

REQUEST FOR COMMENTS ON PRELIMINARY DRAFT
CONVENTION ON JURISDICTION AND FOREIGN
JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS

65 FR 61306
OCTOBER 2000

To: Elizabeth Shaw <elizabeth.shaw2@uspto.gov>

From: James Love <love@cptech.org>

Re: Public Comments on IPR aspects of Hague Convention
on Jurisdiction and Foreign Judgments in Civil and
Commercial Matters

Date: November 21, 2000

I request that the United States Patent and Trademark Office extend the deadline for this comment period to January 15, 2000, to permit broader public debate on this issue. In addition, I present the preliminary comments of the Consumer Project on Technology to the 16 questions raised in the USPTO's October 17, 2000 Federal Register Notice, that is on the web here:

<http://www.uspto.gov/web/offices/com/sol/notices/prdrconjud.html>

Preliminary Answers to 16 questions by the Consumer Project on Technology:

1. What are your experiences in having judgments involving intellectual property from one jurisdiction recognized in a foreign court?

No personal experience.

2. Have you had different experiences in having those judgments recognized in U.S. courts?

N/A

3. Are uniform rules for international enforcement of judgments desirable?

As a general rule, no, if the uniform rules are bad rules. The benefits or disadvantages of uniform rules will depend upon the content of the rules. Harmonization on bad rules is a bad thing.

Harmonization on good rules is a good thing. But since not everyone agrees on what would be good or bad rules, this presents a problem. In the area of intellectual property rules, there are special reasons to avoid extending the reach of all foreign IPR regimes.

The US has strong traditions for fair use that are not followed in all countries.

The US has a stronger system for patent examination than do some countries, and indeed, some countries have a registration system that places every greater burdens on the public to defend infringement suits.

Some countries will predictably issue overly broad patents, patents that do not represent real or important inventions, or patents that offend the sensibilities, such as patents on life forms or business methods.

Some countries have sui generis IPR regimes that lead to anticompetitive or monopolistic outcomes. The European laws on protection of databases create rights in facts that do not exist in the United States.

Some countries have crown copyrights in government documents, and use those rights to prevent citizens from publishing information about governments on the Internet.

The United States issues ill advised patents on business methods, creating a nightmare of litigation and anticompetitive outcomes, and these patents should not be forced on the whole world.

Some countries have trademark or unfair competition laws which make it illegal to engage in comparative advertising, or even to criticize commercial products.

In some countries, it is against the law to link to documents from a web page, without a license.

In some countries, the first sale doctrine is extremely limited.

Trade secret protections in some countries can be used as a weapon against whistle blowers or to prevent criticism or debate on company practices.

In general, if countries think they can collect money abroad more easily, they will have incentives to be even more aggressive in issuing intellectual property, including overly broad patents, sui

generis rights that don't make sense, restrictive copyright rights, etc, because the "consumers" will often be foreign consumers, and the countries will seek to exploit the foreign consumers.

4. Do you support or oppose the United States becoming party to a jurisdiction/enforcement of judgments convention?

We oppose the United States entering into a treaty on the enforcement of judgments for intellectual property claims at this time. The laws on intellectual property on the Internet are undergoing enormous change and are subject to much controversy. It makes no sense at all to lock in the whole world to a system that extends every nation's IPR regime to everyone. The fact that IPR regimes are so different now, and undergoing so much change, is a good reason to exclude IPR issues from the Hague Convention, as has been done for maritime law and other areas where there is not agreement upon jurisdiction issues.

5. What would be the benefits or drawbacks of the United States becoming a party to the proposed Hague convention?

The drawback would be an enormous shrinkage of the public's rights, as people would be subject to the most restrictive IPR regimes in the world. Publishers, patent owners and others could pursue litigation in the most restrictive jurisdictions. People who do nothing more than publish web pages or use the Internet would be exposed to all sorts of new risks, including the costs of defending oneself in foreign courts.

6. Would the elimination of tag or general "doing business" jurisdiction have any impact on intellectual property owners' ability to protect their rights either domestically or internationally?

Under review.

7. What other changes to U.S. law would be needed to implement the proposed convention? Please identify any drawbacks and/or advantages to such changes.

The Article 4 provisions regarding contracts determining jurisdiction will place burdens on US citizens who are forced to litigate disputes in foreign courts.

8. What effect, if any, could this Convention have on other international intellectual property obligations, including, but not limited to, the Agreement on Trade-Related Aspects of Intellectual

Property Rights (TRIPS), the Paris Convention, and the Berne Convention?

The Convention will have the practical effect of limiting country freedom to authorize certain exceptions and limitation on intellectual property rights, as the rights will be determined by contracts, and litigated in foreign courts, often under foreign laws.

9. What effect, if any, could this Convention have on the enforcement of intellectual property with respect to the Internet?

The Convention will create enormous risks for those who develop free software that is distributed over the Internet, or used for Internet servers or applications software. Volunteer developers may find themselves the subject of foreign infringement suits involving infringements of patents, trade secrets, copyrights or other rights, even when their efforts are completely legal under the laws of the country where they live.

Anyone who links web pages, reports facts or news, or forwards articles in newsgroups or mailing lists will risk being sued in foreign courts where IPR laws are very restrictive.

10. Would application of Article 10 change existing jurisdictional principles as applied to intellectual property infringement actions? If yes, please describe any changes in detail and provide any relevant legal authority.

Under review.

11. Would the limitation of worldwide damages in Article 10(4) have any significant impact in cases involving worldwide infringement of trademark or other intellectual property rights?

Under review.

12. With respect to Article 12(4), under what circumstances would application of this subsection change existing jurisdictional principles, with and without the bracketed language included? Please describe any changes in detail and provide any relevant legal authority.

Under review.

13. What effect, if any, would Article 12(4) have on trademark owners seeking to litigate rights related to registered versus common law marks?

Under review.

14. Is exclusive jurisdiction needed for infringement and/or validity actions involving patents, trademarks, and/or copyrights?

IPR should be excluded from the Convention, as is maritime law.

15. What changes, if any, should be made to the proposed Convention? Please describe any changes in detail and provide any relevant legal authorities that support such suggestions.

IPR should be excluded from the Convention, as is maritime law.

16. Please identify any other potential concerns or advantages raised by the proposed convention.

I do not believe the US government appreciates the extend to which this Convention would shrink the public's rights, harm the development of free software, or create incentives for countries to adopt bad IPR regimes.

The Consumer Project on Technology has created a web page on the Convention here:

<http://www.cptech.org/ecom/jurisdiction/hague.html>

We have also created a public discussion list on the Convention here:

<http://lists.essential.org/mailman/admin/hague-jur-commercial-law/>

James Love, Consumer Project on Technology,

<http://www.cptech.org> love@cptech.org,

v. 1.202.387.8030, f 1.202.234.5176

Please accept the following as provisional support for the proposed Conventions.

Our experince in representing clients trying to enforce an adjudicated intellectual property right abroad has been disappointing. Foreign courts impose road blocks to a valid judgment here which if obtained in the foreign state would be otherwise fully enforceable in any U. S.

court. Then too, the costs are prohibitive for a small business to pursue abroad.

An example may be helpful. An exclusive territorial licensee of a U.S. patent owned by a foreign (Swiss) company, was unable to enforce a valid judgment in excess of \$1 million, notwithstanding the the licensor's adjudicated breach of contract after a full trial on the merits before a jury for selling competing product imported from Switzerland in the territory. The Swiss court was suspicious of a jury award in a "mercantile" dispute handled before a judge under Swiss law. Also, such a large award was thought symptomatic of the supposed evils of the U. S. litigious society exemplified by high figure strict liability in tort awards, further "tainting" the U. S judgment, in the eyes of the Swiss judge.

It would be our suggestion that there be reciprocity. A country that refuses to enforce a valid judgment of a signatory, enforceable anywhere in its own courts, would have to "show cause" why its judgments should be enforced in the state whose judgments it refuses to enforce.

Respectfully submitted:

Jack Toliver

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The above treaty negotiations should be extended to allow the perspective of consumer advocates to be heard and counted. This has been a process that has allowed only one view, that of the businesses who have no interest in protecting consumer rights.-- Michael Feldman

Mfeldman@dc.ashcraftlaw.com

Dear Ms. Shaw:

I am writing to register my opposition to certain provisions of the new Hague Convention Treaty regarding jurisdiction, etc, in civil disputes. Please do not make it harder for individuals who need justice to sue where they live. It is already hard enough for us to bring a case when we need to do so because someone has wronged us.

Please also do not give businesses the right--at their sole option--to circumvent the consumer protection laws of the treaty signatories by forcing consumers into arbitration, whether they want to be there or not.

Thank you very much for your consideration of these important matters.

Tom Conlin
Robins, Kaplan, Miller & Ciresi L.L.P.
www.rkmc.com

I have learned only minutes ago that the U S Government is utilizing a delegation comprised mainly, if not solely, of business representatives, to review and consider signing on to the above-referenced treaty. Recent election events should make it perfectly clear to all, that our government still exists solely by the will of the people, to serve the people.

Corporate enterprises are one of America's most valuable resources, but they are recognized as "artificial persons" under the law, and are still comprised of actual individual citizens. As I understand it, certain provisions of this treaty would preclude a consumer injured by a faulty product, whether in person or property, from commencing any sort of legal action where they live or presumably purchased the product. This is in direct contravention of our traditional notions of jurisdiction - it has been a long settled rule that when a corporation in one state has sufficient minimum contacts in another state, it can become subject to the jurisdiction of that state's courts. I can provide you actual cites to the case law if you wish, but my point is simply this: AS WRITTEN, THE TREATY PROVISIONS WOULD

A) PROVIDE FOREIGN BUSINESSES WITH CERTAIN PRIVILEGES AND IMMUNITIES WE DO NOT ALLOW OUR OWN DOMESTIC CORPORATIONS;
AND,

B) CONSUMERS (YOU, I AND OUR FELLOW CITIZENS) WOULD SUFFER GREATLY FOR THE SOLE ECONOMIC BENEFIT OF FOREIGN ENTERPIRSE AND THE PROMOTION OF GLOBAL BUSINESS INTERESTS.

I readily recognize the planet as being finite - whether we realize it or not, we are and always have been a global community. The advent of increased foreign

commerce, the expansion of communications, and the chance to view earth from space have all contributed to what undoubtedly someday will become not only a global economy, but subject to global governance. If we wish to preserve and promulgate American values and notions of justice, WE CAN START BY INCLUDING CONSUMER REPRESENTATIVES IN THIS DELEGATION; BY NEGOTIATING MODIFICATIONS TO THE TREATY PROVIDING CONSUMER PROTECTIONS FOR CITIZENS OF ALL COUNTRIES; AND BY INCLUDING LABOR REPRESENTATIVES.

Ms. Shaw - I'll end by stating I'm not some crack pot or consumer rights advocate. This is likely the third or fourth time in my life I've been moved to write such a missive. I'm a former biologist gone bad (now an attorney) practicing law in rural Minnesota. But a good passel of common sense tells me that, as written, this is not something we want to endorse. Should you desire any further input, you may e-mail me at litchlaw@willmar.com <<mailto:litchlaw@willmar.com>>, or contact me by telephone at 1-320-693-9321.

THANK YOU.
STEVEN V. BESSER

Ms. Shaw:

The rights of consumers must be recognized in the Hague treaty!

Consider a wronged party who is unable to bring a suit in the place where he lives. ADR is helpful and timely in some situations, but it should be optional to protect the consumer. Individual rights should be considered in labor issues; a person should be able to challenge an employer in the location where he is employed, not limited to where the business is headquartered.

Thank you.
Jane Christensen

I am very much appalled at the US government's stance on this treaty and fear that the current verbage in the treaty will further eviscerate the rights of U.S. workers. I would ask that you block said efforts to ratify this treaty in its current form. To allow passage of this treaty would be to bring about more detrimental change to the already-beaten U.S. worker. Thank you.

JTO@ncrights.com

It has been brought to our attention that negotiations, deciding fundamental issues effecting the rights of consumers to participate in the litigation process, are underway. It is imperative that consumer/employee representatives be part of this process.

We urge our government to include consumer representatives in this negotiating process so as to assure a fair and reasonable discourse regarding important concerns effecting all citizens subject to this treaty.

Thank you

Paul V. McCarten
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This e mail is concerning the Hague treaty about consumer rights. I find it alarming that a treaty with so many implications for consumers would be created without any input from the consumers themselves. I urge you to allow consumer advocates to be part of the process and to extend the December first deadline for public comment. Thank you.

Sincerely,

Derek Beaudry

dbeaudry@humansolutions.org

The Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters appears to affect major litigation decisions by consumers and workers around the world. Given the potential impact on individual rights, the Center for Justice and Democracy is extremely concerned over the lack of consumer representation in the treaty negotiations. Moreover, since very few people are aware of the treaty, consumers and their advocates have not had an opportunity to respond the issues being discussed. We ask that the comment period be extended so that we, along with other consumer advocates and attorneys, can fully analyze the treaty's provisions and respond accordingly.

Thank you for your attention.

Sincerely,

Emily Gottlieb, Deputy Director
Center for Justice and Democracy
Tel: (917) 438-4621
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From: jbetz@jamesBetz.com [SMTP:jbetz@jamesBetz.com]
Sent: Thursday, November 30, 2000 4:04 PM
To: elizabeth.shaw@uspto.gov
Subject: hague Treaty

I think consumers should be included in the decision-making process concerning pending treaty negotiation. Can we PLEASE get an extension beyond 12/1/2000? I , and thousands of other consumers would appreciate it.

Thanks.

Ms. Shaw,

Why aren't consumer groups being included in a process that will affect their rights? Are you interested in consumers? We don't need cheaper products, we need safer products. The only way to insure safety is to make our court system available to the consumers. There is no other place manufacturers fear enough to remain accountable.

Hasn't Firestone's irresponsibility taught us this lesson again. Don't sell out the consumers. Give the consumer groups time to respond and invite them into the process.

Thank you for your service to our country,

Rick DiGiorgio

rickd@digorgiopc.com

I strongly urge that the December 1, 2000, deadline for comments on the Hague treaty be extended in order for consumers to be part of the process. As of now, it appears that consumers are being left out of the negotiations, but are adversely affected.

George Starr

Oregon Consumer League

geostarr@prodigy.net

Please give consumers more time to comment on this proposed treaty. There have not been a large number of complaints from consumers because they are not aware ratification of this treaty is being considered. It is not widely known by the people that their rights are being stripped. The people involved in this decision seem to be pro-business at the detriment of the average consumer.

We must continue to hold corporate America responsible and accountable for their actions. We need to prevent corporate greed from causing situations such as the one with Firestone Tire.

The checks and balances in our system are the people's right to sue. Please do not take away the people's right to justice when harm has been inflicted.

Again, please consider that there is absolutely no consumer representation in these treaty negotiations. Consumers must be part of the process and I therefore ask that an extension of the December 1, 2000 comment deadline be extended and the public be made aware of this possible treaty agreement. Thank you.

DONALDSON & BLACK, P.A.
208 WEST WENDOVER AVE.
GREENSBORO, NC 27401
(336) 273-3812

Dear Ms. Shaw:

I currently serve as president of the Washington State Trial Lawyers Association. Our members represent injured citizens and consumers throughout Washington state, and I have personally done so for over seventeen years.

I just learned that the United States government is currently involved in negotiations regarding the Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commerical Matters (the "Hague treaty") that would place major litigation decisions by consumers and workers around the world in the hands of the businesses they are suing. I am outraged that these negotiations have been conducted without the knowledge of consumer groups, and that there is no consumer representation in the treaty negotiations.

I am particularly concerned about the fact that the U.S. government has effectively blocked treaty language that would allow consumers to bring an action in the courts where they live, that businesses want the right to opt out of a country's consumer protection laws if they have procedures like arbitration that prevent cases from going to court, and that the U.S. government has opposed a provision that would give employees in private employment contracts the right to sue and be sued in the country where they live.

The U.S. government has appointed a pro-business delegation to determine whether the U.S. accepts or rejects the treaty. Business are interested only in the protection of their own interests. It is imperative that consumers be given notice and a sufficient opportunity to be heard in order to prevent the elimination of consumer protections. The December 1, 2000 comment deadline must be extended in order for this to occur.

Thank you for your consideration.

Sincerely,

Maria S. Diamond
One Union Square
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Consumers and labor must be represented in treaty negotiations involving the Hague Convention. I am profoundly unhappy that this administration has chosen such a pro-business stance, evidently without regard to other affected groups.

Please consider an extension of the December 1, 2000 comment deadline for this proposal.

Duane Poncy,
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Portland, OR 97213

Rec'd 11/30 USPTO

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November 30, 2000

Director of United States Patent
And Trademark Office
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Washington, D.C. 20231

ATTN: Elizabeth Shaw

Re: Verizon Comments on Hague Convention on Jurisdiction

Dear Ms. Shaw:

Verizon Communications is pleased to have the opportunity to provide comments to the United States Patent and Trademark Office on its Request for Comments on the Hague Conference Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters ("Draft Convention"). By way of background, Verizon Communications, which was formed after the merger of Bell Atlantic and GTE, is one of the largest telecommunications companies in the world. Verizon has an extremely large global intellectual property portfolio, consisting of thousands of trademarks, patents and copyrights. We are especially appreciative of the PTO's active role in analyzing the Draft Convention and studying its impact on U.S. laws and the ability of U.S. intellectual property owners to enforce their rights.

The PTO's RFC requests comments on the effect of the Draft Convention on U.S. intellectual property laws. Verizon must clarify from the outset that it has significant concerns with the Draft Convention's treatment of jurisdiction as a whole and its effect of disrupting the predictability of conducting global business and electronic commerce. Some of those concerns are raised in an October 30, 2000 letter from the U.S. Council of International Business (of which Verizon is a member) to Madeleine Albright, a copy of which is attached hereto. That letter raised a variety of concerns, including issues related to jurisdiction over sellers and consumers for actions in contract, actions in tort, employment issues and exclusive jurisdiction in the intellectual property field. The Department of State outlined many of these same overall concerns in a September 10, 2000 letter from Jeffrey Kovar to Alasdair Wallace of the U.K.,

who works with the Secretary General of the Hague Conference. Hence, we note that even if the problems with the intellectual property related provisions are ultimately corrected, the remaining problems are also so heavily tilted against existing U.S. jurisdiction practices that we cannot support the Draft in its current form.

The comments that follow, however, deal solely with our concerns in the intellectual property field. In particular, Article 12 of the Draft Convention diverges wildly from the existing system of national intellectual property laws by creating "exclusive jurisdiction" in the one Contracting State, in which a party litigates actions that "have as their object" the registration, validity, nullity, revocation and infringement of patents, trademarks, designs or other similar rights required to be deposited or registered with the State. This new, exclusive jurisdiction rule does not apply to litigation that arises as "incidental questions".

It is important note at the outset that although there are various global treaties and conventions dealing with intellectual property laws, there is no one international global copyright, patent or trademark law. Intellectual property laws generally are still created nationally and such laws are enforced locally by their respective national courts. These national intellectual property laws may differ on what may constitutes a registerable trademark, what may be copyrightable subject matter or the subject of patent protection. In the trademark area, many countries, including the United States, generally avoid enforcing judgments or adjudicating disputes outside their jurisdiction. In the U.S., courts have defined the rule succinctly: "[When] trademark rights within the United States are being litigated... in an American court, the decisions of foreign courts concerning the trademark rights of the parties are irrelevant and inadmissible." *Vanity Fair Mills, Inc. v. Eaton Co.*, 234 F.2d 633, 639 (2d Cir. 1956); *Fuji Photo Film Co. v. Shinohara Shoji Kabuskiki Kaisha*, 754 F.2d 591, 599 (5th Cir. 1985).

Article 12(4) specifically encourages international forum shopping and a "jurisdiction grab." Jurisdiction is awarded to the contracting State in which a party files simply files suit attacking the validity of a registration, or claiming infringement or nullity of patents, trademarks, designs and "other similar rights" (which remains to be defined and could vary according to national laws). This rule would allow a party with whom one party has a dispute (related or unrelated to intellectual property) to take advantage of forum shopping to grab exclusive jurisdiction. The scenarios discussed below are just some examples of how this new jurisdiction grab actually increases litigation, changes U.S. law and provides considerable business uncertainty for U.S. intellectual property owners.

Scenario #1: Company X, in located in the United States sends a cease and desist letter to Company Y in Country Y alleging that Company Y is infringing Company X's trademark or patent rights in the U.S. Company X alleges that Company Y is using its trademark or patent in an active website and soliciting

customers in the U.S. which results in a likelihood of customer confusion. Company Y sues Company X in its home country and alleges that Company X's trademark registration or patent in Country Y is invalid or has been abandoned for nonuse. Company Y has just moved exclusive jurisdiction of the dispute outside the United States. Company X must now defend the validity of its mark or patent in Country Y, where it is likely at a legal disadvantage. Company X can only hope that the court in the Country Y correctly applies U.S. trademarks or patent laws to its own initial cause of action against Company Y.

