

**ASSOCIATION INTERNATIONALE
POUR LA PROTECTION DE LA PROPRIETE INDUSTRIELLE**

INTERNATIONAL REPORT

SPECIAL COMMITTEE Q 153

Hague Conference on Private International Law

**ON THE ENVISAGED HAGUE CONVENTION ON JURISDICTION AND FOREIGN JUDGMENTS IN
CIVIL AND COMMERCIAL MATTERS**

Introduction

The Hague Conference on Private International Law (the "**Hague Conference**") prepares a global Convention on jurisdiction and the recognition and enforcement of foreign judgments in civil and commercial matters (the "**draft-Convention**"). The draft-Convention contains an Article 12 on *inter alia* industrial property rights required to be deposited or registered.

AIPPI has set itself the task of advising on especially this Article 12. On 12 October 1999 AIPPI instituted Special Committee Q 153 to take this matter at hand.¹ The committee presented its preliminary findings on 12 April 2000 during the Executive Committee meeting in Sorrento, Italy. Recognising the importance of the issue for future industrial property litigation, the Bureau requested the committee to draft a questionnaire in order to chart the course of AIPPI. On 15 November 2000 the committee submitted the attached Questionnaire, with a detailed Explanatory Memorandum, to the Groups. In alphabetical order the following eighteen Groups responded: Argentina, Belgium, Brazil, Canada, Egypt, Finland, Greece, Italy, Mexico, the Netherlands, New Zealand, Paraguay, Spain, Sweden, Switzerland, Ukraine, the United Kingdom and the United States.²

This international summary report provides for a question-by-question general overview of the answers to the Questionnaire. In the general conclusion on page 11, the committee's main conclusions as well as its view on a proposed resolution are described.

¹ Special Committee Q 153 consists of Prof. Constant van Nispen (chairman), Dr. Annette Kur (co-chairman), Pierre Véron, Yoshio Kumakura, Prof. Marianne Levin, Andrew Rich, Prof. Samuel Ricketson and Ferdinand de Visscher. The committee expresses its gratitude to Sierd J. Schaafsma who drafted the Questionnaire and the Explanatory Memorandum as well as this International Report and the resolution.

² All these countries are Member-States of the Hague Conference, except for New Zealand, Paraguay and Ukraine (situation 15 March 2001).

Reference is made to the aforementioned Explanatory Memorandum for extensive information on the background and the details of the draft-Convention. The terminology in this report follows the Explanatory Memorandum.

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Question 1: The scope of the draft-Convention

Should industrial property disputes fall within the realm of the draft-Convention?

The draft-Convention applies to civil and commercial matters, with some exceptions. Hence, industrial property disputes will fall within the realm of the draft-Convention. The first question asks for the opinion of the Groups in this respect.

A majority of the responding Groups favours the inclusion of a regulation on industrial property matters in the draft-Convention. The Belgian Group made an extensive substantiation of this point of view. A minority rejects such inclusion, usually referring to the lack of harmonisation in this field of law.³ Other Groups link their answer to the contents and the quality of the regulation in the draft-Convention and prefer exclusion to the current text of Article 12(4).

The Paraguayan Group made an interesting proposal. It proposes to exclude intellectual property matters in the current draft-Convention and suggests that the Hague Conference elaborates a specific protocol on intellectual property to be added to the Convention in due time.

Question 2: Lis pendens and anti-torpedo

What is the opinion of your Group about the lis pendens rule in Article 21(1) and (6) of the draft-Convention, especially in view of “torpedo’s”?

Article 21 concerns the rule of *lis pendens*. This *lis pendens* rule implies the obligation of the court second seized to suspend proceedings if proceedings between the same parties based on the same causes of action have been installed before a competent court in another Contracting state. The *lis pendens* rule does not apply if the court second seized has exclusive jurisdiction under, inter alia, Article 12. In addition, according to Article 21(6) the *lis pendens* rule does not apply if the action before the court first seized concerns a claim for non-infringement. This provision is an attempt to take the sting out of the so-called “torpedo’s”.

