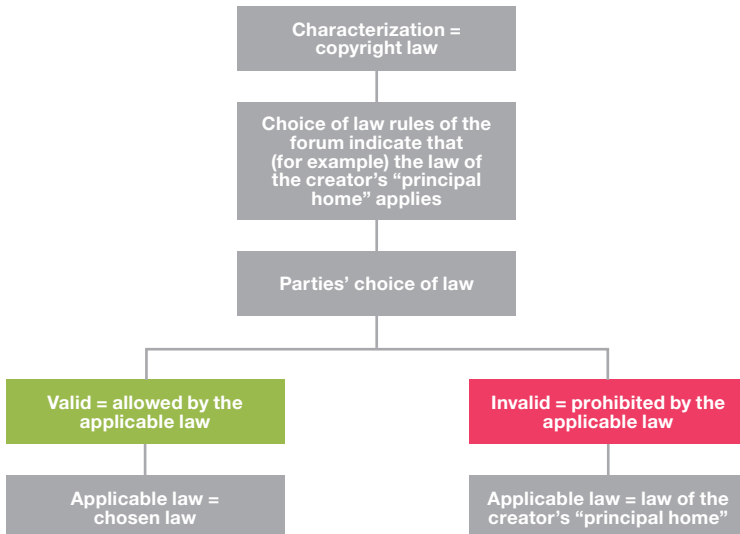
The parties in this dispute may have reached an agreement on the applicable law. After identifying the legal question (i.e., is the trademark registration in bad faith?) and characterizing the legal question (as one pertaining to trademark law), the court will apply the choice of law rules to decide the validity of the choice of law agreement. These rules may indicate a different applicable law than the one chosen by the parties. Regarding a trademark registration, the applicable law may be the law of the State of registration. If this law prohibits parties from agreeing on a different applicable law, the court should hold the choice of law agreement invalid. (Note that the court may already have decided this issue when considering the application of overriding mandatory rules.) If the law of the State of registration does not prescribe that its law must apply, parties may agree on a different set of rules and their choice of law agreement will be valid.

Example: Dispute whether a work is protectable by copyright

In a dispute as to whether a work is copyright protectable, the parties have reached an agreement on the applicable law. After identifying the legal question (i.e., is the work protectable?) and characterizing the legal question (as one pertaining to copyright law), the court will apply the choice of law rules in order to decide the validity of the choice of law agreement. Here, this could be the law of the creator’s “principal home” (which could be the creator’s “domicile,” “residence” or “habitual residence”). If this law prohibits parties from agreeing a different applicable law, the court should hold the choice of law agreement invalid. (Note that the court may already have decided this issue when considering the overriding mandatory rules.) If the law of the creator’s “principal home” does not prescribe that its law must apply, parties may agree on a different set of rules and their choice of law agreement will be valid.

Continuing with the example of the dispute as to whether a work is protectable by copyright, figure 7 presents the decision-making process graphically.

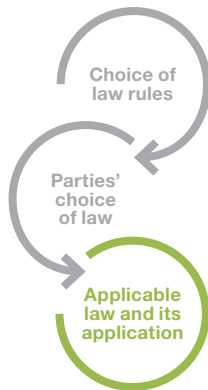
Figure 7
Deciding the validity of the parties’ agreement on choice of law



IV. Which laws does the court apply?

The EU Rome II Regulation does not allow for party autonomy for non-contractual obligations arising from IP infringement, i.e., it does not allow parties to choose the applicable law in such cases. It preserves the widely acknowledged principle of the *lex loci protectionis*, according to which the law of the country for which protection is claimed should govern the infringement of an IP right. With regard to the infringement of a unitary EU IP right, the applicable law should be the law of the State in which the act of infringement was committed, if the question is not directly addressed by the uniform rules of the relevant EU instrument.

Step 5: Application of the applicable law



The above multiple-step process determines the law applicable to the dispute. A court may nevertheless face the practical problem of a lack of information about the foreign law that it has decided to apply.

Example

After applying the multiple-step process, a Spanish court determines that the law applicable to a patent license is Russian (patent) law.

Such problems may be solved in different ways depending on the way foreign law is treated under the court's specific legal system:

- ***Jura novit curia***: In systems applying this approach the court is **presumed to know** all laws, even foreign laws. It is considered to acquire the relevant laws and knowledge thereof. Foreign law is considered part of the (domestic) law and not a fact that should be addressed by the parties. Some legal systems allow for the court to request the assistance of the parties to the case. Some regional systems have established working tools to acquire the relevant information. And some countries permit the court to apply its national law if the relevant information on foreign law cannot be acquired, but this option should be applied restrictively.
- **Responsibility of the parties to inform** the judge of the relevant rules in foreign law to be applied. Foreign law is considered as a

factual element and **should be proven** as such. In most common law countries, evidence of the content of foreign law can be adduced by way of expert evidence or by tendering copies of foreign statutes. The court may be required to decide between conflicting expert opinions on the law. While the content of foreign law is a question of fact, once that fact has been ascertained, the application is a question of law. As with other matters of fact, if parties do not sufficiently prove the content of foreign law, the court may apply the presumption that the national law applies.

C. Issues in the application of PIL to IP regarding the applicable law

A court may face various situations in applying the multiple-step process. It is beyond the scope of this Guide to clarify every situation that a court might encounter when applying the steps described above. *Renvoi* and public policy are two mechanisms worth particular mention.

Renvoi

It is not uncommon when applying the multiple-step process that the foreign choice of law rules refer the court back to the law of the forum. In such a situation the court may find itself in a vicious circle. The theory of *renvoi* aims to break this circle by dictating that the court should halt its search for the applicable law after the first *renvoi*.

Example

A French court, after applying its multiple-step process, decides that it should apply a Nigerian IP law, and this law would (based on the choice of law rules) direct the judge back to the application of French law. The judge should halt after this redirection and apply French law.