Scenario #2: Company X located in the U.S. sends a cease and desist letter to Company Y located in Country Y alleging that Company Y has breached its contract with Company X in the US. Company Y immediately files suit in Country Y alleging that Company X's patent or trademark is invalid. These scenarios differ from the case where a company faces the risk of a declaratory judgment action from a cease and desist letter. This is because Company Y is able to move the entire dispute to the jurisdiction of a court outside the United States. Under the Draft Convention's Article 12(6), Company Y's intellectual property infringement claim may not be considered an "incidental question." In the United States, Company Y's claim would be considered a valid counterclaim that could arguably be relevant and related to the original claim.

Scenario #3: Company X located in the U.S. discovers a cybersquatter located in another country who has taken, in bad faith, Company's X's trademark as a domain name for the purpose of confusing or diverting customers to the cybersquatter's website. Company X sues the cybersquatter under the U.S. Anticybersquatting Consumer Protection Act or initiates ICANN's Uniform Dispute Resolution Procedure using an approved dispute resolution provider. The cybersquatter can simply sidestep U.S. law and the ICANN procedures by claiming infringement of its domain name or otherwise challenging Company X's trademark in another country. The cybersquatter has successfully used Article 12 as the lever to avoid the jurisdiction of the U.S. courts and gain the upper hand. Country X's courts may have different trademark laws. Some countries have no adequate trademark laws. The same scenario undermines the ability of U.S. companies to use the "in rem" section of the U.S. Anticybersquatting Protection Act to sue the domain name itself - the thing - rather than the defendant if the defendant "cannot be found" in the United States. When the cybersquatter learns of the in rem suit, he or she simply files an action alleging infringement or seeking to cancel Company X's trademark in a more hospitable country, thereby bypassing U.S. law. This is another example of how Article 12 seriously undermines recent U.S. laws and the ability of intellectual property owners to enforce their rights on the Internet. Verizon strongly supported the passage of the Anticybersquatting Consumer Protection Act and would object to any rule that weakens the ability of the company to enforce its rights against cybersquatters. The problem of cybersquatting will likely become more serious in light of ICANN's decision to adopt seven new top-level domain names.

Scenario #4: Company X located in the United States is the owner of a common law mark and sues Company Y for infringement in the U.S. Company Y is the owner of the identical registered trademark in Country Y. Because Company Y is the owner of a registered trademark and asserts a claim of infringement of its registered mark as recognized by Article 12 (4), Company Y has just grabbed exclusive jurisdiction of the

dispute. It is clear that the uneven treatment of common law and registered marks in Article 12 combined with the broad ability to sue for infringement to win exclusive jurisdiction undermines the protections afforded in the U.S. for common law marks.

The dramatic shift in principles of jurisdiction cannot be overcome by the parties' reliance on contractual terms. The Draft Convention takes away traditional contractual freedom for parties to enter into agreements that typically designate the choice of jurisdiction and law. Article 4 provides that the parties may enter into agreements designating a choice of jurisdiction, but such agreements are without effect if they conflict with the provisions of Article 12. Clearly, trademark and patent owners could no longer rely on contractual provisions to designate a choice of jurisdiction or law. Intellectual property owners would have no future certainty that such contractual provisions would be valid or enforceable if the other party brought an action challenging their trademark, patent, design or "similar rights" in another country. Even Article 5, which confers jurisdiction on a court when the defendant proceeds without contesting jurisdiction, allows the defendant to grab jurisdiction after the fact using the tools of Article 12 as the ruse.

Even assuming Article 12 were removed, the Draft Convention is still fatally flawed with respect to intellectual property enforcement due to the application of Article 10. Article 10, which defines jurisdictional rules for tort actions, currently applies to copyright actions and would apply to trademarks, patents and other intellectual property rights if Article 12 were removed. Article 10 provides for jurisdiction either in the State in which the act or omission causing injury occurred or in the State in which injury arose so long as the injury in that State was "reasonably foreseeable." Various U.S. federal and state courts and foreign courts, would likely have differing views on whether an injury was "reasonably foreseeable" when the defendant infringes a copyright, patent or trademark. The issue becomes more clouded when viewed in the context of electronic commerce. There would also be considerable uncertainty as to the plaintiff's right to damages against a foreign defendant under Article 10 (4) because the Draft limits damages to the place the suit was filed unless that place is also the plaintiff's habitual residence.

Articles 17 and 18 similarly undermine the ability of U.S. courts under existing laws to exercise broad jurisdiction under states' long arm statutes, along

with the fundamental concept of "doing business." When a person is "doing business" in the United States and substantially avails himself of business opportunities in a state, that person may be subject to jurisdiction in the state. Article 18(1), however, limits jurisdiction in the cases where there is the absence of a "substantial connection between that State and the dispute". Article 18(2)(e) is also in conflict with the "doing business" concept under U.S. law by prohibiting jurisdiction where the defendant merely engages in commercial activity in the State. The requirement that the defendant's activities be either "reasonably foreseeable" under Article 10 or requiring that the dispute is directly related to the defendant's business activities in the State under Article 18 is in direct conflict with U.S. long arm jurisdiction and the concept of minimum contacts. The current split in U.S. case law regarding jurisdiction over Internet related intellectual property disputes and the focus on "active" or "passive" websites, will clearly become more uncertain as these fundamental principles of U.S. law are chipped away.

Verizon appreciates the opportunity to provide these comments and looks forward to working with the PTO on this very important issue. Please feel free to contact us at the number below if you have any further questions.

Sincerely,



Sarah B. Deutsch
Vice President and
Associate General Counsel
Verizon Communications
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VIA FACSIMILE (703) 305-7575

Ms. Elizabeth Shaw
U.S. Patent and Trademark Office

Dear Ms. Shaw:

It is my understanding that the United States Government is currently involved in Treaty negotiations regarding the *Hague Convention Rules in civil* and commercial matters. I am a civil litigation attorney who specializes in products liability. I have had a number of cases against Japanese manufacturers. I am currently involved in litigation with Nissan Motor Company for the rollover of a Nissan Pathfinder wherein two rear seat passengers were killed as a result of the defective design of the Nissan Pathfinder. The driver lost control when another vehicle on the four lane highway, changed lanes, forcing the Nissan partially off the highway. The vehicle rolled over on dry pavement because of an overly high center of gravity. Although both rear seat passengers were properly restrained in their seatbelts, both were killed, one as a result of a complete ejection and the other as a result of a partial ejection. This young couple were planning on getting married. The young man that died had recently passed the Bar and had just opened his law practice.

When the suit was filed, I sued both Nissan North America as well as the Japanese company, Nissan Motor Company. We obtained service on the U.S. company within a few weeks and had an answer by attorneys representing Nissan within thirty days. The same attorneys have represented both the U.S. and Japanese manufacturer for Nissan for years. It is clear that eventually that the firm will represent the Japanese company, however, they will not accept service of process and have required that we go through *the Hague* rules to obtain service on the Japanese corporation. This is *nothing* more than a delaying tactic. Of course, in order to effect service under the *Hague Convention*, we must have the complaint translated to Japanese and it takes several months for the company to be served. Nissan axed other Japanese manufacturers use the Pacific Ocean as an effective barrier to obstruct discovery in civil litigation. It is always more difficult to get documents from Japanese defendants than U.S. defendants. Any further hampering of U.S. Citizens' ability to obtain justice from Japanese companies would be a great injustice to American consumers in my opinion. The Japanese companies have no qualm with selling their products *in this* country and taking the profits. These companies should be

held accountable like U.S. companies for the defects in their products which cause serious injury or death to U.S. citizens.

It is my request that any changes or alternations in the Treaty keep the U.S. consumer in mind. Thank you very much for your consideration in this matter.

Very truly yours,

BEASLEY, ALLEN, CROW,
METHVIN, PORTIS & MILES, P.C.



J. GREG ALLEN

JGA/adp



30, 2000

**United States Council for
International Business**

Thomas M.T. Niles, President

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Serving American Business as U.S. Affiliate of:

International Chamber of Commerce (ICC)
International Organisation of Employers (IOE)
Business and Industry Advisory Committee (BIAC) to the OECD
ATA Carnet System

The Honorable Madeleine K. Albright
Secretary
Department of State
2201 C Street, N.W.
Washington, D.C. 20520

VIA FACSIMILE

Total Pages: 3

Dear Secretary Albright:

I am writing to you to convey the views of the members of the United States Council for International Business (USCIB) on the draft Hague Convention on Jurisdiction and the Enforcement of Foreign Judgments in Civil and Commercial Matters. With a membership of over 300 global corporations, professional firms, and business associations, USCIB advances the global interests of American business both at home and abroad. It is the American affiliate of the International Chamber of Commerce (ICC), the Business and Industry Advisory Committee

(BIAC) to the OECD and the International Organisation of Employers (IOE). As such, it officially represents U.S. business positions in the main intergovernmental bodies, and vis-à-vis foreign business communities and their governments.

In theory, our members would support a convention that would ensure that judgments of U.S. Courts in favor of U.S. companies are enforced in foreign courts. This interest is even more important given that U.S. courts traditionally enforce judgments against U.S. defendants rendered by foreign courts considered to satisfy the basic principles of due process.

Despite the worthwhile goal of the proposed Convention, USCIB members, as well as many of our foreign counterparts, have identified significant problems with the current draft in such areas as electronic commerce, intellectual property and employment, among others. A brief, and non-exhaustive, explanation of the concerns of our members follows.

E-COMMERCE AND OTHER RELATED ISSUES:

1. Jurisdiction over Sellers for Actions in Contract: Jurisdiction attaches wherever the goods or services were received in whole or in part, or where the contract was performed, thereby potentially subjecting companies to jurisdiction in unexpected countries. It may be impossible to determine where the buyer or user of a digitized product is located at the time of the sale or use or where electronic performance of the contract took place;
2. Jurisdiction over Consumers for Actions in Contract: The draft Convention adopts the country-of-destination approach to jurisdiction, with very limited exceptions, over sellers who conclude contracts with consumers, thereby subjecting companies to the jurisdiction of the courts of all countries from which its website may be accessed;
3. Jurisdiction over Defendants for Actions in Tort: The draft Convention tracks existing private international law by providing for jurisdiction based on where the injury occurs or where the wrongful act was committed. In the context of electronic commerce, it is not always apparent where the tort occurred. In addition, this article could raise certain jurisdictional issues for e-commerce stakeholders including content and service providers;
4. Jurisdiction over a Branch: A company can be hailed into court if it has a branch or presence in a given country, including "regular commercial activity." The problem here is: does the accessibility of a website constitute such "regular commercial activity"?

5. Carve-out for Regional Arrangements: The draft Convention gives Europe a carve-out, excluding regional arrangements when they conflict with the Convention.

EXCLUSIVE JURISDICTION ISSUE: The proposed Convention provides for exclusive jurisdiction over actions involving trademarks in the country of registration. This makes no sense, for example, in cases where trademarks are unregistered, or in the case of the Community trademark or under the existing U.S. anti-cybersquatting laws pursuant to which a court may assert jurisdiction *in rem*.

EMPLOYMENT ISSUES: The draft Convention's treatment of contracts of employment, which links jurisdiction to the employee's country of origin or place of primary residence, is extremely controversial. Businesses and their employees need contractual autonomy and certainty with respect to employment contracts. This provision would result in states interpreting and attempting to enforce widely differing employment laws of other states. Moreover, in contracting for work over the Internet, companies may not even know exactly where the contracting party primarily resides or is physically located, which could subject the employer to unacceptable risks and liabilities.

It is important to note that many of the issues set forth above are particularly onerous on small and medium-sized enterprises and could serve as a barrier to their entry into the online marketplace.

In order to assess the sentiment of the business community and to identify whether the draft Hague Convention would be beneficial to business, we developed a summary of the draft Convention along with a survey to be completed by members. We received many responses to the survey from businesses from many sectors, including the electronic commerce, intellectual property and general business communities.

Without exception, the responses indicated that the concerns highlighted above significantly outweigh any potential benefit that the draft Convention would confer. Therefore, USCIB members strongly urge the U.S. Government and its negotiating partners to reassess the utility of pursuing the negotiations on the current text of the draft Convention. It is the view of our members that such negotiations will not result in a product that they will be able to support.

USCIB looks forward to continuing our dialogue with the U.S. Government on the draft Convention. In addition, we will continue to discuss this issue within our membership and the International Chamber of Commerce and will convey additional views to the U.S. Government, its negotiating partners and the Hague Secretariat.

We hope that these comments are helpful and look forward to continuing to work

with you. I am also sending a similar letter to Secretary Mineta.

Please do not hesitate to contact us if you have any questions.

Sincerely,

Thomas M.T. Niles

Cc: Mr. James Dorskind, Acting General Counsel, Department of Commerce
Mr. Jeffrey Kovar, Assistant Legal Adviser for Private International Law,
Department of State

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1 December 2000

The Honorable Q. Todd Dickinson
Under Secretary of Commerce for
Intellectual Property and Director of the
United States Patent and Trademark Office
Box 4
Washington, D.C. 20231
Attention: Elizabeth Shaw (via e-mail)

Dear Under Secretary Dickinson:

Re: Draft Hague Convention on Jurisdiction and Foreign Judgments

The International Trademark Association ("INTA") appreciates the opportunity to respond to the United States Patent and Trademark Office's request for comments on the Hague Conference Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters ("Draft Convention") that was published in the 17 October 2000 Federal Register (65 Fed. Reg. 61306).

INTA is a 122 year-old worldwide membership organization, representing over 3,800 corporations, package design firms, law firms and professional associations in 120 countries. INTA's membership crosses all industry lines, including manufacturers and retailers, and is united in the goal of supporting the essential role trademarks play in promoting effective commerce, protecting the interest of consumers, and encouraging free and fair competition.

We must preface our comments with two caveats. INTA has not yet been able to study the Draft Convention as thoroughly as it would wish, and has been unable to solicit the views of members from countries other than the United States. The comments set out in this letter therefore should be regarded as preliminary. We hope that INTA will have the opportunity to submit further comments at a later date.

General Comments

Lack of Clarity and Need

Our analysis has been based on the text of the Draft Convention, which seems to us unclear in many respects. We are aware that implementing legislation would be required if the United States adhered to the Convention and that the legislation might clarify portions of the Draft. Since the legislation could not vary substantively from the terms of the Draft, however, we have assumed in our analysis that the language of the Draft and the language of the implementing legislation would be identical.

Even a preliminary review of the Draft Convention gives rise to serious concerns. The Draft Convention would require radical changes in the principles that now govern the exercise of jurisdiction by United States courts. These principles are well settled and well accepted; we believe they work well and, perhaps more important, work equitably, in cases involving trademarks in traditional contexts. INTA has grave doubts as to the wisdom of altering the principles governing jurisdiction of trademark disputes in traditional contexts and for this reason would oppose the changes that the Draft Convention would compel.

Failure to Address Internet Issues

The Internet is not a traditional context for trademarks. Its uniquely international character has raised new jurisdictional issues that are neither readily resolved by existing law nor expressly addressed by the Draft Convention. To the extent that the Draft Convention may be construed to address Internet issues, the construction seems likely to be detrimental to the interests of trademark owners in the United States and elsewhere, as explained below. If the Draft Convention is construed to leave Internet issues unaddressed, it will ignore the one area in which internationally accepted jurisdictional principles are needed. We therefore believe the Draft Convention must be revised to address Internet issues

explicitly. Absent such revisions, the utility of the Draft Convention is dubious at best.

We recognize, of course, that work on the Draft Convention began before the Internet became an integral part of many of our lives, and before e-commerce became an accepted way to do business. Given that the United States Patent and Trademark Office accepted use of the word "Internet" in identifications only a few months ago, it is not surprising that text of the Draft Convention written five or more years ago does not deal with Internet issues. Nonetheless, Internet issues exist and must be addressed.

The international reach of the Internet and its use of domain names have presented entirely new challenges to trademark owners. Before the Internet, a trademark owned and used in one country was protected to a significant extent by geographic, economic, cultural, and linguistic barriers from international infringement. If international infringement did occur, the non-U.S. infringer was by definition doing business in the United States and subject to the jurisdiction of United States courts. This is no longer true; the Internet has erased in large part the barriers to international infringement that used to exist. Trademark owners worldwide are now vulnerable to infringement on the Internet by anyone anywhere. Existing jurisdictional principles are ill-prepared to deal with an infringer who may be on the other side of the world; the Draft Convention does not deal with him or her either. We regard this failure as a serious and potentially fatal flaw.

Our views as to the critical importance of Internet issues to trademark owners today are confirmed by the United States Patents Quarterly, a weekly publication of the Bureau of National Affairs that collects and publishes intellectual property cases, including trademark cases decided by federal courts, state courts, and the Trademark Trial and Appeal Board. Of the twelve trademark cases found in the United States Patents Quarterly issues of November 6, 13, and 20, 2000, three turned on Internet issues. When a quarter of reported trademark cases revolve around the Internet, it seems to us clear that Internet issues cannot reasonably be ignored.

Specific Comments

In addition to the general concerns expressed above, INTA has specific concerns about many of the provisions in the Draft Convention. Comments on these provisions are set out below.

Article 3(2)

We share the serious concerns expressed by others at the absence from the Draft Convention of a grant of jurisdiction over defendants “doing business” in a Contracting State. When Article 3(2) is combined with Article 12(4), the result would divest United States courts of jurisdiction over foreign infringers of United States trademarks. For example:

- Company A of the United States owns and uses the AX mark on its goods in the United States. Company B of Switzerland begins use in the United States of the AX mark on goods of the same description through its Swiss distributor Company C. Company A files suit for infringement against Company B and Company C in federal district court here. Company B and Company C contest jurisdiction, arguing that they are foreign corporations with no branches in the United States, that Article 12(4) does not apply because the AX mark is not or is not required to be registered, and that Article 10(1)(b) does not apply because Company A's claim alleges a conspiracy to inflict economic loss. If the arguments of Companies B and C prevail, Company A will be forced to litigate infringement of its United States mark in Switzerland.

Articles 10(1)(b) and 10(2)

Article 10(1)(b) permits a plaintiff to bring a tort claim in courts of the State in which the injury arose, unless the defendant establishes that he or she could not reasonably have foreseen that his act would result in the injury alleged by the plaintiff. The "foreseeability" exception in the Article invites extended and expensive litigation over jurisdictional issues that would make enforcement of trademark rights against foreign defendants significantly more difficult. Article 10(2) provides that Article 10(b)(1) does not apply to injuries caused by antitrust violations or conspiracies to inflict economic loss. The Draft Convention does not define a conspiracy to inflict economic loss; the phrase could be construed to encompass conduct by two or more persons actionable as unfair competition under Lanham Act section 43(a). Taken together, these provisions could divest United States courts of jurisdiction over infringement and unfair competition claims against non-U.S. defendants. For example:

- Company A of the United States owns and uses mark AX on its products and has registered copyright in the AX package design. Company B of Switzerland begins use of a similar AZ mark and a substantially similar package design on goods of the same description sold in the United States. Company A files suit for infringement of its mark and copyright in federal district court here. Company B contests jurisdiction, arguing that it could not reasonably have foreseen that its AZ mark and packaging would injure Company A and that Article 12(4) does not apply to claims for copyright infringement, to which the trademark infringement claim is incidental. In support of its "foreseeability" argument, Company B submits expert testimony to the effect that its conduct would be lawful in Switzerland. Company A is compelled to counter with expert testimony of its own. A decision on the jurisdictional issue is not rendered until two years after Company A filed suit. If the decision goes against Company A, it will be forced to litigate its infringement suit in Switzerland.

- Company A of the United States owns and uses the common law mark AX on its products and has registered copyright in the AX package design. Company B of Switzerland contracts with Company C of Switzerland to produce goods of the same description in substantially similar packaging bearing the similar AZ mark. When the AZ goods appear in United States markets, Company A files suit in federal district court against Companies B and C for violation of Lanham Act section 43(a) and infringement of its copyright. Companies B and C contest jurisdiction, arguing that the 43(a) claim alleges a conspiracy to inflict economic loss, rendering Article 10(1)(b) inapplicable. If their arguments prevail, Company A will have to litigate its claims in Switzerland. The Draft Convention does not require Swiss courts to apply United States law to the claims; Swiss law may or may not have an analogue of section 43(a).

Article 12 (1)

This provision would give exclusive jurisdiction of in rem proceedings involving immovable property to courts of the Contracting State “in which the property is situated.” The Draft Convention does not define immovable property. If immovable property were construed to encompass domain names and domain names were held to be situated in the States in which their owners reside, the Draft Convention would bar United States courts from exercising jurisdiction under the in rem provisions of Lanham Act section 43(d)(2)(A) over cyberpirates domiciled in countries other than the United States and arguably over cyberpirates whose domicile cannot be determined. Since the exercise of jurisdiction under Lanham Act section 43(d)(2)(A) would be limited to domain names owned by defendants “situated” in the United States, it seems likely that proof of the domain name owner’s residence here would be a required element of the plaintiff’s case. These jurisdictional requirements are contrary to the provisions of Lanham Act section 43(d)(2)(A). They would render the section inapplicable to any domain name registered by someone with a foreign address. Given the ease with which a foreign address can be acquired, it seems reasonable to assume that Article 12(1) could gut the utility of Lanham Act section 43(d)(2)(A).

Article 12(4)

Consistent with existing practice, the intent of this provision may have been to give exclusive jurisdiction of trademark and patent disputes to the courts of the country in which the trademark or patent was registered. As drafted, however, and in conjunction with Article 12(6), the Draft Convention could have a radically different effect in the United States. The provision now applies only to trademarks “required to be deposited or registered” and to trademarks deemed to have been registered or deposited under an international convention.