A majority of the responding Groups supports the solution in Article 21(6) against torpedo's aiming at a declaration of non-infringement. The Belgian Group stresses the desirability of this solution in view of legal security and predictability. The Netherlands Group, although in favour of Article 21(6), noticed that this solution nonetheless causes some inequality as -in the end- it is the proprietor of the industrial property rights who decides which courts will be adjudicated. The alleged infringer may therefore be delayed in seeking certainty about a continuation of his challenged activities. For a single Group -the United Kingdom Group- this is a reason not to accept Article 21(6).

It is noticed that if the exclusive jurisdiction of Article 12(4) would be extended to infringement proceedings –see Question 9–, the anti-torpedo provision in Article 21(6) loses its importance for industrial property cases. For proceedings on other civil and commercial matters, Article 21(6) may of course retain its importance.

³ For example the United Kingdom and the United States Groups.

Question 3: The rules on international jurisdiction in respect of validity⁴

- (a) *What is the current legal situation in your country regarding the international jurisdiction in respect of the validity of industrial property rights? More specifically:*
- (b) *Has a court in your country jurisdiction to judge -as an incidental question- on the validity, the registration or the nullity of an industrial property right which is deposited or registered in another country?*
- (c) *If the courts in your country have jurisdiction to judge on the validity of a foreign industrial property right, what is the effect of such incidental decision: erga omnes or inter partes?*

Question 3 inquires about the current legal situation in the countries concerning international jurisdiction in respect of the validity of industrial property rights. It concentrates on the question whether national courts have jurisdiction to judge, as an incidental question, on the validity of industrial property rights deposited or registered abroad.

Under the national laws of a rather large majority of the responding Groups, the national courts do not have jurisdiction to judge on the validity of industrial property rights deposited or registered abroad. In this context it makes no difference whether the registration or validity issue is the principal question of the proceedings or an 'incidental' question.

Under the laws of a minority of the responding Groups, however, such jurisdiction is possible. For example, Swiss national courts have jurisdiction to deal -as an incidental question- with the validity of foreign industrial property rights. Under the national laws of this minority, such incidental findings of invalidity only have an *inter partes* effect.

Article 12(4) of the draft-Convention, permitting jurisdiction to try incidentally on the validity of foreign industrial property rights, therefore seems to contravene legal practice in the countries of a majority of the responding Groups.

Question 4: Opinion on international jurisdiction in respect of validity

- (a) *Should courts have international jurisdiction to try -as an incidental question- the validity, the registration or the nullity of industrial property rights deposited or registered in other countries? If yes, under which conditions and to which extent? Or:*
- (b) *Should the courts of the country where the right is deposited or registered have always exclusive jurisdiction to try its validity, registration or nullity?*
- (c) *Does your Group propose another solution?*

A wide majority of the responding Groups is of the opinion that the court of registration should always have exclusive jurisdiction to try the validity of an industrial property right, whether the validity is the principal issue of the proceedings or an incidental issue. In this respect the Belgian Group proposes to

⁴ With the "validity" the issues of registration, validity, and nullity are collectively meant (see the Explanatory Memorandum, paragraph 25). In addition, the "courts of the Contracting State in which the deposit or registration has been applied for, has taken place or, under the terms of an international convention, is deemed to have taken place", mentioned in Article 12(4), will be called the "court of registration" in this report.

add, for the sake of clarity, to the provision on counterclaims, Article 15, that it shall not apply to counterclaims covered by Article 12(4).⁵

The Netherlands Group points out that in a large majority of cases the validity issue is raised in infringement proceedings, either as a defence or by way of a counterclaim. To that extent, infringement and validity can be considered Siamese twins, the validity issue being triggered in a large majority of cases within the infringement context. Providing the infringement court with jurisdiction over the incidental issue of the validity therefore boils down to an unjustified –and perhaps unforeseen– erosion of the exclusive jurisdiction of the court of registration.

