

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.

This paper sets out the IP Federation's views on the proposed Hague Convention on the Recognition and Enforcement of Foreign Judgments (the "Convention"), insofar as it concerns intellectual property rights ("IP").¹

Executive Summary

The IP Federation is strongly against the inclusion of *any* IP within the scope of the Convention. In brief, our reasons are that:

- 1) IP rights are different in material respects from other legal rights that arise in a civil / commercial context, such that the rationale for the Convention does not apply in relation to IP. Of most relevance is the fact that IP rights are inherently territorial; they are granted by individual states, take effect exclusively within those states, and differ between states in their effect (since IP law is far from being fully harmonised globally). Further, a single dispute can often involve more than one IP right in more than one jurisdiction. This means that, in contrast to other civil claims (such as breach of contract or tort claims), IP litigation does not typically have a single governing law or any other form of global nexus. Instead, any court adjudicating on a matter would need to address factual issues from outside its jurisdiction whilst also applying foreign law(s). As such, it is not generally sensible, desirable or realistic for one court to seek to adjudicate on IP claims globally and it is not desirable for other courts to be obliged to enforce such judgments.
- 2) We also see no meaningful benefit to the Convention applying to IP. This is because, as a matter of commercial reality, injunctions (whether interim or final) are by far the most important remedy sought in the vast majority of intellectual property cases. However, the granting of injunctions for IP infringement should only ever be a matter for the courts of the country affected by the injunction. Whilst the Convention could still *theoretically* provide for the cross-border enforcement of damages awards made by a court in respect of infringement of an IP

¹ Our position is based on the "2018 Draft Convention", as made available after the Special Commission meeting from 24-29 May 2018.

right that exists in its own jurisdiction, this would be of very limited benefit. This is because: (i) damages awards are in fact very rare in IP infringement cases (most cases settle before a final damages award is made); and (ii) when damages awards are made, they can usually be enforced in the country concerned without any real difficulty.

- 3) Further, we see very serious downsides arising if IP rights are included in the scope of the Convention. This is particularly so given that, at the present time, there is no international agreement on jurisdiction or governing law in relation to IP and no real harmonisation of substantive IP laws. This means that, in our view, the overall scheme of the Convention is one that would inherently give rise to much greater complexity in the IP litigation landscape, with an inevitable increase in forum shopping and tactical litigation. We believe this is highly undesirable and would more than negate any possible benefit from the Convention. In addition, there are numerous issues with the drafting of the Convention, which add to our concerns. We have little confidence that these will be remedied in a satisfactory way in the limited time available before the planned Diplomatic Conference on the Convention.

After some general observations in Section 1, these points are expanded upon further in Sections 2 to 4 of this paper. In addition, Section 5 sets out a number of high level points of principle that we believe should be addressed if, contrary to the IP Federation's view, IP is included in the Convention.

1. General observation

We preface our position with the general observation that there has been a serious lack of appropriate consultation in relation to the inclusion of IP in the Convention.

The Background Paper of May 2018 proceeds on the basis that, because IP rights are important, "a secure legal framework for cross-border cases is of the essence". However, no evidence is given of the need for a framework of the nature of the Convention. Indeed, the Paper acknowledges that a wider range of consultation on the issue is needed.²

Of course, in the absence of such wide consultation, it is difficult to assess stakeholder views on the need or desirability for IP to be included in the Convention (far less, if there is felt to be a need, whether the Convention's draft provisions are regarded as appropriate). However, we are aware of no active advocacy by users for inclusion of IP within the Convention; indeed, with one exception³, all those organisations of which we are aware that have

² We note in this regard that the Commission has expressed support for the inclusion of IP without any consultation.

