

INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW

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Edited by **PAUL TORREMAN**



Critical Concepts in Intellectual Property Law

12

Intellectual Property and Private International Law

Edited by

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CRITICAL CONCEPTS IN INTELLECTUAL PROPERTY LAW

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Intellectual Property and Private International Law

Critical Concepts in Intellectual Property Law

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Introduction

Paul Torremans

1. From 'OR' to 'AND'

Twenty or so years ago most commentators would never have written an introductory piece under the title 'intellectual property AND private international law'. Instead they might have written about 'intellectual property OR private international law'. They were, after all, two entirely separate disciplines, or so it seemed at least. Intellectual property lawyers spoke about national treatment as the cornerstone of their 'international' intellectual property system.¹ They argued that as a result there never was a 'conflict of laws'. Questions of jurisdiction and choice of law did not seem to arise. Private international law experts did not know what to make of national treatment. It did not fit in easily with their jargon and with their concepts of jurisdiction and choice of law. Intellectual property seemed for them to be a weird and complex area and, as the intellectual property experts argued that there was no private international law problem to be identified, they were more than happy to move on to more promising hunting grounds. Just as the collection of journal articles that will follow this introductory piece will demonstrate beyond reasonable doubt: 'how wrong could one be?' Pandora's box is now wide open, and complex private international law problems seem to emerge on an ongoing basis, in step with the rapid evolution that is taking place in the area of intellectual property.

National treatment simply means that the foreign applicant for a patent or a trade mark, as well as the foreign author who wishes to rely on copyright protection for his or her work, will be treated as a national of the Member State to the international convention that imposes the national treatment principle. It is easy to see how one derives the concept of territoriality from this principle. The international protection of intellectual property and the international intellectual property system seem to operate on a country by country basis. Hence the idea of a territorial patch work of national intellectual property regimes, rather than a truly international or cross-border international intellectual property regime. But one should not lose sight of the idea that at the relevant time, that is, the end of the nineteenth century, nationality was the key concept in order to operate a legal system. Treating the national of a foreign country as a national of one's own country then gets a different meaning. It is essentially a non-discrimination clause and nothing more than that. The foreigner is granted access to the national intellectual property law system. That makes perfect sense if one reads the conventions, as the national treatment clauses are followed by provisions that implement a minimal harmonisation of the substantive intellectual property law provisions. One does not find a supra national intellectual property law and neither does one find detailed jurisdiction and choice of law rules. The international community was clearly not prepared to go that extra mile at the end of the nineteenth century. One could call it a lack of consensus, but there was also no real need for it, as intellectual property was very much exploited on a country by

country basis. Suffice it to mention the example of authors who often sought a different publisher in each country.²

Such a territorial, country by country system with predominantly local exploitation of the intellectual property rights makes one lose sight of the potential international aspect of each case. Private international law is then easily overlooked, and it seems perfectly acceptable to proceed on the basis that the national courts of each country will deal (on an exclusive basis) with the intellectual property cases that arise. And in doing so the court will then 'logically' apply its own national intellectual property law. But in reality there is nothing logical about it. In many cases it will be the outcome, but one needs to know on the basis of which rules courts take jurisdiction and which connecting factors will lead to the applicable law. Suffice it to say that in a nationality driven environment the idea that the law applicable to copyright would in each country be the law of the nationality of the author seems entirely plausible. Nationality as a connecting factor (that treats all authors in the same way without discrimination) and a single law that applies globally to a copyright work make sense.³

In short, jurisdiction and choice of law questions do arise in the area of intellectual property, and the international intellectual property conventions have anything but complete answers to these questions.⁴ Not all options are open as the system needs to comply with the national treatment idea, but it is a fair conclusion to say that the standard private international law instruments will cover intellectual property and will need to determine which court has jurisdiction and which law applies. It will not always be a perfect fit. Territorially awarded exclusive rights are not the most straightforward topic in private international law. And things have not become easier when the paradigm of national country by country exploitation of intellectual property rights was replaced by the paradigm of cross-border exploitation of intellectual property rights.