In most international and regional instruments, *renvoi* is prohibited. For example, Article 8 of the HCCH Principles states: “A choice of law does not refer to rules of private international law of the law chosen by the parties unless the parties expressly provide otherwise.” Similarly, Article 20 of the Rome I Regulation provides: “The application of the law of any country specified by this Regulation means the application of the rules of law in force in that country other than its rules of private international law, unless provided otherwise in this Regulation.”

Public policy (*ordre public*)

Since the choice of law rules are abstract, it is possible that applying the multiple-step process would result in the application of laws that are incompatible with the public policy of certain States. Hence, the public policy exception, as an escape device, allows a court to avoid applying the applicable foreign law whenever the substantive content of that law is sufficiently objectionable. The public policy exception may pertain to fundamental values – morality and justice, such as human rights, or may reflect an approach to the permissible scope of IP protection, for example, as to what is considered a patentable invention (e.g. isolated human genes), or reflect a national policy on scientific research and creative activity. In the event of the existence of such a public policy exception, the law that was supposed to be applicable pursuant to the choice of law rules will be set aside by the court.

It should be observed that the way in which a balance is achieved between IP and public policy considerations varies among States, and that the precise balance is also subject to political, economic and social change. This, in turn, may affect the way in which the judge applies those factors to the specific facts of the case.

V. How can a judgment be recognized and enforced in another State?

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

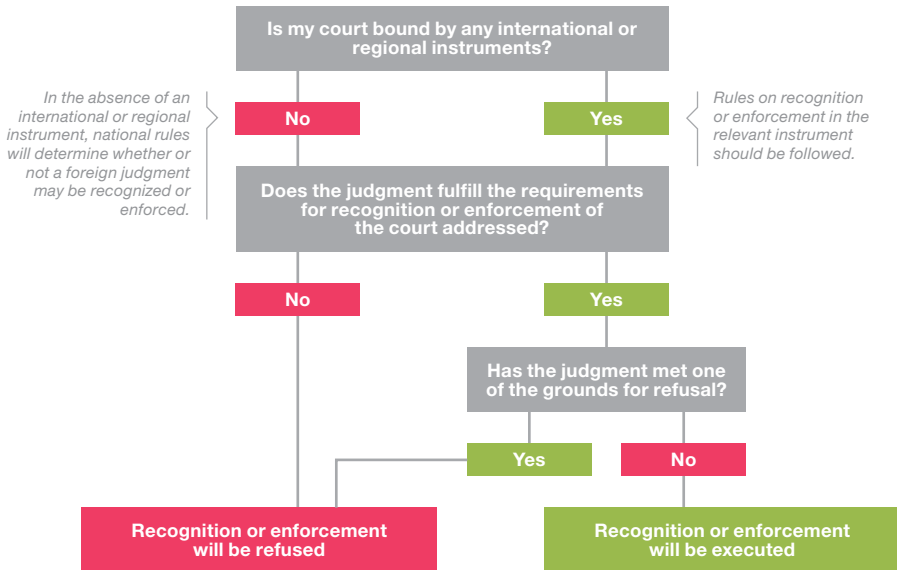
There are two sets of courts involved in such situations:

- **The court that made the judgment (the court of origin). This court may have considered the difficulties that a party may have in enforcing its judgment in another State.**
- **The court of the State that is requested to recognize or enforce the judgment of the court of origin (the court addressed).**

This chapter of the Guide considers the PIL principles that the court addressed should apply in deciding whether to recognize and enforce a foreign decision.

Figure 8

How can a judgment be recognized and enforced in another State?



A. Recognition and enforcement of foreign judgments

A distinction should be made between recognition and enforcement. In its broadest meaning, recognition includes all legal effects of a judgment, including its binding effects on subsequent litigation (*res judicata* or preclusive effects). Enforcement is only possible in situations in which the foreign judgment is enforceable in the State of origin and the need arises to adopt enforcement measures in the requested State.

Two scenarios can be used to illustrate the issues that arise.

Example 1: Recognition of a foreign judgment

A court in State X has decided that as between Party A and Party B, Party A was the author of a copyright work and is therefore the owner. Party B brings proceedings in a court in State Y seeking a declaration that Party B was the original author and is therefore the owner of the copyright work worldwide. Party A opposes the declaration on the basis of the judgment given by the court in State X.

Example 2: Enforcement of a foreign judgment

A court in State X has decided that Party A infringed the patent of Party B and orders that Party A pay Party B a substantial sum of damages. Party A is located in State Y and has no assets in State X. Party B seeks to enforce in State Y the judgment given by the court in State X.

1. Recognition of foreign judgments

The question that arises in Example 1 is the **recognition** of the decision of the court in State X (the court of origin) by the court in State Y (the court addressed). Recognition implies that the facts and legal relationships which have been decided upon by a foreign court are recognized by the court addressed.

The general principle of recognition is that there should not be relitigation of the same issue between the same parties. Where an issue has been determined in a foreign court and the same parties seek to relitigate it in another jurisdiction, the court may be asked by one of the parties to accept the judgment of the foreign court on the grounds of *res judicata* or *issue estoppel* (claim or issue preclusion). If it can be demonstrated that the two States apply different laws to the issue, that may be a reason for not recognizing the foreign judgment in certain jurisdictions. Otherwise, international comity and the general principle outlined above will lead to recognition of the foreign judgment.

Applying this to Example 1, the court in State Y may find that an *issue estoppel* applies to the question of the identification of the original author of the copyright work. However, in relation to ownership it may be that, depending on the circumstances, an *issue estoppel* does not apply, as a copyright work may have different owners in different jurisdictions.

2. Enforcement of foreign judgments

The question that arises in Example 2 is the enforcement of a foreign decision. Enforcement takes recognition a step further in that the judgment of a foreign court will have the same effect in the State where it is to be enforced as in the State where it was decided, and the court of the requested State will then take measures to ensure the compliance with the judgment.

The possibility to enforce a foreign judgment normally requires a previous declaration of enforceability by the court of the requested State. In particular, the grant of the enforceability is typically subject to a specific procedure, usually referred to as *exequatur* in some civil law jurisdictions and registration in some common law jurisdictions. It should be noted that the procedure for recognition and enforcement of a foreign judgment is governed by the law of the requested State.