³ INTA has expressed limited support for the Convention to apply to judgments on trade mark infringement subject to the Convention containing provisions ensuring the maintenance, protection and respect of the sovereignty of the ruling courts and the principle of territoriality of trademark rights and trademark judgments, particularly with regard to judgments ruling on the validity of trademarks. <https://www.inta.org/Advocacy/Pages/BR20170912.aspx>. Whilst the IP Federation can understand that those with serious concerns about counterfeiting may argue that such situations should be covered by the Convention, we ultimately do not agree with that position. Even in such situations, we believe the complexity of the Convention outweighs any possible benefits.

expressed a view have expressed deep concern about or outright opposition to the inclusion of IP.⁴

In fact, we believe the complexity and importance of IP (both to IP owners and those who may be accused of infringement) (as highlighted by the Background paper and further explained in Section 2 below) means that the most careful consideration of whether and how the Convention should deal with IP is needed. However, no adequate consultation has taken place. On the contrary, many IP owners and representative bodies appear to have been unaware of the Convention or its potential impact on intellectual property until around the middle of 2017.

We have also seen little to suggest that the **practical** impact of what we believe is a unique combination of factors applicable to IP cases have been fully appreciated or considered. We are therefore concerned that compromises in an attempt to find consensus will not fully consider the practical implications of those compromises and will not provide the clarity that those involved in commercial disputes require.

This, the lack of consultation and the apparent lack of demand from businesses for action in this area are enough to make us urge that IP disputes are excluded from the Convention. The remainder of this paper should be viewed against the background of these remarks.

2. Differences between IP rights and other legal rights and causes of action

A fundamental point that must be appreciated is that IP rights are different in material respects to other legal rights or causes of action that commonly arise in a civil and/or commercial context.

Benefits of the Convention in other areas

Taking the examples of breach of contract and tort claims (which are likely to be the most common causes of action in civil / commercial litigation)⁵, we see the potential benefits of the Convention in allowing judgments from a single court to be enforced on an international basis, hence leading to greater certainty and efficiency for the parties involved.

These are of course desirable goals if they can be achieved. However, we believe they are only realistic if there exists a single court that can sensibly and appropriately adjudicate on the underlying dispute between the parties on an international basis. Again, taking the examples of breach of contract and tort claims:

1. **In the case of a claim for breach of contract**, the parties will almost always have chosen the law and jurisdiction of the contract at the time of contracting. As such, it will be clear which court should resolve disputes under the contract and there should be very little scope for

⁴ See e.g. the presentation by Business Europe at a hearing of the Legal Affairs Committee of the European Parliament in April 2018 <http://www.europarl.europa.eu/cmsdata/142123/juri-hearing-judgments-project-kontreas.pdf>.

⁵ We note that there appears to be no background data to support the need for, or likely utilisation of, the Convention in each of the relevant areas of civil / commercial litigation.

litigation in relation to the contract elsewhere. Further, once the chosen court has adjudicated on the matter, it makes sense for enforcement to be facilitated elsewhere - since this amounts to no more than giving effect to the parties' chosen dispute resolution mechanism.

2. **In the case of a claim in tort**, the parties might also have chosen a governing law and jurisdiction (if the parties have a pre-existing relationship and have agreed such an approach), in which case the same points would apply. However, even where the parties have not chosen a governing law or jurisdiction, the parties will have some form of relationship (giving rise to a duty of care in law) and there will hence usually only be a small number of jurisdictions that are sufficiently closely connected with the facts of an alleged tort for the courts there to be willing hear the claim. As such, again, there will in reality be relatively little scope for litigation in multiple jurisdictions.

Further, in both types of cases, the Court taking jurisdiction over the claim would be likely to apply its own law to the matter. In the case of a breach of contract, the parties will usually have stipulated this to be the case, whereas in the case of a tort claim the rules on jurisdiction and the rules on choice of law will often arrive at this result. This outcome is desirable because courts are inevitably most skilled at applying their own law. In contrast, applying foreign law is, at the very least, more difficult (and hence prone to error).

For all of these reasons, we can see why the scheme of the Convention might work well, and deliver sensible benefits, in these other types of civil / commercial matters.

Why the same does not apply for IP

International IP infringement litigation is however very different.

