

Questionnaire 2

HCCH JUDGMENTS PROJECT – AIPPI UK RESPONSE

National/Regional Group: AIPPI United Kingdom

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.**

AIPPI UK responded previously to the identical question in October. Our response still applies, and is reproduced below.

AIPPI UK considers that all IP rights should be excluded from the scope of the Convention. As explained below, although AIPPI UK agrees that there would be some benefit in a simplified framework for litigation and enforcement of IP rights, AIPPI UK considers that, to seek to provide for cross-border enforcement in the absence of harmonising provisions relating to jurisdiction and substantive law, would be counterproductive and likely damaging to both IP rights holders and alleged infringers.

AIPPI UK also notes that AIPPI has previously (in its Q153 resolution in 2001), observed that the lack of international consensus meant that intellectual property matters should be excluded from the substantive scope of the Convention as it stood at that time. It remains the position that there is no international consensus and consequently there is no reason to depart from the policy settled by AIPPI in Q153.

The substantive reasons why AIPPI UK considers that this remains the correct position are as follows:

- IP protection is inherently territorial. The scope of protection is governed by national (or in some cases regional) IP rights, which are governed by national laws. For rights that require registration or grant, the IP rights come into existence through formalities that involve public administrative authorities in the states concerned. For rights that do not require registration or grant, the existence of the rights are often dependent on circumstances that arise in the state concerned (for example, the law of passing off in the UK requires the existence of a reputation on the UK market).
- The vast majority of disputes relating to IP rights are determined by national courts in the contracting state the law of which governs the right concerned. For example, most issues

relating to infringement and validity of UK patents are determined by the UK courts. There are very good reasons for this. Harmonisation in relation to both substantive IP and procedure before national courts is far from complete. The law concerning IP rights is generally accepted to be a complicated area, and many countries have specialised courts to hear IP disputes (and often lawyers that practice in this area are specialists). The remedy is also usually territorially limited. Accordingly, it is generally accepted that disputes relating to IP rights should usually be heard by national courts in the contracting state the law of which governs the right concerned. The time taken, and difficulties arising, in trying to set up a court in Europe to hear pan-European patent disputes demonstrates the challenges faced when trying to do otherwise.

- Countries may determine that IP disputes, or certain IP disputes, should be heard before a specialist court, or to a jury. It would not be open to litigants in that country to take a dispute before, respectively, a non-specialist court, or a court without a jury. However, the Convention would allow exactly those routes through the courts of other countries. This removal of sovereignty may undermine the legitimate legislative balance that the country sought to create in legislating for specialist courts, or juries.
- Whilst issues relating to cross-border enforcement of judgments concerning IP rights can arise, particularly in relation to online IP infringement issues (in which case copyright and trade marks are the most likely to be implicated), such issues currently only arise very rarely in practice.
- This territorial nature of IP rights causes particular complications in the field of private international law. In addition to questions of the recognition and enforcement of cross-border judgments, it is necessary to consider whether any particular court has *jurisdiction* over IP disputes and, if so, what *laws should be applied* to the disputes.
- The EU currently has a framework in relation to jurisdiction, applicable law and recognition and enforcement of disputes, including IP disputes. The Brussels I Regulations (Regulation 44/2001 and Regulation 1215/2012) set out rules in relation to jurisdiction and the recognition and enforcement of judgments, and the Rome II Regulation (Regulation 864/2007) deals with the law applicable to such disputes. Accordingly, there are rules as to which courts in the EU have jurisdiction in relation to IP disputes, what substantive law should be applied, and when judgments are to be recognised and enforced in other Member States. Critically, there is also a common legal framework (including a shared legal framework for most IP rights either through EU law or the EPC) and a common court overseeing its application: to the extent these rules are unclear, questions of interpretation can be referred to the CJEU. There would be no such oversight in relation to the Convention.
- A key concern with the draft Convention is that it only deals with the recognition and enforcement of judgments, and does not contain provisions setting out which courts have jurisdiction in relation to such disputes or what substantive law should be applied. It leaves it to each court to determine whether it has cross-border jurisdiction. As explained above, in relation to IP rights, these issues are not harmonised across all countries that are likely to be signatories to the Convention. As a result, numerous potential provisions have been suggested to be included in the draft Convention to try to fit IP rights into the general framework and to try to minimise the risks that arise from such an approach. However, the complexity of these provisions indicates the problems that arise from trying to fit judgments relating to IP rights into a general framework for the recognition and enforcement of judgments.
- A further concern with the Convention is that it leaves open forum shopping for jurisdictions that apply broad or narrow notions of joint tortfeasorship either to expand or to reduce liability from that which would apply in the *lex loci protectionis*. This may lead to parties being held liable, or alternatively escaping liability, contrary to the legislative intent behind the intellectual property rights in question.
- This causes real concerns for both rights holders and for alleged infringers of IP rights. Signatories to the Convention could decide to adopt a very broad jurisdiction to IP disputes,

