TMPDF
TRADE MARKS, PATENTS & DESIGNS FEDERATION

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TRADE MARKS PATENTS & DESIGNS FEDERATION (TMPDF)

Rome II – Draft EC Regulation on the law applicable to non contractual obligations

Revised text of 20 December 2004, Council document 16231/04

Patent Office consultation, 17 November 2005

We commented on this version of the draft regulation, in response to a DCA letter of February 2005 from Paul Hughes, on 14 March 2005 (our reference C43/05). Our comments were copied to the Patent Office, but for ease of reference, a further copy is attached hereto. Our main points are made again below, with some small adjustment of content and emphasis.

In the present consultation, the Patent Office specifically refers questions to us from the DCA relating to articles 8(1) and 8(2). These articles are discussed in points 8 - 13 below.

General

1. Disputes concerning intellectual property (IP) rights should be explicitly excluded from the scope of the regulation. We have previously pointed out that the way in which such disputes will be treated under the draft regulation is insufficiently clear and appears over complex. It should be added that the litigation of IP rights is already covered in several other Community instruments, such as the Brussels Regulation and Convention, the Community Trademark Regulation, the Community Design Regulation and the draft Community Patent Regulation. These various instruments demonstrate that IP is a difficult field, calling for special treatment as regards litigation and applicable law. Indeed, the existence of article 8 in this regulation appears to show that the authors recognise a need for particular treatment.

2. If nonetheless the application of the regulation to IP is maintained, despite this being inappropriate, then the relationship with the Brussels regulation has to be clarified. As we have explained in the past, for example in our comments on the Hague Conference proposals for a convention on jurisdiction in civil and commercial matters (see e.g., TMPDF paper C109/01 – submitted to Lord Chancellor's Department on 18 October 2001 and subsequently, and copied to the Patent Office) and in numerous TMPDF comments on the Community patent, an action concerning an IP right should be dealt with in the exclusive jurisdiction of a court in the state under whose law the IP right subsists. This should be the case for all fields of IP. The Brussels regulation goes part, but only part, of the way towards this, by providing that validity of registered rights should be dealt with in such an exclusive jurisdiction. **It might be noted that in the past, UK government negotiators have taken the position that infringement and validity should be dealt with in the exclusive jurisdiction of a particular court, e.g., in negotiations on the Community trademark, design and patent, and on the EPLA**.

Article 3A – Freedom of choice (former article 10)

3. While agreeing with the DCA commentary of February 2005 which welcomed the greater degree of party autonomy in Option 2, we support the inclusion of the "without prejudice" references to articles 5 and 8, and also the protection of the rights of third parties.

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Article 5 – Unfair competition [and acts restricting free competition]

4. Not only do we agree with the points in the DCA commentary of February 2005 concerning the lack of clarity of this article, but we also question the bundling of unfair competition with acts restricting competition. The two issues are different.

5. 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 IP, 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 as an industrial property right under the Paris Convention for the Protection of Industrial Property and as an IP right under the TRIPS Agreement (Agreement on Trade Related Aspects of Intellectual Property Rights). It therefore needs to be made very 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.

6. The acts concerned, under a normal view of unfair competition, will not be of the same character as acts restricting free competition such as agreements between undertakings prohibited under article 81 EC, or indeed abuse of a dominant position under article 82. Regulation of such matters should, it would seem, be excluded from the scope of the present draft regulation.

7. The draft report by Diana Wallis for the Committee on Legal Affairs of the European Parliament (11.11.2004) 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 article 3.1 provides a suitable basis for action in the law of the state where the damage occurs, this will be overridden under article 3.2 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. We consider that article 3.2 should not be applied to acts of unfair competition in the IP sense.

Article 8 – Infringement of Intellectual Property Rights

8. If IP rights are not to be excluded from the scope of the regulation, then a specific article covering them is necessary.

Article 8.1 (Infringement of national IP right)

9. The phrasing of article 8.1 is insufficiently clear. It implies that protection does not yet exist – it has only been "claimed". This is unusual terminology in the IP field. The law applicable to IP infringement should be that under which the IP right actually subsists.

10. **As noted in point 2 above, this provision will interact with the Brussels regulation governing choice of court and will lead to ambiguity and confusion. The opportunity to resolve the problems of the Brussels regulation in the IP field should be taken. Infringement and validity of a national IP right should be litigated exclusively in the courts of the state where the IP right in question subsists. Article 8 should be adjusted accordingly.**

Article 8.2 (Infringement of Community IP right)

11. As regards the options in article 8.2, it should be observed that the law of the forum applies to any question that is not governed by the relevant Community instrument under the Community trade mark regulation (CTMR - article 97.2) and under the Community design regulation (CDR – article 88.2). These provisions make good sense, in that litigation is conducted before a designated Community court, located in the state of the defendant's domicile, considering a Community, not a national, right, to reach a Community wide ruling (in accordance with CTMR art 94.1 or CDR art 83.1). A plaintiff who wishes for a ruling linked to a particular state where infringement occurs has the option of suing for infringement in a court in that state (although without a Community wide ruling unless the defendant is domiciled there – CTMR art 94.2, CDR art 83.2).

12 Under the draft Community patent regulation, infringement will be determined by a Community patent court that will apply its own rules, not those of any individual state.

13. **It should not therefore be a matter for delegations to express a preference between the law of the state where infringement occurs and the law of the forum. The precedent established by existing Community law in the IP field should be followed, i.e., the law of the forum for any question not covered by the Community instrument should be the rule.**

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

14. We are pleased that the broad and complex scope of the former article 9 appears to have been restricted. Nevertheless, article 9C is too vague and further work is needed to clarify its scope. Moreover, it should be made clear to what extent aspects of unfair competition such as breach of confidence are covered in articles 9A – 9C and what the relationship with articles 5 and 8 will be.

23 November 2005

COPY of 14 March 2005 comments

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].

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. Page 3 of 3

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