In both examples, PIL will guide the court in State Y in the recognition and enforcement of the judgment made in State X.

B. Requirements for recognition and enforcement

When a court is requested to recognize or enforce a foreign decision, it first needs to consider what PIL rules are to govern the decision to enforce the foreign judgment.

- The court may be required to apply PIL rules established in an international or regional treaty.
- Should no international or regional instrument be applicable, the PIL rules regarding recognition and enforcement may be governed by State law or statutes. For example, in Australia, there is a system for the registration of judgments of certain countries; in Belgium, Articles 22 and following of the Belgian Code on Private International Law apply.
- In common law States, the rules may be governed by the common law.

In each set of the above PIL rules, the court addressed does not examine whether a foreign decision had merit or was a correct application of legal principles. There are only limited grounds for exception to this policy on which the judgment may not be recognized or enforced, such as fraud or public policy, which are discussed below in part V.B.2.

Generally, in addition to requiring foreign judgments to be enforceable in the State of origin, a court will only recognize and enforce a foreign judgment if certain other conditions are met.

First, the court of origin exercised “international jurisdiction,” meaning that it **had jurisdiction** to hear the dispute. In determining the “international jurisdiction,” in some States the court addressed applies its own

internal jurisdiction rules, while in others it applies the rules of the State of origin, and in yet others it applies special rules that the requested State has created for the particular purpose. In some States, the lack of “international jurisdiction” of the court of origin is regarded as a ground for refusal.

Second, the decision was final and conclusive. Most jurisdictions require the decision to be **final and conclusive**. This means that the same controversy cannot be litigated again between the same parties in the court of origin. It does not necessarily mean that all appeals from the decision have been finalized, but in practice the court addressed may stay an enforcement proceeding if there is an appeal that has yet to be finalized. As a whole, such jurisdictions will not recognize provisional orders or interim decisions.

Third, the decision was **on the merits**. Mere procedural decisions are normally not recognized, because courts usually follow their domestic procedural rules and will not be bound by another court’s decision based on foreign procedural rules.

Fourth, the **parties** must be **identical**, that is, the court addressed will not enforce a judgment where the parties before it are not the same parties as in or privy to the foreign decision. However, it should be noted that there are legal systems which allow the enforcement of a judgment against the legal successor in title to a judgment debtor.

In certain jurisdictions, the judgment must have also awarded damages for a **fixed sum**. This requirement means that:

- The court addressed will not enforce a foreign judgment for unspecified damages. Rather, quantum of damages should have already been determined by the court of origin.
- In some jurisdictions, a court addressed may not enforce a foreign judgment that is not monetary, such as an injunction. However, some jurisdictions, including the EU, have adopted a more liberal approach in which the court will enforce decisions that are clear and specific, but not necessarily monetary or for a fixed sum. The enforcement of cross-border injunctions within the European Union has been the subject of detailed judicial consideration.
- In addition, courts in equity may have some ability to enforce a non-monetary remedy.

However, even if the above conditions are met, the person against whom the judgment is enforced may be able to raise a defence so that the court

addressed will not enforce the foreign judgment. Those grounds are discussed below in part V.B.2.

1. Reciprocity, including the statutory approach and registration of foreign judgments

The law of the requested State may provide specifically for the enforcement of judgments of the courts of certain States. This is done by means of the statutory approach. More specifically, some common law States, as stated earlier, have a system for the registration of judgments of certain courts of a limited number of foreign States for the purpose of enforcing foreign judgments.

The **Australian Foreign Judgments Act 1991** (Cth) is one example. Generally, a State which provides reciprocal treatment of Australian judgments will be proclaimed to be on that list. The judgments that may be registered under this system are broader than at common law, and include interlocutory judgments and non-fixed sum judgments. The party seeking to enforce a judgment must register it with the State or Territory Supreme Court, and may be required to notify the defendant.

Once a judgment has been registered, the foreign judgment is deemed to have the same force and effect as a judgment of the Supreme Court. However, the defendant may in certain circumstances seek to have the registration of the judgment set aside. In addition to the absence of the statutory equivalent of “international jurisdiction,” the grounds on which registration may be set aside are discussed in part V.B.2 below.

A similar approach – requiring reciprocity – may apply in other jurisdictions, mainly of civil law nature, but it is left to the court of the State addressed to verify whether reciprocal treatment is granted by the State of origin. In other words, in those jurisdictions recognition and enforcement is limited to foreign judgments that are rendered by courts of a State that has recognized or enforced judgments from the State addressed, or that has the possibility to recognize or enforce judgments from the State addressed.

2. Grounds for refusal

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

- The judgment made was obtained by fraud.
- The defendant was not given natural justice/due process/fair trial in the proceedings, for example the defendant was not provided with notice of the proceedings.
- To enforce the judgment would be contrary to public policy. Note that in the EU context, this ground for refusal is difficult to invoke as the CJEU has held that the party alleging a breach of public policy must have availed itself of all the legal remedies available in the country giving judgment.²⁴
- The dispute has already been adjudicated differently in another State or in the requested State, giving rise to incompatible judgments.

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

If a statute purports to grant jurisdiction over IP validity or infringement to the courts of that State, the question may arise whether the courts of that State would recognize or enforce a judgment of the court of another State purporting to decide a question under that statute.

Example

In Australia, the **Patents Act 1990** (Cth) section 154 confers jurisdiction on the Federal Court of Australia “with respect to matters arising under this Act.” Absent an agreement between States or a Convention conferring jurisdiction as to all matters arising under a statute, it is hard to see how there would be recognition of the judgment of a court of another State as to, for example, validity of an Australian patent.

