



Hague Convention on the Recognition and Enforcement of Foreign Judgments

The IP Federation represents the views of UK Industry in both IP policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed at the end of this paper. It has wide experience of how IP law, including patent litigation, works in practice in the UK, Europe and internationally.

The following sets out the IP Federation's position in relation to the potential inclusion of intellectual property rights within the scope of the proposed Hague Convention on the Recognition and Enforcement of Foreign Judgments.

In summary, the industries that the IP Federation represents (who are both IP owners and defendants in IP litigation) feel no business need to have IP matters included within the convention, since the need for cross border enforcement is very limited in IP matters. In contrast, we believe the likely complications from the proposed inclusion of intellectual property in the convention are serious. At the very least, these complications negate any potential benefits from the convention. However, they could well also result in greater uncertainty, unwelcome forum shopping, and increased litigation, all to the detriment of IP rights holders and those against whom they seek to enforce their IP. As a result, the IP Federation believes IP should be an excluded matter under Article 2.

As a starting point, we note that the intellectual property field differs significantly from other areas where civil judgments can arise (e.g. breach of contract or tort claims). For example, whilst the vast majority of contract disputes will be governed by a single jurisdiction and governing law clause (meaning that it makes sense for a single judgment to be enforceable globally), the opposite is true for intellectual property matters. Instead, intellectual property rights are inherently a matter of national law of national territorial scope, which are traditionally adjudicated on by the courts of the country concerned. Further, intellectual property law is only loosely harmonised, meaning that different courts must apply differing national laws, frequently arriving at different outcomes. We believe that, in general, this points to a regime of national recognition and enforcement only.

We also note that, in the vast majority of IP disputes, the primary remedy sought by the IP holder is that of an injunction. Whilst Article 12 of the draft would (quite rightly) mean that injunctions would not be enforceable internationally, the result is that only financial remedies (e.g. damages or an account of profits) would have the potential to be enforceable. Given

that such financial remedies are usually only a secondary objective for IP owners, and that such remedies can usually be enforced in the country concerned in any event, the potential benefits of the convention are seemingly very limited.

We also believe the complications and downsides associated with the convention could be significant. In broad terms, our concerns arise from the fact that, at least in the IP context, the “jurisdictional filters” set out in Article 5 of the convention are insufficiently clear. Further, even when the jurisdictional filters would seem to apply, the combined application of Articles 6 and 8 is uncertain. The net result of Articles 5, 6 and 8 would also appear to be that, in many cases, the IP owner will not be able to enforce internationally in any event - all that will be achieved will be increased litigation and uncertainty over whether enforcement internationally is possible. As explained below, the regime set out in the draft convention is also inconsistent with the existing Brussels Regulation regime in Europe, which is undesirable.

The complications with the proposal can be seen by looking at an example based on the jurisdictional filter/gateway provisions of Article 5, Article 5(1)(a) of which provides that a judgment of a court in the state in which a person is habitually resident is required to be recognised by other contracting states. Taking this:

If the rules on jurisdiction that apply in Ruritania (i.e. the private international law of Ruritania - which will be unaffected by the proposed convention) allow a defendant habitually resident in Ruritania to be sued there for infringement of overseas patents, a patent holder might sue a defendant in Ruritania in relation to the Ruritanian patent, as well as, for example, the corresponding US patent, German, French and UK patent.

As long as the laws of USA, Germany, France and UK are applied by the Ruritanian court in looking at the question of infringement (see Article 7(g)), the courts of USA, Germany, France and the UK would then potentially be obliged to recognise and enforce the decision of the Ruritanian court (in relation to compensatory monetary relief (see Articles 11 and 12)) of the patents granted in the USA, Germany, France and the UK.

Although there is an exclusion of enforcement in relation to issues of validity of granted rights (see Article 6(a)), that exception is qualified by Article 8, which appears to require recognition and enforcement of a Ruritanian decision as to the validity of the US, German, French and UK patents, as long as that decision concerning validity arose as a “preliminary question” (Article 8(1) and 8(3)). Whilst the meaning of “preliminary question” is unclear, it would at least appear to cover the approach taken in certain popular patent litigation venues such as Germany. The arrangement proposed by the draft convention therefore seems at odds with the widely accepted principle that the validity of a right granted by a state should only be reviewable by the courts of that state.

