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**INTELLECTUAL PROPERTY:**  
**PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW,**  
**AND JUDGMENTS IN**  
**TRANSNATIONAL DISPUTES**  
**(with Comments and Reporters' Notes)**

**Part IV**  
**RECOGNITION AND ENFORCEMENT**  
**OF FOREIGN JUDGMENTS**  
**IN TRANSNATIONAL CASES**

**Chapter 2**  
**Remedies**

**Introductory Note**

States take disparate approaches to remedies. As a general matter, the Principles take these differences into account by applying to remedies the same territorial approach that is used for substantive law (§ 301). Nonetheless, it must be expected that there will sometimes be differences between the remedies ordered by the court that rendered the judgment and the law of the State where enforcement or recognition is sought. First, §§ 302, 311-313, and 321(1) contemplate some exceptions to territoriality. Second, the rendering court may be unable to award a remedy that is not available under its domestic law or it may order relief not available in the court where enforcement is sought. As a last resort, the public-policy provision of § 403(1)(e) will apply. But that provision is meant to be used

sparingly; in most instances, normative differences should be reconciled through the remedial provisions of this Chapter. Thus, the enforcement court is not obliged to enforce an award for types of monetary relief that it would not have awarded as the rendering court; it is never required to order local injunctive relief that exceeds the scope of relief available under its domestic law. However, denial of a remedy in the enforcement court does not amend the judgment; rather, the judgment stands, and the party seeking its enforcement can go to a court in another State to obtain fuller relief. Declaratory judgments respecting the invalidity of foreign registered rights are effective only as between the parties.

At the same time, however, it is important to acknowledge that judgments entered pursuant to another jurisdiction's appropriately chosen law incorporate the remedies envisioned by that law. Thus, assuming the rendering court's judgment is not to be denied enforcement on the ground that the rendering court applied a manifestly unreasonable choice of law, the enforcement court should normally enter the remedy devised by the rendering court.

### **REPORTERS' NOTE**

Consideration of local circumstances. International agreements covering intellectual property recognize the variability of rules on remedies. Thus, the TRIPS Agreement requires member States to empower courts to order injunctive relief, art. 44; it does not mandate such relief in every case. Similarly, damages are measured by local demand, art. 45. The standard for compliance is "effective action against act[s] of infringement," art. 41(1). While the Agreement envisions fair, equitable, and timely procedures, art. 41(2), nothing requires a member to provide a system for adjudicating intellectual property rights that is different from that provided for other rights, art. 41(5). Significantly, the AIPPI Resolution on Question

Q174 makes clear that local conditions should be taken into account at the enforcement stage, AIPPI, Q174 Resolution art. 3 [§ 2].

#### **§ 411. Monetary Relief**

**If a foreign judgment is recognized by the enforcement court under these**

##### **Principles:**

**(1) The rendering court's order awarding compensatory damages, including attorney's fees, costs, accounting for profits, and damages intended to compensate the plaintiff without requiring proof of actual damages, shall be enforced; and**

**(2) The rendering court's order awarding noncompensatory damages, including exemplary or punitive damages, shall be enforced at least to the extent that similar or comparable damages could have been awarded in the State of the enforcement court.**

**The enforcement court shall take into account whether and to what extent the damages awarded by the rendering court are not punitive but serve to cover costs and expenses relating to the proceedings not otherwise covered by provisions relating to the award of attorney's fees.**

##### **Comment:**

a. Noncompensatory damages. A major difference between jurisdictions is the approach to punitive damages. In some States, these are considered necessary to deter infringement, and awarded as punishment in an amount that reflects the defendant's ability to pay or by applying a multiple to the proven damages. In other places, different approaches are taken to deterrence. Section 411 accommodates this disparity by relieving the court where enforcement is sought of the obligation to award noncompensatory damages in an amount greater than that which would have been awarded under its domestic law.

**Illustration:**

1. Trademark holder receives a judgment in State A that Defendant infringed in both States A and B, and that the infringements were willful. The court awards treble damages for infringements in A in accordance with its own law. Trademark holder seeks enforcement of the judgment in State B, where all of defendant's assets are located.

If the court in State B could not have awarded treble damages in a domestic action, it can limit enforcement to compensatory damages. If Trademark holder wants to recover these damages, it must seek enforcement in State A.

Note that this rule supplies a disincentive to forum-shop: If the Defendant in the Illustration has no assets in A, Trademark holder will have gained nothing by bringing the suit in that jurisdiction in order to take advantage of the availability of treble damages in the rendering court.

b. Statutory damages. If the law in the State where the enforcement court is located does not provide for statutory or enhanced damages, the enforcement court may perceive that any damage award not substantiated by a specific showing of injury (right holder's loss or defendant's profits) is noncompensatory. However, not all such awards are punitive in nature. In the United States, for example, statutory damages are awarded in lieu of actual damages and profits in copyright cases (17 U.S.C. § 504(c)) and trademark law uses an analogous approach (15 U.S.C. § 1117(a)). Where there is a statutory basis for this form of compensation, the enforcement court should enforce the full amount of the damages. In other cases, the burden is on the prevailing parties to elicit a characterization of the award from the rendering court.