In considering the language of the statute and the way in which the jurisdiction has been granted and is determined, there may be a question whether a court is called upon to exercise that jurisdiction independently or whether it is acceptable to enforce the judgment of the court of another State. There may be public policy reasons for not enforcing a foreign court’s judgment. In a contractual dispute, if damages for breach of contract depend upon the validity or invalidity of an IP right, it would be an interesting question whether the contract would be enforced. Under the HCCH Choice of Court Convention (which may not be applicable unless it has been ratified or acceded to in the relevant jurisdiction), the Convention continues to apply to the main claim (such as the payment of royalties), but the ruling on validity will not be recognized or enforced.

Further complexities may arise if the IP right exists in one State but not the other and the judgment purports to have effect beyond the State of origin, for example a worldwide injunction for infringement of an IP right where no such right has been granted in the requested State, or enforcement of a judgment deemed to conflict with basic rights such as privacy or free speech. These questions may import public policy considerations, for example if a class of patents has been excluded by statute in the requested State, leading to a refusal of enforcement.

3. International and regional instruments

Chapter II of this Guide refers to multilateral instruments dealing with the recognition and enforcement of foreign judgments.

Regional recognition and enforcement treaties reflect an advanced level of cooperation and mutual trust among the jurisdictions of a particular region.

For courts of EU Member States, a presumption exists that judgments of the courts of other Member States are in order, as specifically articulated regarding civil and commercial matters in Chapter III of the Brussels Ia Regulation. Under this Regulation, recognition and enforcement shall be denied only if one of the grounds for refusal set out in the Regulation is met. These refusal grounds are limited but mandatory: recognition and enforcement is manifestly contrary to public policy (*ordre public*) in the Member State addressed; or the defaulting defendant was not duly served when the proceedings were instituted; or there are irreconcilable judgments submitted to the court for recognition or enforcement.

Similarly, the Minsk Convention, the Montevideo Convention, the Las Leñas Protocol, the Inter-American Convention on the Extraterritorial Validity of Foreign Judgments and Arbitral Awards, the Arab League Judgments Convention and the Riyadh Convention also provide conditions for the recognition and enforcement of foreign judgments in another Contracting State and the grounds for refusal.

At the international level, there is a newly-adopted international treaty dealing with the recognition and enforcement of foreign judgments: the Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (the HCCH Judgments Convention), developed under the auspices of the HCCH. The Convention explicitly excludes IP related judgments (Article 2(1)(m)) from its scope: for example, judgments on validity and registration of registered intellectual

property rights, subsistence of copyright or related rights, or infringements of these rights will not circulate under the Convention. Regarding contracts relating to intellectual property rights, if judgments are based on general contract law and only indirectly concern intellectual property matters, such judgments can circulate under the Convention, for example, a judgment on a distribution or license contract which rules on the determination of royalties due or on the breach of the obligation to pay these royalties.

VI. Issues relating to administrative or judicial cooperation

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

This chapter provides an overview of how such mechanisms operate and gives examples of some States' current practices.

A. Collecting evidence abroad

Evidence is crucial to success in any civil or commercial dispute, including those in relation to IP. The difficulties in identifying and collecting the evidence that is necessary to prove a claim can be magnified in cross-border IP disputes if, for instance, key evidence is located outside the jurisdiction in which the proceedings are held.

The HCCH Evidence Convention

The HCCH Convention of 18 March 1970 on the Taking of Evidence Abroad in Civil or Commercial Matters (the HCCH Evidence Convention) was concluded to establish methods of cooperation for taking evidence abroad in civil or commercial matters. Conscious that legal systems around the world vary as regards taking evidence, the Convention provides effective means to facilitate the cross-border transmission of requests to obtain evidence.

Under the framework of the Convention, evidence can be taken (i) by means of Letters of Request, and (ii) by diplomatic or consular agents and commissioners.

According to Chapter I of the Convention, a judicial authority of one Contracting Party (the requesting State) may request, by means of a Letter of Request, a Competent Authority of another Contracting Party (the requested State) to obtain evidence which is intended for use in judicial proceedings in the requesting State. The judicial authority of the requesting State transmits the Letter of Request to the Central Authority of the requested State. The latter then forwards the Letter of Request to the authority competent for execution. The law of the requested State applies to the execution of the Letter of Request.

Chapter II of the Convention allows diplomatic or consular agents and commissioners to take evidence, subject to the relevant permission, where necessary, of the appropriate authority of the State in which the evidence is to be taken, and provided that the relevant State has not objected in whole or in part to Chapter II. The agent or commissioner may take evidence, insofar as the proposed actions are compatible with the law of the State of execution, and he or she may also have power to administer an oath or take an affirmation. The taking of evidence shall as a rule be performed in accordance with the law of the court before which the action is initiated, unless the manner in which the evidence is sought to be taken is incompatible with the law of the State of execution.

The application of the Convention is often discussed in connection with pre-trial discovery of documents – a procedure known to certain common law countries which allows for requests for evidence to be submitted after the filing of a claim but before the final hearing on the merits. The Convention does not prohibit Contracting Parties from submitting a qualified exclusion in order to ensure that a request for pre-trial discovery of documents is sufficiently substantiated so as to avoid requests whereby a party is merely seeking to find out what documents might be in the possession of the other party to the proceedings.

Contracting Parties are divided as to whether or not the Convention is mandatory. Nevertheless, the Convention greatly facilitates taking evidence abroad, streamlines the procedures and significantly reduces the time taken to obtain evidence. Based on data collected by the HCCH, 55 percent of Letters of Request are executed in under four months.

