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DELLA RIVISTA DI DIRITTO INTERNAZIONALE
PRIVATO E PROCESSUALE

74

Litigating Intellectual Property Rights Disputes Cross-border: EU Regulations, ALI Principles, CLIP Project

edited by
STEFANIA BARIATTI

CEDAM

LITIGATING INTELLECTUAL PROPERTY RIGHTS DISPUTES CROSS-BORDER: EU REGULATIONS, ALI PRINCIPLES, CLIP PROJECT

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FOREWORD

Between 2006 and 2009 several legal instruments concerning international litigation in the field of IP rights have been adopted at international level. Some of them are binding, as the provisions adopted within the European Community, that now offer the whole set of rules on these matters: the Brussels I Regulation (Regulation No 44/2001) provides rules on jurisdiction and the recognition and enforcement of judgments; the Rome II Regulation (Regulation No 864/2007) designates the law applicable to the infringement of such rights; the Rome I Regulation (Regulation No 593/2008) provides choice-of-law rules for contracts related to them.

Some other instruments are not binding as they are the product of two independent groups of scholars in the U.S. and in Europe, that have devoted their studies to these issues and have put forward two proposals of principles. The American Law Institute has adopted in 2007 the “Intellectual Property. Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes”, that have been recently referred to by some U.S. courts. In June 2009 the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP) has adopted a second draft of its “Principles for Conflict of Laws in Intellectual Property”, that mainly aims at offering a model for improving national legislations in this field, and is presently undergoing a review within a wider group of experts from many countries.

The time had come then to examine the EC set of conflict of laws rules and discuss their content and practical application – also taking into consideration the interpretive rulings given by the European Court of Justice on certain provisions of the Brussels I Regulation that have attracted much criticism – and to compare them with those contained in these new projects, with the aim of contributing to the wide debate that is developing on these issues internationally.

A seminar was organised to this end at the Law School of the University of Milan in March 2009, within the framework of the Jean Monnet Chair of EC Private International Law, to which some of the leading experts in the U.S. and Europe participated. A contribution comparing the CLIP Project and the ALI

Principles was added to this volume when the former draft was adopted, in order to offer a complete and updated view of the state of the discussion.

I wish to thank Jane Ginsburg, Luigi Fumagalli, François Dessemontet and Marta Pertegás for accepting my invitation, Nerina Boschiero and Riccardo Luzzatto for their valuable contributions to the discussion, and Annette Kur and Benedetta Ubertazzi for their thorough analysis of the two projects. I also wish to express my gratitude to Serena Crespi, Giuseppe Serranò and Eva De Goetzen, for helping in organising the seminar and editing the proceedings, and to Chiara Pozzi for preparing the articles for the publisher.

Stefania Bariatti

Milan, November 2009

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CLIP PROJECT

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JURISDICTION AND RECOGNITION OF JUDGMENTS UNDER THE ALI PRINCIPLES

JANE GINSBURG*

I will start with a word about the ALI and this project more generally before specifically addressing why the ALI adopted this project. Then I will address my assigned topic, which is jurisdiction over the parties, or “judicial competence”.

The American Law Institute, which is the proponent of these soft law Principles (the Principles are not proposed legislation), is not purely an academic organisation. Accordingly, I would like to stress that I believe that the Principles are not purely of academic interest; indeed if there were not some very pressing practical problems, the ALI would not have embarked upon these Principles. The American Law Institute is composed of approximately equal parts of academics, judges, and practitioners. As a result, it addresses issues that have significant practical outcomes. In the particular case of the Transnational IP Principles, although they were prepared under the auspices of the American Law Institute, in fact, as Prof. Boschiero indicated, many of the participants in this project are not American. About half of our advisors were from other countries, and not only from Europe, but also from Asia, Africa and Australia. While most of the non American Advisers were academics, some of them also practice law. Among the foreign Advisers there also was a judge from the United Kingdom. The

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American Advisers also included judges and practitioners as well as academics. As a result, we hope that a pragmatic approach pervades the Principles. Given the high representation of foreign Advisers, the Principles were not purely an American project, nor were they meant to be. They were meant to be taken seriously and, to the extent possible, adopted outside the United States as well as within the United States.

