

National/Regional Group: China

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Questions

1) Relating to Article 2(1)(m) of the November 2017 Draft Convention:

“This Convention shall not apply to the following matters - ... [(m) intellectual property rights [and analogous matters].”

a) Should any intellectual property rights be included in the scope of the Convention? Please explain why or why not.

Comments: In practice, parties and activities in foreign countries are involved in an increasing number of IP contentions, for example, it is very common that a plaintiff or defendant in an IP litigation is a foreign entity. It is a realistic necessity that such a judgement can be recognized and enforced by the state of the party's citizenship or domicile. As another example, IP rights of multiple states are usually concerned when negotiating a licensing agreement, and potential conflicts may raise from parallel litigation proceedings in different states. See *Huawei Technologies Co., Ltd. v. Samsung Electronics Co., Ltd.*, Case No. 3:16-cv-02787-WHO (N.D. Cal. April 13, 2018, Order) (U.S. district court judge enjoins Huawei from enforcing an injunction issued by a court in China). It can be seen that, to meet the realistic necessity, recognition and enforcement of IP judgements by foreign states should indeed be incorporated into the Convention.

It is our opinion that, given the circumstance that IP judgements have long been excluded therefrom, an essential progress it will be should their inclusion into the Convention can be achieved for the first time, even if to a limited extent only. Hence, the most widely understood parts can be written into the Convention firstly, and other parts more debated over can be put on hold for further discussions

At the present, we note that, for recognition and enforcement of IP judgements two alternative solutions are listed out in parallel in the Draft. One in art. 2(1)(m), excluding recognition and enforcement of IP judgements, while the other reflected in arts. 5(3), 6(a), 11, providing for limited recognition and enforcement.

For the reasons expanded above, we are in support of the solution of limited recognition and enforcement, as reflected in arts. 5(3), 6(a), 11, and the excluding solution in art. 2(1)(m) is not recommended.

Please answer Questions 1)b)-d) even if you have answered NO to Question 1)a) (you may e.g. have views on the definition anyway, for the event intellectual property rights would be included)

- b) Should intellectual property rights be included in the scope of the Convention, what should be included within the concept of "intellectual property"? For example, should the concept of "intellectual property" be limited to the "traditional" intellectual property rights, e.g. patents, designs, trademarks, copyright? Alternatively, should the concept of "intellectual property" also include related rights, such as rights relating to trade secrets, rights arising from licences, unfair competition, etc.? Please explain and specify why or why not certain types of "intellectual property" should be included or excluded.

Comments: It should be admitted that, a clear definition is still lacking for the term "intellectual property", and trying to give one in the Convention is not necessary. If convincing arguments exist for a specific type of IP should not be included in the Convention, it can be ruled out expressly and individually. Absent such arguments, we are for incorporation of IP into the Convention as a general concept. The current wording in the Convention, namely "intellectual property and analogous matters", appears to be acceptable as a concept with openness.

Of course, jurisdiction and applicable laws may be different for various types of IP. This is more suitable to be formulated by giving examples, as in current arts. 5(3)(a)-(c), 6(a), 7(1)(g), 8(3) etc.

- c) Do you think the wording "... and analogous matters" is clear enough? Please explain why or why not.

Comments: As explained above, to give a clear definition of "IP" would be difficult and unnecessary. Even if the wording "analogous matters" might not be definite enough, such a concept with openness is still acceptable.

- d) Please provide any proposals regarding the refinement of the wording of Article 2(1)(m) of the Draft Convention.

Comments: As explained above, the present wording is acceptable.

- 2) Relating to Article 5(3)(a) of the November 2017 Draft Convention:

"Paragraph 1 does not apply to a judgment that ruled on an intellectual property right or an analogous right. Such a judgment is eligible for recognition and enforcement if one of the following requirements is met –

- (a) *the judgment ruled on an infringement in the State of origin of an intellectual property right required to be granted or registered and it was given by a court in the State in which the grant or registration of the right*

concerned has taken place or, under the terms of an international or regional instrument, is deemed to have taken place[, 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;”

- a) Should a judgment that ruled on the infringement of an intellectual property right required to be granted or registered only be eligible for recognition and enforcement if given by a court of the contracting state in which the intellectual property right in question was granted or is registered? Please explain why or why not.

Comments: Art. 5 is relevant to jurisdiction. In accordance with the current 5(3)(a), only judgments made by the State of origin of an IP can be recognized and enforced, while those by the state of a party’s citizenship or domicile cannot necessarily. We note that, it is controversial whether a foreign court can interpret an IP obtained in the State of origin. To make progress in the Convention, undisputed parts can be incorporated firstly, so the current drafting appears to be acceptable.

- b) Should there be an exclusion in the case were the defendant has not acted in that State or their activity cannot reasonably be seen as having been targeted at that State? Please explain why or why not.

