

Comments on Draft Convention  
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Attention: *Velica Steadman*

Re: Comments on the Hague Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters

These comments are being submitted in response to the Notice appearing in the Federal Register Dated August 20, 2001, regarding the Draft Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters. These comments are based on the text of the Summary of the Outcome of the Discussion in Commission II of the First Part of the Diplomatic Conference on June 6 -20, 2001 and available at [www.hcch.net/workprogram/judgm.html](http://www.hcch.net/workprogram/judgm.html).

I am a Professor of Law at The John Marshall Law School in Chicago, Illinois, where I teach, among other topics, international and domestic intellectual property law, intellectual property in the global, digital environment and unfair competition law. I have written numerous articles and books in the area, including a text book and co-authored several anthologies on international intellectual property law. Prior to entering academia, I was a practicing attorney for over 14 years, representing numerous clients in domestic and international intellectual property protection matters. I strongly favor the development of an international protection regime that provides a sensible and workable balance between the rights of owners and creators of intellectual property and the right of access of the public to such works. Such regime should establish a viable test for identifying a narrow range of acceptable fora for the adjudication of trans-border intellectual property protection disputes. The fora selected must have a rational

relationship to the rights whose protection is sought and must apply internationally accepted standards in adjudicating such matters. Moreover, any international agreement regarding IPR jurisdictional issues must take cognizance of the special requirements of intellectual property protection on the Internet and in e-commerce. The views submitted in these comments are my own and do not represent the views of The John Marshall Law School or any private or public organization, business, agency or other entity.

***The Special Nature of Intellectual Property Requires Either a Separate Jurisdictional Convention or Markedly Expanded Coverage of the Jurisdictional Issues that Relate to Trans-border Litigation***

The present Draft Convention wholly fails to take into account the unique aspects of intellectual property, and the present and future impact of the Internet on the international protection of IPR.<sup>1</sup> These failures make the present proposals for jurisdiction unworkable. The determination of international jurisdictional "rules" for the protection of intellectual property cannot be made in a vacuum. It must reflect both current international protection practices and problems, as well as anticipate future issues. The current Draft does neither. For the reasons set forth more fully below, I advocate the conclusion of a separate convention concerning the international jurisdictional rules governing the enforcement of intellectual property in civil and commercial matters. If such separate convention is not workable, then, at a minimum, the present provisions of the Draft Convention must be re-drafted and expanded to reflect the reality of international IPR protection.<sup>2</sup>

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<sup>1</sup> The sole exception in the present Draft Convention appears to be its treatment of patents. Patents, unlike other traditional forms of intellectual property, continue to be largely territorial in nature with relatively few instances of multinational infringements. The absence of such an international problem militates against the inclusion of patents in the Convention on grounds different from those contained in these comments. First, the relative paucity of truly international patent cases indicates that no problem currently exists which must be solved by reference to an international convention. Second, given such paucity of case, it is too soon to develop international rules until the nature of the problem is fully understood.

<sup>2</sup> For purposes of these comments, I have addressed only those forum selection rules that apply in instance where the parties are citizens of separate states, or the matter at issue arises in a state different from the state of citizenship of the parties. I have not addressed the potential domestic impact of the Draft Convention's forum selection rules, although it would be considerable.

***Forum Selection Rules Should not Force Litigation in Fora which do not Recognize IPR Protection in Accordance with International Standards***

Since 1994, with the establishment of the TRIPS Agreement, international minimum enforcement standards for the protection *and enforcement* of intellectual property rights have existed. Although such standards do not address the issue of jurisdiction or choice of law, they establish minimum substantive requirements for the protection of six forms of intellectual property, including, most importantly, patents, copyrights, trademarks and trade secrets. In addition to these substantive requirements, the TRIPS Agreement establishes minimum *enforcement* standards. These standards, contained in Articles 41 to 61 of TRIPS, have proven critical to the predictable, international enforcement of intellectual property rights. The Draft Convention makes no reference to these standards. Significantly, although the Draft Convention purports to establish forum selection rules in intellectual property enforcement matters, it does not require that such forum have laws in accordance with international norms. Any jurisdictional agreement that attempts to establish a sole source for jurisdiction and that does not require that any such sole source be a signatory to TRIPS, or at least apply its standards is a step backwards in global IPR protection and should be avoided.<sup>3</sup>

One of the reasons for the original draft treaty was to resolve the problem of international forum shopping. Such forum shopping is only a problem when the choice of the forum is outcome determinative. Failure to comply with TRIPS standards is undoubtedly outcome determinative. Requiring intellectual property owners and users to restrict themselves to a forum that has no obligation to provide the internationally recognized minimum levels of protection for IPR would eliminate any positive benefits predictability of jurisdictional choices is designed to foster. It would, in effect, leave IPR owners and users with no avenue for effective relief.

