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– December 2017 –

(final English version with linguistic adaptations following the translation into French)

This paper expresses the preliminary views of the EU delegation and may not in any circumstances be regarded as stating an official position of the EU. It has been drafted for the sole purpose of facilitating the discussion on the possible application of the Hague Judgments Convention to intellectual property rights.

I. Introduction

1. Under the auspices of the Hague Conference on Private International Law, there are currently negotiations ongoing with a view to elaborating a Convention on the recognition and enforcement of judgments in civil and commercial matters (the Judgments Convention or Judgments Project). After some preparatory work carried out by a working group, two meetings of a Special Commission were held in June 2016 and February 2017 which produced a draft text. The purpose of this paper is to facilitate future discussions by illustrating how the provisions of the preliminary draft Judgments Convention will work with regard to intellectual property (IP) rights. Several IP-specific provisions of the draft Convention (Article 2(1)(l), Article 5(1)(k), (l) and (m), Article 6(a), Article 7(1)(g) and Article 12¹) were placed in square brackets at the end of the February 2017 Special Commission.
2. This is due to the fact that during that meeting, a few delegations proposed the following, respectively:
 - to exclude intellectual property altogether from the scope of the Convention (Article 2(1)(l)), or
 - to include only copyright and related rights and trademarks (both registered and unregistered) (Article 2(1)(l)), or
 - to include only licensing litigation (thus excluding litigation on validity and infringement), or
 - to *enforce* only money judgments with regard to intellectual property (thus excluding injunctive relief, while validity judgments could still be *recognised* under the Convention) (Article 12).
3. As it was felt that further intersessional consultation with IP experts was required before the next meeting of the Special Commission which is planned for November 2017, the Special Commission decided to proceed on the basis that those provisions of the February 2017 draft Convention should be included in the text in square brackets to identify the key parameters for future discussions. Further sets of square brackets within these bracketed parts of the text

¹ For some reason not known, no square brackets were placed around Article 8 or at least the parts of it which are specific to IP-related judgments (para. 3).

indicate specific issues on which there was no consensus yet, in case IP judgments are included within the scope of the Convention.

4. The EU is in favour of retaining IP within the scope of the Convention. IP rights are an important economic factor, and a secure legal framework for cross-border cases is of the essence. Even though the IP rights as such are territorial (which will in no way be changed or affected by the future Hague Convention), there are many cross-border situations which might require the recognition or enforcement of an IP-related judgment in another country, as will be demonstrated by examples in part III. below. This paper is written in particular with a view to explaining the envisaged operation of the preliminary draft Convention in general, and its impact on IP litigation and hence on the enforcement of IP rights. Further valuable IP-specific background can be found in the comments on an earlier version of the preliminary draft Convention which were submitted by the WIPO Secretariat in Working Document No 77.
5. It should be noted that, while the articles of the preliminary draft Hague Convention which were listed above in the introductory paragraph explicitly mention IP rights, all its other rules in principle also apply to IP-related judgments, unless a certain rule explicitly states that it does not do so or that it trumps the general rules of the Judgments Convention (like Article 6(a) and Article 8(3) do, for example).

II. General overview: The operation of the draft Convention

6. At the outset, it will be explained how the provisions of the preliminary draft Convention will operate in general. Subsequently, some specifically IP-related rules will be examined in more detail, assisted by examples. The future Hague Judgments Convention is a private international law instrument in civil and commercial matters. Among the three areas of private international law, however, it only covers one aspect, namely the recognition and enforcement of foreign judgments (Article 1(2)).² This means that States joining the Convention would remain free to establish and apply their own rules – in their internal law or in other bilateral or multilateral instruments including regional ones – with regard to jurisdiction to adjudicate disputes in civil and commercial matters (including IP issues), i.e. determining which State's courts are competent to deal with a particular case, including cases having factual connections to more than one State, and with regard to the law to be applied to those cases.

Example: An example from the IP world would be a situation where a right-owner lives in State A and owns an intellectual property right (e.g. a registered trademark) which enjoys protection under the law of State B. The right-owner now wants to sue the defendant who lives in State C for damages because of an alleged infringement of this trademark which occurred on the territory of State B. Regardless of whether the plaintiff sues the defendant in State A, B or C, it would not be for the Judgments Convention to regulate whether the national courts of any of these States would have international

² The two other areas of private international law in the larger sense (sometimes also referred to as international private law in English) are jurisdiction to adjudicate (i.e. rules determining the courts of which State are competent to decide a particular private law case which has connections to several States), and the determination of the law applicable to the object of the dispute (sometimes also referred to as private international law in the narrow sense, or as conflict of laws).

jurisdiction. This question would be decided by the internal law of, or any regional or international instrument in force in, the State of the court seised. Likewise, it would be for the court seised to decide either under its own internal law or, where applicable, under any bilateral or multilateral instrument in force in that State, which substantive law is applicable to the infringement case.³ And as long as the resulting judgment is enforced only in the State where it was given, the Judgments Convention would not come into play. However, as soon as a question of cross-border recognition or enforcement would arise, the Judgments Convention would become operational.

1. The basic rule in Article 4 and the "jurisdictional filters" in Article 5

a) Bases for the recognition and enforcement of IP-related judgments in general

7. If IP related judgments are included in the scope of the Convention,⁴ where both States concerned are Parties to the future Judgments Convention, the plaintiff can apply for recognition or enforcement under the Convention.⁵ According to Article 4, a judgment given by a court of a Contracting State (State of origin) shall be recognised and enforced in another Contracting State (requested State) in accordance with the provisions of Chapter II. Recognition or enforcement may be refused only on the grounds specified in the Judgments Convention (notably, Article 7 as described below).
8. Article 5 (Bases for recognition and enforcement) of the preliminary draft Convention is the core provision to be applied by the courts of the requested State when faced with an application for the recognition or enforcement of a judgment in civil or commercial matters given in another Contracting State. If the State where the judgment was given (the "State of origin") based its jurisdiction on one of the bases mentioned in Article 5, the judgment will be entitled to recognition or enforcement under the Judgments Convention. All bases for recognition and enforcement (or "jurisdictional filters", as they are commonly referred to) mentioned in Article 5 can potentially be used also for IP-related judgments.⁶ Moreover, points (k), (l) and (m) contain alternative bases for recognition and enforcement which are specifically tailored for certain IP-related judgments. The most common situations would be the following:

³ Generally speaking, the prevailing conflict-of-laws rule in the area of IP states that in infringement cases, the law of the State for which protection is claimed (*lex loci protectionis*) will apply. In the example above this would mean that the courts of States A, B and C are all likely to apply the law of State B to the infringement claim, provided that States A and C would assume jurisdiction under their internal law.

⁴ And thus the exclusion of IP-related judgments from the scope of the Convention, as currently included in Article 2(1)(l) of the draft Convention, is not adopted.

⁵ The Convention also allows recognition and enforcement of a foreign judgment under internal law even in relations between Contracting States, provided that the exclusive bases of jurisdiction set out in Article 6 have been respected (Article 17).

⁶ But see also Article 7(1)(g) and the discussion under No 3 below. The habitual residence of the defendant (Article 5(1)(a)), the principal place of business of a natural person (Article 5(1)(b)) or the branch jurisdiction (Article 5(1)(d)) are examples of filters which might be useful also for IP litigation. These filters might be interesting for consolidating litigation in one forum.

- **any judgment ruling on an IP matter** (except for those violating Article 6(a)) would be entitled to recognition or enforcement pursuant to Article 5(1)(a) if it was given by a court in the State of the defendant's habitual residence;
- **a judgment ruling on a contractual IP matter** (e.g. license) would be entitled to recognition or enforcement pursuant to Article 5(1)(g) if it was given by a court in the State in which performance of the contractual obligation in question took place or should have taken place in accordance with the parties' agreement or the law applicable to the contract, in the absence of an agreed place of performance, unless the defendant's activities in relation to the transaction clearly did not constitute a purposeful and substantial connection to that State;
- **a judgment ruling on the infringement of a patent, trademark, industrial design, plant breeder's right or similar right required to be granted or registered**⁷ would be entitled to recognition or enforcement pursuant to Article 5(1)(k) if it was given by a court in the State in which the grant or registration of the right concerned has taken place;⁸
- **a judgment ruling on the infringement of, inter alia, copyright or related rights** would be entitled to recognition or enforcement pursuant to Article 5(1)(m) if it was given by a court in the State under the law of which the territorial IP right (allegedly) exists ("the right is governed by the law of the State of origin").

Example: If in the example above, the right-owner (living in State A) sues the alleged infringer in State B (the State where the trademark is registered), a judgment awarding damages could be recognised and enforced in State C (where the infringer lives and has his assets) under Article 5(1)(k). If the plaintiff were to sue the defendant at the habitual residence of the defendant in State C and it later turns out that the defendant owns more assets in State A where the plaintiff lives, the plaintiff could have the judgment given in State C recognised and enforced in State A under Article 5(1)(a).⁹

b) IP infringement in the online environment

9. In today's online world, the infringement of IP rights through the Internet has become frequent. Indeed, because of the territoriality of IP rights, a certain trademark or design may be owned by person A for the territory of State X, and by person B for the territory of State Y. However, both may wish to use the trademark on their respective websites which are accessible from around the world. A might claim that B is infringing his trademark protected in State X, on the alleged ground that B's website, using the trademark owned by B for State Y, can also be accessed from State X.