giving judgments on the validity¹ and infringement of IP rights of a broad range of countries, which could then be automatically enforceable in all such countries (subject to further complications under Article 8(3) – discussed below). This could lead to further forum shopping in IP disputes and further litigation.

- 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.**

The definition should be limited to “traditional” intellectual property rights, but should preferably include the right to prevent unfair competition.

There is a good argument for excluding unfair competition from the scope of the HCCH given its inherently territorial nature and the lack of harmonisation of the underlying law. The right to prevent unfair competition has been recognised by international convention, and specifically in Art 10bis Paris Convention, as a form of intellectual property. The points outlined in paragraph (a) above apply by analogy to the right to prevent unfair competition.

Rights in confidential information arise under several legal theories (tort, equitable rights, contractual rights) and are not inherently territorial. There is good sense in having an international enforcement regime for trade secrets when by their nature international enforcement is necessary if any protection is to be achieved.

In relation to contractual rights in confidential information, there is no reason to treat their enforceability any differently than other contractual rights. The same applies to rights arising under licences, which are inherently contractual rights. If the Convention is to cover contractual rights, there appears to be no argument for excluding a certain subset of those rights. Indeed, it would be likely lead to immense complication if contractual rights are generally within the Convention but contractual rights in confidential information, and rights arising under licences, are excluded.

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

There is a risk that “and analogous matters” will create disputes over what rights are included and the UK Group believes the words are best omitted.

Given the reluctance to complicate treaty language, it may be important to deal with this matter extensively and expressly in the travaux.

The intention of “and analogous matters” appears to the UK Group to be intended to ensure that all rights of the nature of intellectual property are covered including rights in performances, reproduction right, droit d’auteur, artists’ remuneration right, moral rights, rights to claim priority,

¹ While it is acknowledged that there is an exception in relation to issues on the merits, the convention still allows findings of invalidity in preliminary issues (Art 8), as discussed further in Q5 below

rights in collective marks, rights over famous marks, database rights etc. The UK Group believes that the term “intellectual property rights” is sufficiently clear as it stands, and that clearer language is likely to require a length and detail of drafting beyond anything likely to be agreed.

If the drafting is open to a more expansive definition then it would be sensible to list expansively IP rights before “and analogous matters”, and also to specify what is not included in intellectual property i.e. confidential information and trade secrets, and rights arising under licences. This may be important to counter any inference drawn from the fact that Art 39 of TRIPS includes undisclosed information in the Part dealing with intellectual property rights.

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

“intellectual property rights which for these purposes includes neither contractual rights nor rights in undisclosed information.”

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

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(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.**

AIPPI UK considers that, if IP rights are to be included in the Convention (noting that this is a position with which AIPPI UK disagrees), judgments that rule on the infringement of an IP right required to be granted or registered should only be eligible for recognition and enforcement under the convention if given by a court of a contracting state in which the intellectual property right in question was granted or is registered.

As explained above, AIPPI UK has serious concerns about a convention that covers the recognition and enforcement of IP rights but that which does not also harmonise the issue of which courts have jurisdiction to deal with IP rights, as is the case with the draft Convention. The inclusion of a provision that a judgment ruling on the infringement of an intellectual property right should only be eligible for recognition and enforcement if given by a court of a contracting state the law of which governs the right concerned (i.e. the country where the right is registered etc.) would significantly reduce the potential harm that could be caused under the Convention. **As amended, and without the section in square brackets (as to which see below), Article 5(3)(a) would be**

a partial but not entirely satisfactory step towards achieving this objective. If contrary to AIPPI UK's preference the draft Convention covers IP, AIPPI would prefer to see Article 5(3)(a) included.