***Reliance on Registration Provisions for Forum Selection in Trademark Matters Ignores the Evolving Nature of International Trademarks***

The Hague Convention also fails to take into account the changing nature of intellectual property rights in the digital age. The old 20<sup>th</sup> Century model which recognized intellectual property rights as “territorial” in nature, and therefore creatures largely of domestic creation and protection (with the exception of patents) has little relevance in a commercial world of trans-border media, including satellite and internet transmissions, increased international trade in intellectual property based goods and services, and new distribution methods, including the

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<sup>3</sup> Similarly, the obligation of one state to enforce the judgment of another which does not comply with such international standards in its domestic laws does *not* advance the goals of IPR protection. Thus, no state should be required to recognize a foreign judgment by a country which does not meet the minimum protection and enforcement standards of TRIPS.

increased use of digital distribution across borders. These changes are rapidly transforming intellectual property into “universal” rights. Reliance on the site of registration for “exclusive” jurisdictional purposes makes little sense in light of this growing “universality.”<sup>4</sup>

For cases involving the “grant, registration, validity, abandonment, revocation or infringement of a ... mark,” Article 12, Alternatives A and B, establish the state of “registration” as the forum of “exclusive jurisdiction.” Although Article 12, Paragraph 5 now properly recognizes that trademarks may be “unregistered,” this focus on the site of registration as a source of exclusive jurisdiction is not only unworkable for many trademark infringement issues, it fails to take into account the increasing lack of relevance of such registration in the international arena. While TRIPS generally permits minimum protections for trademarks to be premised on domestic registration,<sup>5</sup> both also recognize that a special category of marks exists whose protection can no longer be shackled to the territorial requirements of registration. These so-called “well-known” or “famous” marks must be protected regardless of whether they are registered in a particular country.<sup>6</sup> This lack of relationship between trademarks and formal registration requirements is similarly mirrored by the growth of the Internet and the now world-wide ability to advertise products and services into virtually every country in the world. As Internet penetration increases, the ability for marks to become “famous” through reputation and renown<sup>7</sup> will continue to expand. Although such expansion will not turn every mark into a famous mark, it seriously calls into question the Draft Convention’s assumption reflected in Article 12, Paragraph 4 that registration is generally relevant to the determination of international disputes involving rights to trademarks and other source designators.

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<sup>4</sup> This universality has been strongly criticized, particularly in the area of trademark protection. Even some US courts have refused jurisdiction for cases involving foreign trademark law claims on the grounds that such claims are more appropriately brought in the courts of another country. See, e.g., *Vanity Fair Mills v. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956) (dismissing case where the plaintiff declined to separate Canadian from US claims); *Alcar Group v. Corporate Performance Systems, Ltd.*, 109 F. Supp.2d 948 (N.D. Ill. 2000) (dismissing Lanham Act claims noting the “if [the plaintiff] has a trademark case, it is under British, German or other ...law.”). But see *Bravo Co. v. Chum*, 60 F. Supp.2d 52 (E.D.N.Y. 1999) (upholding jurisdiction over Canadian passing off claims, although the court based such decision in part on its conclusion that Canadian law was no different from US law). Such criticisms, however, fail to take into account the universalizing trends of famous marks (in the physical world) and domain names and the Internet in the cyber world.

<sup>5</sup> See TRIPS, Article 16.

<sup>6</sup> See Paris Convention for the Protection of Industrial Property, Article 6bis; TRIPS, Article 16. Territoriality continues to play a role in the recognition of “fame” since it is the fame of the mark in a particular country that is the focus of the inquiry. The locational nature of such decisions, however, is less stringent than it appears on first glance since renown – including reputation of the mark has achieved as a result of use in other countries – is one of the factors to be considered. See note 7 *infra*.

<sup>7</sup> Evidence of renown which must be considered under TRIPS Article 16 and the recently adopted Joint Recommendations Concerning Provisions on the Protection of Well-Known marks adopted by the WIPO General Assemblies, [www.wipo.int/sct](http://www.wipo.int/sct).

The Draft Convention's focus on registration as the basis for forum selection in trademark matters also ignores the increasing role that causes of action such as passing off play in protecting newer types of trademarks and other source designators such as trade dress. These causes of action are equally as important in obtaining relief for the unauthorized use of trademarks and other source designators. Even where a trademark is registered, a claim for passing off or infringement of the common law rights embodied in the trademark may be married to the claim for relief against trademark infringement. These claims are not "incidental" matters. To the contrary, where a trademark registration is found to be faulty, relief may still be obtained under such additional causes of action. Yet such claims have no relationship to the registration focus of the present Draft Convention.

This general focus on registration for trademark jurisdiction also ignores the growing problem of trademark infringement on the Internet, including the problem of the unauthorized use of domain names which infringe trademark rights. Alternative dispute resolution under ICANN's Uniform Dispute Resolution Policy ("UDRP") has, to date, served a valuable purpose.

