

TO: Jennifer Lucas
Jennifer.Lucas@USPTO.GOV

FROM: Rochelle Dreyfuss
Pauline Newman Professor of Law
NYU School of Law, dreyfussr@juris.law.nyu.edu

Jane Ginsburg
Morton L. Janklow Professor of Literary and Artistic Property Law
Columbia University School of Law, ginsburg@law.columbia.edu

RE: Request for Comments on Hague Jurisdiction and Enforcement Convention Federal Register: August 20, 2001

DATE: August 23,2001

Dear Ms Lucas:

We are both professors who write, teach, and lecture in the field of intellectual property law. In addition, Professor Dreyfuss has a strong interest in civil procedure and Professor Ginsburg specializes in conflicts of law. Together, we are working on a draft convention on enforcing judgments in the intellectual property area.¹ Our project, which is patterned on the 1999 Hague Convention and tied to the TRIPS Agreement,² is intended to be an option only if negotiations at the Hague fail or the Convention is narrowed in scope so that it does not cover intellectual property disputes. As an academic exercise, however, it has taught us a great deal about how the Hague Convention could be drafted to benefit producers and users of intellectual property, and to protect the cultural dimensions at stake in intellectual property disputes. We are not practitioners. Accordingly, we do not address the first question on experiences in enforcing judgments.

Issue 2 (uniform rules): We are not clear about the import of this question. The Hague Convention does not impose uniform enforcement roles. Rather, each member state would follow its own enforcement procedures³ The Convention does, however, require that each member state enforce judgments that are predicated on an agreed basis of personal jurisdiction and to refuse to enforce judgments that are predicated on prohibited bases. Enforcement of judgments predicated on other bases of jurisdiction-the so-called grey list-is left to member states. If this question is meant to ask whether the "grey list" is undesirable, we think the answer is no. The existence of agreed bases

¹ An early draft is available at <http://www.wipo.org/pil-forum/en/>.

² Agreement Establishing the World Trade Organization, Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights, 15 April 1994 [hereinafter TRIPS Agreement], 33 I.L.M. 81 (1994).

³ In the U.S., enforcement of judgments is a matter of state law. Uniform-federal-rules on enforcement within the U.S. would certainly be desirable. Indeed, the American Law Institute is currently sponsoring the International Jurisdiction and Judgments Project to develop such rules.

provides plaintiffs with a safe harbor: so long as they situate the case in a court that enjoys one of these bases of jurisdiction, they can engage in litigation knowing that the judgment will be enforceable where ever they ultimately find the defendants' assets (and in the case of injunctive relief, the defendants' locus of activity). At the same time, the prohibited list creates assurance that the citizens Hague Convention states will not be subject to exorbitant jurisdictional demands. The grey list consists of jurisdictional bases that are not universally rejected or accepted; member states' flexibility to enforce or not enforce judgments predicated on these bases permits the law of jurisdiction to develop to meet technological, economic, and political changes. While one might take issue with the exact items on each of the three lists, we are generally satisfied that the U.S. negotiators have correctly assessed the nature of the current international consensus on these issues. We, do however, comment on the torts provision, art. 10, see our answer to Issue 15.

Issue 3 (tag and general doing business jurisdiction): We question whether these bases of jurisdiction are as necessary as many practitioners claim. While we acknowledge that there are certainly cases where the defendant was tagged or brought to the forum on a general doing business theory, we believe that in some of these cases, narrower grounds of jurisdiction may have existed. Thus, it would be useful to laLow not only how many cases relied on a tag or general doing business, but also how often one of these was the *only* possible basis of jurisdiction.

Issue 4 (effect of the Convention on Internet usage of IPRs): Our research suggests that a convention on enforcement of judgments would be particularly useful with regard to disputes arising out of Internet activities-or more generally, disputes over intangible rights to works that are embedded in products (such as digitized text files) that are themselves intangible. Because multiple infringements in multiple jurisdictions can result from such distributions, a Convention that permitted actions to be consolidated in one forum would save significant resources not only for the parties, but also for the international judicial system as a whole.