The United Kingdom Group rebuts, inter alia, the argument that Article 12(4) would be a cost and time saving solution. It stresses that, conversely, additional costs and time are inevitable because the court must bury itself in complex foreign industrial property laws, which in addition increases the risk of errors and, by consequence, the necessity to lodge appeals.

Some Groups, such as the Belgian and the Netherlands Group, refine their position by not excluding in advance incidental validity jurisdiction within the context of a family of States harmonising their industrial property laws such as the European Union. The latter Group adds, however, that even within the European Union the Article 12(4)-solution has not been adopted in the recent EC Regulation that will replace the Brussels Convention.⁶

Only a few Groups, for example the Swiss and Brazilian Groups, argue that national courts should have jurisdiction to judge, as an incidental question, on the validity of foreign industrial property rights. The Swiss Group appeals to the efficiency of the Article 12(4)-solution. The Ukrainian Group proposes a primary role for choice of jurisdiction.

In conclusion, Article 12(4) clashes with the wish of a wide majority of the responding Groups to provide for complete exclusive validity jurisdiction for the court of registration.

Question 5: The interpretation of Article 12(4)

Which interpretation of the words “proceedings which have as their object” in Article 12(4) would your Group prefer?

It is noted that Article 12(4) uses other vocabulary than Articles 16(4) Brussels and Lugano Conventions. Article 12(4) is about “proceedings which have as their object”, whereas said Articles 16(4) are about “proceedings concerned with“. AIPPI was given to understand that these wordings have a different meaning. Unfortunately, it is not very clear how the “proceedings which have as their object” in Article 12(4) -and in its slipstream Article 12(6)- should be interpreted exactly.

⁵ Article 15 of the draft-Convention reads as follows: "A court which has jurisdiction to determine a claim under the provisions of the Convention shall also have jurisdiction to determine a counter-claim arising out of the transaction or occurrence on which the original claim is based."

⁶ See Article 22(4) Regulation EC 44/2001 of 22 December 2000 concerning the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ EC of 16 January 2001, L12/1 et sqq.

Two interpretations have been suggested. On the one part, it has been suggested that proceedings *which have as their object* the validity of an industrial property right are proceedings in which the validity is the “principal issue” or the “main issue”. This is what the Nygh/Pocar-Report to the draft-Convention says.⁷ On the other part, it may be argued that proceedings *which have as their object* the validity of an industrial property right are proceedings in which the claim deals with the validity of the industrial property rights.⁸ The claim formulates the object of the proceedings.

Question 5 asks which of these two interpretations the Groups would prefer, under the hypothesis that the current text of Article 12(4) were adopted (hence, apart from the question whether the underlying principle would be acceptable for the Groups, see Question 4).

Practically all responding Groups preferred the claim-oriented interpretation, saying that proceedings "which have as their object" the validity of an industrial property right are proceedings in which the claim deals with the validity of the industrial property right. The suggested alternative interpretation focussing on the “principal issue” is considered to be too vague a criterion causing uncertainty. It will probably be interpreted differently by different courts in different countries. In addition, it seems impossible to discern a principal issue in proceedings in which both the infringement and the validity are at stake.

In conclusion almost all Groups reject the interpretation of Article 12(4) proposed in the Nygh/Pocar report.

Question 6: The effect of invalidity

- (a) *Is it possible under your national law that an industrial property right is declared invalid between the litigating parties only?*
- (b) *Is it possible under your national law that an industrial property right is found invalid between the litigating parties only?*
- (c) *Can a foreign judgment, in which it is *inter partes* decided that an industrial property right registered in your country is invalid, be recognised and enforced in your country (e.g. is it accepted by courts and/or the national industrial property offices)?*

The answers to this question provide for an unclear picture, showing widely differing approaches. A complete overview would exceed the limits of this report. The committee therefore refers to the national reports and confines itself to the observation on Question 6 a that an *inter partes* declaration of invalidity seems unusual.