Private alternative dispute mechanisms are properly excluded from the Draft Agreement.<sup>8</sup> Nevertheless, the UDRP currently applies only to disputes based on the bad faith use and registration of particular domain names.<sup>9</sup> There are numerous other disputes and other generic top level domains and country code domains for which no alternative dispute resolution procedures are in place. Despite the close relationship between trademarks and domain names, and the similarity of the issues raised, the Draft Treaty does not address this area of contention.<sup>10</sup>

The registration basis for forum selection in trademark infringement matters also ignores the multiple registration potential for marks. Article 12, Paragraph 4 provides that "the courts of the Contracting State of ... registration shall have exclusive jurisdiction." This provision ignores that marks may well be registered in numerous nations. If a mark is registered in both the United States and China, and the allegedly infringing goods are being manufactured in China, the focus on the situs of registration does not answer the question of who has exclusive jurisdiction over this matter. Is it the registered mark in China which is being infringed or the registered mark in the United States? Presumably, it would be the former. The logic of this choice, however, is not supported by the merely formality of the site of the registration. To the contrary, the more

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<sup>8</sup> It is not completely clear that such agreements, entered into between domain registries and private citizens who are "purchasing" domain name registration services for their own personal (as opposed to commercial) websites fall outside the strictures of Article 7 governing contracts concluded by consumers. If such agreements are deemed to fall within the scope of this Article, insistence on the ability to impose alternative dispute resolution procedures and the forum for such procedures, even against "consumers" is imperative to the continued vitality of this successful solution to the cybersquatting problem.

<sup>9</sup> See Uniform Domain Name Dispute Resolution Policy, [www.icann.org](http://www.icann.org).

<sup>10</sup> Presumably, such disputes would be governed by default provisions of Article 10, regarding claims in tort or delict. For the reasons described more completely below, such defaults fail to provide the appropriate guidance for such claims, and consequently fail to achieve the rational predictability goals of the Draft Convention.

logical focus in this instance would be the source of the infringing activity or the situs of the harm caused by the infringement in question. Article 12, Paragraph 4 does not anticipate or permit such a choice.<sup>11</sup>

For unregistered marks (which would presumably include famous marks under Article 6bis of the Paris Convention), exclusive jurisdiction would lie in “the courts of the Contracting State in which rights in the mark arose.” Do rights in marks arise where the mark is used or where the mark has earned a reputation regardless of use (which is required under Article 16 of TRIPS)? Given the famous nature of the mark, there may well be several fora which have “exclusive” jurisdiction under this provision.

What if in my previous hypothetical, the mark was unregistered in China. Assume further that China did not recognize trademark rights under unfair competition theories. Instead, it treats trademark rights as only “arising” through the act of registration in the country. Under the limited facts given, anyone would be hard pressed to say that the sole forum should be the United States since that is where the mark is both registered and used (such acts being well-recognized under international law as serving to establish rights in a mark.<sup>12</sup> The fallacy of such an argument, however, lies in the fact that logic dictates that since the focus of the infringing *activity* is in China, in the absence of additional factors that would warrant jurisdiction in the United States,<sup>13</sup> jurisdiction should lie in China. This conclusion is based on the logical relationship between the forum selected and the harm that is at heart of the claim. In short, it lies in an activity based view of jurisdiction. Yet the Draft Convention ignores this logical basis. Instead, it chooses to use the ambiguous phrase “in which rights in the mark arose” to base its sole selection criteria.

While registration may prove a useful basis for forum selection in cases of patent infringement,<sup>14</sup> it should not be used in cases of trademark and copyright infringement given the presence of other more appropriate criteria for forum selection described below.

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<sup>11</sup> For reasons discussed more fully below, an activity based test is a more accurate reflection of the logical forum selecting factors to be applied in most IPR litigation disputes, yet as currently drafted Article 10 does not provide sufficient guidance on the application of these activity factors to create any level of predictability in connection with intellectual property protection matters.

<sup>12</sup> See, e.g., TRIPS, Article 16. See also *GAF Broadcasting Co. v. Caswell-Massey Co. Ltd.*, 215 U.S.P.Q. 654 (T.T.A.B. 1982)(rights to a mark arise from use, not conception).

<sup>13</sup> These factors are ones that would give rise to a claim based upon the infringer’s doing business in the United States or on the situs of the harm being the location of the trademark owner (once again, the United States). I support a doing business test (properly applied). See discussion *infra*. I do not, however, support a situs of harm test which focuses solely on the location of the trademark owner in the absence of other factors such as directed activity or purposeful availment. See, e.g., *Christian Science Board of the First Church of Christ, Scientist v. Nolan*, 239 F.3d 209 (4<sup>th</sup> Cir. 2001)(purposeful availment).

<sup>14</sup> See note 1 *supra*.

