# INTELLECTUAL PROPERTY:

# PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW,

# AND JUDGMENTS IN

# TRANSNATIONAL DISPUTES

## (with Comments and Reporters' Notes)

## Introduction

This is a set of Principles on jurisdiction, recognition of judgments, and applicable law in transnational intellectual property civil disputes, drafted in a manner that endeavors to balance civil-law and common-law approaches. The digital networked environment is increasingly making multiterritorial simultaneous communication of works of authorship, trade symbols, and other intellectual property a common phenomenon, and large-scale piracy ever easier to accomplish. In this environment, the practical importance of adjudicating multiterritorial claims in a single court should be readily apparent. Without a mechanism for consolidating global claims and recognizing foreign judgments, effective enforcement of intellectual property rights, and by the same token, effective defenses to those claims, may be illusory for all but the most wealthy litigants. The following illustrates the nature of the problem:

E-pod is an online music-delivery service located in Freedonia. Any computer-equipped member of the public with Internet access anywhere may purchase copies of sound recordings of musical compositions from the E-pod website. E-pod has not, however, obtained permissions from the authors, performers, or producers of the works it makes available. Moreover, the one-click checkout system E-pod's website employs may infringe patents registered in various countries. Finally, E-pod has received a cease-and-desist letter from

Apple Inc., which holds worldwide trademark rights in iPod for online music-delivery services.

The example demonstrates how technological developments have changed the nature of intellectual property litigation. First, digital media may produce ubiquitous infringements of intellectual property rights, and thereby create transnational cases that require courts to interpret foreign law or to adjudicate the effect of foreign activities. Second, the rights at issue may encompass the range of intellectual property regimes. While transnational copyright and trademark claims are by now well known, this example shows that patent infringements are no longer as territorially discrete as was once assumed. Third, the potential impact of the alleged infringements in every State in the world may make effective enforcement (or defense) elusive. There may be no single court with full adjudicatory authority over worldwide copyright, patent, and trademark claims. Even if there were, the choice-of-law issues may prove excessively complex (or, paradoxically, misleadingly simple, if a court entertaining all or part of a worldwide dispute yielded to the temptation to apply its own law to the entire case). In contrast, State-by-State adjudication may make the choice-of-court and choice-of-law issues appear easier to resolve, but multiple adjudication could produce uncertainty, inconsistency, delay, and expense. Moreover, multiple suits involving the same claims and incidents strain judicial dockets.

The Principles alleviate these problems in a variety of ways. They endeavor to enhance procedural and substantive fairness. They endorse the long-familiar territorial approach to choice of law for most cases. As a result, those creating, using, and transacting in intellectual property can predict which laws will apply to their activities. As to jurisdiction, the Principles recommend bases of authority for transnational disputes that are appropriate for the creative community as a whole. They protect intellectual property users from being summoned to unexpected locations and allow producers to select a court capable of rendering a timely

decision. Adoption of the Principles would give the courts and the parties assurance that judgments will be enforced and recognized in subsequent foreign litigation. The Principles also create a mechanism for making worldwide adjudication more efficient. They use lis pendens and forum non conveniens doctrines as organizational devices to coordinate litigation, either by facilitating cooperation among courts where related actions are pending or by aggregating worldwide claims into a single court, chosen (in most instances) by the court first seized, on the basis of the relationship between the chosen court, the parties, and the dispute. Furthermore, coordination brings the parties together and promotes settlement. For example, in Japan, the Wakai judicial settlement procedure creates a mechanism to judicially mediate settlement of multiterritorial patent claims. See Yukio Nagasawa, Settlement Conferences at Japanese Courts, AIPPI Journal, Jan. 2007, at 3. Cf. Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co., 145 F.3d 481 (2d Cir. 1998) (retaining jurisdiction over 18 foreign copyright infringement actions; the parties then settled all claims).

From the judicial standpoint, although entertaining claims under multiple laws may appear daunting, multilateral treaties, such as the 1994 TRIPS Agreement, have muted differences in substantive patent, trademark, and copyright norms. Under the Berne Convention, copyrights arise simultaneously in all 163 (as of December 2007) member States. Furthermore, trademark and patent rights holders are increasingly relying on central prosecution of their applications through the Madrid Protocol, the Patent Cooperation Treaty (PCT), and the European Patent Convention (EPC). These parallel rights will often present the courts with substantially the same issues in each State of registration.

This Project is of a piece with other international developments. With the adoption by the World Trade Organization of the TRIPS Agreement, international approaches to various aspects of intellectual property law, including piracy and famous marks, are converging. By the same token, negotiations continue on harmonizing elements of patent law in order to

facilitate consolidated worldwide patent examination. Regional agreements on aspects of intellectual property protection abound. The private sector is also finding its own global solutions through mergers among intellectual property holders, the creation of patent pools and standard-setting organizations, and resort to arbitration as well as choice-of-law and choice-of-court clauses. The emergence of multijurisdictional law firms greatly facilitates client representation in this new era.

Other projects at The American Law Institute evince similar interests in developing modes of international cooperation in dispute settlement. The Transnational Insolvency Project reflects the need to preserve the value of assets located in NAFTA members with a mechanism for managing multinational bankruptcy cases; the ALI/UNIDROIT Principles of Transnational Civil Procedure foster harmonization of the rules for resolving multinational commercial disputes; and the recently adopted ALI Project on the Recognition and Enforcement of Foreign Judgments: Analysis and Proposed Federal Statute proposes, as its name suggests, a new law for enforcing foreign judgments in the United States. See generally Conrad K. Harper, Foreign and International Law in The American Law Institute, The ALI Reporter (Fall 2001).

