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## **TRADE MARKS PATENTS & DESIGNS FEDERATION (TMPDF)**

**Rome II - Draft EC Regulation on the law applicable to non contractual obligations (COM (2003)0427)**

**Revised text by Netherlands and Luxembourg Presidencies; December 2004**

**DCA consultation, February 2005**

### **General**

1. Most of our previous comments of 15 March 2004 on the draft regulation as it stood at that time apply to the revised text. We recommended that disputes concerning intellectual property (IP) and certain other disputes should be explicitly excluded from the scope of the regulation; because the regulation was insufficiently clear in its treatment of such disputes and the principles laid down were over complex. ***Our previous comments (except those concerning article 9) should be considered as repeated here.***

2. Our comments focussed on those draft articles likely to apply to intellectual property and breach of confidence disputes, rather than the entire regulation. The additional comments below are similarly focussed.

3. Our general position, explained in the past for example in our comments on the Hague Conference proposals for a convention on jurisdiction and foreign judgements in civil and commercial matters (see TMPDF paper C109/01 - submitted to Lord Chancellor's Department on 18 October 2001), is that actions concerning intellectual property rights should be dealt with in the exclusive jurisdiction of a court in the state under whose law the IP right is registered or established (i.e., subsists).

### **Article 3 - General rule**

4. For our view on paragraph 2, see comments in paragraph 9 below.

### **Article 3A - Freedom of choice (former article 10)**

5. We agree with the DCA commentary which welcomes the greater degree of party autonomy in Option 2. We also support the inclusion of the "without prejudice" references to articles 5 and 8, and also the protection of the rights of third parties.

### **Article 5 - Unfair competition [and acts restricting free competition]**

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6. We agree with the points in the DCA commentary concerning the lack of clarity of this article. Furthermore, we question the bundling of unfair competition with acts restricting competition. The two issues are different.

7. Unfair competition as prohibited in a number of continental European states encompasses a number of widely different acts, not necessarily the same in each state. Many though not all acts of unfair competition concern intellectual property, e.g., acts that in England might be regarded as passing off or that involve the misuse of confidential information. Protection against unfair competition is covered under the Paris Convention for the Protection of Industrial Property and under the TRIPS Agreement (Agreement on Trade Related Aspects of Intellectual Property Rights). It therefore needs to be made clear what is and what is not covered under article 5 and how this article relates to article 8 and to other articles in the draft regulation.

8. The acts concerned, under a normal view of unfair competition, will not be of the same character as agreements between undertakings prohibited under article 81, or indeed abuse of a dominant position under article 82. Discussion of the appropriate law to apply to such actions is outside the scope of these comments.

9. The draft report by Diana Wallis for the Committee on Legal Affairs of the European Parliament (11.11.2004) also commented on the lack of clarity of article 5 and suggested that it should be deleted. We would be reluctant to endorse this approach. According to the draft report, unfair competition would be covered by the general rule of article 3. While paragraph 1 of article 3 provides a suitable basis for action in the law of the state where the damage occurs, this paragraph will be overridden under paragraph 2 when both parties reside in the same state. This is inappropriate in the situation where the unfair competition occurs in a second state, e.g., to which both parties are exporting. Article 3.2 should not be applied to acts of unfair competition in the intellectual property sense. (If the unfair competition is in the state where both parties reside, article 3.1 would apply in any event.)

## **Article 8 - Infringement of Intellectual Property Rights**

10. If intellectual property is not to be excluded from the scope of the regulation, then a specific article covering it is necessary. In line with our general position noted in paragraph 3 above, we agree with the principle that appears to be expressed in article 8.1.

11. However, we consider that the phrasing of article 8.1 is insufficiently clear, in that it implies that protection does not yet exist - it has only been "claimed". The law applicable to intellectual property infringement should be that under which the intellectual property right actually subsists. It is unusual for actions to be permitted before rights are in force, but if provision for this possibility is required, it could be added. Article 8.1 could be rephrased along the line "The law applicable....shall be that of the country under the law of which the intellectual property right subsists or has been applied for."

12. As noted in our previous comments of 15 March 2004, this provision interacts with the Brussels Regulation governing choice of court, which leads to ambiguity and confusion. The Brussels Regulation itself leads to serious problems in the intellectual property field. The opportunity to resolve the problems should be taken. Not only the applicable law is important, but also the location of the court. Infringement and validity of an intellectual property right should as a rule be litigated exclusively in the courts of the state where the IP right in question subsists. Article 8 should be adjusted accordingly, at least in respect of those rights that are registered.

13. As regards the options in paragraph 2, it is observed that the law of the forum applies at present in actions concerning Community trade marks (Community trade mark regulation article 97). Under the so far unadopted Community patent regulation, infringement will be determined by a Community patent court that will apply its own rules rather than those of the state where infringement occurs.

Former **Article 9 - replaced by Articles 9A, 9B, 9C**

14. We are pleased to see that the broad and complex scope of the former article 9 appears to have been restricted. It may be that breach of confidence is no longer covered here, unless this might result from a prior "dealing" covered in article 9C.

15. We agree with the DCA commentary that a targeted approach is necessary and that things appear to be moving in a good direction. We also consider that article 9C is too vague and further work is needed to clarify its scope.

TMPDF

14 March 2005