Comments: For a dispute of IP infringement, jurisdiction can be established upon the defendant’s domicile or where the infringing activity took place. Since only judgments made by the State of origin of an IP can be recognized and enforced, as per the current art. 5(3)(a), and given the fact that substantive IP laws (e.g. patent law) in a state typically govern in-state activities only, it would be unnecessary to exclude judgments addressing out-state activities particularly.

- c) Should there be an exclusion in the case of purely inter partes judgments? Please explain why or why not.

Comments: Current art. 11 of the Draft limits recognition and enforcement to monetary remedy only. No additional exclusions have come to our attention.

- 3) Relating to Article 5(3)(b) of the November 2017 Draft Convention:

“Paragraph 1 does not apply to a judgment that ruled on an intellectual property right or an analogous right. Such a judgment is eligible for recognition and enforcement if one of the following requirements is met –

...

(b) *the judgment ruled on an infringement in the State of origin of a copyright or related right, an unregistered trademark or unregistered industrial design, and it was given by a court in the State for which protection was claimed [, 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;”*

- a) Should a judgment that ruled on the infringement of a copyright or related rights, an unregistered trademark or unregistered industrial design, only be eligible for recognition and enforcement if given by a court in the State for which protection is claimed? Please explain why or why not.

Comments: In addition to the State for which protection is claimed, jurisdiction can usually be established upon defendant’s domicile and where the infringing activity took place, either place can be the same as or different from the State for which protection is claimed. For those judgments made by a court of defendant’s domicile and where the infringing activity took place, they can typically be enforced at the state where the court sits. Hence, as a situation with more demands in reality, it is acceptable to incorporate into the Convention those judgments made by the State for which protection is claimed.

- b) Should there be an exclusion in the case where the defendant has not acted in that State or their activity cannot reasonably be seen as having been targeted at that State? Please explain why or why not.

Comments: Jurisdiction may be controversial if no infringing activity took place in the State for which protection is claimed at all. Such a circumstance might not be very common, so excluding it from the Convention would rarely lead to actual difficulties and thus is acceptable.

- c) Should there be a requirement that the infringement in question is actionable in both the State in which the judgment was issued, and in the State in which the judgment is sought to be enforced? Please explain why or why not.¹

Comments: No. It is understood that a certain type of infringing activities actionable in one state might not constitute an infringement and thus not actionable in another. Adding the above requirement may cause entities facing risk of infringement move to states with less IP protections.

¹ There has been a ‘double actionability’ requirement in the laws of some states. If, for example, the defendant commits acts in state A which amount to a tort in state A but is sued in state B for that tort, does the tort need to be an actionable tort in both states A and B or just in state A? This is especially relevant for territorial rights such as intellectual property rights. In relation to copyright infringement, this question arose in the UK case of *Pearce v Ove Arup Partnership Ltd* [2000] Ch 403, in which the Court of Appeal held that a claim in England for infringement of a Dutch copyright was permitted, and in New Zealand in *KK Sony Computer Entertainment v Van Veen* (2006) 71 IPR 179.

4) Relating to Article 5(3)(c) of the November 2017 Draft Convention:

“Paragraph 1 does not apply to a judgment that ruled on an intellectual property right or an analogous right. Such a judgment is eligible for recognition and enforcement if one of the following requirements is met –

...

(c) the judgment ruled on the validity[, subsistence or ownership] in the State of origin of a copyright or related right, an unregistered trademark or unregistered industrial design, and it was given by a court in the State for which protection was claimed.”

- a) Should a judgment that ruled on the validity, subsistence or ownership of a copyright or related right, an unregistered trademark or unregistered industrial design only be eligible for recognition and enforcement if given by a court in the State for which protection is claimed? Please explain why or why not.

Comments: The State of origin and the State for which protection was claimed usually coincide, so adopting the latter as an additional requirement would rarely cause real problems.

- b) Should there be a requirement that the validity, subsistence or ownership referred to in Article 5(3)(c) is actionable in both the State in which the judgment was issued, and in the State in which the judgment is sought to be enforced? Please explain why or why not.

Comments: No. According to the current provisions, only judgments made by the State of origin can be recognized and enforced, and validity issue is supposed to be actionable in the State of origin.

5) See Article 6(a) of the November 2017 Draft Convention; and also Article 8(3) of the November 2017 Draft Convention:

- a) Should a judgment that ruled on the validity of an intellectual property right only be eligible for recognition and enforcement if given by a court of a contracting State in which grant or registration has taken place? Please explain why or why not.

Comments: Yes. Similar to *in rem* jurisdiction for real properties, the State of origin may have exclusive jurisdiction on validity issue of an IP.

- b) In your jurisdiction, does the word “validity” subsume “registration”? If not, are they related, and if so, how?