⁷ Nygh/Pocar-Report (at www.hcch.net), p. 67-68; Article 12(6) was designed to confirm this interpretation.

⁸ The French text seems to confirm this interpretation, saying: “Si l'action porte sur l'inscription, la validité ou la nullité ...”.

Question 7: Raising the validity issue

(a) *Can the invalidity of an industrial property right only be invoked by the defendant by way of a counterclaim or also as a defence, in your country?*

(b) *How should this rule be qualified: as a rule of substantive patent law or as a rule of procedural law?*

The national rules on how the defendant should raise the validity issue also have effect on the present issue. May the validity issue be raised only by way of defence? Or only as a counterclaim? Or does the defendant have both possibilities? Question 7 inquires about the legal situation in this respect in the countries. The answers of the Groups show a varied kaleidoscope of different approaches. It seems that in a bare majority of countries of the responding Groups both an invalidity defence and an invalidity counterclaim are possible. However, in other countries such as Finland, Greece and Mexico, the defendant may only invoke the invalidity by way of a counterclaim.

It seems that in a bare majority of countries of the responding Groups these rules are qualified as procedural law rules whereas in other countries they are considered to be substantive law rules. In a few countries their qualification is not clear. This qualification touches upon a specific problem. As explained above, in some countries invalidity of an industrial property right may only be invoked by the defendant by way of a counterclaim and not as a mere defence. This brings about the following conflict of law problem. Suppose the court in country A has jurisdiction as to proceedings concerning the infringement of a patent registered in country B. The defendant raises the invalidity of the patent as a defence. According to the law of country B, it is possible to do so, but in country A it is not possible to invoke the invalidity merely as a defence; it should be invoked in a counterclaim. The problem arises whether this is a question of procedural law or a question of substantive patent law. If it is a question of substantive patent law under the private international law of country A, a court in that country may have to deal with the defence.⁹ However, should it be qualified as a question of procedural law, then the court will probably apply its own (procedural) law, denying the possibility to raise this defence. In that event, the defendant will have to start separate invalidation proceedings in country B. The laws of different countries apparently provide for different solutions for this problem.

Question 8: The present rules on infringement jurisdiction

Under your national law, can a court be competent to try the infringement of an industrial property right which is deposited or registered in another country?

The Brussels and Lugano Conventions make it possible that a court has jurisdiction to try the infringement of an industrial property right which is deposited or registered in another country. For example, if the defendant has his habitual residence in a Member-State, Articles 2 of these conventions provide for jurisdiction in this Member-State to try the infringement in another country.¹⁰ A number of the

⁹ Assuming that the rules of private international law of country A point at the law of country B to be applied on the patent issue.

¹⁰ In this context the Netherlands Group explains the cross-border injunction practice in the Netherlands in European patent cases, which practice attracted international attention. This cross-border practice rested in the essence on a broad interpretation of the *forum connexitatis* jurisdiction in Articles 6(1) Brussels and Lugano Conventions. In its judgment of 23 April 1998, the Court of Appeal in The Hague limited the *forum connexitatis* jurisdiction by introducing the so-called spider-in-the-web doctrine in respect of Article 6(1) (EGP v. Boston Scientific, published in IER 1998/30). Shortly, this doctrine applies in cases where defendants, domiciled in several countries and belonging

Member-States to the Brussels and Lugano Conventions seems to work with a similar rule in cases to which these conventions do not apply.

As far as non-Member-States to the Brussels and Lugano Conventions are concerned, it seems that in many countries of the responding Groups the rule is adopted that the court of registration has exclusive jurisdiction, not only as to the validity issue, but also as to the infringement of the industrial property right. This is for example the case in the Argentina, Canada, Mexico, Paraguay and the United States.

In conclusion, there is no univocal international legal practice as to the question whether a national court is competent to try the infringement of an industrial property right which is deposited or registered in another country.

