

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

**Part II**

**JURISDICTION**

**Chapter 2**

**Jurisdiction over the Subject Matter**

**§ 211. Subject-Matter Jurisdiction over Claims**

**(1) Except as provided in subsection (2), a court is competent to adjudicate claims arising under foreign laws pertaining to the subject matter of these Principles. However, with respect to each asserted claim, the court must have subject-matter jurisdiction under its local law and personal jurisdiction under §§ 201-207.**

**(2) A judgment holding registered rights granted under the laws of another State invalid is effective only to resolve the dispute between or among the parties to the action.**

**Comment:**

a. Subject-matter jurisdiction generally. Each State controls the reach of its courts' authority over the subject matter of disputes. For example, the Principles cannot alter a rule that limits a court's power to entertain foreign intellectual property claims. However, the

efficiency goals underlying the Principles are best effectuated when the rules on adjudicatory authority are broad enough to encompass foreign claims. In cases where such authority is unavailable, however, the Principles provide a mechanism for cooperative adjudication. See §§ 221-223.

b. Subject-matter jurisdiction over registered rights. There is substantial sentiment that issues regarding the validity of a registered right, particularly a patent right, should be adjudicated in the courts of the State in which the right is registered. Only this State is competent to cancel the registration. Furthermore, there are regional agreements that confine adjudicatory authority to the State of registration. Some States further channel validity disputes into special fora. These States are willing to accept bifurcated adjudication because the issue of infringement will be determined more quickly, and this could promote settlement. Nonetheless, the Principles do not include a blanket prohibition on the adjudication of matters involving a foreign State's registered rights, because separating adjudication of validity from infringement can have substantive ramifications. Separate resolutions can prevent a court from hearing all of the evidence relevant to the action and from using its understanding of how a technology is utilized to inform its decision on the scope of the right. Bifurcating validity and infringement can also increase the parties' costs. In cases where rights under the laws of multiple States are in issue, the Principles therefore permit adjudication but confine its effect to the parties to that litigation. This limit on jurisdiction is enforced by § 413(2).

### **REPORTERS' NOTES**

1. Adjudication *inter se*. Limiting judgments of invalidity of a foreign patent to *inter se* effect is arguably inconsistent with the concerns for judicial economy that underlie both the Principles and doctrines of claim and issue preclusion. Whether the claim concerns a local or a foreign patent, the patentee will have had its day in court. Thus, § 211(2) is in a sense a

derogation from general concepts of preclusion law. By contrast, the Principles do not depart from the general rule of preclusion law that decisions holding a patent valid cannot bind third parties. Accordingly, when a patent's validity is upheld, an exclusion equivalent to that of § 211(2) is not required.

The Principles' approach to the registered-rights problem was suggested by Curtis Bradley, writing at the behest of the United States State Department negotiators of the Hague Judgments Draft. See Special Commission on International Jurisdiction and the Effect of Foreign Judgments in Civil and Commercial Matters, Hague Conference on Private International Law, Work Doc. No. 97E, 39, 122 (Nov. 10-20, 1998). He distinguished between rights among individuals and rights against the world. Under his proposal to the Hague drafters, parties would be allowed to litigate their entire case in any court that has jurisdiction under the general terms of these Principles. However, if the case were litigated outside the State where the right was deposited or registered, the "status or validity of the deposit or registration of . . . rights [would have] effect as between the parties only." *Id.* This approach is also being pursued by the Max Planck Institute project. It may not result in as much duplicative litigation as might appear at first blush, for once the court of one commercially significant jurisdiction declares a patent invalid, the patentee cannot easily enforce the right, or counterpart rights, against any other party.

There are, however, several counterarguments. If it is true that the patentee is hampered in its ability to enforce a right declared invalid in a proceeding with limited effect, then licensees who continue to license the patent compete at a disadvantage with respect to the judgment winner. The result is that the patent does not serve its intended purpose of stimulating innovation by rewarding innovators. In addition, the popularity of the EPC and the PCT means that many national patents stem from a single application. In particular, the possibilities the PCT creates for work-sharing among patent offices generate incentives for

nations to further harmonize their requirements for patent protection. As this system evolves, the scope of validity determinations should be revisited.