**Illustration:**

2. Same facts as above. If the rendering court made clear that the damage award was compensatory, Trademark holder can collect the full amount of the award.

c. Reasonable royalties. The European Community adopts a remunerative technique akin to statutory damages. When actual damages are not proved, courts in EU States have authority to award the plaintiff a judicially determined reasonable royalty. U.S. courts in patent cases frequently use reasonable royalties as a substitute measure for damages.

d. Liquidated damages. When the rendering court gives effect to a contract's specification of damages, the enforcing court should regard the award as the parties' agreement on what amount would have been required to offset the harm to the nonbreaching party. Thus, unless the rendering court specifically characterizes all or part of the liquidated damages as exceeding the amount necessary to compensate, these awards should be regarded as compensatory and fully enforceable. An agreement to submit all monetary relief to the law of a given jurisdiction should be regarded as akin to liquidated damages, and therefore fully enforceable.

e. Costs and attorney's fees. States take differing approaches to awards of costs and attorney's fees. The so-called British Rule shifts costs and fees to the loser. Ostensibly, the American Rule requires each party to pay his or her own way. However, some "American Rule" courts may, in fact, cover part or all of these costs by using their discretionary authority to shape awards. An enforcement court in a jurisdiction that awards costs and attorney's fees should take this possibility into account when comparing the relief ordered by the rendering court with the relief that would have been awarded locally.

### **REPORTERS' NOTES**

1. Statutory damages. As in the Hague Convention on Choice of Court Agreements art. 11(1), the court where enforcement is sought need not enforce an award for noncompensatory damages. However, not all awards that are independent of proof of harm are noncompensatory. For example, in the United States, so-called "statutory damages" do not

require proof of actual damages and yet they are intended to compensate the plaintiff. These are not considered exemplary or punitive damages, as they are designed to replace income or opportunities lost to infringement. The rendering court typically has considerable discretion to set the award, although the statute may impose a floor and a ceiling. Those States that award statutory damages vest judges with this discretion because they recognize that proving the amount of lost sales can be particularly difficult if the defendant has failed (deliberately or otherwise) to keep reliable business records. An enforcement court should not decline to enforce an award of statutory damages that are awarded under these circumstances.

2. Reasonable royalty. For U.S. examples, see, e.g., *Georgia-Pacific Corp. v. U.S. Plywood-Champion Papers Inc.*, 446 F.2d 295 (2d Cir. 1971) (patents); *On Davis v. The Gap, Inc.*, 246 F.3d 152 (2d Cir. 2001) (copyright; “reasonable license fee”). For States of the European Union, see Parliament and Council Directive 2004/48/EC of 29 April 2004 on the Enforcement of Intellectual Property Rights, art. 13(1)(b), 2004 O.J. (L 195) 16, available at [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0048R\(01\):EN:HTML](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0048R(01):EN:HTML) (last visited Jan. 3, 2008), art. 13(1)(b).

3. Liquidated damages. See, e.g., Restatement Second, Contracts § 356; *Monsanto Co. v. McFarling*, 363 F.3d 1336, 1345 (Fed. Cir. 2004) (applying Missouri law respecting liquidated damages).

## **§ 412. Injunctions**

**(1) (a) Except as provided in subsection (1)(b), if a foreign judgment is recognized by the enforcement court under these Principles, the rendering court’s order awarding an injunction as a remedy for intellectual property infringement shall be enforced in accord with the procedures available to the enforcement court.**

**(b) If injunctive relief would not have been available for the enforcement court’s territory had the enforcement court been the rendering court and reached the same decision on the merits, the enforcement court may decline to enjoin or to order the commission of acts within the territory that impact exclusively within the territory. If the court so limits the scope of the injunction, it shall award monetary relief in lieu of the injunction.**

**(2) The enforcement court may order such other relief as provided in the judgment, including seizure and destruction of infringing articles and the means of their manufacture or reproduction and to order the publication of the judgment.**

**Comment:**

a. Forms of relief. The rendering court’s decision on the merits of the action for injunctive relief may be enforced in a variety of ways, depending on local law. In most cases, a local injunction may be issued, but there may be situations in which it is appropriate to achieve the result intended by the rendering court by using forms of relief available under the law of the enforcement court’s State. For example, an injunction ordered by a court in the United States might be enforced through a French court’s order of an *astreinte*.