Question 9: Opinion on infringement jurisdiction

- (a) *Should, according to the opinion of your Group, the exclusive jurisdiction of Article 12(4) of the draft-Convention also apply to the infringement of industrial property rights?*
- (b) *If yes, should a distinction be made between patents and other industrial property rights, to the extent that this exclusive jurisdiction does not apply to patent infringements (proposal of Article 12(5))?*

Question 9 asks for the opinions of the Groups about the proposal to extend the exclusive jurisdiction ground in Article 12(4) to infringement issues. In this view, only the court of registration has jurisdiction to try the infringement of an industrial property right deposited or registered in that country; a court is not competent to try the infringement of a foreign industrial property right. This issue seems to be a key problem: opinions are strongly divided, thus creating a deadlock.

A majority of the responding Groups supports the concept of exclusive infringement jurisdiction, i.e. the rule that the court of registration is exclusively competent to deal with the infringement of industrial property rights, which are deposited or registered in that country. Some of these Groups support this concept without any reservation. Other Groups, such as the Belgian Group, are of the opinion that exclusive infringement jurisdiction would be appropriate in a global context, but is not necessarily the right approach in a regional context (for example within the European Union).

A minority of the responding Groups favours non-exclusive infringement jurisdiction. These Groups generally appeal to the possibilities for the proprietor of industrial property rights to effectively attack a multi-state infringement before one court, a weighty question in an age of increasing internationalisation.

to the same group of companies, allegedly infringe several parallel European patents by marketing the same product. In such a case, the Netherlands court is competent to hear the *infringement* claims against all defendants if the headquarters ("the spider") are located in the Netherlands. By the way, as soon as the *validity* issue is raised the basic rule applies, stipulating that infringement proceedings must be suspended awaiting the validity decision of the foreign court. However, if the invalidity defence is immediately considered not to be serious at all, the court may – with caution– proceed with the infringement issue.

The responding Groups were unanimous on this: they all rejected the distinction between patents and other industrial property rights in the proposed Article 12(5). This provision is considered unfounded and inappropriate.

Question 10: Suggestions

Please feel free to propose other solutions to the problems at hand. For example, what does your Group think about the suggestion in paragraph 49?

Reference is made to the suggestion made in the various national reports.¹¹

Question 10 specifically inquires about the suggestion in paragraph 49 in the Explanatory Memorandum, which suggestion might offer a solution of the fundamental problems on the scope of the exclusive jurisdiction.

If a competent infringement court in a country other than the country of registration is confronted with an invalidity defence, it might - possibly upon request by the plaintiff - order that the defendant, within a given time, has to install invalidation proceedings in the country of registration, in which case the proceedings are suspended. If no invalidation proceedings are installed, the court may treat the defence as unfounded, although this would amount, strictly speaking, to an incidental finding on the validity issue.¹² In this way, the danger that the invalidity defence may be misused in order to deprive the plaintiff of the possibility to have the case decided in one lawsuit before a single court could be contravened, while on the other hand, the possibly adverse effects of an incidental ruling on validity could also be avoided.

Not all Groups considered this suggestion. Some Groups, such as the United States and the Netherlands Groups, were not unsympathetic towards this solution. Other groups, such as the Swiss and the United Kingdom Groups expressed –for very different reasons- their objections.

¹¹ Suggestions were made by the Groups of Argentina, Belgium, Brazil, Egypt, Mexico, the Netherlands, New Zealand, Paraguay, Switzerland, Ukraine, the United Kingdom and the United States.

¹² Such 'incidental invalidity finding' could be avoided by adopting the suggestion of the Netherlands Group to consider the failure to initiate invalidity proceedings timely as a waiver of the invalidity defence. Article 5(1) of the draft Convention should then be modified.