Comments: In China, “validity” typically concerns the grant of a patent, while “registration” denotes the obtaining of a trademark and affirmation of a copyright.

- c) Should there be an exception in the case of purely inter partes validity judgments? For example, if validity is subsidiary to infringement and a finding regarding validity is only effective as between the parties in the infringement case, or if the validity judgment only acquires in rem effect once it has been fully appealed and becomes final. Please explain why or why not.

Comments: No. As said above, it is better to leave validity issue in exclusive jurisdiction of the State of origin, even in purely *inter partes* proceedings.

- 6) Should a decision from a body other than a court, such as a branch of government or an Intellectual Property Office, in relation to an intellectual property right required to be granted or registered have the same status under Articles 5(3), 6(a) and 8(3) of the Draft Convention as decisions of a court (particularly in view of the fact that it is not just courts that can revoke intellectual property rights, but e.g. also national and regional offices)? Please explain why or why not.

Comments: The Convention, on the whole, applies to judgments made by courts only. Whether decisions from administrative agencies can be recognized in a foreign state is beyond its scope. Trying to include such decisions into the Convention may cause problems in general.

- 7) Relating to Article 8(3) of the November 2017 Draft Convention:

“However, in the case of a ruling on the validity of a right referred to in Article 6, paragraph (a), recognition or enforcement of a judgment may be postponed, or refused under the preceding paragraph, only where –

(a) that ruling is inconsistent with a judgment or a decision of a competent authority on that matter given in the State referred to in Article 6, paragraph (a); or

(b) proceedings concerning the validity of that right are pending in that State.

A refusal under sub-paragraph (b) does not prevent a subsequent application for recognition or enforcement of the judgment.”

- a) Should the wording of Article 8(3) of the Draft Convention be adjusted, particularly in view of the fact that in intellectual property matters, it is not just courts that can e.g. revoke intellectual property rights (see also above)? Please explain why or why not.

Comments: As we understand, "competent authority" comprises courts and administrative agencies which are entitled to determine validity of IP rights.

- b) Please provide any proposals regarding the refinement of the wording of Article 8(3) of the Draft Convention.

Comments: It appears to be acceptable.

- 8) Should the application of a law other than the internal law of the State of origin of a judgment ruled on an infringement of an intellectual property right be a ground for refusal for recognition or enforcement? Please explain why or why not.

(see Article 7(1)(g) of the November 2017 Draft Convention)

Comments: For the moment, application of internal laws of the State of origin can be required for recognition, as it is still controversial whether laws of other states may apply in this case.

- 9) See Article 11 of the November 2017 Draft Convention:

- a) Should the Convention only cover judgments ruling on an infringement to the extent that they rule on a monetary remedy in relation to harm suffered in the State of origin (in addition to the enforceability of a cost award, see Article 15 of the Draft Convention)? Please explain why or why not.

Comments: Acceptable for the present. For judgments involving non-monetary remedies, usually an injunction part therein, there are greater controversies. And even for monetary remedies, owing to the territorial nature of IP, harms suffered in a foreign state are usually indirect and would not be compensated.

- b) Do you agree with the reformulation of Article 11 (previously 12)? Please explain why or why not.

(see also Article 12 of the February 2017 Draft Convention)

Comments: The current provision is acceptable. Recognition and enforcement of a monetary judgment is significant to IP cases, and their incorporation into the Convention is a practical first step, as other topics receive more debates.

- c) If you have answered NO to Question 9)b), how could the wording of Article 11 be refined? Please explain why or why not.

Comments: N/A.

- 10) Should there be a rule, such as *res judicata*, to prevent the re-litigation of issues which have already been determined by the court of a State? Please explain why or why not.

Comments: No. As usually understood, if a foreign judgment is recognized by a state, its own courts would not then issue a conflicting decision. As to *res judicata*, respect should be paid for a state's internal laws. A special rule in the Convention seems to be unnecessary and may cause worries when a court determining whether to recognize a foreign judgment.

- a) If YES, should the rule only apply between the same parties, and in relation to issues that have been finally determined with no possible appeals remaining?

Comments: N/A.

- b) If YES, should *res judicata* only apply in the case of *in rem* judgments, or also in the case of *inter partes* judgments? In particular, should a prior *inter partes* determination of validity prevent the later re-litigation of validity, e.g. if new prior art is found which is said to invalidate a patent?

Comments: N/A.

- 11) To the extent not yet mentioned above (e.g. in your reply to question 1) above) do you have concerns in relation to *res judicata* rules possibly being applicable (e.g. through national laws) should intellectual property be included within the scope of the Draft Convention? Please explain your concerns and potential ways to address those.

No further comments.

- 12) Do you have any other comments (including wording suggestions) in relation to the intellectual property related aspects of the Draft Convention?

No further comments.