German courts had frequently determined validity or invalidity of foreign patents with effect *inter se* where invalidity is raised as a defense in infringement actions. However, the European Court of Justice has recently ruled this practice to be inconsistent with art. 16 of the Brussels Regulation even when the patents arise from a single EPC application. It held that limiting the effect of the decision to the parties would “lead to distortions, thereby undermining the equality and uniformity of rights and obligations arising from the Convention for the Contracting States and the persons concerned.” Case C-4/03, *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG*, [2006] F.S.R. 45, 30. The court was skeptical of the efficiencies that could be achieved through *inter se* determinations of the validity of foreign patents. The Principles nonetheless assume that consolidation of multiple national patent claims will become increasingly important in a globalized marketplace. European scholars agree, 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 194 (“Country-by-country litigation is not the answer, as it can lead to contradictory decisions and its costs can be prohibitive.”). A mechanism for public notification of *inter se* invalidity determinations would be a useful complement to the Principles as it would contribute to maintaining the public domain.

2. Allocation of judicial authority over foreign versus domestic intellectual property disputes. In some States, domestic intellectual property cases are channeled to a specific forum. In situations where a domestic claim is pleaded in addition to foreign claims, the entire dispute should be heard in that court. However, in the event that only foreign claims are at issue, the specific forum may lack subject-matter jurisdiction. In that event, one of the

forum's courts of general jurisdiction may entertain the case. This scenario may transpire when alleged infringements are occurring in several States other than that of the defendant's residence. The plaintiff should be permitted to choose between a single forum competent to hear all claims, yet inexperienced in intellectual property, and a multiplicity of more expert fora competent to hear only national claims. Cf. *London Film Prods. Ltd. v. Intercontinental Commc'ns Inc.*, 580 F. Supp. 47 (S.D.N.Y. 1984) (suit brought in forum of defendant's residence, alleging infringement of copyright in several Latin American countries. Dismissal on ground of forum non conveniens inappropriate).

#### **§ 212. Subject-Matter Jurisdiction over Counterclaims, Supplemental Claims, and Defenses**

**(1) A court may determine all claims and defenses among the parties arising out of the transaction, occurrence, or series of transactions or occurrences on which the original claim is based, regardless of the territorial source of the rights at issue or of the party that asserts them. However, with respect to each asserted claim, the court must have subject-matter jurisdiction under its local law and personal jurisdiction under §§ 201-207.**

**(2) A court may decline to exercise jurisdiction over a claim unrelated to intellectual property rights when the claim substantially predominates over the claims properly within the scope of these Principles.**

**(3) A court shall not decline to exercise jurisdiction over any claims for the sole reason that the claims are based on foreign law.**

**(4) A court has authority to consider defenses related to the invalidity of registered rights. In a dispute in which a court in one State has determined that a right registered**

**in another State is invalid, the judgment is effective only to resolve the dispute between or among the parties to that action.**

**(5) A court may permit intervention by a person having an interest substantially connected to the subject matter of the proceeding if the court finds that the intervention will not cause undue confusion or delay, or otherwise unfairly prejudice a party.**

**Comment:**

a. Power to entertain transactionally related claims. This Section suggests that where a court has subject-matter jurisdiction and personal jurisdiction pursuant to §§ 201-207, it should exercise the authority to permit litigants to assert all their claims arising out of the same transaction or occurrence or series of transactions or occurrences.

b. Distinction between subject-matter and personal jurisdiction. Subject-matter authority must be distinguished from personal jurisdiction. The rules on when a defendant is subject to suit are set out in §§ 201-207. For example, a court may lack personal jurisdiction to entertain supplemental claims in cases in which the court's power arises from specific jurisdiction, e.g., under § 204(2). In such cases, however, once the defendant is successfully joined in the suit, it may for efficiency reasons decide to waive the objection to personal jurisdiction, § 203.

