The Extraterritorial Enforcement of IPR Rulings: Coming Soon?

Introduction

The Hague Conference on International Law (HCCH), is an intergovernmental organisation made up of 82-member countries that drafts and administers private international law conventions.[1] The HCCH has drafted a Convention on the Recognition and Enforcement of Foreign Judgements in Civil or Commercial Matters that, once ratified, would require courts in signatory states to enforce relevant judgements from each others' courts, without the need for separate proceedings on the substance.[2]

A HCCH Diplomatic session on 18 June-2 July 2019 aims to adopt the draft convention. One of the outstanding and contentious questions, that will go before the Diplomatic session, is whether intellectual property rights or analogous rights should fall within the scope of the new Convention and therefore be eligible for recognition and enforcement. The draft Convention does not specifically list the rights covered but these can be expected to include both registered patents, trademarks, designs, copyrights or related rights, geographic indications and utility models, as well as unregistered rights.[3]

Essentially, the draft proposes that the judgement of a competent court (i.e. one in which has jurisdiction to rule on validity and infringement of the IPR in the jurisdiction in which it was granted) can be enforced elsewhere, without the need for new proceedings on the merits. It does not allow, explicitly, for a court to rule on validity or infringement of a right granted in another jurisdiction. Therefore, it appears that the IPR-related judgements only relate to those IPRs where the home court has jurisdiction (i.e. were granted in that jurisdiction) and only those elements of the judgement can be enforced in the third country.

Despite these safeguards, and given the complexity of the different IPR regimes, the impact of the draft Convention could be serious. There are 3 main areas of concern:

i) Unresolved questions

The exact scope of the rights covered is unclear. How would rights recognised in one jurisdiction but that are not recognised in another, such as software patents, be addressed? Given the nature of technology dissemination across borders, this is not only an academic concern. This is also relevant where the same innovation is recognised in several jurisdictions but protected under different IPR systems.

A further outstanding question relates to trade secrets, and whether these should be included within the scope of the Convention given that in some jurisdictions, notably the EU, they are not recognised as IPR.

Whether rulings would be limited to monetary judgements or extended to injunctive relief is also unclear. Another outstanding question is whether final injunctions would be within the scope of the Convention. Given that injunctive relief is a key element of patent rights, but these can only be granted by the

[1] The 82 countries include the major economic and political powers (essentially excluding Africa, the Middle East and Southeast Asia) and therefore the major patent jurisdictions.

[2] The details of the scope and applicability of the Convention can be found at https://assets.hcch.net/docs/9faf15e1-9c36-4e57-8d56-12a7d895faac.pdf.

[3] In that context, it should be noted that the draft Convention does not cover determinations by administrative bodies but whether quasi-judicial bodies such as boards of appeal are included is under discussion.

jurisdiction responsible for the validity and infringement of a right, injunctions cannot be 'exported' without an effective hearing on the merits given the impact on the alleged infringer.

ii) Lack of Clarity or Legal Certainty

Unlike many of the civil and commercial matters covered by the Convention (notably where choice of law provisions are chosen), many IPRs are not homogenous. The same innovation can be treated differently in different jurisdictions. For example, a technology protected under multiple patent systems could see the patentable subject matter treated in a dissimilar way across jurisdictions, which would impact in how courts will treat relevant facts relating to the patentability of a technology. International enforcement under the draft Convention could therefore create significant distortions across IPR systems (notably where patents are pending).

Substantive national IPR law and court procedures vary considerably; in certain jurisdictions wilful infringement carries very serious monetary penalties and in some jurisdictions, infringement e.g. counterfeiting, is deemed a criminal offense. It is unclear how such judgements would be enforced or recognised in third countries. Would the draft Convention require a receiving court to prohibit acts that are deemed lawful in their jurisdiction? It could be the case. In addition, given how IPRs are folded into business practices, it seems clear that the enforcement against a company in a third country could well affect how that company assesses its IPR position in the third country, so that the effect of enforcement may go well beyond the specific matter of the judgement recognised.