In the United States, it is hornbook law that trademark rights come from use, not registration. Hydro-Dynamics, Inc. v. George Putnam & Co., 811 F.2d 1470, 1473 (Fed.

Cir. 1987). Since trademarks need not be registered or deposited in the United States and there is, to our knowledge, no international convention under which United States marks are deemed to have been registered, strong arguments could be made that Article 12(4) does not apply to disputes over United States trademarks. If the arguments prevailed, they would divest the United States Trademark Trial and Appeal Board of jurisdiction over oppositions to registration and petitions for cancellation of registrations of marks owned by foreigners, which would have to be brought in the courts of the applicant's or registrant's home country under Article 3. The same would be true of actions for infringement of United States marks by foreigners. For example:

- Company A, of the United States, owns and uses common law mark AX throughout the United States. Company B, of Switzerland, begins use and files an application for registration of mark AX in the United States. Company A files against Company B an infringement suit in a federal district court and an opposition to registration of AX in the Trademark Trial and Appeal Board. Company B contests jurisdiction in both actions on the ground that the infringement suit is based on a common law mark not required to be registered and the opposition is to registration of a mark that need not be registered. Company B argues that the Draft Convention therefore requires United States courts and the Trademark Trial and Appeal Board to decline jurisdiction of the actions, of which only Swiss courts have jurisdiction. If Company B's arguments prevail, Company A will be forced to litigate United States trademark matters in Swiss courts.
- Company A, of the United States, has used the mark AX since 1975 and federally registered AX in 2000. Company B, of Switzerland, began use of AX in the United States in 1999, before the filing of Company A's federal application. Company A learns of Company B's use in 2001 and files an infringement action against Company B in federal district court. Company B contests jurisdiction on Convention grounds, arguing that the suit relates either to a common law mark, which is all Company A had when Company B's use began, or to a mark not required to be registered. In either event, Company B argues that under the Convention, the suit must be brought in Company B's home country. If these arguments prevail, Company A again will be forced to litigate United States trademark matters in a Swiss court.
- Company B, of Switzerland, has obtained federal registration of the mark BX in the United States. Company A, of the United States, wants to use BX here in a descriptive, non-trademark sense and is advised by counsel that there is strong evidence that BX has become generic in this country. Company A files a petition for cancellation of Company B's BX registration in the Trademark Trial and Appeal Board. Company B contests jurisdiction, arguing that under the Convention, the cancellation proceeding must be brought in Swiss courts since BX was not required to

be registered in the United States. If Company B's arguments prevail, Company A once more will be forced to litigate in Switzerland Company B's right to registration of its mark in the United States.

- Company A of the United States has contracted with Company B of Switzerland to make goods bearing Company A's mark AX. The contract provides that Company B cannot sell AX goods to anyone but Company A. Company A learns that Company B is selling AX goods to Company C in the United States and sends a protest letter to Company B. Company B immediately files suit in Switzerland seeking a declaration that Company A's AX mark and registrations in Switzerland and the United States are invalid. Company A contests Swiss jurisdiction of the United States invalidity claim. Company B counters with arguments that jurisdiction is proper under the Convention because the AX mark is not required to be registered under United States law. If Company B's arguments prevail, Company A will have to litigate the validity of its United States registration in Switzerland.

Article 12(6)

This Article provides that Article 12(4) does not apply to matters raised as "incidental questions." The Draft Convention does not define "incidental questions." The detrimental effects that Article 12(6) could have on United States trademark owners are illustrated in the following examples:

- Company A of the United States has contracted with Company B of Switzerland to produce goods bearing Company A's mark AX. The contract provides that Company B may use AX only on the goods produced for Company A, which takes possession of the AX goods produced by Company B in Switzerland and sells them in the United States. Company A learns that Company B is making AX goods in Switzerland and selling them in the United States in competition with Company A. Company A files suit against Company B in federal district court, alleging breach of contract and infringement of AX. Company B contests jurisdiction, arguing that under the Convention, the suit's primary claim is a contract claim that must be brought in Switzerland where the AX goods were supplied (Article 6(a)), and that the infringement claim must be brought in Switzerland as well because it is "incidental" to the contract claim. If Company B's arguments prevail, Company A will be forced to litigate United States trademark issues in Switzerland.
- Company A of the United States has licensed Company B of Switzerland to produce goods bearing Company A's mark AX in Switzerland and to sell AX goods in the United States through its United States subsidiary BC. Company A learns that Company B is selling AX goods in the United

States through unrelated third parties. Company A sues Company B in federal district court for breach of contract and infringement of AX. Company B contests jurisdiction, arguing that the suit is primarily a contract claim required by the Convention to be brought in Switzerland, where it supplied the AX goods, and that the infringement claim must be brought in Switzerland as well because it is “incidental” to the contract claim and not directly related to the activities of BC, thus foreclosing United States jurisdiction under Article 9. If Company B prevails, only Swiss courts will have jurisdiction of the matter.

- Company A of the United States owns registrations of the AX mark in the United States and Switzerland. Company A has licensed Company B of Switzerland to make AX goods; the license provides that Company B may sell AX goods only in Austria. Company A learns that Company B is selling AX goods in Switzerland and the United States and sends Company B a protest letter. Company B files suit against Company A in Switzerland, claiming that the AX registrations in Switzerland and the United States are invalid. Company A contests Swiss jurisdiction of the United States invalidity claim. Company B counters with arguments that jurisdiction is proper under the Convention because the United States invalidity claim is “incidental” to the main claim of Swiss invalidity. If Company B prevails, the validity of Company A’s United States registration will be decided by Swiss courts.

The foregoing examples show that Articles 12(4) and 12(6) of the Draft Convention could change radically the jurisdictional principles that have governed trademark disputes for many years, including the jurisdiction of the Trademark Trial and Appeal Board to determine the right to registration of marks owned by foreigners. INTA does not believe that any of these changes would be beneficial to trademark owners in the United States. Even if non-U.S. courts applied United States law to questions of validity and infringement of United States trademarks, which we note the Draft Convention does not require, it is unrealistic to assume that non-U.S. courts would have the knowledge and expertise to apply United States law correctly. INTA therefore would be strongly opposed to the Draft Convention to the extent that these Articles remain unchanged.

Article 13(1)

This Article provides that a court with jurisdiction of a matter under Articles 3 to 12 has jurisdiction to “order any provisional or protective measures.” Applied to the examples discussed above, Article 13(1) clearly would permit a Swiss court to enter a preliminary injunction barring a United States company from use of its mark in the United States and might well permit a Swiss court to order seizure of goods owned in the United States by a United States trademark owner.

Article 13(2)

This Article provides that the courts of a State in which property is located have jurisdiction to order provisional or protective measures in respect of that property. Application of the Article to domain names is problematic; the Article could divest United States courts of jurisdiction to enter preliminary injunctions against Internet use of infringing marks and domain names owned by foreigners.

Article 13(3)(a)

This Article permits courts of a State without jurisdiction under Articles 13(1) or 13(2) to order provisional or protective measures limited to the territory of that State. The Article thus precludes all courts of States without jurisdiction under Articles 13(1) and 13(2)

from ordering provisional or protective measures against use on the Internet of infringing marks and domain names, since orders could not be limited to Internet usage in a particular State.

Article 14(1)

This Article provides that the courts of a defendant's home State have jurisdiction over co-defendants from other States if the claims against all defendants are so closely connected that they should be adjudicated together and there is a substantial connection between the State and the dispute involving each defendant. We share the concerns voiced by others that the Article would permit a court to exercise jurisdiction over a defendant without the "minimum contacts" our Constitution has been held to require. For example:

- Company A of the United States owns and uses the AZ mark in the United States. Company A has licensed Company B of Switzerland to use the AZ mark in Switzerland, a country in which Company A does no business and has no agents, affiliates, or assets. Company C of Switzerland files suit against Companies A and B in Switzerland, alleging that use of the AZ mark infringes its rights in Company C's mark AX. Company A will be forced to defend the Swiss suit; the judgment of the Swiss court will be enforceable in the United States under Article 25 of the Draft Convention.

Article 15

This Article provides that a court with jurisdiction to determine a claim also has jurisdiction to determine a counterclaim arising out of the same transaction or occurrence. There is no exception in the Article for counterclaims governed by the exclusive jurisdiction provisions of Article 12. Thus, Article 15 creates a means of evading those provisions. For example:

- Company A of the United States has contracted with Company B of Switzerland to make goods bearing Company A's federally registered AX mark. Company A takes possession of the AX goods in Switzerland; the contract provides that Company B can sell AX goods only to Company A. Company A learns that Company B is selling AX goods to a third party in Switzerland and files suit for breach of contract and infringement against Company B in Switzerland, as the Draft Convention requires. Company B responds with a counterclaim alleging the invalidity of Company A's AX mark and registration in the United States. If Article 12(4) conferred exclusive jurisdiction on United States courts to determine the validity of United States trademark registrations, which, as demonstrated above, is not the case, Company B would have succeeded in transferring jurisdiction to Swiss courts.

Article 33

When a judgment for money damages has been entered by the courts of a Contracting State, this Article allows the courts of another State to enforce the judgment in a lesser amount. If the award is for non-compensatory damages, including exemplary or punitive damages, it must be recognized "at least to the extent that similar or comparable damages could have been awarded in the State addressed." If the judgment debtor convinces the courts of his home country that the award is "grossly excessive," those courts may enforce the judgment in a lesser amount, but in no event less than could have been awarded in the State addressed. We have serious concerns about the impact of Article 33 on judgments for damages entered by United States courts against non-U.S. defendants held liable for counterfeiting and piracy, including particularly judgments for damages under Lanham Act section 35(b) and 35(c). For example:

- Company A of the United States owns and uses the well-known AX mark on its goods. Company B of Switzerland imports counterfeit AX goods into the United States and sells them here through its United States affiliate Company BZ. Company A files suit for infringement and counterfeiting against Companies B and BZ in federal district court here. The court holds Companies B and BZ liable for willful counterfeiting and awards Company A statutory damages from each defendant under Lanham Act section 35(c)(2) in the amount of \$1,000,000. When Company A seeks enforcement of its judgment against Company B in Switzerland, Swiss courts reduce the judgment under the authority of Article 33 to an amount that Company A reasonably regards as no more than a slap on the wrist. Under the Draft Convention, Company A has no recourse.

Article 36

This Article could be construed to render the enforcement provisions and the loopholes of Article 33 applicable to settlements “to which a court has given its authority.” We do not believe that a settlement agreement requiring one party to pay a sum of money to the other should be subject to change after the fact by the courts of the home country of the paying party. This is what could happen if Article 33 were applied to court-sanctioned settlement agreements sought to be enforced in other States. Of course, the Draft Convention does not address settlement agreements to which no court has given its authority, a category in which the vast majority of United States settlement agreements fall. The practical effect of Article 36 on settlement agreements in the United States therefore might be limited, but its potential effect is distressing.

Article 37

No consensus has yet been reached on this Article, which would govern the relationship between the Draft Convention and other conventions. We note, however, that the proposals for Article 37 raise potentially serious questions in the context of Community trademark (“CTM”) registrations in the European Union (“EU”). A major advantage of a CTM registration is that the courts of any EU member country can enter judgments against infringers; the judgments can be enforced in all EU countries. The effect of Article 37 and the Draft Convention on this and other aspects of Community trademark law is unclear.

Conclusion

The Draft Convention is not a model of clarity. Many of its provisions are open to constructions different from those we have used. The possibility or even probability that the Draft Convention would be construed differently by different States is not encouraging; we regard lack of clarity as an additional defect. When this defect is added to the serious defects we perceive in the Draft Convention’s provisions as they relate to trademark rights, INTA cannot but conclude that adherence to the Draft Convention would be a disservice to trademark owners in the United States and elsewhere.

Thank you very much for allowing us to comment on the Draft Convention. Should you have any questions about our comments, please feel free to contact Judith Sapp of Preti, Flaherty, Beliveau, Pachios & Haley, LLC, Portland, Maine, tel. 207-791-3257; e-mail jsapp@preti.com.

Yours sincerely,

Kimbley L. Muller
President

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**THE ASSOCIATION OF THE BAR
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December 11, 2000

Director of the United States Patent and Trademark Office
Box 4
United States Patent and Trademark Office
Washington DC 20231
Attention: Elizabeth Shaw

Re: *Request for Comments on Preliminary Draft
Convention on Jurisdiction and Foreign Judgments
in Civil and Commercial Matters,
65 Fed. Reg. 61,306-61.309*

**Official
FAX RECEIVED
DEC 11 2000
GROUP 3600**

Dear Ladies and Gentlemen:

The following comments are submitted by the Committee on Patents of The Association of the Bar of the City of New York in response to the October 17, 2000 Request for Comments on Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, 65 Fed. Reg. 61,306 *et seq.* (the "Request for Comments"), published by the United States Patent and Trademark Office (the "PTO").

The Association of the Bar of the City of New York is a voluntary association of over 21,000 attorneys, judges and law professors who are professionally involved in a broad range of legal areas. The Association, which was formed 130 years ago, is one of the oldest private bar associations in this country. The purposes of the Association include promoting reform in the law and improving the administration of justice.

The Committee on Patents (the "Committee") is a long-established committee of the Association, whose membership reflects a wide range of corporate, private practice and academic experience relating to patents.

The Request for Comments seeks the views of the public on the Future Hague Convention on International Jurisdiction and the Effects of Judgments in Civil and Commercial Matters (the "Draft Convention"), being prepared for the Hague Conference on Private International Law, in respect of which the next drafting session is scheduled for June 2001.

While the Draft Convention generally concerns jurisdiction and the recognition and enforcement of foreign judgments in civil and commercial matters, the focus of the Request for Comments is on how the Draft Convention might impact intellectual property owners and professional practitioners. Accordingly, the Committee's response is limited to the issues raised in the Request for Comments, and more specifically, to the impact of the Draft Convention on patent practice in particular. (Please note that we are not in this letter addressing any concerns relating to copyright or trademark enforcement, or to civil litigation generally.)

As we understand the present proposal, Article 12 of the Draft Convention would provide for exclusive local adjudication of patent disputes, both as to validity and infringement. We understand that the Diplomatic Conference is considering an alternative, whereby exclusive jurisdiction would not attach to patent infringement actions, but would attach to validity (and presumably enforceability) challenges.

The Convention would provide enhanced possibilities for foreign enforcement of judgments rendered in patent cases. However, the Convention would also eliminate, with respect to parties from member countries, two bases traditionally recognized in the U.S. for the assertion of personal jurisdiction, "doing business" and physical presence, or "tag," jurisdiction.

After due discussion and deliberation, the Committee is of the view that claims arising under patent laws should be expressly removed from the scope of the Draft Convention, by being added as one of the exceptions to substantive scope set forth in Article I, Section 2. There are several reasons for this conclusion.

Enforcement of judgments in patent infringement actions against foreign defendants, though sometimes a significant issue, has probably been less of a problem than it has been with respect to other causes of action. This is because of the territorial nature of patent infringement disputes, and because laws have developed in this country that provide additional protection against infringing matter entering our territory. Generally, patent infringement is proved by showing that an infringing article is made, used or sold *in* the United States, or that an infringing process is practiced in the United States. There are also provisions, however, dealing with the use of patented processes outside the U.S. in order to produce articles that are thereafter imported. Further, to prohibit importation of infringing goods into the United States, patent holders may obtain orders to have the United States Customs Department exclude such goods at the border. *Apart* from injunctive and administrative relief, money judgments against infringers are often enforceable in the United States because substantial sales of infringing goods in the United States typically entail the presence of affiliates and/or assets *in* the United States. Thus, the benefits that would inure

to patent litigants from the Convention's expansion of enforcement of judgments among Contracting States might not be as great as for other litigants.

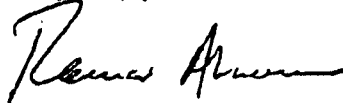
On the other hand, forsaking "doing business" and "tag" bases of jurisdiction in litigation against a party from any member country is a significant limitation on the power of the courts to adjudicate disputes on behalf of its citizens. While expanding potential enforceability of judgments against *some* foreign defendants, this convention would give *all foreign defendants from* Contracting States the benefit of reduced bases of jurisdiction. We view this as an unbalanced trade-off. While patent litigation generally requires making, using or selling an infringing item in the United States, there are numerous situations where "doing business" and "tag" jurisdiction prove essential to the process of acquiring jurisdiction and selecting an appropriate forum for litigation. We believe that it would be ill-advised for U.S. patent owners to give up this flexibility in exchange merely for the limited and at this point speculative incremental benefit of increased foreign enforceability of money judgments.

We find the alternative to Article 12, suggesting that patent cases be moved partly or entirely outside of the exclusive jurisdiction category, even more troubling. In this country, it has been a priority to establish in our legal system a structure for the consistent adjudication of patent-related disputes in a manner that understands, protects and enforces patent rights. The concern over inconsistent adjudication among the federal circuit courts of this country led Congress to establish the United States Court of Appeals for the Federal Circuit, and to give it exclusive appellate jurisdiction of all patent-related disputes. It is difficult to imagine an event more antithetical to uniformity in U.S. patent jurisprudence than that of having courts all over the world make determinations on U.S. patent validity or infringement. The prospect of a large number of different foreign courts attempting to apply the U.S. doctrine of equivalents or myriad other patent rules and doctrines unique to U.S. practice - without the benefit of appellate oversight by the Federal Circuit - is one that this Committee finds completely unattractive. The Committee is also concerned that because of wide variations internationally in discovery and trial procedures, extensive forum shopping could result from the possibility of extraterritorial adjudication of disputes concerning the alleged infringement of U.S. patents.

For these reasons, the Committee is strongly of the view that the U.S. delegation to the Convention take the position that patents should be excluded entirely from the scope of the Draft Convention.

Stacey Antar
Livia S. Boyadjian
Alex Chachkes
Michael I. Chakansky
Joseph Evall
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James Galbraith
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Very truly yours,



Ronald Abramson
Chair

Carrie Anne Juliano
Richard Klar

Committee on Patents

Chair: Ronald Abramson
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Siu K. Lo
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AIPLA 
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
2001 JEFFERSON DAVIS HIGHWAY ■ SUITE 203 ■ ARLINGTON, Virginia 22202

December 8, 2000

The Honorable Q. Todd Dickinson
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
United States Department of Commerce
Box 4
Washington, D.C. 20231

Attn: Elizabeth Shaw

Re: AIPLA Comments on Preliminary Draft Convention on
Jurisdiction and Foreign Judgments in Civil and Commercial Matters
65 Fed. Reg. 61306 (October 17, 2000)

Dear Under Secretary Dickinson:

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to present its views on the Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters as requested in the *Federal Register* on October 17, 2000.

The AIPLA is a national bar association of more than 10,000 members engaged in private and corporate practice, in government service, and in the academic community. The AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property.

General Comments

While the AIPLA appreciates the effort by the U.S. State Department to create and establish a set of harmonized rules of jurisdiction in civil cases to facilitate the enforcement of judgments internationally, we oppose the United States becoming party to the draft Hague Convention. Not only has no need for including intellectual property rights in such an exercise been demonstrated, but several articles currently in the draft Convention contain provisions which would adversely impact IP litigation in the United States.

Many U.S. corporations with a multinational presence as well as other U.S. domestic IP rights holders do not rely upon the enforcement of judgments outside of the United States and therefore have not had a need to seek enforcement of overseas judgments. Many of their competitors are also multinational or at least have a business presence and business interests and assets in the U.S. that provide an adequate basis for jurisdiction and the enforcement of any judgment. Moreover, the advantage of broad discovery in the United States and the uniformity in the interpretation and application of the U.S. patent laws by the Court of Appeals for the Federal Circuit (CAFC) provides a significant incentive to litigate in U.S. courts. In addition, where appropriate, U.S. firms and individuals who create any of the several intellectual property rights that may be available under law will acquire corresponding rights in other countries and enforce such rights in the courts and under the laws of those countries.

There is yet another consideration that deals with the underlying law that establishes enforceable intellectual property rights. Notwithstanding a significant international effort to harmonize industrial property laws, the effort today is far from complete. Until substantial harmonization is achieved, so that the same basic principles are applied by the courts of our major trading partners, the interpretation by a court in one country of the laws of other countries is inherently likely to be flawed. Intellectual property laws create property rights that are complex and cannot be treated as involving generic tort or contract issues, but demand a more tailored set of rules.

Finally, while the draft Convention does address issues of jurisdiction and

enforcement of judgments, it fails to address two issues that are frequent barriers to effective adjudication of legal rights (without limitation to intellectual property): (a) the effective initiation of litigation against foreign parties, and (b) obtaining evidence in foreign countries. Furthermore, while an injunction against IP rights infringement may be obtained in several countries, it is rare that substantial damages are collected for an infringement, thereby diminishing the value of an enforcement effort in other countries.

For all of the foregoing reasons, the AIPLA urges the U. S. Delegation to the draft Hague Convention negotiations to advocate that intellectual property rights be excluded from the Convention.

Responses to Questions

In view of our overall negative assessment of the draft Convention, we have only provided answers to selected questions. The answers underlie our concerns with the provisions of the draft Convention.