⁷ Where these rights also exist in an unregistered form (as is the case for trademarks and industrial designs), point (k) will not apply to judgments relating to these unregistered rights. Depending on the wording eventually adopted for point (m), judgments relating to the infringement of some or all of these rights not required to be registered may be covered by the filter in point (m) – or by the filters mentioned in footnote 6. See also below under II. 8.

⁸ There are further nuances to this rule which will be discussed below under Article 6 ("deemed to").

⁹ However, if the invalidity of the trademark was raised as a defence, Article 8 would apply. Its application is illustrated below with an example.

10. The enforcement of IP rights in case of alleged IP infringements committed in the online environment therefore requires some adaptation to the traditional territoriality principle due to the ubiquity of the Internet in order to protect defendants (alleged infringers) from being haled into court in a State where allegedly the injury arose in situations where this could not be foreseen by them.
11. For this reason, both points (k) and (m), which deal with the infringement of IP rights, contain some words in square brackets at the end: [, unless the defendant has not acted in that State to initiate or further the infringement, or their activity cannot reasonably be seen as having been targeted at that State].
12. The proposal in square brackets reflects a solution which has been suggested in soft law elaborated by several international expert groups from around the world, inter alia in the so-called CLIP Principles¹⁰ and § 204(2) of the ALI Principles¹¹. As explained by Annette Kur, a member of the CLIP Group, the proposed CLIP provision:
- "ensures that a person is not amenable to proceedings in a State where the alleged infringement occurs by way of "overspill", for instance if a trademark is displayed on the Internet and can thus be seen world-wide, without the message having been sent from, or being directed to, another State or States where the same or a similar mark exists. The rule is inspired by the WIPO Recommendation on the Protection of Trademarks, and Other Industrial Property Rights in Signs, on the Internet. Similar rules are also contained in the proposals made in the other projects."²⁵

²⁵ See § 204 of the ALI principles and Article 203 of the Waseda Global COE proposal."¹²

¹⁰ Principles on Conflict of Laws in Intellectual Property, elaborated by the European Max-Planck-Group on Conflict of Laws in Intellectual Property (CLIP), 1 December 2011, Principle 2:202 - Infringement:

In disputes concerned with infringement of an intellectual property right, a person may be sued in the courts of the State where the alleged infringement occurs or may occur, unless the alleged infringer has not acted in that State to initiate or further the infringement and her/his activity cannot reasonably be seen as having been directed to that State.

¹¹ Intellectual Property: Principles governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes, elaborated by the American Law Institute, 2008:

§ 204. Infringement Activity by a Defendant Not Resident in the Forum

- (1) A person may be sued in any State in which that person has substantially acted, or taken substantial preparatory acts, to initiate or to further an alleged infringement. The court's jurisdiction extends to claims respecting all injuries arising out of the conduct within the State that initiates or furthers the alleged infringement, wherever the injuries occur.
- (2) A person may be sued in any State in which that person's activities give rise to an infringement claim, if that person directed those activities to that State. The court's jurisdiction extends to claims respecting injuries occurring in that State. (...)

¹² Article 203 - Infringement

- (1) In case of infringement of an intellectual property right, a person may be sued in the courts of any state where the alleged infringement occurs. Provided that the injuries thereof occur in multiple states, regardless of the sequence of those injuries, the person whose infringement activities give rise to those injuries may be sued in the courts of the state in which the major part of his or her activities that initiate the alleged infringement. The court's international judicial jurisdiction extends to claims with respect to all the injuries arising out of that activity or those activities within the state that initiates the alleged infringement, wherever the injuries occur.

13. Applied to the example above, this would have the following effect:

Example: If the defendant B only uses his trademark which was registered for State Y on his website operated from there, the website is in a language which is not spoken in State X for which the plaintiff A owns an identical trademark, and the defendant B does not sell his products to customers in State X, and the phone number indicated on B's website is not given with an international code, a judgment given against him in State X for the infringement of the plaintiff's trademark would not be entitled to recognition in State Y under Article 5(1)(k) if the words in square brackets were included. Without those words, the judgment would be entitled to recognition. In both cases it would be for the substantive law of State X to actually decide whether the defendant's actions did infringe the plaintiff's trademark protected in State X.

c) Consolidation of infringement litigation in multi-State cases

14. The reach of jurisdiction (like the existence of jurisdiction) is determined by the internal law of the forum, not by the Judgments Convention. For IP infringements, traditional bases of jurisdiction are the place where the injury arose and the place where the act was committed. Because of the territoriality principle, they will often coincide, but not necessarily in infringement situations in the online environment. In the traditional "old-world" cases, it was clear that an IP right which is territorial by nature can only be infringed (i.e. the injury can only occur) in the State for which protection is claimed and in which this right was granted or registered. Similarly, an act alleged to infringe this right was legally irrelevant as long as the act and its consequences remained out of the State for which protection is claimed and in which this right was granted or registered. E.g., if Y produces sneakers in State D and puts a logo on them which equals the logo which is protected by X's trademark in States A, B and C, this does not infringe X's trademark as long as the sneakers do not enter into the territory of State A, B or C. And once they do, it would be this act which makes them "cross the border" which would be considered the relevant act causing the harm, and it would also have been committed in the territory of State A, B or C, respectively.
15. In the digital world, however, things are no longer as simple as that because if Y uses the logo on his website where his sneakers can be ordered, this website can also be accessed by potential buyers in States A, B and C where the logo is protected as a trademark owned by X. Whether Y's use of the trademark does actually constitute an infringement of X's trademark registered in State A, B or C continues to be governed by the law of State A, B or C, but the example shows that X could have an interest in consolidating his litigation against Y in one single forum in order to save time and money. While national jurisdiction grounds may allow for various types of consolidation, the Convention recognises only the consolidation done before the courts of the Contracting State where the defendant has his or her habitual residence (Article 5(1)(a)), and under certain conditions also where he or she has a principal place of business or branch (Article 5(1)(b) and (d)). Only a judgment of the courts of those

(2) Where an alleged infringement of an intellectual property right is directed against a particular state, the court of that state may have international judicial jurisdiction over only those claims with respect to injuries occurring in that state.

States ruling on an infringement occurring in several States and applying the laws of each of those States involved would be entitled to recognition or enforcement under the Convention (combined reading of Article 5(1)(a), (b) and (d) and Article 7(1)(g)).¹³

d) The safeguard of the governing law in case of unregistered IP rights

16. With regard to unregistered IP rights, national grounds of international jurisdiction usually allow the courts to adjudicate on infringements of such rights governed by the law of another country, applying the law of that other country to the dispute. In the light of the absence, in the Convention, of agreed rules on direct jurisdiction and in the absence of agreed conflict of laws rules, the national courts remain free to exercise the jurisdiction granted to them by their internal law and apply the law designated by the conflict rules of their national law. This does not ensure that the court's jurisdiction is based on a close connection between the dispute and the State of the court seised nor does it ensure that the court will have applied the "proper" law. In order to ensure that only judgments given on the basis of a "good" connecting factor and applying the law governing the IP right circulate under the Judgments Convention, Article 5(1)(m) requires that the judgment is given by a court of the State whose law governs the right in question.

17. Similarly, Article 5(1)(l) contains a specific alternative filter for judgments ruling on the ownership or subsistence of copyright or related rights¹⁴. In the context of litigation on IP rights not required to be granted or registered, the question is often whether the right exists,¹⁵ what it covers and who is the owner. And while here, several jurisdictions today also adjudicate on these questions with regard to an unregistered IP right governed by the law of another country, and would apply the law of that country to the dispute, under point (l) judgments on the ownership or subsistence of such rights will be recognised only if the right is governed by the law of the State of origin of the judgment, i.e. if the State where the judgment was issued is also the State under the law of which protection is claimed. As a result, the ownership and subsistence of copyright or related rights (and possibly other IP rights not required to be registered) is treated in a similar way as the validity of IP rights required to be registered. The main difference between the protection in Article 5(1)(l) on the one hand and Article 6(a) and Article 8 on the other hand is that the first is not subject to exclusive jurisdiction whereas the others are. Consequently, other filters listed in Article 5 may also apply to judgments relating to the matters set out above with regard to unregistered rights.

2. Article 6 – Exclusive bases of jurisdiction

18. Article 6 (Exclusive bases for recognition and enforcement) is one of the specific safeguards for IP-related judgments and contains a special rule in point (a), excluding the application of all filters set out in Article 5 for judgments on the validity of IP rights required to be granted or registered. A judgment that ruled on the registration or validity of a patent, trademark,

¹³ If the validity of the IP right is challenged by way of defence, Article 8 applies.

¹⁴ – and possibly some other rights not required to be registered; see under II. 8.