Consider, for example, the facts of *Twentieth Century Fox v. iCraveTV*,⁴ where television signals from the United States and Canada were picked up in Canada, and then streamed without authorization onto the Internet. To stop the infringement and obtain full compensation under current law, it may be necessary to sue in the U.S., in Canada, and in the countries where the site was accessed. In contrast, so long as the Convention does not create exclusive jurisdiction over copyright disputes, it would permit a single suit asserting all global claims to be brought in one place. The defendant's habitual residence is a situs of general jurisdiction, therefore all claims could be brought there under art. 3; if one (or more) of the same claims is brought elsewhere, the second court must suspend proceedings under art. 21; and art. 22 gives the forum first seized little leeway to dismiss. Unless one of the grounds for nonrecognition listed in art. 28 is present, injunctive and monetary relief could then be enforced where ever the defendant's assets and activities were located per art. 25.

⁴ *Twentieth Century Fox Film Corp. v. iCraveTV*, No. 00-121 and 00-120, 2000 U.S. Dist. LEXIS 1013, at *1 (W.D. Pa. Jan 28, 2000); 53 U.S.P.Q.2d (BNA) 1831 (W.D. Pa. Feb. 8, 2000). See also *Copyright Infringement: NFL v. TVRadioNow Corp.*, 6 *Intell. Prop. Litig. Rep.* 4 (Feb. 9, 2000).

Equally important, consolidation provides a way to avoid inconsistent results. Because intellectual property law is not harmonized among contracting states, certain differences in outcomes are inevitable. Some are also tolerable. For example, an invention may be held patentable in one set of countries and not protectable in others. So long as the right at issue can be exploited only by embedding the knowledge in physical products, there will be few problems associated with this apparent inconsistency: people who make, use, sell, offer for sale, or import product in a country where it is patented will need authorization, even though the same usage could take place without permission elsewhere. However, there are cases where differing outcomes are not acceptable. For example, so long as the Internet remains geographically unsegmented, multiple ownership of a trademark used on the Internet can confuse consumers, damage the integrity of protected signals, and harm the reputation of rights holders. Similarly, a decision by one state's court to permit the streaming of copyrighted material onto the Internet can be undermined if another state enjoins it as infringement. In such cases~ it would be useful for one court to hear the entire worldwide dispute, and to find a resolution that can accommodate all interests at issue. No one jurisdiction is likely to write law that expressly deals with multinational disputes; consolidated litigation provides an important way for this law to evolve.⁵

A more economical approach to multinational disputes may also curtail recent judicial tendencies to expand the reach of domestic laws to apply them to acts occurring abroad.⁶ Extraterritorial application of law has become worrisome to many observers because it interferes with sovereign authority by limiting the extent to which a state can control the local conditions under which information is produced, utilized and accessed. Further, by imposing one jurisdiction's law on activity in another location, extraterritorial application also undermines the TRIPS Agreement's principles of nationality and minimum standards. Litigants who maneuver a court in their home country into providing them with remedies they would not be awarded in another country receive better treatment than rights holders in that other country. As a result, the standards for protection in the second country in effect become the standards of the first. However, as long as it remains difficult for intellectual property holders to pursue their rights internationally (because of costs, or difficulties in acquiring jurisdiction over defendants in territories where there are claims), courts will likely make up for the shortfall by finding that local law covers distant activity.⁷ Permitting consolidated adjudication of worldwide claims facilitates efficacious resolution on a worldwide basis, and should abate the extraterritorial impulse.

⁵ See generally, Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. Pa. L. Rev. 469 (2000).

⁶ See, e.g., *Update Art, Inc. v. Modiin Publishing, Ltd.*, 843 F.2d 67 (2nd Cir. 1988)(applying U.S. copyright law to infringements in Israel that resulted from an initial reproduction of the work in the United States). See generally, Jane C. Ginsburg, *The Private International Law of Copyright in an Era of Technological Change*, 273 *Recueil des cours* 322-48 (1998).