1. What are your experiences in having judgments involving intellectual property from one jurisdiction recognized in a foreign court?

There are a number of reasons why it is rarely necessary to seek recognition of U.S. judgments involving IP rights in foreign courts. The attractiveness of the U.S. market means that foreign defendants usually have a significant U.S. presence, business interests and assets that permit enforcement in the United States. Once a determination of infringement is made, the possibility of exclusion from the U.S. market creates significant pressure for resolution by agreement. To the extent that the litigation extends beyond the borders of the U.S., direct and parallel enforcement of corresponding rights in other countries often is undertaken.

One difficulty which has been encountered in a few cases involving attempts to enforce U.S. patent judgments in foreign countries has been the refusal of courts to recognize large damage awards, because a number of countries do not recognize the principle of punitive damages in private litigation on public policy grounds. The Hague proposal does not appear to change that situation.

However, the need to enforce a U.S. court's patent judgment in a foreign country could increase if U.S. courts render judgments affecting foreign patent rights. (See *Mars, Inc. v. Nippon Conlux KK*, 58 F.3d 616, 619, 35 USPQ2d 1311, 1314 (Fed. Cir. 1995))

3. Are uniform rules for international enforcement of judgments desirable?

As noted above, the occasion to seek international enforcement of judgments in IP cases has been so rare that the absence of uniform rules has not been a significant hindrance.

4. Do you support or oppose the United States becoming party to a jurisdiction/enforcement of judgments convention?

As indicated in our general comments, the AIPLA opposes the United States becoming party to the draft Hague Convention as long as it continues to contain provisions which adversely impact IP litigation in the United States. In the absence of more uniform national IP laws throughout the world and a uniform judicial interpretation of those laws, the treaty would undermine the underlying scheme of the U.S. Court of Appeals for the Federal Circuit to achieve uniformity in the interpretation and application of the U.S. patent laws.

5. What would be the benefits or drawbacks of the United States becoming a party to the proposed Hague Convention?

As noted above, the draft Convention fails to address the two principal difficulties under existing Hague Conventions which are encountered by U.S. plaintiffs in IP litigation with foreign defendants resident in countries which hinder the initiation of U.S. litigation against foreign defendants and hinder the taking of evidence in foreign countries. This is caused by the necessity to serve process through government channels, which delays institution of proceedings and prompt resolution, and by the restrictions on taking depositions in those countries.

In addition, Article 2(1)(a) unnecessarily limits agreements between parties relating to jurisdiction of current and future disputes, and Articles 4(3) and 12(4) might bar parties habitually resident in one country from agreeing on a single foreign jurisdiction for adjudicating related disputes over IP rights registered in several foreign countries. (See also Art. 12(5)-(6)). Finally, we note that there are no supplemental jurisdiction provisions that would permit courts to take jurisdiction of substantial and related matters when jurisdiction is established under an IP right. (See 35 U.S.C. §§ 1338(b) and 1367)

6. Would the elimination of tag or general “doing business” jurisdiction have any impact on intellectual property owners’ ability to protect their rights either domestically or internationally?

U.S. rights holders may not find the elimination of tag or “doing business” jurisdiction to be a problem to the extent they are willing and able to enforce their intellectual property rights in other countries; however, the elimination of “doing business” jurisdiction could at least complicate U.S. IP litigation. The existence of “doing business” jurisdiction minimizes jurisdictional disputes at the outset of IP litigation and its elimination would needlessly complicate domestic litigation.

7. What other changes to U.S. law would be needed to implement the proposed convention? Please identify any drawbacks and/or advantages to such changes.

As earlier noted, the goal of U.S. IP law and its court system, particularly with regard to patent law, is to achieve uniformity and predictability so that companies and other IP rights holders may make sound business decisions without the uncertainty of liability based on unforeseen or unpredictable assertions of rights. The U.S. Court of Appeals for the Federal Circuit (CAFC) was established for that purpose in 1982 and, through its decisions and its “de novo” review of claim interpretation issues, has sought to achieve some measure of predictability. The draft Convention, which would seemingly allow foreign courts to interpret U.S. patent law, would undermine this purpose of the CAFC. Moreover, it would not be unreasonable to expect that certain foreign courts, which traditionally evidenced a narrow view of the scope of intellectual property protection, would become favored jurisdictions for the interpretation of U.S. patents and the evaluation of their scope and validity.

Further, with regard to the standard for jurisdiction under Article 10, there is a substantial question of whether the “foreseeability” that an “act or omission would result in an injury of the same nature in that State” would satisfy the “minimum contacts” which the U.S. Supreme Court has required for jurisdiction over a person. (See Art. 10(1)(b), 10(3) and (4)).

8. What effect, if any, could this Convention have on other international intellectual property obligations, including, but not limited to, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Paris Convention, and the Berne Convention?

In the current political environment, it is extremely unlikely that the interpretation of either the Paris or Berne Conventions would be the subject of an internationally sanctioned judicial review, so it is difficult to foresee any impact of the draft Hague Convention on these two Conventions. As regards TRIPS, there have been relatively few disputes that have been considered by the World Trade Organization and to make any comment on the impact which the Hague Convention might have in this regard would be mere conjecture at this time.

9. What effect, if any, could this Convention have on the enforcement of intellectual property with respect to the Internet?

The effect on jurisdictional issues could be significant since the proposed standards for jurisdiction, such as the location of an act or omission that “caused injury” or in which the injury arose, under Article 10, may be broadly interpreted in an electronic environment to provide jurisdiction over a person having minimal active, or even passive (e.g., through a website) contact with the claimed place of injury. Although the damages may be limited under Article 10(4) to the injury that occurred in that jurisdiction, even a default judgment would have significant impact elsewhere in the world, thus requiring a party to incur the cost to appear and defend. While in a given case this could be viewed positively or negatively depending on one’s perspective as a potential plaintiff or a potential defendant, such uncertainty is unacceptable in the context of the Internet.

10. Would application of Article 10 change existing jurisdictional principles as applied to intellectual property infringement actions? If yes, please describe any changes in detail and provide any relevant legal authority.

Article 10 appears to change existing jurisdictional principles regarding IP infringement, but the meaning and scope of the Article are ambiguous. In this latter regard, there is a question of interpretation concerning the language of section (a) with reference to “in which...that caused the injury” and the language in section (b) “in which the injury arose”. Subsection (b) also uses the phrase “result in an injury ... in that State,” which suggests that it is referring to the place of economic loss as a result of the injury. That interpretation would distinguish the “in which the injury arose” language of (b) from the “act or omission that caused the injury occurred” in subsection (a).

Article 10(3) provides for exclusive jurisdiction in proceedings involving validity or nullity of entries in public registers. Because IP rights--addressed in Article 10(4)--often are subject to registration, they should be clearly excluded from this section. Similarly, if IP rights are excluded from the Convention, as we would urge, they also should be expressly excluded from this section.

Article 10(4) would limit jurisdiction that is based only on the place where the injury arose or occurred to “the injury that occurred or may occur in that State unless the injured person has his or her habitual residence in that State.” This provision is ambiguous because it would appear to exclude jurisdiction where only the “injury arose.”

15. What changes, if any, should be made to the proposed Convention? Please describe any changes in detail and provide any relevant legal authorities that support such suggestions.

As previously noted, the institution of proceedings and the taking of discovery are not addressed in the draft Convention. The procedures of the Hague Convention on Service Abroad of Judicial and Extrajudicial Documents to initiate litigation against a defendant in another country, and those of the Hague Convention on Taking Evidence Abroad in Civil or Commercial Matters, are cumbersome and cause significant delays. There should be a means to initiate litigation without going through diplomatic channels and to take evidence, including discovery, at locations other than embassies and consulates.

The draft Convention also fails to address choice of law issues. This could be a major problem, as some traditional choice of law rules permit the court to assume that the foreign law is the same as that of its jurisdiction. At this time, that would not be acceptable in IP litigation. Further, there is an issue of the choice of law standard to be applied. In the United States, there are three prevailing standards: (1) the place where the right to be asserted vested, i.e., the last act to complete the tort, (2) the place having the most significant relationship, or (3) the place having the greatest policy interest. See

June 29, 2000 statement of U.S. Deputy Associate Attorney General D. Jean Veta at
nn. 28-30. (<http://www.house.gov/judiciary/veta0629.htm>)

We appreciate the opportunity to provide our comments on the draft Convention
and look forward to continuing to work with you as this effort proceeds.

Sincerely,



Michael K. Kirk
Executive Director

*ICTA
INTERNATIONAL CENTER FOR TECHNOLOGY ASSESSMENT
660 PENNSYLVANIA AVENUE SE, SUITE 302
WASHINGTON DC 20003*

JANUARY 12, 2001

Hon. Q. Todd Dickinson
Director/Commissioner of the United States Patent and Trademark Office
Washington DC 20231

Attn: Elizabeth Shaw

Re: ICTA Comments on Preliminary Draft Convention on Jurisdiction and Foreign
Judgements in Civil and Commercial Matters, Request for Comments first posted in
Federal Register 17 October 2000 (Volume 65, Number 201, Page 61306.

Dear Honorable Mr. Dickinson:

The International Center for Technology Assessment (ICTA) wishes to thank the
USPTO for providing the public with an extended opportunity to comments upon the
Preliminary Draft Convention on Jurisdiction and Foreign Judgements in Civil and
Commercial Matters (hereafter the 'draft Hague Convention'). ICTA is a non-profit,
501(C) 3 public interest organization based in Washington DC, committed to providing
the public with full analyses of technological impacts on society, and to assisting policy-
makers in understanding how technology affects society.

The overarching view of the ICTA is that the draft Hague Convention is a dangerous and unnecessary instrument for American citizens to adhere to, and it is our hope that the United States does not become a signatory to any such broad Convention on Jurisdiction and Foreign Judgements. The implications of this draft Hague Convention upon fundamental civil rights heretofore enjoyed by all Americans, are serious and dangerous, especially with regards to how foreign libel and slander laws can circumscribe the rights of free speech and expression protected by the First Amendment to the Constitution. We do not wish to even imagine how, for example, a published letter to the editor of a US newspaper which has an online/internet edition (e.g., the Post) could conceivably form the basis of a libel or slander judgement handed down in some foreign country lacking in the protections of the 1st amendment.

With regards to the specific issue of intellectual property (IP), it is further the view of the ICTA that judgements relating to IP rights be excluded from the draft Hague Convention. In this regard we join the AIPLA and other organizations in opposing the inclusion of IP rights from the convention. Our specific reasons for this opposition, and answer to certain questions posed by the USPTO, are outlined below.

Question: Are uniform rules for international enforcement of judgements desirable?

Answer: Absolutely not. In the realm of IP rights, the development of US law has been guided by public policy considerations from the very outset. For instance, it is unquestionable that section 112 of the US Patent Code (Title 35) is the embodiment of the quid-pro-quo whereby the American public ideally receives an enabling disclosure, and in return grants the limited monopoly right of a patent. It can never be ensured that a grant of patent coverage given in some foreign country can ever duplicate the delicate public policy considerations enshrined in US patent legal traditions. Another exemplar of this is the first-to-file consideration in the US. It is no accident that US law contains this provision; it is simple equity that the first to invent should be the one rewarded. Uniform rules for international enforcement of IP judgements pre-supposes uniformity in IP law itself, something which in and of itself is also very undesirable.

What effect, if any, could this Convention have on other international intellectual property obligations, including, but not limited to, TRIPs?

The TRIPs agreement itself, although deeply flawed and still subject to substantive review, provides for certain exclusions from the scope of what is considered "patent-eligible" subject matter. Article 27.3(b) of the TRIPs allows for sovereign nation states signatory to that agreement, to exclude from patentability plants and animals per se and what are called "essentially nonbiological" methods of producing plants and animals. However, the patent offices of some countries have to their discredit not excluded these from patent-eligible subject matter, and it would be an impediment to the just development of those sovereign nations that did so make an exclusion, to be subjected to a long-arm-type of jurisdiction of present US patent policy. Such patents on plants and animals should not be imposed upon the whole world.

In an analogous way, the relatively thorough examination system of the US, which excludes any obvious subject matter from patent protection, should not be subverted by jurisdiction exercised by the courts of nations which effectively have only a patent registration system (from the standpoint of comparison with the US).

Suffice it to say that there are tremendously compelling reasons to exclude all IP rights from any sort of draft Hague Convention on Jurisdiction in Private International Law. More importantly, there should not even be such trans-national jurisdiction. The US State Department should be advised by the USPTO to halt its implementation of any sort of draft Hague Convention on Jurisdiction in Private International Law.

Thank you for your attention.

Sincerely yours,

Dr. Peter T. DiMauro, Patent Agent
Registration No. P-47,323
Patent Analyst, ICTA

To: Elizabeth Shaw <elizabeth.shaw2@uspto.gov>
Jennifer Lucas <Jennifer.Lucas@uspto.gov>

cc: Jeffrey D. Kovar <Kovarj@ms.state.gov>
Manon Anne Ress <mress@essential.org>

From: James Love <love@cptech.org>
Consumer Project on Technology
<http://www.cptech.org>

Re: CPT's January 12, 2001 comments on IPR aspects of
Hague Convention on Jurisdiction and Foreign
Judgments in Civil and Commercial Matters

In June 2001, there will be an important diplomatic conference to consider a proposed Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters. This convention is the first major effort to address important jurisdiction issues for cyberspace, as they related to commercial matters. There are many important Internet related issues in the proposed convention, but perhaps non more vexing than those involving speech and intellectual property issues.

By making foreign judgments easier to collect, the proposed Convention will effectively extend the reach of national laws concerning patents, trademarks, copyright, trade secrets, unfair competition, libel, slander and of course nearly all other commercial matters. This can result in citizens of any country being impacted by laws in other countries. This will be true even for bad laws.

Governments who are involved in the Hague Convention negotiations are supposed to decide, by June 2001, if there will be a new global convention on jurisdiction and recognition of judgments, and if so, what will be the rules, and which areas of law will be covered. In the current draft, all aspects of civil and commercial law are covered, unless it is specifically exempted in Article 2. (It should be noted that the convention covers governments when they are engaged in civil or commercial disputes.)

The Convention is complex and the subject of several controversies, details of which are available here:

<http://www.cptech.org/ecom/jurisdiction/hague.html>

These comments will focus on only two important areas, the impact of the convention on free speech, and on the public's rights under intellectual property laws.

CPT asks that the convention be modified to explicitly protect free speech, and to exclude intellectual property, as it has for maritime, matrimonial, insolvency, wills and successions, and other areas of law.

In facilitating the collection of foreign judgments, the convention will increase the liability that citizens face when publishing or receiving information or software, conducting business, or otherwise using the Internet. The reach and importance of foreign libel, patent, copyright, trademark and other laws will be expanded. Activities that are legal in one country can result in costly liabilities, so long as they constitute infringements or other civil liabilities in foreign countries.

Here are a few examples of areas where the proposed convention will present important problems:

1. Software and E-Commerce patents. At present there are

national differences on the policies regarding the issuance of patents on software. Some countries, like the US, have opened the doors to patents on software, while others have not. Formally at least, patents on software are excluded from the European Patent Convention, and are a topic of considerable debate and controversy within Europe. There is also continual pressure for countries to accept patents on software. For example, some EU and World Intellectual Property Organization (WIPO) officials claim that Article 27.1 of the WTO/TRIPS accord requires countries to adopt software patents, arguing that software is a "field technology" that has an "industrial application." Whatever the merits of this argument, it at least presents the possibility that all countries that are WTO members will be required to grant software patents.

While the USA is considered the most aggressive country in terms of issuing software patents, there is no reason to believe that this will be true in the long run, particularly if software patents are issued in countries that (a) have even worse systems for examining patents than the USA, or (b) seek to adopt an even more aggressive patent strategy in order to "tax" foreign e-commerce. By making it easier to collect foreign judgments, the Hague convention will shift the burden of paying for such patents to foreign citizens, giving every country an incentive to adopt anti-consumer policies. Foreign countries have latitude in determining how damages for infringement are calculated, and a wide range of activities can generate foreign infringement liability.

Business Methods patents raise the same issues. Right now there is considerable controversy in the USA over the appropriateness of issuing patents on business methods, and indeed, even if one accepts the controversial notion that business methods are an appropriate topic for patents, there is ample evidence many such patents are of poor quality, for example due to inadequate research of prior art or poor judgments regarding standards for novelty. One can argue that this is a US domestic problem. But if the Hague convention on judgments covers patents, it will be a much larger issue. Why wouldn't one

see foreign countries become very aggressive in terms of issuing business methods patents? And if they did, what recourse would we have under the Hague Convention? And what evidence do we have that foreign governments can do a better job than the US PTO on patent examination, or that the foreign courts will provide a competent and fair forum for evaluating business methods and software patent infringement claims?

2. Fair Use under copyright laws. There are large differences between countries with regard to copyright laws. Of particular concern to CPT are national policies on fair use. Many persons participate in Internet news groups and mailing lists, often redistributing portions of or even entire articles of selected stories in discussions of a wide range of topics. Teachers circulate information in classrooms for non-commercial use, including, for example, foreign video clips or articles from foreign web sites. NGOs and individuals provide hypertext links to articles from other web pages. Authors quote from other authors. Stories, books and movies explore ideas or themes used or developed earlier by others. Musicians sample music, or in various ways borrow or use from others. Software, telecommunications and computer engineers, pharmaceutical companies, automobile manufacturers and others use reverse engineering to understand how machines, software, drugs and other products are made, or how they can make interoperable products. Some of these activities are considered infringements, and others are considered fair use under various national legal systems. By including copyright infringement claims in the Hague Convention on foreign judgments, every author, every software developer, every musician, every student, and every citizen who uses or receives information, will have liability for foreign copyright laws. If there is an expectation that foreign copyright laws are more restrictive than domestic laws, then users lose rights. The public domain is reduced. This is our primary concern. We do not believe there is enough consensus regarding the scope and enforcement of copyright laws to rush toward a system to recognize foreign judgments for copyright infringement. On many of these areas, US law is considerably better in terms of protecting the public's rights than are at least some foreign laws. Indeed, with a large number of countries in the Convention, there will of

course nearly always be some countries that have worse laws than the US, from the point of view of fair use. This provides opportunities for publishers to forum shop, and to litigate infringement claims in countries that are the least protective of the public's rights.

3. Free Software. The free software movement has created a large number of software programs that currently power the internet. Programs and distributions such as GNU/Linux, FreeBSD, Apache, sendmail, bind, gimp, GNOME, KDE, X- Windows, Emacs, and countless others are used throughout the world to run servers, create applications and provide services to businesses, non-commercial institutions and individuals. Microsoft sees the free software movement as its most important competitor in the server market, and this competition has kept the Internet more competitive and less monopolistic. Much of this free software is written by volunteers. If the Hague convention exposes these volunteers to new risks for foreign infringement suits, it may have a disastrous impact on the continued growth and development of the free software movement, and harm the Internet.
4. Sui generis IPR regimes. One particularly difficult area for the Hague Convention concerns the US liability for new sui generis IPR regimes, including those that do not exist in the USA. Some of these laws run counter to US legal traditions, are highly anticompetitive, or suffer from poor administration. An example of a problematic foreign sui generis regime is the new EU database protection laws.
5. Use of Government Copyright to suppress dissent or criticism. Many foreign governments claim copyright in government documents. For example, in the UK, the government has sued David Shayler, a former MI5 employee, and nine publications, over crown copyright claims in documents David Shayler had disclosed, that reveal official government wrongdoing. There is another UK case involving Nottinghamshire's County Council, where the government used the copyright law to suppress an embarrassing report regarding an investigation into child abuse. The Nottinghamshire government threatened copyright litigation against several parties for publishing this report on the Internet, including US web sites. According to recent news reports, Hitler attempted to use copyright laws to repress

US circulation of materials he wrote. Under a new Hague Convention, one can imagine China, a Hague conference member that has a repressive government, using government copyright laws to suppress publication of information about government activities. US citizens have an interest in these issues, even when the enforcement of the foreign judgments take place in non-USA jurisdictions. For example, when sued, David Shayler was living in Paris, but the information he disclosed was of interest to the entire world, including to US citizens.

(For more information regarding the Nottinghamshire case, see: http://samsara.law.cwru.edu/comp_law/index.html#Not <http://www.users.globalnet.co.uk/~dlheb/Default.htm> http://samsara.law.cwru.edu/comp_law/notts.txt, and for an analysis of the Shayler case, see: <http://www.thenation.com/issue/000522/0522wiener.shtml>)

These are only a few examples of a much large class of problems that are presented by inclusion of intellectual property in the Hague Convention on Jurisdiction and Foreign Judgments. CPT encourages the US government to hold public meetings to discuss the IPR aspects of the Hague convention.

As noted above, CPT's web page on the Hague Convention is here: <http://www.cptech.org/ecom/jurisdiction/hague.html>. CPT also asks that the US government find the resources to provide a web page on the Hague convention that is updated regularly with current information about the Convention, and provide information about how citizens can provide comments to governments who are participating in the Hague negotiations, or participate in important Hague meetings, including the June 2001 diplomatic convention.