¹⁵ *E.g.* whether a certain work is protected under copyright.

industrial design, plant breeder's right or similar right required to be granted or registered shall be recognised and enforced **if and only if** the State of origin is the State in which grant or registration has been applied for or taken place.¹⁶ This special rule is necessary because the validity of IP rights required to be granted or registered is subject to the exclusive jurisdiction of the State of registration under practically all national laws and international instruments, and the future Hague Convention aims at ensuring and strengthening this rule.

19. Article 6(a) also covers judgments from a Contracting State where the patent, trademark, industrial design, plant breeder's right, or similar right required to be granted or registered is **deemed to** have been applied for or taken place under the terms of an international or regional instrument. This rule takes account of rules established by several international and supranational instruments. As explained by WIPO in Work. Doc. No 77,

"18. According to the *Explanatory Note* (paragraph 155), this provision takes into account registered rights derived from international or regional instruments, and include[s] (1) instruments that facilitate the grant of (national) rights in multiple States through one (international) registration; and (2) instruments that grant unitary, "supranational" rights through one registration.

19. The former type of instruments include the WIPO-administered PCT, Madrid, Hague and Lisbon Systems;¹³ and regional instruments such as the Harare Protocol on Patents and Industrial Designs, the Banjul Protocol on Marks and Arusha Protocol for the Protection of New Varieties of Plants administered by the African Regional Industrial Property Organization (ARIPO).¹⁴ Under these instruments, "a court in the State in which the [deposit or] registration of the right [...] is deemed to have taken place under the terms of an international or regional instrument" [...] will typically be the court in the State for the territory of which protection is granted and not the court in the State in which the registration of the right concerned or the filing of the application in question has taken place.

20. The latter type of instruments include those governing the European Union (EU) trademarks, Community design rights and Community plant variety rights;¹⁵ as well as the Bangui Agreement administered by the African Intellectual Property Organization (OAPI).¹⁶ Under these instruments which provide for a single registration with effect in multiple States, the place of registration (or the place of the administering authority) may not be the key factor in defining the territorial boundaries of protection.

¹³ See <http://www.wipo.int/services/en/> for further information.

¹⁴ See <http://www.aripo.org/resources/laws-protocols> for further information.

¹⁵ See the EU Trade Mark Legal Texts and Community Design Legal Texts available at <https://euipo.europa.eu/ohimportal/en/law>, and Community Plant Variety Legal Texts available at <http://www.cpvo.europa.eu/main/en/home/community-plant-variety-rights/legislation-in-force> for further information.

¹⁶ See <http://www.oapi.int/index.php/en/aipo/cadre-juridique/accord-de-bangui> for further information."

20. In other words, the international or regional instruments which either facilitate the grant of a bundle of national rights in multiple States through one international registration (e.g. the

¹⁶ For the other possibility ("deemed to ...") see immediately below.

European bundle patent under the European Patent Convention), or provide for unitary supranational rights through one registration, normally contain rules determining where the respective right is “deemed to” be granted or registered, and this determination is accepted by the draft Hague Convention as decisive.

3. Article 7 – Refusal of recognition or enforcement

21. Recognition or enforcement of a judgment which could be recognised on the basis of Articles 5 or 6 may be refused only¹⁷ on the grounds specified in the Judgments Convention itself (Article 4(1)). Article 7 lists several grounds for refusal.¹⁸ Like the filters in Article 5, most of the grounds in Article 7 are general in nature and apply to all judgments including, but not limited to, IP-related judgments. Article 7(1)(g), however, is a specific IP-related ground for refusal safeguarding the application of the *lex loci protectionis* in IP infringement cases. Recognition or enforcement of a judgment which ruled on an infringement of an IP right may be refused if a law other than the law governing that right was applied. This ground for refusal takes account of the fact that many jurisdictions do not consider jurisdiction for infringement cases as exclusive. Whereas the safeguard regarding the “proper” law applied by the court of origin is already included in Article 5(1)(l) and (m), that safeguard is not ensured yet in the jurisdictional filters that apply generally (not only in relation to IP related matters) such as Article 5(1)(a) (or Article 5(1)(b) or (d)). For instance, an alleged copyright infringer could be sued in the State of his habitual residence for the infringement of a copyright existing under the law of five different States. Article 7(1)(g) ensures that only (those parts of)¹⁹ judgments which apply the proper law (*lex loci protectionis*) to the infringement of each of the territorial copyrights concerned can be recognised and enforced under the Convention. As a result, it is ensured that all judgments on IP infringement would be entitled to recognition and enforcement under the Convention only if the court of origin applied the “proper” law, i.e. the law governing the right in question.

4. Article 11 – Damages

22. Article 11 is a provision which is of particular relevance with regard to IP-related judgments. In many States, damages in infringement cases may contain compensatory damages compensating the plaintiff for actual (including future) losses suffered, and damages that are intended to punish the defendant and deter him and others from committing similar infringements in the future. Currently, such judgments are often refused recognition and enforcement abroad, based on public policy considerations or other reasons. Article 11 seeks to strike a balance between the obligation to recognise and enforce, and full refusal where the judgment also awards non-compensatory damages. The obligation to recognise and enforce the compensatory part is reiterated, and Article 11 provides a discretionary, non-mandatory basis for refusing recognition and enforcement of the non-compensatory part of the damages award.

¹⁷ But see section 10 below on the obligations not to recognise a judgment which may arise under other international instruments.

¹⁸ Subject to certain further safeguards in particular in the area of intellectual property which are contained in Article 8, as will be discussed below.

¹⁹ See Article 10.

23. This provision was copied from Article 11 of the 2005 Hague Convention on Choice of Court Agreements. During the negotiations leading to that Convention, this Article and the related text of the Explanatory Report, which was for the most part elaborated by a working group and adopted by the Diplomatic Conference which adopted the Convention, were very carefully crafted. They contain important guidelines for interpreting and applying this rule, e.g. with regard to statutory and liquidated damages which are to be considered as compensation for actual loss or harm. The full text of the Explanatory Report²⁰ by Professors Trevor Hartley and Masato Dogauchi relating to the 2005 Hague Convention is therefore reproduced in the Annex to this paper. During the February 2007 Special Commission it was suggested to carry over this text – with the necessary adaptations – to the Explanatory Report on the Judgments Convention.

5. Article 10 – Severability

24. Article 10 makes clear that where a severable part of the judgment may be refused recognition, e.g. under Article 7(1)(g) or Article 11, the remaining part shall still be recognised under the Convention. The same applies where the application for recognition and enforcement only relates to a severable part of the judgment.

6. Article 8 – Preliminary questions

25. Article 8 contains another safeguard rule for judgments in general and a specific rule relating to IP rights which allows refusing recognition or enforcement of a judgment in certain cases. E.g., if IP-related litigation were to be included within the scope of the Convention and a judgment would award damages for the infringement of an IP right required to be granted or registered, Article 8 would play a role in the – frequent – cases where the invalidity of the IP right was raised as a defence. Before deciding whether the right was infringed, the court of origin would have to deal with the defence and determine whether the right existed (was valid). A determination on validity is normally subject to the exclusive jurisdiction of the State where the right was granted or registered (as reflected in Article 6(a)) – at least if it is the *object* of the proceedings. Under many national legal systems, however, a “preliminary” or “incidental” finding on the validity of the IP right, ruling on a defence “on the way to” the court’s determination on damages is possible. Such finding (called “ruling” in Article 8) will not be granted any cross-border effect²¹ under the Convention (Article 8(1)), and only the money judgment awarding damages could be recognised and enforced cross-border. Even this money judgment, however, may be refused cross-border recognition and enforcement if it was based on a ruling on the (in)validity of the IP right and was given by a court *other than* the court referred to in Article 6(a), but *only if* the ruling is actually inconsistent with a judgment or a decision of a competent authority²² given in the State referred to in Article 6(a) or

²⁰ Available on the website of the Hague Conference on Private International Law at <https://assets.hcch.net/upload/expl37final.pdf>.

²¹ – such as recognition or issue estoppel. However, the relationship with Article 9 needs to be clarified.

²² On decisions by IP offices see also below under No 5. It is important to note that *only in Article 8(3)*, decisions of patent, plant variety and trademark offices (competent authorities) and possible boards of appeal within these offices are covered by the Convention – not in the sense that they give judgments which would circulate under the Convention, but their findings on the validity of the IP right, if any, would be decisive for determining whether, e.g.,

proceedings concerning the validity of that right are pending there (Article 8(3)). This means that a right-holder who obtained a judgment awarding damages for the infringement of an IP right required to be registered from courts outside the State of registration of that right can also enforce his money judgment in other Contracting States, even though the validity issue (the ruling on the defence) was decided outside the State of registration of the right – unless there is indeed a judgment or decision on the validity given by a court or competent authority of the "proper forum", i.e. the State of registration, or proceedings on validity are pending there. This means that the defendant who did not succeed with his invalidity defence in the infringement proceedings has a second chance to prevent recognition and enforcement of the damages award resulting from those proceedings if he challenges the validity of the IP right in the proper forum.

26. As many rules of the Convention are rather technical, their operation will be further illustrated below with some examples. Before doing so, it is worth looking at the types of judgments which might fall within the scope of the Convention if IP litigation were to be covered without excluding any particular type of proceedings or IP rights.