Why are the Principles not a Restatement? The American Law Institute, although perhaps primarily known, especially outside the US, for its Restatements of the Law, has in recent years been propounding Principles as well as Restatements. The private international law of intellectual property is an area of law for which a Restatement would not have made sense. The concept of the Restatements of law, beginning in the 1930s, was to take areas of the common law which were not the subject of legislation in the US, and for which the different State jurisdictions had long been elaborating judge-made rules. Over time, there arose a proliferation of rules that were not always coherent or consistent. The idea of the Restatements of the law was to synthesise the rules the common law judges had been elaborating. The first set of Restatements were developed in the 1930s; starting in the 1960s the Restatements, Second series undertook reviews of many of the same areas, as well as new areas. With the Second series, the ALI's approach grew more progressive, because it not only surveyed and synthesized vast amounts of the law but also suggested which was the most enlightened direction that the law might take.

In the area of the private international law of intellectual property, we don't have vast amounts of prior law or commentary. As both Prof. Dessemontet's presentation and mine will indicate, this is an area which I think many private international law specialists thought lacked interest or relevance because intellectual property had traditionally been considered to be absolutely, totally territorial. Therefore, questions of judicial competence or legislative competence would not have arisen. I think those assumptions have changed considerably for reasons that this presentation will endeavour to make clear.

I will now outline the topics the ALI Principles cover. These are: judicial competence (jurisdiction over the parties and subject matter), legislative competence (choice of law), which Prof. Dessemontet will address, and recognition and enforcement of judgements. The Princi-

ples thus provide almost a full “soft law” code of the Private international law of intellectual property. They are not a Restatement, because there would have been too little relevant law to “re”-state, but perhaps they can be considered a *Pre-Statement* of the private international law of intellectual property.

Why would the ALI undertake this subject? To an increasing extent today, largely – but not exclusively – because of the internet, claims now arise in many countries at the same time. I say “not exclusively” with respect to the internet because even in the days of older technology such as cross-border cable television and radio transmissions, there already were issues of infringement and applicable law arising out of the reception of a communication in more than one country at a time. But the problems have of course all exploded with the internet. If you follow a completely territorial approach to infringement of intellectual property rights, then if an alleged infringement occurs simultaneously in 15, or for that matter, 150 countries, you would have to litigate in every one of those countries. That result seems highly undesirable, both for plaintiffs and for defendants. By the same token, with respect to choice of law, an obligation to apply the law of every single jurisdiction that the alleged infringement implicates raises a number of practical problems, for example whether the jurisdiction in question would apply its own substantive law, or would look to its choice of law rules to determine whether some other national law would apply. Whatever the choice of law approach, it is desirable not to have a multiplicity of them: if you are in the business of making intellectual property available in multiple jurisdictions you want to know what is your potential exposure.

Finally, with respect to enforcement of judgements, once a party has gone through the entire litigation exercise it is reassuring to know that the judgement will in fact be enforced. By the same token, if the judgement was obtained in a court that should not have exercised jurisdiction or from a court which applied an unacceptable choice of law, then that judgement will not be recognised. The ALI Reporters borrowed the latter technique from The Hague Convention drafts to which Prof. Boschiero referred, the so-called “white list” and the “black list”. The prospect that if the Principles’ rules on jurisdiction and choice of law are applied the judgement will be recognised, and if

the rules are flouted the judgement will not be recognised, gives the rules some bite.

The following hypothetical may help illustrate why the problems of private international law have come to the fore in the world of intellectual property. I have chosen a fictitious jurisdiction called Isola Libera (in the original English the Principles referred to this country as Free-donia, so Isola Libera is a reasonable approximation in Italian). In Isola Libera a company called ePod is, without authorization, offering copyrighted musical works to consumers anywhere in the world who have an internet connection, from which to download the works. EPod's activities thus pose a multi-territorial copyright issue. EPod's payment system is based on a business method patent that is recognised in at least some countries; hence the prospect that the patent is being infringed in many jurisdictions. Finally, if the service is called ePod and is rendering services rather similar to the Apple iPod, the close similarity of the mark and of the services raises multi-jurisdictional trademark issues.

The private international law issues relevant to judicial competence require localization of the alleged infringing acts, assessment of where ePod is amenable to suit, and the geographical scope of the court's competence over the infringement claims. Is the *forum* competent to adjudicate all three (copyright, patent and trademark) intellectual property claims? Is it competent to adjudicate those claims not only with respect to harm occurring within its jurisdiction, but also with respect to harm occurring outside the jurisdiction? In other words, how much of a global intellectual property conflict or controversy can be resolved in a single proceeding, and what law(s) will apply?