Sincerely,

James Love
Director
Consumer Project on Technology
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Elizabeth Shaw
United States Patent and Trademark Office

Re: IPR Aspects of Hague Convention on Jurisdiction and Foreign
Judgements in Civil and Commercial Matters

Dear Ms. Shaw:

The Digital Future Coalition (DFC) appreciates this opportunity to comment on the IPR aspects of the Hague Convention. DFC, founded in 1995, consists of forty-two national organizations representing, computer and telecommunications industry businesses, educators, librarians, archivists, authors and scientists. DFC is committed to striking an appropriate balance in law and public policy between protecting intellectual property and affording public access to it.

Our comments will focus on question 9 -- what effect, if any, could this Convention have on the enforcement of intellectual property with respect to the Internet? We have serious concerns that the Convention in its present form could subject Internet users in the United States to intellectual property infringement liability in other countries for activities which are lawful in the United States.

In particular, users may be sued for engaging in conduct falling within the fair use doctrine, codified at 17 U.S.C. Section 107.

The Convention provides for jurisdiction for tort actions where the injury occurs or where the wrongful act was committed. If a copyright violation or other IP infringement is considered a tort, then an alleged infringer can be sued where the injury resulting from the infringement occurs or where the infringement was committed. When a user uploads a work on a server in the United States, that work can be downloaded all over the world. The reproduction the user makes when she uploads the work may be a fair use under U.S. law, but the viewing of the work, or its downloading, may be an infringement under the copyright laws of the country where it is viewed or downloaded. By the same token, the uploading of a database in the U.S. may be lawful under *Feist v. Rural Telephones*, but its downloading in France may violate the *sui generis* protection of the EU Database Directive.

Under the Convention, the U.S. user might be considered a direct or contributory infringer in the foreign country. In that event, a U.S. court might have to enforce a judgement of the foreign country's court against the U.S. user.

The Hague Convention must not become a mechanism for circumventing the limitations and exceptions which exist in U.S. intellectual property law. The US intellectual property system strikes a delicate balance between the interests of creators and users, a balance which has well served both U.S. industry and the U.S. public. The Convention must be amended to eliminate any threat to this balance.

Please let us know if you have any questions.

Sincerely,

Michael K. Blevins
Coordinator

January 10, 2001

To: Q. Todd Dickinson
Director
Box 4
United States Patent and Trademark Office
Washington, DC 20231

From: Edward G. Fiorito
Chair
Section of Intellectual Property Law
American Bar Association

Re: Request for Comments on Preliminary Draft Convention on
Jurisdiction and Foreign Judgments in Civil and Commercial Matters

In response to the subject Request for Comments, published in the Federal Register of October 17, 2000, the following comments are submitted on behalf of the Section of Intellectual Property Law of the American Bar Association.

COMMENTS OF THE SECTION OF INTELLECTUAL PROPERTY LAW ("IPL SECTION") OF THE AMERICAN BAR ASSOCIATION ON THE PRELIMINARY DRAFT CONVENTION ON JURISDICTION AND FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS

The comments which follow are submitted on behalf of the IPL Section and in response to the Request for Comments published at 65 Fed. Reg. 61306-61309 (October 17, 2000). These views have not been submitted to, nor approved by, the Board of Governors or the House of Delegates of the American Bar Association, and therefore should not be construed as representing Association policy.

We understand that the draft Convention is undergoing changes so that some of the answers contained in this reply may be outdated by the new draft.

Omnibus Comments to Inquiries 1, 2 and 3

We conducted a survey of Committee 755 (Special Committee on Copyright and the Internet) of the IPL Section in order to gauge overall views on the queries presented in Nos. 1, 2 and 3. Of all responses received, respondents indicated having had no experience or moderate experience in having judgments involving intellectual property from one jurisdiction recognized in a foreign court. All respondents answered Ano@ to whether they had different experiences in having those judgments recognized in U.S. courts, but likely this is because of their paucity of experience with enforcing judgments in foreign courts. All respondents indicated that they believed uniform rules for international enforcement of judgments in IP matters are desirable.

Despite the universal belief among the respondents to the third query, our analysis of the specific draft of this Proposed Convention indicates that while such a Convention is viewed positively in the abstract, the Convention proposed fails to protect adequately the interests of U.S. intellectual property owners.

Do you support or oppose the United States becoming a party to a jurisdiction/enforcement of judgments convention?

We support the United States becoming a party to a convention addressing the issues of international jurisdiction and enforcement of judgments by foreign national courts. We have serious concern, however, as to whether the draft convention as currently proposed has the proper provisions.

We believe there is much to be gained by having a convention of this sort, but feel quite strongly that appropriate measures need to be taken to ensure that the rights of U.S. intellectual property owners are preserved and believe that it is important to obtain a meaningful advantage from any new convention.

What would be the benefits or drawbacks of the United States becoming a party to the proposed Hague Convention?

There are at least two main benefits of the United States becoming a party the proposed Hague Convention.

First, it would be easier for U.S. intellectual property owners to obtain jurisdiction over infringers in other countries, thus leading to more complete resolution of the disputes that ensue. This is especially true in the Internet/E-Commerce arena where many times the party suspected of tortious behavior resides in a country other than the United States.

Second, as to the enforcement of judgments in foreign countries, we believe that successful U.S. litigants will benefit, particularly as there are more and more monetary damages being awarded in trademark suits and many patent infringers hide behind the cloak of domestic sovereignty.

With respect to drawbacks, our review indicates several drawbacks of this particular Draft Convention exist and they are discussed in great detail below as set forth in our responses to the remaining queries.

Would the elimination of tag or general ADoing Business@ jurisdiction have any impact on intellectual property owners= ability to protect their rights either domestically or internationally?

The ability of courts to exercise in personam jurisdiction over non-resident defendants is limited by the Fourteenth Amendment=s Due Process Clause, and, when federal claims are involved, by the due process clause of the Fifth Amendment. A cornerstone of the constitutional standard developed around the Due Process Clause has been the extent of contacts maintained with the forum by the non-resident defendant. When those contacts are substantial and continuous with the forum state, the law is that no unfairness results to the non-resident defendant by requiring defense of a lawsuit brought there. It is, after all, the non-resident defendant that is enjoying the benefits of conducting business on a substantial and continuous basis in the forum state. The elimination of Ageneral business@ jurisdiction, by definition, will impact intellectual property owners= ability to protect their rights domestically and internationally. It potentially reduces the number of fora available to IP owners in which they otherwise would be entitled to sue under current law. The trade-off offered to IP owners by the proposed convention, i.e., some level of certainty in enforcing overseas a judgment obtained in the United States is of little value. Presumably, if a defendant has substantial and continuous contacts necessary to support Ageneral jurisdiction,@ there would be no need to seek enforcement abroad.

The elimination of Atag@ jurisdiction would, likewise, impact IP owners as its effect is to remove one option from an IP owner=s jurisdictional arsenal. However, as a practical matter, tag jurisdiction is rarely utilized and, in some instances, is disfavored by courts. Moreover, it usually is employed as a last resort, when contacts necessary to support long-arm jurisdiction are not present. Because of its extreme nature, it is rarely accepted by foreign courts upon which a request is made to enforce a judgment. Thus,

while eliminating tag jurisdiction does, in theory, limit IP owners' options, in practice little actual impact is predicted.

What other changes to U.S. law would be needed to implement the proposed convention? Please identify any drawbacks and/or advantages to such changes.

With respect to disputes between parties that are all habitual residents of the forum state, only Articles 4, 12, 21 and 22 apply. Article 4, as written, calls for a change in U.S. law and practice. Article 4 provides that if the parties agree to a court's jurisdiction, then that court is the exclusive forum before which litigation can be commenced. Existing law is otherwise. While parties are free to contractually subject themselves to a court's jurisdiction, that undertaking is not tantamount to an agreement that the court will be the exclusive forum before which a dispute can be heard. An additional agreement to that effect is ordinarily required. The change could impact IP litigants which often initiate a declaratory action in their home forum for tactical reasons. The ability to do so could be restricted by the broad effect given to an agreement to subject oneself to the jurisdiction of a given court.

Article 12(4) appears to call for a significant change in the law if it includes actions for infringement. First, the effect of the clause is unclear in the case of an infringement dispute between parties all habitually resident in the forum state. Second, infringement claims are not currently required to be brought in the state of registration. Depending upon the circumstances of the case, suit can be brought in any number of potential courts.

With respect to disputes between parties that are not habitual residents of the forum state, the proposed convention requires severe and far-reaching changes to existing law in the area of personal jurisdiction. The proposed convention supplants the entirety of existing law, both at the state and federal level, developed to comport with the due process clauses of the Fifth and Fourteenth Amendments. A flexible system based upon an analysis of a party's contacts with the forum state, coupled with an evaluation of substantial fairness is replaced with a series of proscriptive rules that utilize unrefined and poorly defined concepts that may, or may not, comport with the United States Constitution.

What effect, if any, could this Convention have on other international intellectual property obligations, including, but not limited to, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Paris Convention, and the Berne Convention?

Introduction

In principle, the Convention appears to be neutral with respect to substantive standards of intellectual property protection. The Convention should not have a direct impact -- positive or negative -- on international intellectual property obligations or

standards defined in other treaties and international agreements, including TRIPS, the Paris Convention, and the Berne Convention. However, the Convention could force a court in a Contracting State to recognize and/or enforce a judgment of another Contracting State whose intellectual property system or enforcement regime is incompatible with obligations of both countries under the TRIPS Agreement, the Paris Convention, or the Berne Convention. One example would be where the country originating the judgment has an enforcement regime that is incompatible with standards mandated by TRIPS (e.g., by law or practice, courts do not grant injunctions but award only monetary relief). This could result in a U.S. court having to recognize and/or enforce a judgment (i.e., which provided for monetary relief but not an injunction) which would not likely have been rendered in a TRIPS-consistent@ regime. A second example is where the legal regime of a country imposes improper restrictions on the licensing of patents (i.e., in a manner inconsistent with Article 28.2 of the TRIPS Agreement), and a court of that country accordingly issues a judgment finding that a contract provision is unenforceable. If the facts had been presented for decision by a court in a TRIPS-consistent@ regime, the judgment would differ. Both examples illustrate the possibility that the Convention could result in an unintended backdoor erosion of the strength of intellectual property protection in the recognizing country.

Suggested Revision to Article 28

To safeguard against the potential problem mentioned above, we suggest that the United States propose that language be added to Article 28 of the Convention. Article 28 identifies the grounds upon which a Contracting State may refuse to recognize or enforce a judgment rendered in another Contracting State. The proposed amendment would allow a country to refuse to recognize or enforce a foreign judgment that was the result of a judicial or administrative process that is inconsistent with TRIPS, the Paris Convention, or the Berne Convention, or was otherwise based on substantive legal principles that are inconsistent with those agreements. Specifically, we propose that the following language be added as an additional ground for refusal of recognition or enforcement of a judgment:

- (g) the judgment resulted from a process determined to be inconsistent with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Paris Convention, or the Berne Convention, or which was otherwise based on substantive legal principles determined to be inconsistent with any of those agreements, as determined by the courts of the Contracting State or, regarding TRIPS-compatibility, as determined by the World Trade Organization in accordance with its dispute settlement procedures.

What effect, if any, could this Convention have on the enforcement of intellectual property with respect to the internet?

Introduction

The Conventions= impact on intellectual property enforcement with respect to the internet would be significant. The Convention does not exclude application to the internet.¹ As civil and commercial matters arise, and have arisen in connection with the internet, it should not be assumed that the Convention would not have an effect on the internet. For example, a summary of the discussions amongst experts that took place in Ottawa, Canada early in 2000 regarding the draft Convention concluded that At no time was it suggested . . . that electronic commerce should be excluded@ from the draft Convention and that Aeverything possible should be done to adapt the Convention to the needs of electronic commerce.@² Electronic commerce has grown with the expansion of the internet.

It has only been a few years since courts began to address the tensions that exist between the lack of borders on the internet and jurisdiction under local laws. As such, the internet and ecommerce post-date the initial drafts of the Convention. On the other hand, conflicts and disputes that used to be limited to the rarefied realm of international law are becoming common as a result of the expansion of the internet. The application of intellectual property laws has played a central role to the development of internet law and increasingly influences international jurisdiction questions.

The internet has the capacity to make information available globally. Any individual with access to a computer linked to this network can become a worldwide publisher of print, audio and/or visual content. The internet also provides a new means to conduct business on a global scale that previously appeared limited to multinational corporations. This capability, in turn, has raised new questions for copyright, trademark and patent owners. When a website is used, distribution is not limited to one country, or even selected countries. The internet has one size: global. The Global Village has gone from being more than just a theoretical catch phrase:³ it has become the reality in which we live.

Some Fundamentals

¹ Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, Hague Conference on Private International Law, adopted by the Special Commission on October 30, 1999 [hereinafter the AConvention@ or Adraft Convention@]. See Art. 1, pars. 1 & 2.

² Electronic Commerce and International Jurisdiction, Ottawa, 28 February to 1 March 2000, prepared by Catherine Kessedjian with the co-operation of the private international law team of the Ministry of Justice of Canada.

³ MARSHALL MCLUHAN, UNDERSTANDING MEDIA 63 (New York, Mentor, 1964).

The United States has been at the forefront of internet issues for several reasons. One is that it is a leading developer and user of the internet. Another is the distinct jurisdictions (i.e. the fifty States, the District of Columbia and U.S. Possessions) that exist in the U.S., and its array of international trading partners. As a result, there is a large body of jurisprudence in the area of jurisdiction. Nevertheless, personal jurisdiction is still a complex issue despite the fact that the United States Supreme Court has visited it numerous times.⁴

The Supreme Court articulated the current standard for personal jurisdiction as early as 1945 in *International Shoe Co v. Washington* as follows:

[D]ue process requires only that in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.⁵

In 1985, in the case of *Burger King Corp. v. Rudzewicz*, the U.S. Supreme Court acknowledged that “[i]t is an inescapable fact of modern commercial life that a substantial amount of commercial business is transacted solely by mail and wire communications across state lines, thus obviating the need for physical presence within a State in which business is conducted.”⁶ It was unlikely that the Supreme Court at that time could foresee just how far the internet would take this statement. Nevertheless, relying on the Supreme Court’s directives in *Burger King*, federal courts have explained that the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the internet.⁷

Not surprisingly, courts have been perplexed by the application of pre-internet personal jurisdiction standards to internet related litigation. This confusion manifests itself in a body of incongruent and disconcerting case law. In the United States, however, a trend appears to be emerging as illustrated by the following cases.

U.S. Trends

⁴ See, e.g., *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985); *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408 (1984); *World Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980); *International Shoe Co v. Washington*, 326 U.S. 310 (1945).

⁵ *International Shoe Co v. Washington*, 326 U.S. 310, 316 (1945).

⁶ *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476 (1985).

⁷ *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997).

In April of 1996, the owner of a Missouri jazz club posted a site on the World Wide Web to promote his club, The Blue Note.⁸ The site contained general information about the club, including ticket information and a calendar of events. Bensusan, the plaintiff in the case, owned the famous THE BLUE NOTE jazz club located in the Greenwich Village neighborhood of Manhattan in New York City. Because the website was accessible in New York, Bensusan sued King, claiming King was infringing Bensusan=s rights in its trademark THE BLUE NOTE.⁹ King responded by filing a motion to dismiss for lack of personal jurisdiction pursuant to the Federal Rules of Civil Procedure.¹⁰

In its analysis of King=s motion, the court emphasized the nature of King=s website. In particular, the court stressed that King=s website solely provided information to individuals who visited the site. The website neither sold products nor services.¹¹ Thus if a website user located in New York wished to attend a show in King=s club, the user had to place a telephone call to a ticket agent in Missouri. Furthermore, to obtain the ordered tickets, the user had to travel from New York to Missouri.¹²

In granting King=s motion to dismiss for lack of personal jurisdiction, the court stated that A[t]he mere fact that a person can gain information on the allegedly infringing product is not the equivalent of a person advertising, promoting, selling or otherwise making an effort to target its product in New York.@¹³ The court continued: ACreating a site, like placing a product into the stream of commerce, may be felt nationwide -- or even worldwide -- but, without more, it is not an act purposefully directed toward the forum state.@¹⁴ Finally, the court explained that Bensusan=s argument that King should have foreseen that users could access the site in New York did not satisfy the requirements of due process.¹⁵

⁸ *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295, 296 (S.D.N.Y. 1996).

⁹ *Id.*

¹⁰ Fed. R. Civ. P. 12(b)(2).

¹¹ *Bensusan*, 937 F. Supp. at 299.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.* at 301.

¹⁵ *Id.* Mr. Justice Jacob of the English High Court of Justice used slightly more florid language to make the same point: AMr. Hobbs submitted that any use of a trade mark on any website, wherever the owner of the site was, was potentially a trade mark infringement anywhere in the world because website use is in an omnipresent cyberspace: that placing a trade mark on a website was >putting a tentacle= into the computer user=s premises. I questioned this with an example: a fishmonger in Bootle who put his wares and prices on his own website, for instance for local delivery, can hardly be said to be trying to sell fish to the whole world or even the whole country. And if any web surfer in some other country happens upon that website he will simply say >this is not for me= and move on. For trade mark laws to intrude where a website

owner is not intending to address the world but only a local clientele and where anyone seeing the site would so understand him would be absurd. So I think that the mere fact that websites can be accessed anywhere in the world does not mean, for trademark purposes, that the law should regard them as being used everywhere in the world.@ 1-800 Flowers Inc. v. Phonenames Ltd., [2000] E.T.M.R. 369 (H.C.J.).

In January 1997, a Federal District court in the Western District of Pennsylvania proffered its own interpretation of due process requirements for purposes of internet communications. In *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*,¹⁶ a manufacturer of tobacco lighters sued an internet news service for trademark dilution, infringement and false designation under the Lanham Act.¹⁷ The plaintiff manufacturer was located in Pennsylvania, while the defendant was in California.

Zippo Dot Com (ADot Com@) maintained a website which advertised the company=s internet news service. Within the site itself there were three levels of membership, each successive level offering access to a greater number of internet newsgroups than the preceding level.¹⁸ A website user visiting Dot Com=s site filled out an on-line application, as well as paid a user fee, to attain access to the Ahigher rung@ levels of internet newsgroups.¹⁹

Distinguishing Dot Com=s activities from those of the defendant in *Bensusan*, the court held that Dot Com=s activities constituted Adoing business@ in Pennsylvania.²⁰ As opposed to King=s passive activities in *Bensusan*, Dot Com=s website enabled Dot Com to contract with thousands of individuals and businesses located in Pennsylvania.²¹ Dot Com processed Pennsylvania residents= applications and assigned those residents passwords, Apresumably in order to profit from those transactions.@²² Thus, Dot Com=s conscious choice to conduct business in Pennsylvania subjected Dot Com to jurisdiction in Pennsylvania.²³

The Zippo decision might have soon been forgotten were it not for the court=s attempt to reconcile a string of cases that involved the assertion of personal jurisdiction based on defendant=s internet website. In arriving at his decision, Federal District Judge Sean J. McLaughlin stated:

¹⁶ 952 F. Supp. 1119, 1124 (W.D. Pa. 1997).

¹⁷ 15 U.S.C. §§ 1051-1127.

¹⁸ *Zippo*, 952 F. Supp. at 1121.

¹⁹ *Id.*

²⁰ *Id.* at 1125.

²¹ *Id.*

²² *Id.* at 1126.

²³ *Id.* at 1127.

[O]ur review of the available cases and materials reveals that the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet. This sliding scale is consistent with well developed personal jurisdiction principles. At one end of the spectrum are situations where a defendant clearly does business over the Internet. If the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper. At the opposite end are situations where a defendant has simply posted information on an Internet Web site which is accessible to users in foreign jurisdictions. A passive Web site that does little more than make information available to those who are interested in it is not grounds for the exercise of personal jurisdiction. The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site.²⁴

Several federal district courts and courts of appeal have since adopted the sliding scale approach announced in *Zippo*, to the point where it has become the majority rule in the United States on the question of personal jurisdiction based on an internet website.²⁵ However, a minority view may also have arisen: in certain circumstances, the availability of a passive website can be a factor in finding personal jurisdiction over a defendant.²⁶ The case most frequently cited for the position was even cited and discussed (albeit weakly) by Judge McLaughlin in *Zippo* to support his reasoning.²⁷ That case is *Inset Systems, Inc. v. Instruction Set, Inc.*²⁸

²⁴ *Id.* at 1124 [citations omitted].

²⁵ See *GTE New Media Services Inc. v. BellSouth Corp.*, 199 F.3d 1343 (D.C. Cir. 2000); *Mink v. AAAA Development LLC*, 190 F.3d 333 (5th Cir. 1999); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998); *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997).

²⁶ *Bunn-O-Matic Corp. v. Bunn Coffee Services Inc.*, 46 USPQ2d 1375 (C.D. Ill. 1998); *Telco Comms. v. An Apple A Day*, 977 F. Supp. 404 (E.D. Va. 1997); *SuperGuide Corp. v. Kegan*, 44 USPQ2d 1770 (W.D.N.C. 1997).

²⁷ *Zippo*, 952 F. Supp. at 1125 (characterizing *Inset Systems, Inc. v. Instruction Set, Inc.* as "the outer limits of the exercise of personal jurisdiction based on the Internet. @).

²⁸ 937 F. Supp. 161 (D. Conn. 1996).