2. Jurisdiction

Let us therefore look in a bit more detail at the application of the rules on private international law to intellectual property, and let us start with jurisdiction. In a European context one is therefore looking at the application of the Brussels I Regulation⁵ to intellectual property cases, as they are after all civil and commercial cases and fall therefore within the scope of the Brussels I Regulation. Rather than to try to summarise all the aspects of the Brussels I Regulation that are relevant, let us look at a practical scenario that shows the often problematic link between the jurisdiction rules and intellectual property.

The contrast between national intellectual property rights, which are still granted on the basis of the territoriality principle, and which, as a consequence, logically produce on the one hand parallel rights in several countries and on the other hand the international exploitation of such rights, results in a scenario where similar violations, mostly performed by defendants with a mutual relationship between them, give rise to claims based on similar national provisions on intellectual property. Article 4 (old article 2) of the Brussels I Regulation allows for the separate prosecution of every defendant in the country where he or she resides. Although Article 7(2) (old article 5[3]) provides for an alternative solution, the standard scenario involves a multitude of claims submitted country by country, apparently as a logical consequence of the territoriality principle.⁶ This has been re-enforced by recent decisions⁷

from the Court of Justice of the European Union (CJEU) that stress the factual nature of the examination under Article 7(2) (old article 5[3]) of the Brussels I Regulation. While it is positive to avoid dealing already with substantive law matter at the jurisdiction stage, as this could give rise to a second mini trial of the same issues, the reality is that the mere factual potential presence of an act leading to damage or damage in the jurisdiction is very easy to demonstrate in intellectual property cases if one disregards the question whether or not the claimant even has a reasonable chance of winning the case on substance (for example, is it at least arguable that the factual act or damage amounts to an infringing act in the jurisdiction in the light of substantive intellectual property law and its territorial nature). Even hopeless cases will therefore pass the jurisdiction stage, and this opens the door to harassment of a defendant by suing in multiple Member States, knowing that the defendant may not be able to afford defending all these cases to the end of all the substantive trials. It is positive though that the CJEU limits these cases to local damage in each jurisdiction. In a case that was pending at the time of writing, the Advocate General also suggested that the second lid of the provision, that is the (local) damager based provision, should not apply to cases of ubiquitous infringement.⁸ That will at least avoid partial cases being brought in each and every Member State if the Court follows the advice of its Advocate General. Since then, the CJEU has unfortunately decided not to follow its Advocate General on this point.

Intellectual property has been the object of considerable harmonisation over the years, on the basis of both international treaties and European Union law. Without going too much into details, it is obvious that the combination of territorial (national) intellectual property rights and their exploitation beyond national boundaries raises questions related with the possible application of Article 8(1) (old article 6[1]) of the Brussels I Regulation. A *forum connexitatis* offers in fact the possibility to pursue the infringement of what, from a commercial point of view, is often considered as a single right, rather than a bundle of parallel national intellectual property rights. Thus, the patent infringement performed in a uniform manner, for example by the commercialisation of a copy of the patented product by related defendants, is pursued as a single case before a single court. Article 8(1) (old article 6[1]) offers therefore an interesting opportunity in a number of intellectual property cases. However, Article 8(1) (old article 6[1]) is principally targeted at defendants residing in different Member States acting with a common agenda,⁹ and this is in contrast with the most common scenario of intellectual property rights infringement, which involves both parallel rights and defendants that act (individually) in a parallel fashion, whether or not they act within a group of companies.

One could therefore expect anything but a straightforward case when the Court looked for the first time at the potential application of Article 8(1) (old article 6[1]) of the Brussels I Regulation in a case concerning intellectual property rights in *Roche Nederland*.¹⁰ At the very least, one can state that this judgment is controversial.¹¹ In short, Primus and Goldenberg had filed an application for a European patent; and they had obtained a patent, according to the European Patent Convention, as a bundle of national patents. They claimed that the Roche group had infringed their European patent. In practice the infringement was performed in each country, every time by the local branch of the Roche group, but the case was handled and coordinated by the group's central unit. Therefore, it would have been useful for Primus and Goldenberg to have the whole case treated by a single court. This was also possible because the Dutch courts had developed for the purposes of Article 8(1) (old article 6[1]) the so-called spider in the web doctrine.¹² The *Roche* case seemed to be typical. The spider's web of patent

infringement had been weaved, or at least conceived, by the central unit of the group. The local branches merely carried out this strategy. Why not entrust the coordinated infringement of the European patent to a single court, the court of the spider, whose competence was recognised by Article 8(1) (old article 6[1])?