***Elimination of Infringement as an Included Cause of Action Does Not Resolve the Problem***

Excluding “infringement” from the causes of action for which forum selection is established by registration might seem like an acceptable solution to the above-identified problems. Such exclusion would leave causes of action that are more directly related to the presence of a registration for a given mark, including “the grant, registration, validity, abandonment [and] revocation” of such registrations within the purview of the nation in which the relevant registration (however that is defined) is located.<sup>15</sup> Such elimination, however, ignores the fact that the validity of a mark, including its distinctiveness, or abandonment are often raised in civil trademark infringement actions.<sup>16</sup> Thus, eliminating infringement actions from the scope of the forum selection rules would *not* resolve the selection issues raised above. To the contrary, infringement must be dealt with in any convention that seeks to resolve jurisdictional issues involving IPR protection internationally. Failure to do so could result in inconsistent determination regarding the validity of the same mark.

For example, the United States permits the consideration of the genericness of a mark in civil litigation matters.<sup>17</sup> Obviously a determination that a mark is generic is, in essence, a finding that the mark lacks validity. In the United States, the term “aspirin” is considered generic, and therefore incapable of serving as a source designator. In Canada, the mark is considered a valid trademark. Assume that in related cases, the registration of the Canadian mark is challenged for genericness by the US manufacturer of an aspirin product in a Canadian court. The unauthorized import of the US manufacturer’s product into Canada is challenged by the Canadian trademark owner. The US manufacturer defends on the grounds that the Canadian mark is generic and therefore not infringed. If infringement is removed from the Draft Convention, then its rules of forum selection would apply to the first challenge of validity, but not the second. This could ultimately result in the first case being heard before a Canadian court (which would most likely uphold the registerability of the term “aspirin”) and the second case being heard before a US court who might find the term generic.<sup>18</sup> Such inconsistency may occur despite the presence of agreed-upon forum selection rules. It should not, however, be *imposed* by a failure to treat all relevant issues.

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<sup>15</sup> See Article 12, Paragraphs 4 and 5.

<sup>16</sup> See, e.g., *Dawn Donut Co. v. Hart Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959)(abandonment); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976)(distinctiveness).

<sup>17</sup> See, e.g., *King Seeley Thermos Co. v. Aladdin Industries, Inc.*, 321 F.2d 577 (2d Cir. 1963).

<sup>18</sup> For a discussion of the problem of a court’s applying its own domestic law and policy to foreign based claims, see note 33 *infra*.

***The Simplistic Approach of the Convention to Forum Selection in Intellectual Property Cases does not Reflect the Reality of IPR Enforcement in the International Arena***

The Convention seems to anticipate that any cause of action involving the protection of IPR can be easily categorized into infringement, validity, contract, or tort measures for which separate jurisdictional rules apply. The reality, however, is distinctly different, particularly in the area of international enforcement of intellectual property rights on the Internet. For example, assume the owner of a webpage which contains both her protected trademark and her copyrighted material discovers that a competitor, without permission, has created a deep link to copyrighted material on her page. The effect of the deep link is to frame her copyrighted materials with the defendant's webpage identifiers. The original website owner could bring a cause of action against the competitor on several different theories:

1. Copyright infringement on the grounds that the competitor's webpage is an unauthorized derivative work;
2. Trademark infringement on the grounds that a deep link to a competitor's site could create a likelihood of confusion regarding the relationship between the two sites;
3. Unfair competition on the grounds that the deep link to a competitor's site could qualify as "passing off."

Depending on the cause of action, the Draft Convention would provide a different basis for selecting the forum. The copyright clause would fall outside the scope of current draft convention. The trademark infringement claim would be determined by reference to the site of the registration of plaintiff's infringed mark. The passing off claim would most likely be determined under the rules of Article 10 since it would be considered a tort, in which case the country in which the injury arose would be the appropriate forum.<sup>19</sup> Conceivably, each of these tests could require that a different forum would have "exclusive" jurisdiction over the claim. The Draft Convention, however, does not provide any guidance regarding which rule takes precedence where several causes of action could be brought relating to a single issue of IPR protection.

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<sup>19</sup> I agree with the position that even if anti-trust claims are excluded from the scope of the current Draft Convention as proposed in Article 1, Paragraph 2(i), such exclusion should not include those claims whose "competition" nexus lies more closely in the areas of passing off and other claims that are based in the deceptive or misleading actions of the defendant. These types of claims have a close relationship to IPR matters and should, therefore, be included to the extent they touch upon intellectual property related issues.



The “incidental rule” of Article 12, Paragraph 6 does not answer the problems raised since it is difficult to determine which of the above-identified causes might be considered “incidental” to the others. Moreover, under the standard presently proposed, each would require a judgment on the merits and most likely does *not* qualify as incidental under Paragraph 6. As noted above, even a standard trademark infringement action under domestic law can give rise to numerous causes of action, including violation of a registered mark under Section 32 of the Lanham (15 U.S.C. §1116), violation of an unregistered mark under Section 43(a) of the Lanham Act (15 U.S.C. §1125(a)) and passing off under state common laws.