Now I will review the personal jurisdiction component, of the Principles; Prof. Dessemondet will address the choice of law aspects. I will not summarize all the contents, but will concentrate on certain provisions. The ALI Principles, like the Brussels Regulation, and like most private international rules of judicial competence, take as their basis the defendant's residence (ALI Principles, Article 201). One can always sue the defendant in the defendant's *forum* for harm occurring not only in the *forum*, but anywhere else that the defendant's activities have caused harm. But the defendant's residence may be undesirable or inconvenient for the plaintiff, perhaps just as a matter of logistics, or

perhaps because the defendant has engaged in what one might call anticipatory *forum*-shopping. The expression “*forum*-shopping” usually evokes manipulative conduct on the part of the plaintiff who is looking to bring its claim in the most favourable jurisdiction. But a defendant might locate its business in the jurisdiction most favourable to it, so that the *forum* of residual competence will likely be on the defendant’s side. Opportunistic location of the defendant’s business might offer one reason why most instruments like the Brussels Regulation or the ALI Principles consider it insufficient to limit competence to the defendant’s residence.

What, then, are other bases of judicial competence? The Principles, like the private international law generally, recognise choice of *forum* clauses (Article 202). The Principles, however, feature some innovations with respect to choice of *forum* clauses. Notably they have specified in Section 202(3)(b) an applicable law rule for capacity to enter into contracts. The Reporters included this proviso because of the concern that a lot of activity happening on the internet is engaged in by very young people. The prospect, for example, of a 12 year-old who is playing a video game online from France or from the US and has “agreed” to be sued in Japan – which is quite possible under these *omnibus* click-through agreements – has entered into a valid contract, seems somewhat problematic. The ALI Reporters determined, as a way of protecting consumers, to provide that the residence of the user would be competent to determine the capacity of the user to enter into *forum* selection agreement.

Along similar lines, we also wanted to provide some safeguards with respect to click-wrap licenses in which the user agrees to sue or be sued in the *forum* named in the agreement, which may be a very remote *forum*. Accordingly, there are in Article 202(4) provisions which I believe are fairly standard in at least some national laws or judicial interpretations, for example, that the *forum*-selection language must be readily accessible so that the choice of *forum* agreement may not be buried somewhere in the text of the contract (although in fact, many people tend to just click on “I agree” without reading anything). We also wanted to take account of the sophistication of the non-drafting party (recall the 12 year-old) and to take into account whether the *forum* selection clause provided for online adjudication, which at least

alleviates any requirement that the consumer travel to a distant *forum*. Finally, because the Principles address intellectual property generally, not just click-wrap *forum* selection clauses, we believed it was important to consider whether the designated *forum* had any particular expertise. The concern is especially pertinent to patents because a number of countries have specialised courts, including the US and Japan; if the parties have agreed to litigate a patent issue in one of those specialised courts the institution that determines whether the *forum* selection clause is reasonable might want to give the designation of a specialized court particularly favourable consideration. If the choice of *forum* clause fails these reasonableness criteria, then the general rules with respect to judicial competence would apply.

With respect to *forum*-selection clauses, there is already one judicial decision in the US to have cited the Principles, see *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor*.¹ The decision concerns a patent dispute in which the two parties – both of them from the US – had agreed to litigate in the US disputes covered by the patents that one party was licensing to the other, even though the patents that were being licensed were not only US patents in this particular case but were also Chinese patents. One of the parties ultimately regretted the *forum* selection clause and tried to avoid it by arguing that the US court would have to interpret the scope of a Chinese patent and that the US courts are not competent to apply foreign patent law. The defendant also invoked *Voda v. Cordis*² an unfortunate decision of the US Court of Appeal for the Federal Circuit (somewhat similar to the European Court of Justice's *GAT v. Luk* decision)³ denying competence over a patent infringement action. The US district court nonetheless upheld the *forum*-selection clause, on the ground that the claim was not an infringement action, but rather simply a question of determining what the scope of the patent is; it poses no issues as to the validity of the patent. The court distinguished the Federal Circuit decision and cited the ALI

¹ *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor Inc.*, 589 F.Supp.2d 84 (D. Me. 2008) and in this book, 331 *et seq.*

² 476 F. 3d 887 (Fed. Cir. 2007).