c. Other bases of personal jurisdiction. These rules are intended to govern adjudication and enforcement under these Principles. Local law may permit the assertion of jurisdiction in situations that are not addressed by §§ 201-207, or that are prohibited under § 207; further, it may be more liberal in permitting the assertion of transactionally related claims that would not be cognizable under the Principles. However, because the Principles envision wide-ranging coordination of multinational cases, limits are placed on the jurisdictional reach of participating courts. When personal jurisdiction is asserted over a claim only because it is

permitted to do so under local law, the resulting judgment may be enforceable locally, but it may not be entitled to enforcement under §§ 401-403 of these Principles.

d. Same transaction, occurrence, or series of transactions or occurrences. This Section adopts a transactional approach to determining the appropriate scope of litigation. Because the transactional approach represents the modern view in most jurisdictions, the Principles reject tests based on the claims in the case, the theories of recovery, the evidence necessary, and the like. The transactional approach should be understood in light of the efficiency and fairness goals of the Principles. A narrow scope of authority would require parties pursuing claims or enforcing judgments to proceed in several fora simultaneously, thereby undermining both objectives. Thus, the standard is to be administered pragmatically, based on the relationship of the operative facts and the relatedness of the issues in the dispute in time, space, origin, and motivation. The ultimate question concerns the convenience of trial and the expectations of the parties in light of evolving practices in transnational litigation.

e. Foreign-law claims. Parties should be permitted to assert claims based on foreign laws when they are closely related to the dispute the court is entertaining. The mere presence of a foreign-law claim should not determine whether the court has subject-matter authority in the first instance. Cf. § 103(2). However, it may be appropriate to decline to hear a foreign-law claim because the claim is novel or better handled by a specialized tribunal; the law is unclear or violates local public policy; or the evidence is all located outside the forum. In addition, the presence of foreign-law claims may affect whether the court entertains the case or stays its action pending adjudication elsewhere, or whether a global dispute is resolved cooperatively or through consolidation. See § 222.

**Illustration:**

1. X holds a Xandian and a Patrian patent on an invention of an electronic instrument. Alleging infringement of the Xandian patent, X brings an action in Xandia against Y, who is

selling similar instruments in both States. X seeks to file a supplemental claim for infringement of the Patrian patent. Y moves for dismissal under the doctrine of *forum non conveniens*.

If the Xandian and Patrian patents are directed to the same technology, the court should consider whether efficiencies can be obtained from trying the claims together. For example, the claims may be identical (as they might be were both States party to an agreement such as the EPC). Or, even where the claims differ, the most difficult task for the court may be mastering the technology underlying the patents. If so, it might be wasteful to require yet another court to learn the technology. In such a situation, the Principles would regard a *forum non conveniens* dismissal as inappropriate.

f. Power to decline to exercise subject-matter jurisdiction. Section 212(2) allows courts to decline to exercise authority over certain claims. Courts may dismiss claims unrelated to intellectual property law when they predominate over intellectual property claims. In addition, novel claims, claims involving law that is unclear or that is best channeled to a specialized tribunal, may be declined.

g. Rejection of the imposition of a compulsory joinder rule. Although the general approach of these Principles strongly favors the assertion of transactionally related claims in a single action, they do not go further and require the joinder of related claims, nor do they impose stringent rules on preclusion (*res judicata*) that would regard omitted transactionally related claims as precluded. Although U.S. federal law provides for this, such is not the rule in most countries; to impose it here would lead clients who are advised by attorneys unfamiliar with the U.S. system to inadvertently lose their rights. The Principles do not, however, bar those jurisdictions that have compulsory joinder rules from applying them. Thus, in jurisdictions that have adopted the Principles, and that do not impose compulsory joinder, plaintiffs may—but are not required to—present all claims arising out of the transaction,



including those that sound in foreign law. Similarly, unless forum law provides otherwise, defendants may—but need not—present counterclaims arising under foreign laws. As a result, parties who wish to resolve all their claims in a single court may do so, but they cannot use preclusion law to curtail other parties’ abilities to preserve their claims. See also § 223(6) (limiting the preclusive effect of decisions on coordination and judgments in coordinated actions).