Similarly, the *lis pendens* provisions of Article 21 does not resolve this problem since it only deals with suspension of second-filed proceedings “based on the same cause of action.”<sup>20</sup> It is doubtful that trademark infringement and passing off would be considered the same cause of action, despite the similarity of the parties and the fact patterns involved. While no treaty can resolve every potential fact pattern, one that is directed toward enhancing predictability in jurisdictional forum selection should at least provide predictability for common litigation scenarios.

### ***The Attempted Exclusion of Copyright is Both Ill-Advised and Ineffective***

Copyright, unlike patents and trademarks which are expressly covered in Article 12, is not generally subject to a registration requirement internationally. To the contrary, the Berne Convention on the Protection of Literary and Artistic Works expressly forbids the imposition of registration requirements on the protection of otherwise copyrightable works.<sup>21</sup> Since, as demonstrated above, the reliance on the registration situs for purposes of determining jurisdiction is faulty, there is no reason to exclude copyrights from the scope of any treaty dealing with IPR jurisdiction issues.

Moreover, the attempted exclusion of copyright from the scope of the Draft Convention is disingenuous. First, the attempt to exclude copyright from the scope of Article 12 does not prohibit the application of the potential default to the tort rules of Article 10 since copyright infringement may be considered a tort. Even if such tort default rules were held not to apply to cases of copyright infringement, the scope of copyright protection internationally would still be affected by Articles 6, 7 and 8. Copyright ownership through assignment (purchase) and licensing agreements would plainly fall within the jurisdictional scope of the contract provisions under Article 6. Copyright ownership in cases that deal with work for hire agreements would fall under the jurisdictional provisions of Article 8 (governing employment agreements). The enforceability of these agreements regarding copyright ownership and rights restrictions would have a direct impact on the ability of a copyright owner to protect her work internationally.

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<sup>20</sup> Article 21, Paragraph 1.

<sup>21</sup> See Berne Convention on the Protection of Literary and Artistic Works, Article 5.

Similarly, many of the most significant copyright protectable works in the fields of technology and communication, including software and product distributed digitally over the Internet, are governed by shrinkwrap and clickwrap agreements. These agreements generally contain numerous restrictions on the use and subsequent resale of the licensed work.<sup>22</sup> As consumer agreements, their enforcement would depend upon the jurisdictional rules of Article 7 of the Draft Convention. Thus, many of the most significant areas of copyright protection, including ownership and rights restrictions would be subject to the Draft Convention, even if traditional “copyright infringement” actions would fall outside its strictures.

***Activity Based Jurisdictional Selection Rules Should Apply in Cases of IPR Infringement***

In the area of international enforcement of intellectual property rights, the Draft Convention has wrongly rejected the use of activity based jurisdiction in favor of registration based jurisdiction. For the reasons discussed above, reliance on the situs of registration focuses on a formality whose importance is non-existent in the areas of copyright and neighboring rights, and continues to diminish in the area of trademark.

Although activity based jurisdictional rules necessarily have more flexibility than the formalistic site of registration rule is intended to present, they provide the most logical bases for establishing proper jurisdictional forum selection rules in cases of infringement of IPR. They will generally not give rise to a single acceptable forum, but will instead provide a logical group of acceptable fora with adjudicatory power over the matter at issue. The attempts at crafting activity based jurisdictional rules in Article 10 must be redrafted, however, in order to provide necessary guidance on the factors to be applied in selecting appropriate fora for IPR enforcement suits.

Article 10 which establishes jurisdictional rules in tort and delict currently provides for forum selection based on traditional injury causation factors. It acknowledges that an appropriate forum for tort actions includes the site “in which the act or omission that caused the injury arose” or “in which the injury arose...” (Article 10, Paragraph 1). These factors are useful in traditional infringement matters involving IPR generally since such cases naturally focus on activities for determining liability. Copyright, trademark, patent and trade secret infringement all occur as a result of the unauthorized use or disclosure of the protected materials. Such use or disclosure is an act which ought to provide a potentially logical jurisdictional nexus for suit (fitting within the “act or omission” language of Article 10, Paragraph 1(a)).

Similarly, because of the generally tortuous nature of the acts that give rise to a claim for intellectual property infringement, a forum selection rule that focuses on the site of the injury

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<sup>22</sup> See, e.g., *Pro CD v. Zeidenberg*, 86 F.3d 1447 (7<sup>th</sup> Cir. 1996).

also provides a logical jurisdictional nexus. Simply leaving the jurisdictional test as drafted, however, would do little to advance predictability, without the provision of factors to be considered in establishing the site of the "injury."

In connection with international IPR enforcement matters the site of injury could be considered the location where the defendant "used" the intellectual property without authority,<sup>23</sup> the location of the consumers who were deceived by the acts at issue,<sup>24</sup> or the location of the rights owner.<sup>25</sup> The present Draft Convention provides no guidance as to which of these should serve as a potential point of contact for locating the situs of the injury.