7. Types of judgments concerned

27. The types of judgments at issue concern in particular the following categories:
- 1) judgments on the validity of an IP right required to be granted or registered
 - 2) judgments on the ownership or subsistence of copyright or related rights (or possibly other IP rights not required to be granted or registered)
 - 3) judgments declaring the (non-)infringement of an IP right
 - 4) judgments awarding damages for the infringement of an IP right
 - 5) injunctions (on the merits) to cease and desist from a certain infringing behaviour.

a) Courts and IP offices

28. In this context firstly it is important to note that the Convention only applies to judgments given by "courts". The reason is similar to the reason for not including interim relief. Bodies other than "courts" – both in- and outside the area of IP – are subject to their own rules, and common standards of procedural fairness (due process) cannot be taken for granted at the same level as for courts. For this reason it was decided that decisions given by intellectual property offices – and even by Boards of Appeal which might have been established within these offices – cannot be recognised and enforced under the Convention. They will nonetheless be taken into account where the validity of an IP right is an issue in proceedings leading to a judgment on issues other than the validity as such (e.g. a monetary judgment awarding damages or license litigation – see Article 8). This was explained above under II. 4.

b) Interim relief

29. The Convention does not apply to interim relief, interlocutory rulings and any orders in support of the proceedings on the merits. As the definition of "judgment" in Article 3(1)(b)

a money judgment could be recognised and enforced under the Convention if the invalidity of the IP right was raised as a defence.

clearly states, "judgments" are only decisions on the merits, and "an interim measure of protection is not a judgment". While interim relief is very important to ensure the protection of right-holders and while it would undoubtedly enhance IP enforcement to be able to obtain such provisional protection in one forum for several territorial rights and have it recognised and enforced in others, the Working Group and subsequently the Special Commission considered that the types of interim relief, and the conditions under which it can be obtained, raise additional concerns on due process and the protection of the rights of the defendant so that these measures should not circulate cross-border under the Convention. They should rather be obtained in the various States concerned separately, for each IP right in question.

8. Intellectual property rights concerned

30. The draft provisions of the Convention distinguish between IP rights *required* to be deposited, granted or registered, and IP rights which do not require such an act of State as a constituent part of their creation – regardless of whether their registration may nonetheless be available under internal law and might even bring about some legal advantages, as long as the creation of the right as such does not depend on the registration.²³ Several IP rights exist both in a registered and in an unregistered form. Where the preliminary draft Convention contains rules explicitly referring to "rights required to be registered", only the rights requiring grant or registration are covered by these rules.

a) "IP rights required to be granted or registered"

31. "IP rights required to be granted or registered" would include, for example, patents, supplementary protection certificates extending the term of protection of a patent, utility models (petty patents), registered trademarks, registered industrial designs, granted plant breeder's rights (also known as plant variety rights), registered or listed geographical indications, etc.).

b) "IP rights not required to be granted or registered"

32. Among "IP rights not required to be registered" would figure copyright and related rights,²⁴ unregistered trademarks, unregistered industrial designs, trade names, unregistered geographical indications, *sui generis* rights, e.g. for databases,²⁵ etc. Some national systems know a remuneration right for publishers (reprography) or a press publisher's ancillary right. While some of these rights are universally recognised based on the TRIPs Agreement and WTO Membership, others are not, and/or their protection may be granted by different forms of IP rights.²⁶

²³ This is the case, for example, for copyright in the United States of America since the US joined the Berne Convention.

²⁴ This would also include the copyright protection of databases and the copyright protection of computer programs, where applicable.

²⁵ A *sui generis* database right is a property right similar that exists to recognise the investment that is made in compiling a database, regardless of whether the creative aspect as such is protected by copyright or not. In the EU, e.g., Directive 96/9/EC grants *sui generis* protection for databases.

²⁶ The common law concept of "passing off" also still needs to be analysed to see which types of unregistered rights it encompasses.

c) Open or closed list of rights not required to be registered

33. Points (l) and (m) of the jurisdictional filters in Article 5(1), which both deal with IP rights not required to be registered, contain two sets of words in square brackets: [or use-based trademarks, trade names, or unregistered designs] [or other intellectual property rights not required to be registered]. This is because – in case IP judgments are included within the scope of the Convention – there is no consensus yet whether for IP rights not required to be registered, points (l) and (m) should be open-ended, including all IP rights not required to be registered which might exist under the laws of the Contracting Parties now and in the future, or whether there should be a closed list. Those in favour of a closed list – like the EU – prefer this solution because the different national laws may know different unregistered rights, and new unregistered rights may emerge in the future. In the absence of a mandatory registration or other act of State, preceded by some examination or opposition procedure, it may be very difficult for the requested State to see, e.g., from a money judgment whether a certain type of IP right actually exists under the laws of other Contracting Parties, and problems might arise in particular if the IP right in question is not known under the law of the State where enforcement is sought. For example, views are divided on the question whether trade secrets (i.e. undisclosed business information) are "intellectual property *rights*". While the TRIPs Agreement defines "intellectual property" in Article 1, it does not define what an IP **right** is. An open-ended list would inevitably burden the scope of application of the Judgments Convention with this ambiguity.²⁷ A closed list of some universally recognised IP rights not required to be registered would provide greater transparency and foreseeability to litigants as concerns the applicability of the filters in Article 5(1)(l) and (m). It should be recalled, however, that currently, judgments relating to any unregistered IP right could also be recognised under the other filters contained in Article 5(1), in particular, as mentioned, under points (a), (b) and (d), if the requirements are fulfilled.

d) Unitary IP rights

34. Most IP rights are territorial to individual States. Within the EU, however, there are also a number of so-called unitary IP rights which grant protection for the entire territory of the Union. Currently these rights are the Union trademark²⁸, Community designs²⁹ and Community plant variety rights³⁰ – all of them required to be registered or granted. In the

²⁷ If it were decided to apply the filter in Article 5(1)(m) only certain IP rights not required to be registered which are mentioned explicitly, a judgment awarding damages for the infringement of trade secrets, or an injunction terminating an infringement, could still be recognised under other filters such as the defendant's habitual residence, principal place of business or branch (Article 5(1)(a), (b) and (d), or the contractual filter (Article 5(1)(g), where applicable).

²⁸ Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark as amended by Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015, replaced by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (codification) on 1 October 2017.

²⁹ Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs (terminology not yet adapted to "Union").

³⁰ *Idem*. Regulation No 2100/94 allows plant breeder protection for the whole EU. However, where a Community plant variety right (CPVR) is granted in relation to a variety for which a national right or patent has already been

future these will be complemented by a European patent with unitary effect under two Regulations³¹ implementing enhanced cooperation in the field of patents, potentially³² covering all the participating EU Member States.^{33,34} Under this regime, the unitary effect will be registered for newly granted European patents granted under the European Patent Convention (which so far are a bundle of national patents and not a unitary patent).³⁵ This possibility will extend to those participating EU Member States³⁶ for which the Agreement on a Unified Patent Court (the ‘UPC Agreement’) had entered into force at the time of registration³⁷ of the unitary patent.

9. Article 22 – Common courts

35. As pointed out in paragraph 22 of the Aide-Mémoire of the Chair of the Special Commission, the meeting discussed the need for a mechanism in the future Convention to expressly include judgments given by courts common to two or more Contracting States, for example certain EU courts, which are inter alia dealing with intellectual property matters, and regional appellate courts. A joint proposal for a declaration mechanism was made by some delegations. There was a substantial measure of support for the inclusion of the provision reflected in Article 22 of the February 2017 draft Convention, but the need for further consideration of this topic was noted. The Special Commission decided to proceed on the basis that the provision should be added in the text in square brackets at this stage.
36. The need for a provision along the lines of Article 22 arose with regard to two situations which are dealt with separately in Article 22. Firstly, in some parts of the world, several countries share a common appellate court, and it was desired that judgments issued by that appellate court should also be covered by the Judgments Convention – provided, of course, that the subject-matter of the respective judgment falls within the scope of the Convention. This situation is addressed in Article 22 paragraph (2)(b) and paragraph (3). A judgment given by such appellate court would be entitled to recognition or enforcement under the Convention

granted, the national right or patent is rendered ineffective for the duration of the CPVR (Article 92 of Regulation No 2100/94).

³¹ Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection and Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements.

³² Once the system will become operational (when 13 Member States will have ratified the Agreement on a Unified Patent Court signed on 19 February 2013 (the ‘UPC Agreement’), the unitary patent will gradually deploy its effect to the territory of Member States having ratified the UPC Agreement after the entry into operation of the unitary patent package.

³³ – except for those not participating in enhanced cooperation, i.e. Croatia and Spain.

³⁴ This will be the case as soon as the related UPC Agreement enters into force for certain States.

³⁵ This will also be the case as soon as the UPC Agreement enters into force for certain States.

³⁶ But not to Albania, Iceland, Liechtenstein, Monaco, Norway, San Marino, Serbia, Switzerland, Turkey and the Former Yugoslav Republic of Macedonia which are also Parties to the European Patent Convention.