AIPPI UK also notes that the Convention would not prevent courts from enforcing judgments that fall outside the scope of this rule if such judgments are enforceable under their existing national law. By way of example, the Brussels I Regulations do allow courts in Member States to rule on infringements of IP rights granted in other Member States where no validity issues arise. However, as explained above, the EU regulations provide a comprehensive regime that deals with jurisdiction, substantive law and the recognition and enforcement of judgments, and issues of interpretation can be referred to the CJEU for adjudication.

It should be made clear throughout the convention that the court of a State includes courts authorised by a State to rule on matters in that state, including in particular multijurisdictional and regional courts. Consequently rulings of the Unified Patent Court, for instance, should be considered to be rulings of the court of each State within the system.

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.

The inclusion of the square-bracketed portions of 5(3)(a) and 5(3)(b) would in principle be beneficial, because they provide a protection in the case of over-reaching by long-arm infringement laws. However, the inclusion of such provisions is likely to give rise to satellite litigation in enforcement and so undermines the purpose of the draft Convention, and for that reason they are better omitted. The fact that such provisions are proposed highlights the difficulties inherent in seeking to cover recognition and enforcement of IP rights without harmonisation of underlying law, thus providing a further reason for excluding intellectual property rights from the scope of the convention altogether.

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

Purely inter partes judgments should not be treated differently. Nothing said to this point relies on the inter partes nature of a judgment.

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

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...

(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.**

AIPPI UK considers that, if IP rights are to be included in the Convention (noting that this is a position with which AIPPI UK disagrees), judgments that rule on the infringement of a copyright or related rights, an unregistered trademark or unregistered industrial design should only be eligible for recognition and enforcement under the convention if given by a court of a contracting state in which protection is claimed for the intellectual property right in question.

As explained above, AIPPI UK has serious concerns about a convention that covers the recognition and enforcement of IP rights but that which does not also harmonise the issue of which courts have jurisdiction to deal with IP rights, as is the case with the draft Convention. The inclusion of a provision that a judgment that ruled on the infringement of an intellectual property right only be eligible for recognition and enforcement if given by a court of a contracting state the law of which governs the right concerned (i.e. the country where the right is registered etc.) would significantly reduce the potential harm that could be caused under the Convention. **As amended, Article 5(3)(b) would be a partial but not entirely satisfactory step towards achieving this objective. If contrary to AIPPI UK’s preference the draft Convention covers IP, AIPPI would prefer to see Article 5(3)(b) included.**

AIPPI UK also notes that the Convention would not prevent courts from enforcing judgments that fall outside the scope of this rule if such judgments are enforceable under their existing national law. By way of example, the Brussels I Regulations do allow courts in Member States to rule on infringements of IP rights granted in other Member States where no validity issues arise. However, as explained above, the EU regulations provide a comprehensive regime that deals with jurisdiction, substantive law and the recognition and enforcement of judgments, and issues of interpretation can be referred to the CJEU for adjudication.

- 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.**

The inclusion of the square-bracketed portions of 5(3)(a) and 5(3)(b) would in principle be beneficial, because they provide a protection in the case of over-reaching by long-arm infringement laws. However, the inclusion of such provisions is likely to give rise to satellite litigation in enforcement and so undermines the purpose of the draft Convention, and for that reason they are better omitted. The fact that such provisions are proposed highlights the difficulties inherent in seeking to cover recognition and enforcement of IP rights without harmonisation of underlying law, thus providing a further reason for excluding intellectual property rights from the scope of the convention altogether.

- 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.²

Yes. As explained above, AIPPI UK has serious concerns about a convention that covers the recognition and enforcement of IP rights but that which does not also harmonise the issue of which courts have jurisdiction to deal with IP rights, as is the case with the draft Convention. This provision goes a very small way to address the concern. More significantly, it serves to illustrate why it would be inappropriate to include such rights within the scope of the Convention at all.

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

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...