**Illustration:**

2. KCo. sues Thumbnail Inc. in Patria, where Thumbnail is resident. KCo. claims that Thumbnail’s visual search engine, which displayed search results as thumbnail pictures, violates KCo.’s worldwide copyrights in the pictures. Because Thumbnail is subject to personal jurisdiction in Patria for any claim (§ 201), KCo. can, in addition to its claims under Patrian law, add copyright claims based on the laws of all of the countries in which Thumbnail Inc.’s search results are available. Alternatively, Thumbnail could ask for declarations that KCo.’s foreign rights are not being violated.

If Thumbnail regards KCo.’s activities as anticompetitive, it could defend on the ground of copyright misuse and could add claims based on competition law in the countries in which it is accused of copyright infringement. However, if the court determines that the case is mainly about anticompetitive conduct, it could decline to exercise supplemental authority (§ 212(2)) and remit the competition issues to a more suitable court.

KCo. could try to thwart consolidation by asserting claims that Thumbnail’s patents on its search engines are invalid; it could then argue that consolidation is inappropriate because these claims should be litigated in a court expert in patent law or in the fora of the States where the patents are registered. Under § 212, the court could determine that the patent claims are not transactionally related to the copyright claims and decline to exercise authority over them, while still retaining all

copyright claims, defenses, and counterclaims. If the patent claims are asserted elsewhere, and one of the parties moves for coordination, the cases could be handled cooperatively.

If the forum's procedural law does not make joinder compulsory, Thumbnail would not be required to assert its competition claims in this court. It could equally choose to challenge KCo.'s anticompetitive conduct in separate suits, which would not fall within these Principles.

h. Registered rights. Section 212(4) proposes a special rule when the court of one State declares rights registered in another State invalid. The Principles set out a similar rule in § 211(2), when the claim is raised in the first instance by the plaintiff, and in § 213(3), when the issue of invalidity is raised in a declaratory-judgment action. For further discussion, see § 213, Comment c and Reporters' Note 2. See also § 413(2) (enforcement of determinations of invalidity).

i. Intervention. Resolution of global disputes can be greatly facilitated if interested parties intervene in cases affecting their interests. However, the efficiency of the adjudication may depend on the timing of the intervention. If the existing parties would be prejudiced by the intervention, the court should deny the motion to intervene. Similarly, the motion should be denied if intervention would cause confusion or delay. An intervening party should have the same rights and obligations as the original parties, subject to adjustments the court might make to protect the original parties from delay, confusion, or prejudice. The intervenor does not, however, have the right to delay resolution of the dispute as a whole by invoking a court-selection clause.

## **REPORTERS' NOTES**

1. Transactional relationship. This approach is similar to the transaction test for claim preclusion as illustrated in the Restatement Second, Judgments § 24 and Comment a.

Although the Brussels Regulation does not expressly deal with this issue, it contemplates consolidation of related claims in art. 28, which allows courts other than the one first seized to suspend proceedings when related claims are pending in several fora. However, the practice has been limited in patent litigation. See Case C-593/03, *Roche Nederland BV v. Primus*, [2007] F.S.R. 5.

2. Judicial acceptance of foreign-law claims that arise from transactions that also implicate local rights. For cases accepting jurisdiction over foreign-law claims, see, e.g., *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481, 491-492 (2d Cir. 1998); *Aztech Sys. Pte Ltd. v. Creative Tech. Ltd.*, [1996] 1 S.L.R. 683 (High Ct. 1995) (Sing.); *Creative Tech. Ltd. v. Aztech Sys. Pte. Ltd.*, [1997] 1 S.L.R. 621 (C.A.) (Sing.). Illustration 1 is based on the facts of *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368 (Fed. Cir. 1994), where the courts took an opposite approach to the one advocated by the Principles: the Federal Circuit affirmed the district court's refusal to exercise supplemental jurisdiction over the Japanese infringement claim. See also *Voda v Cordis*, 476 F.3d 887 (Fed. Cir. 2007).

3. Discretion to decline jurisdiction. This procedure is derived from U.S. federal law, see 28 U.S.C. § 1367(c), which similarly weighs against other interests the interest in providing a court for consolidating a multiplicity of claims that may be sourced in the law of more than one sovereign.