The commercial context of most IP cases is the increasingly international and complex nature of manufacturing and distribution networks, which mean that a product alleged to infringe IP can be manufactured and/or sold in multiple jurisdictions by multiple parties. The legal consequences of this are that, when IP infringement (or alleged IP infringement) occurs on an international basis:

- The acts giving rise to the alleged infringement(s) often take place in several countries and may or may not involve substantially the same relevant facts in each one. In the case of patent litigation, at least, the litigation may also involve more than one patent;
- There is usually no single court with a legitimate claim to deal with matters on an international basis, because no international jurisdictional framework exists to allow this to happen (with the exception of certain claims within the European Union). There are therefore typically multiple countries in which litigation might be brought;
- There is also no single law that can be applied, given the lack of harmonisation of substantive IP laws. Any court that purports to take international jurisdiction must therefore apply laws that are foreign to it,

or else apply its own laws to acts occurring outside its jurisdiction. The differences in national laws can also be very significant - they may be explicit statutory differences (for example, different causes of action, remedies or defences) or more subtle differences based on case law (for example, differences in approach to patent claim interpretation and the availability of remedies, particularly interim and protective measures and final injunctions); and

- Different countries also adopt different rules as to jurisdiction and choice of applicable law, which, as is acknowledged by Example 1 of the Background Paper, are not impacted by the Convention.

Litigation in IP cases therefore typically takes place today independently in each of the jurisdictions where the relevant parties come into conflict. This means that disputes can be dealt with separately by the appropriate courts for each jurisdiction (with each applying its local laws), which is a sensible approach.

Whilst greater efficiency is always a desirable goal, we believe it can only sensibly be achieved by first obtaining: (i) harmonisation of international IP laws; and (ii) agreeing clear rules of jurisdiction in IP matters.

3. *The Convention would bring very limited benefits in IP Cases*

The Convention would also bring very little benefit in relation to IP matters in any event because:

1. Injunctive relief (whether preliminary or final) is overwhelmingly the most important remedy for any IP holder seeking to enforce its rights in most cases. This is because IP rights are exclusionary rights (i.e. the IP holder has the right to exclude infringement from the relevant market), which is usually the primary benefit of having the IP. However, the proposed Convention would not make injunctive relief enforceable on a cross-border basis (assuming square-bracketed Art 11 remains, which we believe is imperative if IP is to be included (see further in Section 5)).
2. That being the case (and as square-bracketed Art 11 contemplates), the most that the Convention could possibly seek to achieve would be to facilitate the cross-border enforcement of damages awards in IP infringement cases. However, this is not something that we see as providing any meaningful benefit, since:
 - a. The overwhelming majority of IP cases come to an end long before any damages award is made, let alone enforced. This is because the most important remedy sought by the IP holder is usually an injunction. As such, once the issue of the granting of an injunction has been decided, issues relating to damages normally fall away (e.g. because of settlement); and
 - b. In the vast majority of IP cases, particularly those where the infringement is taking place on a significant scale, the alleged infringer usually has a meaningful commercial presence (and hence assets) within the jurisdiction where the infringing acts are taking

place. As such, if the rights holder needs to enforce a damages award, it is usually able to do so within that jurisdiction.

For both of these reasons, our members are not aware of any cases where it has been necessary for a claimant to seek to enforce a damages award from an IP case on a cross-border basis.

We also note that, under the Brussels Regulation (Regulation (EU) 1215/2012, which notably governs both jurisdiction and enforcement matters within Europe and operates in a system with substantially harmonised IP laws), it is already possible to enforce such awards on a cross-border basis in Europe. However, despite this, our members are not aware of this ever being necessary.

Consistent with the above, we believe the examples put forward by the European Union delegation to illustrate the working of the Convention⁶ are largely hypothetical and do not, in our view, represent realistic or common IP enforcement scenarios. The complexity of some of the examples, and the fact that it is felt necessary to have a paper of almost 30 pages to explain why application of the Convention to IP is desirable and how it would operate, also illustrates the inherent complexity of the Convention, which we believe is problematic (as discussed elsewhere).

Overall, therefore, our members see very little benefit indeed in the proposed Convention insofar as it concerns IP. Further, to the extent that they exist at all, those benefits are theoretical rather than real and are more than outweighed by the serious downsides of the Convention.