(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.

As already explained, AIPPI UK considers that, if IP rights are to be included in the Convention (noting that this is a position with which AIPPI UK disagrees), judgments that rule on the ownership of an IP right should only be eligible for recognition and enforcement under the convention if given by a court of a contracting state the law of which governs the right concerned. AIPPI UK considers that this should apply to all IP rights, irrespective of whether they are required to be registered or not.

As also explained above, AIPPI UK has serious concerns about a convention that covers the recognition and enforcement of IP rights but that which does not also harmonise the issue of which courts have jurisdiction to deal with IP rights, as is the case with the draft Convention. The inclusion of a provision that a judgment that ruled on the ownership of an intellectual property right only be eligible for recognition and enforcement if given by a court of a contracting state the law of which governs the right concerned (i.e. the country where the right is registered etc.) would significantly reduce the potential harm that could be caused under the Convention.

In relation to ownership, it may be appropriate for courts of other states to rule on ownership arising as a matter of contract, but not as a matter of law.

² 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.

- 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.**

If any other court is permitted to make such a ruling, then it would make little sense to require double actionability because AIPPI UK considers it generally improbable that the validity, subsistence or ownership of a right in country A would normally be actionable in country B as well.

- 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.**

If IP is included in the scope of the convention at all, then yes, for the same reasons as in 4(a) above.

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

Yes.

- 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.**

No. The coverage of inter partes judgments is objectionable for the same reasons. Furthermore, in practice, all rights must be enforced inter partes and the setting of a precedent inter partes in a jurisdiction away from the home jurisdiction of the patent may in practice determine the outcome in further cases and so in practical terms be little different from a judgment in rem.

- 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.**

No. The question refers to “status”. The status of a court judgment or of a patent office decision may be different in practice in their home country and it would not make sense therefore for the decisions to be afforded equal treatment abroad by the draft Convention.

This questions itself provides another reason to exclude IP from the scope of the Convention.

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.**

We deal with the particular issue of findings of bodies other than courts below. On a more general point, as already explained, AIPPI UK considers that, if IP rights are to be included in the Convention (noting that this is a position with which AIPPI UK disagrees), judgments that rule on the registration or validity of an IP right should only be eligible for recognition and enforcement under the Convention if given by a court of a contracting state the law of which governs the right concerned.

As also explained above, AIPPI UK has serious concerns about a convention that covers the recognition and enforcement of IP rights but that which does not also harmonise the issue of which courts have jurisdiction to deal with IP rights, as is the case with the draft Convention. The inclusion of a provision that a judgment that ruled on the registration or validity of an intellectual property right only be eligible for recognition and enforcement if given by a court of a contracting state the law of which governs the right concerned (i.e. the country where the right is registered etc.) would significantly reduce the potential harm that could be caused under the Convention.

The effect of draft Article 6(a) is that where a judgment that ruled on registration or validity of a registered IP right is given by a court from a State other than the State of registration, that judgment *shall not* be recognised or enforced, either under the draft Convention, *even if other jurisdictional filters in Article 5 are met*, or under national law.

However, Article 6 is subject to Article 8 of the draft Convention, which relates to matters that arise as “preliminary questions” in judgments. As currently drafted, this significantly waters down the protection afforded by Article 6 in relation to judgments that rule on the registration or validity of IP rights where the registration or validity of IP rights is considered to be a “preliminary issue” in the judgment. Take the example of the courts of Ruritania deciding on the infringement of a UK patent where validity is challenged as a defence to infringement, where the outcome is that the UK patent

is infringed and the validity challenge is rejected. The Explanatory Note³ appears to envisage that the judgment on infringement of the UK patent right where validity is contested could be characterised as an infringement decision in which validity is dealt with as a “preliminary issue”. Article 8 would then operate as follows:

- The decision in relation to validity (the “preliminary issue”) could not be recognised or enforced in the UK;
- However, the decision in relation to infringement would be recognised or enforced, unless (a) the validity ruling is inconsistent with a judgment or decision of a competent authority in the UK or (b) proceedings concerning the validity of the UK patent are pending in the UK.