The discretion to refuse to expand the court's subject-matter reach should be distinguished from considerations of where a consolidated case is best heard. That decision, akin to determinations of *forum non conveniens*, is controlled by §§ 222-223. On such dismissals, see, e.g., Richard Fentiman, *Intellectual Property and the Conflict of Laws*, A Study on Behalf of the European Commission Directorate General XV, Chapter V, p. 7 (final report, Nov. 1995) (English courts).

4. Illustration 2. The Illustration is loosely based on *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003).

5. Intervention. Rule 5.3 of the ALI/UNIDROIT Principles of Transnational Civil Procedure similarly contemplates intervention.

### **§ 213. Declaratory Judgments**

**(1) An action for a declaratory judgment other than one to declare a registered right invalid may be brought on the same terms as an action seeking substantive relief.**

**(2) Except as provided in subsection (3), an action to obtain a declaration of the invalidity of a registered right may be brought only in the State of registration.**

**(3) An action to declare the invalidity of the rights registered in two or more States may be brought in the State or States in which the defendant is resident, but the judgment will be effective only to resolve the dispute between or among the parties to the action.**

**(4) A court exercising jurisdiction under this Section may not exercise coordination authority under § 221.**

#### **Comment:**

a. Declaratory judgments generally. Actions for declarations of rights are particularly important to the intellectual property industries because commercialization often entails substantial investments. Without the ability to bring “negative declarations” that permit a court to declare a particular product unprotected or within the scope of a license, these investments would have to be made without knowing whether the information was actually available for the investor’s use. Should the investor guess wrong, sunk resources would be wasted. At the same time, it is not desirable for investors to shy away from using material that is in the public domain: there is, in fact, a strong public interest in permitting the exploitation

of material that is not properly the subject of intellectual property protection. Section 213 furthers these private and public goals by creating an avenue for clarifying rights. Declaratory judgments can also be useful to rights holders because they provide a mechanism for clarifying relationships.

b. Declarations as to the validity of registered rights. There is substantial sentiment that issues regarding the validity of a registered right, particularly a patent right, should be adjudicated in the courts in the State in which the right is registered. Indeed, there are regional agreements that so provide. Some countries further channel validity disputes into special fora. Although the Principles do not include a blanket prohibition on the adjudication of matters involving a foreign State's registered rights, these adjudications receive special treatment. When the sole objective of the litigation is a declaration of invalidity of rights under the law of a particular State, § 213(2) requires adjudication of the case in the courts in that State. In cases where rights under the laws of multiple States are in issue, § 213(3) permits the suit only in the right holder's residence(s), but limits the effect of the judgment to the parties.

c. Effect of the declaration. When a court declares rights registered in other States invalid, the effect runs only between the parties to the litigation. See § 213(3). Moreover, the Principles apply this solution to any determination of invalidity, including one resulting when the issue of validity arises by way of defenses such as to an infringement action or to a contract claim. See §§ 211(2), 212(4), and 413(2). This rule represents a compromise: on the one hand, courts are reluctant to second-guess the acts of foreign public authorities; on the other hand, there are efficiency gains. Furthermore, separating adjudication of validity from infringement can have substantive ramifications because it prevents a court from hearing all of the evidence relevant to the action and from using its understanding of how a technology is utilized to inform its decision on the scope of the right. Bifurcating validity and infringement can also increase the parties' costs. Accordingly, § 213(3) allows a court in one State to

adjudicate the validity of registered rights in another State, but only to clarify the rights of the parties among themselves. In cases where it appears that validity issues are being raised to thwart efficient adjudication, a court may exercise its authority under § 212(2) to sever those parts of the case for determination in a more appropriate court. Should the parties prefer an adjudication of rights against the world, the appropriate approach is to bring actions in each State in which the right is registered, and then move for cooperative treatment under § 222.

d. Declaratory judgments and coordination authority under § 221. Declaratory-judgment actions create unique forum-shopping opportunities to those who would otherwise be defendants in infringement actions. If the intellectual property rights holder is amenable to suit in a court that moves its dockets slowly, the would-be defendant could file a declaratory suit there in order to block adjudication of the infringement action in a court more likely to award injunctive relief quickly. To avoid misuse of declaratory-judgment actions, §§ 213(4) and 221(5) refrain from treating a court hearing a declaratory case as the coordination court. In this way, the Principles allow a rights holder to trump the declaratory plaintiff's choice by bringing its own action; the court where the rights holder sues is then treated as the court first seized.