Article 8 also leads to additional complications because recognition and enforcement of the Ruritanian decision can be refused if it is inconsistent with a ruling on that matter given by the state of grant of the patent (Article 8(3)(a)) or where the validity of the patent is the subject of proceedings in the courts of the state of grant (Article 8(3)(b)). It is clear that this will lead to a proliferation of litigation with invalidity being pursued by the defendant in Ruritania and in the USA, Germany, France and the UK. That then raises its own complications of the application of the rules of jurisdiction of each of those countries where proceedings are on-going as to the same subject matter between the same parties.

The example also illustrates how the draft convention goes further than (and, as mentioned, is inconsistent with) the system that currently operates within the EU under Regulation 1215/2012. This is because, as things stand, the case law of the CJEU has clearly established that, in patent infringement proceedings, a defence of invalidity to a foreign patent is a matter exclusively for the courts of the state that granted the patent (with the result that, once validity is in issue, the infringement proceedings also need to be heard by the courts of that state). We do not believe it is sensible for the convention to take an approach that is inconsistent with the well-established EU regime. The established EU regime also contains other key safeguards that appear to be absent from the convention proposal.

Taking a second example, the jurisdictional gateway at Article 5(1)(d) would appear to require recognition of a judgment made by the courts of Ruritania where jurisdiction had been established by a UK company having a branch or agency or other establishment in Ruritania and the infringement action related to the activities of that branch in Ruritania. It is not however clear whether recognition would be limited to a decision on the Ruritanian patent. Given the apparently very low threshold for invoking Article 5(1)(d), it is clear that this provision is open to abusive forum shopping (a local office making sales in Ruritania may be enough).

Primary position - all IP excluded

For the reasons set out above, the IP Federation believes that all intellectual property rights should be excluded from the scope of the convention.

Secondary position - If IP is included patents should be excluded

Alternatively, if it is not realistic to exclude IP altogether, we believe that patents alone should be excluded, since patents can be distinguished from other IP rights in certain respects. Most importantly, patent law is a particularly complex area. In jurisdictions that see a lot of patent litigation there are specialist courts to deal with the cases (this is the case in Germany, France, UK and the Netherlands for example). The convention would however allow decisions with multijurisdictional effect to be decided in a way that requires recognition and enforcement, even when the decisions are made by courts that are inexperienced in their own domestic patent law, let alone the application of foreign law. That is not a situation that carries any benefit to EU businesses. We also note that there is clearly a prior basis for excluding IP from such conventions – see the scope of the Hague Convention on choice of courts, Article 2 that excludes IP from its scope (other than

copyright). The policy considerations for excluding IP are all the stronger where the venue is (likely) chosen by one party and not agreed.

Safeguards needed if IP is in the convention

If any IP rights are included within the scope of the convention, we believe the following safeguards would be needed.

- 1) No judgment of a court in a state of origin should be required to be recognised or enforced if, and to the extent that, it relates to any IP registered in a country other than the state of origin. The IP specific gateways in Article 5 (5(1)(k)-(n)) would need to be extracted from Article 5 and wording introduced to limit recognition and enforcement of IP decisions exclusively to the IP specific gateways (and not through general gateways such as 5(1)(a)).
- 2) There should be no obligation to recognise any non-monetary part of a decision of a court of a signatory state (i.e. Article 12 as currently drafted would need to be included in the convention). Article 12 should also be amended so that recognition of non-monetary relief is not required in a receiving state - that is something that could be important in relation to issues such as declarations of (non)infringement.
- 3) The excluded matter in Article 2 should include decisions by courts or competent authorities of signatory states in relation to anti-trust issues. IP and competition issues frequently overlap - for instance in the area of licensing of patents that are essential to standard technologies. Competition law was excluded from the Hague Convention on choice of court agreements and it makes sense to exclude it here as well.
- 4) Monetary remedies would exclude any award intended to exceed a compensation for the patent holder (for example, to exclude triple damages or other punitive elements)
- 5) Article 8 (3) needs to be deleted in its entirety - it allows foreign courts to decide that a patent not granted in their territory is valid and infringed and for enforcement of damages to take place until the receiving state reached a validity decision contrary to the court of the state of origin. That is contrary to the line taken by the CJEU on this issue under the Regulation on jurisdiction, recognition and enforcement (1215/2012, cases *GAT v Luk* and *Roche v Primus*). We think the CJEU position is the correct line to take as it reflects the well accepted principles that rights that are granted by a state should not be the subject of interference by the courts of another state.

IP Federation
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IP Federation members 2017

The IP Federation represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. The CBI, although not a member, is represented on the Federation Council, and the Council is supported by a number of leading law firms which attend its meetings as observers. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity No. 83549331760-12.

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