³⁷ There is a difference between the granting of the European patent and the registration of its unitary effect. Once the European patent is granted, the patent holder may request a unitary protection (unitary patent) within one month which will be registered by the European Patent Office if the formal conditions are met. See Article 18(2), second subparagraph of Regulation 1257/2012.

if the State concerned has made the relevant declaration under Article 22(1) and the proceedings at first instance were instituted in a Contracting State to the Judgments Convention. Technically, this result is achieved by equating these judgments to judgments “of a Contracting State” in paragraph 2 if the requirement mentioned in paragraph 3 is fulfilled. In these cases it is relatively easy to treat the common court like a “court of a Contracting State” because at first instance, the proceedings can be traced back to an individual Contracting State.³⁸

37. The second situation concerns courts common to several States which actually act *instead* of national courts already *from the first instance onwards*. Here, already the proceedings at first instance take place before a court common to several States. While there was support for the idea of including also judgments given by such courts on matters falling within the scope of the Judgments Convention, there was concern that States Party to the agreement establishing the common court which are not also Party to the Judgments Convention might get a “free ride” in that they might benefit from the recognition and enforcement under the Judgments Convention without being a Party to it. Therefore Article 22(2)(b) clarifies that judgments given by courts common to several States which have first instance and appellate functions shall only be equated to “judgments of a Contracting State” if *all* States which vested their jurisdiction over the matter concerned in the common court are Parties to the Judgments Convention.
38. Even with the rules in Article 22(1)-(3) as discussed so far, some ambiguities remain with regard to the application of the Judgments Convention when applied to the judgments given by supra-national courts. On the one hand, Article 3(1)(b) of the draft Convention only refers to courts, not 'courts of Contracting States', and therefore these could also be supranational courts. On the other hand, Article 4(1) refers to a 'judgment given by a court of a Contracting State' and in other articles the Convention refers to the '*State* of origin' of a judgment. It is thus doubtful which is the “State of origin” of a judgment given by a supranational court that has both first instance and appellate functions. A further clarification was therefore necessary, and this is provided by Article 22(4). The reference to the State of origin in Articles 5 and 6 shall be deemed to refer to the entire territory over which that court had jurisdiction in relation to that judgment.
39. From an EU perspective, Article 22 currently concerns judgments of the following courts: the Court of Justice of the European Union (CJEU),³⁹ comprised of the General Court and the Court of Justice, the Benelux Court of Justice⁴⁰ and the future Unified Patent Court (UPC),⁴¹ but it would also extend to judgments of any other courts common to several Contracting Parties to the future Hague Convention.

³⁸ According to the wording, it is irrelevant whether the State in which the common appellate court has its seat is a Contracting State to the Judgments Convention, as long as the State where the proceedings at first instance were instituted is a Party to the Judgments Convention.

³⁹ Established by the Treaty on the European Union of 7 February 1992.

⁴⁰ Established by the Treaty of 31 March 1965 concerning the establishment and statute of a Benelux Court of Justice (the ‘Benelux Court of Justice Treaty’).

⁴¹ Established by the UPC Agreement.

40. In matters relating to the unitary IP rights required to be registered or granted which currently exist in the EU (trademarks, designs and plant variety rights),⁴² the CJEU, which is a court of all EU Member States, gives binding judgments on validity and registrability in proceedings under the EU Trade Mark Regulation (No 207/2009 as amended by Regulation 2015/2424/EU), the EU Design Regulation (No 6/2002/EU as amended), and on validity and grant in proceedings under the EU Plant Variety Rights Regulation (No 2100/94 as amended). The Court of Justice of the European Union has its seat in Luxembourg and consists of two courts: the Court of Justice and the General Court. The General Court decides on decisions of the Community Plant Variety Office (CPVO, located in Angers (France)) which cannot be appealed to the Board of Appeal of the CPVO⁴³ and on appeals brought against decisions of the Boards of Appeal of the European Intellectual Property Office (EUIPO) in Alicante (Spain) and of the CPVO. Like decisions of patent and trademark offices, decisions of these Boards of Appeal, given by a body of the EUIPO or of the CPVO, cannot be recognised and enforced under the Judgments Convention which only applies to decisions by “courts” (Article 3(1)(b)). Judgments of the General Court, however, could be covered through the rules of Article 22.⁴⁴ Leaving aside the preceding procedure before the EUIPO and the CPVO, at *court* level, the General Court would be the first instance within the meaning of the Judgments Convention and the IP rights over which it has jurisdiction are unitary for the whole territory of the EU. Judgments from the General Court can be appealed to the Court of Justice. Therefore, the CJEU would fall under Article 22(1)(b)(ii) as a court having first instance (General Court) and appellate functions (Court of Justice).
41. The Benelux Court of Justice is a court common to Belgium, Luxembourg, and the Netherlands which has the task of ensuring the uniform application of rules common to the Benelux Member States concerning various matters including intellectual property (in particular certain rights relating to trademarks, models and designs). In the near future, a protocol will enter into force which creates jurisdiction on the merits for the Benelux Court of Justice on appeals against decisions of the Benelux Intellectual Property Office with regard to trademarks and designs under the Benelux Convention on matters of intellectual property of 25 February 2005.
42. The future UPC will have exclusive competence, inter alia, for actions for patent infringement or threatened patent infringement, and for actions for the revocation of European patents under the European Patent Convention (EPC) (including unitary patents) and the declaration of invalidity of supplementary protection certificates.⁴⁵ It is a court of potentially all

⁴² Outside IP matters, the CJEU is normally the court chosen in contracts governed by private law between the institutions of the Union and their contractors, and rules on issues arising out of these contracts. In addition, the CJEU has jurisdiction to adjudicate in cases related to the non-contractual liability of the European Union and its servants.

⁴³ Article 74 of Regulation No 2100/94.

⁴⁴ These IP judgments from the General Court and the Court of Justice would most likely be recognised rather than enforced under the Judgments Convention because typically they would not have any enforceable content but rule on the validity of an IP right.

⁴⁵ The internal allocation of cases within the UPC will be as follows:

participating EU Member States (i.e. currently all Member States except for Croatia, Poland and Spain)⁴⁶ but not of the non-EU Member States Parties to the EPC⁴⁷ because those States are not Party to the UPC Agreement. In addition to its jurisdiction with regard to the future unitary patent, the UPC will have full and exclusive jurisdiction once the transitional regime will have expired to hear disputes regarding European bundle patents granted under the EPC.⁴⁸

43. For instance, in the case of an IP infringement action, Article 5(1)(a) should be considered complied with if the defendant was habitually resident in any of the States party to the agreement or instrument establishing the common court, provided that all of them are also Party to the Judgments Convention.
44. Insofar as validity actions are concerned, Articles 5(1)(k) and 6(a) of the draft Convention refer to the State in which the deposit or registration has taken place or is deemed to have taken place under the terms of an international or regional instrument. The Explanatory Report could explain that in regard to *IP titles with unitary effect* the terms "deemed to have taken place" refer to the entire territory for which the title has been given effect. As a result, the condition should be considered complied with if the judgment is given by the common court (by the central division or by any regional or local division) which has been granted jurisdiction to hear validity disputes regarding that title on the basis of the agreement or instrument establishing the common court.
45. With regard to IP titles which do not have unitary effect, on the other hand, but which still come under the jurisdiction of a common court, an additional clarification is needed. The European bundle patent may be granted, for instance, for 5 different Member States, thus not covering the entire territory for which the UPC has jurisdiction (and the judgment may have been given in a seat of the UPC located in a different Member State than those for which the patent was granted). When checking whether a judgment of the UPC on the infringement of the patent in all 5 EU Member States for which it was granted could be recognised under the Judgments Convention, Article 22(4) ensures that "the entire territory over which [the UPC]

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- Regarding the validity of a unitary patent (and of a classical European patent when not opted out):

For direct action before the Court regarding the validity of the patent, the decision will be taken by the central division located in Paris/France or by the London/UK branch of the central division (pharma and biotech cases) or by the Munich/Germany branch of the central division (machine tools).

- In the case of a counterclaim for revocation, the decision on non-opposability of the patent will be taken by either the central division in Paris/France or by the local or regional division (strengthened by a judge from the patent pool).

⁴⁶ The international jurisdiction rules of the UPC are determined by Regulation No 1215/2012 (the Brussels I Regulation (Recast)); the rules on attribution to a local or regional division of the UPC or to its central division, laid down in the UPC Agreement, are venue rules.

⁴⁷ See footnote 30 above.

⁴⁸ The European Patent Convention ('EPC') which has been ratified by all Member States of the European Union provides for a single procedure for granting European patents by the European Patent Office but the individual patents remain governed by the national law of each participating State for which the patent is granted. By virtue of Regulation (EU) No 1257/2012, patent proprietors can request unitary effect of their European patents so as to obtain unitary patent protection in the Member States of the European Union participating in the enhanced cooperation.

had jurisdiction in relation to that judgment” would be considered the “State of origin” of the judgment, i.e. the five States for which the bundle patent was granted, because in that particular case the jurisdiction of the UPC existed with respect to those five States and not with regard to other States Parties to the UPC Agreement to which the European bundle patent did not extend. This applies even if the physical seat of the branch of the UPC which decided the case is located outside these 5 Member States.

