Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters

"A great day for global justice"

(Really?)

These are the opening words of an 8 July 2019 Press Release from the Hague Conference on Private International Law (known as "HCCH") announcing the adoption on 2 July of the 2019 Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters. The somewhat portentous words marked a significant step in a project that had been under way for more than 25 years.

Private international law (or "conflict of laws" as it is commonly known in common law countries) is the body of law that determines in which country's courts a dispute between nationals of different countries can be brought, which law will apply to the dispute and in which countries any court order will be recognised and enforced. It is largely governed by national laws, though there have been attempts to draw up treaties, and a body of EU law exists, setting out rules on any or all these three issues.

When the author was studying law at university, private international law was an option in the third year. However, although it was never specifically stated, it was known that only the brightest should study it (in the same way as only the brightest are capable of practising tax law). It was not regarded as suitable for the average student. As the author was decidedly average, he did not study it.

So, given the aura around private international law and his own ignorance of the subject, it was with a sense of trepidation that the author greeted the arrival on his virtual desk in spring 2017 of the February 2017 draft Convention on Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters being negotiated under the auspices of the Hague Conference on Private International Law (known as HCCH). That sense of trepidation grew when he read those papers.

As its name suggests, the draft Convention was a proposal for a scheme under which courts in one party (the requested court) would agree to recognise and enforce the judgments of the courts of another party (the court of origin). It dealt with only one part of the private international law trinity. It did not seek to regulate the law that had to be applied by the court of origin or the rules under which that court exercised jurisdiction over the defendant (though both choice of law and jurisdictional rules would affect whether an order would be enforceable in the requested court).

At first sight, it might be thought that the IP Federation, comprising many of the most innovative and IP-reliant companies in the UK, would favour an international instrument which might, if widely adopted in its broadest form, allow one court to hear IP disputes involving many countries and the judgment of that court (whether injunctive or monetary) to be enforced in other countries. However, the IP Federation's members are also defendants in legal proceedings and are therefore conscious of the need to promote a balanced system that works for all users.

A little historical background to the Convention is instructive. Work on such a convention originally dates back to before the 1970s. In 1971, a convention on recognition and enforcement was agreed. Only two states appear to have ratified, and a further three appear to have

succeeded to that convention. In a May 1992 paper, the Permanent Bureau of the HCCH attributed that failure in part to its complex form.

Work on the present Convention (known as the Judgments Project), began as long ago as the first half of the 1990s, and a preliminary draft was issued in August 2000. From very early on, the questions of whether judgments relating to IP should be within or excluded from the Convention, and how IP should be treated if it was within the Convention, were contentious for a variety of reasons.

A report of a meeting of experts in February 2001 indicates that the EU felt that, if rules that provided "predictability and acceptable grounds for jurisdiction" could be agreed, inclusion of IP would be "very useful". The US however, having consulted industry, found almost uniform opposition to the then-current text and great "difficulty understanding" it. (Amusingly perhaps, the report of the meeting notes the Commission concern that any Convention must be capable of dealing with "Community IP rights [including] …. in the very near future … the Community Patent.")

It was apparent that it would not be possible to achieve consensus on a draft dealing with issues of both jurisdiction and enforcement, so focus turned in 2002 to a Convention on litigation involving agreements containing choice of courts provisions (i.e. jurisdiction clauses). That work proceeded quickly, and a Convention was concluded on 30 June 2005. Its success can perhaps be measured by the fact that, apart from the EU and EU Member States, it has only five contracting parties, only two of which (Singapore and Montenegro) have ratified it.

It wasn't until 2012 that the HCCH Council agreed that work on the Judgments Project should resume through a Working Group, and it took until 2016 for a preliminary draft to be ready for discussion. That draft contained no suggestion that IP should be excluded from the scope of the Convention. The discussion of the preliminary draft led to publication of a further draft in February 2017. It was this draft that came to the attention of the Federation.

The February 2017 draft was difficult for an outsider to understand, as it contained many sections of square bracketed text, indicative in treaty negotiations of substantive disagreement. The majority of these related to IP. There was clearly a significant disagreement as to whether judgments relating to IP should be within the scope of the Convention at all (and thus portable among its parties), the scope of judgments that might be portable (for example, preliminary and final injunctions and monetary awards, judgments on validity or just infringement) and the conditions which would be necessary for portability (for example, only if the judgment related to infringement of an IP right in the country court of origin or also judgments related to "foreign IP rights").

Even the most apparently simple but in fact quite complex questions produced various options for answers over the next year and a half. For example, on the question of what, if any, IP might be excluded from the scope of the Convention, suggested answers ranged from (i) no exclusion of IP at all (2016 preliminary draft), to (ii) exclusion of "[intellectual property rights[, except for copyright and related rights and registered and unregistered trademarks]]" (February 2017 draft), to (iii) exclusion of "[intellectual property [and analogous matters]]" (November 2017 and May 2018 drafts). This question is of fundamental importance. If IP judgments (or some of them) are to be excluded, there needs to be consensus as to what they are for the Convention to work. For example, would a judgment of a court in country A relating to trade secrets or traditional knowledge be enforceable in country B?

All drafts after the preliminary draft contemplated complete exclusion of "intellectual property" from the Convention, all drafts also contemplated the inclusion of some or all "intellectual property", and all drafts had extremely complex provisions as to how various types of judgments relating to various types of IP should be treated.