Yet, was the existence of a spider at the centre of the web of patent infringement the right starting point? According to the text of Article 8(1) (old article 6[1]), the presence of a spider implies a link between the claims, doubtlessly a close link. However, this is not what Article 8(1) (old article 6[1]) requires. The article requires that the cases are 'so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings'. A risk of irreconcilable judgments is the *conditio sine qua non* to apply Article 8(1) (old article 6[1]), which constitutes a derogation to Article 4 (old article 2) and takes away one or more defendants from the *forum* of their domicile. Different judges can rule differently on a particular case, even if their decision is grounded on the same facts and on the same law. But Article 8(1) (old article 6[1]) does not have the purpose to prevent such divergence. The only risk that needs to be averted is that of contradictory judgments that are incompatible between them. This risk exists only if two judges of two countries decide, on each side, on the same factual and legal situation.¹³ If we take an example from the field of intellectual property rights, this risk exists if the defendant A, domiciled in X, together with the defendant B, domiciled in Y, manufactures in Z reproductions of an artwork by an author, without the author's authorisation, and puts them on the market. If a judge in country X exerts his or her jurisdiction on the basis of Article 4 (old article 2) of the Brussels I Regulation over defendant A, and another judge in country Y does the same in relation to defendant B, both judges would decide the same dispute. In this case there is the risk that the same activity performed together in country Z by the two parties (and to which the law of Z is probably applicable) is considered by one of the judges as an infringement and by the other judge as a perfectly lawful activity. These decisions would therefore be incompatible between them.¹⁴

The Court of Justice has ruled, in *Roche Nederland*, that the condition of the same factual situation was not met.¹⁵ According to the Court each branch operated in a separate country and the details of the patent infringement were different in each country. The infringing activity was also performed in different countries by each defendant. In other words, there was no joint activity in a particular country, and there were no overlapping infringing activities or defendants. There were purely parallel factual situations, territorial and national. In addition, the Court argued that this case was not even subject to the same law, because the European patent consists of a number of national patents and is granted as such. Each of these patents is subject to national patent law, and these patents are independent from each other. This is certainly the case when patent infringement is expressly covered by national law.¹⁶

If we are ready to follow the analysis of the Court on this point, there is no question of irreconcilable judgments. Every defendant must answer for his or her deeds in a specific factual and legal situation. There is no factual situation involving several defendants jointly, and every form of overlapping is avoided. The need for claims 'closely connected' cannot be demonstrated despite the similarities among national cases, and Article 8(1) (old article 6[1]) is not applicable because the conditions required by the text of this article are not met.¹⁷

The 'spider in the web' doctrine argues that there is a supplementary factor to be considered, in addition to the web of coordinated activities: the planning by the spider. The *forum*

connexitatis therefore is identified with the location where the spider is based. Given this additional factor, it is desirable to bring the cases before an individual judge because of the close link resulting from the coordination by the spider. However, in the analysis of the Court there is no room for this supplementary step. The Court is not able to go this far, and it does not apply the ‘spider in the web’ doctrine because the requirements of the wording of Article 8(1) (old article 6[1]) are not met.¹⁸

It is fair to say that there have been cases since *Roche Nederland* that indicate that this rather inflexible approach may not be the final word on the matter, but suffice it to say here that the outcome and the way forward are not very clear at present. The reason this issue is mentioned here is to show that while the Brussels I Regulation and other jurisdiction rules apply to intellectual property cases, matters are not easy, and there is a lot to be analysed and discussed, suffice it to add the exclusive jurisdiction ground for validity issue to almost ‘over-emphasise’ the point. The articles that have been included in the book aim to show the richness of that discussion, and these introductory comments do not want to pre-empt that analysis.

