

Working Guidelines

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Question Q174

Jurisdiction and applicable law in the case of cross-border infringement

(infringing acts) of intellectual property rights

AIPPI has decided to examine, at the time of the Seoul Executive Committee which will be held on 9 to 17 October 2003, the problem of cross-border IP infringement; meaning counterfeiting or other infringements which may take place concurrently in various countries or which, undertaken in a country where there is no protection of intellectual property rights, may affect the countries in which said IP rights are protected.

This question covers certain aspects of IP litigation which AIPPI has already considered, without however coming to any definitive, generally applicable solutions.

Indeed, Q106 in particular: *“Arbitration of intellectual property disputes between private parties”*, underlined the advantage of arbitration if it is used to settle questions which, although concerning the same subjects or similar subjects, arise in various countries, such as the infringement of the corresponding patents in several countries.

On the other hand, the Resolution on Question Q143: *“Internet domain names, trademarks and trade names”*, adopted at the Rio de Janeiro Congress in 1998 and which deals with the problem of international private law and choice of forum for questions concerning the Internet, affirmed that the fact that a web site is accessible is not a criteria which is sufficient to determine court jurisdiction.

However, in the same Resolution, AIPPI acknowledged that the choice of applicable law is very difficult to make in practice due to the divergences among the national systems for settling conflicts of laws.

AIPPI has therefore not proposed any criteria making it possible to choose between the various applicable laws in the event of infringement of trademarks and trading names on the Internet.

In the Resolution on Question Q164, "*The use of trademarks and other signs on the Internet*", AIPPI underlined the requirement that there be a commercial effect in a country to give the courts of that country territorial jurisdiction for disputes concerning the infringement of intellectual property rights on the Internet.

Finally, at the Melbourne Congress of 2001, AIPPI adopted the Resolution proposed by the Special Committee in charge of the work of the Hague Conference on private international law, calling for the Hague Conference to provide a special protocol on intellectual property which would be appended to the draft Convention at a later date.

In the same Resolution, AIPPI recommended that the Hague Conference exclude the intellectual property field from the material scope of the draft convention and delete points 4, 5 and 6 of Article 12 of the draft which attributed jurisdiction in intellectual property disputes, particularly for infringement problems, to the Courts of the country of the defendant, while granting them unlimited jurisdiction to judge all of the aspects of such a dispute, which would lead to allowing the Courts of different countries being able to decide, in particular, on the question of validity of intellectual property rights delivered by other States.

However, these positions merely express a standpoint in principle which underlines the difficulty of the question.

Currently only regional arrangements, which have led to the creation of rights such as the Community Trademark and the Community Plant Variety Certificate, govern the question of disputes for infringement of these rights which is committed in parallel in various countries.

And they are justified by the existence of a single right which is protected throughout the territories of countries which are members of the European Union.

Moreover, in such a system the court which is seized of infringement proceedings is also competent to judge on the validity of the rights raised.

However, the existing systems for the Community Trademark and Community Plant Variety Rights are quite exceptional.

Yet the question of cross-border infringement is of great practical importance.

Indeed, it is often the case that acts of infringement take place simultaneously in several countries.

The holders of the intellectual property rights encounter substantial difficulties in acting effectively to cause such acts to cease and to obtain compensation for their loss.

This is particularly true for trademark infringement and the infringement of copyright on the Internet.

However, the phenomenon concerns all intellectual property rights including patents.

Similarly, where the infringement is partially committed in one country, but has direct commercial effects in another country, the holder of the rights may be obliged to bring proceedings in each country, forcing him to bear additional costs.

It should nevertheless be recalled that various international legal systems propose practical solutions to these difficulties for the countries which subscribe to them, without necessarily centralising proceedings with the creation of a single international jurisdiction.

Since there are mechanisms such as the stay or declining of jurisdiction for *lis pendens* or related actions, and also the stay of proceedings for the proper administration of justice, provided for in international conventions (see in particular the Brussels Convention of 1968), and also as they arise through case-law.

Indeed, there are disputes in which the courts of one country have stayed proceedings in patent infringement proceedings while awaiting the result of infringement proceedings before the courts of another country, without any international convention.

And it must also be recalled that the intellectual property right holder's choice between the courts of various countries allows him to go "forum shopping", meaning that he can choose one or more jurisdictions which, in his opinion, will be more efficient in terms of costs and delays to judge the dispute.

Another solution which makes it possible to remedy some of the practical difficulties (multiplication of proceedings, high cost and risk of contradictory decisions) consists in having recourse to Alternative Dispute Resolution, which is particularly used in the United States.

However, ADR, such as arbitration, requires an agreement in order for such proceedings to be brought or for an Arbitration Tribunal to be created.

In general, though, the infringing party has no interest in facilitating the infringement proceedings being prepared against him by the holder of the intellectual property rights, by signing such an arbitration agreement.

It should also be added that in a great majority of countries, the infringements of the various intellectual property rights are also crimes, in conformity with the TRIPS Agreement.

And it should be recalled that AIPPI, in its Resolution Q169 adopted at the time of the Lisbon Executive Committee, recognised the benefit that criminal sanctions could have for the protection of all intellectual property rights.

The subject is therefore very complex and has numerous aspects.

These are the main factors which mean that it is difficult to build a system organising proceedings against cross-border infringement at an international level.

Nevertheless, due to the real need for the organisation of proceedings in cases of cross-border infringement, AIPPI has decided to submit this question for examination by the 2003 Executive Committee.

The purpose of this Questionnaire is, on the one hand, to find out what solutions for the choice of applicable law and choice of forum currently apply in different countries.

On the other hand, it is a question of looking for potential practical solutions, taking inspiration from domestic experience, which may effectively settle the difficulties arising in the organisation of proceedings for cross-border infringement and which might give rise to an international consensus.