³ ECJ, 13 July 2006, case C-4/03, *Gesellschaft für Antriebstechnik mbH & Co. KG v. Lamellen und Klappungsbau Beteiligungs KG*, in ECR, I-6509 and in this book, 307 *et seq.*

Principles on the ground that, at least when the question is not validity, there is nothing so special about patents that cannot be addressed by a foreign court. That citation was extremely gratifying. I was thrilled when I saw this. I immediately wrote to ALI to recount the first decision to cite the Principles; the ALI's Deputy Director replied that the citation is wonderful; by the way the judge who wrote the opinion is one of the officers of ALI and he tries to cite all ALI work product in any decision he renders! But still!

I will now turn to jurisdiction over a non-resident defendant (ALI Principles, Article 204); this is where most controversies over personal jurisdiction are likely to arise. There are two main bases of jurisdiction with different scopes of coverage of the court's authority. First, under Article 204(1), if the defendant, in effect, causes the infringement to originate in the *forum*, then, even though the defendant is a non-resident, the court will be competent to hear the infringement claim, not only with respect to harm occurring in the *forum* but also regarding harm flowing from that infringement and impacting in other States. This solution is inspired by the *Shevill* decision of the ECJ.⁴ *Shevill* is generally recalled to stand for the proposition that under Article 5(3) of the Brussels Convention (now Regulation) the *forum* of each country in which the wrongful act (in that case, defamation) impacts is competent to hear claims going to the local harm. If there is more than one country of impact, then litigations must be brought in each; one country is not competent to adjudicate with respect to harm occurring in another. But *Shevill* also stands for an additional proposition, that the State of the origination of the publication (which often, usually but not always, is the State of residence of the defendant) is competent under article 5(3) to hear the claim not only with respect to the harm occurring in that jurisdiction, but also as to harm that results in other jurisdictions. ALI Principles, Article 204(1) is in effect an implementation of that interpretation.

Because the Principles' somewhat expanded geographical scope of personal jurisdiction is consistent with *Shevill*, it does not represent an innovation for the EU, and does not conflict with EU rules. It is a bit

⁴ ECJ, 7 March 1995, case C-68/93, *Shevill et al. v. Presse Alliance SA*, in ECR, I-415.

of an innovation with respect to the US, where it is less clear that an American court would have jurisdiction to hear complaints concerning harm that occurs outside the jurisdiction but that originates within the jurisdiction. By contrast, if the harm does not originate in the jurisdiction but impacts there, the court does have competence to hear the claim but its authority is limited territorially to the harm that happened within that jurisdiction, Article 204(2). There is also a somewhat complicated provision that concerns the problem of defendant's anticipatory *forum* shopping – that is, locating not only its residence but also its activities in a jurisdiction that does not apply generally recognized norms of intellectual property protection. The Principles consider non membership in the World Trade Organisation as a proxy for failure to apply those norms. In order to offset opportunistic relocation to sub-par States, the Principles allow the court of a State in which the harm occurred to hear claims going to the worldwide scope of the harm, see Article 204(3). (As an example of opportunistic relocation, you may remember – surely none of you ever used – a service called Kazaa, which was a notorious peer to peer file sharing service which began life in the Netherlands, moved to Australia and ultimately to Vanuatu).

Let us now give some concrete application to the rules just evoked. Imagine a website which is offering infringing goods to consumers everywhere in the world; the website is located in the *forum*. The website's location in the *forum* does not necessary mean that the *operator* of the website is resident in the *forum*; it is quite possible that the server is in the *forum* while the operator's residence is somewhere else. Under Article 204(1), the *forum* where the server is located would be competent to hear the infringement claims arising not only in the *forum* but in all other countries where those infringing goods were made available. By contrast, if the website is located outside the *forum* but it is soliciting customers within the *forum* then under Article 204(2) the court is competent to hear claims of that infringement but limited to the *forum*. Consider the following two trademark examples involving non resident defendants. First, a website operated by a company called “Bello Iris” offers what it describes as “replica” goods. The image on the website shows a handbag that both in shape and particularly in motif and fabric design appears to have been extremely “inspired” by Louis Vuitton. In most jurisdictions, this “replica” would be considered a trademark in-