⁷ See generally, Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 *Colum.-VLA J.L. & Arts I*, 19-20,27-28 (1999).

The ability to consolidate related worldwide actions furthers other goals of the TRIPS Agreement as well. While it is true that every member state is required to protect intellectual property rights,⁸ the Agreement has a much looser standard regarding enforcement: countries are not required to treat intellectual property cases any differently from the way they “enforce their laws in general.”⁹ In countries where courts are backlogged, rights holders may find that they cannot quickly end infringement. But if these claims could be joined to a suit pending in a court capable of acting quickly, then the effects of overburdened litigation systems will be attenuated.

It has been suggested that facilitating consolidation of claims and recognition of judgments also has negative consequences. One argument is that it will result in greater enforcement of intellectual property rights and hence, lead to reduced usage of information. Under this view, tolerance of infringements is desirable, particularly for remote (and perhaps less affluent) jurisdictions. The problem for less developed countries can, however, be dealt with substantively. Countries that are not members of the TRIPS Agreement are not required to recognize intellectual property rights at all. Less developed countries that are members of the TRIPS Agreement are afforded special treatment under its terms. As long as the appropriate law is applied to utilizations that occur in these countries (an issue we discuss in our comment on Issue 14), the levels of usage should reflect the sovereign judgments of the states in which the usage occurs. Indeed, as noted earlier, consolidated treatment may reduce the incidence of high-protectionist states extraterritorially extending their law to low-protectionist countries. If it does, then the special treatment TRIPS affords developing economies may be better effectuated through this provision than otherwise.

More generally, consolidation has benefits for both users and rights holders. It preserves litigation resources and reduces opportunities for harassment. The recent example of the litigation between a large computer software developer, Computer Associates, and a much smaller competitor, Altai,¹⁰ illustrates the point. Computer Associates (CA) initiated a suit in New York for infringement of the copyright on a computer program. After losing, CA brought another action, arising out of substantially the same transaction or occurrence, in France. Altai was obliged to defend in both places, the Second Circuit having refused to enjoin the parties from pursuing the French claim on *res judicata* grounds. The court reasoned that French law applied to that claim, making it different from the one asserted in the U.S. Had the parties been allowed to raise all claims in one action (either by way of claim or counterclaim), this harassment would not have occurred.

Another negative consequence that has been voiced is that consolidation ups the ante for defendants and pushes them to improvident settlements. Here again, both sides are equally affected: knowing that it only has one chance to win, the plaintiff is also under pressure to settle. The recent case of

⁸ TRIPs Agreement, art. 9.

⁹ *Id.* art. 41(5).

¹⁰ *Computer Associates, Inc. v. Altai, Inc.*, 126 F.3d 365 (2d Cir. 1997).

Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.¹¹ supports the point. After the Second Circuit consolidated claims under 18 nation's copyright laws, the case settled-reportedly, for substantially less than was sought in the original complaint.

In sum, our view is that consolidated adjudication of intellectual property disputes arising out of Internet activity is now, or will quickly become, essential; one of the primary values that we perceive in this Convention is that it facilitates worldwide joinder of such claims. We, in fact, would prefer that the Convention go further in promoting consolidation. The 1999 Draft included provisions for the joinder of multiple defendants and third-party claims (arts. 14 and 16). Although some modification of these provisions may have been required to conform them to U.S. due process standards, we believe that making these changes would have been preferable to the approach that has now been taken of dropping the provisions entirely. Along the same lines, we would have liked the *lis pendens* provision (art. 21) to require the consolidation of *all* claims arising out of the same action or occurrence (as it currently stands, the only duty that courts have is to suspend proceedings on the *same* claims if they were filed elsewhere first).¹² We do, however, understand the decision to move slowly.

There is one proviso to our general enthusiasm for applying the Convention to Internet activity: the torts provision (art. 10) needs to take better account of the way the Internet is used. In particular, those who provide the infrastructure of the Internet (service providers, search engines, and the like) may require special jurisdictional protection, see our comment to Issue 15.