10. Recognition and enforcement

46. **Enforcement** (which only arises with respect to judgments mentioned in categories 4) and 5) under II. 7 above) is probably what first springs to the mind of IP lawyers in cross-border cases. As the term “enforcement” has various different meanings, it is worth mentioning that in the context of the preliminary draft Hague Convention it means the application of coercive enforcement measures (e.g. monetary fines, arrest, acts physically performed by the enforcement forces etc. like, for example, the removal of objects) on behalf of the State where enforcement is sought in order to achieve the compliance of the judgment debtor with the judgment.
47. However, as will be illustrated by examples below, also mere **recognition** can be of importance in cross-border IP cases, notwithstanding the fact that the IP right as such, its existence and validity, are territorial, and any judgments on these issues might therefore at first sight not require any cross-border recognition. Many countries assume jurisdiction over claims regarding contractual IP issues or the infringement of IP rights even where the validity of the IP right might later be challenged by way of a defence, as described above with regard to Article 8. If this is the case, it would add to the coherence of the international legal system if the court hearing the contract or infringement case would be bound by a judgment having the validity of the IP right as its object which has already been given by the universally recognised “proper forum” as defined in Article 6(a). In fact, this recognition of the validity judgment will also enhance the circulation of the subsequent judgment awarding damages for infringement which is given in another Contracting State, e.g. in the State of habitual residence of the defendant (Article 5(1)(a)) because the preliminary or incidental ruling on the validity of the IP right is consistent with the validity judgment given earlier in the State of grant or registration, as required by Article 8(2) and (3), and therefore recognition and enforcement of the money judgment awarding damages is ensured.

11. Procedure

48. The Convention leaves it to internal law whether recognition needs to be applied for and will be granted following some domestic *procedure*, or whether it occurs by operation of law (e.g. because a Contracting State enacts implementing legislation to this effect). With regard to enforcement, however, the Convention sets up a procedure to have the foreign judgment declared enforceable (the so-called *exequatur* procedure) or, as is the term of art under common law, registered for enforcement. The enforcement as such, e.g. which coercive measures will be applied, under which conditions and by whom, is left to the internal law of the State where enforcement is sought.

12. General and final clauses

a) Article 21

49. In order to achieve as wide adherence as possible to the Convention, Article 21 allows for declarations excluding the application of the Convention to a "specific matter". Such declaration will have reciprocal effect in the relations with other Contracting States. In case IP is included within the scope of the Convention, a State which has concerns exclusively on patents, might for example exclude litigation related to patents from the scope of the Convention.

b) Article 26(4) and (5) – Relationship with other international instruments

50. Article 26 governs the relationship of the Judgments Convention with other instruments. It was decided that this Article still requires further work.⁴⁹ For the time being, the provisions from the 2005 Hague Convention on Choice of Court Agreements have been inserted as a placeholder. Paragraph 4 states that this Convention shall not affect the application by Contracting States of a treaty on specific matters which governs the recognition or enforcement of judgments, whether concluded before or after the Judgments Convention and even if all States concerned are Parties to the Judgments Convention. States have to make a declaration regarding the treaty concerned, and it will have reciprocal effect in relations to other Contracting States: to the extent that any inconsistencies exist between the above-mentioned treaty and the Judgments Convention, other Contracting States shall not be obliged to apply the Judgments Convention to a judgment which relates to that specific matter and which was rendered by a court of a Contracting State that made the declaration. This will ensure precedence of specific rules relating to the recognition and enforcement of judgments in IP instruments. As paragraph 4 does not contain a rule stating that the judgment may not be recognised or enforced to a lesser extent than under the Judgments Convention, the result of this rule could therefore also be that a judgment eligible for recognition or enforcement under the Judgments Convention will not be recognised and enforced because this is what the specific instrument provides.⁵⁰
51. Paragraph 5 states that the rules of a Regional Economic Integration Organisation (REIO) which is a Party to the Judgments Convention remain unaffected – whether adopted before or after the Judgments Convention – with regard to the recognition or enforcement of judgments as between Member States of the REIO. The EU would therefore be entitled to continue to apply its internal rules governing the recognition and enforcement of judgments among EU

⁴⁹ See paragraphs 53-55 of the Aide-Mémoire of the Chair of the Special Commission.

⁵⁰ A similar conflict may arise between the Judgments Convention and a general treaty on the recognition and enforcement of judgments in civil or commercial matters which might also cover IP matters. This conflict is dealt with by paragraphs 2 and 3 of Article 26. For cases where recognition or enforcement would have to be refused under that other treaty but granted under the Judgments Convention, paragraphs 2 and 3 currently contain two rules leading to opposing results. Under paragraph 2, recognition or enforcement may be refused under the other treaty; under paragraph 3, the judgment may not be recognised or enforced to a lesser extent than under the Judgments Convention – which might create a conflict with regard to exclusive jurisdiction rules protected by the other treaty which were not respected.

Member States, but also the specific EU instruments with regard to IP rights which govern the recognition and enforcement of judgments.

III. Examples illustrating the operation of the Convention rules with regard to IP-related judgments

52. The following hypothetical cases will illustrate how the provisions of the Convention will work with regard to some IP related judgments. They are based on the assumption that all States mentioned are Parties to the Judgments Convention.

1. Basic case on patents⁵¹

53. Plaintiff P lives in State A. He has been granted a patent for an invention in State A. Defendant D, who also lives in State A, is producing a product very similar to P's invention in State A. He only sells the product in State A.
54. P sues D in State A. He obtains a judgment awarding damages for patent infringement based on the patent infringement law of State A, and also an injunction (on the merits, not merely as an interim measure of protection) stopping D from continuing his allegedly infringing behaviour in State A. D does not pay the damages, so P wants to proceed to enforcement. As it turns out that D has moved his assets out of State A, P applies for recognition and enforcement of the judgment in State B. The judgment would be covered by the filter in Article 5(1)(a) as D was habitually resident in the State of origin at the time that the proceedings were instituted against him. The judgment would also be covered by Article 5(1)(k) as the patent was granted in the State of origin of the judgment. The invalidity of the patent was not raised as a defence in this hypothetical case. As none of the IP-related safeguards/limitations in Article 6(a), 7(1)(g) and 8 applies, the part of the judgment which awards monetary damages to P can be enforced into D's asset in State B. However, this is not the case for the part of the judgment granting injunctive relief. The reason is not any provision of the Convention but the territoriality principle underlying the judgment. P's patent is territorial and was granted only for State A. So even if D were to produce and market his product in State B, this would not violate P's patent granted for State A. Outside the territory for which the A-patent was granted, D's behaviour is lawful in respect of this patent, so there is no enforceable content outside the boundaries of State A.

Variant 1: Consolidation of litigation

55. Plaintiff P lives in State A. He has been granted separate patents for an invention in States X, Y and Z. Defendant D, who lives in State X, used to produce a product very similar to P's invention in State X. He also sold the product in States Y and Z. Recently he stopped the production and sold the remaining stock.
56. P wants to sue D for damages for infringement of his patents owned for States X, Y and Z. He chooses to sue in State X, where D is habitually resident, and obtains the desired judgment.

⁵¹ These examples can apply, *mutatis mutandis*, to plant breeder's rights since they are similar to patents, and to other IP rights required to be granted or registered.

Again, let us assume that the invalidity of the patents was not raised as a defence during the proceedings. The court in State X has applied the patent infringement laws of States X, Y and Z, respectively, in order to assess whether the patent granted for each of the States concerned was actually infringed. P now wants to enforce his judgment in State A where he himself lives, and where D owns considerable assets.

57. Again, the relevant IP-specific filter would be Article 5(1)(k) but only the part of the judgment which deals with the infringement of the patent granted for State X (the State of origin of the judgment) would be covered by the filter. The remaining parts of the judgment, though, could be recognised on the basis of Article 5(1)(a), the habitual residence of the defendant. The requested court in State A would then apply the safeguard rule contained in Article 7(1)(g) and check whether the court of origin did indeed apply the patent infringement laws of States X, Y and Z, respectively, to the separate patent infringement situations for the three countries. If that is the case, and the plaintiff obtained a judgment awarding damages for the infringement of separate (different patents under different national laws) but related (same invention) patents in one single forum, he will be able to enforce this judgment also through one single procedure in another country under the Convention. If the court of origin, on the other hand, mistakenly applied the patent infringement law of State X to the whole of the case, also concerning the parts of the judgment dealing with the patents granted for States Y and Z, the court before which enforcement under the Hague Convention is requested will declare only the part relating to the patent granted for State X enforceable (see Article 10 on severability), refusing recognition or enforcement of the remainder of the judgment on the basis of Article 7(1)(g).