One might have thought that an important process step for parties working on the issue of whether and how IP should be within the scope of the Convention might have been to find out the views of users of IP systems. As we have seen, the United States consulted its users as early as 2001. The EU took a different approach; by (at latest) December 2017, a paper submitted by the EU to HCCH (prefaced with the words "This paper expresses the preliminary

views of the EU delegation and may not in any circumstances be regarded as stating an official position of the EU") stated:

> The EU is in favour of retaining IP within the scope of the Convention. IP rights are an important economic factor, and a secure legal framework for cross-border cases is of the essence.

This is interesting because this preliminary view was formed without any consultation with users whatsoever. Indeed, to this day, there has been no formal consultation by the Commission. As we shall see, views were given to the UK IPO and Ministry of Justice by the Federation. And the Convention was the subject of a hearing in the Legal Affairs Committee of the European Parliament in April 2018 at which the presentation of the representative of BusinessEurope stated:

> IP owners in Europe were only made aware in mid-2017 of this ongoing negotiation and its potential impact on IP rights. We did not proactively call for the inclusion of IP to its scope as we did not feel the need for it. **BUSINESSEUROPE is against the inclusion of at least patents, trade marks and designs in the scope of the Convention.** [Emphasis in original]

So, the "preliminary and non-binding view" of the EU did not appear to be that of its businesses. Nor did the EU paper explain why it now favoured a Convention which would apply to IP even though the draft did not encompass "predictable and acceptable grounds of jurisdiction", which had appeared to be a pre-condition of support for inclusion of IP in 2001.

The Council of the Federation considered the February 2017 draft. The large number of square-bracketed sections made it difficult to assess where the Convention might end up. But significant issues were unresolved and had to be carefully considered, not least by the user community. Would the UK Courts have to recognise or enforce a judgment revoking a UK patent or an injunction for infringement of copyright which had extra-territorial effect? Would it have to enforce an order for damages for misuse of traditional knowledge, a cause of action unknown to UK law? Would it have to enforce a judgment of a Court which did not operate under commonly accepted standards of due process (a question of relevance to the Convention as a whole, not just an IP judgment)? Would the judgment of a national or regional patent office be enforceable? How would contractual judgments with important IP elements be enforceable?

While recognising that there might, in theory, be some merit to some IP judgments being included within the Convention under some conditions, the Council felt that the draft was inadequate and would give rise to many problems. It concluded that the dangers with the draft far outweighed any benefits.

The Federation brought the issue to the attention of other relevant trade associations, which ultimately led to the BusinessEurope intervention in the European Parliament referred to above.

We also spoke to the officials at the IPO and Ministry of Justice, who welcomed and understood our views and concerns (albeit at the time they had no direct ability to control matters, since the EU had exclusive competence to negotiate the Convention).

Fresh drafts followed in November 2017 and May 2018. Each appeared to be moving towards a more limited application of the Convention to IP (though it was hard to tell because a significant amount of square-bracketed text remained). If IP was to be included, in its most limited scope, the Convention might only have required recognition and enforcement of compensatory monetary judgments for infringement of an IP right existing in the country of the requesting court. But it was by no means clear that this would be the outcome. As noted above, the complete exclusion of IP from the scope of the Convention also remained a possibility in each draft.

Each draft became more complicated (did no one recall the 1992 thoughts of the Permanent Bureau that complexity was partly responsible for the failure of the 1971 Convention?). Such was the complexity that the EU felt it necessary to publish a paper running to almost 30

(dense) pages explaining how the IP provisions of the November 2017 draft were intended to operate. The Co-Rapporteurs published a similar paper in May 2018. As the complexity increased, the need for careful consideration by all stakeholders, especially users who would be affected, became more important.

Though the outstanding issues on IP were significant, progress on other areas was such that it was decided in 2018 to convene a Diplomatic Conference in June 2019 to finalise the Convention.

In light of that decision, the Federation decided to adopt and publish a policy paper. It contained detailed comments on the May 2018 draft. Neither the EU explanatory paper nor that of the Co-Rapporteurs had proved sufficient to allay the concerns of the Federation as to the value and risks of the Convention relating to IP, even if the final form adopted when all the square brackets were resolved were to include the most limited scope of inclusion contemplated by the May 2018 draft.

The Federation position was succinctly stated:

> The IP Federation is strongly against the inclusion of any IP within the scope of the Convention.

In any event, the Convention adopted on the "great day for global justice" excluded from its subject matter "intellectual property".

That term remains undefined, though we understand that Explanatory Notes to the Convention might address its meaning (which, as noted above, is an important question with a bearing on whether the UK courts will know, for example, whether to enforce a judgment of a foreign court for misuse of traditional knowledge). The Explanatory Notes may also explain the circumstances in which contract judgments where IP questions are critical are and are not to be enforced.

Questions such as these will have to be considered by the Federation in deciding whether to endorse UK accession to the Convention (assuming the UK leaves the EU).

At the time of writing, only Uruguay has signed the Convention. As the Press Release noted, the Secretary General of the HCCH:

> stressed … that with the adoption of the Convention a new chapter has opened and that the focus now shifts towards the promotion of the Convention. He invited all delegates to be "champions of the Convention" so that "the Convention is taken up by States. That it is implemented correctly. That it operates effectively".

It remains to be seen whether the Convention is widely adopted or whether, like the 1971 Convention, it is an interesting document that will be revisited in years to come.

David Rosenberg, 4 November 2019