3. Choice of Law

Of course, once jurisdiction has been established the question of the applicable law arises. Even a broad-brush approach, as is appropriate in these introductory comments, should make a distinction between the intellectual property right as such, and its infringement, on the one hand and the contractual transfer on the other hand. Not only may different laws, such as the *lex loci protectionis* on the one hand and the *lex contractus* on the other hand, apply, but important issues of categorisation arise: which issues are covered by which category and its respective connecting factor and applicable law. Let us once more proceed by taking one issue as an example and analyse it in a bit more detail. Transferability is such an ideal example. Is this an aspect of the intellectual property right as such or is one here already dealing with the transfer of the intellectual property right? The lead-in starts with the (copyright) as such.

The discussion of the right as such necessarily starts with the creation of the intellectual property right. Most copyright acts do not contain any detailed guidance on the issue of the applicable law. One could argue that the creation of copyright leads to an exclusive right that restricts competition. It would therefore seem to follow that the local public policy dictates that the creation of a copyright that will be exercisable in the country will be governed by the provisions of the local *lex loci protectionis*.

The Berne Convention also leads to the application of the law of the protecting country¹⁹ to issues related to the creation of copyright,²⁰ as these issues form part of the non-contractual ‘property’ category.²¹ Contract is not involved here; rather, this relates to the ‘right as such’. Which issues, though, are related to the creation of copyright?²² One obviously thinks of the thorny issue of originality, but another good example is the types of works that will be protected. Article 2 of the Berne Convention restricts itself to stating the principle that ‘literary and artistic works’, which include ‘every production in the literary, scientific and artistic domain’, will be protected, and Article 2bis allows for certain limitations without obliging Member States to introduce them. The precise definition of the types of works that will be protected and the decision whether or not to introduce any limitation is left to the Member States and their domestic legislation.²³ Even if they are not large, differences exist between the

laws of the Member States. Whether a work comes within a category of works that will be protected and, if so, in which category of works will be determined by the law of the protecting country.

Once copyright has been created it is important to know what the content of the exclusive right will be, that is, what is the scope of the right. How far will the protection and the restriction of competition extend? Logically speaking, this issue is inextricably linked with the decision to grant copyright, as it determines what exactly is being granted. The issue should therefore be decided under the same applicable law. The law of the protecting country should apply.²⁴ The law of the place where the right is used has to decide whether the right exists and what its content is.²⁵ There is, however, no specific that deals with this issue in the majority of national laws.

This choice of law point is important, in practice, as the Berne Convention does not define the scope of protection in a rigid way. Rather, it sets minimum standards. While it is generally accepted that the copyright holder has the exclusive right to reproduce the work and make public representations of the work, certain national legislations add to this the exclusive right for the copyright holder to distribute copies of the work. The exact scope of the economic and moral rights granted depends on the national law and is different on a country to country basis. Hence the importance of determining the applicable law of the country for which protection is sought.²⁶

Whether one sees moral rights as an integral part of copyright or as separate rights, the precise content of the moral rights that are granted is also determined by the law of the protecting country.²⁷ Either they are just part of the scope of the copyright that has been granted or, if they are seen as independent rights, they come into being automatically through the creation of the copyright. It is logical, in these circumstances, to accept that they are governed by the same rule, for reasons of uniformity. The applicability of the law of the protecting country is confirmed by Article 6bis (3) of the Berne Convention, which states explicitly that the means of redress in relation to moral rights are governed by the law of the country for which protection is sought. The specific means of redress for each moral right are linked so strongly to the moral right concerned that it would make no sense to separate them in terms of the applicable law. Moral rights, that is, their content and who can exercise them, before and after the death of the author, and how, are therefore governed by the law of the country for which protection is sought.²⁸

A different approach could be suggested though. Moral rights could also be seen as personality rights that are linked to the person of the author of the work. From a choice of law point of view, they could then be classified as forming part of the personal law of the author. An alternative, in copyright terms, could be the law of the country of origin, because the latter is closely linked to the author. The common law approach to substantive copyright and moral rights, which is based on the commercial exploitation of the work rather than on the author, has never gone down this path. It is therefore submitted that this choice of law approach is to be rejected.