Issue 5 (exclusive jurisdiction): As noted above, we believe that the main benefit of the Convention is the possibility it creates for consolidated adjudication of worldwide claims. However, its use as a consolidation device is frustrated if intellectual property disputes can be heard only in the territory whose rights are in issue. Thus, putting intellectual property on an exclusive jurisdiction list is *not*, as a general matter, desirable.

That said, there are exceptions. One is patent litigation, where consolidation is not likely to be cost effective. Patent rights are more territorially grounded than other intellectual property subject matter and the patent laws of potential Convention members represent a greater range of substantive differences than do their copyright or trademark laws. Moreover, the technical difficulties in patent cases would be extremely challenging even to judges familiar with local patent law. Resources are not saved by making a consolidated case so complex, it can be decided only with enormous difficulty. Further, there are places where patent validity can only be adjudicated in an expert agency. It would be paradoxical to permit foreign courts to entertain cases that could not be heard in the local courts of the country where the right in question was registered. The costs of permitting one country to adjudicate the patent rights of other countries are, in other words, very high. At the same time, benefits are low. Patented products continue to be distributed mainly by physical means:

¹¹ 145 F.3d 481 (2nd Cir.1998).

¹² See also Rochelle Cooper Dreyfuss, An Alert to the Intellectual Property Bar: The Hague Judgments Convention. 2001111. L. Rev. 421.

apart from software and business methods, patent infringements seem unlikely to occur by means of the Internet. Thus, state-by-state adjudication of rights remains viable in this area. Accordingly, it makes some sense to channel patent disputes to the jurisdiction of registration and to make that jurisdiction's judgments enforceable in all member states.

Treating patents this way does, however, have a significant disadvantage in that it freezes the law. As patent law becomes more uniform from nation to nation, and as new distribution technologies are created and digitized inventions developed, the decision to isolate patents may pose problems. Thus, it may make even more sense to exclude patents from the scope of the Convention entirely, so that the law can develop on a case by case basis.

A second exception is for cases in which the sole issue is the validity of a registered right. Since only the country of registration can revoke the right, there is no point in allowing such a case to be brought in any jurisdiction but the place of registration. Where, however, a challenge to validity is part of a larger case (e.g. if it arises as a defense to infringement), then the validity issue should be heard as part of that case; if the right is invalidated, the judgment should be entitled to enforcement at the place of registration, subject to the defenses to enforcement that are set out in the Hague Convention. Efficiency interests favor adjudication of the entire case. Splitting claims is expensive. More important, it can be difficult to decide infringement issues without understanding the arguments on validity (and vice versa).

Issue 6 (incidental matters). We believe that the same reasons that support a broad view of supplemental federal jurisdiction under 28 U.S.C. § 1367 support adjudication of incidental intellectual property questions. When an entire "case" is heard at the same time, resources are saved because claim splitting is avoided, and the possibility of inconsistent outcomes is reduced.

Issue 7 (preclusive effect on incidental matters). An issue once determined should be entitled to preclusive effect in all member states. Litigation is costly and litigants have reliance interests in the resulting judgment. Moreover, it is impossible to know how much to invest in litigation if the result of the judgment is unclear at the time the case is tried. Finally, the notion of a nonpreclusive judgment may be illusory. For many intellectual property rights, one "bad" judgment will influence the behavior of other potential licensees irrespective of whether it is technically preclusive. Permitting an issue to go to judgment without giving it preclusive effect requires the litigants to devote full resources to litigation while depriving them of the full benefit of the outcome.

Issue 8 (registered rights subject to exclusive jurisdiction). As noted above, we can understand why patent rights might be subject to exclusive jurisdiction (we would prefer, however, to leave them out of the Convention). However, any right that can be exploited on the Internet should *not* be subjected to the exclusive jurisdiction provision of art. 12(4). Thus, trademark disputes—other than those limited to contesting the validity of a registration—should be accorded the same treatment as copyright disputes: they should be outside the purview of art. 12(4).