Inset Systems is a weak case from which to build a theory of internet personal jurisdiction. The plaintiff brought suit against a competitor using its trademark as defendant=s domain name.²⁹ The defendant, while not having any of the usual connections to plaintiff=s state of Connecticut, such as an office, sales force or employees, did have a website and a 1-800 toll-free telephone number that was available nationwide.³⁰ In going through the International Shoe minimum contacts analysis, the court seemed impressed by the fact that the website, unlike other traditional forms of advertising, such as radio and television, was available for access at all times.³¹ This, added with the fact that defendant was based in the adjoining state of Massachusetts, at a distance the court found to be Aminimal,@ led the court to find the necessary minimum contacts to assert personal jurisdiction over the defendant.³² The court=s analysis is sparse, if not oblivious to the potential implications of the defendant being haled into any court in the United States based on a website and toll free telephone number. The fact the defendant was located physically near to the plaintiff

²⁹ *Id.* at 163. Shortly after *Zippo*, the Federal Court for the Southern District of New York examined the discrepancy between advertising on the internet and Aconducting business@ via the internet in *Hearst Corp. v. Goldberg*, No. 96 Civ. 3620, 1997 U.S. Dist. LEXIS 2065, (S.D.N.Y. Feb. 26, 1997). Hearst, a corporation based in New York, owned and published the popular magazine ESQUIRE. In 1995, defendant Goldberg, a resident of New Jersey, registered (and subsequently utilized) the domain name ESQWIRE.COM as the address of his company's website. Goldberg created ESQWIRE.COM to introduce and advertise the services which his company, Esq.wire, intended to supply. *Id.*, at *10. In its analysis of Goldberg=s motion to dismiss for lack of personal jurisdiction, the court emphasized that Goldberg did not yet have any services or products to sell. *Id.*, at *14. As such, "[h]is internet web site [was], at most, an announcement of the future availability of his services for attorneys." *Id.*, at *31. The court proceeded to analogize this type of announcement to an advertisement in a national magazine: ALike such an ad, Goldberg=s Internet web site may be viewed by people in all fifty states (and all over the world to for that matter), but it is not targeted at the residents of New York or any other particular state.@ *Id.* Such advertisements are insufficient to establish personal jurisdiction in New York over a foreign defendant. See, e.g., *Sunbelt Corp. v. Noble, Denton & Assoc., Inc.*, 5 F.3d 28 (3d Cir. 1993)(holding that a single advertisement in a national publication is not sufficient to establish personal jurisdiction); *King v. Best Western Country Inn*, 138 F.R.D. 39 (S.D.N.Y. 1991)(concluding that a listing in a local telephone directory is insufficient to illustrate business transactions); *Davidson Extrusions, Inc. v. Touche Ross & Co.*, 516 N.Y.S.2d 230 (2d Dep=t 1987)(ruling that an advertisement in a trade journal with national circulation does not constitute a transaction of business within New York). Consequently, the court held that New York could not exercise personal jurisdiction over Goldberg.

³⁰ *Inset Systems*, 937 F. Supp. at 164.

³¹ *Id.* at 165.

³² *Id.*

and where suit was brought also would make the case easily distinguishable. Yet, the attractiveness of a rule whereby a party can be subject to the jurisdiction of a court simply because residents in the court=s jurisdiction can access that party=s website has proven difficult to resist. It is an easy rule to apply; but with such simplicity can come devastating results.

International Jurisdiction

One of the concerns a court must face when dealing with internet issues is the impact its decision will have outside its borders. Many internet cases involve requests for injunctive relief, and courts have had a difficult time in sidestepping the impact of their decisions. By granting an injunction, the court is effectively forbidding a party from conducting its affairs worldwide despite issuing an injunction that is effective in just that country. The iCraveTV.com controversy is emblematic of such a situation.

In November 1999, iCraveTV.com began making available over the internet television signals from several television stations.³³ The signals that were being streamed at iCraveTV.com were of both United States and Canadian origin.³⁴ TVRadioNow Corp., a Canadian company operating out of Ontario, Canada and doing business as iCraveTV.com was retransmitting signals that would otherwise have been available to many Ontario cable television subscribers.³⁵ In the ensuing litigation for copyright and trademark infringement brought in the Federal District Court of the Western District of Pennsylvania, iCraveTV.com asserted that its activities were permissible under Canadian law.³⁶ Nevertheless, the plaintiffs in the case, including several motion picture studios, television networks and sports leagues, moved for a preliminary injunction to stop iCraveTV.com from webcasting its copyrighted programs over the internet prior to trial. In granting the injunction, the court sidestepped the question of Canadian law by stating Abecause plaintiffs seek relief under U.S. law for infringements of the U.S. Copyright Act, there is no need for this Court to address any issue of Canadian law.@³⁷

³³ *National Football League v. TVRadioNow Corp.*, 53 USPQ2d 1831 (W.D. Pa. 2000).

³⁴ *Id.* at 1834.

³⁵ *Id.* at 1833.

³⁶ *Id.* at 1837. See also Samantha Yafee, *Casters, prods sue iCraveTV*, PLAYBACK, February 7, 2000, at 3 (reporting that a group of Canadian broadcasters and producers had filed a lawsuit for copyright infringement against iCraveTV.com on January 31, 2000).

³⁷ *National Football League*, 53 USPQ2d at 1837.

Unfortunately, the court's decision in the iCraveTV.com case did more than just ignore Canadian law, it also failed to consider how an injunction would have an impact beyond its borders. If the defendants had been able to show that retransmission of the television signals was legal in Canada, the court would have been faced with the obvious quandary of a U.S. court enjoining a Canadian company webcasting from its servers in Canada. Because several of the defendants involved were found to be doing business in the United States, the court had personal jurisdiction over the defendants and could thereby exert its powers against those defendants.³⁸ However, if personal jurisdiction had been lacking, plaintiffs would have had to seek relief for infringement of their U.S. copyrights and trademarks in Canada.³⁹ A Canadian court would not likely have been so quick to ignore the legality of iCraveTV.com's activities in Canada in reaching its decision.⁴⁰ Further, with respect to the request for an injunction, a Canadian court would not likely have ignored the fact that enjoining the defendant from retransmitting defendant's copyrighted works over the internet meant enjoining defendant's activities worldwide. Given the limits on a court's powers and authority, could it issue a worldwide injunction under these circumstances?⁴¹

Something of a converse of the iCraveTV.com situation has occurred in Canada's Federal Courts. The cases involved the rights in the AYellow Pages@ and its French-language translation ALes pages jaunes.@⁴² The Yellow Pages were, and are, the yellow colored pages in telephone directories, or separate telephone directories, which include advertising for products and services listed by type of product or service. Most U.S. intellectual property lawyers will know that the trademarks in the Yellow Pages are in the public domain in the United States. This means that the

³⁸ *Id.* at 1835.

³⁹ See *Armstrong v. Virgin Records Ltd.*, 54 USPQ2d 1539 (S.D.N.Y. 2000).

⁴⁰ In October 1999, just a month before iCraveTV.com went online, the Canadian Copyright Board stated the following: A[t]o occur in Canada, a communication must originate from a server located in Canada on which content has been posted.@ *Re Tariff 22, Internet* (1999), 1 C.P.R. 4th 417. The Board's holding was in the context of determining the appropriate tariff to be collected and paid to copyright holders for communication of their works over the internet under the Canadian Copyright Act. While it is likely that iCraveTV.com would have had to pay such a tariff to Canadian copyright holders of the content being retransmitting at iCraveTV.com (most likely including several of the U.S. plaintiffs), until the tariff was set, some Canadian commentators were of the view that the Copyright Act of Canada exempted any infringement for iCraveTV.com's activities. See *National Football League*, 53 USPQ2d at 1837.

⁴¹ At least for the iCraveTV.com controversy, those questions are not likely to be answered as both the U.S. and Canadian actions were quickly settled after the preliminary injunction was granted by the Federal District Court in Pennsylvania. See Susan Tulusso, *iCrave shuts down website operations*, PLAYBACK, March 6, 2000 at 2.

⁴² See, e.g., *Bell Actimedia Inc. v. Puzo* (1999), 2 C.P.R. 4th 289 (F.C.T.D.); *Tele-Direct (Publications) inc. v. Canadian Business Online Inc.* (1998), 83 C.P.R. 3d 34 (F.C.T.D.).

AYellow Pages® can be used by anyone in their business, particularly those who provide AYellow Pages® telephone directories. However, in Canada, these trademarks are not in the public domain. Instead, they have acquired a substantial amount of good will in their owners, as some U.S. defendants found out.

In the Tele-Direct case, the defendants were the U.S. incorporator of a Canadian company called Canadian Business Online Inc., the business he incorporated and a U.S. company named Canadian Yellow Pages on the Internet Inc. The plaintiff sued and obtained several interim injunctions (like U.S. temporary restraining orders) and an interlocutory injunction (an injunction until trial) ordering the defendants to stop use of the Yellow Pages trade-marks on the internet.⁴³ When the defendants failed to comply with the orders of the Federal Court of Canada, the plaintiff moved to have the defendants show cause why they should not be held in contempt. For reasons the decision of Justice Teitelbaum does not explain, a motion brought by the U.S. corporate defendant regarding the Federal Court of Canada's jurisdiction to render orders against a foreign corporation was dropped during the contempt hearing.⁴⁴ However, in holding the defendants in contempt, the court stated that A[t]he defendants >cannot do by the back door what they cannot do by the front door=, that is, attempt, by using U.S. based corporations to use, in Canada, plaintiffs= registered trade-marks.®⁴⁵

What the Tele-Direct and iCraveTV cases show is that an injunction issuing against internet defendants can have a profound impact. All the injunctions were issued prior to trial on the merits, all the defendants were forced out of business, and the injunctions were, in effect, worldwide. In these cases, the borderless nature of the internet became a two-edged sword; the ease with which information can be disseminated and business conducted is at once an advantage and a disadvantage. What is legal in one area may be illegal in another. The risks in a court making the wrong decision have increased.

Article 13 of the Draft Convention

Article 13 of the draft Convention allows a court that otherwise has jurisdiction under its provisions to order any provisional or protective measure. The language of Article 13 raises a concern over whether it could be implied that a provisional measure could apply beyond the borders of the court's jurisdiction. Even when jurisdiction is limited to a nation's borders, the iCrave TV, discussed above, shows how such provisional measures have an international impact. Unlike real estate or personal property, intellectual property can exist worldwide and is subject to different legal regimes.

One of the strengths of having a treaty on international jurisdiction is that the Convention would allow for the enforcement of judgments obtained in a Contracting State of the Convention in another Contracting State. However, where the internet and intellectual property are involved, this can become a disadvantage. It has already been

⁴³ *Tele-Direct*, 83 C.P.R. 3d at 37.

⁴⁴ *Id.* at 36.

⁴⁵ *Id.* at 50.

demonstrated that uses of intellectual property that are legal in one country can be infringements in another. Because the internet is in effect borderless, the potential of having a preliminary injunction in a Contracting State of the Convention that could apply beyond its borders is inconsistent with the national nature of intellectual property rights and of state sovereignty in intellectual property matters.

It might be argued that Article 28 would allow a court to refuse to recognize an order (be it provisional or final) if the judgment is inconsistent with a judgment rendered in the State where enforcement is sought or recognition or enforcement would be manifestly incompatible with the State's public policy. However, Article 28 does not say the court must not enforce the judgment; just that it may refuse to do so.

Article 10 and Copyright

The draft Convention would likely relegate copyright claims to Article 10, by operation of the exclusion in paragraph 4 of Article 12. Article 10 deals with Torts or delicts.

Initially, academic discussion of how jurisdiction could best be asserted in internet matters was limited to a choice between (i) the country where the internet website's server is located and (ii) the country where the internet website was doing harm. The problem with the first approach is that the crafty website owner could choose to base its operations in a nation with little or no intellectual property laws or enforcement. The problem with the latter approach has already been seen: the prospect of worldwide jurisdiction over the website owner.⁴⁶

Unfortunately, Article 10 would essentially allow both grounds of jurisdiction in copyright matters. Where the act or omission causing harm and where injury occurred are both grounds for jurisdiction. As copyrighted content is an important component of the materials used and made available on the internet, this is not an inconsequential matter.

⁴⁶ See Kai Burmeister, *Jurisdiction, Choice of Law, Copyright and the Internet: Protection against Framing in an International Setting*, 9 FORD. I.P. MEDIA & ENT. L.J. 625 (1999).

More sophisticated approaches have been considered, including one where jurisdiction is appropriate where the parties have the most significant relations. A good example of this approach is found in *Braintech, Inc. v. Kostiuk*.⁴⁷ The case involved an attempt to enforce a default judgment obtained in the State of Texas against a resident of the Canadian Province of British Columbia.⁴⁸ Braintech was incorporated in the State of Nevada and did business in several U.S. States, including, at some point, Texas.⁴⁹ Braintech sued Mr. Kostiuk in state court in Texas for publishing defamatory information about Braintech on the internet.⁵⁰ When Mr. Kostiuk did not appear to defend against Braintech=s claims, the court granted judgment for Braintech in the amount of U.S.\$300,000.00.⁵¹ After obtaining judgment against the defendant to enforce the Texas decision in a summary trial in the Supreme Court of British Columbia, Mr. Kostiuk appealed to the British Columbia Court of the Appeal, the Province=s highest court.⁵² The Court of Appeal allowed the defendant=s appeal under principles of comity.⁵³

Traditionally, comity has been one way courts of one jurisdiction have respected the power and judgment of courts from other jurisdictions. As described by the United States Supreme Court over a century ago:

>Comity= in the legal sense, is neither a matter of absolute obligation, on the one hand, nor mere courtesy and good will, upon the other. But it is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws . . .

⁵⁴

⁴⁷ [1999] 171 D.L.R. 4th 46 (B.C.C.A.).

⁴⁸ *Id.* at 47-48.

⁴⁹ *Id.* at 49, 62.

⁵⁰ *Id.*

⁵¹ *Id.* at 48.

⁵² *Id.* at 48-49.

⁵³ *Id.* at 63-64.

⁵⁴ *Id.* at 59 (quoting from *Hilton v. Guyot*, 159 U.S. 113, 163-64 (1895)).

In its decision, the British Columbia Court of Appeal exhibited a pronounced concern that a plaintiff, which had substantial operations and its head office in British Columbia,⁵⁵ obtained a default judgment in a Texas court against another British Columbia resident.⁵⁶ Under Supreme Court of Canada jurisprudence, Aa real and substantial connection with the action@⁵⁷ is required before a court should assert jurisdiction over parties with a dispute before it. Because the court found that the real and substantial connection for the claim between the parties lay in British Columbia, the Court of Appeal decided that comity should not apply to the Texas judgment and reversed the judgment of the B.C. Supreme Court.⁵⁸

A close reading of the Braintech case could lead one to wonder if the Court of Appeal was not appalled at the blatant forum shopping conducted by the plaintiff in choosing to pursue its claim in a Texas court. On the other hand, it is difficult to understand why a company with headquarters in Vancouver would sue another Vancouver resident in Texas, even if, although it is not stated, the alleged defamatory words appeared on a server in Texas. As the court stated in support of its reasoning:

It would create a crippling effect on freedom of expression if, in every jurisdiction the world over in which access to the Internet could be achieved, a person posts fair comment on a bulletin board could be haled before the courts of each of those countries where access to this bulletin could be obtained.⁵⁹

Thus, the British Columbia Court of Appeal=s approach was one where jurisdiction is appropriate where the parties have the most significant relations. Such an approach might be preferable for internet tort disputes than the one found in Article 10 of the draft Convention.

⁵⁵ *Id.* at 62-63.

⁵⁶ It is interesting to note that a prior Supreme Court of Canada case, *Amchem Products Inc. v. British Columbia (Workers= Compensation Board)*, [1993] 1 S.C.R. 897, discussing the fact that the doctrine of *forum non conveniens* had been abolished in Texas was reviewed by the Court of Appeal in making its decision. *Id.* at 59-60. *Forum non conveniens* is a discretionary power a court has to refuse to hear a case when the convenience of the parties and the ends of justice would be better served if the case were heard in another forum. In nations as large as the United States and Canada, Awhere@ a party has to appear to defend a matter can have a substantial impact on the outcome of the proceedings. See also *Paramount Pictures Corp. v. Starwon Enterps. Pty Ltd.* (1998), 42 I.P.R. 86 (F.C.) (Australia). Article 22 of the Convention has discretionary provisions that would allow a court to decline jurisdiction under circumstances that are similar to *forum non conveniens*.

⁵⁷ *Id.* at 57.

⁵⁸ *Id.* at 62-64.

⁵⁹ *Id.* at 61.

Articles 7 B Consumer Contracts

Much of the discussion on jurisdiction in this comment has been limited to common law countries. This may be appropriate to the extent that use of the English language on the internet is still commanding and that a vast majority of English-speaking nations are common law jurisdictions. As the internet expands, this will not remain the case. For example, in many civil law nations, the applicable jurisdictional concept applied is actor sequitur forum rei, (i.e. the plaintiff follows the forum of the defendant's residence).⁶⁰ However, this is not a uniform rule either.⁶¹ For example, facing severe criticism over the potential impact of its work to update and codify the 1968 Brussels Convention, the European Parliament recently approved a measure whereby consumers would be able to sue foreign internet commerce entities in the consumers' home country.⁶² The concern was that consumers should not have to go to another country to sue for defective wares purchased and delivered to them. In this respect, the jurisdictional rule is not different than it would be for specific jurisdiction under a minimum contacts analysis in the U.S.

A possible solution for a party wishing to avoid being haled into a foreign court for providing its products or services on the internet has been to include choice of forum and law clauses in any agreement with a customer. Some website purveyors have taken to requiring visitors to their sites to agree to the jurisdiction of a particular court before being allowed to view or use the websites. While agreements of this kind where the jurisdiction chosen show no relation to the parties will likely be challenged, one should not assume that all such contractual provisions will be unavailing. One example is *Rudder v. Microsoft Corp.*⁶³

The plaintiffs in *Rudder* were attempting to have a Canada-wide class action certified in the Province of Ontario to bring suit against Microsoft for breach of contract related to services Microsoft was to provide under its Microsoft Network on-line service. However, the plaintiffs were faced with a provision in its agreements with Microsoft that provided as follows: A This Agreement is governed by the laws of the State of

⁶⁰ See Burmeister, *supra* note 49 at fns. 44&45.

⁶¹ See *Mecklermedia Corp. v. DC Congress GmbH*, [1998] 1 All ER 148 (Ch. D.) (U.K.) (German defendant before English court. Court refused to stay proceedings or decline jurisdiction).

⁶² Rick Perera, *EU Strengthens Consumers' E-Commerce Rights*, THE STANDARD, September 22, 2000, available at www.thestandard.com/article/display/0,1551,18776,00.html?nl=dnt (visited on September 22, 2000).

⁶³ (1999), 2 C.P.R. 4th 474 (Ontario Superior Ct of Justice).

Washington, U.S.A., and you consent to the exclusive jurisdiction and venue of the courts in King County, Washington, in all disputes arising out of or relating to your use of MSN or your MSN membership. All users of the Microsoft Network were required to click on a button stating I Agree to the terms of the agreement before being allowed to install the computer software necessary to access the Microsoft Network service and again before becoming a member of the service. Because Canadian courts have generally treated forum selection clauses with a measure of deference, and because the plaintiffs were caught in the position of asserting contract claims against Microsoft while at the same time seeking to have the forum selection clause in the same contract invalidated, the Ontario Superior Court of Justice granted Microsoft's motion for a permanent stay of the class proceedings. In arriving at its decision, the Ontario court cited concerns for international comity, international commercial certainty and respect for the agreements parties have signed.

The interesting point of the Rudder case is that the plaintiffs had never physically signed any agreement. Instead, they had manifested their assent to be bound by the agreement presented to them by Microsoft. The signature of a party was the manifestation of this assent to the agreement by clicking the I Agree button. Otherwise, a prospective customer who refused to agree to the contract terms presented would not be allowed to load the software required to access and use the services the defendant was offering.

The draft Convention would likely have barred the enforceability Microsoft's choice of forum in its online agreement. Article 7 defines a consumer contract as one that has a purpose which is outside [a plaintiff's] trade or profession. An agreement that attempts to apply a choice of forum that is not that of the consumer is only recognized under the Convention if it is entered into after the dispute arose. Otherwise, the only choice of forum provisions against consumers that will be recognized are those that allow the consumer to bring proceedings in another court (presumably in a jurisdiction that is different from the one noted in the agreement). Further, claims against consumers can only be brought where the consumer habitually resides under Article 7.

The provisions in Article 7 may adequately protect against consumers having to litigate disputes in far off jurisdictions. However, like much of the draft Convention, Article 7 does not take into consideration the borderless nature of the internet and the ecommerce conducted using this still new medium. It should not be assumed that entities doing business on the internet are businesses that have the resources, such as Microsoft, to bring actions in other jurisdictions than their own. With some goods and services, these limitations are immediately apparent. But with informational and entertainment content, as examples, traditional bricks and mortar notions that are implied in the Convention do not translate well to the internet.

Article 12

Paragraph 4 of Article 12 includes a proposal to make proceedings regarding the infringement of patents and trademarks the exclusive jurisdiction of the State where the patents and trademarks are registered or where the infringement has taken place. As earlier sections have shown, locating infringements on the internet is not an easy matter. Conferring exclusive jurisdiction on one nation where the laws of several nations could (and likely would) be involved is not advisable at this time.