**Illustration:**

1. PaulCo, a Patrian corporation, brings an action against ClaraCo in Xandia, which is ClaraCo's principal place of business, for a declaration that ClaraCo's Xandian, Patrian, Tertian, and Quatrian patents are invalid. Xandian courts are overburdened and known for delay. Subsequently, ClaraCo brings an infringement suit against PaulCo in Patria, alleging that these patents are being infringed.

Under these Principles, Patria will be considered the court with the authority to coordinate and will have primary authority to determine coordination issues. When Xandia's court reaches the case, it should suspend proceedings pending the Patrian disposition.

e. Justiciability. Because declarations of validity can bind only parties to the litigation, a patent is vulnerable to successive attacks. The risk of successive suits reduces patent value, and the cost of these actions may erode the patentee's ability to successfully defend. To prevent the patent from becoming an "invitation to litigate," some jurisdictions impose a requirement that the declaratory plaintiff in an invalidity action demonstrate an interest in the suit, such as a credible threat of an infringement action or a substantial investment in patent-specific technology. Section 213 is not intended to change such domestic rules on justiciability.

## **REPORTERS' NOTES**

1. Declaratory-judgment actions. The ability to bring declaratory-judgment actions on such issues as validity, infringement, ownership, and assignment is well recognized. See, e.g., *Conmed Corp. v. ERBE Electromedizin GmbH*, 129 F. Supp. 2d 461 (N.D.N.Y. 2001) (patents); *Sumitomo Elec. Indus., Ltd. v. Corning, Inc.*, 169 F. Supp. 2d 440 (M.D.N.C. 2001) (patents); *Hal Roach Studios, Inc. v. Richard Feiner & Co.*, 896 F.2d 1542, 1555-1556 (9th Cir. 1990) (copyrights); *Bryan Ashley Int'l, Inc. v. Shelby Williams Indus., Inc.*, 932 F. Supp. 290, 292-293 (S.D. Fla. 1996) (copyrights); *Starter Corp. v. Converse, Inc.*, 84 F.3d 592 (2d Cir. 1996) (trademarks); *Caesar's World, Inc. v. Milanian*, 247 F. Supp. 2d 1171 (D. Nev. 2003) (trademarks). The Principles rely on local rules to determine standing; enforcement is controlled by Part IV.

2. Patent litigation. In patent litigation, the principal use of declaratory judgments is likely to be as a mechanism for challenging patent validity. The importance of such actions is

illustrated by the facts of *Polaroid Corp. v. Eastman Kodak Co.*, 789 F.2d 1556, 1557 (Fed. Cir. 1986). The improvident investment Kodak made in instant cameras could have been avoided had Polaroid's rights been clarified earlier, for example through a declaratory-judgment action. Instead, Polaroid brought an infringement action after Kodak started selling instant cameras. Although Polaroid sued for infringement quickly, the suit took many years to decide. See *id.* at 1557. By the time the patent was held valid and infringed, Kodak had invested heavily in the field and many of its employees and customers were seriously affected by the resulting judgment, see Daniel F. Cuff, *Kodak Reports a Loss After Taking Writeoff*, N.Y. Times, Feb. 19, 1986, at D6 (forced withdrawal from instant-camera field after patent ruling costing Kodak \$494 million); Thomas J. Lueck, *The Talk of Rochester; A City Nervously Waits for Layoff News*, N.Y. Times, Feb. 14, 1986, at B1 (describing losses to Kodak and its workers resulting from enforcement of Polaroid's instant-camera patent against Kodak). Cf. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994) ("Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible. To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement.")