Figure 9
Procedure under Chapter I of the HCCH Evidence Convention

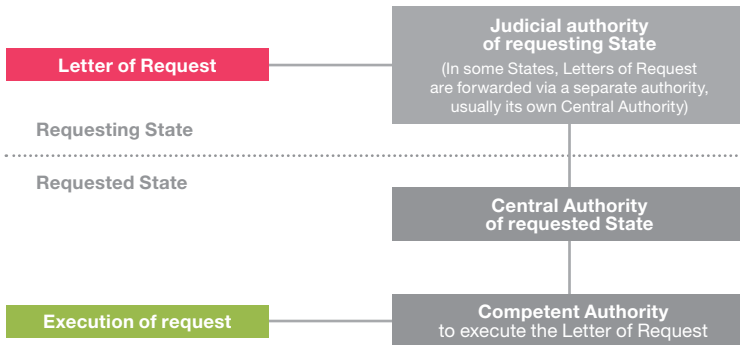


Figure 10
Procedure under Chapter II of the HCCH Evidence Convention
using diplomatic or consular agents

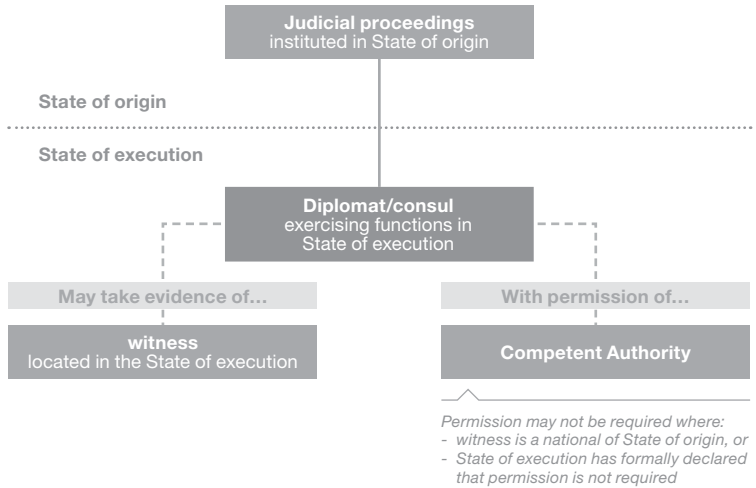
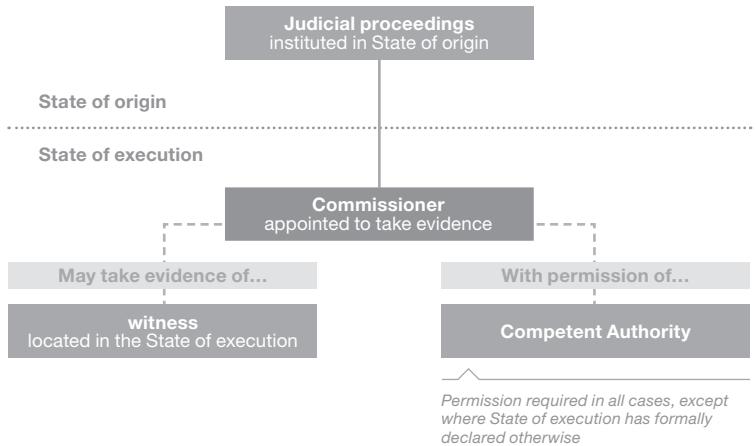


Figure 11
Procedure under Chapter II of the HCCH Evidence Convention
using commissioners



Taking evidence from witnesses located in a foreign State – national practice

Frequently in a cross-border IP dispute, witnesses will be located in a foreign State. The question then arises for the court as to how evidence from those witnesses should be obtained. There are a number of options.

The most straightforward option is for the witness to travel to the location of the hearing. This allows the witness to give evidence in the same way as any other witness in the proceedings. It is usually preferable for a witness to give evidence in person, particularly where the evidence given by that witness will be lengthy or where there are questions as to the credibility of the witness.

However, there may be reasons why it is undesirable or not possible for a witness to travel. For example, in cases where evidence from a witness is anticipated to be very short, the costs of travel may outweigh the benefits of giving evidence in person. A witness may also have medical reasons preventing travel. Other options should then be considered.

Depending on the court rules, parties may need to obtain leave in order to utilize these other options. In making a decision, the court should consider whether justice would be better served by allowing a witness to give evidence using one of the alternative options.

First, a witness may give testimony by way of videoconference or audio link. This can be facilitated through videoconferencing facilities or telephone. Practical matters to consider include (among others):

- compatibility of the equipment;
- the need to test the video/audio link beforehand, to ensure the quality of the link;
- time differences between the court and the location of the witness;
- the need for interpretation services;
- other people present at the location of the witness; and
- the manner of administering the oath or affirmation.

Second, evidence from a witness may be taken in another State, either (a) by commissioning the examination of the witness overseas, either by the judge or by another person appointed as an examiner, or (b) by issuing a Letter of Request to a judicial authority in another State to take the witness's evidence. The costs of each of these procedures should generally be borne by the parties. It may be necessary first to obtain permission for a

foreign judicial officer to administer an oath or affirmation in the foreign State. A number of States do not permit foreign judicial authorities to administer oaths, which means that it may be necessary to use the Letter of Request process established under the HCCH Evidence Convention, as described above.

In **Australia**, a number of evidence statutes provide for the admission of certain foreign documents as evidence in Australian proceedings. For example, section 157 of the **Evidence Act 1995** (Cth) provides for the admission of evidence of a public document that is a judgment or another process of a foreign court, and section 69 provides for the admission of business records. Section 34 of the **Foreign Evidence Act 1994** (Cth) provides for the evidence of records of foreign business authorities.

In addition, IP law may itself include presumptions that apply to foreign documents. For example, the **Copyright Act 1968** (Cth) includes presumptions as to subsistence and ownership of copyright material on the basis of reliance on foreign certificates.

Furthermore, the parties may agree that, with the leave of the court, documents otherwise inadmissible be admitted by consent. These may include, for example, evidence taken in overseas proceedings and documents produced pursuant to production or discovery orders in another country.

In **the EU**, similar, but not identical, provisions are provided in the Evidence Regulation.²⁵

Figure 12
Taking evidence from a witness located in a foreign State



B. Admission of foreign documents

In a cross-border IP dispute, it may be necessary for parties to tender foreign public documents. These may include, for example, foreign judgments or foreign IP registrations.