General conclusion

- I. On the basis of the preceding Special Committee Q 153 concludes that a clear picture has been obtained on a number of issues:
 - a. The Groups unanimously reject the proposed Article 12(5) (Question 9 b).
 - b. Almost all Groups reject the interpretation of Article 12(4) in the Nygh/Pocar-Report, that says that proceedings which have as their object the validity of an industrial property right are proceedings in which the principal issue is said validity. The claim-oriented interpretation is preferred (Question 5).
 - c. The anti-torpedo provision in Article 21(6) is supported by a majority of the responding Groups (Question 2).
- II. However, on the fundamental question concerning the scope of the exclusive jurisdiction of the court of registration in Article 12(4), opinions differ within AIPPI. And not only opinions differ - also national laws provide for very different solutions.¹³
- III. On the one side of the spectrum, it is proposed to restrict the exclusive jurisdiction to proceedings in which the registration, validity or nullity of an industrial property right is the principal issue. Such restricted exclusive jurisdiction, however, is rejected by a large majority of the responding Groups. This majority supports exclusive jurisdiction in respect of the validity issue, whether the validity is the principal question of the proceedings or an incidental question (Question 4)
- IV. On the other side of the spectrum, it is proposed to extend the exclusive jurisdiction to infringement proceedings. The reactions to this proposal show a more diverse picture, although a majority seems to support such exclusive jurisdiction (Question 9). At the same time, it is recognised that in an age of increasing internationalisation such approach might cause problems.
- V. Special Committee Q 153 concludes that at this moment there is no consensus within AIPPI on the fundamental issue concerning the scope of the exclusive jurisdiction. The committee observes that not only within AIPPI opinions differ on this issue. During the Experts Meeting of the Hague Conference, convened in Geneva on 1 February 2001, the same controversy came up.¹⁴
- VI. On short term -for example before the final Diplomatic Conference of the Hague Conference in spring 2002- consensus on a well thought out regulation on intellectual property is highly unlikely. The committee concludes that in view of the present lack of consensus, intellectual property matters should be excluded from the substantive scope of the draft-Convention.¹⁵

¹³ See Questions 3 (validity) and 8 (infringement); see also Questions 6 and 7 on side issues in this respect.

¹⁴ AIPPI was represented at the Experts Meeting by Mr S.J. Schaafsma.

¹⁵ The exclusion should be implemented in Article 1(2) of the draft-Convention. Deletion of Article 12(4), (5) and (6) is of course not enough, as such deletion leaves the infringement rules intact (and one should not provide for infringement rules without taking care for rules on the validity jurisdiction). It is submitted that, although AIPPI

- VII. However, the committee recognises the growing importance -and complexity- of the private international law aspects of intellectual property matters. It realises that it is desirable to set an international regulation in this respect and that the draft-Convention is the most appropriate vehicle for such regulation. It recalls that a majority of the responding Groups favours an intellectual property regulation in the draft-Convention.
- VIII. The committee therefore suggests that the Hague Conference elaborates a specific protocol on intellectual property to be added to the Convention in due time.¹⁶ This approach gives time to study this complex matter and to examine whether consensus can be reached. In this context the committee remarks that it is of the opinion that the approach outlined under Question 10 deserves further study.
- IX. Consequently, Special Committee Q 153 advises the General Assembly of the AIPPI, convened in Melbourne on 30 March 2001, to adopt the attached resolution, in which AIPPI recommends to exclude intellectual property matters from the current draft-Convention and calls on the Hague Conference to elaborate a specific additional protocol on intellectual property.

The Hague,
15 March 2001

restricted its quest to industrial property matters, it would seem logical to exclude all intellectual property matters and not just industrial property matters. The committee recognises that it is difficult to define 'intellectual property matters'. In drafting such definition Article 1(2) of the 1994 Agreement on trade-related aspects of intellectual property rights (TRIPs, Annex 1C to the Agreement establishing the World Trade Organisation, Marrakech, 15 April 1994) could serve as a starting point, although it should be realised that said article does not seem to cover all intellectual property rights. The committee is prepared, if requested, to render assistance to the Hague Conference in drafting a definition.

¹⁶ The committee adopts the suggestion from the Paraguayan Group (see Question 1)