4. *The Convention carries serious risks and downsides*

We note that the Convention was originally drafted to encompass all civil and commercial matters (including IP) but did not have any specific provisions relating to IP.

It is now acknowledged that such a simplistic approach was not appropriate and that, if IP rights are to be included at all, specific rules are needed. These appear (largely in square-bracketed text) in the May 2018 draft of the Convention. These provisions are however extremely complex⁷ and contain numerous ambiguities and uncertainties in important areas⁸.

This is important because the Convention would be implemented in national laws in different ways and be subject to interpretation by national courts. This difficulty is also illustrated by experience with the Brussels Regulation and its predecessors, which required numerous references to the Court of Justice for the European Union (CJEU) seeking clarification in IP cases, despite

⁶ See the “Discussion Document from the European Union on the operation of the future Hague Judgments Convention with regard to Intellectual Property Rights”, December 2017.

⁷ Again, we note that the fact that a 30-page Background Paper is needed is evidence of this.

⁸ Examples include “intellectual property”, “analogous matters”, “common court”, “habitually resident”, “principal place of business”, “branch, agency or other establishment without separate legal personality”, “evident that an objection to jurisdiction would not have succeeded”, “reasonably be seen as having been targeted at that State”, “registration” and “fundamental principles of procedural fairness”.

the fact that many aspects of substantive IP law are already harmonised within Europe.

There will however be no overarching Court with the competence to rule on the interpretation of the Convention. The inevitable differences in national interpretation will therefore further reduce the already limited benefits that might arise from including IP.

Additionally, even in its most limited form (i.e. if only final damages awards relating to IP infringement in the source jurisdiction could be exported), it is clear that the Convention would lead to increased complexity in the intellectual property litigation landscape. This is because:

1. Some Courts and/or jurisdictions will be likely to adjust their procedures and approaches to provide a favourable (and potentially unbalanced) regime to would-be claimants with a view to attracting litigation business. There are numerous ways in which a court or jurisdiction might seek to achieve this. For example, Courts could manage their procedural rules and evidential requirements to be more favourable to IP holders (e.g. so that more patents are upheld as valid and infringed or so that higher awards of damages are made). Additionally, Courts could make it easier for parent companies to be made liable for infringing activities by subsidiaries (e.g. a rule that all parent companies would automatically be jointly liable). If damages awards from such countries could be enforced internationally against parent companies, then that would make such jurisdictions more attractive⁹.
2. Related to the above, there will inevitably be an increase in “strategic” litigation by parties seeking to gain an unwarranted benefit under the Convention through forum shopping.
3. Further, also related, there will be significant satellite litigation in requested States concerning whether the judgment of the State of origin should be enforced.

We stress that, presented with a more complex litigation environment, it is inevitable that parties will engage in more complex litigation strategies in order to seek to gain an advantage over their opponents. In this regard, we note that disputes over forum and other private international law issues are a rich source of litigation at the preliminary stages of many commercial disputes. At present, the IP framework does not lend itself to these types of tactics, which is a good thing.

5. Specific concerns with the draft Convention

We emphasise again that the IP Federation is strongly against the inclusion of *any* intellectual property rights within the scope of the Convention. It is also difficult to comment meaningfully on the detail of the current draft of the Convention, given that it contains multiple provisions in square brackets and hence multiple (inconsistent) permutations as to how the Convention might operate. The following comments are therefore intended to highlight the

⁹ The disapplication by Art 5(3) of the filters on Art 5(1) is of significance here.

most important points of principle to be addressed *if* (contrary to the IP Federation's view) IP is included in the Convention.

Injunctive relief should not be included

As explained above, we believe it would be unacceptable for cross-border recognition of injunctive relief to be imposed or enforced. This is because the substantive and procedural laws differ widely between countries and, even if they did not, it would be an interference with sovereignty for the courts in one country to impose injunctions on companies and individuals operating in other countries.