Congruent developments are occurring abroad. The International Law Association Committee on Civil and Commercial Litigation issued two reports on methods of streamlining parallel litigation, one on Provisional and Protective Measures in International Litigation (1996) and the other on Declining and Referring Jurisdiction in International Litigation (2000). For over a decade, the Hague Conference on Private International Law worked on problems of jurisdiction and recognition of judgments in multinational cases. In 1999, this work yielded a Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters (hereinafter Hague Judgments Draft). For commentary on and text of this proposal, see Peter Nygh & Fausto Pocar, Report of the Special Commission on

Jurisdiction and Foreign Judgments in Civil and Commercial Matters (Aug. 2000), available at http://www.hcch.net/upload/wop/jdgmpd11.pdf (last visited Jan. 3, 2008). When this Draft failed to attract broad support, the Conference shifted course, producing an agreement limited to adjudications based on choice-of-court agreements in business-to-business contracts; see Hague Convention on Choice of Court Agreements, June 30, 2005, 44 I.L.M. 1294, available at http://www.hcch.net/index_en.php?act=conventions.text&cid=98 (last visited Jan. 3, 2008) (hereinafter Hague Convention on Choice of Court Agreements).

Within the intellectual property community, the International Association for the Protection of Intellectual Property (AIPPI) has recognized the need for a fairer and more efficient method of resolving so-called "cross-border" cases, and has adopted a Resolution proposing approaches to jurisdiction, choice of law, and enforcement of judgments that are generally consistent with these Principles. See AIPPI, Resolution, Question Q174—Jurisdiction and Applicable Law in the Case of Cross-border Infringement of Intellectual Property Rights (Oct. 25-28, 2003), available at http://www.aippi.org/reports/resolutions/Q174_E.pdf (last visited Jan. 3, 2008) (hereinafter AIPPI, Q174 Resolution). The Max Planck Institutes for Intellectual Property (Munich) and for Private International Law (Hamburg) are also working on an International Convention on Jurisdiction and Enforcement of Judgments, which deals with many of the same issues that are raised here. See European Max-Planck Group for Conflict of Laws in Intellectual Property, Exclusive Jurisdiction and Cross-Border IP (Patent) Infringement: Suggestions for Amendment of the Brussels I Regulation, [2007] EIPR 195. For more on the background of the project, see Rochelle C. Dreyfuss and Jane C. Ginsburg, Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters, 77 Chi-Kent L. Rev. 1065 (2002). For a singularly prescient analysis, see John R. Thomas, Litigation Beyond the

Technological Frontier: Comparative Approaches to Multinational Patent Enforcement, 27 Law & Pol'y Int'l Bus. 277 (1996).

This internationalist perspective informs the Principles. They occasionally depart from standard expressions found in U.S. law because they are addressed to an audience that includes lawyers and lawmakers from different analytical traditions who are accustomed to different nomenclature and categories.

The internationalist perspective also requires the Principles to envision a future in which coordination among courts evolves from the exceptional to the expected. This forward focus distinguishes the Principles from some current positive law. For example, two recent decisions of the European Court of Justice interpret the Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, Sept. 27, 1968, 1972 O.J. (L 299) 32 (now Brussels Regulation on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters (EC Regulation No. 44/2001)) to prohibit the aggregation of parties or the consolidation of multiple patent claims. See Case C-593/03, Roche Nederland BV v. Primus, [2007] F.S.R. 5; Case C-4/03, Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG, [2006] F.S.R. 45. Further, the U.S. Federal Circuit has also refused to permit consolidation of multiple patent infringement claims. See Voda v. Cordis Corp., 476 F.3d 887 (Fed. Cir. 2007). Similarly, the Hague Convention on Choice of Court Agreements excludes all disputes involving the validity of registered intellectual property rights. Other developments in the European Community may also perpetuate an atomized approach to international intellectual property litigation: Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the Law Applicable to Non-Contractual Obligations (Rome II), available at http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_199/l_19920070731en00400049.pdf (last visited

Jan. 3, 2008), prohibits the parties from choosing the law applicable to an infringement action involving noncontractual obligations; see id. arts. 8(3), 13.

The incessant pan-national evolution of commerce and communications nonetheless calls into question the present realities on which those outcomes repose. Indeed, their territorialist impulse is already in tension with the WTO commitment to a globalized marketplace in which intellectual goods move freely. The objectives of international trade may be achieved both through harmonizing substantive intellectual property law and by facilitating international adjudication. The free movement of goods propels the free movement of disputes and judgments: emerging conditions call for a mechanism for effective international coordination and recognition of judgments. The Principles address the related components of an action, from choice of court to choice of law through to enforcement of judgments. By ensuring that neither the exercise of judicial power nor the designation of applicable law is exorbitant, the Principles endeavor to eliminate the problems underlying the current skepticism regarding discrete proposals to simplify multinational litigation.

This is not to suggest that the Principles, if adopted at all, must be implemented in their entirety; national authorities may in fact find the approach of particular Sections, such as the provisions on personal jurisdiction and/or choice of law, distinctly conducive to local realization, yet hesitate today to embrace every recommendation. While their overarching conceptualization distinguishes the Principles from earlier attempts to respond to new needs for international intellectual property adjudication, even piecemeal implementation can contribute importantly toward efficient and effective international dispute resolution.