Whether the Convention would lead to attempts to get the most favourable jurisdiction to dictate the context (if not scope) of the rights at issue, is a serious question.[4] One example would be disputes over global patent portfolios; it is foreseeable that the legal uncertainty created by the Convention would assist wilful infringers to develop strategies to delay taking a license or seek to significantly reduce licensing fees. A further practical impact could be to split global portfolios, the licensing of which is broadly acknowledged to be efficient and pro-competitive, and rather see a disaggregation depending on how forum shopping spurred by the Convention evolves.

iii) Points of Principle

Intellectual Property Rights are usually jurisdictionally constrained, and courts apply international principles of comity to the territorial scope of their rulings. The draft Convention proposes to extend the scope of jurisdiction. Yet this also presupposes that there is a level of homogeneity across courts and legal systems so that enforcing judgements does not conflict with similar rights granted in the receiving state (such as patent families) or indeed the substantive rights (such as trade secrets or software patents).

A basic principle of judicial cooperation and recognition is the high level of mutual trust in each other's legal system. However, in the international IPR field there are important jurisdictions where courts are still developing their capacity and where there may be a tendency to find in favour of locally situated parties.[5] In the worse cases, government intervention can hinder non-national litigating against national champions or intervene in the taking of evidence. It is therefore unclear at this stage that there is a basic

[4] For example see the statement by BusinessEurope before the European Parliament in April 2018 at http://www.europarl.europa.eu/cmsdata/142123/juri-hearing-judgments-project-konteas.pdf; the position of the UK IP Federation at http://www.ipfederation.com/document_download.php?id=4103; or the position of the American Chamber of Commerce to the EU at https://www.amchameu.eu/system/files/position_papers/position_hague_convention_and_ip_final.pd.

[5] See e.g. Long, Cheryl & Wang, Jun. (2015). *Local Judicial Protectionism in China: An Empirical Study of IP Cases. International Review of Law and Economics*. 42. 10.1016/j.irle.2014.12.003.

level of capacity across the HCCH countries to address complex and technical disputes, and appreciate the international ramifications of the Convention.

Put simply, where rights are treated differently and procedures vary, depending on the legal tradition of the jurisdiction, attempts to create a mutual recognition system seem ambitious to say the least. Just a review of the Commission's 2018 *Report on the protection and enforcement of intellectual property rights in third countries*[6] shows that there are varying levels of competence in IP courts across the world that serious questions could be raised about the enforceability of decisions of some jurisdictions, within the European Union.

Conclusions

European Commission departments responsibly for HCCH negotiations have, so far, promoted the inclusion of IPR within the scope of the Convention, despite the fact that there does not appear to be consensus at the institutional level. It is unclear whether this position has broad support amongst the EU Member States, given the deep concern expressed on how China has adopted a strategic approach to IPR and given the need for the European Union to protect European innovation.[7]

Furthermore, considering those industry associations that have expressed their negative views, there has been very limited support for the notion of recognition and enforcement of judgements in the IPR field.[8] Thus, to better assess the impact of the proposal, its impact on IPRs and litigation strategies practical implications for Europe, it would be advisable to conduct a public consultation that sets out the potential benefits and risks of such an inclusion.

Finally, an impact assessment on the effect of including IPR within the new Convention seems to be indispensable and a minimum condition. Given the significance of the draft Convention on European interests, and in particular on Europe's innovation policies, these are two procedures that the Commission should undertake. 4iP Council has long advocated the need for effective research on the impact on IPRs of policy developments before decisions are taken.[9]

4iP Council would be interested to hear from companies and associations if they have empirical data on the potential impact on the extension of the convention to IPRs.

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[6] See *Report on the protection and enforcement of intellectual property rights in third countries*, Commission Staff Working Document, 21.2.2018 SWD(2018) 47 final.

[7] "*China preserves its domestic markets for its champions, shielding them from competition through .. the favouring of domestic operators in the protection and enforcement of intellectual property rights and other domestic laws...*" European Commission, *EU-China – A strategic outlook*, Joint Communication To The European Parliament, The European Council And The Council, JOIN(2019) 5 final, 12 March 2019. Available at https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf.

[8] See footnote 4.

[9] See https://www.4ipcouncil.com/research/our-research-principles.