The HCCH Apostille Convention – abolishing the legalization of public documents

The HCCH Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents (the HCCH Apostille Convention) facilitates the circulation of public documents executed on the territory of one Contracting Party to the Convention and to be produced in any other Contracting Party to the Convention (subject to the objection mechanism). It does so by replacing the cumbersome and often costly formalities of a full legalization process (chain certification) with the mere issuance of an **Apostille**.

Apostilles may only be issued by a Competent Authority designated by the Contracting Party from which the public document emanates. The relevant entity only authenticates the origin of the underlying public document by certifying the authenticity of the signature on the document, the capacity in which the person signing the document has acted and, where appropriate, the identity of the seal or stamp which the document bears. It does not certify the content of the underlying public document.

The Convention applies only to public documents, including “administrative documents” such as the grant of patents or other IP rights.

The Convention does not make explicit reference to documents executed by inter-governmental and supranational organizations, for example the grant of patents by the European Patent Office. The potential application of the Convention to these documents has been discussed by an HCCH working group.

As the HCCH Apostille Convention is designed to abolish legalization and facilitate the use of public documents abroad, it does not create a *requirement* for foreign public documents to be apostilled. This means that an Apostille is not needed where the domestic law of the State of destination has either further simplified or completely eliminated any authentication requirements, or where certain treaties, agreements or other similar instruments eliminate or further simplify such authentication requirements. In the field of intellectual property, this has been achieved by

certain WIPO-administered treaties such as the Singapore Treaty on the Law of Trademarks, the Trademark Law Treaty and the Patent Law Treaty.

Figure 13

Production of public documents abroad without the HCCH Apostille Convention

The traditional legalization chain

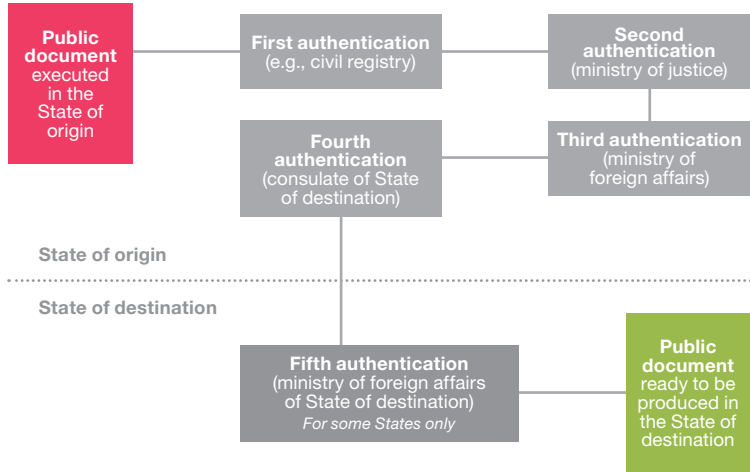
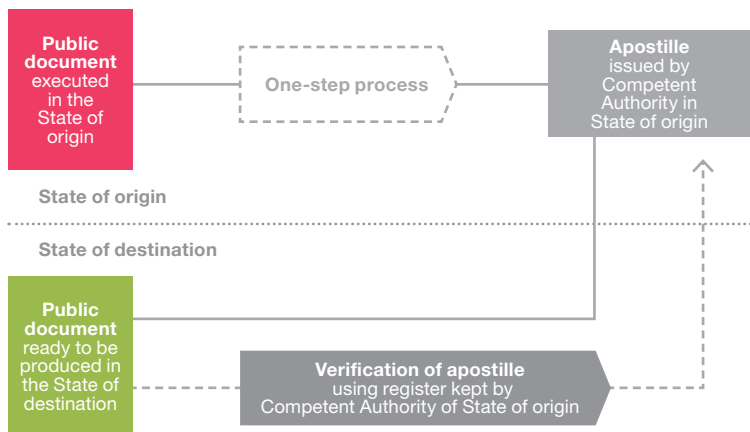


Figure 14

Production of public documents abroad with the HCCH Apostille Convention

Simplified process under the HCCH Apostille Convention



C. Service of documents abroad

Service of judicial and extrajudicial documents on parties located abroad is an important element of cross-border civil or commercial disputes, including IP disputes. It is an essential component of the right of defendants to receive actual and timely notice of suit. In addition to the discussion in part III.C.2 above, which concerned serving defendants in the context of establishing jurisdiction in common law countries, there is an international convention coordinating the service of documents abroad among its Contracting Parties.

The HCCH Service Convention

The HCCH Convention of 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters (the HCCH Service Convention) was concluded to simplify and expedite the procedure for judicial or extrajudicial documents to be transmitted from one Contracting Party to the Convention to another Contracting Party for service in the latter. In practice, the Convention greatly facilitates and streamlines the transmission of documents for service abroad, and significantly reduces the time needed to complete service of process abroad.

For the Convention to apply, the following requirements must be met: (i) a document is to be transmitted among Contracting Parties to the Convention for service (the law of the forum State determines whether or not a document has to be transmitted abroad for service – the Convention is of *non-mandatory but exclusive* application); (ii) an address for the person to be served is known; (iii) the document to be served is a judicial or extrajudicial document; and (iv) the document to be served relates to a civil or commercial matter. If all these requirements are met, the transmission channels provided under the Convention must be applied exclusively, except in the case of a derogatory channel.

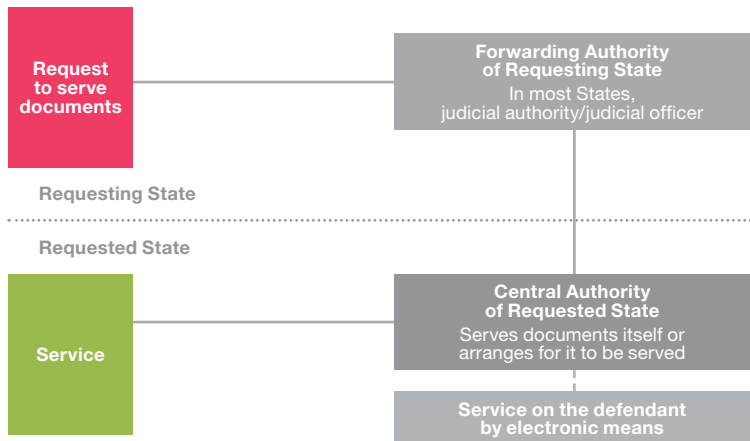
The Convention provides for **one main channel** of transmission and **several alternative channels**. Under the main channel of transmission, the authority or judicial officer competent under the law of the requesting State (the State where the document to be served originates) transmits the document to be served to the Central Authority of the requested State (the State where the service is to occur). The Central Authority of the requested State will execute the request for service or cause it to be executed either (i) by informal delivery to the addressee, who accepts it voluntarily, or (ii) by a method provided for under the law of the requested State or (iii) by a

particular method requested by the applicant, unless it is incompatible with the law of the requested State.