Issue 9 (unregistered rights). Apart from patents, the only rationale for making rights exclusive is that the place of registration has the unique power to nullify or revoke the right. Absent this rationale, we can see no reason to put a dispute on the exclusive jurisdiction list.

Issue 10 (other claims). Claims that arise from the same transaction as a copyright or trademark dispute should be treated in the same way as copyright claims are treated-on the white list and not within art. 12(4). Since torts are generally covered by the Convention (art. 10), treating “other claims” (passing off, unfair competition, Cybersquatting, dilution, etc) specially would raise difficult line drawing questions. Further, whether a particular action fell under the Convention would depend on how a member state classified it; at the very least, the Convention would have to specify whether it was the classification law of the rendering court or the enforcing court that applied. Moreover, many of these claims will arise from Internet activity and thus would benefit from consolidated treatment. Finally, even if free standing “other claims” were excluded from the Convention or made subject to art. 12(4)’s exclusive jurisdiction list, they should nonetheless be heard when a part of a larger case raising “Convention” issues. Again, the rationale is the one underlying supplemental jurisdiction.

Issue 11 (provisional and protective measures). The time-value of information and the inability to return (or forget) what has been learned makes the availability of preliminary relief particularly important in intellectual property disputes. We believe that alternative A of art. 13 offers the greatest flexibility and should be adopted.

Issue 12 (substantive law). As noted in connection with Issue 4, substantive law can be altered if a country applies its laws extraterritorially in an enforceable judgment. For example, if the U.S. judgment in the *iCraveTV* case requires the defendants to shut down their activities in Canada, and if Canadian law would have permitted the transmission, then substantive law is affected. The issue is whether this Convention would make this problem better or worse. A strong argument can be made that it makes it better: as noted above, there is less need to apply law extraterritorially if it is possible to litigate worldwide claims efficiently, by joining claims under the laws of several nations in one action.

The counterargument is that a courts hearing a foreign claim will apply the wrong law-probably forum law-because the court fails to consider choice of law t or thinks forum law applies as a matter of its choice-of-law rules, or because it is under the misguided impression that the laws of the other states involved are the same as the law of the forum. As a result, a litigant sued in a foreign forum may find that the law applied to the dispute is very different from what that litigant expected. This, it is argued would be particularly problematic in intellectual property, where cultural goods and values are at stake. We believe that this problem, if it exists, would quickly correct over time, as courts and litigators become more experienced with international litigation under the Convention. However, we also think that people would be more comfortable with the Convention if courts could refuse to enforce judgments based on unreasonable (or unforeseeable) choices of law. Such a provision could be added to art. 28 as a separate ground for nonenforcement or the commentary could make clear that art. 28(1)(c) or (f) encompassed decisions based on an inappropriate law.

It can be argued that adding choice of law as a ground for nonenforcement could lead to relitigation of every case. However, if this ground is limited to intellectual property decisions, we do not believe this will occur. Intellectual property is uniquely territorial. Accordingly, it will often be relatively easy *to* decide which law is in issue. Besides, an “unreasonableness” (or unforeseeableness) standard is too flexible to be used as a defense *to* enforcement on a regular basis. Nonetheless, adding this standard would give the court hearing a case an incentive *to* protect its judgment by explaining its choice-of-law decision carefully. These decisions would, in turn, create a dialogue among member states' courts on what an appropriate law is in the context of multinational infringement.

Issue 13 (contractual freedom). One of the worrisome issues in the current draft is the treatment of choice of forum clauses. Certainly, parties should be permitted to negotiate for a particular forum. There are, however, several problems. First, it is not always clear whether a contract is the product of negotiation and when it is imposed by a party with superior bargaining power. Under one variation of the Current proposed art. 4, the validity of such contracts would be determined by the law of the place where the action is brought. This approach cannot be right as it will surely lead plaintiffs to choose fora where the scrutiny of such contracts is minimal. If this proposal promotes overreaching by plaintiffs wielding forum selection clauses, it could also, paradoxically, lead to undesirable manipulations on the part of the party resisting the forum selection clause, as this party could sue in a forum other than the one selected and use its law to invalidate the forum selection clause. This would introduce an undesirable level of unpredictability. An alternative would be to rely on the law of the place where the non drafting party was located at the time the agreement was entered into (or performed), but that option is also bad. When a purchase is made on line, location can be difficult to determine. Besides, forum shopping by the non drafting party is no more desirable than forum shopping by the drafting party. To remedy the problem, the Convention should supply its own rules for determining when a forum selection clause is enforceable.