Moral rights are also a topic certain legal systems care a lot about, and that bring us to consider public policy and overriding mandatory rules issues. We have argued elsewhere that moral rights should be seen as fundamental rights that protect the author against the abuse of his work.²⁹ From that point of view, Belgium's approach to moral rights should form part of its public policy. This would have important implications in a situation where the case is

litigated in Belgium, but where the law of the protecting country is not the Belgian copyright act. Rather than applying the law of the protecting country, the court would be obliged to apply Belgium's provisions on moral rights, if the standard of moral rights protection in the law of the protecting country would be lower than the one in the Belgian copyright act. That could be the case if the *lex protectionis* is the United Kingdom's or the United States' copyright act, which overall afford lower protection to moral rights. It needs to be stressed that this approach does not replace the choice of law rules and the law of the protecting country altogether. Public policy considerations, and eventually the application of the law of the forum, can only be considered at a later stage.³⁰

Overriding mandatory rules, however, operate in a slightly different way. These rules are directly applicable,³¹ and the choice of law process is not followed at all. The provisions on moral rights of the forum are directly applicable, irrespective of the content of the law of the protecting country, if they are mandatory rules. This is the approach that was taken by the French Cour de Cassation³² in the *John Huston* case.³³ It is submitted that the nature of moral rights, as rights that come only into operation when the copyright work is used abusively, does not justify the latter approach. The traditional law of the protecting country, plus public policy of the forum in exceptional cases, is far more suitable.³⁴ The same law would then also be applied to all issues that form part of the scope of copyright.

Restrictions placed on the exclusive right modify the content of the latter. So, if all issues relating to the content of the exclusive right granted by copyright are to be governed by the law of the protecting country, exceptions to the rights granted to the copyright holder form the next issue in this category. The precise scope of the rights granted is, indeed, only to be determined when these exceptions are also taken into account. For example, the right holder's exclusive right to make copies of the work is restricted by the exceptional right of the user to make a copy for personal use. Further exceptions might exist for reporting current events, research and private study, and so on. Important differences exist in this area from one national law to the other.³⁵ This is therefore another point where the determination of the law of the country for which protection is sought has a real impact.³⁶ The same exceptions, obviously, also play a role as defences against copyright infringement.

That brings us to the issue of the transferability of the right, that is the copyright including the economic right and the moral right.

We are not concerned here with the actual transfer of the right. Before a transfer of a right enters the picture, there is a preliminary issue which needs to be addressed. This is the issue of whether the right can be transferred in the first place. Does the issue of the scope of the right which is granted also include the issue of whether the right holder is able to transfer the right to another party? Once more, the statutory provisions of most countries remain silent on this point.

This transferability issue is linked with the grant of the right, rather than with the transfer of the right by means of a contract. Transferability and assignability are closely linked to the issue of what can be assigned, for example pecuniary rights and moral rights or pecuniary rights only, and with the scope of the right.³⁷ It would clearly not be desirable to apply the law of the contract to it and allow the parties to choose a law which allows the transfer of the right at their convenience. It is therefore submitted that the issue of transferability should be governed by the law which governs the creation and the scope of the right. The choice of law rule should thus result in the application of the law of the protecting country.³⁸ This solution

has been approved in *Campbell Connelly & Co Ltd v Noble*.³⁹ In this case, the proper law of the contract (English law) was *de facto* applied to determine whether the contract had validly transferred the copyright in a popular tune, but only after the assignability issue had been determined under the law of the protecting country (US law). Whether the US copyright could be assigned had to be decided as a preliminary point, and that issue was governed by the law of the protecting country.⁴⁰

The issue of transferability assumes practical importance due to the fact that some legal systems allow for the transfer of the copyright itself, while others do not. For example, the United Kingdom's Copyright, Designs and Patents Act 1988 allows the transfer of copyright,⁴¹ while the German Urheberrechtsgesetz (Copyright Act) rules out any such transfer. The German Act only provides the opportunity to grant licences to carry out some form of activity which would otherwise have amounted to copyright infringement.⁴² In contrast, the view is held, almost unanimously, that moral rights are not transferable, and so no choice of law problem arises.⁴³

Up to now, we have been concerned primarily with the transfer of the right by contract during the lifetime of the right holder. Similar problems arise though after the death of the author. These are of less practical importance in terms of private international law. This is because the rules in the various legal systems are very similar in this respect and allow for the transfer of copyright and moral rights by testamentary disposition. In the absence of a will, a statutory transfer regime is, generally, provided for.⁴⁴ But once more a distinction is to be made between the transferability which is governed by the law of the country for which protection is sought⁴⁵ and the will and actual succession issues that are classified differently and see the application of another governing law depending on the approach taken in each country.