Conclusion

The temptation to approve a treaty that would provide some certainty and limits to forum shopping where the internet and intellectual property are concerned is tantalizing. However, as the draft Convention currently stands, the benefits to intellectual property owners do not out-weight its detriments. The Convention was not drafted with the internet or the nature of intellectual property protection in mind. It should be revised to take these aspects into consideration before any approval take place.

Would application of Article 10 change existing jurisdictional principles as applied to intellectual property infringement actions? If yes, please describe any changes in detail and provide any relevant legal authority.

Article 10 deals with torts or delicts and it is assumed, for purposes of these comments, that infringement actions, whether they be for trademark, patent or copyright rights, actions sounding in unfair competition and passing off, and actions for misappropriation of trade secret, would all be classified as torts or delicts for purposes of Article 10.

Would the limitation of worldwide damages in Article 10(4) have any significant impact in cases involving worldwide infringement of trademark or other intellectual property rights?

Section 4 of Article 10 provides that

[i]f an action is brought in the courts of a State only on the basis that the injury arose or may occur there, those courts shall have jurisdiction only in respect of the injury that occurred or may occur in that State, unless the injured person has his or her habitual residence in that State.

There is an interplay between Article 10(4) and Article 12(4) because, pursuant to the latter, A proceedings which have as their object the . . . nullity[, or revocation or infringement,] of patents, trade marks, designs or similar rights@ (but excluding

copyrights and neighboring rights) have as their exclusive jurisdiction the courts of the Contracting State in which the deposit or registration has been applied for or taken place. Depending upon which version of Article 12(4) is ultimately agreed to, and whether or not the infringement claim is viewed as the object of the lawsuit or simply ancillary to a claim for invalidity, either Article 10 or Article 12(4) will govern.

Intellectual property rights are territorial and, accordingly, a court of one nation could determine rights, obligation and remedies for infringements occurring in another country only through the application the laws of the country in which the infringement is alleged to have taken place. US courts do, on occasion, apply US infringement law to acts occurring outside its borders but only on the premise that the extraterritorial acts resulted in infringement and injury within the US. It is unlikely that a US court would take jurisdiction to determine rights, obligations and remedies for acts of infringement, unfair competition or misappropriation under the laws of a foreign country, even if ancillary to an action for infringement occurring within the US. Similarly, a foreign court is unlikely to render a determination that infringement of IP rights subsisting in the US occurred as a matter of US law.

Assuming Article 10, as opposed to Article 12(4), applies to an IP infringement action, the limitation on worldwide damages found in Article 10(4) would not be unfair and would not be expected to have any significant impact in cases involving worldwide infringement of trademark or other intellectual property rights. Except perhaps with respect to the misappropriation of trade secret rights, a court sitting in one country should not concern itself with the infringement of IP rights that subsist or may subsist in other countries, and damages should be limited to those which follow from the conduct infringing rights within the forum country.

As pointed out in our response to question 9, an injunction that is issued in the context of internet commerce aimed at enjoining infringement occurring in a given State has the unfair effect of enjoining the conduct worldwide whether or not that conduct may be legal elsewhere. Article 10(4) will not change this inequitable result.

Though not specifically raised by the PTO Request for Comments, the last phrase of Article 10(4) appears problematic. It would purport, by implication, to allow a court to award damages in respect to injury worldwide based upon the plaintiff being a habitual residence of the forum State. As discussed above, a court should not normally attempt to determine rights, obligations and remedies with respect to IP that subsist or may subsist in foreign countries, and certainly not for the reason that a plaintiff happens to have a habitual residence in the forum. In the case of misappropriation of trade secrets, for example, being a cause where the award of worldwide damages might be justified, jurisdiction should logically be based not upon plaintiff=s habitual residence but, rather, where the acts or omissions of the misappropriation occurred or upon defendant=s habitual residence.

With respect to Article 12 (4), under what circumstances would an application with this subsection change existing jurisdictional principles, with and without the bracketed language included? Please describe any changes in detail and provide any relevant legal authority.

We believe that the proposed language would create changes to existing jurisdictional principles, and some of these permutations are discussed in great detail elsewhere in our comments so we will not repeat those discussions here.

What effect, if any, would Article 12(4) have on trademark owners seeking to litigate rights related to registered versus common law marks?

Article 12(4) provides for exclusive jurisdiction in the case of

proceedings which have as their object the registration, validity [or] nullity[, or revocation or infringement,] of patents, trade marks, designs or other similar rights required to be deposited or registered

The obvious problem here appears to be that, unlike virtually all other countries in the world, there is no requirement in the US that trademarks be registered. Countries outside the US recognized trademark rights based upon registration alone⁶⁴ whereas in the US, we recognize trademark rights as a result of use as well as registration. Because Article 12(4) talks in terms of rights Arequired to be deposited or registered@, the question arises whether US trademark rights which emanate from use as opposed to registration will be disadvantaged.

As discussed above, there is an interplay between Articles 10 and Article 12(4) such that it is unclear whether infringements actions having registered marks as their subjects would fall under one or the other of the articles= provisions. There is also an interplay between Article 12(3), which provides for exclusive jurisdiction in the case of proceedings having their object the validity or nullity of entries in public registers, and Article 12(4), which provides generally the same thing but which is specific for patent and trademark registries. Whereas Article 12(4) would, presumably, supercede Article 12(3) in the case of a federally registered trademark, Article 12(3) might apply in the case of a mark which is registered only on a state (of the domestic variety) level.

In the case of an unregistered mark in regards to which rights have arisen by virtue of adoption and continuous use within the US, Article 12(3) and (4) would be inapplicable and infringement actions, whether for declaratory, injunctive or monetary

⁶⁴The GATT has varied this somewhat by requiring parties to accord limited rights to famous trademarks whether or not registered.

relief, would have to be brought under Article 10. An action under Article 10(1)(b), where the injury arose, would be appropriate, whereas an action under Article 10(1)(a), where the act or omission that caused the injury occurred, might not. Illustrating using an internet example, it would make no sense for a Russian court to entertain an action against a Russian based e-commerce business for using an unregistered name that is identical or confusingly similar to a name in regard to which there exists common law trademark in the US, whereas Article 10(1)(a) by its terms might support such an action.

Whereas owners of common law trademarks in the US may not be advantaged under the Convention in the sense of having disputes regarding the validity of the mark localized in the place of registration, as owners of registered marks might be, they will find themselves in the same position without the Convention. Accordingly, the failure of the Convention to specifically treat common law trademarks would not appear to be a reason against its adoption.

14. Is exclusive jurisdiction needed for infringement and/or validity actions involving patents, trademarks, and/or copyrights?

Introduction

Intellectual property such as patents, trademarks, and copyrights are inextricably linked to the territory of the country that has granted those rights. It is therefore imperative that U.S. courts or administrative bodies reserve exclusive jurisdiction over all matters involving interpretation of U.S. intellectual property rights.

For patents, for example, these matters include determinations of compliance with statutory requirements of patentability, interpretation of claim scope, determinations of infringement (direct or through the doctrine of equivalents), and the enforceability of the patent rights (e.g., inequitable conduct). Specifically, issues regarding determinations of infringement of the patent will require consideration of evidence concerning acts performed within the territorial limits of the country that has granted the patent. Issues affecting the validity of a United States patent must be resolved by applying U.S. law, rather than applying the law of the country adjudicating the matter. Given the complexity of U.S. patent jurisprudence, we do not believe that foreign courts, particularly in countries not having a substantial body of patent jurisprudence, will be able to make accurate determinations as to the validity or infringement of U.S. patents.

In addition, U.S. courts should retain exclusive jurisdiction over matters that would affect determinations as to whether U.S. patent rights have been exhausted by a first sale or other acts. We note that in a growing number of jurisdictions in the developing world, there is pressure to adopt a principle of international exhaustion of patent rights (i.e., an automatic exhaustion of patents in distinct countries upon the first sale of a product under a patent in one jurisdiction). Conclusions reached on exhaustion of U.S. patent rights must be based on interpretations of the significance of actions of the patent owner. A court following a mandated principle of automatic

international exhaustion would not be likely to construe the actions of the patent owner in a manner similar to a U.S. court.

As a consequence, we believe that allowing foreign courts to adjudicate issues regarding validity, scope, or infringement of U.S. patents would introduce uncertainty and unpredictability and would diminish the strength of U.S. patent rights.

We urge the United States not to sign a Convention that would dilute the exclusive jurisdiction of the U.S. courts and administrative bodies over matters involving interpretation of U.S. patents. If the United States is to be a party to the Convention, therefore, we strongly recommend that draft Article 12 be substantially revised to provide that there is exclusive jurisdiction for the grantor country concerning matters affecting interpretation of patent rights granted by it, unless explicitly provided otherwise. The current structure of the paragraph simply enumerates issues that are reserved for exclusive jurisdiction. Under standards for treaty interpretation, matters not enumerated would not be reserved to domestic jurisdiction.

We offer several alternative proposals below.

Article 12 Exclusive Jurisdiction of National Courts

Article 12 provides for exclusive jurisdiction in certain intellectual property matters. We suggest the following changes be made to the language of these provisions to secure the greatest protection for U.S. patent holders. The first option described below is the most preferable.

Option # 1:

To provide the greatest amount of protection for U.S. patent holders, we suggest that the following changes be made to Article 12, sections 4 and 5.

Expand the Scope of Exclusive Jurisdiction in Article 12(4): Article 12(4) should be amended to ensure that all patent matters remain in the exclusive jurisdiction of the Contracting State in which the patent is granted.

The first sentence of the current draft of Article 12(4) enumerates specific issues over which the courts of the Contracting State in which the patent is granted have exclusive jurisdiction. Specifically, the first sentence in Article 12(4) currently provides,

In proceedings which have as their object the registration, validity, [or] nullity[, or revocation or infringement,] of patents, trade marks, designs or other similar rights required to be deposited or registered, the courts of the Contracting State in which the deposit or registration has been applied for, has taken place or, under the terms of an international convention, is deemed to have taken place, have exclusive jurisdiction.

This provision should be amended to ensure that the Convention does not deprive a court of a Contracting State of exclusive jurisdiction over issues related to patents that have been granted in that State. For the sake of clarity, we preliminarily suggest that the word `Ashall@` be added to this provision. We also suggest that the words `Agrant@` and `Agranted@` be added to reflect the term of art used to describe actions taken to recognize the existence of patents. Thus, we suggest that the United States replace the first sentence of Article 12(4) with the following language:

In respect of matters involving patents in all their forms, trademarks, plant variety protection instruments, utility models, design protection, or other similar rights required to be deposited, granted, or registered, the courts of the Contracting State in which the deposit, grant, or registration has been applied for, has taken place, or under the terms of an international convention, is deemed to have taken place, shall have exclusive jurisdiction.

Delete Article 12(5): Article 12(5) indicates that Article 12(4) does not exclude jurisdiction of other courts under the Convention or under the national law of a Contracting State in proceedings concerning the infringement of patents. As noted above, we oppose any provision in the Convention that would allow a court of a Contracting State to adjudicate matters concerning the interpretation, validity, or infringement of a patent granted in another Contracting State. Thus, we suggest that Article 12(5) be deleted from the Convention.

Option #2:

If the parties to the Convention (1) do not agree to amend Article 12(4) to provide for exclusive jurisdiction over all matters involving patents and (2) agree that Article 12(5) should be deleted, then the United States should suggest an alternative change to Article 12(4) to ensure that courts in the Contracting State in which the patents are granted have exclusive jurisdiction over issues related to the exhaustion of patent rights. In particular, we suggest that the following language be added to Article 12(4):

In proceedings which have as their object the registration, validity, [or] nullity[, or revocation or infringement], or exhaustion of patents, trade marks, designs or other similar rights . . .⁶⁵

⁶⁵ We assume that references to `Ainfringement@` in sections 4 and 5 of Article 12 are mutually exclusive. Thus, where, as here, section 5 of Article 12 is deleted, reference to `Ainfringement@` would be included in section 4.

Option #3:

If the parties to the Convention (1) do not agree to amend Article 12(4) to provide for exclusive jurisdiction over all matters involving patents and (2) do not agree that Article 12(5) should be deleted, then the United States should suggest an alternative change to Article 12(4) and Article 12(5) to ensure that courts in the Contracting States in which the patents are granted have exclusive jurisdiction over issues related to the exhaustion of patent rights.

With respect to Article 12(4), we recommend essentially the same change that is discussed in Option #2 above.⁶⁶ With respect to Article 12(5), the language should be amended to ensure that no court or administrative body which is not of a Contracting State in which the patent has been granted can make a determination regarding whether patent rights have been exhausted with respect to proceedings concerning patent infringement. In particular, we suggest that the United States add the following language to that provision:

In relation to proceedings which have as their object the infringement of patents except to the extent that such proceedings implicate the exhaustion of patent rights, the preceding paragraph does not exclude the jurisdiction of any other court under the Convention or under the national law of a Contracting State.

Option #4:

If the parties to the Convention (1) agree to amend Article 12(4) to provide for exclusive jurisdiction over all matters involving patents and (2) do not agree that Article 12(5) should be deleted, then Article 12(5) should be amended to add the exhaustion language as discussed in Option #3.

Article 12 Exclusive Jurisdiction of Administrative Bodies

In addition to courts, administrative bodies, such as the patent offices, are often involved in administering intellectual property rights regimes. Thus, it is

⁶⁶ As discussed in note 1, we assume that reference to "infringement" in sections 4 and 5 of Article 12 is mutually exclusive. Thus, where, as here, Article 12(5) remains an active provision, reference to "infringement" in Article 12(4) would be deleted. Under Option #3, therefore, the relevant provision of Article 12(4) would read as follows:

In proceedings which have as their object the registration, validity, [or] nullity[, or revocation] *or exhaustion* of patents, trade marks, designs or other similar rights

important that any provision that provides for exclusive jurisdiction under the Convention provide such protection to both U.S. administrative bodies as well as to U.S. courts.

However, it is unclear whether administrative bodies that determine rights involving intellectual property are covered under the Convention. Article 1(1) provides that the Convention applies to civil and commercial matters but excludes administrative matters. These terms are not further defined and are subject to different interpretations in different countries.

One way to resolve this problem would be to add the following language to Article 12(4):

In respect of matters involving patents in all their forms, trademarks, plant variety protection instruments, utility models, design production, or other similar rights required to be deposited, granted, or registered, the courts and administrative bodies performing judicial functions relating to such rights of the Contracting State in which the deposit, grant, or registration has been applied for, has taken place, or under the terms of an international convention, is deemed to have taken place, shall have exclusive jurisdiction.⁶⁷

Article 12 Customs Unions and Free Trade Areas

Countries negotiating the Convention may object to the deletion of Article 12(5) on grounds that such a provision is necessary to assist in the unification of the patent systems of countries participating in customs unions or free trade areas. If so, then the United States should propose that, in exchange for deleting Article 12(5), the following provision be added as the last paragraph of Article 12:

Nothing in this Article shall limit the ability of countries that participate in a customs union or free trade area to provide for measures that govern the jurisdiction of courts of those countries in proceedings which have as their object patent validity or infringement in relation to patents issued by the countries of such customs unions or free trade areas.

⁶⁷ For the purposes of this example, we use the language proposed in Option #1 of the section discussing exclusive jurisdiction. The proposed language regarding administrative bodies, however, would be equally applicable were the parties to the Convention not to agree to amend Article 12(4) to provide for exclusive jurisdiction over all matters involving patents.

Effect on Antitrust Law

The Drafters of the Convention and others reviewing the above comments, including those related to exclusive jurisdiction, should understand that it is intended that whatever language ultimately is adopted not prevent effective enforcement of U.S. antitrust law or similar competition laws of other countries.

Comments
of the

SOFTWARE & INFORMATION INDUSTRY ASSOCIATION

On the

PRELIMINARY DRAFT CONVENTION ON JURISDICTION AND
FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS

Submitted to the

U.S. PATENT AND TRADEMARK OFFICE
January 12, 2001

In response to the "Request for Comments on [the] Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters" published in the Federal Register on October 17, 2000 by the U.S. Patent and Trademark Office ("PTO"), the Software & Information Industry Association submits the following comments on behalf of its members.

The Software & Information Industry Association ("SIIA") is the principal trade association of the software and information industry and represents over 1,000 high-tech companies in 33 countries. Our members develop and market software and electronic content for business, education, consumers, the Internet, and entertainment. The global nature of their businesses requires them to operate across national borders and in a variety of legal contexts.

SIIA members depend on effective efforts to eradicate copyright piracy which often require civil tort suits to enforce existing legal rights. They also depend on effective contractual remedies, including the effective enforcement of judgments, that promote international trade, commerce and innovation. They create and develop new and valuable software and software-related inventions which they seek to protect through the patent system, use patented software and software-related technologies in their regular business operations, and license or purchase patented software and software-related technologies from third parties.

We provide a number of specific concerns regarding the draft Hague Convention as a reflection that SIIA members operate on a global basis. The scope of SIIA and its members' interests is not limited to the United States, and in many cases the interests reflect the growing number of small and medium size enterprises that are benefiting from the tremendous opportunities the Internet provides to reach new global markets. Most of our members have offices in foreign countries and virtually all of them do business in other countries.⁶⁸

General Comments

⁶⁸ For example, SIIA's Global Division helps members worldwide achieve strategic success in markets other than their home markets and seeks to provide multinational and regional companies with representation worldwide. The Global Division is represented by five regional market sections (Europe, Canada, Japan, Asia-Pacific Rim and Latin America) as well as the Global Business Strategies Council. The sections provide SIIA members with business development assistance, access to local business resources and advertising, marketing and policy support. The Global Business Strategies Council focuses on the needs of member companies involved in the creation and delivery of products to the global marketplace and supporting the continued growth of the industry globally.

In reviewing the draft Hague Convention, and in actively participating in the process that has brought together experts to seek appropriate solutions to many of the challenges facing the drafters, SIIA has carefully considered a number of important elements, including the following:

First, as a general matter, a convention that would provide an effective framework to ensure that judgments of U.S. courts are able to be enforced in foreign jurisdictions could be a useful contribution to a global predictable legal environment.

The Hague Conference has been studying the issue of developing a treaty to deal with judicial enforcement of foreign judgments since 1992. Increasingly, businesses and everyday citizens throughout the world are using the Internet to engage in business and consumer transactions and transactions for goods and services are migrating from more traditional environments to an e-commerce environment. As a result, new business models, new business relationships and new contractual paradigms are being developed for digital products and services and the delivery of these products and services. It should therefore come as a surprise to no one that the complexity and transformations resulting from electronic commerce has led businesses and governments to focus their attention on issues relating to jurisdiction and a possible international agreement that would address these issues.

As an initial consideration, we believe that that Hague Convention does not adequately reflect the ongoing developments and changes in business models and technology that have taken place over the past eight years and that continue to rapidly evolve. In fact, in some cases, it appears as if the Convention ignores the advent of e-commerce entirely. Nonetheless, we do not believe that the appropriate reaction would be to exclude online or electronic commerce transactions from the proposal. Such a step would be counterproductive and serve to bifurcate the world of global commerce in a detrimental fashion.

Second, we ask whether the particular multilateral approach, like that in the current draft proposal, provides a more predictable, uniform global framework to conduct business transactions whether in the off-line or on-line world.

In our view, the answer requires a careful consideration of the net benefits and costs associated with changing current law and adopting new frameworks. As our comments below more fully explain, we believe, at best, that the jury is still out on this effort. And, in some specific instances, the proposed draft would be a significant step backwards from existing predictable legal regimes and would in all likelihood, complicate, rather than facilitate, global electronic commerce. We emphasize that SIIA continues to follow developments at the Hague with the hope that an effective proposal could emerge.

Finally, we note that, in many respects, the current draft is heavily weighted against current and well-established U.S. jurisdiction legal theories. The Convention fails to recognize many of the bases of jurisdiction that have been developed by U.S. courts and now form a well established foundation upon which U.S. jurisdictional law has grown.

In our view, the Convention relies too heavily on the structure and content of the Brussels Convention. The Brussels Convention was developed by neighboring European countries with common legal, cultural, and political traditions and without any consideration of the new paradigms presented by our e-commerce society and certainly without any consideration of the legal, cultural, and political traditions of other countries, like the United States.

Specific Comments Relating to Intellectual Property

In concept, SIIA and its members would support a convention relating to jurisdiction and enforcement of judgments if that convention would ensure that judgments of U.S. courts are enforced in foreign courts. Also, because U.S. courts traditionally enforce judgments against U.S. defendants rendered by foreign courts (so long as such judgments satisfy basic principles of due process), a convention that ensured that foreign courts would enforce the judgments rendered by U.S. courts would establish a level of reciprocity. Although we agree conceptually with the meritorious goals of the draft Convention, we believe that there exist significant problems with the current draft in such areas as electronic commerce and intellectual property that must be remedied before we could support U.S. adherence to it.

We note some proposals for excluding intellectual property from the entirety of the draft. We do not concur. We would also be concerned if cases involving intellectual property would ultimately be precluded from the treaty.

A summary of our concerns relating to intellectual property are discussed below.