b. Availability of injunctive relief. The ALI Foreign Judgments Project does not require direct enforcement of injunctive orders (§ 2(b)(ii)), on the theory that injunctions are not transferable from one court to another and that even in “the context of sister-state judgments in the United States,” the recognition due to injunctive relief is unclear; see § 2, Comment g. However, intellectual property rights are essentially rights to exclude. Some States further include affirmative obligations: orders to publish the court’s decision come within the scope of the prevailing claimant’s remedy. This public vindication of the claim is particularly valuable to clarify the scope of protection of the intellectual property at issue and to promote

creators' moral interests in their works. Thus, the injunctive award is usually of paramount concern. Transnational adjudication will not be a viable option unless the award in a transnational case is enforceable in all relevant territories.

c. Circumstances for declining to recognize orders for injunctive relief. With respect to an injunction that orders the defendant to engage in certain acts within the enforcement court's territory, the enforcement court must give effect to the judgment at least to the extent those acts impact outside the enforcement court's jurisdiction in other territories covered by the injunction. However, unlike many private suits, intellectual property cases have strong public dimensions. Thus, for example, courts use their equity powers to deny injunctive relief to a patentee when the defendant's activity is addressing unmet health and safety needs. Although the balance between public and proprietary interests are arguably best struck by the court hearing the case on the merits, needs of individual territories may differ in respect to safety and health concerns. For example, the October 2001 anthrax attack created a specific need for the patented pharmaceutical Cipro in the United States that was not experienced in other places. As was the case with Cipro, it is likely that the patent holder will not withhold product from the market in such circumstances. However, if the court entertaining an action ordered multijurisdictional injunctive relief, and the rights holder persists in enforcing the order in a territory with special needs, the enforcement court may refuse it on the ground of local need. The denial of relief should extend only to the area of special need. Compensation must be ordered in lieu of the injunction.

Cultural policies may raise similar concerns. Although the States most likely to participate in these Principles are likely to have also obligated themselves to minimum intellectual property standards through the TRIPS Agreement, there may be situations where access interests are particularly strong. Section 412(1)(b) allows, but does not oblige, a court



to decline to impose injunctive relief in such circumstances. In the event an injunction is refused, however, the enforcement court must afford compensatory relief.

Absent the flexibility of § 412, enforcement courts would likely rely more heavily on the public-policy exception of § 403(1)(e). Section 412 offers a better solution because it may afford some scope for injunctive relief and, in any case, it requires that prevailing right holders receive compensation for use of their property.

d. Compensation. When injunctive relief is declined, the court should award compensatory relief in an amount sufficient to afford an effective remedy for that territory and to compensate for future use of the intellectual property at issue. The monetary relief ordered could be less than the amount that the rights holder would have charged. At the most, it would be measured by the price set by local demand. However, in special cases such as pharmaceuticals, it may be even lower than the unregulated market rate. For example, a court can reduce the relief below the market rate in situations where other countries control prices directly, or in situations where there is no international norm requiring that intellectual property rights be accorded to the product. In a case where injunctive relief is regarded as inappropriate, in no event should the compensatory reward, in and of itself, present an obstacle to access.

## **REPORTERS' NOTES**

1. Injunctions generally. Courts have been reluctant to enforce nonmonetary orders awarded by foreign courts. In contrast to monetary judgments, injunctive relief may require the enforcement court to interpret foreign law and provide significant levels of judicial assistance. As one commentator noted, when a court recognizes another court's injunctive order, it permits the rendering court "to reach deeply into [the enforcement court's] enforcement regime," Vaughn Black, *Enforcement of Foreign Non-money Judgments: Pro*

Swing v. Elta, 42 Can. Bus. L.J. 81, 89 (2006). Nonetheless, in intellectual property cases, where global transactions are common and injunctions are the core safeguard of exclusivity, courts need to adopt a more flexible approach, see *Pro Swing, Inc. v. Elta Golf, Inc.*, [2006] SCC 52, 7 (Can.). As the Canadian Supreme Court in that case stated, “such a change must be accompanied by judicial discretion enabling the [enforcement] court to consider relevant factors so as to ensure that the orders do not disturb the structure and integrity of the Canadian legal system.” *Id.* 15. Section 412(1) provides that discretion: it allows the enforcement court to utilize its own enforcement procedures and permits it to limit local relief to that which it would have granted had it reached the same decision on the merits of the case.