At the least, this approach will result will result in *increased* litigation, as any defendant will invariably comment nullity/revocation proceedings in relation to the IP right in question in the state where enforcement is sought (here, the UK).

Such an outcome would also be contrary to the established case law under the Brussels I Regulation, where the validity of the patent in such circumstances is not considered to be a “preliminary issue”. If the Brussels I Regulation were to be applied, the Ruritania court would not have jurisdiction to hear infringement or validity issues in relation to a UK patent.

On the specific point that a body other than a court may make a finding of invalidity in the “home” state, AIPPI UK takes the view that for the purposes of Article 8(3), a finding of a body (other than a court) with jurisdiction over an issue in the home state should be considered relevant. Consequently AIPPI UK takes the view that it is appropriate for the draft to refer to “competent authority” and for “proceedings” to be construed in a similar manner.

AIPPI UK also takes the view that the difficulties arising in this context further illustrate why it is undesirable for the Convention to extend to IP.

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

None.

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)

AIPPI UK considers that, if IP rights are to be included in the Convention (noting that this is a position with which AIPPI UK disagrees), the application of a law other than the law governing a particular IP right should be a ground for refusal for recognition or enforcement under the convention

As explained above, AIPPI UK has serious concerns about a convention that covers the recognition and enforcement of IP rights but that which does not also harmonise the issue of which courts have jurisdiction to deal with IP rights, as is the case with the draft Convention⁴. The

³ Preliminary Explanatory Report by Professors Francisco J. Garcimartín Alférez and Geneviève Saumier.

⁴ Although the Choice of Court convention contained similar wording to the Draft Convention, that was at a stage where the parties had a choice. For the Draft convention they have no choice: D is in whichever court P has chosen.

inclusion of such a provision would significantly reduce the potential harm that could be caused under the Convention if, in the absence of harmonised provisions on jurisdiction, a court were to apply the law other than the law governing a particular intellectual property right in a judgment.

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.**

AIPPI UK considers that, if IP rights are to be included in the scope of the Convention (and noting that this is a position with which AIPPI UK disagrees), only remedies comprising monetary damages for infringement of IP rights in judgments relating to IP rights should be enforceable under the Convention.

The qualifications set out above are intended to ensure that the only awards being considered here are awards for infringement of intellectual property. They do not include, for instance, awards by way of an antitrust or unfair competition counterclaim, payments made under a cross-undertaking, or damages for threats or malicious prosecution. Such matters could fall within “monetary damages” in the quotation above, but fall outside the proper scope of consideration of the enforcement of IP and any consideration of them should be considered beyond the scope of this exercise.

It should, however, be recognised that very complex issues arise with potential issue estoppel / res judicata if judgments are required to be recognised or enforced only for certain purposes. The article will lead to judgments that are partly enforceable and partly not, and render some parts of the judgment recognised but not enforceable. This is an unfortunate and complex arrangement likely to create complex additional satellite litigation and is not conducive to a simpler, more useable legal system. These considerations provide an additional reason for wholly excluding IP.

It is also worth noting that there may be difficulties in determining whether a remedy is monetary damages or not. So, for instance, an enquiry as to damages, or an injunction breach of which is expressly limited to a financial remedy, might be said to be remedies for monetary damages. We have not sought to clarify those issues here.

For the sake of completeness, we go on to comment in detail below on considerations that arise if judgments for monetary damages are enforceable.

Article 11 sets out an exception to the obligation in Article 4(1) to recognise and enforce judgments. The effect is to exclude the enforcement of judgments granting a remedy other than monetary damages in IP matters, but not (subject to a square-bracketed provision) to exclude the recognition of such judgments. As drafted, Article 11 would appear to exclude such judgments from enforcement completely, not only to exclude the non-monetary remedies contained in such judgments.

AIPPI UK agrees that non-monetary remedies should not be enforceable under the Convention. There is significant variation between jurisdictions in the exact remedies that can be granted and the circumstances in which they are granted. The issues relating to the cross-border enforcement of such remedies are much more complicated than for monetary damages, and there is significant potential for harm to be caused if such remedies are required to be enforced in the same manner as monetary damages.