In the final analysis, there is no reason not to apply the law of the protecting country to the issue of transferability of rights, regardless of the situation in which it arises.⁴⁶ Several national courts have effectively adopted this approach.⁴⁷

The boundaries of the issue need to be taken into account, though. Assignability is restricted to the question of whether or not the right can be assigned. Whether and under what conditions a transfer or assignment occurred is a matter for the law of the contract, if the law of the protecting country allows the principle of an assignment or a transfer of the right.⁴⁸ This approach was followed by the Court of Appeal in Paris in *Anne Bragance v Olivier Orban and Michel de Grèce*.⁴⁹ The contract between Anne Bragance, who had helped Michel de Grèce with the writing of his book, and the latter was governed by US (New York) law and included a transfer of all aspects of copyright to Michel de Grèce. This included both the moral and the pecuniary aspects of copyright. Due to the publication of the book in France, French law was the law of the protecting country. The French court ruled that moral rights are not assignable under French law and it was therefore impossible for the contract and the law of the contract to transfer these rights effectively. Pecuniary rights are, on the contrary, assignable under French law and the assignment was valid under the law of the contract.⁵⁰ In practical terms, the outcome of the case was as follows. Anne Bragance gained the right to be identified as an author on every (French) copy of the book, but she did not gain any further pecuniary compensation, as she had effectively assigned all her pecuniary rights.

A very practical issue that is often ignored in private international law arises from the reality that the copyright in a work is often owned by more than one person. Collaboration in

creative endeavours is the norm, rather than the exception, and as a result the copyright in a work is often held by more than one person. One could argue easily that these persons each own a share of the copyright and then the question arises whether these shares can be transferred from one person to another. Hence the need to determine which law applies to the transferability of shares.⁵¹

Transferability of the right itself is very much an aspect of the right as such.⁵² The issue with which we are confronted here is very much the same, apart from the fact that one person does not own the whole right, but various persons own a share of it. It is therefore logical to apply the same law to what is basically the same point of law, even if the situation in which it arises is different as the transferability of shares is not the same as the transferability of the right. The transferability of the shares of each co-owner will therefore be governed by the law of the State for which protection is sought.

It is of course clear that one needs to distinguish transferability from the actual transfer.⁵³ Once the *lex protectionis* allows transferability of the right and makes a transfer possible the actual transfer can take place, and in the standard scenario of a contractual transfer, such a contract will then be governed by the *lex contractus*.

The fact that transferability is a question that needs to be separated from the (contractual) transfer and to which it is sensible to apply the *lex protectionis* becomes even clearer when one looks at non-contractual transfers. When one talks about a voluntary non-contractual transfer (that is, donation of the right⁵⁴), abandonment of the right or waiver of the right there is no *lex contractus* or another applicable law in sight. But there is clearly a separate legal question whether one can effectively waive or abandon a right or operate an effective voluntary non-contractual transfer. These are issues of transferability, and the question whether such transactions are possible is strongly linked to the right that was granted in the first place. Hence the choice in favour of the *lex protectionis*. Once it has been decided that such a transaction or such a way of dealing with the right is possible the next question arises, that is what will be the effect of such a transaction or such a way of dealing with the right. In the absence of another candidate such as a *lex contractus* (as there is no contract involved), it is sensible to apply the *lex contractus* to this separate issue too. It is clear though that instances of waiver or abandonment will occur less frequently in relation to shares than in relation to the right as a whole.

The analysis above shows that the *lex protectionis* approach can accommodate the national rules that hold that moral rights are not transferable, as well as other transferability issues. It also highlights the need to distinguish between transferability and the actual transfer. There is therefore no need for an alternative *lex protectionis* based approach that risks creating conflicts with public policy in each country. Very similar issues also arise in relation to the transfer of shares in copyright.

4. Recognition and Enforcement of Foreign Judgments

It is probably too simple to say that the regime for the recognition and the enforcement of foreign judgment will also apply to intellectual property judgments. It will, but there are fairly obvious reasons why also in this area specific issues arise.⁵⁵ The most straightforward example flows from the exclusive jurisdiction in relation to the validity of registered intellectual