One of the most difficult jurisdictional issues today in the United States is the determination of where jurisdiction lies for causes of action based upon illegal content of a website. The treatment of accessibility along to a website as a basis for jurisdiction has received inconsistent treatment to say the least. Thus, in *Insert Systems, Inc. v. Instruction Set Inc.*,<sup>26</sup> the court found jurisdiction appropriate based solely on the reception of a website on the grounds that the advertising on the site was directed toward the state by the simple fact that the Internet was accessible and the defendant had taken no steps to prevent its accession. In *Benusan Restaurant Corp. v. Kentucky*,<sup>27</sup> by contrast, based on substantially the same facts, the court found no jurisdiction, treating the site primarily as a passive one for which no jurisdictional nexus existed. The present language of Article 10 provides no guidance on this critical issue.

Even the simple question of when use of a trademark or copyright on a website gives rise to potential injury is complicated. For example, assume that a US trademark owner offers goods for sale on its website bearing its US registered mark. The website is in English. A buyer who is a Brazilian citizen sees the website while he is traveling in Russia and orders a gross of the trademark owner's products for delivery to his company's office in Brazil. The US trademark owner has not registered its mark in Brazil. To the contrary, the mark belongs to an unrelated third party in Brazil who has registered and is using the mark for the identical product. If the US mark owner does not fill the Brazilian order, has he still infringed the Brazilian mark owner's rights? If so, does the injury arise in the United States where the website was created? In Brazil,

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<sup>23</sup> See, e.g., *National Football League v. TVRadio Now Corp.*, 53 USPQ2d 1831 (WD Pa. 2000)(unauthorized online posting of a copyrighted work involves the distribution of copies in all places from which the work can be accessed by the public).

<sup>24</sup> See, e.g., *Vanity Fair Mills Inc. v. T.Eaton Co.*, 234 F.2d 633, 639 (2d Cir. 1956)("passing off occurs...where the deceived customer buys the defendant's product..."); *Playboy Enterprises Inc. v. Webbworld, Inc.*, 45 U.S.P.Q.2d 1641 (N.D.Tex. 1997)(single download of infringing material sufficient to establish jurisdiction).

<sup>25</sup> See, e.g., *Euromarket Designs, Inc. v. Crate & Barrel, Ltd.*, 9 F. Supp.2d 824 (N.D. Ill. 2000)(asserting jurisdiction over an Irish defendant since the state of the mark owner's principal place of business is where the injury is most likely to occur). In trademark, these cases largely rely on the harm to the goodwill of the mark since such harm is generally located at the home of the plaintiff.

<sup>26</sup> 937 F. Supp. 161 (D. Conn. 1996).

<sup>27</sup> 937 F. Supp. 295 (S.D.N.Y. 1996).

where the Brazilian trademark owner is located? In Russia, where the website was received? In Brazil because that is where the products would have been sent. Would it make a difference in the above hypothetical, if the US website owner had expressly provided a notice on its site that it would accept no orders for delivery in Brazil in order to avoid infringing the Brazilian trademark owner's rights? The Draft Convention provides no guidance.

What if instead of using an unauthorized trademark an individual has created a website in the United States which contains unauthorized reproductions of copyrighted newspaper articles. These articles are from various London-based publications and were created by UK citizens, working for UK businesses. The website in question is in English. A French citizen in Paris accesses the website, copies various articles and emails the copies to a friend in Argentina. Where is the site of the harm caused by the unauthorized reproduction and distribution of the copyrighted materials? The US, where the website was created? The UK where the copyright owner of the materials is a citizen? France, where the material was reproduced? Argentina, where the material will be accessed? The Draft Convention is silent.

No international convention can possibly foresee all potential scenarios in which litigation matters might arise and for which its forum selection rules must be applied. In fact, I would not advocate attempting to create such a convention since it would be both impractical and undesirable. Some degree of predictable flexibility is required in international matters. Nevertheless, the complete lack of guidance contained in the present Draft Convention regarding how the site of injury is to be determined in IPR matters is almost worse than having no agreed upon rules at all. It gives the mirage of harmonization, instead of its reality.

As noted earlier, the Convention does not have to be created in a vacuum. The WIPO General Assembly recently adopted recommendations on The Protection of Marks and Other Industrial Property Rights in Signs on the Internet.<sup>28</sup> This work already recognizes numerous factors that should be considered in determining whether a trademark is actually being used in a particular country. Among the factors it suggests are:

- Whether the mark owner is serving customers in the country;
- Whether the website contains any indication of an intention not to deliver goods or services into a particular country;
- Whether the mark owner has undertaken significant plans to do business in relation to goods or services similar to those for which the mark is used on the Internet; and
- The language or currency used on the website.

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<sup>28</sup> WIPO Doc. SCT/6/2 at www. Wipo.int.

Similarly the work on the protection of copyright and related rights on the Internet represented by the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (among others) should be consulted in determining the factors in considering the situs of injury in copyright and neighboring rights activities on the Internet.