Another problem is that many intellectual property agreements are not negotiated at all. These include so-called “shrinkwrap” and “click on” agreements, where the user has the power to accept or reject the product, but not to reshape the contract. While art. 7 provides significant protection for consumers, many non negotiated agreements arise outside the classic consumer context. For example, a firm buying software to use in its business may lack expertise and bargaining power and yet be unprotected by art. 7. Choice of forum clauses in non negotiated contracts could simply be declared unenforceable, but that could raise the cost of doing business and increase the price of information products. A better approach would be to follow the lead of the Uniform Computer Information Transactions Act (UCITA),¹³ and treat non negotiated contracts separately from other contracts. Forum selection clauses should be enforced only if they are reasonable in light of the location and resources of the non drafting party.

¹³ National Conference of Commissioners on Uniform State Laws. Uniform Computer Information Transactions Act (2000) (NCCUSL Report), Introduction. available at http://www.law.upenn.edu/bll/ulc/ulc_frame.htm

The question also asks about choice of law clauses. These are not treated by the current draft of the Convention. If they are to be covered, we would accord them the same treatment.

Issue 14 (exclusions). We would exclude patents and actions brought solely to nullify registrations, for the reasons given above.

Issue 15 (other problems). We see two other problems requiring attention.

1. Art. 10. We would strongly urge the drafters to rewrite art. 10 to make clear when Internet use creates personal jurisdiction. The current language is not clear for intellectual property actions generally and for Internet activity in particular. Moreover, providers of Internet infrastructure, such as Internet service providers and search engines, should be considered for special treatment. For the Internet “marketplace” to nm efficiently, these services are absolutely necessary and they must be accessible worldwide. These providers have very little control over the information whose transmission they facilitate and find; making them vulnerable to jurisdiction for infringements all over the globe will make these services prohibitively expensive. Another way to look at this is to consider these providers as a kind of “new media.” Although U.S. procedural law does not generally make special provisions for the media, substantive law does—there is a first publication doctrine that protects media defendants from harassment and certain immunities are built into substantive law.¹⁴ Since the Convention cannot deal with substantive law, the only way to be sure that these new media are protected on a worldwide basis is with special jurisdiction rules. These might draw on the provisions in the U.S. Online Copyright Infringement Liability Limitation Act¹⁵ and the E.U. e-Commerce Directive¹⁶ that limit the exposure of access providers who act as mere conduits for communications initiated by and destined for parties whom the service does not select. The special jurisdiction rules might articulate analogous limitations on an access provider or search engine's amenability to suit in a foreign forum.

2. Art. IS. We would make it clear that a court would have supplemental jurisdiction over all claims arising from the same transaction or occurrence.

Respectfully submitted,

¹⁴ See, e.g., *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984). But see N.Y. C.P.L.R. § 302(a)(2)(special jurisdiction rule for defamation actions). For examples of substantive protections for media, see, e.g., Lanham Act, 15 U.S.C. § 1114(2) (attenuating remedies available from media defendants for trademark infringement); Communications Decency Act, 47 U.S.C. § 430(c)(i) (“No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.”).

¹⁵ 17 U.S.C. § 512(a)(b)(d).

¹⁶ Council Directive 2001/31/EC, No. 300LOO31, of 8 June 2000, arts. 12-15, OJEC L 178 (17/07/2000).

Rochelle Dreyfuss
Pauline Newman Professor of Law
New York University School of Law

Jane Ginsburg
Morton L. Janklow Professor of Literary and Artistic Property Law
Columbia University School of Law