3. Declarations of noninfringement distinguished. A decision of the Swiss Supreme Court, *Bundesgericht [BGer] [Federal Court]*, Feb. 21, 2003, *Entscheidungen des Schweizerischen Bundesgerichts [BGE] 129 III 295 (X AG v. Y SpA)* (Switz.), recognizes this distinction. Notwithstanding art. 22(4) of the Brussels Regulation and art. 16(4) (now 22(4)) of the Lugano Convention, which give exclusive authority to the courts of the State in which a right is registered to pass on the validity of the right, the Supreme Court accepted Swiss jurisdiction over an action seeking a declaration of the noninfringement of Belgian,



Dutch, French, English, Italian, Swedish, and Spanish patent rights deriving from the same EPC application, and all held by a Swiss patent holder. The court founded its competence on art. 2 of the Lugano Convention, which gives general competence to the defendant's home forum. By contrast, more recently, the Swiss Supreme Court, in a decision of Oct. 23, 2006, ATF 132 III 778, rejected jurisdiction of Swiss courts over an action seeking a declaration of invalidity and of noninfringement of French and German EPC-derived patents held by a German defendant. The court's citation of both art. 16(4) (now 22(4)) of the Lugano Convention and the ECJ's decision in Case C-593/03, Roche Nederland BV v. Primus, [2007] F.S.R. 5 calls into question whether a Swiss court would, in the future, retain jurisdiction over an action against a Swiss defendant when it involves foreign patents.

Nonetheless, the Principles take the position that consolidating declaratory actions before one court, at least where the patent rights at issue are identical, is desirable, as each territorial right is based on the grant of a single title of intellectual property right such as the European patent. One may also question the traditional view that the courts of a foreign State would not have the technical skill needed to adjudicate the infringement of a national patent. Counsel and experts' opinions can help the court understand the applicable law and the practice of the other jurisdiction. Sections 221-223 of the Principles are designed to achieve this result.

#### **§ 214. Provisional and Protective Measures**

**(1) A court has jurisdiction to order any provisional or protective measures consistent with its authority under §§ 201-207 and §§ 221-223 of these Principles.**

**(2) The courts in any States in which intellectual property rights are registered or in which tangible property is located have jurisdiction to order any provisional or**

**protective measures with respect to that property. The measure shall be limited to the territory of that State.**

**(3) A person having custody or control of goods in transit, even if not an infringer by the law of the State in which the goods are temporarily located, may be the subject of an action for an order of temporary detention of the goods while the true owner or owners are identified and joined to the proceedings.**

**Comment:**

a. Transborder relief. These Principles cannot change domestic law to give courts authority to provide provisional relief when such authority is lacking under local law. Thus, for example, if the Brussels Regulation prohibits transborder injunctions or U.S. law prohibits seizure of non-U.S. property, this provision cannot be given full effect. However, if such authority is provided by local law, § 214(1) gives a court with appropriate jurisdiction over a defendant (as defined by these Principles) plenary authority to order provisional or protective measures, including ex parte relief and the issuance of transborder injunctions. This provision is also meant to suggest that, as global disputes proliferate and are thought to require coordination, the subsidiary power to order provisional relief is also necessary.

It is contemplated that this authority should be exercised by the court that has jurisdiction over the merits of the case; it can also be exercised by the court in which the dispute on the merits will presumptively be filed.

b. Local relief. Section 214(2) gives parties the flexibility to protect their interests in jurisdictions other than the one in which the action is pending or will be filed. As noted above, the court where the case has been or will presumptively be filed has plenary authority to award preliminary relief, including transborder injunctive relief, consistent with its adjudicatory authority. In addition, the parties may obtain local preliminary relief from other

courts. However, these courts have authority only with respect to local property, tangible and intellectual.

In making its decision on ordering relief, the court will consider local law as well as local public policy.

**Illustration:**

1. A, a Patrian resident, claims to hold the rights of reproduction, distribution, and communication to the public in a sound recording of Patrian folk music. B, a resident of Xandia, uploads the content of the CD without authorization to a server maintained by C, a Xandian, in Xandia. A sues B and C in Xandia.