We also note that, even within Europe, the only area where cross-border injunctions have been accepted by stakeholders is in relation to unitary IP rights (such as Community Trade Marks and the new Unitary Patent, in respect of which the substantive law is harmonised). These areas of the law were however the result of lengthy discussion / consultation and, in the case of the UPC system, is in any event not yet operational (and so remains untested).

Finally, we emphasise that injunctions are a very serious matter, since their breach involves criminal penalties in many countries. This is all the more reason why injunctions should only be granted and enforced by the courts of the countries in which the injunctions would take effect.

Only damages awards relating to the country of origin should be enforceable

We also believe the portability of any damages awards should be strictly limited to those arising from judgments for infringements of IP rights in the country of origin and to losses occurring in that jurisdiction.¹⁰ This is because, otherwise, there will be even more significant scope for Courts to compete with each other internationally in order to attract business by taking exorbitant jurisdiction and otherwise adopting claimant-friendly procedures (e.g. awarding generous damages). This will in turn result in an increase in strategic litigation by parties, all of which is to be avoided. Further, as already discussed, it is generally undesirable to encourage courts to hear IP matters that are governed by foreign laws.

Only final (un-appealable) judgments should be enforceable

Whilst we appreciate that Article 4(3) of the draft Convention leaves discretion with the destination court, we believe it would be much simpler to provide that judgments will only be recognised or enforced if they are final and unappealable in the state of origin. We believe this approach will cut down the incentive for parties to engage in strategic litigation.

Judgments relating to "registration" of IP rights should not be enforceable

We note that the draft Convention currently contains certain provisions relating to the "registration" of intellectual property rights. It is unclear what the scope of these provisions is. However, we note that issues over the regi-

¹⁰ Even a seemingly simple principle such as this can be the subject of what might be regarded by some as exorbitant effects see e.g. the recent judgment of the US Supreme Court in *WesternGeco LLC v Geophysical Corp* where losses outside the United States were held to be recoverable for infringement of a US patent.

stration of IP rights can occasionally be very important - for example, disputes over ownership / entitlement can result in ownership of IP being transferred.

Given the lack of harmonisation in intellectual property laws generally, we see no possible benefit to such judgments being exportable. However, the ambiguity of the draft Convention leaves much scope for confusion. In short, we believe the *only* thing that can be sensibly exported in relation to IP litigation is damages awards for acts taking place within the source country (i.e. the country of the court hearing the case) (see above).

Judicial findings should not have any mandatory recognition

Consistent with our last point, we do not believe the “recognition” of judgments under the Convention should ever extend to findings of fact or other issues within IP litigation.

In this regard, we are particularly concerned that findings of fact in one country could give rise to recognition under the Convention. This is because, if such findings were exportable then findings from inexperienced, non-expert and/or “rogue” courts could cause very significant damage elsewhere (e.g. because they could effectively give rise to an issue estoppel and prevent the losing party from arguing its case properly).

For example, if a court in Country C found that a piece of novelty destroying prior art had been published before a patent priority date, that finding would invalidate the patent in Country C. Further, if that finding could not be challenge elsewhere, it would have the effect of invalidating the patent globally, regardless of the quality and reliability of the decision in Country C.

In short, we do not believe findings of fact or declarations from one country should be binding in another country, save where this would already be the case (i.e. as a matter of local law). We believe this should be clearly stated.

Patent office (and other administrative bodies) should meet certain standards

The IP Federation believes judgments should not be portable unless they conform to a consistently high judicial standard (e.g. encompassing quality of fact-gathering and interrogation, procedural due process and independence of the “judges” and the institution). These matters are inherently difficult to either define or police, which we believe is an argument against IP being included in the Convention in the first place.

However, in the case of Patent Offices and other competent authorities, it is doubly hard for parties to be confident that appropriate standards will be met (e.g. because of the limited resources available to Patent Offices and the inevitably curtailed procedures that they operate under). For this reason, the IP Federation does not support decisions from Patent Offices or other competent authorities being exportable at all.

IP Federation
12 September 2018



IP Federation members 2018

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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