Variant 2: Invalidity defence

58. Plaintiff P lives in State A. He has been granted a patent for an invention in State A. Defendant D, who lives in State B, is producing a product very similar to P's invention in State A. He only sells the product in State A.
59. P sues D in State B at D's habitual residence. In the proceedings, D invokes the invalidity of the patent as a defence. In order to decide upon the application for damages, the court must come to a conclusion on how to deal with this invalidity defence. Under the law of State B, it is possible for the court to make a finding on such a preliminary question on its way to the judgment, which will only have effect *inter partes*. The court in State B in this case concludes that the patent was validly granted under the law of State A, and that D's behaviour did amount to an infringement. The court thus makes a money order awarding damages for patent infringement.
60. P now wants to enforce his money judgment in State C to which D has removed his assets during the proceedings. The filter in Article 5(1)(a) applies. Article 6(a) would not apply as a restriction because the intention behind this provision is to cover only judgments where the registration or validity of the IP right is the object of the proceedings. In our example, however, the object of the proceedings, as determined by the action brought by the plaintiff,

are damages, and not the validity of the patent.⁵² Article 7(1)(g) would not hinder recognition and enforcement either because the court in State B correctly applied the law of State A. In these situations Article 8 is of relevance. The general, non-IP-specific rule in paragraph 1 states that the finding on the invalidity defence (the "ruling" on the "preliminary" question of validity of the patent) is not capable of being recognised or enforced under the Convention.⁵³ Only the "order" in the narrow sense of the word, i.e. the part of the judgment which orders D to pay damages to P, is eligible for being recognised or enforced under the Convention. But in respect of this part, there are also some limits. Article 8(2) – also non-IP-specific - states that the recognition or enforcement of a judgment may be refused if, and to the extent that, the judgment was based on a matter (...) referred to in Article 6 on which a court other than the court referred to in that Article ruled. Applied to our example, this general rule would mean that recognition and enforcement of the damages award given by a court in State B for infringement of a patent granted by State A could be refused by the courts of State C because the judgment (i.e. the money award) was based on a finding on the validity of the patent ("a matter referred to in Article 6") and a court other than that of State A (namely the court of State B) ruled on it. However, for IP matters Article 8(3) limits this general rule. Applied to our case, it says that recognition or enforcement of the judgment awarding damages award may only be refused under paragraph 2 where the (incidental or preliminary) ruling on the validity is inconsistent with a judgment or a decision of a competent authority in State A (the State which granted the patent) or if proceedings concerning the validity of the patent are pending there. In other words, if our defendant wants to be sure that the damages award cannot be recognised or enforced under the future Hague Convention because in his view the State A-patent is invalid, he has to go to State A and challenge it there because only a decision by State A could nullify the patent with effect *erga omnes*. If the defendant only raises the invalidity defence in the State other than State A where infringement proceedings were brought against him, and the court seised came to the conclusion that the defence was irrelevant, the money judgment would be entitled to recognition or enforcement under the Hague Convention. This system protects the exclusive jurisdiction of the "proper forum" for validity disputes and actually encourages parties doubting the validity to seise the proper forum.

Variant 3: Mere recognition

61. Let us assume that our alleged infringer D was the first to bring proceedings: He sued in State A to have the invalidity of the patent granted to P by State A established there. However, his claim was rejected because the court finds the patent to be valid. If later P sues D for damages in State B at D's habitual residence and D raises the invalidity defence, the court in State B would be bound to recognise the validity judgment from the court⁵⁴ in the "proper forum"

⁵² The wording of this rule was modelled along the lines of Article 10 of the 2005 Hague Convention on Choice of Court Agreements. The drafting in English of Article 5(1)(g), (h), (i), (j), (k), (l), (m) et (o) – or of Article 8 – might however need to be reconsidered because in Article 8 of the Judgments Convention, the word "ruling" is used for the findings of the court on the preliminary question, as opposed to the "judgment" which is the determination on the object of the proceedings as defined by the action brought by the plaintiff.

⁵³ Like without the Convention, any cross-border effect of this finding on the preliminary question of validity (issue estoppel etc.) would be governed by the national law of the States concerned.

⁵⁴ Here, it is worth noting that a decision by a patent office, nullifying the patent in State A, would not circulate under the Judgments Convention. Only where the validity dispute, through one or more appeals, reached the level of the

under Article 6(a) and may not come to a different finding on the preliminary question of validity when examining whether D infringed P's patent. The court will of course have to come to its own conclusions on the question whether D's behaviour actually constituted an infringement of P's patent, and on the calculation of the damages to be awarded – all this by applying the law of State A. Any judgment not applying the law of State A to these issues could be refused recognition or enforcement under Article 7(1)(g).

2. Basic case on trademarks: Recognition of an invalidity judgment

62. X owns a registered trademark which was registered for States A, B and C. Y, who lives in State D and fears being sued for damages based on an infringement of X's trademark in State A, brings an action in State A for a judgment declaring that X's trademark for State A is invalid. This judgment is then indeed granted by the court of State A, applying the law of State A.
63. While these proceedings on the validity of the trademark were still pending, X had already brought an action for damages based on an alleged infringement of the trademark registered in State A. This action was brought in State D at Y's habitual residence. During the course of these infringement proceedings, the court in State A gives its judgment mentioned above, declaring X's trademark to be invalid in State A.
64. The Convention will ensure that the court in State D which is seised of the infringement proceedings will recognise the judgment on the invalidity given by State A, the State of registration of the trademark (provided that it was given by a court and not by a trademark office). Consequently, the action for damages brought by X against Y in State D will be dismissed.
65. Recognition of the invalidity judgment will be based on Article 6 of the preliminary draft Convention. Because validity issues are so important, and so closely connected with the registration or grant as such in the case of IP rights required to be granted or registered, practically all legal systems consider the jurisdiction of the State of registration to be exclusive. Hence, Article 6(a) states that notwithstanding Article 5, a judgment⁵⁵ that ruled on the registration or validity of a patent, trademark, industrial design, plant breeders' right, or similar right required to be granted or registered shall be recognised and enforced if and only if the State of origin is the State in which grant or registration has been applied for, has taken place, or is deemed to have been applied for or to have taken place under the terms of an international or regional instrument.

Variant 1: Recognition of a validity judgment

66. Let us assume that like in the example above, Y sues X in State A to obtain a judgment declaring X's trademark to be invalid in State A. But as required by the law of State A, X

courts, the judgment can benefit from recognition under the Convention. The only situation where also (in)validity decisions of patent and trademark offices are relevant is the situation described in Variant 2 above (Article 8(3)).

⁵⁵ – given by a "court" (see Article 3(1)(b)). An IP office including its board of appeal is not covered here.

responds by a counterclaim for a judgment declaring that the trademark is valid. If the court dismisses Y's claim and grants the counterclaim brought by X, declaring that the trademark is valid in State A, this judgment could theoretically fall under the filter mentioned in Article 5(1)(o)(i) (judgment given on a counterclaim in favour of the counterclaimant). Again, however, Article 6 would be the special rule for judgments on the validity of IP rights required to be granted or registered, trumping all rules in Article 5, including Article 5(1)(o)(i). As in the previous example, also the validity judgment in favour of X would thus be recognised in other Contracting States to the Judgment Convention if given by a court. This is useful because under many national laws, infringement actions do not necessarily have to be brought in the State under the law of which the IP right is protected or where it was registered or granted. In many jurisdictions it is possible to bring such an action in the general defendant's forum. Thus, if X now sues Y for damages based on the infringement of his trademark registered in State A and does this in State D where Y is habitually resident, the courts in State D could not accept any defence by Y that the trademark is allegedly invalid because they have to recognise the validity judgment from State A under Article 6.

Variant 2: Recognition of a validity judgment in multi-State infringement proceedings and recognition of a judgment awarding damages

67. The effect just described is useful also in another situation. At the beginning of the first example it was mentioned that X had his trademark registered in States A, B and C. Y lives and manufactures in State D where he also operates a website on which he uses the logo which in States A, B and C is registered for X. Therefore, if X now wants to sue Y for damages, the courts in States A, B, C and D would be bound by the judgment given by the courts of State A in favour of X on the validity of his State A-trademark regardless of which substantive trademark law they then apply to the infringement of the trademark held by X for the three different States A, B and C. They could only make their own findings on the validity, provided that the invalidity is raised as a defence, with regard to the trademark registered in States B and C. If the court seised in any of these four States A – D applies a law other than the law governing the relevant trademark (registered for either State A, B or C) to the question of infringement, this would prevent recognition under Article 7(1)(g) of the part of the judgment relating to the relevant trademark.

3. Case on copyright infringement

68. A writes a novel in Lumian, a language almost exclusively spoken in the small country of Lumia, and publishes the book in Lumia, which is a Member of the Berne Union. Without A's knowledge, B translates the book into the language of Ruritania, which is much more widely spoken than Lumian, and offers the book for sale over the Internet through an online bookstore which runs a website in the language of Ruritania and delivers to basically all countries around the world. If A decides to sue B for copyright infringement at B's habitual residence (be it in Ruritania or any other State other than Lumia), the jurisdiction of that State is likely to extend to the infringement of all the different national copyrights which arose under the national laws of the other Member States of the Berne Union in accordance with Article 5 of the Berne Convention once the work was published in Lumia. A can determine

himself to which of these national copyrights he wants to extend his action. The resulting judgment orders B to stop selling the books in all the States covered by the claim and awards damages to A. It can be recognised and enforced under Article 5(1)(a) of the Judgments Convention in other Contracting States, thus making sure that the order to stop selling the books is actually implemented in all States covered by the judgment.