The alternative channels of transmission are: consular or diplomatic channels (direct and indirect); postal channels; direct communication between judicial officers, officials or other competent persons of the State of origin and the State of destination; and direct communication between an interested party and judicial officers, officials or other competent persons. The Convention entitles a State to object to the use of some of these alternative channels of transmission.

The Convention acknowledges the strong connection between proper notice and the defendant's appearance. To this end, two key provisions protect the defendant prior to the rendering of a judgment by default (Article 15) and *after* a judgment by default is rendered (Article 16).

Figure 15
The main channel of transmission under the HCCH Service Convention



An example of national practice

In Australia, for example, under Division 10.4 of the Federal Court Rules, a person in a foreign jurisdiction has only been validly served if:

- (a) the proceeding is one of the kinds listed in a table in Rule 10.42 (a list of types of proceedings with factors connecting the proceeding to Australia);

- (b) the court has granted the party leave to serve the person – an application for leave requires the party to establish a *prima facie* case for relief; and
- (c) the originating application is served either:
 - (i) in accordance with a convention, the law of a foreign country, or the HCCH Service Convention (Rule 10.43(2)); or
 - (ii) if it was not practicable to serve the document in accordance with (i) and if the document has been brought to the person's attention, the court may deem the document as served (Rule 10.48); or
 - (iii) if service was not successful on the person in accordance with (i), the court may order that another method be used (Rule 10.49).

Defendants may then submit to the jurisdiction of the court or may challenge it.

Australia has signed a treaty with New Zealand which provides an exception to the above process. It has the effect that a person in New Zealand is served in the same way as a person in Australia – leave is not required.

In the EU, service in the Member States of judicial and extrajudicial documents in civil or commercial matters is governed by the Service Regulation.

D. Cooperation and coordination among courts

How to address parallel international proceedings arising out of the same dispute has always been a controversial topic in private international litigation. Common law and civil law jurisdictions tend to deal with the issue of international parallel proceedings in different ways – either through the deployment of **anti-suit injunctions** to restrain the pursuit of foreign proceedings or through the application of the *lis alibi pendens* doctrine to suspend or dismiss current proceedings.

It is generally recognized that the control of international parallel proceedings serves the following commonly identified purposes: acting as a preemptive corollary of the *res judicata* effect of foreign judgments; promoting judicial efficiency; and promoting comity between courts. The importance of regulating parallel proceedings in private international litigation has led to efforts at regional and international levels to harmonize methods of dealing with international parallel proceedings.

1. Anti-suit injunctions

Within common law jurisdictions, a party may apply to the court for an anti-suit injunction to effectively restrain proceedings in a foreign court. The injunction is designed to protect the jurisdiction of the local court and the court's processes, for example in cases where the foreign proceedings may interfere with the pending local proceeding or the foreign proceedings are vexatious and oppressive.

An anti-suit injunction is an extraordinary remedy and the power should be exercised cautiously. While the injunction is issued with the aim of restraining persons who are party to the local proceedings, an anti-suit injunction actually affects the court of another State.

2. *Lis alibi pendens*

Lis alibi pendens is applied mainly by civil law jurisdictions. It requires a court to stay (suspend) or dismiss proceedings if another court has been seized first in proceedings involving the same cause of action between the same parties.

The *lis alibi pendens* doctrine is commonly chosen in international and regional instruments. This means that if parallel proceedings on the same subject matter between the same parties are brought in more than one State, the court first seized has priority, and all other courts should defer to this jurisdiction. However, the **HCCH Choice of Court Convention** deals with this issue differently. Article 6, which addresses non-chosen courts, requires the non-chosen court to decline its jurisdiction in favour of the chosen court, whereas Article 5(2), which addresses the chosen court, specifies that the chosen court is not permitted to decline to exercise jurisdiction on the ground that the dispute should be decided in a court of another State, even if the court of the other State was seized first (*lis alibi pendens*).

The **Brussels Regime** normally requires that any court other than the court first seized shall, of its own motion, stay its proceedings until the jurisdiction of the court first seized is established. This applies to situations where proceedings involving the same cause of action and between the same parties are brought in the courts of different Member States.

The interaction between choice of court agreements and the *lis alibi pendens* rules underwent changes during the revision of the Brussels I Regulation. The Brussels Ia Regulation, which aligns with the mechanism established in the HCCH Choice of Court Convention, gives priority to the chosen court of an EU Member State to decide on its jurisdiction, regardless of whether it is first or second seized, and any courts of other Member States shall decline jurisdiction in favor of the chosen court if that court has established its jurisdiction.