Moreover, given the nature of international piracy and counterfeiting activities, both in the physical world and in the cyberworld, acts other than the final act of unauthorized use of an intellectual property right should be included among the potential injurious activities which could give rise to a proper forum. Acts which are preparatory in nature, but are of sufficient significance to the alleged infringement should be included as a potential forum-selecting activity.<sup>29</sup> Similarly, acts which are directed against the business or intellectual property of a particular state should also serve as an "injury" which gives rise to a proper forum under the Convention.<sup>30</sup>

***The Elimination Of General Doing Business Jurisdiction Would Harm Both Domestic And International Enforcement Of Intellectual Property Rights.***

"Doing business" as a basis for jurisdiction should be included in cases of intellectual property infringement. First of all, such basis makes sense where the infringement of IPR is at issue. Generally "doing business" is used as a basis for jurisdiction to bring a defendant into the forum of the plaintiff's residence or citizenship. Such a forum makes sense in an intellectual property case where one potential site of the injury caused by the infringement may well be the IPR owner's principle place of business.<sup>31</sup>

Furthermore, in the international arena, many countries are still in the process of developing laws which meet international standards of protection for IPR protection. Similarly, protection for unauthorized uses of IPR on the Internet is in its developmental stages. To eliminate doing business jurisdiction where such forum may provide the only potential for relief against the unauthorized acts at issue would unduly restrict the ability of intellectual property owners to protect their rights.

Obviously the exercise of any jurisdictional rule on the sole basis of a party's doing business in a country should be a forum of last resort and should only be upheld where the

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<sup>29</sup> See, e.g., *Levi Strauss & Co. v. Sunrise International Trading Inc.*, 51 F.3d 982 (11<sup>th</sup> Cir. 1995); *National Football League v. PrimeTime 24*, 211 F.3d 10, 12-13 (2d Cir. 2000) (public performance occurred in the US for re-transmission to Canada of US broadcast signals because the uplink transmissions in the US were "a step in the process by which NFL's protected work wends its way to a public audience").

<sup>30</sup> See, e.g., *National Football League v. TVRadioNow Corp.*, 53 U.S.P.Q.2d 1831 (W.D.Pa. 2000)(evidence that defendants who originated streaming of programs over the Internet in Canada had targeted the US market supported jurisdiction).

<sup>31</sup> See note 25 *supra*.

choice of the forum is reasonably foreseeable, and in the absence of precise steps by the defendant to avoid directing his activities into such a forum.

***The Convention Does Not Provide Adequate Protection For Choice Of Forum Clauses In Consumer Agreements.***

Article 4 of the present Draft Convention provides that the validity of forum selection clauses will be dealt with under the national laws of the seized forum. Article 7 further provides that any such forum selection clauses in consumer agreements only apply if the agreement is entered into after the dispute has arisen. (Article 7, Paragraph 5.) Alternatively, such agreement will only apply if such clauses are valid under the laws of the State in which the consumer is "habitually resident." The end result of these provisions would have a serious effect on the general enforceability of many IPR based consumer agreements. Many works protected under copyright, such as software, are sold under "prepackaged" agreements that generally contain forum selection clauses. These shrinkwrap and clickwrap licenses are critical to the successful licensing of consumer oriented IP-based products. They provide important efficiencies which ultimately help lower the price of such goods. Clickwrap licenses facilitate on-line ordering and distribution – two critical elements in the burgeoning growth of e-commerce. Yet the Draft Convention does not acknowledge this special relationship, or provide any special rules for their enforceability.

I do not advocate unthinking enforcement of forum selection clauses in such agreements. Any international regime, however, should recognize that so long as the selected forum has a rational relationship to the subject matter of the contract at issue, and no capacity defenses are available with regard to the presence of fraud or duress,<sup>32</sup> the selection should be upheld.

***The Convention Should Cover At Least the Same Areas of Intellectual Property Protection That Are Covered By the TRIPS Agreement***

Provided that the clarifying provisions that have been suggested in this Comment are included, or in the event that a separate intellectual property treaty is negotiated, the forum selection rules contained in such agreement should apply to all "traditional" forms of intellectual property. These forms include patents, trademarks, copyrights, trade secrets, utility models, utility designs, topographies and geographic indications. Any such inclusion should take into account the special nature of such forms and should provide special default rules for such forms where necessary.

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<sup>32</sup> Such duress, however, should not be permitted to be raised as a defense to the enforceability of a forum selection clause in a consumer agreement involving an intellectual property protected work unless it is based on more than the lack of an ability to negotiate the terms of such clauses.

In addition, sound recordings and neighboring rights should be added to reflect recent international developments regarding their protection, including the advances represented by the WIPO Treaty on Performances and Phonograms. In the area of trademark related rights, protection for domain names should also be included. Although domain names are not necessarily trademarks per se, their protection and abuse is closely related to trademarks and poses many of the same problems.