Variant: Cross-border activity and targeting

69. Let us assume the opposite situation. The book was written by A in widely-spoken Ruritanian language and published first in Ruritania. B then translates it into Lumian, which is spoken by only very few people outside the small country of Lumia, and sells it via his own website which is set up in Lumian. The book can be ordered via a postal address in Lumia, an e-mail address ending on .lum or by telephone from a number in Lumia, indicated without international code on the website. A sues B in his own (the plaintiff's) State of habitual residence in Ruritania. It will depend on the internal law of Ruritania to decide whether Ruritania has jurisdiction. Most national law grant jurisdiction if the alleged infringement is said to have occurred there (i.e. if the injury arose there). In many States this jurisdiction will only extend to the violation of the copyright protected under the law of that one State. In that case, if the courts of Ruritania assume jurisdiction for the action relating to the alleged infringement of A's Ruritanian copyright, it would be for the internal law of Ruritania to decide whether B did actually infringe A's Ruritanian copyright. If Ruritania's jurisdiction rules are wider and allow the Ruritanian courts to assume jurisdiction also for the alleged infringement of A's copyright protected under the law of other States of the Berne Union, they would have to apply the copyright laws of those States to the respective parts of the claim.
70. Any resulting judgment given by the courts of Ruritania and ordering B to stop his infringing behaviour and/or to pay damages could only circulate under Article 5(1)(m) of the Convention as far as it relates to the copyright protected under the law of Ruritania. Moreover, depending on whether the words in square brackets are included into point (m) or not, recognition and enforcement of the judgment under the Convention may depend on whether B actually targeted his activity to Ruritania – which, under the circumstances described, might not be the case.

IV. Concluding remarks

71. The EU very much welcomes the discussion on the usefulness and economic importance of including IP-related judgments within the scope of the Convention and is looking forward to the contributions of IP stakeholders to this discussion. It is hoped that this paper can contribute to focusing and facilitating the discussion and illustrate some of the benefits which the inclusion of IP-related judgments may have. The discussion with IP experts should now ensure that the basic procedural rules and safeguards relevant to jurisdiction, applicable law, and the recognition and enforcement of judgments are reflected in the Judgments Convention to the extent that they are relevant for its operation.
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Annex:

Extract from the Explanatory Report on the 2005 Hague Convention on Choice of Court Agreements by Professors Trevor Hartley and Masato Dogauchi, Hague Conference on Private International Law, Proceedings of the XXth Session, Tome III, p. 783 (833 *et seq.*)

Article 11

Article 11 – Damages

203 Article 11 is concerned with damages. It permits the court addressed to refuse recognition or enforcement of a judgment if, and to the extent that, the award of damages does not compensate the plaintiff for actual loss or harm suffered. The equivalent provision in the 2004 draft Convention was Article 15, a more detailed and complex formulation.²⁴¹ At the 2005 Diplomatic Session it was agreed to delete this provision and replace it with the simpler provisions of Article 11. The reasons are explained below in the statement agreed by the Working Group which drafted it.

204 Article 11 refers to exemplary and punitive damages. These two terms mean the same thing: they refer to damages that are intended to punish the defendant and to deter him and others from doing something similar in the future. They may be contrasted with compensatory damages, which are intended to compensate the plaintiff for the loss he has suffered, that is to say, to put him in the position in which he would have been if the wrongful act had not occurred.

205 At the 2005 Diplomatic Session, the following statement was agreed by the members of the Working Group which drew up Article 11 and was adopted by the Session:²⁴²

“(a) Let us start with a basic and never disputed principle: judgments awarding damages are within the scope of the Convention. So a judgment given by a court designated in an exclusive choice of court agreement which, in whole or in part, awards damages to the plaintiff, will be recognised and enforced in all Contracting States under the Convention. As such judgments are not different from other decisions falling within the scope of the Convention, Article 8 applies without restriction. This means both the obligation to recognise and enforce and all the grounds for refusal.

(b) During the negotiations, it has become obvious that some delegations have problems with judgments awarding damages that go far beyond the actual loss of the plaintiff. Punitive or exemplary damages are an important example. Some delegations thought that the public policy exception in Article 9 e) could solve those problems, but others made it clear that this was not possible under their limited concept of public policy. Therefore it was agreed that there should be an additional ground for refusal for judgments on damages. This is the new Article 11. As in the case of all other grounds for refusal, this provision should be interpreted and applied in as restrictive a way as possible.

(c) Article 11 is based on the undisputed primary function of damages: they should compensate for the actual loss. Therefore the new Article 11(1) says that recognition and

enforcement of a judgment may be refused if, and to the extent that, the damages do not compensate a party for actual loss or harm suffered. It should be mentioned that the English word 'actual' has a different meaning from the French 'actuel' (which is not used in the French text); so future losses are covered as well.

(d) This does not mean that the court addressed is allowed to examine whether it could have awarded the same amount of damages or not. The threshold is much higher. Article 11 only operates when it is obvious from the judgment that the award appears to go beyond the actual loss or harm suffered. In particular, this applies to punitive or exemplary damages. These types of damages are therefore explicitly mentioned. But in exceptional cases, damages which are characterised as compensatory by the court of origin could also fall under this provision.

(e) This provision also treats as compensation for actual loss or harm damages that are awarded on the basis of a party agreement (liquidated damages) or of a statute (statutory damages). With regard to such damages, the court addressed could refuse recognition and enforcement only if and to the extent that those damages are intended to punish the defendant rather than to provide for a fair estimate of an appropriate level of compensation.

(f) It would be wrong to ask whether the court addressed has to apply the law of the State of origin or the law of the requested State. Article 11 contains an autonomous concept. It is of course the court addressed which applies this provision, but this application does not lead to a simple application of the law of the requested State concerning damages.

(g) Recognition and enforcement may only be refused to the extent that the judgment goes beyond the actual loss or harm suffered. For most delegations, this might already be a logical consequence of the limited purpose of this provision. However, it is useful to state this expressly. This avoids a possible 'all or nothing approach' some legal systems apply to the public policy exception.

(h) Both paragraph 1 and paragraph 2 of the old Article 15 contained very sophisticated rules on how much of the damages awarded by the court of origin had to be recognised and enforced in any case. The Working Group felt that this might be understood as giving the wrong message. Article 11 only provides for a review whether the judgment awards damages not compensating for actual loss; it does not allow any other review as to the merits of the case. Like all other grounds of refusal, it will only apply in exceptional cases. Any overdrafting with respect to those cases would have given them too much political weight.

(i) Article 11 does not oblige the court to refuse recognition and enforcement. This is obvious from its wording – the court may refuse – and it is consistent with the general approach in Article 9. So the provision in no way limits recognition and enforcement of damages under national law or other international instruments, and it allows (but does not require) recognition and enforcement under the Convention. Once again, the Working Group felt that an express provision would have been an over-drafting giving too much weight to the issue of damages.

(j) Article 11(2) is the old Article 15(3). Under Article 11(1), it could be argued that damages intended to cover the costs of proceedings were not compensating for an actual loss. This would of course be wrong from a comparative perspective. But it is nevertheless reasonable to have an express reference to this problem within the provision. This reference does not contain a hard rule; the fact that damages are intended to cover costs and expenses is only to be taken into account.

(k) To sum up: the new Article 11 is shorter than the old Article 15, it is more in line with the general drafting of the Convention, and it addresses the real issues without adding complex and sophisticated rules which might be understood in the wrong way. Therefore the Working Group proposes that this provision be adopted.”

²⁴¹ Art. 15 of the 2004 draft Convention, which is referred to in para. 205, *infra*, reads as follows:

“Article 15 – Damages

1. A judgment which awards non-compensatory damages, including exemplary or punitive damages, shall be recognised and enforced to the extent that a court in the requested State could have awarded similar or comparable damages. Nothing in this paragraph shall preclude the court addressed from recognising and enforcing the judgment under its law for an amount up to the full amount of the damages awarded by the court of origin.

2. a) Where the debtor, after proceedings in which the creditor has the opportunity to be heard, satisfies the court addressed that in the circumstances, including those existing in the State of origin, grossly excessive damages have been awarded, recognition and enforcement may be limited to a lesser amount.

b) In no event shall the court addressed recognise or enforce the judgment for an amount less than that which could have been awarded in the requested State in the same circumstances, including those existing in the State of origin.

3. In applying the preceding paragraphs, the court addressed shall take into account whether and to what extent the damages awarded by the court of origin serve to cover costs and expenses relating to the proceedings.”

²⁴² See Minutes No 19 of the Twentieth Session, Commission II, paras 13 and 14. The members of the Working Group were delegates and representatives of: Australia, Austria, Canada, China, the European Community, Germany, Japan, New Zealand, the Russian Federation, Switzerland, the United Kingdom and the United States of America. The Chairman was Mr Gottfried Musger (Austria). In the text that follows references to individual Articles (which were originally based on the 2004 draft of the Convention) have been changed to conform to the numbering adopted in the final text.