It should also be specified that the purpose of this question is to be distinguished from Question Q165 which concerns the optional litigation protocol to the Munich Convention and which attempts to govern the particular problem of the exercise of proceedings for infringement of the European patent.

I. The state of applicable law:

The Groups are requested to present the situation of applicable law in their country (statutory law and case-law) concerning the organisation of court proceedings dealing with cross-border intellectual property infringement.

In particular, the Groups are invited to respond to the following questions:

- I.1.1 Do the domestic Courts assume jurisdiction to decide on infringements of intellectual property rights which are committed abroad?
- I.1.2 If the Courts assume jurisdiction to decide on intellectual property infringements committed abroad, what are the criteria which allow jurisdiction to be attributed to

the Courts of the country (e.g.: nationality of one of the parties, concomitant existence of IP infringements in the country of the Court, domicile of the defendant, etc.)?

(When responding to this question, the Groups are invited to take into consideration the variety of infringing acts, particularly in the field of patents.)

- I.1.3 Is this assumption of international jurisdiction specific to the civil law courts, or does it also apply to the criminal law courts?
- I.2.1 If the domestic Courts may assume jurisdiction to judge IP infringements committed in another country (cross-border infringements), what are the sanctions imposed by the domestic Courts?
- I.2.2 Can the domestic Courts only award compensation for loss (damages) or do they also assume jurisdiction to impose injunction with effects abroad?
- I.2.3 Is there a difference between final sanctions and provisional sanctions from the point of view of international territorial jurisdiction?
- I.3.1 Which law is applied by a court, which assumes jurisdiction to judge IP infringements committed in another country?
- I.3.2 Is it the law of the forum, or is it the law of the country in which the infringement has been committed?
- I.3.3 What is the scope of the foreign law: defining infringing acts, proof of infringement or sanctions for infringement?
- I.3.4 What is the role of the parties in determining the content of the foreign law: does the burden of proof of the content of this law lie with the parties or is it for the Court, ex officio, to seek the content of the foreign law?
- I.3.5 Does the international public order exception, which allows some countries to exclude the application of foreign law, apply for the infringement of intellectual property rights?
- I.4.1 What are the conditions for the enforcement of a foreign judgement against an infringing party for IP infringement committed in another country?
- I.4.2 Are there specific procedures?

- I.4.3 What are the practical difficulties, which complicate the enforcement of foreign court decisions in intellectual property infringement matters?
- I.5.1 Are there rules governing lis pendens and related actions for cases where infringement proceedings are pending in parallel before the courts of different countries?
- I.5.2 Do the rules on lis pendens and related actions require the court to decline jurisdiction in favour of another court, or do they merely allow it to stay proceedings while awaiting the result of the pending dispute in another country?

In order to reply to the above questions, where there is no case-law in the country the Groups are invited to respond by proceeding with an interpretation of the existing statutory rules in the country which, in their opinion, should apply to resolve this type of difficulty.

II. Proposals for the future:

On the basis of the experience the Groups may have in the question of conducting proceedings and sanctions for cross-border acts of infringement, the Groups are invited to formulate proposed solutions which may constitute a basis in the search for a world-wide harmonised solution.

It should be recalled here that harmonisation does not necessarily mean centralisation but this target may be obtained through the coordination of proceedings which are pending before the courts of various countries.

In particular, the Groups are invited to reply to the following questions:

- II.1.1 Do the Groups think that it is possible and desirable to seek a harmonised system for cross-border litigation, while intellectual property rights are currently, in the majority of cases, solely of national scope?
- II.1.2 Do the Groups think that such a harmonised system requires the existence of intellectual property rights which have the same effect in various countries (e.g. at least a regional right)?
 - II.2.1 If the Groups consider that it is desirable to seek a harmonised system of litigation in cases of cross-border infringement, it would thus be necessary to organise such litigation.
- II.2.2 What should be the preferred criteria for choice of forum?

(When responding to this question, the Groups are invited to take into consideration the variety of infringing acts, particularly in the field of patents.)

- II.2.3 What then should be the applicable law to organise the infringement proceedings?
- II.2.4 What extent would the power of the judge have: merely assessing the infringement, or also assessing the validity of the foreign right with the possibility of invalidating it?
- II.3.1 What is the applicable law for judging infringement and sanctions applicable to it?
 - II.3.2 And what scope should the application of this law have (defining infringing acts, proof of infringement or sanctions for infringement)?
 - II.4.1 Should the rules on lis pendens and related actions apply in the event of infringement proceedings, which are pending before the courts of the various countries?
 - II.4.2 Should it be provided that it is mandatory for courts to decline jurisdiction in favour of the court first seized of the case, or should there be a rule for a stay of proceedings?
 - II.5.1 Should there be provisions for the automatic enforcement of court decisions which are made in such a system or should these decisions always be the object of a procedure for exequatur as normally used to give effect to foreign judgements?
 - II.6.1 What is the scope of sanctions which may be imposed by a Court deciding on infringement committed in various countries: can the Court be empowered to judge on the validity of intellectual property rights existing in each of these countries?
 - II.6.2 Can the Court impose measures of prohibition applicable wherever this right is valid?
 - II.6.3 Could the Court order the infringing party to compensate for loss suffered in all countries?
 - II.7.1 Should the search for a system, making it possible to organise the progress of proceedings against cross-border acts of infringement, pass through the conclusion of a multilateral agreement or is it necessary, according to the Groups, to favour bilateral or regional solutions.

II.8.1 The Groups are invited to formulate all other observations on this question, based in particular on their national experience.

Note: It will be helpful and appreciated if the Groups follow the order of the questions in their Reports and cite the questions and numbers for each answer.