If A can show that, under Xandian law, he is entitled to provisional relief, the Xandian court can enjoin B and C from making the music available anywhere *pendente lite*. If A finds that B is distributing CDs of the music in Patria, he can also ask the Patrian court to take control of the CD stock. In deciding whether to take control over the property, the court can consider whether restricting the distribution of the CDs violates Patrian public policy.

c. Relationship between § 214(2) and §§ 222, 223. Section 214(2) can be viewed as an exception to the rules that require courts to suspend proceedings pending adjudication in the coordination court or the consolidation court because they provide other tribunals with authority over the dispute. In the case of provisional remedies to preserve evidence or the status quo, however, time is often of the essence; the court best situated to achieve those goals is generally the court where the intellectual property or physical goods are located.

d. Protective seizures. Section 214(3) addresses the case of goods in transit, that is, tangible goods shipped from one State, across another State, to be sold in a third State where the sale infringes intellectual property rights in that third State. The goods can be seized where they are found, even if they were just passing through on their way to sale in another State.

## REPORTERS' NOTES

1. Controversy over cross-border injunctions. The availability of transborder measures under the Brussels Regulation has been hotly contested. See, e.g., John Gladstone Mills III, A Transnational Patent Convention for the Acquisition and Enforcement of International Rights, 84 J. Pat. & Trademark Off. Soc'y 83, 85 (2002); Fritz Blumer, Jurisdiction and Recognition in Transatlantic Patent Litigation, 9 Tex. Intell. Prop. L.J. 329, 336 (2001). The European Court of Justice's decisions in Case C-593/03, *Roche Nederland BV v. Primus*, [2007] F.S.R. 5, and Case C-4/03, *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG*, [2006] F.S.R. 45 cast doubt on the authority of an EU court to grant relief regarding foreign patent rights. It could therefore be argued that this power should be eschewed by the Principles. One reason for rejecting a more restrictive approach is that the problems involved in cross-border cases have generally concerned patent rights in the European Union, where the resolution of challenges to validity is subject to special jurisdictional limitations under the Brussels Regulation. The AIPPI appears to recognize a need for cross-border orders generally, indicating that "[t]he court making a judgment should determine which of the available remedies are to be applied," but that "any enforcement of a judgment in another country shall be subject to the law of that country . . . ." AIPPI, Q174 Resolution, art. 3. This is essentially the approach followed here.

2. Utility of cross-border provisional relief. The time value of information and the inability to return (or forget) what has been learned makes the availability of preliminary relief particularly important in intellectual property disputes. This provision allows courts to use whatever flexibility their national law permits in shaping interim orders to assure that the status quo is maintained during the pendency of adjudication. Such relief can also be used to secure assets from which the judgment will be satisfied. Some States do not permit courts to

order worldwide orders to secure assets (Mareva injunctions). See, e.g., *Grupo Mexicano de Desarrollo S.A. v. Alliance Bond Fund Inc.*, 527 U.S. 308 (1999). Where courts enjoy this power, it is limited to securing assets; it does not thereby obtain jurisdiction over the merits of the claim. Given the ability of the parties to obtain execution of judgments or decrees rendered in accordance with these Principles (§ 401), where the executing court has determined that the Principles apply, it is not necessary to make the asset-conserving court the court that hears the merits in order to ensure practical recovery. Nothing in these Principles would require jurisdictions to change their laws. However, the absence of this authority might affect the parties' choice of court.

3. Local relief. The power of a court other than the one entertaining the dispute to order provisional relief with respect to people or property within the forum State is recognized by the ALI/UNIDROIT Principles of Transnational Civil Procedure, Principle 2.3.

4. Protective seizures. For examples of such actions in the United Kingdom, see, e.g., *Norwich Pharmacal Co. v. Customs & Excise Comm'rs*, [1974] A.C. 133, 146 (H.L.); *Washburn v. Cunard*, [1889] 6 R.P.C. 398; and *Smith, Kline & French Labs. Ltd. v. RD Harbottle (Mercantile) Ltd.*, [1980] R.P.C. 363 (Ch. D. 1979).