Glossary

Court addressed	The court that is asked to recognize or enforce a judgment
Court of origin	The court that rendered the judgment
<i>De lege ferenda</i>	An expression referring to what the law ought to be or may be in the future
Enforcement (of judgments)	The application of the legal procedures of the court addressed to ensure that a judgment-debtor obeys the judgment given by the court of origin
Exclusive jurisdiction	The power that a court has to adjudicate a case to the exclusion of all other courts
Foreign State/other State	Any State other than the State hearing the case
<i>Forum non conveniens</i>	The discretionary power of a court having jurisdiction to stay or dismiss proceedings if it considers that another court would be a more appropriate forum
<i>Iura novit curia</i>	The principle that the court knows the law. In systems applying this approach the court is presumed to know all laws, even foreign laws
<i>Lis alibi pendens</i>	A legal doctrine that requires a court second seized to stay or dismiss proceedings if an action on the same cause of action is already pending elsewhere
Personal jurisdiction	The power that a court has to adjudicate over the defendant

Recognition (of judgments)	A process by which the court addressed gives effect to the determination of legal rights and obligations made by the court of origin
<i>Renvoi</i>	A process by which the court of one State, in applying foreign law, also applies the conflict of laws rules of that other State, which may in turn lead the court to refer back to and apply its own law
Requested State	<p>In the context of the recognition and enforcement of judgments: the State in which the court addressed is situated</p> <p>In the context of collecting evidence abroad, the requested State is the State in which evidence is requested to be obtained for intended use in judicial proceedings in the requesting State</p>
<i>Res judicata</i>	A legal doctrine that bars re-litigation of the same claims or issues
State of origin	In the context of the recognition and enforcement of judgments: the State in which the court of origin is situated
Subject matter jurisdiction	The power that a court has to hear and determine cases of a particular type or cases relating to a specific subject matter
Territoriality of IP rights	The principle that IP rights do not extend beyond the territory of the sovereign State that granted the rights

Notes

1. For more information on ADR options for IP disputes, see the WIPO Arbitration and Mediation Center: www.wipo.int/amc. See also Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958).
2. For the Commonwealth of Independent States: Convention on Legal Aid and Legal Relations in Civil, Family and Criminal Cases, adopted in Minsk on January 22, 1993.
3. For the Organization of American States: Inter-American Convention on General Rules of Private International Law, adopted on May 8, 1972.
4. For the Southern Common Market (MERCOSUR), the Protocol on Judicial Cooperation and Assistance in Civil, Commercial, Labor and Administrative Matters, adopted in Valle de las Leñas on June 27, 1991.
5. Southern Common Market (MERCOSUR) Protocol of Ouro Preto, concluded on December 17, 1994, in Ouro Preto.
6. Inter-American Convention on the Extraterritorial Validity of Foreign Judgments and Arbitral Awards, entered into force on June 14, 1980.
7. Convention of the Arab League on the Enforcement of Judgments and Arbitral Awards, adopted on September 14, 1952.
8. Riyadh Arab Agreement for Judicial Cooperation, adopted on April 6, 1983.
9. Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast), OJ L 351/1, 20/12/2012, pp.1-32. The Brussels Ia Regulation replaced the Council Regulation (EC) No 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ L 12, 16/01/2001, pp.1-23 (the Brussels I Regulation), which in turn replaced the Convention of September 27, 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (the Brussels Convention). The Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, signed on October 30, 2007, OJ L339, 21/12/2007, p.3 (the 2007 Lugano Convention), which replaced the Convention on jurisdiction and the enforcement of judgments in civil and commercial matters, signed on September 16, 1988 (the 1988 Lugano Convention), applies to the European Union Member States plus Iceland, Norway and Switzerland. As the 2007 Lugano Convention is, in substance, largely similar to the Brussels I Regulation, a collective term “Brussels Regime” is used to include all these instruments.
10. Regulation (EC) No. 593/2008 of the European Parliament and of the Council of June 17, 2008 on the law applicable to contractual obligations, OJ L 177/6, 4/7/2008, pp.6-16.

11. Regulation (EC) No. 864/2007 of the European Parliament and of the Council of July 11, 2007 on the law applicable to non-contractual obligations, OJ L 199/40, 31/7/2007, pp.40-49.
12. Council Directive 93/83/EEC of September 27, 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission.
13. CJEU, July 13, 2006, *Roche v. Primus*, C-539/03, and CJEU, December 1, 2011, *Painer v. Standard VerlagsGmbH*, 2011, C-145/10.
14. Regulation (EC) No. 1393/2007 of the European Parliament and of the Council of November 13, 2007 on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters (service of documents), and repealing Council Regulation (EC) No. 1348/2000.
15. CJEU, January 22, 2015, *Hejduk*, C-441/13.
16. *SOCAN v. Canadian Association of Internet Providers* [2004] 2 SCR 427.
17. CJEU, April 19, 2012, *Wintersteiger*, C-523/10.
18. UKSC, *Lucasfilm Ltd v Ainsworth* [2011] UKSC 39.
19. CJEU, July 13, 2006, *GAT v. Luk*, C-4/03. (However, the CJEU cases, 12 July 2012, *Solvay SA v Honeywell*, C-616/10; 15 November 1983, *Duijnste v Lodewijk Goderbauer*, C-288/82 and 5 October 2017, *Hanssen Beleggingen BV v Tanja Prast-Knipping*, C-341/16 demonstrate the examples of disputes which are not covered by exclusive jurisdiction for proceedings relating to registration or validity.)
20. *Chugai Pharmaceutical v. UCB* [2017] EWCH 1216 (Pat).
21. UNCITRAL Model Law on Secured Transactions, adopted in 2016.
22. Under article 90, the grantor is located: (a) in the State in which it has its place of business (subpara. (a)); (b) if the grantor has more than one place of business, in the State in which the central administration of the grantor is exercised (subpara. (b)); and (c) if the grantor has no place of business, in the State in which the grantor has his habitual residence (subpara (c)).
23. See paras. 284-339 (www.uncitral.org/uncitral/en/uncitral_texts/security/ip-supplement.html). The Supplement, which was adopted by UNCITRAL in 2010, was prepared with the assistance of WIPO, and recommendation 248 and the relevant commentary were prepared with the assistance of the HCCH.
24. CJEU, July 16, 2015, *Diageo Brands BV v. Simiramida*, Case C–681/13; CJEU, May 11, 2000, *Régie nationale des usines Renault SA v. Maxicar SpA and Orazio Formento*, Case C-38/98.
25. Council Regulation (EC) No. 1206/2001 of May 28, 2001 on cooperation between the courts of the Member States in the taking of evidence in civil or commercial matters.

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