In protecting additional categories of intellectual property rights emphasis should be on the nature of the right being litigated, and not its formal "category," in establishing jurisdictional rules. For example, although the US does not protect "utility designs" per se (at least under that particular rubric), it does provide protection for useful articles under copyright, design patents under patent, and trade dress under trademark. The title of the form to be protected is less important than its attributes.

#### *Additional Issues to be Considered*

There are numerous other issues that need to be addressed if an international jurisdictional treaty regime is to provide the necessary level of predictable and rational protection. Among these issues are the following:

- Service provider liability. In deciding forum selection in cases involving intellectual property infringements on the Internet, those whose activities are related solely to the transitory transmission of materials (such as contained in Section 512 of the US Copyright Act, 17 U.S.C. § 512) should not qualify as acts which give rise to injuries capable of establishing jurisdiction.
- Enforcement of intellectual property judgments. Many laws apply different rules regarding, for example, the fair use of copyrighted materials. Much of domestic intellectual property enforcement reflects domestic policy choices regarding access and protection. Such choices are limited to a certain extent by the restriction imposed under TRIPS (such as Article 13 governing fair use). Nevertheless, a broad range of choice remains available. Thus, infringement in one country may be fair use in another. Such delicate policy choices should not be unnecessarily intruded upon. Consequently, global injunctions should be required only in those cases of willful piracy, willful counterfeiting or in cases of bad faith use or registration of a mark.
- Choice of Law. Any judgment to be enforced must be based on the application of the appropriate law to the facts at issue. The risk that a foreign jurisdiction will apply its

own law, even to acts that are largely foreign in nature, remains a realistic problem.<sup>33</sup> Consequently, any party seeking to oppose the enforcement of a foreign judgment must have the right to challenge the choice of law applied. Such choice of law becomes even more critical in matters of intellectual property protection where domestic choices with regard to fair use, work for hire and waiver of moral rights obligations (for copyrighted works) or likelihood of confusion, fame and genericness (for trademarks) and novelty and non-obviousness (for patents) may well be outcome determinative. Such choice of law principles should include the right of parties to specify the choice of law through contractual arrangements so long as such choice of law has a rational relationship to the subject matter of the contract.

- Consolidation and Forum Precedence Rules. Since many of the tests that I advocate for forum selection may give rise to several acceptable fora, some method of default, such as the forum first seized of the issue must be developed. First seizure alone should not always govern, however, particularly if that first forum was only selected to prevent choice of another, more appropriate forum.<sup>34</sup> In addition some provision allowing for the consolidation of multiple claims relating to the same subject matter must be provided to help avoid multiple lawsuits with potentially contradictory results, and to reduce the drain on judicial resources caused by redundant lawsuits.

Finally, I would strongly urge that consideration be given to creating either a detailed Agreed Statement or Reporter's Commentary which would provide necessary guidance to all adherents with regard to the application of the agreed-upon forum selection rules. Such guidance should include both factors to be considered (to the extent they are not included in the final text of the Convention), as well as examples of the application of these rules. While such comments are generally utilized only for model rules and the like, they would serve an invaluable purpose in reducing future conflicts over the meanings of any such adopted provisions.

Rash decisions regarding so critical a subject as international forum selection rules could have serious consequences on both the scope of protection for intellectual property rights internationally and the growth of the Internet and other future digital forms of communication

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<sup>33</sup> See, e.g., *Update Art Inc. v. Modin Publishing Ltd.*, 843 F.2d 67 (2d Cir. 1988)(applying US copyright law to infringements in Israel where the initial reproduction of the work occurred in the United States). Such reliance on domestic law in cases involving foreign infringements is not, to date, the predominate rule in the United States. To the contrary, countless US decisions have applied foreign laws to determine issues related to infringement abroad. See, e.g., *Boosey & Hawkes Music Publishers Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998); *Frank American Inc. v. Champion Road Mach.*, 961 F. Supp. 398 (N.D.N.Y. 1997); *ITAR-TASS Russian News Agency v. Russian Kurier Inc.*, 153 F.3d 82 (2d Cir. 1998). Nevertheless, the strong public policy issues often implicated in IPR protection litigation – including fair use in copyright, functionality and genericness in trademark law and novelty and non-obviousness in patent law – may not be reflected in applications of foreign laws.

<sup>34</sup> See, e.g., *Elbex-Video Ltd. v. Tecton Ltd.*, 57 U.S.P.Q.2d 1947 (S.D.N.Y. 2000)(refusal to dismiss in favor of previously filed suit where evidence indicated the first case had been filed to deprive plaintiff of its choice of forum).



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and commerce. Given the wide range of complex issues that remain to be resolved, any rush to an inadequate solution should be strongly opposed. All nations should be urged to study the issue more thoroughly so that any international standard will adequately meet the needs of both intellectual property rights holders and users, and the public.

Thank you for this opportunity to address these critical issues. Please do not hesitate to call me if I can be of any further assistance in this matter.

Sincerely,

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