Article 6: Jurisdiction over Sellers for Contract Actions

Under Article 6 of the Convention, buyers of goods may sue wherever the goods or services were received in whole or in part, or wherever the contract was performed. In many instances it will be impossible for a seller to determine where the buyer or user of a digitized product is located at the time of the sale or use or where electronic performance of the contract took place. In an Internet-based transaction, in particular, application of this standard would potentially subject a company to jurisdiction in unexpected countries. We note that Article 6 is limited to cases where consumers are NOT a party (see Article 7).

For instance, when an Internet Software Vendor ("ISV") makes its products or services available to users through an Application Service Provider ("ASP") business model the ISV likely will have no idea who the users are or where they are located. Further, under the ASP model users of such software could give one address as their billing address, but may access the software products or services from any location in the world that they can get access to the Internet. That jurisdiction, which is never disclosed to the seller, could become the place where disputes are litigated. In short, ISV's and other software and content providers could find themselves being sued anywhere their products and services can be found or accessed.

We also have numerous other concerns with Article 6. For example, within the World Trade Organization ("WTO") and elsewhere, there has been significant discussion and disagreement regarding what qualifies something as a "good" or a "service." At this time, there is no international consensus on this matter, particularly in the areas of digitized supplies and copyrighted works. Despite the lack of an international consensus in this area, Article 6 treats jurisdictional issues relating to the supply of goods and services differently. This may create significant problems, as a seller may have no idea whether the subject of the contract may be deemed a "good" or a "service" or both under the Convention.

Article 7: Jurisdiction over Consumers for Contract Actions

Where a seller concludes a contract with a consumer, Article 7 of the Convention would establish a country-of-destination approach to jurisdiction (with very limited exceptions). This approach subjects companies to the jurisdiction of the courts of all countries from which its website may be accessed. Under this standard every seller who transacts business over the Internet could be sued by its consumers in those consumers' home states, even if the seller had no notice that the consumer came from that jurisdiction.

We note that Article 7 applies whether the “good” is in physical or intangible form. Article 7 would generally prevent a consumer from being sued under an otherwise legally binding license in any place other than its home state -- even if the consumer agrees to be sued elsewhere in advance or be subject to out-of-court dispute settlement. Given the need to ensure that licenses in a digital environment can be effectively utilized and relied on, this would preclude any publisher or disseminator from having confidence in transactions over the Internet.

We have other concerns with this Article as well. For example, we believe that, as the term “consumer” is used in this Article it may allow even a large, commercial enterprise to be a “consumer,” as long as the “purpose” of the contract is “outside of its trade or profession.” Thus, if an insurance company licensed computer software, the company would seem to qualify for these special provisions for “consumers.” At the very least, Article 7 should be limited to consumers who are natural persons entering into contracts for non-commercial purposes (not just for purposes outside their own profession or trade). This is a problem both in the online and off-line context.

Finally, because it is often difficult to distinguish between actions for copyright piracy and infringement, which are considered to be actions in tort, from contract actions, we are concerned that Article 7 may prejudice the application of Article 10 for actions against consumers for tortious infringement/piracy.

Article 10: Jurisdiction over Defendants for Tort Actions

The traditional rule for torts is that jurisdiction is limited to the place where the wrongful act was committed. In the United States, the place where the injury occurred is also a proper place for suit, so long as the injury is foreseeable there.

The Convention appears to be generally consistent with these concepts by providing for jurisdiction based on where the injury occurs or where the wrongful act was committed. Any proposal must acknowledge existing law in this regard.

Although Article 10, paragraph 1, appears to be consistent with U.S. law, we are concerned that the first sentence in this paragraph (*i.e.*, “ A plaintiff may bring an action...” (emphasis added)) may be interpreted as allowing a plaintiff to bring action in only one jurisdiction. We, therefore, believe that this paragraph should be clarified to ensure that a plaintiff may bring several actions in tort in the courts of an unlimited number of countries, provided the criteria in 10(1)(a) or (b) are satisfied (multi-jurisdictional claims). In addition, it has come to our attention that some parties have raised Constitutional/Due Process concerns about the “forseeability” language in 10(1)(b). We would strongly oppose the deletion of this language.

Also, it is not quite clear if Article 10, paragraph 1, is consistent with certain provisions of the Digital Millennium Copyright Act (“DMCA”). For example, under section 512(g)(3)(D) of the DMCA once a service provider receives a notification from the copyright owner’s agent requesting that the service provider disable access to or remove infringing content identified in the notification, the alleged infringer may submit a counter notification to the service provider requesting that access to the alleged infringing material be restored or re-posted. Significantly, where the person filing the counter notification resides outside the United States, this counter notification is only valid if the person filing the counter notification agrees to submit to the jurisdiction of a U.S. court where the service provider “may be found.” In this instance, it would appear that section 512(g)(3)(D) of the DMCA directly conflicts with the requirements of Article 10.

In Article 10, paragraph (2), we are very concerned about use of the language “conspiracy to inflict economic loss.” Specifically, because of the way this paragraph is formulated, it is not clear that the “conspiracy to inflict economic

loss” language necessarily relates to the antitrust language that precedes it. Read in isolation, particularly in the international context, “conspiracy to inflict economic loss” could include piracy activities. If this paragraph were interpreted in this manner, we would have significant problems with this Article.

It is not quite clear if Article 10, paragraph 4, is consistent with certain provisions of the DMCA. For example, because of the global nature of the Internet, when a U.S. Court issues an injunction ordering a defendant to disable access to or removing infringing content on a web page that order will have affect not only within the United States, but throughout the world. Paragraph 4 appears to prevent this type of injunction since, by its very nature, it will have effect outside of that court’s jurisdiction. If this provision was limited to monetary damages this problem could be obviated.

Article 12: Exclusive Jurisdiction

Article 12, paragraph 4, provides for exclusive jurisdiction over actions involving trademarks in the country of registration. In certain circumstances this standard is problematic. For example, when a trademark is not registered or a European Community trademark is at issue there is no “Contracting State in which ... registration has been applied for, has taken place...” In these instances, it is unclear which country would be competent to assert jurisdiction in a trademark case. Furthermore, many countries recognize the famous marks doctrine, which allows a plaintiff to assert rights based on extensive use outside of the “Contracting State in which ... registration has been applied for, has taken place...” Where the mark is considered as famous in that jurisdiction where the action is taking place, it is not clear how the famous marks doctrine would be affected by this Article.

Significantly, this requirement also fails to account for U.S. anti-cybersquatting laws which allow a court to assert *in rem* jurisdiction. In fact, if

domain names are considered to be “immovable property,” as provided in paragraph 1, this Article may be inconsistent with U.S. anti-cybersquatting laws.

We agree that exclusive jurisdiction is appropriate with regard to proceedings relating to the *validity* of trademarks and patents. We do not believe that exclusive jurisdiction should be granted with regard to *infringement* of a patent or trademark, however. Because patent and trademark infringement actions are based on the enforcement of a territorial right, we believe that these actions should be brought under Article 10 (*i.e.*, in the jurisdiction where the injury arose or where the act or omission that caused the injury occurred). This is especially important in the Internet context, because infringing use of the mark or the invention at issue on the Internet can create situations in which the jurisdiction where the infringement arises is a different jurisdiction from the one in which the right may be registered. Thus, a patent or trademark holder should be able to pursue an infringer wherever the injury arises or the act/omission that caused the injury occurred under Article 10.

Finally, and significantly, we strongly support the exclusion of copyright and related rights from the scope of Article 12 and believe that Article 5(2) of the Berne Convention requires such an exclusion. We urge the U.S. Government to resist any attempts to create exclusive jurisdiction over copyright and related rights.

Article 13: Provisional and Protective Measures

Article 13, paragraph 2 refers to “property.” It is not clear whether this reference to “property” includes intellectual property. If this provision includes intellectual property, then it raises problems in determining where intellectual property is considered to be located, particularly when it may be used on the Internet. The same issues arises in paragraph 18.2(a).

Article 18: Prohibited Grounds of Jurisdiction

The rule articulated in this Article 18, paragraph 1, appears to contradict the basis for establishing jurisdiction with respect to tortious conduct in Article 10 by limiting jurisdiction to countries where there is a “substantial connection between that State and the dispute.” In the world of e-commerce in which the presence of a server may be the only link a defendant has with the country, but the only point at which the infringement could be attacked, it is essential to avoid notions of “substantial connection” in establishing liability for tort.

Paragraph 2(g) of Article 18 prevents jurisdiction from attaching on the basis of a “unilateral designation of the forum by the plaintiff.” Depending on how this is interpreted this provision could impact the terms imposed under an agreed shrink-wrap or click through agreement. In these agreements, the plaintiff may initially “unilaterally” designate a forum, but in many instances the defendant will have an opportunity to review the terms and return the product or service if dissatisfied with the product or service or the terms of the agreement, thereby precluding the term from being “unilateral[ly]” designated.

Conclusion

We remain hopeful that a convention can be concluded that would provide an effective framework to ensure that judgments of U.S. courts are able to be enforced in foreign jurisdictions. If such a result can be accomplished, taking into account the issues identified above, the instrument could be a useful contribution to a global predictable legal environment.

At this stage, we urge the United States to proceed with utmost caution. By taking hasty action, we risk doing harm to the dynamic digital economy. It is essential for the U.S. Government and our key trading partners to review carefully the cost-benefit analysis of obtaining foreign court enforcements in the face of successfully meeting the challenges and obstacles presented by e-

commerce. The U.S. Government should not, therefore, encourage nor acquiesce in the convening of a Diplomatic Conference process that threatens to confuse rather than clarify the legal norms surrounding international electronic commerce.

Response to *Federal Register* Notice concerning the Hague Conference proposed Convention on Jurisdiction and Enforcement of Judgments

The following organizations AFMA, Association of America Publishers, Business Software Alliance, Interactive Digital Software Association, Motion Picture Association of America, National Music Publishers' Association and the Recording Industry Association of America representing the interests of the American copyright based industries such as book publishing, business and entertainment software, film and television programming, and sound recording file these comments in connection with the above-referenced federal register notice. We will both directly respond to a number of the specific questions raised by the United States Patent and Trademark Office, and will make some general comments.

The draft Convention may advance, in some respects, the effective protection of copyright, —particularly as the Convention relates to the enforcement of judgments. We remain troubled, however, by the provisions relating to jurisdiction, and any support for this Convention will certainly rest on the modification of key aspects of this proposed Treaty to make it more relevant to, and reflective of, the requisites of electronic commerce. We believe that finding appropriate mechanisms for the protection of copyrighted materials is imperative for the social, economic and cultural well-being of this country. American copyrighted materials are an important and growing part of this country's economic backbone. In addition, we support the conclusion of a treaty that will assist US entities in enforcing judgments in other Nations. While we maintain significant reservations about the provisions of the Treaty relating to jurisdiction, some of which are outlined below, we support the initiative as it relates to the enforcement of judgments.

With respect to the text of the Convention in its current form, we are particularly troubled by the application of Articles 7 and 10 in foreclosing too much of the ability of businesses and individuals to make informed decisions about contracts that they wish to enter, and in casting too broad a jurisdictional net of general

nature. These comments and criticisms of the current text have been discussed and explored in other fora, and will not be addressed in the instant memorandum, other than to note that these significant problems must be resolved to make this Convention relevant and appropriate to the requisites of the digital age of e-commerce. The Convention must establish greater clarity in defining minimal contacts for which jurisdiction will properly attach, or alternatively, should abandon attempts to clarify the issue of jurisdiction and restrict itself to the enforcement of judgments.

Defining the appropriate thresholds for determining national jurisdiction is a difficult task because a single uniform approach to the question of jurisdiction does not fully reflect the fact that a "one size fits all" approach may contribute to existing concerns on all sides. Where flexible solutions are considered to accommodate varying needs, it is important to bear in mind the different implications and characters of activities--for example the making available of copyright infringing materials on the one hand which should be broadly subject to injunctive relief and damages/criminal sanctions where appropriate, and the much more complicated questions surrounding libel, defamation and other subjectively evaluated content based speech that implicates the first amendment.

With respect to the freedom of contract, we are troubled that the proposed Convention places too many limitations of the ability of individuals and businesses to agree to terms related to jurisdiction, and that this limitation on contractual freedom could have a chilling effect on the growth of e-commerce. If businesses are not permitted to implement sensible policies to manage risk based on contracting parties making informed decisions, then the ability of companies to offer services and goods will be severely undermined.

Having identified these threshold issues that need to be resolved in order for the proposed Convention to move forward, we turn our attention to the IPR issues that are the subject of the Federal Register Notice. It is our sense that in general, the development of the moderate discipline proposed by the Convention will help to instill greater confidence in global rules by increasing transparency and predictability. The undersigned organizations oppose the establishment of broad subject matter exemptions from the application of this proposed Convention, such as e-commerce, IPR, or tort liability in general. Such exemptions are either impossible to apply given definitional overlaps and inter-connections (e.g. tort/contract liability; e-commerce v. non-network based transactions), or are patently unfair and unnecessary (e.g. the exclusion of IPR).

Indeed, many of the arguments that have been put forward to support various exemptions appear to flow from a basic misunderstanding of the treaty and how it affects the current landscape. In large part, many of the criticisms of this proposed Convention appear to deal with the complexity of dealing in an international marketplace with different laws and practices--in particular when dealing with global media, and not with the proposed Convention itself. In fact,

the Convention addresses some of these difficulties (jurisdiction and enforcement of judgments) while leaving underlying substantive law intact and non-harmonised. Various suggestions that this Convention will force companies to abide by local laws when conducting global business are without foundation, for it is not the Convention that establishes this proposition, but the current application of national laws. While it is true, as outlined above, that this Convention must avoid putting into place jurisdictional rules that would yield unacceptable burdens for all parties engaged in e-commerce, we must avoid suggestions that this Convention does, or should, deal with matters of applicable law.

Having raised these general comments, the undersigned organizations offer the following specific observations:

(1) How does the Draft Convention relate to Electronic Commerce?

Electronic commerce cannot clearly be distinguished from other areas of business. It is impossible to exempt electronic commerce activities from the Convention in a sufficiently clear-cut manner.

(2) How does it relate to Applicable Law?

The Draft Convention does not touch upon applicable law or amend its application. Consistent with existing practices, the applicable law remains to be determined by national law or regional agreements. The private international law regime that will determine the applicable law will be the one of the country of the competent court and nothing in the proposed convention alters that. It is of vital importance that this Convention not stray into the area of applicable law, and that it restrict itself to matters involving jurisdiction and the enforcement of judgments, or exclusively to the enforcement of judgments.

(3) How does it relate to the use of creative content and trademarks on the Internet?

For copyright infringements – as for all kinds of tort – the Draft Convention provides that courts are competent (a) where the activity takes place for claims regarding the activity and its effects (b) where the activity shows effects (but limited to the effects in that jurisdiction only). This does not alter present practices which universally recognize the territorial application of copyright law and its enforcement. The international framework of enforcement and recognition of judgements as provided in the proposed convention would have a streamlining effect when compared to the alternative of litigating in all jurisdictions where enforcement is sought.

For trademark infringement the considerations are slightly modified in so far as trademark law makes the effect of an activity subject to a number of requirements, e.g. the pursuit of commercial activities, etc., which are currently discussed at international level in the context of the work on an agreement

relating to 'Trademarks on the Internet' in the WIPO Standing Committee on Trademarks.

(4) What are the advantages of an international framework?

The Hague Convention **if drafted appropriately** would provide a framework for easy and cost efficient cross-border enforcement of judgements. The enforcement and recognition of judgements may also advance the contractual choice of forum. As parties will be able to safely rely on the recognition of the judgement regarding a contractual claim it should be easier to agree on one competent forum without causing too much of a disadvantage to either party. The rules on jurisdiction and the competence of courts should lead to clear and predictable solutions that facilitate business decisions and create consumer confidence. Drafted properly, this should give businesses engaging in business to consumer contracts the means to determine actively and securely the jurisdiction(s) in which to engage in business.

(5) Does the accessibility of a web site constitute a regular commercial activity that makes a branch of a business subject to jurisdiction?

The provisions in Art. 3 and Art. 9 relate to the general rule that the defendant can be sued in the forum where he is habitually resident. In light of a frequently raised concern, it is important to keep in mind that the **mere** accessibility of a web site --

- (a) does not constitute a 'principal place of business' (Art. 3.2.d)
- (b) does not constitute the creation of a 'branch, agency, or other establishment' (Art. 9)

The Draft Convention puts forward for discussion the possibility to make 'regular commercial activity' a relevant factor in the determination of where a defendant is situated. This option appears in Art. 9 in brackets. We understand this provision to be designed to deal with a company that concentrates employees, facilities, buildings, etc. in an establishment in one country and engages actively, regularly, deliberately, and substantially in business in other territories. In those circumstances the defendant may – depending on the outcome of the discussion about the extension – be sued in the country where he engages in such activities. We believe that it should be clarified that mere accessibility of a web site, on its own, does not constitute "regular commercial activity." In addition, the resolution of these issues will have a precedent setting impact in a number of other areas of deep concern to our businesses, including in the area of internet taxation.

(6) How does the Draft Hague Convention relate to other similar agreements, in particular to the Brussels Convention?

Currently, different proposals are on the table each creating a certain degree of influence of the Hague Convention over the application of the existing Brussels Convention (and its future successors) and the Lugano Convention (both referred to as the 'European instruments'). Generally, overlaps occur for cases covered by the 'European instruments' when there is a connection to a 'Hague Convention state' that is not a 'European instrument country' (e.g. due to the nature of the claim, the residence of the parties, the choice of jurisdiction, etc.). In those cases a decision has to be made which provisions of the Hague Convention shall prevail and how to solve the application of mandatory rules and *lis pendens* regimes. A possible solution is that the mandatory rules are determined in view of the aspect of overlap and that the provisions on prohibited grounds of jurisdiction (Art. 18 Draft Hague Convention) always prevail.

We would also note that the EU has recently reached agreement on an internal rule (i.e. Single Market) which would permit consumers to always sue in their home state if the website can be taken as "directing its activities" at that state, regardless of any contractual provisions to the contrary. This is problematic from two standpoints: (1) it removes an important aspect of contractual freedom; and (2) it premises jurisdiction on a vague construct from an e-commerce perspective--directing the activity of a website. It is important that any international Convention resulting from the Hague Conference avoid such a commerce-distorting result.

(7) Would it be advantageous to bifurcate the text (i.e. single out either provisions on jurisdiction over cases based on contracts or cases based on tort) and go ahead with one area separately?

No. It is a political and complex decision whether to allow for this degree of influence in the domestic sphere in exchange for the recognition and enforcement of the judgements issued by the national courts outside the US. The effect of this decision cannot be limited to one area of civil law excluding other important areas that are part of one homogenous complex framework. Tearing the application apart would lead to an incomplete and lopsided effect with serious negative consequences.

(8) Is there is a reason for exclusive jurisdiction for any action based on the infringement of IP?

No. The current text of Art. 12.4 (and of 12.5 and 12.6 in brackets) differs considerably from current rules on jurisdiction and does not strike the right balance in practice. Only for conflicts that are predominantly based on or that consist entirely in the determination of the validity of a registration of an IPR that requires registration is it advantageous to look for a decision of the court where the register is allocated. For claims dealing with the infringement of IPR there is no reason to limit the competence to the court of registration. The practical effects of the clause as suggested at present show that the provision is ill-adapted to the realities of intellectual property:

(a) Patent: A patent is based on registration territory by territory. Claims can by definition only be brought in respect to territories where the patent is registered. However, it is necessary that in case of a cross-border infringement it is possible to bring an action in the country of residence of the defendant or the place where the activity takes place with effect to other territories where the patent is also registered. A provision of exclusive jurisdiction would force the defendant to litigate in each territory of registration separately.

(b) Trademark: Here the problems are even more apparent. Trademarks come - in most territories - into existence either by commercial use and degree of their recognition on the market or by registration. Consequently, exclusive registration at the point of registry would lead to an imbalanced treatment of these two kinds of trademarks. Registered trademarks would be treated worse and be weaker in effect than non-registered marks because the claim for their infringement could only be brought in the country (or countries) of registration.

(c) Copyright: There is no reason to ever mention Copyright in the context of exclusive jurisdiction. Copyright and related rights do not require any registration in the relevant countries. They come into existence through the mere creative act, performance, production, or broadcast in all territories that recognize such rights. There is no central court that could deal with the variety of problems arising from the differing legal regimes, licensing deals, or points of attachment.

We propose the amendment of Art. 12 to limit exclusive jurisdiction to claims that are a priori and primarily concerned with the validity of the registration, [or the deletion of Art. 12.4 in its entirety.](#)

9) Is the provision on "conspiracy to inflict economic loss" problematic?

There is some concern that the term 'conspiracy to inflict economic loss' in Art. 10.2 could cover organized crime and the organized infringement of intellectual property. It can be assumed from the context that the phrase is meant to deal with a deliberate activity committed as an anti-competitive activity in order to harm competing businesses. The phrase should be clarified accordingly.

(10) To what extent are court orders relating to the internet entered in one country likely to disrupt the activity in question world-wide?

The recent French decision involving Yahoo!'s action site has initiated a discussion evolving around the concern that a court order in one country can have effect in other countries and in certain circumstances world-wide. [However, it is important to bear in mind that this is the case at the moment due to the nature of the Internet. In this respect, the Hague Convention will not create any new problems.](#)

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