2. Health and safety. It is well recognized in international intellectual property law that health and safety concerns can outweigh proprietary interests. Art. 8 of the TRIPS Agreement specifically reserves to member States the right to formulate and amend law “to protect public health and nutrition”; art. 27(2) allows members to exclude inventions from patentability “to protect human, animal or plant life or health”; and art. 31(b) gives members flexibility to order compulsory licensing of inventions needed to address “national emergency or other circumstances of extreme urgency.” Domestic laws reflect similar concerns, see, e.g., *Hybritech Inc. v. Abbott Labs.*, 4 U.S.P.Q.2d 1001, 1015 (C.D. Cal. 1987) (public interest required that injunction not stop supply of medical test kits that the patentee itself was not marketing), *aff’d*, 849 F.2d 1446 (Fed. Cir. 1988); *Vitamin Technologists, Inc. v. Wisconsin Alumni Research Found.*, 64 U.S.P.Q. 285 (9th Cir. 1945) (public interest warranted refusal of injunction on irradiation of oleomargarine); *City of Milwaukee v. Activated Sludge, Inc.*, 21 U.S.P.Q. 69 (7th Cir. 1934) (injunction refused against city operation of sewage-disposal plant because of public-health danger).

3. Other concerns. While injunctions typically afford the most basic relief in intellectual property cases, courts, particularly in the United States, have recognized circumstances in

which the public interest may be better served by permitting dissemination of the infringing work, while requiring payment to the right holder. See, e.g., *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006) (for an award of injunctive relief, a successful plaintiff must demonstrate, among other things, “that the public interest would not be disserved by a permanent injunction”); *New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001) (“[I]t hardly follows from today’s decision that an injunction against the inclusion of these Articles in the Databases (much less all freelance articles in any databases) must issue.”); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 n.10 (1994) (suggesting that in cases of high public interest that fall short of fair use, compensatory relief may be preferable to an injunction). Cf. *Stewart v. Abend*, 495 U.S. 207 (1990) (allowing lower-court order denying injunctive relief to stand, thereby allowing the rights holder in a motion picture to continue to exploit the work without authorization from the holder of the rights in the underlying story); 19 U.S.C. § 1337(2) (unauthorized importation of copyrighted, patented, and trademarked material can be barred “only if an industry in the United States, relating to the articles protected . . . , exists or is in the process of being established.”).

4. Compensation. The requirement of compensation in lieu of injunctive relief is consistent with the TRIPS Agreement, which contemplates some unauthorized utilization for local circumstances, considered individually, when the right holder receives “adequate remuneration in the circumstances of [the] case, taking into account the economic value of the authorization,” TRIPS Agreement art. 31(h). The economic value is, at most, measured by the amount that locals can afford to pay. However, even under the TRIPS Agreement, it could be lower. For example, the TRIPS Agreement allows countries to refuse patent protection to inventions needed to protect *ordre public*, including health and the environment, art. 27(2). If a State decides to provide patent protection to an invention that could be excluded, its courts should be allowed to set a price that protects the public by assuring availability.

## **§ 413. Declarations of Validity, Invalidity, Infringement, and Ownership of Rights**

**(1) Except as provided in subsection (2), declarations by a foreign court of validity, invalidity, infringement, or ownership of intellectual property rights shall be recognized and enforced by the enforcement court.**

**(2) If a court in one State declares that a right registered in another State is invalid, the declaration is effective only to resolve the dispute between or among the parties to the litigation.**

### **Comment:**

a. Actions in the nature of declaratory relief. On the theory that declaratory judgments “do not ordinarily call for enforcement,” the ALI Foreign Judgments Project merely authorizes their recognition (§ 2(b)(ii) and Comment g). However, like injunctions, declaratory relief can be important in intellectual property disputes. Further, such determinations can sometimes require enforcement, such as through an order of equitable title, or, in registered-rights cases, removal of the registration from the registry. Thus, the Principles set out an explicit proposal regarding their effect.

b. Choice-of-law agreements. When the parties have validly agreed to the law applied in the rendering court, that court’s declaration of infringement or ownership should be recognized and enforced. This promotes party autonomy and predictability.

c. Declarations of invalidity of registered rights. For reasons discussed in § 213, Comment c and Reporters’ Notes 2 and 3, parties are permitted to determine the scope of their legal relationship, even if that requires determining the validity of registered rights. However, judgments of invalidity are effective only between the litigants who were joined in the first action; see § 222, Illustration 6.

In cases where the right is declared invalid, the judgment may put the user of the work in a competitive advantage relative to licensees who must continue to pay royalties to the rights holder. However, that result may work less violence on the innovation policies in the State of registration than would a rule that would invalidate the rights in one State on the basis of a determination by a foreign court. Furthermore, any jurisdiction concerned with inequitable treatment of licensees can institute a procedure for notifying the public of judgments adverse to the patent holder.

As patent law becomes harmonized and more national trademarks and patents stem from single, multijurisdiction applications (such as the Madrid Agreement, the PCT, or the EPC), the need to limit the effect of declarations of invalidity may recede.