In practical terms, it is rare for IP infringement decisions only to include monetary damages as remedies. It is much more common for non-monetary remedies, principally injunctions and delivery up/destruction of products, also to be included. If the entire judgment is excluded (as a result of the inclusion of non-monetary damage remedies), this would mean that very few judgments containing monetary damages in IP matters would ever be enforced under the convention. Assuming, therefore, that it is decided that IP matters are to be included in the scope of the Convention (noting that this is a position with which AIPPI UK disagrees), AIPPI UK considers that judgments that include non-monetary damages should not be excluded from enforcement in their entirety, but the non-monetary remedies should not be enforceable (so monetary damages can be enforced).

As (absent the square bracketed provision) recognition of such judgments would not be excluded, courts in the requested State would still be obliged to recognise such judgments. In practical terms, it may then be possible for an action to be brought in the courts in the requested State to seek non-monetary remedies on the basis of the findings in the judgment of the State of origin, which would allow appropriate non-monetary remedies to be granted by the relevant national courts. If Article 11 were to be adopted, AIPPI UK would therefore favour including the words "recognised and".

Given the territorial nature of IP rights and the sovereign rights of the legislature that creates them, recognition of a judgment outside the *lex loci protectionis* (LLP) should not preclude a court within the LLP from declining recognition to aspects that under the LLP are reserved to the courts of that state. As a matter of sovereignty, such matters should not have been considered by a foreign court and should they be so considered, they should not be recognised. Thus a finding of fact might generally be capable of recognition, but a finding of law should not be binding if it has been reserved by the LLP. The list of reserved matters should not be restricted to validity but rather left to the legislature of the LLP.

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)

No. AIPPI UK considers that, if IP rights are to be included in the scope of the Convention (and noting that this is a position with which AIPPI UK disagrees), the wording of Article 11 which limits recognition and enforcement to monetary damages in relation to harm suffered in the State of origin to be an improvement over the previous Article 12. However, this would need to be expressly combined with a limitation to judgments coming from the State of origin rather than any other court. For the reasons given above, it would be preferable to eliminate this from the scope of the convention altogether.

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

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.

Yes. *Res judicata* is an important rule that works to eliminate duplicative litigation and prevents the improper harassment of litigants.

Res judicata may be particularly appropriate in relation to the treatment in a first court of the judgment of a second court, where the second court is the court of origin of a right. The second court is by its nature uniquely placed to rule on infringement and validity.

- 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?**

The scope of res judicata should be left as a matter for national courts in their own circumstances. Different considerations might apply dependent upon, for instance, the time to trial and appeal, the ability of the court to manage or stay proceedings, the ability of the court to consolidate actions or join parties, and whether previous judgments are considered persuasive or binding, or of no effect.

- 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?**

As (a) above.

- 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.**

It would be particularly concerning if the application of res judicata rules prevented a court in the state of origin from ruling where a judgment in another state had misapplied the law or failed to give effect to procedural or substantive protections that in the state of origin were considered of significant or constitutional importance. This provides a further reason for excluding IP from the scope of the Convention or, at least, for limiting enforcement and recognition to judgments of the courts of the state of origin.

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

For the reasons set out above, AIPPI UK considers that IP rights should not be included in the draft Convention. AIPPI UK would be in favour, however, of a project that sought to deal with private international law issues relating to IP rights if it were to deal with all of jurisdiction, choice of law and the recognition and enforcement of IP rights.

In relation to the provisions in the draft Convention:

- Judgments of the Unified Patent Court would also appear to be within the scope of the draft Convention, pursuant to Article 21(1)(b)(ii) and 22(2)(b), provided that all UPC contracting states were also parties to the Convention. Assuming this is the case, Article 22(4) provides that, for UPC judgments, the reference to “State of origin” in Articles 5 and 6 of the Convention would be deemed to refer to the entire territory over which the UPC had jurisdiction in relation to the UPC judgment in question. The application of the draft Convention to UPC cases is likely to give rise to even more complexities, particularly in relation to Articles 5(3)(a) and (c), 6(a), 7(1)(g) and 8(3). This is particularly the case where the UPC judgment relates to classical

European Patents that are only in force in a sub-set of UPC contracting states. This issue will require further analysis if IP rights are to be included in the Convention.

AIPPI United Kingdom
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